



**MINUTES OF THE MEETING OF  
THE OHIO LOTTERY COMMISSION AUDIT COMMITTEE**

**HELD AT:  
THE FRANK J. LAUSCHE BUILDING  
ROOM 205  
615 WEST SUPERIOR AVENUE - CLEVELAND, OHIO 44113**

**March 27, 2017  
10:00 A.M.**

**Present at the meeting were the following:**

Sean Whalen, Chairman, and Commissioner, OLC  
Angela Mingo, Member and Commissioner, OLC  
Trevor McAleer, Member and Commissioner, OLC  
Dennis Berg, Executive Director, OLC  
Greg Bowers, Deputy Director, Finance, OLC  
Cindy Klatt, Chief Audit Executive, Office of Internal Audit, OBM  
Erin Brown, Internal Audit Section Chief, OBM  
Amy Radebaugh, Internal Audit Section Chief, OBM  
Joseph Volpi, Office of Internal Audit, OLC  
Jim Brown, IT Manager, OLC  
Lawrence J. Miltner, Chief Legal Counsel, OLC  
Diane Nagorny, Office of Internal Audit, OLC  
Liz Popadiuk, Deputy Director of Human Resources, OLC  
Carla Reeves, Office of Internal Audit, OLC  
Jane Parker, Office of Internal Audit, OLC  
Jennifer Wilson, Deputy Director of Internal Audit, OLC  
Connie Miller, Deputy Director of Operations, OLC  
Michael Petro, Deputy Director of Information Technology, OLC  
Nicole Kostura, Deputy Director of Government and Community, OLC  
Richard Perk, Deputy Director of Sales, OLC

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## **CALL TO ORDER**

The Ohio Lottery Commission (“OLC”) Audit Committee Meeting of March 27, 2017, was called to order at 10:05 A.M. at the Frank J. Lausche Building, Room 200 by Chairman Sean Whalen.

## **APPROVAL OF MINUTES OF December 19, 2016**

- Chairman Whalen asked the Commissioner whether there were any questions regarding the meeting minutes. Chairman Whalen requested a motion to approve the December 19, 2016, minutes.
- Commissioner Mingo moved for approval. Commissioner McAleer seconded the motion and all Audit Committee Members present affirmatively voted on the motion.

## **CHAIRMAN’S COMMENTS**

- Chairman Whalen stated that the Audit Committee wants to be informed about the various issues on the Aging Accountability Report. Chairman Whalen also stated he wants to discuss not only the upcoming Peer Review but also the documents for fiscal year 2018, i.e. IA policy manual, Audit Committee and Internal Audit Charters from a governance perspective. These documents are scheduled to be approved at June’s Audit Committee meeting.
- Chairman Whalen asked whether there were any questions before he moved on-to the next agenda item. There were no additional comments; Chairman Whalen directed the meeting to Deputy Director, Jennifer Wilson.

## **DEPUTY DIRECTOR OF INTERNAL AUDIT REPORT**

- Ms. Wilson stated she provided the Commissioners draft copies of the Internal Audit policy manual and the Audit Committee and Internal Audit Charters. Ms. Wilson stated after the Audit Committee members review and approve the draft documents, they will be finalized at June’s Audit Committee meeting.
- Ms. Wilson stated in addition to the draft documents mentioned she has also provided the Audit Committee a draft copy of the Risk Assessment Matrix. Ms. Wilson stated that the data was based on her interviews with each Deputy Director. Ms. Wilson stated that this upcoming fiscal year is considered a baseline year where all prior ratings were removed; also, some categories were removed and other categories were added. Ms. Wilson stated as soon as the Office of Budget and Management’s (OBM) Risk Assessment is complete, she will determine which audits will be included in fiscal year 2018 audit plan.
- Chairman Whalen asked Ms. Wilson the result of the survey responses. Ms. Wilson stated that the responses she recieved were helpful. Ms. Wilson explained that she sent out two surveys; one for the Commissioners and the other for the Deputy Directors. Ms. Wilson stated she emailed twelve Deputy Directors and she received nine responses. Ms. Wilson stated the second survey was emailed to both the

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Commissioners and members of the Office of Budget and Management (OBM). She emailed eleven surveys and received six responses.

- Ms. Wilson stated she emailed the Audit Committee members the results of the survey.
- Commissioner McAleer asked Ms. Wilson if there was one area of risk that both the Commissioners' and Deputy Directors deemed as an area of concern. Ms. Wilson replied yes. Ms. Wilson stated the area that ranked the highest from both response groups was Third Party Vendor Management.
- Chairman Whalen stated the feedback is helpful and he will speak with Chairman McDonald regarding the results of the survey.
- Ms. Wilson stated that she met with Senior Management two weeks ago and one of the areas of concern is that they would like positive remarks to be included in the final reports so that the Audit Committee can appreciate the efforts that management puts forth to manage their departments.
- Ms. Wilson proposed to the Audit Committee members that when audit reports are finalized she include them on the distribution list.
- Chairman Whalen asked whether the final report includes issues to close out the audit. Ms. Wilson stated no. The auditor issues a draft report to the responsible parties, and then those individuals respond to the recommendation whether they agree with the recommendation or disagree. Once both parties agree, a corrective action plan is established and documented and that is when the final report is issued.
- Ms. Wilson stated the recommendations will also be included on the Aging Accountability Report and will be discussed periodically.
- The Audit Committee agreed that final reports be emailed to their State email addresses.
- Chairman Whalen stated that the final report(s) be inclusive of the management comments, a plan of action and any additional information regarding the audit in addition to positive comments. Chairman Whalen stated this would be helpful in providing the Audit Committee more context on the various audit issues. Ms. Wilson stated yes.
- Chairman Whalen and the Audit Committee agreed with Ms. Wilson's recommendation. Commissioner Mingo also stated this would provide the Commissioners a more comprehensive view of the audit.
- Chairman Whalen asked if there is a time of the month when the final reports are distributed. Ms. Wilson stated final reports are distributed as the Auditor completes an audit. Chairman Whalen stated the Audit Committee should be conscientious in checking their state emails.
- Ms. Wilson moved on-to the Dashboards. Ms. Wilson stated that the first pie chart, located in the left-hand corner, five audits have been completed. Ms. Wilson stated we have completed fifty percent of the fiscal year 2017 audit plan. Ms. Wilson stated that the right-hand side of the pie chart indicates the

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audits that are in various stages of progress and three audits that are not started. Ms. Wilson stated that the Retailer Winnings audit status changed from fieldwork to testing. This audit is scheduled to move into the reporting stage within the next couple of weeks.

- Ms. Wilson stated that the Performance Evaluation audit will consist of focusing on compliance only and is scheduled to be completed before the end of FY17. Ms. Wilson also stated that she anticipated that both the Game Show and Matter Management audits will be complete by the end of the 4<sup>th</sup> quarter. Ms. Wilson stated once those audits are complete, we will have completed 70% of our Audit plan.
- Ms. Wilson stated that the dashboard does not include the audits that are being performed by the Office of Budget and Management (OBM). Ms. Wilson stated that eighteen total audits were planned for fiscal year 2017, and currently seven audits (40%) have been completed. The Office of Budget and Management (OBM) has completed three out of the five audits planned. Ms. Wilson stated that the fourth audit is currently in the pre-scope audit phase. Ms. Wilson stated once the Office of Budget and Management (OBM) completes their five audits and our Auditors complete the other four audits by fiscal year 2017 we will have achieved a completion rate of 72% of the audit plan. Ms. Wilson stated Internal Audit's goal is 80%.
- Ms. Wilson move onto the Corrective Action Timeliness chart. Ms. Wilson stated that we have fifty-one open issues that are categorized in one of two categories, not due and late. Ms. Wilson stated that twenty-three of the fifty-one issues (45%) have revised dates. Ms. Wilson also reported that 46% have made some progress towards completion and the other 54% have no change in status.
- Ms. Wilson stated that the average open issue age reflected on the Aging Accountability Report (AAR) is five hundred and forty-seven days old, or eighteen months. Ms. Wilson stated that the Business Continuity Plan audit (BCP) issues are an outlier. If the issues related to BCP are removed, then the average age is reduced to two hundred and eighty- three days or nine and one half months.
- Chairman Whalen stated that there is a 54% no change in status. Chairman stated based on the AAR how does this information align with the expectations around the due dates? Also, Chairman Whalen stated that although due dates were provided by management the status of the issues remained the same. Ms. Wilson agreed with Chairman Whalen's observation. Ms. Wilson stated that the 54% relates to the overdue category.
- Chairman Whalen stated, to be clear, the dates that are indicated on the reports are dates that are discussed during the Audit Committee meeting with Senior Management on their responses to what dates are reasonable to mitigate to an issue. Chairman Whalen stated, when we look at 54% open issues

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that relate to pending status change the responses for revision dates were identified by Senior Management, not from the Audit Committee, nor Internal Audit staff.

- Ms. Wilson also stated that on the same graph, twenty- eight issues have been closed.
- Ms. Wilson moved onto the bottom left hand corner chart titled “Total Issues Open/Closed.” Ms. Wilson stated that we have nineteen open high-risk issues, twenty-five open medium risk issues and seven open low risk issues. Ms. Wilson also stated there were two high-risk issues, eighteen medium, and eight low risk issues that were closed.
- Ms. Wilson stated when she analyzes the information within the chart, the high-risk issues tend to be more complicated than medium or low risk issues. High-risk issues require more time and collaboration. Ms. Wilson stated that conversely, the medium and low risk issues tend to be not as complex to resolve. Ms. Wilson stated that yes, the focus/priority should be on resolving the high-risk issues; however, given the complicated nature of the high-risk issues and the more time needed to correct these types of issues tends to lead most people to gravitate towards the not- so-complex issues. Ms. Wilson stated this may explain why 37% of all open issues are high risk and 14% are low risk. Ms. Wilson reiterated when the Business Continuity Plan (BCP) is complete, which she considers an outlier, then the high-risk issues will decrease to 20% versus 37%.
- Chairman Whalen stated that as we talk through high-risk issues and the next steps and milestones to correcting or achieving what the recommendation is, management is to be mindful of the dates that they provide. Chairman Whalen stated that the dates that management provides creates scenarios where the action relating to the risk is either late or pending which indicates that no progress has been made when in fact management knows that progress has been made.
- Chairman Whalen stated that today the Audit Committee will ask for revised dates. The dates are vital because as the Audit Committee reviews the high-risk issues that are considered late then, from the Audit Committee point of view, we view this as the worst category. Chairman Whalen stated if the issue categorized as a high- risk and the status is late then the Audit Committee wants to understand why, i.e., were additional issues incurred? Chairman Whalen stated that if this is the case then management is to provide a revised date that is acceptable to respond to the issue and eventually close the audit. Chairman Whalen stated if the high-risk issue status remains in a perpetual late status then that issue would be discussed as far as a course of action to correct the issue. Chairman Whalen stated that those high-risk issues are looked at carefully from a reputation standpoint.
- Chairman Whalen stated as the Commissioners ask for revised dates primarily relating to those complex high risk issues management should be conscious of the revise dates that they provide.

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- Commissioner Mingo stated she agrees with Chairman Whalen's comments.
- Commissioner McAleer stated he agrees as well and further explained as the Committee discusses the revised dates especially in regards to the high-risk issues, he has observed that some of the departments believe that some of the issues addressed should be closed since they consider their portion to be resolved.
- Commissioner McAleer would like to discuss further clarification from management on their views of what they deem as complete. Commissioner McAleer asked Ms. Wilson to explain to the Audit Committee, and to those Management staff that are present, the steps that are necessary to close/complete an audit risk issue.
- Chairman Whalen asked whether this is an issue relating to a change in status about what issues that need to be complete. Chairman Whalen stated that if there is an uncertainty within Management of whose job duties it is to ensure that the high-risk issues are to be investigated and then completed, then according to Chairman Whalen, this undermines all the dates that management has provided from a deliverable stance to the Committee.
- Chairman Whalen stated that Management should be aware of those employees who are to perform certain job duties to assist in resolving the audit issues. Chairman Whalen stated his hope is for management to contact him regarding any questions or concerns that he or she may have relating to the nature of the issues, who is responsible for status updates and completion dates.
- Executive Director Berg stated there might be some confusion with Management regarding their understanding of how the risk categories are rated and the issues associated with the risks.
- Ms. Wilson explained that the data that is identified in the Draft Risk Matrix assessment is the raw data. Ms. Wilson stated although a category could be rated a certain way does not necessarily determine that the category will be on the upcoming fiscal year plan.
- Chairman Whalen stated if we are working through a high-risk audit and some findings needed to be resolved some of those individual findings can be splintered off to be low-risks due to the topic. Ms. Wilson agreed. Chairman Whalen continued to say that those can develop into high-risk issues because they linger which causes those issues to change from a low- risk issues to now a high-risk issue.
- Ms. Wilson stated we could have a high-risk audit category. However, during our audit meeting, those issues could be determined to be low- risk issues. Ms. Wilson goes on to explain although the topic may be categorized as high- risk the recommendations and observations may be low risk issues.
- Executive Director Berg asked whether the risk originates as a high-risk issue. Ms. Wilson stated not necessarily. It depends on the circumstance on why the category was rated high-risk.

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- Connie Miller, Deputy Director, Operations provided the Audit Committee an example of the Lottery Profits Education Fund (LPEF) audit. Ms. Miller stated that we were waiting for a CCRF to change the BOS report. Therefore, this issue is viewed as a high-risk. Mr. Brown, IT Manager, stated that this issue is complete. Ms. Miller stated that this issue is still identified as a high-risk issue.
- Executive Director Berg stated the audit topic is high-risk, not the issue.
- Chairman Whalen asked Cindy Klatt, Chief Audit Executive, OBM, based on her experience if she has a high-risk category. Some portion of the audit could have some low risks issues. Most the issues have been completed except for some of the low-risk issues, is it best practice for the audit team to report the issue as an open high-risk item awaiting the resolution or scrutiny in our current setting or further classify the issue as this is a high-risk item with low risk issues?
- Ms. Klatt stated that OBM evaluates these matters independent of the risk category. Ms. Wilson stated that the Internal Audit department performs the same process.
- Ms. Wilson stated that the issues are independent of the overall risk category. Ms. Erin Brown, OBM stated that the risk category might be high with low – risk observations. The category is not affecting the process to the degree it is not functioning properly.
- Chairman Whalen asked if there is a method for us to evaluate our analytics to categorize the high-risk audits and what we have as it relates to high-risk findings versus, medium and low-risk findings that would require attention. Chairman Whalen stated it may be too granular; however, the data is worth analyzing based on what he has identified where the Audit Committee has a limited view of the risks compared to Management having a broader perspective of the organization's risk.
- Chairman Whalen stated that this approach would help us use our resources wisely. Also, this would assist in tracking high, medium or low risk findings accurately.
- Ms. Wilson stated, in contrast, there could be a low- risk audit category with high-risk observations. Ms. Wilson stated that the high-risk observation will still be a priority even though the audit category is low-risk.
- Chairman Whalen agreed. He stated that this is further to the point that we need a way to organize the subject matter as a result of all the audits that have been completed, these are the findings that have been identified.
- Chairman Whalen stated that findings have their particular risk rating. As a result, there may be some low-risk topics that elevate to the top of the list based on the category. Chairman Whalen stated from a priority point of view the risks are now categorized. Chairman Whalen stated, for example, low-risk finding, high risk category or high- risk category, low-risk observation.

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- Chairman Whalen stated this process may change the flow of the meeting to findings from a risk perspective first and then looking at the overall topic to determine if it has been satisfied. Chairman Whalen stated the first concern is to address all high-risk topics. If any of the high-risk topics with high-risk findings have not been addressed then that allows for the Audit Committee to focus on that topic and discuss a plan of action to resolve the issues.
- Executive Director Berg stated that as an Auditor it is a natural tendency to focus on the high risk issues. However, from a Manager perspective, the issue is a low risk issue.
- Ms. Wilson completed her report on the dashboard.
- Chairman Whalen proceeded to Executive Session.

### **EXECUTIVE SESSION**

- Chairman Whalen stated, “At this time I would like to move to go into Executive Session to consider security and infrastructure records required to be kept confidential by the Ohio Revised Code section 149.433, and to consider preliminary reports of Internal Audit of the Office of Budget Management (OBM) required to be kept confidential by Ohio Revised Code 126.48.”
- The motion to go into Executive Session was seconded by Commissioner Mingo. A roll call vote was taken by Ms. Reeves, and all Audit Committee members present affirmatively voted on the motion.
- The Audit Committee moved into Executive Session at 10:30 a.m.
- The Audit Committee moved out of Executive Session at 11:10 a.m.



**INTERNAL AND EXTERNAL AUDIT REPORT REVIEW**

- The first issue is from the **Social Media audit**. Ms. Wilson stated that this finding is about the lack of updated agency policies. Ms. Wilson directed the subject matter to Elizabeth Popadiuk, Deputy Director of Human Resources. Ms. Popadiuk stated that her department has made great progress regarding ensuring the policies have been reviewed, updated, and electronically sent to the employees.
- Ms. Popadiuk stated that all human resource policies were reviewed by Legal and they are in the process of releasing some of the policies for staff to acknowledge. Ms. Popadiuk stated they are waiting for more policies to come back from Legal. Ms. Popadiuk stated she is also simultaneously awaiting final review for all other policies to ensure that they have the correct information.
- Ms. Popadiuk stated to follow-up on the last Audit Committee meeting, the Commissioners asked whether the agency had a policy on policies and, at the time she stated yes, which was untrue, but currently, yes they now have a policy on policies in draft.
- Ms. Popadiuk stated that they have a review process. She shared this information with Ms. Wilson and will share with Mr. Miltner. Ms. Popadiuk stated she wants Mr. Miltner, Chief Legal Counsel to contribute input from a statute perspective.
- Ms. Popadiuk stated that once Mr. Miltner reviews the policy on policies, then they will have this policy in place. Ms. Popadiuk provided the Audit Committee a date of June 1, 2017, for which all policies will be complete.
- Chairman Whalen asked Ms. Popadiuk that when she says, *completed*, is this process inclusive of review, published and then read by the employees. Chairman Whalen asked if there is a process where we can identify that the employee has read and understood the policy. Ms. Popadiuk stated yes we have a policy acknowledgement system for which they have been working with IT to create. Ms. Popadiuk stated that some adjustments are currently being made related to the system; however, the adjustments are for reporting purposes.
- Ms. Popadiuk stated that as Executive Director Berg approves policies, the policies are uploaded to the Intranet for the employees to review and acknowledge that they have read the policy.
- Ms. Popadiuk stated that, currently, revisions are being made to the reporting system, which should make things easier to identify those individuals who have and have not acknowledged that they have received and read the policies.

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- Chairman Whalen asked whether Ms. Popadiuk could provide a sample of the report to June's Audit Committee meeting. Ms. Popadiuk stated she would speak with Maureen Hall, IT Project Manager. Mr. Brown stated that they could show the Audit Committee how the system operates.
- Chairman Whalen stated that he would like to see how the system works. He thinks it is really interesting how Human Resources created an interactive employee interface for reviewing and tracking employee acknowledgment of policies. Mr. Brown stated they were working with Kentico to assist with the process.
- Ms. Popadiuk stated that they would be happy to show the Audit Committee how the employees acknowledge the policies.
- Commissioner Mingo asked how many policies require employee acknowledgement. Ms. Popadiuk stated that human resources has an agency-wide total of seventy-five policies that have been reviewed and revised. Ms. Popadiuk stated they have not released all of the policies and are distributing small batches of 7 to 8 policies at a time. Ms. Popadiuk stated she currently does not have data on how many employees read the policies. However, she is certain that employees are receiving the policies and they know that they are available.
- Mr. Larry Miltner, Chief Legal Counsel, stated that employees are acknowledging that they have received the policy and that they will abide by them.
- Chairman Whalen asked Counsel Miltner that he had mentioned that he assigned a couple of his employees to assist in reviewing the policies. Chairman Whalen inquired how this process has worked for his department.
- Mr. Miltner stated his department completed the general policies and sent them back to Human Resources. Mr. Miltner stated that in January 2017 his office received the Human Resources policies. The Human Resources policies were divided among three lawyers to review. However, an unexpected litigation case occurred demanding his time and necessitating an assignment of the review to the two Assistant Counsel. The policies are scheduled to be complete by the end of March 2017.
- Commissioner Mingo asked the percentage of policies that are pending review. Mr. Miltner stated only a small amount are currently pending for consideration and completion.
- Executive Director stated, to clarify, not every policy directly affects all employees.
- Chairman Whalen asked whether the software can target those policies that only relate to specific employees. Mr. Brown stated yes; however, it may be a little more complicated.

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- Ms. Popadiuk stated the plan is to issue all policies to all employees. They will report and track who has acknowledged the policies and who has not.
- Chairman Whalen stated that management should be able to assist the employees from a job function perspective to understand a particular policy. Ms. Popadiuk stated that most employees rely on the Office of Human Resources to assist them in understanding his or her job function. Ms. Popadiuk stated when it is appropriate, Human Resources will refer the employee back to his or her manager for clarification.
- Chairman Whalen stated that as long as the employee has some direction of who they can go to as far as clarity whether it being a policy or job function, then we have performed our job to provide them a resource to understand the process as it relates to his or her situation.
- Chairman Whalen stated he wants to ensure that the employees have a way to navigate if they have questions regarding the policies
- Ms. Popadiuk stated yes employees are assured that he or she can contact Human Resources and speak with their manager.
- Mr. Miltner stated that these rules were intended as internal management rules. The Legal Department, as part of its review, was considering if the rule impacted the rights of parties outside the Lottery. If so the rule might have to go through a rule making process and provide notice and opportunity to third parties to comment on the rule. Mr. Miltner stated that the Legal Department separated such policies for special action.
- Ms. Wilson stated the next couple of issues also relate to the **Social Media audit**. She is waiting for the policies to be completed and issued and then she will close the issues.
- Chairman Whalen stated that June's Audit Committee meeting is going to be exciting as many of the lingering open issues will possibly be complete.
- Ms. Wilson stated that the next issue relates to a few employees not acknowledging the IT Security review policy. Ms. Wilson stated that Human Resources will follow –up with those individuals who have not acknowledged receipt of the policy. Ms. Wilson stated this process was not clear as to who should ensure that the employees accept and review policies.
- Ms. Wilson moved on to the **Contract Compliance Audit**. Ms. Wilson stated that the only update that she can provide are that the issues are not completed. Ms. Wilson stated that this status was specifically from the Contract Compliance Manager. Ms. Wilson deferred this topic to Greg Bowers, Deputy Director of Finance for an update. Mr. Bowers stated that he discussed the risk issues with Connie Miller, Deputy Director of Operations and they have decided that the Ohio Lottery and Management

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need to narrow down a list of those vendors that we regularly utilize compared to the vendors that we seldom use. Mr. Bowers stated that they are in the process of narrowing down the list and they have received evaluations from the vendors. He stated they are making progress. Ms. Miller stated that as the Department of Administrative Services (DAS) becomes more involved in how the Lottery conducts its business, they also have a process by which the Ohio Lottery has to abide. Ms. Miller stated they are evaluating the tracking method and may consider making some changes to the Lottery's process.

- Chairman Whalen stated the Lottery has an employee that oversees the vendor contracts. Chairman Whalen asked whether that employee is making suitable progress on tracking the vendor contracts. Chairman Whalen stated that this is a relatively new position for this individual. Mr. Bowers said yes that person in the position is relatively new. Chairman Whalen asked whether she is adjusting well to the position. Mr. Bowers stated that that person is doing well. There has been some resistance; however, overall she has adapted to her new role.
- Chairman Whalen asked what is the resistance that this person is facing. Mr. Bowers provided one example for instance, does janitorial services need evaluated? Mr. Bowers stated that they need to review and re-evaluate the list.
- Chairman Whalen stated when the survey went out to the Commissioners and Senior Management, Third Party Vendor Management ranked the highest compared to the other categories. Chairman Whalen stated that, as a Commissioner, there is a level of risk within this group.
- Chairman Whalen asked that Gwen Penn, Contract Compliance Manager attend June's Audit Committee meeting to share additional insight regarding this topic. Chairman Whalen stated he noticed that this subject matter is of interest to the Commissioners and believes this leads the Audit Committee to gain a better understanding of the process. Mr. Bowers agreed, and yes, Ms. Penn will be present at June's Audit Committee meeting.
- Ms. Miller stated that she wants to reassure the Audit Committee that contract compliance evaluations are performed by both the vendors and management. Also, Ms. Miller commented that the next evaluations were noted that only a single signature was required to approve contracts. Ms. Miller stated that she does not know who would have that power to do so. Mr. Michael Petro, Deputy Director of Information Technology, stated that Executive Director Berg has that authority. Ms. Miller needs further clarification on who approves contracts as many individuals have some level of authority to approve them.

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- Mr. Bowers stated that the Department of Finance reviews, on a weekly basis, Intralot's invoices. Mr. Bowers stated that every so often they might come across something that is questionable and therefore, a subsequent approval would be necessary.
- Diane Nagorny, Internal Auditor, reported that there were three contracts within the audit scope and Intralot was one of the vendors. Another issue relating to Intralot was due to licensing fees.
- Ms. Miller asked since the issue is two-years-old what do we have to do to close the issue?
- Ms. Wilson stated a sample would be selected to test to see if the issue was corrected and if no additional issues are identified, then she will close the issue.
- Chairman Whalen explained for an issue to be closed, Ms. Wilson should pick a sample and test to ensure that the issue was indeed corrected. Chairman Whalen stated once Ms. Wilson tests the sample and it is not corrected then we have a systemic issue. However, when Ms. Wilson tests it again, and no issues occur, then she can close the issue.
- Chairman Whalen stated to close an issue we must take these particular actions.
- Commission Mingo asked what we can identify as a time line to test the issue? Mr. Bowers stated that Gwen Penn, Contract Compliance Manager will be present at June's Audit Committee meeting. At that time, we will discuss the concerns regarding Contract Compliance.
- Chairman Whalen stated that he would like to provide the Commissioners an overview of how we manage Third Party Vendors at one of the Commission meetings.
- Commissioner McAleer suggested once the issues from Contract Compliance are completed, finalized and closed, then he would like Ms. Wilson and Mr. Bowers to collaborate and present at one of the Commission meetings.
- Chairman Whalen stated that he agrees and stated, from the Commissioners point of view, the Lottery does an outstanding job and the purpose of the Audit Committee meetings is that we come together with Senior Management to discuss and evaluate on how to improve the organization.
- Ms. Wilson moved on to the **Claims Employee Household review audit**. Ms. Popadiuk stated that the employee policy has been developed and is pending a signature from Executive Director Berg. Once he signs off on the policy and the policy has been issued to the employees, then Ms. Wilson will close the audit.
- Chairman Whalen plans to meet with Ms. Wilson to discuss specific steps that are necessary to close an audit issue. Chairman Whalen also stated that the Audit Committee will be reviewing the risk rating findings and developing a plan to ensure that the outstanding risk findings are discussed at the Audit

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Committee meetings. Chairman Whalen stated that, for example, a high-risk category with a low-risk finding would not be a top priority compared to a low-risk category with a high-risk observation.

Chairman Whalen's goal is to ensure that high-risk observations are discussed and that a plan of action is implemented.

- Chairman Whalen stated this process should assist in prioritizing the important issues and identifying those audit issues that can be closed. Also, he hopes this will assist Senior Management in understanding what they should do to resolve the risk issue.
- Executive Director Berg stated that he has met with Senior Staff and that they will have monthly meetings to discuss audit issues.
- Chairman Whalen proposed that if anyone has any feedback or suggestions on how they could improve the Audit meetings to be sure to contact him.

## **ADJOURNMENT**

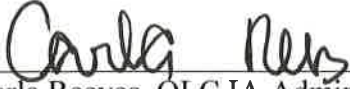
- Chairman Whalen called for adjournment of the meeting at 11:44 a.m.

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Prepared by:



Carla Reeves, OLC IA Administrative Professional

Approved by:



Sean Whalen, OLC Audit Committee Chairman