



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

**HELD AT:
THE FRANK J. LAUSCHE BUILDING
ROOM 200
615 WEST SUPERIOR AVENUE - CLEVELAND, OHIO 44113**

**September 19, 2016
10:00 A.M.**

Present at the meeting were the following:

Members of the Committee:

Sean Whalen, Chairman, and Commissioner, OLC
Angela Mingo, Member, and Commissioner, OLC
Trevor McAleer, Member, and Commissioner, OLC

Also Present Were:

Dennis Berg, Director, OLC
Constance Miller, Deputy Director, Operations, OLC
Greg Bowers, Deputy Director, Finance, OLC
Steve Kmiotek, Inventory Control Manager, OLC
John Jones, Office of Internal Audit, OLC
Cindy Klatt, Chief Audit Executive, Office of Internal Audit, OBM
Amy Radebaugh, Internal Audit Section Chief, Office of Internal Audit, OBM
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
Jennifer Wilson, Deputy Director of Internal Audit, OLC

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CALL TO ORDER

- The Ohio Lottery Commission (“OLC”) Audit Committee Meeting of September 19, 2016, was called to order at 10:00 A.M. at the Frank J. Lausche Building, Room 200 by Chairman Sean Whalen.

APPROVAL OF MINUTES OF June 20, 2016

- Chairman Whalen asked the Commissioners whether there were any questions regarding the meeting minutes. Chairman Whalen requested a motion to approve the June 20, 2016, minutes.
- Commissioner Mingo made a motion that was seconded by Commissioner McAleer. The motion was affirmatively voted on by all Audit Committee Members present.

CHAIRMAN’S COMMENTS

- Chairman Whalen stated he and the Audit Committee has been meeting progressively over the last several months to discuss and consider ways in which the committee can work efficiently and collaboratively as we progress from one quarter to the next. Chairman Whalen stated ninety days is a long time not to meet. The committee members want to ensure that they have enough information about deadlines or recommendations that have been made, discussions that management has had and an approved solution that they are pursuing.
- Chairman Whalen stated when he read the meeting minutes there were some occasions where management stated they were going to do this by this date and it almost seems like it gets a little lost.
- Chairman Whalen stated everyone has viewed the dashboard and the documents have been a great tool to identify what the audits are, what the risks levels are, what issues have been completed and what the progress has been. Chairman Whalen also referred to the Internal Audit Quarterly Status Report, which he stated, is also a great tool to know as far as what is on the plan and what remains to be done.
- Chairman Whalen stated an additional page should be added to track when recommendations are made during the committee meetings and the course of interaction with management so that the audit committee can identify what the commitments are in a more efficient form. The responsibilities made from management are in the minutes. However, Chairman Whalen stated he wants the commitments made by management in a list form.
- Chairman Whalen stated he hopes that this will assist the committee to focus on the right priorities.
- Chairman Whalen asked whether there were any questions regarding this approach. There were no additional comments; Chairman Whalen directed the meeting to Deputy Director, Jennifer Wilson.

DEPUTY DIRECTOR OF INTERNAL AUDIT REPORT

- Ms. Wilson stated per the Audit Committee’s request; the items are now arranged in order of high, medium, and then low risk audit issues, not by Audit reports.
- Ms. Wilson stated for the materials included in the open session packet, again audit issues are arranged by high, medium, and then low but also according to status. So the first section is open issues with status

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updates, then the second section is issued that are not due to following- up yet, and then finally, the closed issues.

- Ms. Wilson stated the purpose of this arrangement was to ensure that adequate time was available to cover the most important issues and then following that progressively down to the least important, which includes the issues that are not due for follow-up yet, as well as those that are closed. Ms. Wilson stated that there could be a reason to discuss those. Ms. Wilson stated that in the interest of full disclosure to the Audit Committee, she had included all levels of risks.
- Ms. Wilson provided the staffing update. Ms. Wilson stated that John Jones' last day in the Internal Audit department is September 30, 2016. The Internal Audit department will be down to two staff auditors. An Internal Auditor 3 position has been posted and will close this week. Ms. Wilson stated she is hopeful that this position will be filled by the end of the year.
- Ms. Wilson directed the Audit Committee to a Key Performance Indicator that she considers an important one for Internal Audit. Ms. Wilson stated Internal Audit started using Team Mate in FY 2013, which has been a great tool to capture data. From FY 13 to FY 16, (206) recommendations have been issued. Of those, management agreed to (187) which is a 90.2% acceptance rate.
- Ms. Wilson stated management accepted the risk of not implementing nineteen recommendations. Five of those were high risk, twelve were medium risk, and two were low risk.
- Ms. Wilson stated in FY 2014 Internal Audit shared with management how risk levels were determined, i.e., likelihood and impact. From FY 14 to FY 16, (131) recommendations were issued with (119) agreed by management. That is a 90.9% acceptance rate.
- Ms. Wilson stated moving forward she will include the key performance indicator (KPI) when presenting to the Audit Committee.
- Chairman Whalen stated it would be interesting to the 90% or 90.9% what is the progression of how many issues were completed, on target, and delayed. Chairman Whalen stated he likes the agreement between the utilization of the recommendation measured. He would like to see how it is effectively deployed or implemented.
- Chairman Whalen stated when looking at the Key Performance Indicator (KPI) they can identify the area that is underperforming, understand why, and address any other areas that need to be addressed for that particular recommendation. Chairman Whalen stated this information should connect well with the summary sheet.

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- Chairman Whalen asked Ms. Wilson what prompted her to include the key performance indicator (KPI). Ms. Wilson stated she researched this information in the IIA materials. She believes this information helps support Internal Audit's value to the organization.
- Commissioner McAleer stated to add a brief executive summary of what were the nineteen issues. Ms. Wilson stated for FY13-FY16 there were five high - risk issues where management accepted the risk. No other detail is available at this time; however, going forward, Ms. Wilson can provide that data.
- Ms. Wilson directed the Audit Committee to the Dashboard. Ms. Wilson stated that the first pie chart located in the upper left hand corner of the Dashboard is FY 2017 Audits per Status. Ms. Wilson stated that in June she had anticipated that those three audits were to be completed by the end of FY 16; however, they were not. Some resources were spent during the current quarter, and the audits were completed during the first quarter of FY 2017. They are Instant Ticket Inventory and Sales (high risk), Cross Cashing (high risk), and Claims – Household Compliance (high risk).
- Ms. Wilson stated the pie chart indicates that eight audits have not been started, one audit is assigned, one audit is in planning, one audit is in Fieldwork, and two audits are in reporting. Three of the eight remaining audits are rated high risk.
- Chairman Whalen asked how this data affects the current fiscal year. Ms. Wilson stated it is challenging to say especially since there will only be two auditors. Ms. Wilson stated there are a couple of audits in the process of closing. Ms. Wilson stated in order to achieve an 80% completion rate; 10 of the 13 audits will need to be completed. Five are currently in various stages of completion. Ms. Wilson stated if they could complete another five audits then they will be able to reach the 80% goal.
- Commissioner McAleer asked if any of the eight audits not started are high risk. Ms. Wilson stated she assigns high-risk audits first. Currently, there are three of the eight audits that are high risks, and they are on schedule to start those audits soon.
- Ms. Wilson moved onto the second chart labeled FY 2017 Corrective Action Timeliness. Ms. Wilson stated out of forty-one issues, thirty are considered to be late, eleven are not due to be followed up, and seven issues are closed.
- Commissioner Mingo asked that out of the thirty issues that are considered late, what are the next steps for those that are still open? Ms. Wilson stated she would continue to meet with the managers that are involved in correcting the issue, but following through on the corrective action is the responsibility of management. Ms. Wilson stated she strives to keep the issues visible to them. Ms. Wilson asks managers where they are in the process and what obstacles they are facing. Commissioner Mingo asked whether corrective action needs to be taken by the end of the fiscal year. Ms. Wilson stated it depends on the specific issue. Some

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matters are outside the control of the manager; others are that managers' state they do not have time. Ms. Wilson stated that she asks for best estimates for when they will implement.

- Ms. Wilson moved onto the next chart titled Total Issues Open/Closed in FY 2017. Ms. Wilson stated the open issues in FY 13 are the result of the Business Continuity Plan (BCP) audit.
- Ms. Wilson moved to the next chart titled FY 17 Closed Issues by Department. Ms. Wilson stated she was able to close one high-risk issue in Finance; two medium risk issues were closed, also in Finance, two medium risk issues were closed in General Services and two medium risk issues were closed in Sales.
- Ms. Wilson moved onto the last chart in the dashboard, titled FY 2017 Open Issues by Department. These charts are divided out by high and medium risk issues by the departments.
- Chairman Whalen asked whether the Human Resources' nine high-risk issues relates to the Business Continuity Plan (BCP). Ms. Wilson replied yes.
- Ms. Wilson moved on to the FY 2017 Internal Audit Quarterly Status Report. Ms. Wilson stated this report serves two purposes. First, this motivates Internal Audit to look at what is on the plan to identify if anything has changed that may affect the risk. Second, Ms. Wilson stated there are comments included in the Quarterly Assessment Report to reflect the status of the audit.
- Chairman Whalen asked who has the responsibility for Contract Compliance. Ms. Wilson stated there is a Contract Compliance Manager, and she reports to the Deputy Director of Finance. Chairman Whalen stated according to the notes little progress had been made. Chairman Whalen asked Deputy Director Bowers whether there is an issue making progress and if so what is the challenge? Deputy Director Bowers stated the Contract Compliance Manager's focus has been on establishing and improving the procurement process. He stated that the process has been delayed based on the shifting of staff. Mr. Bowers stated they now have a new Procurement Manager, which will allow the Contract Compliance Manager to focus on contract compliance. However, the Contract Compliance Manager is also the Lead for the CSP bid, so she has been focusing her energies on that project as well.
- Chairman Whalen asked Deputy Director Bowers, what is your definition of contract compliance? Chairman Whalen stated that he perceives contract compliance to be a part of the Legal department. Chairman Whalen stated contract compliance sounds like it has a different structure at the Ohio Lottery Commission. (Chairman Whalen asked Deputy Director Bowers to define the job responsibilities for the Contract Compliance Manager.)
- Mr. Bowers stated that at one time the contract compliance function was in the Legal department. The position has evolved into managing contracts to ensure the contract owners are fulfilling their duties and to report to the Compliance Contract Manager on a regular basis to ensure the executions of the contracts are

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in compliance. Chairman Whalen asked Mr. Bowers whether the contract owners are involved in the drafting and execution of the contracts. Mr. Bowers stated yes this position also integrates with the procurement duties. In addition, this person helps with the tracking of the specifications for the RFPs and works with DAS.

- Commissioner McAleer stated this audit classifies as high risk. Based on your experience what are your thoughts about this issue status? Mr. Bowers stated he does not perceive this audit as a high risk. Mr. Bowers stated that the Contract Compliance Manager is performing her part of monitoring the contracts. She is working with the contract owners to ensure they comply and evaluate the contracts and specifications. Mr. Bowers stated the Contract Compliance Manager is not getting the support from other Managers. However, she is performing the contract manager portion of her job.
- Chairman Whalen stated that in another audit, we were informed that the Marcus Thomas contract had issues with the contract language. Chairman Whalen stated his concern is that if the Contract Compliance Manager is unable to completely execute her work duties as defined, then he is questioning whether there other gaps that we are missing that we can solve now as opposed to six months from now. Chairman Whalen stated the risk level is concerning. Chairman Whalen asked Mr. Bowers if he sees this issue as a medium risk instead of a high risk. Mr. Bowers stated one could argue that the risk could be categorized as high. However, the Contract Compliance Manager is performing most of the work as stated in the job description. Mr. Bowers stated he does not agree with the risk assessment.
- Chairman Whalen stated the risk and assessments are an ongoing discussion. However, from a Contract Compliance standpoint, if the Contract Compliance Manager has challenges because she is not able to meet the demands of her job this causes concern. Chairman Whalen asked Deputy Director Bowers whether there is a timeline as to when the Contract Compliance Manager can fully execute her job responsibilities. Director Bowers is anticipating six months.
- Executive Director Berg stated the position of Contract Compliance Manager has evolved over the years. Contract compliance duties change when a new person transitions into that role. In addition, the position has transferred from Legal to Operations and now the Finance department. Executive Director Berg stated that the expectations of the job duties have changed based on department location. Executive Director Berg stated that the position is in its restructuring phase.
- Deputy Director Connie Miller, Operations stated that the Ohio Lottery has many contracts. She stated there might be individual incidents where there may be some high – risk incidences. However, as an entity, neither the agency nor this issue is high risk, and we do not perform an inadequate job of managing contracts.

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- Executive Director Berg stated there are different facets of contract compliance. One is assuring that contract managers are fulfilling their role to ensure contracts are executed properly. In addition, the Contract Compliance Manager is the gatekeeper and the central point of contact to identify the contract owners and to ensure that contracts are up to date.
- Legal Counsel Miltner stated that the same Matter Management software system used by the Legal Department to track legal cases is now available to and being used by Contract Compliance to assist in managing contracts. The system not only tracks the dollar amount of the contract but also when contracts are due for renewal. Therefore, when the contract owner needs to make decisions as contracts are expiring as to whether to rebid or renew, the system can notify the owner well in advance that a decision must be made. Legal Counsel Miltner stated the tools are available and action has been put in place to improve the process of managing contracts.
- Commissioner Mingo stated that the status update reads, “We are considering the deliverable to be a memo rather than an audit report.” What action caused for that determination to transition from an audit report to a memo? Ms. Wilson stated they are considering writing a memo for this audit area because, in FY 14, we audited this area and one of the issues we identified was that they hire a Contract Compliance Manager. Other issues were identified but were not completed. For instance, developing a vendor management policy. Ms. Wilson stated she and the auditor thought that to re-audit the same issues that were discovered in FY 14 for efficiency purposes it would be wise to gather all information and create a memo rather than go through another round of fieldwork and report on the same conclusion as before. This memo would reiterate the findings from FY 14 and bring them forward to the current year findings.
- Chairman Whalen stated to Chief Counsel Miltner that it appears the Contract Compliance audit was mitigated. At one point, the Contract Compliance position was in the Legal department. Chairman Whalen asked Legal Counsel Miltner if he still engaged in the Legal portion of contract compliance in order to perform his role in the process. Legal Counsel Miltner stated at the time when his department was focusing on contract compliance he was of the opinion that a significant part of contract compliance management was administrative work. The Legal department’s focus was on the Legal aspect of the contracts. However, there was a completely different function that once the contract was reviewed by the Legal Department then, the contract would require someone to monitor the process and an evaluation of the performance needed to be in place. Legal Counsel Miltner stated that portion of the position was determined to be more of an Administrative role. The Legal department is still involved concerning the legal skills needed to determine the state required legal process for the contract and the appropriate structure, language, and execution of the document.

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- Chairman Whalen stated he appreciates the explanation of the process and improvements of the position of the Contract Compliance Manager and he appreciates the explanation of the managing of the contracts. Chairman Whalen asked Deputy Director Bowers to provide the Audit Committee an update at December's audit meeting regarding full implementation of the Contract Compliance Manager's job duties. Chairman Whalen stated the Audit Committee would include Deputy Director Bowers' information onto their tracking sheet.
- Ms. Wilson moved on to the Training audit. Ms. Wilson stated that the risk remains a medium risk. However, at this time an audit cannot be performed due to lack of an established program. Ms. Wilson stated that a memo would be issued instead of an audit report. The training program is in its developmental stages.
- Commissioner Mingo asked whether there is an idea of a timeframe of when the training program will start. Deputy Director Popadiuk stated the training program that they are working on is comprehensive. There are mandatory trainings that DAS requires state employees to take. In addition, there are performance improvement trainings that are provided to employees that have failed to meet performance expectations. Human Resources will work with managers to implement training plans to assist the employee to improve their work performance. Ms. Popadiuk stated that training has always been on-going. Ms. Popadiuk stated in terms of general certifications and trainings; this portion is in its developmental stage and is in the process. Ms. Popadiuk stated that a month ago, an agency wide assessment survey was emailed to the employees to ask employees how they view their skill sets and what courses do they think would be helpful to them in their specific current position. Then another email was sent to the managers asking them about what they think about the skill sets in their departments. Ms. Popadiuk stated that they are analyzing the data and that they have a policy in place that will guide the program. Ms. Popadiuk stated that she is anticipating that in the next twelve to eighteen months, after Executive Director Berg's review and approval on the format of the program, that it will be implemented.
- Commissioner Mingo asked about the timeline for the assessment survey. Ms. Popadiuk stated the survey concluded three weeks ago. Ms. Popadiuk stated that she has one employee dedicated to analyzing the data and developing a training program from the results of the surveys. Ms. Popadiuk stated this person's role is in training. However, she also supports the payroll function.
- Commissioner Mingo asked if the purpose of the training focused on professional development. Ms. Popadiuk stated the training program would focus on an employee's current skill set combined with professional development.

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- Ms. Wilson stated that Internal Audit is aware of the mandatory trainings. However, for the purpose of the audit, the focus was on professional development specific to the employee's position. Ms. Wilson stated both her and Johnny Jones met with both Executive Director Berg and the Deputy Director of Human Resources regarding what would they envision for the training program. Ms. Wilson stated based on her meeting with the Director of Human Resources that the training program is in development. Therefore, the decision was made by Deputy Director Wilson to discontinue auditing until the training program is complete.
- Commissioner Mingo asked whether the job duties would remain with the same person who manages payroll processing. Ms. Popadiuk stated yes payroll is through an automatic system. Ms. Popadiuk stated this person is very proficient in both developing the training program and managing payroll.
- Chairman Whalen asked Ms. Popadiuk her perspective on the audit being a medium risk and would she consider this issue to be a low risk. Ms. Popadiuk stated she considers this issue to be a low risk. Ms. Popadiuk stated although she does not know what the requirements were to score this issue as a medium risk she stated she thinks it should be a low risk. Ms. Popadiuk stated although it is in the best interest to train and develop employees, it is not a requirement. However, where there are trainings that are required by DAS the agency is compliant. Ms. Popadiuk stated that there are certain positions that require certifications, additional trainings, and licensures within a certain timeframe of their employment; those requirements are met otherwise those employees do not remain employed.
- Chairman Whalen asked if there were any remarks regarding the status of medium risk.
- Ms. Wilson stated this risk remained as a medium risk due to concerns with other audits as identified as having either lack of or outdated policies and procedures internally. Ms. Wilson stated she linked document control with training. That being said if there either no existing policy or procedure or if the policy and procedure is out of date then the question is, What are departments training to? Chairman Whalen asked if policies and procedures are addressed in the audit. Ms. Wilson stated that currently policies and procedures are not up to date so if training is occurring they are training to outdated policies and procedures.
- Ms. Popadiuk stated as it pertains to an employee's role if an employee is not performing according to the standards of the policies regardless if it is outdated or current, the manager should know the procedure and if the manager is not properly training the employee, then this should reflect in the performance evaluation. If the employee's performance is significantly below standards, then managers should document that in the PIP portion of the performance evaluation and training will be provided to bring the employee up to performance expectations.

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- Chairman Whalen stated based on the value enhancement training that has not been developed yet, that if there was a policy or a procedure that we were not complying with then that would be an issue. However, the program has not yet been established, and the policies/procedures are still in draft form then we are in a grey area. Chairman Whalen stated that with the current lack of updated policies/procedures he would consider this to be a medium risk. However, he considers the development of the training program to be a low risk issue.
- Commissioner McAleer stated that he would classify the issue as a low risk considering the topic matter is non-program training. Also, Commissioner McAleer would like to keep this subject matter on their list to follow-up. Ms. Wilson stated she would reduce the risk from a medium to low risk.

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 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 second by Commissioner Mingo. A roll call vote was taken by Ms. Reeves, and the motion was affirmatively voted on by all Audit Committee Members present.
- The Audit Committee moved into Executive Session at 10:46 a.m.
- The Audit Committee moved out of Executive Session at 11:06 a.m.

INTERNAL AND EXTERNAL AUDIT REPORT REVIEW

- The following issues are ranked from high to low risk. The first issue is from the **Bank Reconciliation audit**. Ms. Wilson stated the recommendation was for Finance to update their financial accounting system to be more automated. Mr. Bowers responded they issued a survey to other lotteries to identify what systems were they utilizing for their financial accounting systems. Mr. Bowers stated they received all of the responses last week and they are currently analyzing the data. In addition to the survey, Mr. Bowers has been networking with other lotteries to identify other financial software. Mr. Bowers stated at this time their primary focus is on completing the CAFR. This is scheduled to complete in about a month and a half; then they will refocus their efforts on selecting a financial software system.
- Chairman Whalen asked in the process of identifying a software system, does the Deputy Director of Finance identify this as a stop and go process? Mr. Bowers stated that there are various modules that

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may or may not be applicable to what they need. Chairman Whalen asked if this would be an individual decision or will consultants assist with the decision making process. Mr. Bowers stated that once they find software that they are interested in they will go through a third party vendor that specializes in that particular software.

- Chairman Whalen stated it seems like there is a twelve-month timeframe before a decision is made regarding the financial software. Mr. Bowers stated once a system is identified they would have to run parallel systems for at least six months. Chairman Whalen stated currently this is a manual process and wonders how this is affecting financial operations. Is the high-risk component to manage the efficiency of the how finances are reported?
- Ms. Wilson stated that from a timing perspective the auditor identified the manual process as time-consuming. Chairman Whalen stated there is still a challenge with efficiency. Chairman Whalen stated we have a high - risk audit that has the potential of maintaining that high risk unless there is a short-term solution that could decrease the risk level. Mr. Bowers asked whether he is referring to only Bank Reconciliations. Ms. Wilson stated yes for this particular subject matter. Mr. Bowers stated he does not agree that this issue is a high risk. They have controls in place. They have made improvements.
- Chairman Whalen asked whether the risk is based on lack of speed/ time delay. Mr. Bowers stated we report to the Treasurer of State daily and they look at bank reconciliations and the bank accounts. Mr. Bowers stated that for any wiring that occurs, they have to report that to the Treasurer of State as well. Chairman Whalen stated as it relates to wiring, is this a same day review of the transfers? Mr. Bowers stated yes. Ms. Wilson stated according to the auditor's report the issue is that the process is inefficient and outside the norm of current best practices. The current process has detailed transactions residing outside the financial accounting system.
- Commissioner McAleer asked Deputy Director Bowers if he has a timeline of when they will purchase a financial software system. Mr. Bowers stated possibly within the next six months. Chairman Whalen stated that this issue will remain a high risk and for Mr. Bowers to provide the committee a status update at December's Audit Committee.
- Commissioner McAleer stated that he agrees with Chairman Whalen to revisit this issue after a financial software system is in place. Once this system is in place then possibly the risk could be reduced from a high risk to a medium risk.
- Ms. Wilson moved on to the next high risk issue in the **Lottery Profits Education Funds (LPEF) audit**. The issue entails inconsistencies between the game specifications, the BOS reports, and financials regarding the TAP game winnings reclassification to "pay voucher" liability. Ms. Wilson stated that

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upon follow-up, this has not been remedied. Information Technology has completed their portion.

However, General Accounting has not completed their portion. Ms. Wilson stated four medium risks issues that relate to the current high-risk issue are currently also outstanding.

- Ms. Wilson moved on to the issues identified in the **Auditor of State** audit. Ms. Wilson has met with the person who is in charge of the key card access policy. Ms. Wilson reviewed and observed her method for auditing the key card audit process. Ms. Wilson stated she would rely on the Auditor of State's conclusion before closing this issue.
- Ms. Wilson moved onto the next issue, Program Change and Documentation (LAN/WAN). Jim Brown, IT Manager, provided Ms. Wilson the updated procedures. Ms. Wilson stated since that time, the Auditor of State (AOS) would be following up and test compliance. Ms. Wilson stated she would rely on AOS' conclusion before closing this issue.
- Ms. Wilson moved on to the issue identified in the **Claims- Employee Household Compliance Review**. This entails VLSA's procedures for processing jackpot claims. They do not check whether the claimant is a restricted player. Ms. Wilson stated her status update is that management accepts the risk of not implementing the recommendation. However, she did not close the issue yet. Ms. Wilson met with Deputy Director Connie Miller to explore other options. Ms. Miller is working with Human Resources to identify the work rules of the penalty to play. Ms. Miller stated additional detail will be included in her response and she will provide that to Ms. Wilson Ms. Miller also stated random monitoring will be performed on a yearly basis to ensure that OLC employees are compliant with the prohibition of any form of playing the lottery including the VLTs.
- Ms. Popadiuk stated that Human Resources would not be monitoring employees by their social security numbers; instead, they will use the employees' street address.
- Executive Director Berg stated he does not identify this issue has a high risk. He stated that the risk does not create a breakdown of the internal control or the lottery system. However, he stated he understands that from Internal Audit standpoint that yes, an OLC employee who is prohibited to play the lottery and plays anyway could potentially win the jackpot. Ms. Wilson stated that if an employee plays the lottery and wins, that is a misdemeanor and they are required to pay restitution.
- Ms. Popadiuk stated that in the work rules, employees are prohibited to play the lottery including VLTs and will be terminated if discovered. Executive Director Berg stated that we have secure facilities that have surveillance cameras.
- Chairman Whalen asked about a person winning the jackpot, but this person owes a significant amount of child support. How does the state obtain their money? Executive Director Berg stated their

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information first goes through the Job and Family Services database to identify if that person owes any child support, and then it pings the Attorney General's database to identify if they have any state debt.

- Executive Director Berg stated that Confidential Personal Information (CPI) is very important and the Agency and feels it is more appropriate to monitor home addresses versus monitoring the person's social security number.
- Ms. Popadiuk stated the State does not identify employees by their social security numbers anymore. Once an employee becomes a State of Ohio employee, they are provided a state identification number Ms. Popadiuk stated the HR system no longer tracks the employees' social security numbers only the employees' state identification number. Ms. Popadiuk stated when an employee is hired they are given a form to identify everyone that is living in the house. That form does not ask for the family member's social security.
- Ms. Miller stated the system that they currently have captures the employees' address and zip code. However, the system reads the street number and captures every street number within the area. Ms. Miller stated then someone has to manually type in specific information to match what he or she is looking for.
- Chairman Whalen stated the importance to monitor employees' households every so often to ensure employees are complying with the work rules since any form of playing the lottery is prohibited. Chairman Whalen asked whether there is a plan to monitor more frequently.
- Ms. Miller stated they are looking at various ways to monitor and capture employee and vendor street addresses and zip codes.
- Commissioner McAleer stated the status update requires additional information for clarification to include more detail of why management accepts the risk.
- Chairman Whalen asked whether OLC is exploring other lotteries outside of Ohio to see what their policies are on this topic. Chairman Whalen stated that OLC should look at this issue as a reputational risk. We want to ensure that we are an organization of integrity. Chairman Whalen asked that we exhaust all of our options and he invited Ms. Miller back to December's audit meeting to discuss her findings.
- Legal Counsel Miltner stated there are state and federal statutes that we must consider and it is important to research before making a recommendation.
- Commissioner McAleer stated he understands if an employee plays that person will be terminated. However, what if someone from the employees' household plays and wins the lottery. Commissioner McAleer asked if there is a policy in place for that scenario. Ms. Popadiuk stated HR would investigate

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and evaluate what was going on in that situation and look at the employee's role in the household of whose playing the lottery.

- Commissioner McAleer stated that in addition to termination there are criminal charges against the employee. John Jones, Internal Auditor, stated that this is a misdemeanor offense and the employee would have to pay the money back.
- Ms. Wilson moved on to the **EZ Play Game Liability** audit. The risk was identified as a medium. Ms. Wilson stated the auditor felt it was important for management to monitor whether or not the game system provider is adhering to the specifications of the game. Ms. Wilson stated during fieldwork the auditor identified that no one monitored the game rules. Management agreed that someone should monitor to ensure that the vendor adhere to the game rules. Ms. Wilson stated per the general accounting supervisor no change has occurred since June's status update. Mr. Bowers stated he agrees that this issue needs to be monitored on a quarterly, but not a monthly basis.
- Chairman Whalen asked whether there is an action item to develop a procedure on how to implement as it relates to bank reconciliation viewpoint. Mr. Bowers stated yes they could develop a procedure. However, he stated he was not sure about the countdown games. Diane Nagorny, Internal Auditor, explained to Mr. Bowers what the countdown games were.
- Chairman Whalen asked Mr. Bowers to provide the Audit Committee updates for December meeting regarding full implementation of job duties for the Contract Compliance manager, to follow – up with the General Accounting Supervisor as it relates to drafting policies and procedures for Bank Reconciliation.

ADJOURNMENT

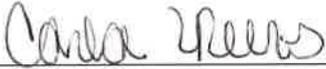
- Chairman Whalen called for adjournment of the meeting at 11:46 a.m.

OHIO LOTTERY COMMISSION AUDIT COMMITTEE MINUTES

September 19, 2016

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Prepared by:



Carla Reeves, Administrative Professional

Approved by:



Sean Whalen, Chairman