



**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**

**June 19, 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
Kelly Beckett, Internal Audit Manager, OBM
Joseph Volpi, Office of Internal Audit, OLC
James Brown, IT Manager, OLC
Lawrence J. Miltner, Chief Legal Counsel, OLC
Charles LoPresti, Legal Counsel, OLC
Diane Nagorny, Office of Internal Audit, OLC
Liz Popadiuk, Deputy Director of Human Resources, OLC
Stephanie Miller, Human Resources, OLC
Gwen Penn, Contract Compliance, Finance, OLC
Mary Tedeschi-Vittardi, Finance, OLC
John O'Donnell, Deputy Director of Security, OLC
Carla Reeves, Office of Internal Audit, OLC
Jane Parker, Office of Internal Audit, OLC
Jennifer Wilson, Deputy Director of Internal Audit, OLC
Nicole Kostura, Deputy Director of Government and Community Relations, OLC

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CALL TO ORDER

The Ohio Lottery Commission (“OLC”) Audit Committee Meeting of June 19, 2017, was called to order at 10:00 A.M. at the Frank J. Lausche Building, Room 205 by Chairman Sean Whalen.

APPROVAL OF MINUTES OF March 27, 2017

- Chairman Whalen asked the Commissioners whether there were any questions regarding the meeting minutes. Chairman Whalen requested a motion to approve the March 27, 2017, 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 there is a request to approve the following governance documents: Audit Committee Charter, Internal Audit Charter, Internal Audit Policy Manual, and the Internal Audit Annual Audit Plan. Chairman Whalen requested a motion. Ms. Wilson stated that the Audit Committee Charter cannot be approved at this time due to language that requires amending. Chairman Whalen asked Mr. Miltner, Legal Counsel once the language is amended can this document be approved at September's Audit Committee meeting? Mr. Miltner stated there are a couple of options.
- Mr. Miltner stated that the Audit Committee can choose not to approve the document until the changes are amended and approve at September's Audit Committee meeting, identify those sections that need to be amended and approve the remainder of the document, or identify the language that needs to be amended at today's meeting, make the changes and approve.
- Commissioner McAleer asked Mr. Miltner, Legal Counsel to direct him to the specific language that needs to be amended. Mr. Miltner directed the Audit Committee to page three of the Audit Committee Charter.
- Chairman Whalen stated on page three regarding the statement “*May meet separately with the external auditors to discuss any matters that the Committee or the auditors believes should be discussed privately*”. Chairman Whalen asked whether there is appropriate language to clarify the intention. Chairman Whalen further stated that the intention is for updating purposes without the deliberation.
- Mr. Miltner agreed. Chairman Whalen stated that the statement needs to be clear as what the intentions are. Chairman Whalen stated the statement should read “without discussion or deliberation on any current matters”. Ms. Wilson asked Mr. Miltner whether the Audit Committee can approve the document today if they agree on the amended language. Mr. Miltner stated yes.
- Mr. Miltner stated that the vote will be to amend the language which is discussed at today's meeting and

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that a motion needs to be made to clarify that there will not be any discussion or deliberation during those meetings with external auditors and the Deputy Director of Internal Audit.

- Mr. Miltner stated that a motion needs to be made to approve the Audit Committee Charter with those amendments. Chairman Whalen asked the committee members if they had any questions or comments regarding the changes to the Audit Committee Charter. There were no questions or comments.
- Chairman Whalen asked for a motion to approve the stated changes. Commissioner McAleer made a motion to approve as amended. Commissioner Mingo seconded the motion. A roll call vote was taken by Ms. Reeves, and all Audit Committee members present affirmatively voted on the motion.
- Chairman Whalen asked Ms. Reeves for a roll call for the approval of the remaining FY 2018 governance documents which includes the Internal Audit Charter, the Annual Internal Audit Plan, and the Internal Audit Policy Manual. A roll call vote was taken by Ms. Reeves, and all Audit Committee members present affirmatively voted on the motion.
- Chairman Whalen asked Ms. Wilson whether there was any additional information that needed to be discussed regarding the confirmation of independence documents. Ms. Wilson stated that one of the auditors has restricted ability to audit Finance audits until January, 2018. Chairman Whalen asked the committee for any additional questions or comments regarding the confirmation of independence documents. There were no additional comments; Chairman Whalen directed the meeting to Deputy Director, Jennifer Wilson.

DEPUTY DIRECTOR OF INTERNAL AUDIT REPORT

- Ms. Wilson directed the Audit Committee to the FY 2018 Audit Universe document. Ms. Wilson stated that the audit universe for this fiscal year contains approximately 52,900 hours of audit work; 40% of those hours are rated as low risk. The remaining 60%, 31,600 hours, are in the high and medium risk range. Ms. Wilson stated overall her staff can cover about 4,400 hours per year. Ms. Wilson stated with Joseph Volpi's assistance, a table was developed for the Audit Committee to review. Ms. Wilson directed the Audit Committee to the last column in the document. Ms. Wilson stated that we are only considering the total of the medium and high-risk audits to be included on the FY2018 audit plan. Ms. Wilson stated her department will not perform any low-risk audits. Ms. Wilson stated the Internal Audit department can conduct 14% of the high and medium risk audits in the audit universe and with the Office of Budget Management's (OBM) assistance, this percentage increases another 6%. Ms. Wilson stated therefore, Internal Audit can reasonably expect to cover about 20% of the high and medium risk audits in our audit universe in one year.

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- Chairman Whalen asked Ms. Wilson how the audit universe is constructed. Ms. Wilson stated that with Senior Management, the Commissioners and the Office of Budget Management's assistance every year, the audit areas are re-evaluated to determine which areas are still relevant. Ms. Wilson stated that she has included in the plan the survey that she emails to all parties. This survey includes the survey questions, responses and differences/similarities between each person's response.
- Chairman Whalen asked Ms. Wilson whether there were any other benchmarks of the size and scope of Internal Audit in other industries. Ms. Wilson stated she does not have any benchmark information from other state lotteries or industries.
- Chairman Whalen pointed out that Internal Audit is only auditing high and medium risk audits and that sometimes, with low-risk audits, there can be high – risk issues. Chairman Whalen stated that it is not until a low- risk audit is performed that a high-risk issue can be discovered.
- Chairman Whalen has requested for September's audit meeting that a document be provided to show any gaps of those auditable areas that are a concern and that we need to pay attention to.
- Chairman Whalen stated once that information is provided, then the Audit Committee can review the information to obtain a better understanding of the needs of the Internal Audit department and meet with Executive Director Berg to discuss additional resources, if applicable. Chairman Whalen asked the Committee members whether they have any questions or comments. Commissioner Mingo asked Deputy Director Wilson to remind the committee of the annual goal regarding coverage for the audit plan. Ms. Wilson stated that our goal is to complete 80% of the audit plan. Chairman Whalen added that he is pleased with how well organized the Audit Plan_ Audit Universe document looked. Ms. Wilson stated that Joseph Volpi created the tables.
- Ms. Wilson stated that, as reported last year, one of Internal Audit's key performance indicators is the percentage of recommendations made to management that management agrees to take action on to remediate. Ms. Wilson stated that number is 90.4%. Ms. Wilson stated that she is proud of that number and especially proud of her staff.
- Ms. Wilson stated that her staff exceeded the required 40-hour continuing education credits for FY2017. Ms. Wilson also stated that she and her staff attended the two-day Fraud Conference in Columbus for the first time. Ms. Wilson stated that she and her staff agreed that the topics were relevant and the speakers presented well. Ms. Wilson stated that she and her staff would like to continue to attend the Fraud Conference annually.

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- Ms. Wilson moved onto the topic of peer review. Ms. Wilson stated that they will be drafting the RFP or ITB soon and she expects to issue it by the end of July. Gwen Penn, Contract Compliance Manager, has been helpful in preparing for this. Ms. Wilson stated going forward, and with Ms. Penn's assistance, there will be some discussion needed with the Audit Committee and OBM to define some of the details like who will be on the selection committee, how that will work, and timing.
- Commissioner McAleer asked about the last time the Lottery was peer reviewed. Ms. Wilson stated this will be the first time. Ms. Wilson stated that the expectation is to have it completed in October, 2017 for a presentation to the Audit Committee in December.
- Chairman Whalen asked whether we are on course with the timeline. Ms. Wilson stated yes.
- Ms. Wilson stated that she was informed that the DRAFT audit report protection language was approved by the House but rejected by the Senate. Ms. Wilson stated that considering this situation, this should encourage internal audit and management to carefully review DRAFT audit reports and the customer status memos where preliminary observations are communicated. Ms. Wilson stated that receiving early and ongoing confirmation of the facts and conclusions could minimize negative impacts in the case of a public record request.
- Chairman Whalen asked whether there was any questions or additional comments regarding Ms. Wilson's statement. Commissioner McAleer asked were there any discussion by the Senate. Executive Director Berg stated that it is the perception of transparency and not understanding the purpose for the protection language. Nicole Kostura, Deputy Director, Government and Community Relations stated that OLC will continue to articulate the reason for the protection language. Ms. Kostura stated that there was some concern by the Senate that not every agency has an Internal Audit department. Ms. Kostura stated that she explained that the Office of Budget Management recommended that OLC Internal Audit have this protection language. Commissioner Mingo wanted to know the next step as a result of the disapproval. Ms. Kostura stated that there is a budget approval meeting on Tuesday that she will be attending. Ms. Kostura stated she will listen for conversation regarding the protection language. Once the budget is approved it will go to a conference committee and the House and Senate will further discuss what version of the protection language should be included. Ms. Kostura stated the OLC has expressed to the House and Senate what OLC believes to be the ideal version of the protection language.
- Ms. Wilson moved onto the dashboard. Ms. Wilson stated that Internal Audit finished this fiscal year with a 67% audit plan completion rate, short of their goal of 80%. Ms. Wilson stated last quarter she projected the completion rate to be around 70%. Ms. Wilson stated that a few challenges that impacted the completion rate include: Internal audit staff turnover, canceled audits after resources had been spent

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in the planning phase, and a few circumstances where an excessive amount of downtime occurred waiting for requested information. Chairman Whalen asked whether any of those items had a more significant impact to the completion rate than the others. Ms. Wilson stated that all the items were equally challenging.

- Commissioner McAleer asked for the specific reasons on why those audits were canceled. Ms. Wilson stated that there were two audits that were canceled. Ms. Wilson stated resources were put into the Contract Compliance audit and at that time, they realized that the issues were not remediated from the previous audit that was conducted in 2015. Ms. Wilson stated she felt it was not necessary to use resources to identify the same issues. Ms. Wilson stated that Training was the second audit. During December's Audit Committee meeting, the Audit Committee determined that the Training audit was to be reduced from medium to low- risk, so it became a lower priority to complete.
- Ms. Wilson moved onto the second bar graph on the dashboard. Ms. Wilson stated that there are fifty-seven open issues, that number increased since last reported with the release of the Information Security Audit. A total of thirty-five have been closed (seven more than last reported). Ms. Wilson stated that similar to last quarter's report, the average open issue age is five hundred eighteen days or seventeen months. Ms. Wilson stated that again, if you remove BCP, that number drops to two hundred sixty-seven days, or nine months.
- Ms. Wilson stated that she has no specific comments on the last three charts which breaks down the data into years, departments and risk levels. Chairman Whalen asked whether there were any questions. There were no questions.
- Ms. Wilson moved onto the Quarterly status report which she stated is also the year-end status report. Ms. Wilson stated the pie chart on the dashboard is a summation of the statuses provided here except for the audits that were conducted by the Office of Budget Management (OBM). Ms. Wilson stated that there is some additional information noting changes in risk and various rationale on why an audit was not conducted. Ms. Wilson stated she will be happy to answer any questions or comments. There were no questions. Ms. Wilson stated that this concludes her report.
- Chairman Whalen welcomed Gwen Penn, Contract Compliance Manager and thanked her for attending today's Audit Committee meeting.
- Chairman Whalen asked Greg Bowers, Deputy Director, Finance to start the conversation on Contract Compliance. Mr. Bowers stated that in the previous Audit Committee meeting we discussed Contract Compliance and where they were in the process. Mr. Bowers stated that he and Ms. Penn have met and discussed the progress of the program. Mr. Bowers stated that he and Ms. Penn were in the process of

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identifying major contracts and vendors and plan to review this list on a bi-annual basis. Mr. Bowers stated that for all the other contracts he wants the contract owners to monitor these contracts on an annual basis. Mr. Bowers anticipates that the vendors list will continue to expand. Mr. Bowers stated that he and Ms. Penn will research best practices and other criteria for consideration.

- Chairman Whalen asked Mr. Bowers if he feels we have a sufficient Contract Compliance program infrastructure in place. Also, Chairman Whalen asked whether there are policies and procedures that support the Contract Compliance program.
- Mr. Bowers stated that the Contract Compliance program is making progress in those areas and is in the process of working on policies and procedures.
- Ms. Penn stated that they have identified some potential policies that can be put into action; however, they have not fully developed them.
- Chairman Whalen asked what the biggest hindrance is to putting the policies and procedures into action. Mr. Bowers stated that Ms. Penn's first priority was with the procurement process. Mr. Bowers stated that Ms. Penn was also an active participant in the DAS Warehouse and Ticket Distribution Contract. Mr. Bowers stated that due to extensive participation with these two major activities, this delayed progress regarding the Contract Compliance program.
- Chairman Whalen asked Ms. Penn when she started in the role of Contract Compliance Manager. Ms. Penn stated in January, 2015. Mr. Bowers stated that when Ms. Penn started her position in 2015, her role was not clearly defined.
- Mr. Bowers stated that it took a while to define her role. Chairman Whalen stated that upon review of her job description, dated 2015, there were some specific details identified in her job description that related to her role as Contract Compliance Manager. Chairman Whalen stated that some of those items as mentioned in today's meeting have yet to be accomplished.
- Chairman Whalen asked Ms. Penn if she could provide him a list of all OLC contracts. Ms. Penn stated that she does have a list of contracts: Contracts that need to be reviewed annually and contracts that require to be reviewed bi-annually. Ms. Penn stated that they need to define what a contract is. Ms. Penn stated if she does not have a contract, then the purchasing department will because he must review them in the purchase order process.
- Chairman Whalen stated that the intent of the Audit Committee is to look for opportunities to improve any exposed risk. Chairman Whalen stated, from a risk perspective, what has been identified as the gap? Chairman Whalen and the Audit Committee members want to understand the priorities for not only the Contract Compliance Manager but also for the Deputy Director of Finance with regard to next steps.

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- Chairman Whalen stated it appears that there is an issue of clearly defined roles and responsibilities. Chairman Whalen asked whether they can work on this issue so that we can have improved engagement in this area and eliminate ownership of contract versus purchase order.
- Ms. Penn stated that in 2015 she worked with the Internal Audit staff to develop a policy/procedure on how to evaluate contracts. Ms. Penn stated that unfortunately the policy was not approved at that time. In addition, the position went from being in Operations to Finance; this transition left another gap. Ms. Penn stated that the policies that were developed then are still relevant now.
- Ms. Penn stated that in 2015 she had an engagement with Joseph Volpi, and Diane Nagorny, OLC Internal Auditors. Ms. Penn stated during their meeting they helped to outline a robust Contract Compliance program that would be beneficial to the agency. Ms. Penn stated that at that time the position was placed under Operations. Shortly afterwards the position was moved under Finance that's why the purpose of the Contract Compliance program was not clearly defined.
- Mr. Bowers stated the program has evolved and that even though the position has been under various departments i.e., Legal, Operations and now Finance, he is pleased with the progress that has been made.
- Chairman Whalen stated that his concern is that there is a policy that has been developed; however, no one has reviewed or approved the policy. Chairman Whalen stated that today's goal is to understand what the Audit Committee can do so that the policy is re-reviewed and approved so that the program can move forward.
- Ms. Penn stated that she and Mr. Bowers would re-review the policy, make the necessary changes or updates and forward the policy to Executive Director Berg to review and approve.
- Chairman Whalen stated that for September's meeting, the Audit Committee is looking forward to hearing the feedback after the policy has been reviewed. Chairman Whalen asked whether this request is reasonable.
- Both Mr. Bowers and Ms. Penn stated yes.
- Commissioner McAleer asked whether all lottery contracts are centrally located under the Finance department or are there numerous contract managers in different departments.
- Mr. Bowers stated that contract managers are in different departments; however, the Finance department has copies of those contracts as well. Ms. Penn stated yes, she has some copies of contracts; however, she does not have copies of every contract. Ms. Penn stated that the program is only as effective as the information that is received. Ms. Penn stated for DAS contracts, she can go onto the DAS procurement website and view OLC contracts.

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- Commissioner Mingo asked Ms. Penn what would be helpful to the process in identifying or receiving those pending contracts that are not in her possession? Ms. Penn stated that it would require communication to understand how OLC wants the Contract Compliance program to be structured and what the agency expects from the program. Ms. Penn also stated that contract managers need to inform her of the contracts that they have.
- Chairman Whalen noted that today's discussion was good. Executive Director Berg stated that historically all the multi- million dollar contracts i.e., gaming, advertising, were managed under Legal based on the dynamics and the complexity of the terms of the contracts.
- Director Executive Berg stated that the definition of Contract Compliance is to ensure that the goods and services provided are received. Executive Director Berg stated the potential debate could be that most of the contracts are assigned to the contract managers and that overall, they have well controlled processes for evaluating the services and goods that these vendors provide. Executive Director Berg stated the concern is the independent review. Executive Director Berg stated that's where he thinks the Contract Compliance Manager comes into play to ensure those evaluations are performed.
- Chairman Whalen stated that based on the description of the Contract Compliance Manager, Executive Director Berg's comment is accurate. Chairman Whalen stated that his concern is what is the definition of a contract and who should manage the contract? Chairman Whalen stated that if Ms. Penn is responsible for ensuring that OLC receives the goods and services per the contract, but she is unaware of what contracts OLC has, then there is a communication gap.
- Chairman Whalen stated that today we have identified that there is a policy that needs to be reviewed by Finance, Executive Director Berg and Legal. This review should clarify where and who receives access to contracts and what level of communication is needed between the Contract Compliance Manager, contract managers and Senior Management. Chairman Whalen stated ultimately, he would like to see assurance that the Contract Compliance program is operating at a quality level for the best interest of the Lottery.
- Mr. Bowers stated that Ms. Penn is performing well in her position as the Contract Compliance Manager. Mr. Bowers stated as contracts come up for renewal that Ms. Penn reviews those contracts with the contract managers and guides them through the process of quality assurance.
- Chairman Whalen stated that there needs to be more formality around the definition of the program, as defined by the organization, and that from an Internal Audit perspective ensure that we are operating in accordance with the terms of the policy. Chairman Whalen stated that this is the portion that allows us to

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identify the risk and to mitigate the risk because we will have defined roles and responsibilities against the process.

- Chairman Whalen stated that from the Audit Committee perspective that this would be the next step. Chairman Whalen stated that the committee is not suggesting that nothing has progressed but from their perspective they have not identified enough structure around the program to be comfortable with the current process.
- Chairman Whalen asked whether there were any thoughts or comments. Mr. Miltner stated that one of the areas that he has observed is that there was a decentralization of contracts. Mr. Miltner stated that not every contract was morphed into purchasing. Mr. Miltner stated that if we are going to centralize that process then all contracts should go through procurement and the Contract Compliance Manager should be aware of and have copies of those contracts. Mr. Miltner stated that a sign off process must occur in order for this process to work.
- Mr. Miltner stated that he also observed that there were instances when contracts were up for renewal but the contract managers were not aware of the renewal date in a timely manner. Mr. Miltner stated that Ms. Penn is utilizing the Matter Management system also utilized by the Legal department.
- Mr. Miltner stated there are areas within the Contract Compliance program that requires improvement; however, with the conversations that he has had with Ms. Penn she moving in the right direction and improving the program's process.
- Mr. Bowers stated that procurement was, at one point, decentralized. Mr. Bowers stated with Ms. Penn's assistance, the goal of centralizing procurement was achieved
- Chairman Whalen stated that we are moving in the right direction and we are all aware of the next steps. Chairman Whalen asked whether there were any further questions or comments. There were no questions. Chairman Whalen thanked Ms. Penn for attending today's meeting.

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 McAleer. 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 10:47 a.m.
- The Audit Committee moved out of Executive Session at 11:30 a.m.

OPEN SESSION: INTERNAL AND EXTERNAL AUDIT REPORT REVIEW

- Chairman Whalen recognized Cindy Klatt, Chief Executive Auditor, Office of Budget Management as next on the agenda. Ms. Klatt stated that her office will be conducting the following projects for FY 2018: Succession planning, Non-traditional prize payments, Disaster Recovery Plan, and the Annual Internal Audit Assurance Review.
- Chairman Whalen asked about non-traditional prize payments. Ms. Klatt stated that an example would be Cash Explosion prizes. Executive Director Berg stated that it is payment of prizes that do not go through the validation process.
- Chairman Whalen asked whether there were any questions. Commissioner Mingo asked out of the projects that Ms. Klatt discussed is the goal that these projects will be completed by the end of FY 2018? Ms. Klatt stated yes.
- Chairman Whalen stated that the final agenda item will be the discussion on the Employee Policy Acknowledgement process. Ms. Popadiuk stated that all the human resource policies have been reviewed, revised and issued. Ms. Popadiuk stated that she has worked with the Legal department in terms of the Social Media audit which she understands we will not be discussing at today's meeting. Otherwise, all policies are on the Intranet.
- Ms. Popadiuk stated that the Policy on Policies is currently being reviewed by the Legal department and once Legal reviews the document then that policy will be complete. Ms. Popadiuk stated that then the Social Media audit will be complete.
- Ms. Popadiuk stated that she has provided the Audit Committee screen shots of the Policy Acknowledgement process. Ms. Popadiuk guided the Committee to the first page of the policy acknowledgement document and stated that the employees are provided the name of the policy, policy number and the changes to that policy. Ms. Popadiuk stated that she emails the staff that includes a link informing them to log into the Intranet to review and acknowledge the updated policy. Ms. Popadiuk stated staff cannot access the policy page without clicking onto the link that she provides in her email. Once the employee logs into the Intranet, the employee can view all policies and acknowledge. Ms. Popadiuk stated that the employee acknowledges that they have reviewed and will follow the policy.
- Ms. Popadiuk stated some staff, not all in the Human Resources department, has access to the Policy Acknowledgement dashboard. Ms. Popadiuk stated that the purpose of the dashboard would allow HR to

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view who has acknowledged the policies. Ms. Popadiuk stated HR staff has the capability to export the document into Excel and is sortable by policy, employee, acceptance date and active employee.

- Commissioner Mingo asked whether there were any circumstances that OLC has had where employees do not have an email address to view the policies. Ms. Popadiuk stated that all OLC employees have network sign-on and Intranet sign-on.
- Ms. Popadiuk stated that the Information Technology department played a major role is assisting with creating this program. Ms. Popadiuk stated that Andrew Rokakis, Web Designer assisted with creating the program.
- Chairman Whalen stated that one would hope that the employees do read the policies. Ms. Popadiuk stated that she believes employees are reading them based on the number of phone calls she's received with questions about them.
- Commissioner Mingo asked whether we can determine if there have been employees that have not acknowledged the policies by the due date. Ms. Popadiuk stated yes. Ms. Popadiuk stated that the employees have until June to acknowledge all the policies that were emailed. Ms. Popadiuk stated that they will run a report the second week of July to see who has not acknowledged the policies. Ms. Popadiuk stated that she will email a reminder to the employee's boss to remind them to review and acknowledge the policies and if the employee decides not to acknowledge, then HR will take additional action.
- Chairman Whalen thanked Ms. Popadiuk for her report.
- Chairman Whalen asked Mr. Bowers to provide a high-level report on the Lottery Profit Education Fund (LPEF) audit. Mr. Bowers introduced Mary Tedeschi-Vittardi, Finance, General Accounting Supervisor. Mr. Bowers stated that IT provided her step by step instructions on how to balance. Ms. Vittardi has been working with Information Technology to assist her with this process. Ms. Vittardi stated she has only been out of balance one time and she stated that IT can manually go into the system and correct the issue quickly. Mr. Brown stated that it sounds like the process is working. Ms. Vittardi stated yes, BOS closes at midnight and ICS closes at 2 a.m. Ms. Vittardi stated that is where there is a timing difference. Chairman Whalen asked how do we effectively close this issue? Ms. Vittardi stated that if IT could write up a procedure of how to reconcile, then when this happens again she can reconcile the difference herself by following the procedure.
- Chairman Whalen asked what are we suggesting to close this issue? Ms. Nagorny stated there should be a report to indicate the timing difference and the detail behind why there was a timing difference. Ms. Nagorny stated although Finance has stated that the out of balance is due to timing differences, there has not been any documentation showing that this is indeed a timing issue.

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- Chairman Whalen asked again how do we resolve this issue? Ms. Nagorny stated that she would like to see a detailed report so that the next day anyone can see the timing difference. Ms. Nagorny provided the committee the example of Video Lottery Terminals. They have a report that provides detail of any timing differences.
- Chairman Whalen asked whether this was a system issue in Finance. Mr. Bowers stated he believes so. Mr. Brown stated that IT would have to add functionality to show the difference. Mr. Brown stated they would submit a change control request form (CCRF) to Intralot. Chairman Whalen asked what is a change control request? Mr. Brown stated that Finance would submit a request for a change to the reporting software to IT so that they would make the necessary changes. Mr. Brown stated it would require system work.
- Executive Director Berg asked that this reconciliation did not occur prior to the audit, correct? Ms. Wilson stated correct. Executive Director Berg stated that reconciliations should be performed on a daily basis; we need to understand any differences. Mr. Bowers stated that once we get to the point where we can prove that it is a timing difference, then it's up to his discretion regarding what is acceptable.
- Chairman Whalen stated that the Audit Committee is requesting that if the issue is a timing difference then the Finance department can continue to manage the way they have managed. Chairman Whalen stated that they are not requiring a daily report to check on the timing difference.
- Chairman Whalen stated that this was a great meeting. There was a lot of good discussion and kudos to Ms. Popadiuk and her staff for developing and maintaining the policy acknowledgment system. Chairman Whalen stated he is looking forward to hearing updates at September's meeting.

ADJOURNMENT

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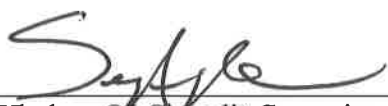
- Chairman Whalen called for adjournment of the meeting at 11:48 a.m.

Prepared by:



Carla Reeves, OLC IA Administrative Professional

Approved by:



Sean Whalen, OLC Audit Committee Chairman