



OHIO LOTTERY COMMISSION
Audit Committee Meeting Minutes

Monday, December 15, 2014, 10:00 A.M. – 12:00 P.M.

In attendance:

Audit Committee Chairperson,
Lottery Commissioner
Sean Whalen

Audit Committee member,
Lottery Commissioner
William Morgan

Audit Committee member,
Lottery Commissioner
Angela Mingo

Joe Bell (OBM)
Chief Executive Auditor
Office of Internal Audit

Cindy Klatt (OBM)
Chief of Quality Assurance
Office of Internal Audit

Allen Allred (AOS)
Assistant Chief Auditor
Financial Audit

Noreen Burke (AOS)
Senior Audit Manager
Information Systems

Matt Goldman (AOS)
Senior Audit Manager
Financial Audit

Maria Jackson (AOS)
Assistant Chief Auditor
Information Systems

Dennis Berg
Executive Director
(Ohio Lottery)

Larry Miltner
Chief Legal Counsel
(Ohio Lottery)

Jennifer Wilson
Deputy Director, I.A.
(Ohio Lottery)

Mike Petro
Deputy Director, I.T.
(Ohio Lottery)

Constance Miller
Deputy Director, Operations
(Ohio Lottery)

Jim Brown
Manager, I.T.
(Ohio Lottery)

Mike Mazanec
Program Administrator 3, I.T.
(Ohio Lottery)

Kristen Calabrese
Program Administrator 2, I.T.
(Ohio Lottery)

Diane Nagorny
EDP Internal Auditor
(Ohio Lottery)

John Jones
I.T. Internal Auditor
(Ohio Lottery)

Joe Volpi
EDP Internal Auditor
(Ohio Lottery)

Call to Order

At precisely 10:00 am, Chairperson Whalen called to order the final Ohio Lottery Audit Committee meeting of the 2014 calendar year. In order to accommodate a noon commission meeting, Chairperson announced he will conclude committee business at 11:50 am. Whalen introduced himself to first-time attendees, as the Chairperson of the Ohio Lottery Audit Committee, encouraging all assembled to take a moment to make introductions. Acknowledging a significant commute involved for members present, Chairperson thanked auditors and senior management for their valuable support.

Approval of Minutes

As first order of business, Chairperson Whalen queried for a motion to approve the minutes of the September meeting. Mingo motioned to approve. Chairperson seconded the motion and asked all members who approve to say yea. Minutes compiled from the meeting held September 22, 2014 were unanimously approved in written form, as presented to the committee.

Chairperson Whalen's Comments

Risk-Level Definitions:

As explained by Chairperson Whalen, committee members revisited the risk level definitions, which facilitated a discussion addressing designations built into the audit plan. The revised definitions support the missions of both the Ohio Lottery and the Ohio Lottery Audit Committee, spotlighting top-priority items and improving transparency. High-priority audits are the most important action items requiring leveraging of resources, as framed by Chairperson. In light of the reformulated designation system, senior management will be motivated to quickly shift resources to implement recommendations. Whalen greatly appreciated the energy expended in this recent exercise and welcomed pertinent questions. None were raised at this time.

Transition - Mode of Internal Audit's Operation:

Chairperson expressed his support for Internal Audit's recent filling of the vacant internal auditor position. Equally impactful, Chairperson Whalen pointed out an over-arching need for multi-tasking, as each auditor satisfies various roles across projects. Sustaining an ongoing multi-faceted approach to auditing will be necessary in this new environment. Completing simultaneous projects will be the norm per Chairperson. The goal, as explained by Whalen, is to avoid start-stop patterns of work, which hamper swiftly reaching milestones. Chairperson envisions employment of a more nimble work-strategy; tackling multiple engagements over the long-haul. Continuous progress through the audit plan is testimony to the effectiveness of management. Chairperson complimented management's skill in utilizing the workforce in a newer and more flexible manner.

Year-to-Date Status Update:

Chairperson summed up the agency's internal audit year-to-date status. The internal audit team has completed fifty-percent of the audit plan, thus far. Sixty-three percent of the plan remains open. Although delays are inevitable, continual progress remains the central goal.

TeamMate/

During the next six months, Chairperson Whalen seeks to fully optimize use of the TeamMate software application. Operational calendar and planning components of TeamMate may not be fully utilized. Whalen would like to see the Ohio Lottery Office of Internal Audit explore their options. In recognition of the outstanding strides made by the Office of Internal Audit in the last year and in their work with the committee, Whalen would like to focus on usage of the full suite of auditing tools available, now that the foundation has been laid for a partnership between the Ohio Lottery and OBM.

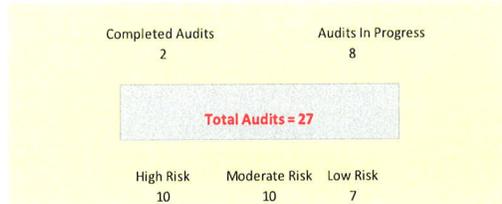
Routine Audit Updates/

In first and second quarters 2015, Chairperson will be tasking Audit Committee members to strategize how audit committee members can interface with Ohio Lottery internal auditors on a more routine basis. Whalen prefers the internal audit group issue direct updates on audits to committee members during each three-month period, as opposed to issuing quarterly updates, exclusively. Routine audit updates will allow committee members a deeper level of engagement, while not preventing the completion of audits. Chairperson Whalen promised he will work to ensure the correct balance is achieved in this area.

Before shifting the meeting discussion to the next topic, Chairperson queried members for related questions. None were posed.

Deputy Director, Internal Audit Report

Jennifer Wilson briefly reported the present status of the FY2015 Annual Audit Plan:



- Overall, there are twenty-seven (27) planned audits broken down into quarters.
- Ten (10) of the twenty-seven (27) audits are categorized as high-risk.
- Ten (10) of the twenty-seven (27) audits are categorized as moderate-risk.
- Seven (7) of the twenty-seven (27) audits are categorized as low-risk.
- Two (2) of the twenty-seven (27) audits are completed.
- Eight (8) of the twenty-seven (27) audits are in various stages of completion.
 - Two (2) of the eight (8) are high-risk.
 - Six (4) of the eight (8) are moderate-risk.
 - Two (2) of the eight (8) are low-risk.
- Fifty-percent (50%) of the year remains.
- Sixty-three percent (63%) of audit work is incomplete, currently. (Audits vary in time and resources devoted).
- A strategic approach will be implemented in accomplishing unfinished business during second half of FY2015.
 - Internal auditors will ensure higher risk audits are completed, prior to lower-risk audits.
 - A small amount of carryover is not atypical.

Records Management Audit:

Wilson characterized this audit as one which ultimately became a consulting project. During the planning phase, Wilson learned the records management function was in the midst of an agency overhaul. A meeting with records management staff allowed internal auditors to determine an audit presence would not be value-added. Instead, it would hinder progress. Internal auditors proposed foregoing a formal audit during the transition. This would mean no audit report would be issued. Consultancy would be the focus; auditors would answer questions during the design phase. Monitoring, as opposed to formal auditing, would be a service provided by the audit team. As an interim solution, the internal auditors proposed to offer elements of record management in their current engagements. Any issues discovered in the field would be reported to the Records Manager. This individual would then offer corrective advice to educate the staff affected by the discrepancy. Moving forward, records management will be an objective in all audits, until an updated system is implemented. Internal auditors' noted records management staff were receptive to notification of weaknesses identified.

MyLotto Rewards Program:

This was a planned audit engagement; however, Wilson indicated Internal Audit was asked to assist in development of procedures for the MyLotto Rewards Program during the design phase. The Internal audit team reviewed procedures submitted and identified areas of risk. A final draft emerged as a result of this dialogue. Risks identified were sufficiently mitigated. In addition to assisting in compilation of procedures, Wilson was also invited to the Marcus Thomas studios to walk through the process. Ideas for improvement were exchanged at this time. For instance, discussion of camera placement during the drawings occurred. Wilson concluded this process review was a positive step taken in preventing risks. Wilson applauded the proactive communication initiated by these employees.

Follow-Up Audits:

- Follow-up has taken place in regard to seventy-three (73) audit issues.
- Of the seventy-three (73) follow-ups, forty-five (45) were closed
- Twenty-eight (28) open issues remain.
 - Twenty-seven (27) open issues are distributed among four (4) audits.

- Some open audit issues require the implementation of Change Control Request Forms (CCRF).

New-Hire:

A mid-probationary evaluation of the newest internal auditor is due December 2014. Offering valuable suggestions for decision-making and improvement, Joe Volpi is a positive addition to the Internal Audit team.

Continuing Education:

Wilson continues to track continuing education units. The department is on pace to fulfill the forty-hour per year requirement. Wilson has completed seventy-five percent (75%) of this training. Upcoming training for SharePoint will be department-wide. This will add seven units to each trainee's total.

Procedures:

The Ohio Lottery Office of Internal Audit continues to make strides in documenting procedures in accordance to the Institute of Internal Audit standards (IIA). This status update was included in the audit committee meeting materials. Samples were provided regarding documentation of processes. The first handout describes the overarching procedure of the internal audit flow. Internal auditors highlighted compliance to IIA standards where applicable. To date, the follow-up piece for the internal audit flow procedure has not been completed as Wilson explained she would prefer to learn through each follow-up directly prior to writing procedures for the process. There will be a document which cross-references IIA standards with each instance of compliance in the Internal Audit procedures. This document will be created in the near future. Wilson thanked OBM for sharing their compliance information.

Audit Engagement Planning Document (AEPD):

Wilson introduced this document as serving as a tool in planning a strategy for every audit engagement. In conformance with the IIA standards specifying requirements for every audit, the AEPD will be modified to reflect any changes which occur during the course of a particular audit. The AEPD document is a strategic guide.

Risk Assessment Procedure:

Documentation of this procedure seemed prudent in light of numerous auditee questions; understanding the rationale behind assigning an audit risk level was important to many auditees. It is a useful guide in explaining the reason(s) for a risk designation when suitable. The risk-assessment procedure was reviewed and approved by Executive Director Dennis Berg and Deputy Director, Operations, Constance Miller. This document was distributed to Senior Staff.

Process Flowchart:

This flowchart is referred to in the Internal Audit procedural document. The flowchart is created during planning of an audit by both the auditor and auditee. It is a valuable way to verify each party understands the process of the audit, how it may be tested and identifies the various risks and controls involved in the audit. Before moving forward with creation of test plans, the auditor ensures the auditee is in agreement with the documented process flow. The completed process flowchart is forwarded to the auditee to retain for future reference in formulating department procedures; training employees or working to improve areas of weakness.

Document Matrix:

The Internal Audit Engagement Procedure generated additional instructions. Wilson stated this information describes how the internal audit is created in TeamMate. Control documents (related forms) were created during this process. The AEPD is an example of one of these control documents, as reported by Wilson.

Surveys:

(Not enclosed with committee meeting materials). Following departmental research and analysis of OBM's survey, internal auditors created the client survey. Questions contained within the survey may be used to establish goals in certain instances. Goals will be relevant in the evaluation of staff performance. Also, each year a different survey will be distributed to Lottery management and the Commission during the Audit Plan development phase. This will be helpful in garnering feedback related to the plan. Lastly, another survey will be provided to the Audit Committee to allow for a careful evaluation of the internal auditor department's performance. This will provide committee members the opportunity to target what auditing activities are instrumental in fulfilling the committee's mission. Also important, it will

help members to identify objectives of little or no value. This input will be invaluable to the Office of Internal Audit's improvement over time.

State Audit Committee Presentation (September 2014):

Wilson presented to the State Audit Committee with a high-level update on departmental and audit business:

- Annual Report
- Procedures
- Personnel
- Innovative strategy implementation:
 - Refine audit scope
 - I.A. Deputy Director audit follow-up
- Acceptance of OBM's invitation to participate in Peer Review

Joe Bell (OBM) indicated the presentation to State Audit Committee is an annual event. Wilson spoke positively about this experience and expressed appreciation for the State Audit Committee's support of the Ohio Lottery Internal Audit function. Bell reiterated the State Audit Committee's goal is to leverage the work of the audit committee, especially with the advent of different committee members. The State Audit Committee reaffirms the role of OBM's consultancy and depends upon the Internal Audit function with the understanding there is appropriate oversight in place. Bell encouraged Wilson in making progress to align standards, as is evident with the procedure development. Fundamentally, Bell explained the importance of an annual presentation to State Audit is to allow members to stay informed of the constructive work underway by internal auditors and committee members, as a whole. In close, Bell represented the intent of the State Audit Committee to reinforce the creation of standards to abide by in the practice of auditing. State Audit is supportive of these efforts to establish and maintain auditing standards.

Chairperson redirected the conversation to gather feedback from Joe Bell (OBM) in an effort to better understand the committee's progress and growth over the last six months, while also looking into the future for Bell's professional opinion, as to what should be key pieces to focus on in the coming six months. Bell reassured committee members he is seeing progress; namely, the drafting of policies, hiring the appropriate staff and crafting a plan are all beneficial.

Cindy Klatt (OBM) concentrates on quality assurance when reviewing the Ohio Lottery and BWC internal audit offices. Bell continued to emphasize significant touchstones of this steady progress is the willing participation in the upcoming Peer Review, as well as the establishment of automated work papers. The key question remains: how does internal audit transition from the past to the future? Bell approves of the internal audit vision, as reflective of the overall purpose; flagging outstanding issues remains front and center. Necessary questions in this framework are: what are the outstanding comments that are higher risk? Evolving to a consultancy role, as opposed to solely using an auditing approach is a value-added transition. Bell feels this must be the focus – how does internal audit add value to the agency? Analyzing change in an ongoing fashion is important. Internal audit must become integral to adding value to the agency. OBM holds a monthly conference call to solicit questions from agency internal auditors to understand issues that persist and offer support wherever possible. Communication is critical in avoiding redundant efforts.

In listening to Wilson's overview, Chairperson Whalen noted the effective collaboration between internal auditors, management staff and auditees, a requisite aspect of deploying the annual audit plan. Whalen commended all parties for this level of communication. Chairperson took a moment to recognize Director Berg's leadership in supporting documentation of procedures and the assigning of risk level to the plan's priorities. Chairperson asserted without such an atmosphere of cooperation and support, the committee would have been unable to successfully move forward, as it has since June 2014. Establishing a positive rapport between auditor and auditee was one of the committee's most important goals from the inception. Chairperson encouraged all recipients of the survey to be forthright in their responses. This will allow members to study responses in February and March 2015. Modifications to the audit plan will be possible in the latter part of the fiscal year, based upon the information collected. In advance, Whalen thanked clients who will be surveyed for their candor. Chairperson queried all participants for any internal audit questions at this time. No queries were forthcoming.

Auditor of State Report

Financial Audit of the Ohio Lottery:

Matt Goldman, Senior Audit Manager, Financial Audit began by thanking Chairperson Whalen for inviting the State Audit team to the December committee meeting to share their recent audit report of the Ohio Lottery's financial reporting and information systems. Goldman introduced his colleague Noreen Burke, Senior Audit Manager, Information Systems, mentioning he and Burke are responsible for managing delivery of services to the Ohio Lottery. Also present, were Allen Allred, Assistant Chief Auditor (Northeast region), Financial Audit and Maria Jackson, Assistant Chief Auditor, Information Systems. Goldman indicated this team is responsible for overall quality, value and timeliness of audit services provided.

Looking ahead to FY2015, Goldman informed attendees Allred will be in charge of overseeing the Financial and Information Systems audits. During the summer, Goldman and his team completed the FY2014 audit of the Ohio Lottery. In addition, Goldman mentioned the CAFR report was released to the public on 12/9/14 for all interested parties. State audits are conducted in compliance with generally accepted auditing standards, as touched upon by Goldman. The financial audit is one component of the CAFR, being that the Ohio Lottery is a state agency. Two drivers of this audit are CAFR and OBM requirements.

During the FY2014 financial audit, the financial group tested significant balances in information systems and worked with Greg Bowers, Deputy Director, Finance and finance staff, as well as, Jennifer Wilson, Deputy Director, Internal Audit. At the close of the audit, the financial audit group issued an audit opinion of the financial statements presented in CAFR. A modified opinion was issued for this fiscal year. The opinion issued is the best opinion possible in regard to financial statements. One minor issue discussed was excluded from the audit report and the management letter. This minor issue was introduced in the October 2014 exit conference in relation to bank reconciliations (also cited in management letter(s) in the recent past). Goldman underscored the criticality of Ohio Lottery balances mirroring state balances, as presented in the CAFR.

Information Systems Audit of the Ohio Lottery:

Noreen Burke, Senior Audit Manager, Information Systems imparted summary information highlighting three points of interest contained in management letters.

Information Systems audit covered three key areas:

- Audit of LAN general controls;
- Audit of mainframe general controls;
- Audit of applications contained in various systems;

This audit resulted in three areas of management letter comment:

The first comment pertained to incompatibility between the job responsibilities of the IT Infrastructure Architect:

1/ Incompatible job function on LAN side in regard to Claims Information System (CIS) and Integrated Agent Database (IAD) was the focus.

IT Infrastructure Architect performs database administrative duties, while also, moving programs from Test into Production. This has been an ongoing comment in recent years. In compliance with the AOS's management letter, the Office of IT is in the process of hiring a Database Administrator, which will allow IT management to transfer duties from the IT Infrastructure Architect position to the Database Administrator's domain.

Burke prefaced her next update by indicating subsequent comments originated from the review conducted by Office of Internal Audit (OIA). Burke stated the AOS relied on the information generated from this review.

2/ OIA commented on the process of onboarding and off boarding in relationship to account management.

The Network Information Systems department is working to obtain an active-directory management tool. This management tool will have a reporting capability to list accounts which have been established and/or deactivated.

Network Information Systems will be compiling a procedural document outlining the procedures for onboarding and off boarding. Chairperson Whalen interjected to clarify if Burke is referencing user accounts when she refers to account management. Burke verified this as accurate.

Also noted by OIA were undocumented procedures for the change-management process:

3/ OIA noted the change-management process is performed in an informal manner. There are no documented procedures at the present time.

In concert with AOS and in the same comment, OIA identified the conflict between the IT Infrastructure Architect's access to the database and ability to move programs between Test and Production. Burke indicated Mike Petro, Deputy Director, Information Technology responded to this comment. Petro explained to auditors the Office of IT is in the process of hiring a Database Administrator. Parallel to these efforts, when back-office applications are moved to a .NET environment, this conflict will cease to exist.

.NET Migration:

Chairperson addressed Petro to learn more about the possible timing of the .NET migration. Petro characterized the .NET system as alive but not very healthy, also emphasizing IT completed the first important step of a successful migration of all applications off of the former Oracle Database. Developers finished the migration to .NET for the majority of applications. A handful of larger applications like CIS and IAD are in the midst of the development process. Petro anticipates completion of the remaining applications by close of FY2015. Transitioning from a PowerBuilder environment will allow IT staff a mechanism to transfer programs from Test to Production, eliminating incompatible duties performed by the IT Infrastructure Architect.

Regarding personnel matters, Petro reiterated IT management is in the process of hiring a Database Administrator (DBA). The Office of IT has only one DBA, presently. The IT Infrastructure Architect serves as a back-up to the primary DBA, as warranted. In response to Chairperson's query, Petro shed light on the ultra-slow pace in filling this vacancy. Per OIT policy, all vacant IT positions must be posted internally, prior to becoming public. Very few resumes have resulted from this internal posting, as history has proven it is rare to find candidates in Columbus who are eager to relocate to Cleveland.

AOS-Ohio Lottery Liaison:

Noreen Burke (AOS) updated members, stating that Ron Green, IT Supervisor was the AOS liaison for FY2014, responsible for communicating AOS requests to Ohio Lottery staff. Burke commended Green for the superb job in facilitating information-sharing between the Ohio Lottery and the AOS. Green greatly assisted the AOS in obtaining responses to each request. Via posts to the intranet, Green ensured data was available to the AOS in a timely manner. Burke appreciated the efforts expended by Green, as the liaison and remarked how it greatly aided auditors throughout the process.

[Commissioner Morgan arrived at 10:40 am].

AOS Timeline for FY2015 Audits:

Goldman foresees the same audit timeline for Information System and Financial Audits for FY2015. An entrance conference will take place June 2015. Mid to late July 2015, state auditors will complete their fieldwork. The AOS will deliver the Ohio Lottery opinion on October 1, 2015. Goldman has been pleased with the AOS staff's adherence to this timetable and applauded auditors for their good work.

Chairperson Whalen took this opportunity to extend an invite to the AOS to involve the Ohio Lottery audit committee members – whether to pass along audit updates to committee persons or to involve the committee in the good work of the state auditors. Joe Bell supported this committee involvement, specifying the submittal of both the engagement letter and the exit conference report. Each status update would appropriately be brought to the committee table for review by members. These reports might reveal ease of communication with management; audit areas covered by the AOS and/or possible changes made by the Ohio Lottery auditees, etc. It is a standardized communication, touching upon the scope of the audits and the activities completed at the exit point. Goldman and Allred (AOS) assured members the AOS has revisited their internal procedures, updating this information. The process will involve disseminating information to all parties affected, such as entities charged with governance responsibilities. The process will be more streamlined and incorporate management responses—one aspect of the exit procedure. Seeking AOS confirmation, Larry Miltner, Chief

Legal Counsel, Ohio Lottery delineated these communications are eligible for inclusion in Executive Session, prior to the release of the final audit per Ohio Revised Code. Allred confirmed the accuracy of this statement. Allred restated this information is not subject to release to the public until the final audit.

AOS-Ohio Lottery Partnership re Procedures:

Dennis Berg, Executive Director, Ohio Lottery reminded all present there are procedures for the drawings and the Cash Explosion show, which are followed by all staff. Director emphasized the important role the AOS plays in being present on a day-to-day basis for Ohio Lottery promotional drawings, etc. Along these lines, Allred (AOS) took the opportunity to share the AOS's recent focus on memorializing procedures to be followed by state auditors in these instances. Specifications for the AOS's role at these events were ironed out to eliminate any ambiguity. Allred stated within the past year, the parameters of the AOS role in these situations were spelled out in a formal letter of engagement, above and beyond the standard review /update of procedure documents. Allred explained he worked with Dennis Berg and Constance Miller in compiling this information. Over the course of the past three years, Allred assumed the duties previously held by Val Harris. Matt Goldman (AOS) is the new contact for aforementioned procedures. All auditing activities, outside of the Financial and Information Systems audit, will be transitioned to Goldman, including mid-day, evening drawings and pertinent activities surrounding the Cash Explosion show.

The AOS has been moving away from playing a role in actual procedures. In the event the Ohio Lottery would like to see the AOS take part in procedural matters, the AOS would partner with the Ohio Lottery to craft agreed-upon procedures. Allred underscored these are not AOS procedures. Chairperson Whalen addressed Allred to illuminate in what circumstances committee members must discuss partnering the AOS and Ohio Lottery in designing procedures. Allred responded it will be necessary when there are new procedures involving the AOS. Previously, this process of compiling procedures was largely informal. Allred opined it would be appropriate to look at the need to involve other staff on a case-by-case basis. In other words, it must be determined if the internal auditors and deputy directors should have a hand in review and revision of procedures. For example, recent revision of mid-day and evening draw procedures focused on avoiding over-reach on the part of the AOS. Apart from this, the AOS/Ohio Lottery dialogue was minimal on these processes, being they are well-established and comprise the majority of lottery auditing activities. Amendments governing Cash Explosion anomalies may have to be scrutinized in conjunction with one another, as these scenarios, while unprecedented at the time, may reoccur in the future. Whalen inquired if there is a formal procedure which is followed in review of discrepancies. Allred stated there is not. Chairperson attempted to ascertain at what juncture is it appropriate for the AOS to enter the discussion and review process. Allred expressed his lack of certainty, as to formal policy on this, citing past practices, which may not hold true in today's environment. AOS procedures specify when the AOS must be involved as a participant: mid-day, evening, Cash Explosion and TPD drawings; also included would be New Year's Raffle and promotional drawings.

Director Berg queried Allred to learn if the AOS would require an agreed upon procedure should the Ohio Lottery request the AOS's review of procedures for a Summer Raffle, for instance. Allred made the distinction, as follows: if the Ohio Lottery is asking the AOS to participate in the Summer Raffle, the AOS does not require agreed upon procedures. The AOS level of assurance is built into these procedures. However, if the Ohio Lottery is seeking to determine if the documentation and content of Summer Raffle procedures are sufficient, agreed upon procedures become necessary. Director Berg characterized the AOS as transitioning away from the past practice of an informal review of procedures. Chairperson noted an internal conversation would be appropriate to determine when the AOS's activities require agreed upon procedures. Commissioner Morgan asked Allred if a formal request is a written request submitted to the AOS. Allred responded it is in the case of new auditing activities, such as the debut of a new game. Allred shared with members the increase in frequent meetings with Director Berg during the past year to allow the AOS an assurance a new game or auditing activity will be approached in the traditional manner by auditors. The majority of events involve the necessary amount of communication with the AOS. Allred cited the Holiday Raffle as one example, in which, a bit more information-sharing ahead of its launch would have benefited the auditors. The AOS is striving to eliminate unknown variables when there are new lottery drawings or game launches.

Based upon Allred's report, notable achievements during 2014 involved close collaboration between the AOS and Ohio Lottery to revisit and refine procedures; especially helpful were Constance Miller's efforts in honing Cash Explosion processes. Chairperson Whalen probed Allred to learn if documentation of Ohio Lottery responsibilities were part of all of these efforts. Allred assured Chairperson, both the role of the AOS and the duties of the Ohio Lottery were clearly delineated. Whalen queried Wilson to learn if she has reviewed the assurances of expectations. Wilson indicated she has read these documents. Whalen tasked members with clarifying grey areas, in which, the AOS's role is not as clear as it should be, whether it be in relation to a new raffle or an ad hoc game. Chairperson would like to see internal discussion surrounding issues, as warranted.

Historically, drawings were always the responsibility of the Ohio Lottery, as stated by Director Berg. The progression of Multi-State Lottery jurisdictions and other third-party involvement has altered the auditor's framework. Berg harkened back to the day when the AOS sent an auditor to each and every event. As recent as two years ago, Allred was aware an auditor from AOS and a lottery representative were each sent to MDI in Georgia, despite the presence of an auditor. Allred maintained there has been a great deal of focus and effort expended to clarify what the level of assurance must be for the AOS in auditing lottery activities. Chairperson expressed he is looking forward to working with the AOS in the future and thanked the AOS representatives for the excellent information provided.

[Chairperson Whalen took a moment to allow for the departure of the AOS representatives prior to resumption of Audit Committee business].

Internal and External Audit Report Review

Fixed Assets:

Jennifer Wilson provided an overview of this external report:

- This audit generated eight (8) medium risks and one (1) low risk.
- Follow-up on these identified risks is scheduled for a date in the near-term.

Field Staff and Vehicle Usage with Credit Card Purchases:

- This audit contains five (5) medium risks and one (1) low risk.
- Follow-up is scheduled to address recommendations issued for highlighted areas.

Electronic Fund Transfers and Retailer Adjustments:

The below summary was provided by Wilson:

- Total of fourteen (14) issues.
- Three (3) open issues remain at the present time.
 - Two (2) open issues are medium-risk.
 - One (1) open issue is low-risk.
 - Follow-up on implementation of CCRFs is necessary to close open issues. The change control requests, once implemented, will mitigate all identified levels of risk.
 - CCRF-related information is encapsulated in the April 15 2014 response information for reference.

Payment Card Program (Closed):

- Three open issues (one of the three entailed drafting policy).
- Draft of payment card policy was submitted on November 28 2014.
- Wilson received final version of this policy on December 9 2014.
- This audit was closed in its entirety per Wilson.

Instant Ticket Inventory and Sales:

- Eleven (11) issues in total.
- One (1) issue involved submission of written procedures.
- Although the deadline was extended to January 30 2015 by request of the submitter, the information has been completed and was forwarded to Wilson in final form.
- Wilson closed the open issue requiring completion of written procedures.
- One (1) issue remains open of the eleven (11) per Wilson. This issue is CCRF-related. Wilson received a CCRF number, as of December 10 2014. The CCRF is tentatively scheduled for installation August 2015.

Diane Nagorny clarified for Chairperson Whalen that Intralot is the responsible party for implementation of any and all Change Control Request Forms (CCRFs). Chairperson thanked Nagorny for this important piece of information.

EXECUTIVE SESSION

Chairperson Whalen articulated a motion to enter into executive session. Miltner further expounded: this motion was for the purpose of discussing details of IT and security arrangements, which must be kept confidential per state statute. Chairperson moved to enter into executive session and Commissioner Mingo seconded. Each Commissioner was polled and each voted yes. The audit committee meeting entered into executive session at 10:55 am.

The committee moved out of executive session at 11:45 am. Chairperson Whalen announced the committee was now back in open session.

Office of Budget & Management Status Update

Joe Bell (OBM) informed all present the bulk of OBM's planned work is scheduled for the fourth quarter:

- Applications Testing
- Business IT Alignment Project (4th Quarter)
- Monitoring at Racinos (3rd Quarter-4th Quarter)
- Quality Assurance Review (4th Quarter)

The Business IT Alignment Project is directed at the business owners and the Office of Information Technology. As each agency is reviewed, it is apparent many functions have been centralized within DAS. This project will review what happens to the existing IT operations; how well are the IT operations aligned with governance, etc. This is a high-level project which will allow OBM to gather summary-level data via interviews. This is scheduled for later in the fiscal year.

IT Applications Development:

OBM representatives will define the scope and nature of this project.

Quality Assurance Review:

Cindy Klatt (OBM) will complete this review in February.

IT Remediation:

Bell explained OBM is working on IT remediation activity, as discussed earlier in the meeting, as it pertains to comments.

Chairperson Whalen concluded the meeting of the committee, querying representatives for any new business matters. No new business was introduced at this time. Whalen pointed out the helpfulness of all parties' presence and participation, touching upon the productive conversations centering on recommendations/outcomes/progress. Whalen moved to adjourn the meeting. All members voted yea.

Adjournment

There being no further business at this time, the meeting adjourned at 11:47 a.m.



Sean Whalen
Ohio Lottery Commission
Audit Committee Chairperson



Kristen Calabrese
Ohio Lottery Commission
Office of Information Technology / Audit Committee Recording Secretary