



**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**

**APRIL 18, 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  
Gregory Bowers, Deputy Director of Finance, OLC  
John Jones, Office of Internal Audit, OLC  
Cindy Klatt, Chief Audit Executive, Office of Internal Audit, OBM  
Traci Konesky, Assistant to the Director, OLC  
Constance Miller, Deputy Director of Operations, OLC  
Lawrence J. Miltner, Chief Legal Counsel, OLC  
Diane Nagorny, Office of Internal Audit, OLC  
Mike Petro, Office of Information Technology, OLC  
Liz Popadiuk, Deputy Director of Human Resources, OLC  
Amy Radebaugh, Internal Audit Section Chief, Office of Internal Audit, OBM  
Joe Volpi, Office of Internal Audit, OLC  
Jennifer Wilson, Deputy Director of Internal Audit, OLC

**CALL TO ORDER**

- The Ohio Lottery Commission (“OLC”) Audit Committee Meeting of April 18, 2016, was called to order at 10:06 A.M. at the Frank J. Lausche Building, Room 200 by Chairman Sean Whalen. Chairman Whalen stated that this is the third quarter of fiscal year 2016 Audit Committee Meeting.

**APPROVAL OF MINUTES OF DECEMBER 14, 2015**

- Chairman Whalen requested a motion to approve the December 14, 2015 Minutes. Commissioner McAleer made a motion that was seconded by Commissioner Mingo. The motion was affirmatively voted on by all Audit Committee Members present.

**CHAIRMAN’S COMMENTS**

- Chairman Whalen stated that he will report to the Commission at the May 16, 2016 Commission Meeting. This quarterly Meeting was moved due to a scheduling conflict, and he appreciates everyone’s flexibility in rescheduling the March Audit Committee Meeting to April.
- Chairman Whalen stated that he would like an update on the Administrative Professional position in Internal Audit.
- Chairman Whalen stated that he would like a good discussion on the Lottery Profits Education Fund (“LPEF”) Audit. As well as some updates from Mr. Bowers on how things are progressing.
- Chairman Whalen reported that currently, the Charter policies are in draft form, and by June, they will be finalized. There has been good progress on the Charter since the last Meeting.

- Chairman Whalen stated that everyone received a large spreadsheet entitled, “Office of Internal Audit: Risk Matrix Audit Universe.” It is an interesting illustration of some of the processes that go into the planning of audits. The left side is the universal of all the different areas, and then the categories of how to rate each of those. This will help in the preparation for the new audit plan for the upcoming fiscal year.

**OFFICE OF INTERNAL AUDIT, OLC, JENNIFER WILSON, DEPUTY DIRECTOR**

- Ms. Wilson stated that the Charter policies are in the materials. All the changes that have been made thus far will be set, and she will have the final document ready for approval at the June 20, 2016 Meeting.
- Ms. Wilson reported that all Internal Audit staff members are on track in completing their Continuing Education credits in order to comply with the forty (40) credit units that are required on an annual basis.
- Ms. Wilson reported that interviews for the Administrative Professional position will continue. She did make a selection however, the candidate turned it down. Second interviews have been scheduled with two (2) of the candidates that already went through the interview process, as well as three (3) other candidates from the original group of applicants. She expects all interviews to be completed in the next couple of weeks.
- Ms. Wilson reported that in planning for the fiscal year 2017 audit plan, she presented Director Berg with a justification letter to hire an additional Auditor. At this time, she still needs to meet with him and discuss that issue. In looking at the completion rate for the last annual plan, it was slightly lower than our goal of 80% at

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around 65%. Perhaps with the addition of the Administrative Professional, that could help free up some time for Ms. Wilson to do some auditing herself.

- Chairman Whalen asked if there was any specifics into what a new Auditor would be doing and if the position would be an entry level position. Ms. Wilson responded that she would like to hire an Internal Auditor with experience, and the intent would be for them to work on audits across the board.
- Ms. Wilson stated that she is currently in the process of completing performance evaluations for staff by the April 30, 2016 deadline.
- Ms. Wilson reported that the annual risk assessment is almost completed. The portion that is missing is a final assessment. She stated that she did have a discussion with Director Berg and received input from him as well.
- Ms. Wilson reported that regarding the SOC 1 and SOC 2 Audit, staff is expected to be on-site on April 25, 2016.
- Ms. Wilson stated that she was going to move onto the Dashboard. In regards to the first chart, the seven (7) that are not started are moderate risk audits with the exception of the Games audit. She provided to the Audit Committee Spectrum's work plan. She stated that if the OLC were to conduct the audit that it would not add any additional value given that Spectrum's plan extensively reviews the games. Spectrum is going to review the OLC's traditional gaming mix, VLTs and operational strengths and weaknesses.
- Chairman Whalen stated that the only thing that concerns him is if the timing of Spectrum's report was going to be adequate for timely completion of the audit, and whether or not it is going to align with what is needed to happen.

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- Ms. Wilson stated that she believes it will. The time frame for their report completion is six (6) months.
- Ms. Miller stated that Spectrum held their first meeting on January 28, 2016 and six (6) months from that time frame would be around the end of July 2016.
- Mr. Petro stated that his guess is that Spectrum should have a draft report available in June 2016. However, if there is a special request, they may be able to have the gaming portion available in June 2016. Spectrum should have their final report by the end of summer.
- Ms. Wilson stated that they can consider that as a carry over to fiscal year 2017.
- Chairman Whalen stated that he believes they will have to regardless at this point, and is fine with that unless there are any concerns or reservations. Ms. Wilson responded that she does not have any concerns or reservations.
- Ms. Wilson stated that they are looking at a 60% or so completion rate at this point for the fiscal year 2016 audit plan. Last fiscal year the completion rate was 65%. This may also be some justification for another auditor.
- Chairman Whalen stated that relative to the ability to hire another Auditor, what if it is not possible for budget reasons. Is perhaps the audit plan too aggressive?
- Ms. Wilson stated that perhaps they can look at scaling it back. In addition, once the Administrative Professional starts and takes over some of the administrative work, Ms. Wilson can work on audits as well.
- Chairman Whalen asked if the time line is too long to allow them to move on to other audits, and are there factors that influence the completion of audits.

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- Ms. Wilson stated that it depends. The Auditors try very hard to keep within their scope but sometimes as planning progresses, the field work opens up things that are not anticipated.
- Chairman Whalen stated that his concern is just making sure that they have set the right priorities for the audits that need to be done. He knows that there will always be things that they cannot get to. The major concern is only getting to a 60% completion rate and how much risk is there with the population that is not getting reached. The things in the middle are a big concern and that could help build more justification for an additional Auditor. He would like to look at what was not gotten to this year and needs to be moved to the next audit plan. As well as what will need to be moved to the following fiscal year audit plan.
- Chairman Whalen asked Ms. Klatt if in her experience she has seen only a 60% completion rate. Ms. Klatt responded that a 40% incompleteness rate is kind of high. However, reaching a 100% completion rate is not realistic. The Office of Budget and Management (“OBM”) obtained a 94% completion rate last year, and in previous years it was in the mid-eighties. She believes it is good to focus on the risks that are not being covered. She stated that she knows a lot of the audits that have not been started are low-risk but they still need to keep an eye on that.
- Commissioner McAleer asked if the risk level has been updated every year. Ms. Wilson responded that yes the risk levels have been updated every year.
- Commissioner Mingo asked if the risk level goes through an evaluation process. Ms. Wilson responded that she looks at the risks in the quarterly status report. For example, one was reduced from a medium to a low risk. She stated that they do evaluate risk levels and update accordingly.

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- Mr. Bowers asked if there was a threshold for what is considered high risk. Ms. Wilson responded that yes there is, and last year high risk started at 1.8.
- Commissioner Mingo asked what the threshold was for medium and low risk. Mr. Volpe responded that it is 1.3 for medium risk.
- Ms. Miller inquired as to what exactly the retailer management audit referred to. Ms. Wilson responded that she had met with Ms. Vasil to discuss the audit, and they decided for next year to break that out into smaller categories.
- Commissioner McAleer stated that he had a question about the status report regarding the stolen tickets security audit. He asked how that audit was going and if it was a significant problem in terms of the number of stolen tickets that the OLC sees.
- Ms. Wilson responded that that audit is in the Audit Committee's materials. Ms. Wilson asked Mr. Jones if they did a comparison to see if the problem is getting bigger. Mr. Jones responded that the stolen tickets per year are actually going down but the number of stolen ticket reports are actually going up. The controls that are being used are working.
- Director Berg stated that they are talking about tickets that are stolen from retailer locations. OLC retailers contact the OLC for a credit or an adjustment, and we have policies and procedures in place for that.
- Commissioner McAleer inquired as to what watchdog was. Director Berg responded that watchdog is a program that the OLC has had for several years. This is to monitor excessive purchasing transactions on an OLC terminal, and there are thresholds that will alert the security department when something may not be right. It is really to stop extreme or excessive negative behavior.

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- Mr. Petro stated that it is used to identify a scenario where perhaps a clerk is taking advantage of a certain situation or a customer who may have a problem.
- Commissioner Mingo asked if that was monitored electronically. Mr. Petro responded that yes it was. Security will get a report when someone gets near their threshold, and they can give that retailer a call to see if it is a legitimate business transaction or if they have a problem. Director Berg stated that it is not 100% fool proof but it does work.
- Ms. Wilson referred to chart two (2) of the dashboard, corrective action timeliness. Thirteen (13) of the thirty (30) represent the Business Continuity Plan. The remaining seventeen (17) have various reasons.
- Chairman Whalen asked if there is anything in the seventeen (17) that would be high risk. Ms. Wilson responded that there are three (3) high risk items. One (1) is from the MPNG audit which identified a restrictive player process that was not in effect yet. That is moving along, and a procedure has been drafted.
- Ms. Miller stated that the Information Technology Department created a program that searches a zip code and street number, and then matches it against people. The list was ran against the restrictive players, and there were approximately twelve (12) that came back as questionable. The next step in the process is to build an investigative procedure.
- Ms. Wilson stated that another one that was identified as high risk is from the Social Media audit, in which there would be an inventory of all OLC policies and get them on an annual review. Ms. Popadiuk has completed a lot of work thus far. First, she had to redefine whether or not a document was a policy or if it was a procedure. Once that was completed, she had to identify which policies need to be reviewed and

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by whom. Ms. Popadiuk then had to build an employee acknowledgement system in an electronic format in order to keep track of everything. May is the deadline for this.

- Ms. Popadiuk stated that for the first group, they are slightly behind target. They have been getting policies back from Legal and making any necessary revisions, and once that is complete, they will get those policies out. Then, there is a second wave of policies which are the HR policies, and those need to go to Legal for review as well. It will be an annual review so every fiscal year policies, procedures and directives will be reviewed to make sure they are current.
- Mr. Miltner stated that some legal research had to be done on what is an internal management rule which does not have to be promulgated under the Ohio Administrative Code and what is not internal and those have to be promulgated under the Administrative Procedures Act. In addition to that, they did a general legal review.
- Ms. Wilson stated that since the whole piece is not quite done, there have been other audits where they have identified policies being outdated or needed, so that adds to some that are not closed.
- Ms. Wilson stated that the third high risk item is the Auditor of State's report. All of the issues that they found were deemed high risk.
- Ms. Wilson stated that in terms of this risk assessment, the majority of auditable areas fall in Finance and Information Technology.
- Ms. Wilson stated that in regards to the quarterly status report, the audits that have not been started are all low or moderate risk.

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- Ms. Wilson moved on to Consulting Engagements. In regards to On-boarding and Off-boarding, there was an OLC employee that needed to complete a project to receive their black belt, and he has gladly taken it on.
- Chairman Whalen stated that in regards to the A-Lign audit piece, SOC 1 and SOC 2, he would like to look at their plan. Ms. Wilson stated that she will send it to him this week.
- Ms. Wilson moved on to the internal audit reports. The first one is the Bank Reconciliations audit, and the first couple are not due until the end of June. There is a medium risk issue having to deal with the procedures updated. She did receive procedures. However, the procedures did not specifically discuss the backup piece. Ms. Wilson stated that she did have a conversation with Ms. Vittardi, and she would like her to have that in her procedures.
- Ms. Wilson stated that the next one also deals with procedures. The procedures did not fully address the recommendation of management review and proper segregation of duties. Ms. Wilson did have that discussion with Ms. Vittardi as well, so it was not able to be closed.
- Commissioner McAleer stated that he noticed that it was not agreed upon, and he wondered if it was accidentally left out of the procedure. Ms. Wilson stated that she thinks Ms. Vittardi chose to just focus on what is done, and she did not put in her role as reviewing it.
- Mr. Bowers stated that in the past, there was a space on the reconciliation sheets showing who reviewed it by initialing and dating it. Now things are done electronically and it is not apparent if Ms. Vittardi reviews something.

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- Commissioner Mingo asked if an electronic field could be inserted to indicate whether or not it has been reviewed. Mr. Bowers responded that they can certainly make an electronic field there.
- Commissioner McAleer asked if it will be closed soon because that is a pretty easy addition. Ms. Wilson responded that yes it should be.
- Ms. Wilson stated that the next one was high risk, and they were able to close that April 11, 2016. This was a very good audit and very productive
- Mr. Bowers stated that this was the most seamless audit that he has been involved in. There were a lot of great points that came out of it.
- Ms. Wilson stated that the next two (2) issues are not due until June 2016. They are looking to decide whether or not to have a full-time supervisor in the Call Center.
- Ms. Wilson stated that the next one is not closed. The procedure was received but she needs to follow up and discuss. The next several are also not due.
- Ms. Wilson stated that the next one is the EZPLAY® Game Liability audit. She was able to close out the first two (2). The recommendation was made to have someone from the OLC to monitor aspects of the game. She followed up with Ms. Vittardi, and she did say monitoring has begun. Although, we did not see evidence that the accounting had been completed, and Ms. Vittardi was looking more into that so this was not able to be closed as of yet. The one after that she was able to be closed, so there is only one open one.
- Ms. Wilson moved on to the Field Staff audit. This audit ties directly with the policies. The policy has been written and forwarded to her, although it is not posted to the intranet yet because it is in the state of being categorized and reviewed so it remains open.

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- Ms. Miller asked exactly what was field staff accountability. Ms. Wilson responded that it referred to vehicles and how they are assigned, and we need to conform to the Department of Administrative Services. Ms. Nagorny added that it is the proper steps with vehicles.
- Ms. Popadiuk asked if it referred to the vehicle handbook. Ms. Nagorny responded that yes it is the vehicle handbook. Ms. Popadiuk asked if that audit is being held up because of the necessary revisions to the handbook. Ms. Wilson responded yes that it was.
- Chairman Whalen asked if somewhere there is a credit card usage policy. Ms. Miller responded that it is not a credit card but the Voyager card which can only be used for gas and that is part of the handbook.
- Ms. Wilson moved on to the LPEF audit. This was very complicated, and it has taken a long time to get the point where they currently are. Several recommendations were identified over the past couple of days, and she was able to reduce one of the risks from high to medium. Reconciliations have improved, however, there still needs to be a journal entry that coincides with BOS.
- Ms. Wilson stated that the first one regarding unclaimed prizes is not always in agreement with the game specifications, and it was decided that the specifications will be modified or clarified by Information Technology. That was one of the recommendations. Once received, that will be reduced from a high to medium risk.
- Ms. Miller stated that she was uncomfortable calling this audit the LPEF audit because you are not auditing the LPEF.
- Mr. Bowers stated that he agrees with Ms. Miller, and that it is a little misleading. The audit started off as an audit looking at the controls that the OLC has in place

when calculating the profit money but it evolved from that into the way the OLC's voucher program is ran.

- Mr. Petro stated that it evolved into a voucher processing audit.
- Ms. Nagorny stated that there were no issues on the LPEF audit. However, because vouchers are new to the OLC, there are some issues that need to be resolved.
- Ms. Miller stated that the OLC does not have control over the LPEF. It is an OBM fund that the OLC sends money to.
- Mr. Bowers stated the intent was to audit the calculations of the LPEF, and he thought it was misleading as well.
- Commissioner McAleer stated he immediately thought it was the fund from his limited time at the Commission when he first saw it. However, when he read it, he understood what it was referring to.
- Chairman Whalen stated that when he read it he knew we were not auditing the fund.
- Ms. Nagorny stated that for every audit, there is a summary of what was done and what was found. It is not in this document so you are not seeing the background as to the spin off to the vouchers.
- Chairman Whalen asked regarding the voucher issue if that is still being worked on. Ms. Wilson responded that there is more to be said about the specifications
- Ms. Wilson stated in regards to the Tap Games Liability, this was due the end of February 2016. Ms. Vittardi needs reports generated to help her with this, so she has issued a CCRF for Information Technology to serve that purpose. She did send it at the end of February 2016. Ms. Wilson suspects that more communication is needed

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for specifics as to what really is needed. Ms. Vittardi's part is done and was on time but this other piece will take more time.

- Chairman Whalen asked if this was a good example of the contributing factors of the 40% that was missed on the audit plan. Ms. Wilson responded that yes it was.
- Chairman Whalen asked if they were able to put a date on that at this point or is it still too unknown as to when it will be finished. Ms. Wilson responded that she believes it is pretty unknown.
- Mr. Petro stated that they are looking at the end of the calendar year at the soonest. June and August are booked due to *Quick Keno* in June and the *50/50 Raffle* in August.
- Chairman Whalen asked how often are CCRFs done. Mr. Petro responded that they try and get some CCRFs in every batch but revenue generating batches trump all. They try for three (3) major releases a year.
- Director Berg stated that regarding the tap games that are currently in the Veteran Halls, there are approximately two-hundred (200) locations that are selling tap games, and they are generating an extremely small percentage of all revenue. The *Quick Keno* project is going to operate in a very similar manner with the vouchers. The MPNG terminals now operate under the same technology, so vouchers are expanding. With that being said, the OLC needs to make sure the accounting is squared away.
- Mr. Bowers stated that the OLC generates \$30,000 to \$35,000 per week from this program in comparison to traditional OLC products which generate \$15 million to \$16 million a week.

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- Director Berg stated that vouchers are relatively new to the lottery business. The vouchers allow players the opportunity to receive credits back out and then replay later. The root of the accounting concern is what happens with the accounting if there are still credits sitting on a machine. Currently, the OLC does not account for the credits sitting on a machine as of midnight.
- Commissioner Mingo asked how long credits are available. Mr. Petro responded that vouchers are good for 180 days from the time a player receives it from the machine.
- Chairman Whalen asked if any other states use vouchers. Mr. Petro responded that Ohio was the first state to use vouchers, and Washington followed Ohio. The OLC is leading edge with the voucher concept from vending machines.
- Ms. Wilson stated that the next item is the document procedure, and that is due at the end of the April 2016. The next item she was able to reduce from high risk to medium risk. The next item pay voucher liability is not being reconciled. Again once the CCRF is implemented the risk can be reduced.
- Ms. Wilson stated that the next one, some LPEF components have lack of substantiation, and this will be followed up on.
- Ms. Wilson stated that the next issue is voucher purging totals not considered in LPEF calculations. Her plan is to verify in May 2016 for April's LPEF if the purging totals were considered when calculating the LPEF.
- Mr. Bowers stated that they are being considered now, and it is approximately \$1,000 on average a month.
- Chairman Whalen stated that he appreciates everyone's collaborative effort with the LPEF audit.

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- Director Berg stated that unfortunately, there is no perfect way to define the risk, and there are varying levels of high risk.
- Chairman Whalen stated that the degrees of the situation and discussing them at Audit Committee Meetings helps make them comfortable and therefore they can move forward.
- Director Berg stated that in general, the origin of the high risk had more to do with the programming. If something is going to be implemented in the gaming system and it does not match the specifications, then it is understandable why it is high risk. However, the issue has been identified and we can work on the accounting end now.
- Ms. Wilson stated that in regards to the lack of restrictive player issue, that has already been discussed at the Meeting.
- Chairman Whalen stated that it seems like there is an outside vendor approach and getting that synched up with the OLC. He asked what the process has been thus far. Ms. Miller stated that this is the first time that the OLC has checked. Intralot has not been followed up with yet, and Scientific Games and IGT did not have any hits.
- Ms. Wilson stated that the next audit was the Social Media audit. She stated that Ms. Popadiuk updated where she was with the policy review earlier in the Meeting, and asked if there were any other comments.
- Chairman Whalen stated that Ms. Popadiuk had mentioned the implementation of an electronic system, and he wanted to know if policies are categorized and searchable.
- Ms. Popadiuk stated that the policies have always remained on the intranet. The process that is new is the actual acknowledgment piece. Employees now receive an email regarding a new policy. Once the email is clicked on, employees are taken to

the intranet to review the policy and electronically acknowledge that the policy was reviewed. The process is more efficient and easier to track.

- Ms. Wilson stated that the next audit is the Stolen Ticket audit. This has to do with revised policies and procedures. An updated policy and procedures was received on February 1, 2016, and it was on time. However, an issue was found where stolen tickets were not moved into the right status, and they remained cashable for a month so that process needs to move quicker.
- Mr. Jones stated that the policy stated that Security would receive a stolen ticket report and within 24 hours the status would be changed so that tickets cannot be cashed or validated. Security needs to go through line by line and change the status, and sometimes they miss a couple. The new Draft policy came out that states as soon as the tickets are transferred to the new status, an investigator will be assigned to go through and double check the status of all those tickets to verify that they did not miss any. When Mr. Jones was doing a check to see if they had actually managed to implement that, he found another one that had been missed which meant that at that particular time, they had not implemented that practice yet.
- Ms. Wilson stated that there has been some turnover in Security recently which may have added to that issue so there is some reasoning as to why this could have happened.
- Commissioner Mingo asked when the process is moving as it traditionally does, what is the timeline when the reporting is done and the investigator comes into play. Mr. Jones stated that the retailer has 24 hours to report to the OLC, and usually it is either that day or the very next day depending on the time that it gets reported that the status is changed. The OLC changes the status very quickly, and then usually within another 24 hours it is assigned to an investigator who then starts the investigation process. The only time it would be a real issue is over a weekend

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where Security staff are off, and that would give a 48-hour window where somebody could technically cash tickets but normally it has been very quick.

- Ms. Wilson stated that the next issue in the audit also has to do with policy and procedure.
- Ms. Wilson stated that the next one is the Auditor of State report. Internal Audit put this into the teammate software in order to mark it and track it.
- Ms. Wilson stated that the first issue, the bi-annual review of key card access, is not due until the end of June 2016. This was also something that was perhaps delayed due to the timing of Security personnel turnover.
- The next one is due March 2017. This is the conflict in Information Technology. Mr. Petro stated that if Mr. Weber retires, there won't be an issue anymore.
- Ms. Wilson stated that the next one is program change documentation. She stated that she did receive the policy and procedure from Mr. Brown and has not followed up on that yet.
- Ms. Wilson stated that the next one is the security policy acknowledgement. That is the new electronic acknowledgement of policies and procedures that is in place now, and it does work so it is closed.
- Ms. Wilson stated that the next one is the Inspector General's report from when there was a theft in office a couple years ago. This also was put into the teammate software so it could be followed up on.
- Ms. Wilson stated that in regards to the cross cashing audit, they went ahead and put following up on these items within the scope, and the results reported are what was

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found. This will be followed up on when the cross cashing audit is conducted later this year.

- Ms. Wilson stated that the next issue, password security, was addressed and communicated to the Inspector General's Office. The OLC transferred the risk on to the retailer.
- Ms. Wilson stated that the next one is something that the OLC should be reporting on in terms of security receiving cross cashing reports in BOS. Currently, we do not believe there is a tool for Security to have for a report that they can use.
- Ms. Wilson stated that the last one again transfers the risk to the retailer.
- Ms. Wilson stated that the next issue is the consulting engagement that OBM conducted with General Accounting.
- Mr. Bowers stated that as a lottery, the OLC continues to evolve and put new games out that are different from traditional OLC games. This requires that the OLC make some significant changes on how it operates. At the same time, key staff has been lost over the years that had extensive knowledge in both the accounting industry as well as the General Accounting Department.
- Mr. Bowers stated that he has started a draft a recommendation to hire a high level accountant CPA that could be an Assistant Finance Director/controller. That would allow the Office of Finance to implement some of the recommendations in this report.
- Mr. Bowers stated that progress has been made on some of the recommendations. For instance, one of them says to evaluate and identify the needs of the agency as a whole and assessing the current capabilities and potential changes to the software system that is currently being used. The one that is currently being used is very

limited. It is used for general ledger purposes only. Mr. Bowers stated that he has done some research on what other lotteries are using, and he found a common software usage called Microsoft Dynamics AX. Currently, the OLC uses a Microsoft product, but it is very limited in its scope. In the long run, the OLC is planning to upgrade its current software. It may take some time, and areas have been identified in the OLC that could also benefit.

### **EXECUTIVE SESSION**

- Chairman Whalen stated that they needed to move into Executive Session to discuss security arrangements and emergency response plans. Chairman Whalen made a motion to move into Executive Session that was seconded by Commissioner McAleer. The motion was affirmatively voted on by all Audit Committee Members present. The Audit Committee moved into Executive Session at 11:28 a.m.
- Commissioner Mingo made a motion to move out of Executive Session that was seconded by Commissioner McAleer. The motion was affirmatively voted on by all Audit Committee Members present. The Audit Committee moved out of Executive Session at 11:40 a.m.
- Chairman Whalen stated that they needed to move into Executive Session to discuss a matter regarding OBM's review of Internal Audit. Commissioner McAleer made a motion to move into Executive Session that was seconded by Commissioner Mingo. The motion was affirmatively voted on by all Audit Committee Members present. The Audit Committee moved into Executive Session at 11:42 a.m.
- Commissioner McAleer made a motion to move out of Executive Session that was seconded by Commissioner Mingo. The motion was affirmatively voted on by all Audit Committee Members present. The Audit Committee moved out of Executive Session at 11:50 a.m.

**OFFICE OF BUDGET AND MANAGEMENT, OFFICE OF INTERNAL AUDIT,**  
**CINDY KLATT, CHIEF AUDIT EXECUTIVE**

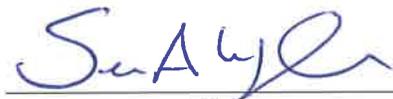
- Ms. Klatt reported that OBM did not perform OLC related audits in the third quarter of fiscal year 2016.
- Ms. Klatt reported that OBM is commencing an audit of supply and inventory systems.
- Ms. Klatt reported that OBM is planning an audit of the OLC's loyalty program.
- Ms. Klatt reported that OBM has initiated inquiries regarding contracting processes. However, a formal plan has not been established as of yet.
- Chairman Whalen inquired about the timing of the peer review. Ms. Klatt responded that fiscal year 2017 data will be used to evaluate the peer review in the fall of 2017.

**NEW BUSINESS AND ADJOURNMENT**

- Chairman Whalen called for new business. There being none, Chairman Whalen adjourned the meeting at 11:53 a.m.

  
Secretary – Traci Konesky

Approved:

  
Sean Whalen, Chairman