



**MINUTES OF THE MEETING OF
THE OHIO LOTTERY COMMISSION (OLC) AUDIT COMMITTEE**

**HELD via MICROSOFT TEAMS
615 WEST SUPERIOR AVENUE - CLEVELAND, OHIO 44113**

**April 14, 2021
10:00 A.M.**

Present at the meeting were the following:

Angela Mingo, Madam Chair and Commissioner, OLC
Martin Sweeney, Audit Committee Member and Commissioner, OLC
Matthew Szollosi, Audit Committee Member and Commissioner, OLC
Nicole Kostura, Assistant Director, OLC
Sean Webster, Assistant Director, OLC
Cindy Klatt, Chief Audit Executive, Office of Budget and Management
Erin Brown, Internal Audit, Section Chief, Office of Budget and Management
Kelly Salomone, Internal Audit Section Chief, Office of Budget and Management
Gregory Beyer, Deputy Director of Internal Audit, OLC
Carla Reeves, Office of Internal Audit, OLC
Jane Parker, Office of Internal Audit, OLC
Joseph Volpi, Office of Internal Audit, OLC
Diane Nagorny, Office of Internal Audit, OLC

CALL TO ORDER

- The Ohio Lottery Commission's (the "OLC") Audit Committee Meeting of April 14, 2021, was called to order by Madam Chair Angela Mingo at 10:06 a.m. via Microsoft TEAMS.
- Madam Chair Mingo asked Ms. Carla Reeves to take a roll call of all Audit Committee members that were present. Roll call was called, and all Audit Committee members were present.
- Madam Chair Mingo welcomed Commissioner Szollosi to the Audit Committee.

APPROVAL OF MINUTES OF DECEMBER 9, 2020

- Madam Chair Mingo asked the Audit Committee Members whether there were any questions regarding the December 9, 2020 Meeting Minutes. There were no questions at that time. Madam Chair Mingo asked for a motion to approve the Minutes. Commissioner Sweeney motioned to approve the Meeting Minutes, which was seconded by Commissioner Szollosi. Ms. Reeves took a roll call vote, and all Audit Committee Members present affirmatively voted. The motion passed 3-0.

CHAIRMAN'S COMMENTS

- Madam Chair Mingo stated that the Internal Audit team continued to achieve results in these unprecedented times. She added that today the Audit Committee members would hear progress on open audits since the December 9th Audit Committee Meeting. In addition, the Office of Budget and Management (OBM) staff would provide the Committee an update on the findings from the Ohio Lottery Commission Office of Internal Audit's yearly Assurance Provider Review.
- Madam Chair Mingo moved on to the approval of the three draft Governance Documents, which included, Internal Audit Policy Manual, Audit Committee Charter and the Internal Audit Charter.
- Madam Chair Mingo stated that the Internal Audit Policy Manual was established by the Deputy Director of Internal Audit. The purpose of the Policy Manual was to ensure that the Internal Audit department could operate respectfully while still providing a high level of accountability.
- Madam Chair Mingo stated that it was important that the Policy Manual be kept current and any suggestions and/or changes should be forwarded to the Deputy Director of Internal Audit.
- Madam Chair Mingo asked Deputy Director Beyer whether there were any changes to the Manual. Deputy Director Beyer stated that there were some grammatical changes, but nothing substantial.
- Ms. Reeves took a roll call vote to approve the Policy Manual as amended, and all Audit Committee Members present affirmatively voted. The motion passed 3-0.
- Madam Chair Mingo moved on to the approval of the Audit Committee Charter. Madam Chair Mingo asked whether there were any changes to the Charter. Deputy Director Beyer directed the Committee members to page 38 under the heading Meetings and Communications, bullet point three. Deputy Director Beyer stated that he added the wording "*all members are expected to attend each meeting, either in person, virtually, or by phone.*" Deputy Director Beyer stated that other than that, there were again minor grammatical errors, but nothing substantial.
- Madam Chair Mingo asked Ms. Reeves for a roll call to approve the Audit Committee Charter as amended. Ms. Reeves took a roll call vote, and all Audit Committee Members present affirmatively voted. The motion passed 3-0.
- Madam Chair Mingo moved on to the Internal Audit Charter. She asked Deputy Director Beyer whether there were any changes to these documents. Deputy Director Beyer stated that there were only minor grammatical changes, but nothing substantial.
- Madam Chair Mingo asked Ms. Reeves for a roll call to approve the Audit Committee Charter as amended. Ms. Reeves took a roll call vote, and all Audit Committee Members present affirmatively voted. The motion passed 3-0.
- Madam Chair Mingo concluded her comments and directed the meeting to Gregory Beyer, Deputy Director, Office of Internal Audit for Internal Audit updates.

DEPUTY DIRECTOR, OFFICE OF INTERNAL AUDIT COMMENTS

- Deputy Director Beyer stated that since December's Audit Committee meeting, he had worked on the

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Fiscal Year 2022 Risk Assessment in addition to follow-up and remediated issues. Deputy Director Beyer stated that they issued a final Audit Report after sharing a draft Report with the auditees. In addition, OBM completed and issued their final Annual Assurance Review.

- Deputy Director Beyer stated that he verified and closed a total of six outstanding issues within the last quarter.
- Deputy Director Beyer stated that one of the issues that he was able to close dated back to Fiscal Year 2017.
- Deputy Director Beyer noted that progress has continued to be made on the long-term issue regarding the Data Classification Audit.
- Deputy Director Beyer stated that in February he met with all Deputy Directors to discuss the Fiscal Year 2022 Annual Risk Assessment. In addition, the Multi-State Lottery Association (MUSL) conducted their Annual Compliance Review virtually. Deputy Director Beyer stated that we were awaiting the results of that review and once received he would share the results with the Audit Committee and with OBM.
- Deputy Director Beyer moved on to the Dashboard. Deputy Director Beyer stated that he had worked to ensure that the older issues were remediated and closed. At December's meeting there were nine older opened issues and he was able to verify and close three of those issues. He stated that he anticipated closing three more of the long-term issues without neglecting the current issues.
- Deputy Director Beyer asked whether there were any questions on the Dashboard. There were none.
- Deputy Director Beyer moved on to the Fiscal Year 2021 Quarterly Audit Plan Status Update. Deputy Director Beyer provided the Audit Committee a detailed report of each audit and its status. He stated that he and his team were able to complete three audits; one such audit was currently in reporting status and two audits were in the planning stage.
- Madam Chair Mingo asked Deputy Director Beyer to remind the Committee how it would be determined if the Fraud Monitoring – Cashless Security Audit would be a consulting engagement versus an audit, and then what the criteria would be for either.
- Deputy Director Beyer explained that an audit is when the auditor reviews the entire process versus a consulting engagement, which is when the auditor provides advice throughout the process.
- Madam Chair Mingo thanked Deputy Director Beyer for his explanation.
- Deputy Director Beyer provided the Audit Committee an update on the Stay at Home Order. He stated that he met with each Deputy Director to discuss how Staying at Home has impacted their departments. He stated that the Stay at Home Order went relatively smoothly for the majority of the departments and that the IT department was able to provide staff the equipment that they needed to perform their jobs.
- Deputy Director Beyer stated that there were issues related to the VPN. The issues involved deciding when to use the VPN, how to use it and what application that was needed to log in in order to utilize the VPN.
- Deputy Director Beyer also noted that there were some challenges for some departments regarding paper documents versus digital documents. These departments did not have digital documents so that was a challenge as the majority of their documents were paper copies.
- Deputy Director Beyer stated that processes had to be updated to ensure they aligned with the new environment.
- Deputy Director Beyer noted that the Office of License and Bonding saw the Stay at Home Order as an opportunity to work with the Department of IT to digitize their licenses and update their processes. This

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department is now able to perform their work remotely and staff only has to come to the office to pick up mail.

- Deputy Director Beyer noted that training was a challenge as 50%-60% of the IT Help Desk tickets related to staff who did not know how to use certain Microsoft programs. Deputy Director Beyer stated that this could be an opportunity to develop a training and assurance program.
- Deputy Director Beyer stated that he was in the process of compiling the data he collected and would like to speak with some of the line staff to get their input on how the Stay at Home Order has impacted their work.
- Deputy Director Beyer stated that the Lottery as a whole has financially performed well.
- Madam Chair Mingo thanked Deputy Director Beyer for his update on the Stay at Home Order.
- Madam Chair Mingo asked whether we have an anticipated timeline on how long the Stay at Home Order would be in place.
- Assistant Director Webster responded that there was a plan put in place towards the end of last year to start transitioning all State employees back into the office. However, then the COVID-19 cases started to increase again so the plan was placed on hold. He added that since that time there had not been any official discussion in regard to returning to the office.
- Assistant Director Webster stated that Department of Administrative Services (DAS) emailed a statement to agencies asking them to begin writing a Work from Home Policy. There was talk that State employees may return to work at the beginning of Fiscal Year 2022, but it may be pushed back as late as Fall of 2021.
- Madam Chair Mingo thanked Assistant Director Webster for his update.
- Madam Chair Mingo asked whether any lessons have been learned regarding staff working remotely.
- Assistant Director Webster stated that they formed a committee that consisted of him, IT, HR, Legal and Finance, who are working on a framework for employees to work from home long term. He noted that IT, Finance and HR are critical departments in supporting any long-term policy that would be agreed upon.
- Madam Chair Mingo added that the Audit Committee was looking forward to the outcome of the Stay at Home Order and would be looking to hear more at September's meeting.
- Deputy Director Beyer moved on to the AAR Summary document, which reflected that currently, there were twenty-four open issues. Deputy Director Beyer noted that there one issue that had been open over two thousand days and he would speak more to that issue further in the meeting.
- Deputy Director asked whether there were any questions on the Summary page. There were none.
- Deputy Director Beyer moved on to the audit updates. The **Drawings-Random Number Generator Audit** currently had two open issues and one of the issues related to the keylogger software which was currently outdated and not being fully utilized. This mechanism alerts Lottery staff of who, what and when the system was modified. According to Deputy Director Beyer this was a larger project that required an upgrade that IT was currently reviewing in terms of what courses of action will be needed.
- Deputy Director Beyer stated that they should have a resolution by the end of the calendar year. The second issue related to access to a particular room at the Lottery's Strongsville office. Although generally there was keycard access, there is an additional room within that area with no keycard access. Deputy Director Beyer stated that IT was working with the vendor to install keycard access to the additional room.

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- Deputy Director Beyer moved on to the **Intralot – Gaming System Audit**. There were two open issues and Deputy Directed Beyer noted there was nothing new to report.
- Deputy Director Beyer moved on to the **Claims-Super Retailers Audit**. There were three open issues and Deputy Director Beyer noted that one of the issues involved Finance updating the terms and conditions for the Lottery's Super Retailers that would clearly explain bonus structure. Deputy Director Beyer stated that he anticipated these issues will be closed by June.
- Deputy Director Beyer moved on to the **OBM-Retailer License and Bonding Audit**. He stated that General Services was working on creating an in-depth Web IAD system. This system would allow the System Analyst to pull random reports directly from IAD for reporting purposes. Deputy Director Beyer noted that a System Analyst was hired, and he was working with IT to develop role-based access to IAD (i.e., Reginal Manager, Administrative Professional, Sales Rep, etc.).
- Deputy Director Beyer stated that the Web IAD was scheduled to go live at the end of April and would thereafter begin random background checks
- Deputy Director Beyer moved on to **Auditor of State (AOS) Audit**. He provided the Audit Committee with a follow-up on IT-Service Level Agreements. He stated that a representative of the AOS was at December's meeting and spoke about this topic. The Service Level Agreement was present throughout the State. Our IT Department reached out to the CSC-Customer Service Escalation Department that provides guidelines on how OIT will respond to issues that impact the Lottery. Deputy Director Beyer stated that there were various levels of issues and the response time was different for each level.
- Deputy Director Beyer concluded his report. He asked whether there were any questions.
- Commissioner Szollosi asked how many Retailers participated and how often are the licenses renewed.
- Deputy Director Beyer responded stating that we have over 10,000 Retailers and the licenses are active for three years.
- Commissioner Szollosi asked whether the renewal process was efficient. Deputy Director Beyer answered stating that the IT Department has refined the process within the last eighteen months.
- Assistant Director Webster added that Internal Audit and OBM requested this Audit as a long-time employee who managed the program retired. The purpose of the Audit was to provide the new employee with a fresh perspective and to identify those issues that needed to be addressed, including how to improve the process. The IT Department has improved processes by digitizing the licenses and improving IAD.
- Deputy Director Beyer asked whether there were any other questions. There were none.
- Madam Chair Mingo stated that she was glad to hear some of the long-term items had been completed- and thanked Deputy Director Beyer for his report.

OBM UPDATE

- Cindy Klatt, Chief Auditor Executive, OBM, introduced Kelly Salomone, Chief Audit Section Chief. Ms. Klatt stated that they perform the Relying on the Work Quality Assurance Audit once per year. The purpose of this Audit was to confirm that the Internal Audit Department had policies and procedures in place to ensure they could leverage the Internal Audit Department's work in order to perform their job duties. Ms. Salomone stated that she performed Internal Audit's yearly Quality Assurance Audit. The

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focus was on the Lottery's audit execution, reporting the remediation process, and to ensure that Internal Audit adhered to the IIA standards and the Lottery's policies and procedures.

- Ms. Salomone stated that she reviewed one of the three projects completed for the calendar year 2020 and that there were no reportable issues. Ms. Salomone recognized the Internal Audit Department along with Senior Management for remediating outstanding issues as together they have established a process for rectifying the same.
- Ms. Salomone stated that based on the results of the Audit, OBM felt confident that they could rely on the work product of the Department of Internal Audit. A copy of the report was shared with the OBM Committee, along with Deputy Director Beyer, Madam Chair Mingo and the Assistant Directors.
- This concluded Ms. Salomone's report. She asked whether there were any questions. There were none.

ASSISTANT DIRECTORS' UPDATES

- Assistant Director Kostura welcomed Commissioner Szollosi to the Audit Committee.
- Assistant Director Kostura stated that she appreciated the Audit Committee, the Internal Audit Team and each of the departments in helping to improve the agency processes.
- Assistant Director Kostura stated that as far as outstanding audit issues go, she wished to discuss the Sponsorship Audit. Based on COVID-19, they have not performed any in person events, however, when they do, she looked forward to implementing the processes that Internal Audit has recommended.
- Assistant Director Kostura concluded her report.
- Assistant Director Webster updated the Committee on the Compliance Manager position. He stated that they have identified a person of interest to fill that position and would start within the next couple of weeks. He stated that one of the first items that this employee would work on would be reviewing the outstanding audit issues and develop a plan to remediate the issues.
- Assistant Director Webster noted that for the Super Retailer Audit he anticipated that those findings would be remediated by the end of the Fiscal Year.
- Assistant Director Webster noted that OBM assisted in the Liquidated Damages Audit. He stated that he had reviewed the report and they are in the process of looking into personnel changes along with contractual changes related to the Liquidated Damages service level agreement and the overall Intralot contract.
- Assistant Director Webster stated that they worked with the Internal Audit team along with OBM to ensure that consulting engagement was conducted. OBM identified some important issues that the Internal Audit Department has begun working on. He was hopeful that personnel and contractual changes would help improve the process.
- Assistant Director Webster concluded his report.

EXECUTIVE SESSION

- Madam Chair Mingo stated that, "At this time I would like to move to go into Executive Session to consider security and infrastructure records required to be kept confidential by Ohio Revised Code §§121.22 and 149.433". Madam Chair Mingo made a motion to move into Executive Session, which was seconded by Commissioner Sweeney. Ms. Reeves took a roll call vote, and all Audit Committee

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Members present affirmatively voted. The motion passed 3-0.

- The Audit Committee moved into Executive Session at 11:07 a.m.
- The Audit Committee moved out of Executive Session at 11:28 a.m.

NEW BUSINESS ITEMS

- There were no new business items.

ADJOURNMENT

- Madam Chair Mingo called for adjournment of the Meeting at 11:31 a.m.

Prepared by:

Carla Reeves

Carla Reeves, OLC IA Administrative Professional

Approved by:

Angela Mingo

Madam Chair Angela Mingo, OLC Audit Committee

Signature: Angela Mingo
Angela Mingo (Jun 9, 2021 14:02 EDT)

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