



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

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

**April 15, 2020
9:00 A.M.**

Present at the meeting were the following:

Sean Whalen, Audit Committee Chairman and Commissioner, OLC
Angela Mingo, Audit Committee Member and Commissioner, OLC
Martin Sweeney, Audit Committee Member and Commissioner, OLC
Nicola Kostura, Assistant Director, OLC
Sean Webster, Assistant Director, OLC
Cindy Klatt, Chief Audit Executive, 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

Guest:

Danielle Frizz- Babb, Office of Communication, OLC

CALL TO ORDER

- The Ohio Lottery Commission's (the "OLC") Audit Committee Meeting of April 15, 2020, was called to order by Chairman Sean Whalen at 9:06 a.m. via Skype. Ms. Reeves took a roll call, and all Audit Committee Members were present.

APPROVAL OF MINUTES OF December 11, 2019

- Chairman Whalen asked the Audit Committee Members whether there were any questions regarding the December 2019 Meeting Minutes. There were no questions at that time. Chairman Whalen asked for a motion to approve the Minutes. Commissioner Mingo motioned to approve the Meeting Minutes, which was seconded by Chairman Whalen. Ms. Reeves took a roll call vote, and all Audit Committee Members present affirmatively voted. The motion passed 3-0.

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CHAIRMAN'S COMMENTS

- Chairman Whalen stated that due to COVID-19 the governor has requested that we practice social distancing and that this was the reason for today's Skype meeting. He added that he was looking forward to seeing everyone face to face at June's Audit Committee meeting.
- Chairman Whalen stated that he had asked Deputy Director Beyer to add COVID-19 as a special project on the Audit Plan for Fiscal Year 2021. Chairman Whalen stated that he wanted the audit staff to look at how the OLC can improve their current process due to COVID-19.
- Chairman Whalen stated there were three governance documents that required the committee's approval. Chairman Whalen stated that he would begin with the Internal Audit Policy Manual, followed by the Audit Committee Charter, and lastly the Internal Audit Charter.
- Chairman Whalen began with the Internal Audit Policy Manual. He asked whether there were any questions regarding the Policy Manual. Deputy Director Beyer answered stating that there were a few grammatical changes, but nothing major and there were no changes to the standards. Chairman Whalen asked for a motion to approve. Commissioner Sweeney motioned for approval and it was seconded by Commissioner Mingo. Ms. Reeves took a roll call vote, and all Audit Committee Members present affirmatively voted. The motion passed 3-0.
- Chairman Whalen moved onto the Audit Committee Charter. Chairman Whalen stated that there were minimal changes to the Audit Charter. Deputy Director Beyer agreed and stated that he reviewed the document for grammatical changes. Chairman Whalen re-read the Audit Committee's purpose statement to remind the committee of their purpose on serving on the Committee. Chairman Whalen asked for a motion to approve. Commissioner Sweeney motioned for approval and it was seconded by Commissioner Mingo. Ms. Reeves took the roll call vote, and all Audit Committee Members present affirmatively voted. The motion passed 3-0.
- Chairman Whalen moved onto the last document, the Internal Audit Committee Charter. Chairman Whalen stated that there were no material changes from his viewpoint. Deputy Director Beyer agreed and stated that he reviewed the document for grammatical changes. Chairman Whalen asked for a motion to approve. Commissioner Sweeney motioned for approval and it was seconded by Commissioner Mingo. Ms. Reeves took the roll call vote, and all Audit Committee Members present affirmatively voted. The motion passed 3-0.
- Chairman Whalen directed the meeting to Deputy Director Gregory Beyer.

DEPUTY DIRECTOR, OFFICE OF INTERNAL AUDIT COMMENTS

- Deputy Director Beyer stated that since December's Audit Committee meeting, they have submitted the final audit report for the Claims Super Retailer audit, which was conducted by Diane Nagorny, Auditor. Deputy Director Beyer stated that the Sponsorship audit which was conducted by Joseph Volpi, Auditor

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was also near completion. Mr. Volpi is awaiting a couple of client responses. Deputy Director Beyer stated that there were a total of three findings that were identified and that they plan on issuing the final report before the end of April.

- Deputy Director Beyer stated that he also submitted *How to Respond to Audit Findings* to the Deputy Directors. He stated that the purpose of this document was to provide guidelines for what the auditors are looking for when they submit their final report to the Deputy Directors.
- Deputy Director Beyer moved onto the Dashboard. Deputy Director Beyer stated that currently there were thirty-one open issues and that he was able to verify and close seven outstanding issues since December's Audit meeting.
- Deputy Director Beyer stated that there were two issues that were implemented. However, they were not ready to close as of yet.
- Deputy Director Beyer moved onto the Quarterly Status report document. Deputy Director Beyer stated that the Super Retailer Audit Final Report was issued on March 5, 2020, and there were a total of eight recommendations. Deputy Director Beyer stated that Diane Nagorny, Auditor, was assigned to the Intralot Gaming Audit and that she is currently in the fieldwork stage of this audit.
- Deputy Director Beyer moved onto the Sponsorship Audit. Deputy Director Beyer stated that they had a draft audit meeting and that they were awaiting client responses.
- Deputy Director Beyer moved onto the Claims - Regional Cashing Audit. Jane Parker, Auditor, was working on this audit. Deputy Director Beyer stated that this audit focused specifically on the retailers cashing claims from \$600-\$1000. Deputy Director Beyer stated that due to COVID-19 she was not able to visit the retailer stores to review their processes, adding that she was working on other aspects of the audit.
- Deputy Director Beyer stated that there were a couple of OBM engagements that are on Fiscal Year 2020 plan. Deputy Director Beyer stated that he had a meeting with Kelly Salamone, OBM who was conducting Internal Audit's Annual Quality Assurance Review and he also had a call with OBM regarding the Marcus Thomas Audit. OBM personnel have requested documents for both engagements and we have provided them the information that they have requested.
- Deputy Director Beyer stated that the NIST implementation audit has been postponed and will rollover to the Fiscal Year 2021 audit plan. Also, the Daily Balancing of online games audit will not be completed in the Fiscal Year 2020 plan and will also rollover to the Fiscal Year 2021 plan.
- Deputy Director Beyer stated that Joseph Volpi, Auditor has been assigned to the Background Check audit and he is currently in the planning phase. Deputy Director Beyer stated that Mr. Volpi has

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requested and received documents from the Department of Security.

- Deputy Director Beyer stated that the CAAT consulting program, which was a program that Internal Audit had planned to do in conjunction with OBM, has been canceled due to budget cuts and the COVID-19 pandemic.
- Chairman Whalen asked about the Background Check Audit and whether there were any industry standards to distinguish between a reputable firm. Deputy Director Beyer stated yes, that OLC Security Team utilized BCI and the Ohio State Highway Patrol in addition to the Lexus Nexus database to run background checks.
- Commissioner Sweeney asked who we perform the background checks on, the employees or vendors? Deputy Director Beyer answered stating that background checks are conducted on both our employees and retailers.
- Deputy Director Beyer asked whether there were any other questions.
- Commission Mingo asked Deputy Director Beyer whether he saw any other adjustments to the Fiscal Year 2020 plan. Deputy Director Beyer answered no.
- Deputy Director Beyer moved onto the Risk Assessment Survey. He stated that he was very happy with the total number of responses. Last year seven people responded and this year he received eleven total responses. Deputy Director Beyer stated that he valued the feedback and that a lot of the feedback he received mirrored the responses he received from the one on one Risk Assessment meetings held with the Deputy Directors.
- Deputy Director Beyer asked whether there were any questions regarding the survey results. Chairman Whalen stated that he would like to see how the responses correlate to the Audit Plan. Deputy Director Beyer agreed.
- Deputy Director Beyer moved onto the AAR summary page. He stated that there were a couple of changes to note. At the very top of the page, there was a field added called “Implemented”. Deputy Director Beyer stated that two issues were implemented but not closed. One was an external issue and the other internal. He noted that the second change he separated AOS (Auditor of State) issues from the average age. Deputy Director Beyer stated that since AOS comes once a year some issues tend to be repeated findings and he wanted to distinguish those findings.
- Deputy Director Beyer stated that at the beginning of the Fiscal Year the average outstanding issue age was 550 days. Currently, we are averaging 338 days. Deputy Director Beyer stated that we have been making good progress and he believed we are going in the right direction.

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- Deputy Director Beyer stated that the Auditors, the Deputy Directors, and the Assistant Directors, have worked collaboratively in looking at the issues and discussing how to remediate the issues in each audit.
- Commissioner Mingo commended Deputy Director Beyer and his staff on decreasing the number of the average issue age of the issues and asked Deputy Director Beyer to remind the committee how are short-term and long-term issues defined.
- Deputy Director Beyer stated that short-term issues are defined as issues that could be implemented within six to eight months and long-term issues are defined as on-going.
- Commissioner Mingo asked Deputy Director Beyer to provide a brief overview of the Contract Compliance and Vendor Management Audit. She stated that she had a vendor who asked her some questions and that she believed that this audit could help her in responding to the vendor. Deputy Director Beyer stated that this audit was completed in Fiscal Year 2018 by Diane Nagorny, Auditor. Deputy Director Beyer stated that a few of the findings related to this audit were the following: to ensure that we had proper documentation of the vendors and the appropriate language in our purchase orders and contracts.
- Ms. Nagorny added that they had suggested a centralized location for all vendor contracts and SOC reports. Ms. Nagorny noted that not all contracts have a SOC report. Ms. Nagorny stated that with this particular audit she was looking at which vendors provided data services. Also, when we obtain the SOC report, whose responsibility it was to ensure that we are complying with the SOC and who maintained the SOC reports. Ms. Nagorny stated that currently, we do not have procedures in place as to where the SOC reports are kept and who was responsible for the SOC reports.
- Commissioner Mingo thanked Ms. Nagorny.
- Deputy Director asked whether there were any additional questions. There were none.
- Deputy Director Beyer stated that this concluded his report.

ASSISTANT DEPUTY DIRECTORS UPDATES

- AD Webster stated with Deputy Director Gregory Bowers and Chief Legal Counsel Charles LoPresti they have been making great progress in resolving issues due to the Contract Compliance and Vendor Management audit.
- AD Webster stated that they have organized a Contract Review Committee to review contracts monthly to ensure that the contract owners have submitted their evaluations and to ensure all documents were submitted for each contract.
- AD Webster stating that they are in the process of thinking of a way to ensure SOC reports are in a

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centralized location.

- AD Webster concluded his report.
- AD Kostura stated that she and her staff have worked with Deputy Director Beyer and his team about the Sponsorship Audit. Also, they are working with OBM with the Marcus Thomas Audit. AD Kostura stated that they would have their responses to both audits soon and she appreciated the opportunity to work with both internal and external audit departments.
- AD Kostura concluded her report.

OFFICE OF BUDGET MANAGEMENT UPDATES

- Cindy Klatt, Chief Audit Executive, Office of Budget Management, stated that Kelly Salamone, OBM, has started the Internal Audit Assurance Review for the OLC Internal Audit Department. Ms. Klatt stated that the final report would be issued at the June Audit Committee Meeting.
- Ms. Klatt stated that Marcus Thomas was our primary advertising vendor. Ms. Klatt stated that they hope to have this audit completed by June's Audit Committee meeting, but if not, they will have a status update for this Committee.
- Ms. Klatt mentioned that their Audit Committee date would be June 23rd, and typically they like to present results of audits to their Audit Committee before presenting the same to the OLC Audit Committee. However, due to their Audit Committee occurring after the OLC Meeting they would still provide a status report on June's OLC Audit Committee Meeting.
- Ms. Klatt stated that they had completed the License and Retailer Bond Audit. They found four outstanding observations. Ms. Klatt stated that two issues were high-risk and two were moderate. She stated that the staff from the License and Bonding have been very responsive in providing OBM status updates.
- Ms. Klatt shared with them that they will delay OLCs Risk Assessment until the Fall and that for the current Risk Assessment that they would continue to ask for updates from Deputy Director Beyer.

Ms. Klatt stated that last year they performed an agency-wide Risk Assessment, which was different than what they normally do. She stated that a lot of the issues were similar for example access controls were an issue across the board.

- Ms. Klatt stated that she was satisfied that she has the opportunity to work with the OLC to review their Risk Assessment and fine-tune it based on Management's and Audit Committee's concerns. Ms. Klatt stated in the coming weeks she would schedule a meeting with Deputy Director Beyer to decide what OBM would audit for the OLC in Fiscal Year 2021.

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- This concluded Ms. Klatt's report.
- Ms. Klatt asked whether there were any questions. There were none.

EXECUTIVE SESSION

Chairman Whalen 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 the Ohio Revised Code 121.22 and 149.433. Chairman Whalen asked for a motion to move into Executive Session. Chairman Whalen made a motion and it was seconded by Commissioner Mingo. Ms. Reeves took a roll call vote, and all Audit Committee Members present affirmatively voted. The motion for passed 2-0.

- The Audit Committee moved into Executive Session at 10:30 a.m.
- The Audit Committee moved out of Executive Session at 11:05 a.m.

DEPUTY DIRECTOR OFFICE OF INTERNAL AUDIT UPDATES

- Deputy Director Beyer stated that there were no new updates to report on regarding the issues. He has updates status on the reports provided and asked whether there were any questions. There were none.
- Chairman Whalen asked whether there were any additional items to be discussed. There were none.

ADJOURNMENT

- Chairman Whalen called for adjournment of the meeting at 11:07 a.m.

Prepared by:

Carla Reeves

Carla Reeves, OLC IA Administrative Professional

Approved by:

Sean Whalen

Sean Whalen, OLC Audit Committee Chairman

Signature: 
Sean Whalen (Jun 11, 2020 09:01 EDT)

Email: seanawhalen@gmail.com

