



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

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

**June 10, 2020  
10:00 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  
Nicole 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

**CALL TO ORDER**

- The Ohio Lottery Commission's (the "OLC") Audit Committee Meeting of June 10, 2020, was called to order by Chairman Sean Whalen at 10:04 a.m. via Microsoft TEAMS. Ms. Reeves took a roll call, and all Audit Committee Members were present.

**APPROVAL OF MINUTES OF April 15, 2020**

- Chairman Whalen asked the Audit Committee Members whether there were any questions regarding the April 2020 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 Commissioner Sweeney. Ms. Reeves took a roll call vote, and all Audit Committee Members present affirmatively voted. The motion passed 3-0.

**CHAIRMAN'S COMMENTS**

- Chairman Whalen stated that his comments would be brief. Chairman stated that he would move into the final approval of the Fiscal Year 2021 governance documents. Chairman Whalen also mentioned that he looked forward to executing the Fiscal Year 2021 Audit Plan. Chairman Whalen stated that he and the other committee members reviewed the plan and recommended minor changes. Chairman Whalen stated that he was impressed by the process in which issues were assessed and rated. Chairman Whalen stated that there were over 50,000 hours of audit related work that could have happened, and it is the Audit

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Committee's job, in conjunction with the Audit Department, to prioritize what audits would be beneficial for the organization. Chairman Whalen stated that they take into account risk factors, size and scope of the audit, and the level of the risk. Chairman Whalen stated that these were all important factors when identifying which audits to add to the plan.

- Chairman Whalen stated that he appreciated all the work that went into the process of accessing each and every audit area and to establish the plan.
- Chairman Whalen concluded his comments and moved onto the next item on the agenda.
- Chairman Whalen stated there were four governance documents that required the committee's final approval. Chairman Whalen stated that he would begin with the Internal Audit Policy Manual, followed by the Audit Committee Charter, the Internal Audit Charter and, lastly the Fiscal Year 2021 Internal Audit Plan.
- Chairman Whalen began with the Internal Audit Policy Manual. He asked whether there were any questions regarding the Policy Manual. There were none. Chairman Whalen asked for a motion to approve. Commissioner Mingo motioned for approval and it was seconded by Commissioner Sweeney. 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. He asked whether there were any questions regarding the Audit Charter. There were none. Chairman Whalen asked for a motion to approve. Commissioner Mingo motioned for approval and it was seconded by Commissioner Sweeney. 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 Internal Audit Committee Charter. Chairman. He asked whether there were any questions regarding the Internal Audit Charter. There were none. Chairman Whalen asked for a motion to approve. Commissioner Mingo motioned for approval and it was seconded by Commissioner Sweeney. Ms. Reeves took the roll call vote, and all Audit Committee Members present affirmatively voted. The motion passed 3-0.
- Lastly, Chairman Whalen moved onto the Fiscal Year 2021 Internal Audit Plan. He asked whether there were any questions regarding the Internal Audit Plan. There were none. Chairman Whalen stated that they added a review of policies and procedures as related to COVID-19 and what the agencies went through to maintain social distancing. Chairman Whalen asked for a motion to approve. Commissioner Mingo motioned for approval and it was seconded by Commissioner Sweeney. 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 the OLC's last Audit Committee meeting the Audit Department had issued a final report for one audit and was in the reporting stage of another audit.
- Deputy Director Beyer stated that the Office of Budget and Management was currently working on two audit engagements. Deputy Director Beyer stated that Cindy Klatt, Executive Director, Office of Budget and Management would provide a status report of those audit engagements.
- Deputy Director Beyer stated that he had closed two outstanding issues. In addition, there were two other issues he had moved to implementation status. Deputy Director Beyer stated that he would follow

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up with the departments in regards to the two implemented items.

- Deputy Director Beyer stated that they have made significant progress on decreasing the average number for outstanding items. Deputy Director Beyer added that he would discuss those items in Executive Session as the items related to Data Classification and IT Security issues.
- Deputy Director Beyer moved onto the FY 2020 Internal Audit Quarterly Status Report.
- Deputy Director Beyer stated that there were three audits that were canceled/postponed, there were three audits that were completed, there was one audit in fieldwork, and there were two audits that were in reporting.
- Deputy Director Beyer moved on to the AAR Summary. He stated that average issue age was 376 days which has decreased significantly over the fiscal year. Deputy Director Beyer stated that the number was still high based on some issues that were considered to be long-term. He stated that they were continuing to work with the DDs to collaborate on resolutions to close those issues.
- Deputy Director moved on to the Aging Accountability Report. He stated that the first couple of items related to the Sponsorship audit. Deputy Director Beyer stated that Joseph Volpi, Auditor completed this audit. There were three recommendations and they didn't anticipate responses until the end of the calendar year. Deputy Director Beyer stated that recommendations were based on improvements to OLC Sponsorship events. Deputy Director Beyer stated that due to COVID-19 the Racinos were closed and many of the Sponsor events had been canceled or postponed.
- The next items relate to OBM- Retailer License and Bonding audit. There was a total of four recommendations. The Office of General Services shared their responses with Office Budget and Management (OBM) for two of the issues and they were currently working on responses for the other two issues.
- Deputy Director Beyer stated that he met with Deputy Director Dillinger and they were currently working on updating their policies and procedures and plan on submitting those documents to OBM before the end of Fiscal Year 2020.
- Deputy Director Beyer moved on to the Contract Compliance and Vendor Management audit. He stated that due to the Compliance Manager being out on leave progress had been slow but steady. There was an issue that Legal was involved with, and they were able to come to a solution as it related to the contract language.
- AD Webster explained that the language was reviewed by him and the Legal Department and they were pleased. The language was added to all subcontractor documents. AD Webster stated that his goal was to have had this issue closed before today's meeting. However, he anticipated that the issue would be closed before September's Audit Committee Meeting.
- Lastly, Deputy Director Beyer moved on to the Auditor of State findings. He stated that due to the COVID-19 epidemic IT was not able to perform the additional switch test as all of the Lottery employees were working out of office, however there was a test performed in September at the Lausche building and the test went well. Deputy Director Beyer stated that according to IT the results of September's test should suffice to report to AOS. However, he stated that we won't know for certain as AOS was scheduled to return this Fall.
- Deputy Director Beyer concluded his report and asked whether there were any questions. There were none.

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### **OFFICE OF BUDGET MANAGEMENT UPDATES**

- Cindy Klatt, Chief Audit Executive, Office of Budget Management, stated that she met with Deputy Director Beyer and the Assistant Directors to discuss the planned audits for Fiscal Year 2021.
- She stated that OBM plans to audit Intralot-Liquidated Damages process in addition to reviewing the Mobile Cashing-IT Security Controls process. Both of these audits were included in the Fiscal Year 2021 plan.
- Ms. Klatt stated the Kelly Salomone, Chief Section Officer, Office of Budget and Management was currently working on the Assurance Review for OLC's Office of Internal Audit. She stated that Ms. Salomone had some technical issues as their office and OLC's Office of Internal Audit had two different versions of TeamMate. She stated that Ms. Salomone reached out to their IT department to obtain a loaner laptop and based upon this, it caused some delay.
- Ms. Klatt stated that Ms. Salomone was hopeful that she would have the Assurance Review completed before OBM's Audit Committee which was scheduled within the next couple of weeks.
- Ms. Klatt stated that Ms. Salomone would prepare a memo for OLC Audit Committee with the results of the Assurance Review.
- Ms. Klatt stated that Ms. Salomone thus far had not identified any major concerns.
- Ms. Klatt stated that other projects that OBM was working on for OLC was the Marcus Thomas-Advertising Vendor Management Audit. She stated that they had finished testing and were in the process of drafting the report.
- This concluded Ms. Klatt's report.
- Ms. Klatt asked whether there were any questions. There were none.

### **ASSISTANT DIRECTORS UPDATES**

- AD Webster stated that they closed two issues regarding the Financial Reporting Audit and currently there were two more items that were pending for closure. He stated that one of the two issues pertained to the start of the new Financial reporting system and the other was to update procedures as it related to the upgrade of the same. AD Webster stated that they were 95% complete with the implementation of the Financial reporting system. He stated that staff were using the new system.
- AD Webster stated that they were also working on resolving issues pertaining to the Claims- Super Retailer audit. He stated that there were eight issues that were identified, mostly related to Super Retailers program, which allowed retailers to cash tickets between \$600 to \$5000. Due to COVID-19 the OLC only had one retailer opened which was Scioto Downs.
- This concluded AD Webster's report.
- AD Webster asked if there were any questions.
- Chairman Whalen asked whether the nature of the Financial Reporting software was cloud based. AD Webster stated yes, it was web based and updates would be sent often.
- There were no additional questions.
- AD Kostura stated that she appreciated the feedback regarding the Sponsorship audit and the Marcus Thomas Audit. She stated that she felt confident that the departments have a good process in place, and she welcomed OBM and Internal Audit to come and look at the process from an external view. AD Kostura stated that they tended to comply with recommendations as it related to the Sponsorship Audit.

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- This concluded AD Kostura report. There were no additional questions.

**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 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 passed 2-0.

- The Audit Committee moved into Executive Session at 10:45 a.m.
- The Audit Committee moved out of Executive Session at 10:53 a.m.

**ADJOURNMENT**

- Chairman Whalen called for adjournment of the Meeting at 10:54 a.m.
- Prepared by:

*Carla Reeves*

Carla Reeves, OLC IA Administrative Professional

Approved by:

Sean Whalen

Sean Whalen, OLC Audit Committee Chairman

*SW*