



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

**HELD AT:
THE FRANK J. LAUSCHE BUILDING
ROOM 205
615 WEST SUPERIOR AVENUE - CLEVELAND, OHIO 44113**

**June 12, 2019
11:00 A.M.**

Present at the meeting were the following:

Sean Whalen, Audit Committee Chairperson and Interim Commission Chairperson, OLC
Angela Mingo, Audit Committee Member and Commissioner, OLC
Trevor McAleer, Audit Committee Member and Commissioner, OLC
Brian Sindelar, Assistant Legal Counsel, OLC
Nicola Kostura, Assistant Director, OLC
Sean Webster, Assistant Director, OLC
Diane Nagorny, Office 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
Jennifer Wilson, Deputy Director of Internal Audit, OLC

CALL TO ORDER

- The Ohio Lottery Commission's Audit Committee Meeting of June 12, 2019 was called to order by Chairman Sean Whalen at 11:00 a.m. at the Frank J. Lausche Building, Room 205.

APPROVAL OF MINUTES OF DECEMBER 17, 2018

- Chairman Whalen asked the Audit Committee Members whether there were any questions regarding the April 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 Commissioner McAleer. 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 there was an abbreviated agenda today. Chairman Whalen stated that there were a couple of reasons for this, with the primary reason being the departure of Deputy Director Jennifer

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Wilson. Deputy Director Wilson has accepted the position of Director of Internal Audit for the Treasurer of State's office in Columbus.

- Chairman Whalen noted that he worked for the Treasurer of State and stated that the Treasurer's Office helped state agencies to become better at cash management; how agencies collect taxes and fees from citizens and businesses.
- Chairman Whalen, along with Commissioner Mingo and Commissioner McAleer, congratulated Deputy Director Wilson on her new position and wished her well.
- Chairman Whalen stated that he, along with the Commissioners, would meet with Deputy Director Wilson before her departure to discuss the transition.
- Deputy Director Wilson acknowledged the request.
- Chairman Whalen moved on to the approval of governance documents. Chairman Whalen stated that there were several governance documents, that in preparation of the new fiscal year, were traditionally approved at this time of year. Chairman Whalen stated for clarification purposes, that he, along with the Commissioners, voted on each governance document. Deputy Director Wilson agreed.
- Chairman Whalen stated that the Audit Committee members received the documents before this meeting, and he believed that there were no major changes. Deputy Director Wilson agreed.
- Chairman Whalen asked whether there were any comments before moving on to the approval of the documents.
- Commissioner McAleer stated that, yes, the documents were emailed and, as noted, there were minor changes from the previous year's documents.
- Chairman Whalen stated that they would move on to vote on each document individually for minute taking purposes.
- Chairman Whalen stated that the *first* governance document was the Internal Audit Charter for Fiscal Year 2020 and asked for a motion to approve the same. Commissioner Mingo motioned to approve, which was seconded by Commissioner McAleer. Ms. Reeves took a roll call vote, and all Audit Committee Members present affirmatively voted. The motion passed 3-0.
- Chairman Whalen moved on to the *second* governance document, which was the Audit Committee Charter for Fiscal Year 2020 and asked for a motion to approve the same. Commissioner Mingo motioned to approve, which was seconded by Commissioner McAleer. Ms. Reeves took a roll call vote, and all Audit Committee Members present affirmatively voted. The motion passed 3-0.
- Chairman Whalen moved on to the *third* governance document, which was the Internal Audit Policy Manual for the Fiscal Year 2020 and asked for a motion to approve the same. Commissioner Mingo motioned to approve, which was seconded by Commissioner McAleer. Ms. Reeves took a roll call vote, and all Audit Committee Members present affirmatively voted. The motion passed 3-0.
- Chairman Whalen moved on to the *fourth* governance document, which was the Internal Audit Plan for the Fiscal Year 2020 and asked for a motion to approve the same. Commissioner Mingo motioned to approve, which was seconded by Commissioner McAleer; however, Commissioner McAleer asked Deputy Director Wilson if she could inform the Committee of those audits that would be carried over to Fiscal Year 2020. Deputy Director Wilson directed the Committee to page 9 of the Audit Plan and stated that the following audits would be carried forward: Claims - Super Retailers (\$600-\$5000 levels) and Sponsorships. Deputy Director Wilson stated that she did not mark the NIST Implementation audit as a

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carried forward audit because the policies were still in draft form. Deputy Director Wilson stated that she had a conversation with Chief Legal Counsel LoPresti and noted that the policies were being reviewed by the Legal Department. Chairman Whalen asked for a roll call. Ms. Reeves took a roll call vote, and all Audit Committee Members present affirmatively voted. The motion passed 3-0.

- Chairman Whalen stated that the final documents were the Confirmations of Independence. Chairman Whalen stated that there were three signed documents. Deputy Director Wilson agreed and stated that she did not sign one for Fiscal Year 2020. Deputy Director Wilson stated that the independence documents related to the Fiscal Year 2020 Annual Audit Plan.
- Chairman Whalen stated that one of the independence documents noted that the individual indicated a professional or personal relationship with HR. Deputy Director Wilson stated, yes, that the auditor would not be assigned to the HR audit indicated on the plan.
- Chairman Whalen asked for a motion to approve the Confirmation of Independence documents. Commissioner Mingo motioned to approve, which was seconded by Commissioner McAleer. Ms. Reeves took a roll call vote, and all Audit Committee Members present affirmatively voted. The motion passed 3-0.
- Chairman Whalen stated that this concluded the approval of the governance documents and his comments. Chairman Whalen directed the meeting to Deputy Director Wilson for her comments.

DEPUTY DIRECTOR OFFICE OF INTERNAL AUDIT COMMENTS

- Deputy Director Wilson stated that she was committed to ensuring a seamless transition for the Fiscal Year 2020, e.g., ensuring staff had assigned projects.
- Deputy Director Wilson stated that the budget protection language bill was again denied. Assistant Director Kostura was present and explained that the Senate dismissed the protection language bill, however the House still had this item on their list. Assistant Director Kostura stated there was still hope.
- Chairman Whalen asked if Assistant Director Kostura knew why or who had denied the protection language bill. Assistant Director Kostura replied, no, but added that one of the House Committee Members was concerned about public records. However, she was happy that they were making progress and that they would keep trying.
- Deputy Director Wilson asked whether there were any other questions. There were none.
- Deputy Director Wilson moved on to the next item and stated that she and her staff were required to complete 40-hours of CPEs per year and that they all have met that goal for Fiscal Year 2019.
- Deputy Director Wilson also stated that she and her staff attended the two-day Fraud Conference in Columbus and that they all agreed that the information presented was very informative.
- Commissioner Mingo asked whether the 40-hour CPE was comparable to other industries. Deputy Director Wilson stated, yes.
- Deputy Director Wilson moved on to the status of audits. Deputy Director Wilson stated the Financial Reporting audit is in its final stage. Deputy Director Wilson stated that the Cashless Vending (Consulting) engagement is in the Reporting phase and that all testing was completed. She stated that Diane Nagorny, Internal EDP Auditor, was in the process of completing the report. Deputy Director Wilson stated that she was committed to ensuring that the final report will be emailed to the appropriate individuals.
- Deputy Director Wilson stated that she was unable to complete all eight of the Complementary User

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Entity Controls (CUECs), but she was able to complete three. Deputy Director Wilson stated that she was waiting on Interim Deputy Director Hall to provide evidence for Marcus Thomas so that she could complete the report.

- Deputy Director Wilson stated that she planned to approve Ms. Nagorny's planning documentation for the Claims - Super Retailers (\$600-\$5000) audit and that she planned on doing the same for Joseph Volpi's, Internal EDP Auditor, who was working on the Sponsorship audit.
- Deputy Director Wilson stated that since the Financial Reporting audit was in the Reporting phase, she assigned the Claims-Regional Cashing audit to Jane Parker, Internal Auditor, from the Fiscal Year 2020 Audit Plan.
- Deputy Director Wilson stated that Cindy Klatt, Chief Audit Executive, Office of Internal Audit, Office of Budget and Management, emailed Deputy Director Wilson those audits that her staff would conduct for OLC for Fiscal Year 2020. Deputy Director Wilson stated that they would perform the following audits: Retailer Licensing and Bonding and the Marcus Thomas Contract. They will also perform their yearly Quality Assurance Review in addition to providing consulting services of Computer Assisted Auditing Technique (CAAT) software. Deputy Director Wilson explained that Ms. Nagorny attended an IIA presentation and that the Greater Cleveland RTA presented on how they are currently using the IDEA audit software program. According to Deputy Director Wilson, Ms. Nagorny was very impressed and recommended that OLC Internal Audit Department consider reaching out to GCRTA for more information before deciding on which software to purchase. Deputy Director Wilson reminded the Committee that this subject matter was mentioned at April's Audit Committee Meeting and the Commissioners agreed that this program would be very beneficial to the OLC's Internal Audit Department.
- Deputy Director Wilson stated that she reached out to Greater Cleveland RTA personnel and that they were excited to share more information about their use of the IDEA software.
- Deputy Director Wilson stated that she believed this informative meeting would help them decide which software to purchase.
- Deputy Director Wilson also stated that Ms. Klatt was interested in that discussion because she was also considering a change.
- Chairman Whalen asked whether this software would take data sets and find exceptions. Deputy Director Wilson replied, yes. Ms. Nagorny added that they might be able to perform more audits as well.
- Deputy Director Wilson stated that the Office of Budget and Management would also include hours to follow up on open audit issues.
- Deputy Director Wilson stated that OBM's annual rate to conduct audits for OLC had been around \$70,000 a year and that she did not foresee their rate to increase.
- Chairman Whalen asked senior staff whether they had any questions regarding the plan.
- Assistant Director Webster stated that they met with Deputy Director Wilson and that she reviewed and discussed the plan. They did not foresee any issues and were comfortable with the decisions.
- Deputy Director Wilson stated that the department had documented well and that they had a solid foundation in terms of policies, procedures, and work instructions. Moreover, instructions on how meetings were conducted, controlled documents on SharePoint, how we maintain our Intranet Web page and how we maintain the Audit Committee process are all well documented.
- Deputy Director Wilson stated that Carla Reeves, Administrative Professional, would be invaluable in

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assisting the Committee going forward and suggested that the Audit Committee reach out to Ms. Reeves for any questions or concerns particularly while the Deputy Director position remains vacant.

- Deputy Director Wilson moved on to the follow-up audit process. She stated that she took on that responsibility to assist the auditors. Deputy Director Wilson stated that after the Audit Committee meeting, her department would have their monthly team meeting to discuss how they would conduct follow-up audits. Deputy Director Wilson stated that follow-up audits are an important, and sometimes time-consuming, part of the process.
- Deputy Director Wilson directed her comments toward her performance evaluation. Deputy Director Wilson stated that she reached out to Elizabeth Popadiuk, Deputy Director of Human Resources, and that she copied the Audit Committee Members on her response.
- Deputy Director Wilson stated that she felt that this was good timing, as the new Deputy Director would need to know what the Committee's expectations were early in the position.
- Chairman Whalen asked whether there was a system they could utilize to evaluate performance of the new Deputy Director. Deputy Director Wilson stated, yes, and added that it was called E-Performance. Chairman Whalen stated that they would have to figure out how to obtain authorization to get into the system to perform the evaluation.
- Deputy Director Wilson stated that Deputy Director Popadiuk's recommendation was that Executive Director McDonald would start the E-Performance process once the Audit Committee members agreed on the criteria. He would then forward the E-Performance to the Audit Committee Members for review and comment.
- Deputy Director Wilson stated that Deputy Director Popadiuk was very helpful and she could guide the Audit Committee Members through the process.
- Chairman Whalen asked whether there were any questions for Deputy Director Wilson. There were none.
- Chairman Whalen stated that there would be a more in-depth meeting next month. Chairman Whalen stated that he would be in contact with Ms. Reeves as the situation progressed.
- Ms. Reeves asked for clarification on whether he was planning on having an Audit Committee meeting in July. Chairman Whalen stated, as of right now, yes. Chairman Whalen stated that tentatively it would be scheduled for Wednesday, July 10, at 10 AM.
- Assistant Director Webster asked whether there would be an opportunity to move the date back as to allow for time to hire the new Deputy Director. Chairman Whalen stated that he was going to see how that would progress. Chairman Whalen stated that he did not want to go too long as far as receiving updates on audits, but he was also aware if it did not make sense, then he would push the date back to August or even to September.
- Chairman Whalen stated that our normal next quarterly Audit Committee meeting would remain scheduled for September.
- Deputy Director Wilson stated that another one of her responsibilities was to develop the Annual Audit Report and present it to the State Audit Committee in Columbus. This presentation had historically been scheduled every September. Deputy Director Wilson stated that she was confident that Ms. Klatt would be flexible as to provide the new Deputy Director time to learn his or her new role.
- Chairman Whalen stated that he would like to attend that meeting this year.
- Chairman Whalen asked whether there were any final thoughts or well wishes. There were none.

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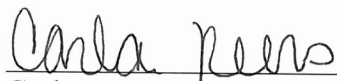
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ADJOURNMENT

- Chairman Whalen called for adjournment of the meeting at 11:30 a.m.

Prepared by:



Carla Reeves, OLC IA Administrative Professional

Approved by:



Sean Whalen, OLC Audit Committee Chairman