



MINUTES OF THE MEETING OF THE OHIO LOTTERY COMMISSION'S AUDIT COMMITTEE

**Ohio Lottery Human Resources Conference Room/Microsoft Teams
615 West Superior Avenue, Cleveland, Ohio 44113**

**June 14, 2023
10:34 A.M.**

Present at the meeting were the following:

Angela Mingo, Madam Chair and Commissioner, Ohio Lottery Commission
Martin Sweeney, Audit Committee Member and Commissioner, Ohio Lottery Commission
Carla Reeves, Program Administrator 2, Ohio Lottery Commission
Nicole Kostura, Assistant Director, Ohio Lottery Commission
Gregory Beyer, Deputy Director of Internal Audit, Ohio Lottery Commission
Valerie Murphy, Office of Internal Audit, Ohio Lottery Commission
Brent Collier, Office of Internal Audit, Ohio Lottery Commission
Jane Parker, Office of Internal Audit, Ohio Lottery Commission
Joseph Volpi, Office of Internal Audit, Ohio Lottery Commission
Kelly Salomone, Chief Audit Executive, Office of Budget and Management
Erin Brown, Audit Management, Office of Budget and Management

Not Present:

Matthew Szollosi, Audit Committee Member and Commissioner, Ohio Lottery Commission

CALL TO ORDER

- The Ohio Lottery Commission's (the "Lottery") Audit Committee Meeting of June 14, 2023, was called to order by Madam Chair Angela Mingo at 10:36 a.m. The meeting was held both in person and via Microsoft Teams.
- Madam Chair Mingo asked Valerie to take a roll call of all Audit Committee members that were present. Roll call was called, and all Audit Committee members were present except Commissioner Szollosi.

APPROVAL OF MINUTES OF

- Madam Chair Mingo asked the Audit Committee Members whether there were any questions regarding the minutes from the March 8, 2022, meeting minutes. There were no questions at that time. Madam Chair Mingo motioned to approve the Minutes, which was seconded by Commissioner Sweeney. Ms. Murphy took a roll call vote, and all Audit Committee Members present affirmatively voted. The motion passed.

MADAM CHAIR COMMENTS

- Madam Chair Mingo welcomed everyone to the June Audit Committee meeting. She took a moment to welcome the new members to the Audit Committee, Brent Collier and Valerie Murphy.
- Madame Chair Mingo moved right into the agenda and the comments review and approval of Fiscal Year 2024 Governance Documents and Madame Chair Mingo turned the agenda over to Deputy Director Beyer.
- Deputy Director Beyer stated that the Governance Documents before the committee today for approval are presented in final form. Deputy Director Beyer also mentioned two adjustments from the March draft of the governance documents that he wanted to highlight which are: A new director was named for the Ohio Lottery in April and the opening remarks of our policy manual were updated by the Executive Director Gillcrist notes and comments, and he was notified the structure of OBM has changed. There is no longer a specific chief of Quality, IT or Finance under OBM. There are four Chiefs that will be proficient in Finance, IT, Operations and Quality. Deputy Director Beyer stated with approval the org chart can be updated in the final document.
- Deputy Director Beyer spoke briefly on the audit plan and gave an overview of the risk assessment process for the committee. The risk assessment started with the baseline scores from the previous year and shared those scores with the department directors and then met with each department individually and went over all their audit universe areas. Any changes, be it employee turnover, process changes or program initiative adjustments within counted for by updating our risk scoring to reflect any changes. Deputy Director Beyer met with Chief Legal Counsel Charles Lo Presti and Former Operations Director Connie Miller to get their input and feedback.
- Deputy Director Beyer gave a breakdown of the planned audits for Fiscal Year 2024 he stated there are two projects that will carry over from the previous year and they are Fixed Assets Inventory Controls and Liability Deposit Program. There are five new projects on the Audit Plan which are: Claims – Excluded Players, Payroll, Proprietor Oversight – Sports Gaming, Voluntary Exclusion Program and Mills James Game Show Contract. There are three Consulting Engagements, and they are: Racino Regulator Operations (newly added) and Auditor Brent Collier has been assigned to it, Assurance Review (OBM) and Complimentary User Entity for our Marcus Thomas.
- Deputy Director Beyer stated the Internal Audit department is currently staffed to handle the upcoming audit projects, however, there are changes that are going on at the agency and added if we become short staffed at any given time for any reason, he will inform Director Gillcrist of his concerns. Madame Chair Mingo commented on the risk assessments and wondered if there was a lower number of risks compared to previous years. Deputy Director Beyer informed her it's about the same and his concentration is on the higher and medium risks areas that haven't been looked at recently. Deputy Director Beyer commented on Madame Chair Mingo's question regarding Consulting Engagements and how to determine which areas and or issues will be addressed during the fiscal year, he stated the departments will reach out to the internal audit for feedback and input on how to be more efficient in what they're doing to regulate their department and or the internal auditors will make suggestions and be involved in the building process.

- Madam Chair Mingo asked for a motion to approve the final Governance Documents, Valerie called the roll, and the Governance Documents were approved.

DEPUTY DIRECTOR, OFFICE OF INTERNAL AUDIT COMMENTS

- Deputy Director Beyer began with the final audit report for the information security audit and verified the implementation for one of the outstanding audit recommendations. He also welcomed two new employees to the internal audit department Valerie Murphy has seven years of experience at the Ohio Lottery in the Finance department and Brent Collier has ten years of experience with the Auditors State Office performance division.
- Deputy Director Beyer spoke of the migration to Teammate+ as well as the training, also that he and Valerie will be the Champions and subject matter experts for the application. We are in the validation period of the confirmation process and currently scheduled to go live at the beginning of Fiscal Year 2024. There are a number of advantages with Teammate+ such as, increase efficiency to the audit team, better involve department stakeholders throughout the agency, getting feedback through the risk assessment process, scoring directly, sharing documents during audit process and provide status updates on issue tracking. There will be some new reporting documents so by the next meeting in September some documents will look different, but all pertinent information needed will be there.
- Deputy Director Beyer discussed the status of the audit projects and open issues. Six projects have been completed this year, one project is in the reporting phase, another project is in field work and testing and a third project is in the planning phase. There are two projects in the on-hold status, which are the Lottery data center projects, paused due to new IT processes that have not been fully implemented, and the annual assurance review that OBM held off conducting.
- Deputy Director Beyer spoke about the Quarterly Audit Plan update. Internal Audit issued the final report for the Information Security Audit. This project has reviewed the oversight and patch management processes for our servers at the State SOC and end-user workstation operating systems, including vulnerability scans. There are two efficiency recommendations: the first is a key performance indicator, we recommended that management develop KPIs or Metrics to monitor or measure the agency patch vulnerability management activities. The second recommendation was for management to create and implement a Lottery internally focused SLA for the vulnerability and patch management process. There have been some communications from the new State of Ohio Chief Information Security Officer regarding upcoming operational changes that will impact the Lottery's IT department. We should receive more details by early September.
- Deputy Director Beyer stated the Liability and Deposit program is in the planning stage. This audit will review our processes and oversights for the internal bonding program we have for Lottery Retailers specifically that offer our Keno game.

- Deputy Director Beyer stated we are in the field work and testing phase of the Fixed Asset Inventory Control audit. This project will review the processes, procedures, and oversight of the Lottery’s inventory system. The three objectives for this audit are to ensure fixed assets additions, disposals and transfers are properly controlled, recorded, tagged and identified, that periodic reconciliations of physical inventory do occur, and documentation does exist to support inventory transactions.
- Deputy Director Beyer informed the committee that Auditor Brent Collier has started on the Racino Regulators Consulting Engagement this was a request from the executive leadership he will review their processes for conducting compliances review for all seven Racinos. Racino teams are looking to be more efficient with their time and emphasize consistency in their compliance reviews.
- Deputy Director Beyer spoke on some open issue recommendations, the claims super retailer’s audit the last issue on that project. There’s a new Claims supervisor that came in around the end of April and is learning the audit issues. They are making visits to the regional offices and is planning to visit some of the retailers as well to get some feedback from the retailer on the confidential information on claim forms and how it’s being handled and what challenges they see before deciding how to proceed moving forward. Madame Chair Mingo asked Deputy Director Byer to remind us of if there is an issue where the project risk is high and the issue risk is medium or low how are the two reconciled? Deputy Director Beyer responded by saying, when a project risk is high and issue risks is medium or low, project risks are defined during the risk assessment process, the project may be defined as a high-risk area, when audited and look at the area and the issue is identified as a medium or low risk.
- Deputy Director Beyer briefly spoke on Aging Accountability and stated that the contract compliance manager has continued to develop an updated performance evaluation process for our contract vendors that will fulfill the remaining part of the recommendation. We have completed the external review and analysis of our SOC report which was a recommendation from this. The 3rd party GLI has provided an analysis for some of our SOC reports.

ASSISTANT DIRECTORS’ UPDATES

- Assistant Director Kostura thanked the department of Internal Audit for all their hard work improving the agency processes.
- Assistant Director Kostura mentioned the upcoming RFP for the gaming systems and being able to incorporate some of the areas of high risks and the feedback received from recent audits and incorporate things that may be changed or implemented in the future that will be helpful.
- Assistant Director Kostura stated she is looking forward to OBM looking into the Voluntary Exclusion Program.
- Assistant Director Kostura welcomed the new additions to the team Valerie Murphy and Brent Collier.

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 §§149.433 and 117.26. Madam Chair Mingo made a motion to move into Executive Session, which.

was seconded by Commissioner Sweeney. Valerie 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 11:00 a.m.
- The Audit Committee moved out of Executive Session at 11:10 a.m.

NEW BUSINESS

- Deputy Director Beyer informed the committee external assessment will begin in about a month. It occurs every 5 yrs. and consists of a self-evaluation that will include interviews with some staff members and sending out surveys. Madam Chair Mingo and Commissioner Sweeney will be involved in the surveys. Once the assessment is completed, they will be validated by an external auditor. Tentative plans to begin this summer and be completed in the fall. The purpose of external audits is a self-evaluation of the Lottery's internal audit processes and functions to make sure they're abiding by the standards and meeting all expectations.

ADJOURNMENT

- Madame Chair Mingo called for adjournment of the Meeting at 11:13am

Prepared by:

Valerie Murphy

Valerie Murphy, Administrative Professional

Approved by:

Angela Mingo

Madame Chair Angela Mingo, OLC Audit Committee

Signature: *Valerie Murphy*

Email: valerie.murphy@lottery.ohio.gov

Signature: *Angela Mingo*
Angela Mingo (Oct 6, 2023 12:20 EDT)

Email: angela.mingo@nationwidechildrens.org









Meeting Minutes 06.14.2023

Final Audit Report

2023-10-06

Created:	2023-09-25
By:	Valerie Murphy (valerie.murphy@lottery.ohio.gov)
Status:	Signed
Transaction ID:	CBJCHBCAABAA9wHt0CYoG-wWhLn-ZxpEI31DNcRqGbg5

"Meeting Minutes 06.14.2023" History

-  Document created by Valerie Murphy (valerie.murphy@lottery.ohio.gov)
2023-09-25 - 12:41:16 PM GMT
-  Document e-signed by Valerie Murphy (valerie.murphy@lottery.ohio.gov)
Signature Date: 2023-09-25 - 12:44:15 PM GMT - Time Source: server
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2023-09-25 - 12:44:16 PM GMT
-  Email viewed by angela.mingo@nationwidechildrens.org
2023-10-06 - 4:19:30 PM GMT
-  New document URL requested by angela.mingo@nationwidechildrens.org
2023-10-06 - 4:19:36 PM GMT
-  Signer angela.mingo@nationwidechildrens.org entered name at signing as Angela Mingo
2023-10-06 - 4:20:40 PM GMT
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Signature Date: 2023-10-06 - 4:20:42 PM GMT - Time Source: server
-  Agreement completed.
2023-10-06 - 4:20:42 PM GMT