



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

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

**December 11, 2019  
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  
Nicola Kostura, Assistant Director, OLC  
Sean Webster, Assistant Director, OLC  
Cindy Klatt, Chief Audit Executive, Office of Budget and Management  
Kelly Salomone, Internal Audit Section Chief, Office 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  
James Brown, Manager, Office of Information Technology, OLC

**Guest:**

Matt Goldman, Audit of State, AOS  
Brian Ohl, Audit of State, AOS

**CALL TO ORDER**

- The Ohio Lottery Commission's (the "OLC") Audit Committee Meeting of December 11, 2019, was called to order by Chairman Sean Whalen at 10:02 a.m. at the Frank J. Lausche Building, Room 205.

**APPROVAL OF MINUTES OF September 11, 2019**

- Chairman Whalen asked the Audit Committee Members whether there were any questions regarding the September 2019 Meeting Minutes. There were no questions at that time. Chairman Whalen asked for a motion to approve the Minutes. Chairman Whalen motioned to approve the Meeting Minutes, which 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.

### **CHAIRMAN'S COMMENTS**

- Chairman Whalen welcomed our guest from the Auditor of the State office. Chairman Whalen stated that there was an abbreviated meeting today. For that reason, he stated that he would forego his comments and directed the meeting to Gregory Beyer, Deputy Director of Internal Audit.

### **DEPUTY DIRECTOR OFFICE OF INTERNAL AUDIT COMMENTS**

- Deputy Director Beyer stated that he and the Assistant Directors had been very productive in resolving several of audit issues on the Aging Accountability Report (AAR). Deputy Director Beyer stated that since June he closed eleven outstanding issues. Deputy Director Beyer stated, in addition, he close two audits.
- Deputy Director Beyer stated that the Office of Budget and Management (OBM) completed the Licensing and Bonding audit in October 2019 and Jane Parker, Internal Auditor completed the Financial Reporting audit.
- Deputy Director Beyer stated that based on the completion of those two projects there were a total of nine findings and that his department would follow-up on those findings.
- Deputy Director Beyer stated that thus far the Finance Department has implemented one of the findings associated with the Financial Reporting audit.
- Deputy Director Beyer moved onto the Dashboard. Deputy Director Beyer stated that their focus has been on resolving the number of outstanding issues relating to Finance. There were eleven opened issues and they have remediated six of those issues. Deputy Director Beyer stated that they have focused on other audit issues as well however, Finance had the most outstanding long – term issues.
- Deputy Director Beyer directed the Audit Committee to the lower left-hand corner of the Dashboard and stated that there were a total of four opened issues in Fiscal Years 2014 and 2015.
- Deputy Director Beyer stated that they had planned on resolving two of those issues before today's meeting, both issues were related to BOS reports. However, when IT personnel performed their test they discovered that there were production issues, therefore, he had to postpone closing those issue. Deputy Director Beyer stated that IT was working on an alternative solution.
- Chairman Whalen asked what was the issue. Deputy Director Beyer responded that the issue was the Instant Validation report.
- Deputy Director Beyer asked whether there were any additional questions on the dashboard. There were none.
- Deputy Directive Beyer moved onto the Quarterly Status report for the 2020 Fiscal Year. Deputy Director Beyer stated that currently, the audit staff are working on the following projects: Diane Nagorny, Internal Auditor currently in the reporting phase of the Super Retailers audit. She has eight recommendations. Joseph Volpi, Internal Auditor working on the Sponsorship audit and in the fieldwork phase. He plans to submit his report at the end of January 2020. Jane Parker, Internal Auditor currently in the planning phase of the Claims Regional Cashing audit.
- Deputy Director Beyer stated that Ms. Parker and Ms. Nagorny have some similarities in their audits however they have different scopes. Deputy Director Beyer explained that Ms. Nagorny's audit focused

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on the Retailers and Ms. Parker's audit will focus on the Regional offices. Deputy Director Beyer stated that the Claims Regional Cashing audit would be complete by the end of Fiscal Year 2020.

- Chairman Whalen asked does the Lottery have the same abilities to check the retailer's databases as it pertains to identify the winners? Nicole Kostura, Assistant Director responded yes.
- Deputy Director Beyer continued his report and stated that the Office of Budget and Management completed the License and Bonding audit and that they are scheduled to perform the Office of Internal Audit Quality Assurance review in the 3<sup>rd</sup> Quarter of Fiscal Year 2020. In addition, they are scheduled to perform one more audit scheduled for the 4<sup>th</sup> quarter of the Fiscal Year 2020.
- Chairman Whalen asked whether our third party vendors still have full access to our data. Ms. Kostura responded that we (OLC) own our data and we do not allow our third-party vendors to sell our data. Ms. Kostura stated that we have included language in our vendor contracts regarding the use of our data. Chairman Whalen stated that awhile back this was brought to his attention that language was not included in the terms and conditions in the vendors contract and he was glad to hear that it is now included.
- Commissioner Mingo asked could they share what would be the scope of the Marcus Thomas audit. Deputy Director Beyer stated that that OBM will start the audit 4<sup>th</sup> Quarter. Cindy Klatt, Chief Audit Executive, of Office Budget and Management, also stated that Erin Brown, Internal Audit Section Chief will contact Deputy Director Beyer to discuss the scope of the audit and who will be involved.
- Deputy Director Beyer continued and stated that the auditors have been assigned their next audit. Ms. Nagorny has been assigned to the Intralot Gaming System Contract audit, Mr. Volpi has been assigned the Background Checks audit and Ms. Parker has been the Daily Balancing of Online Game Activity audit. Ms. Parker's audit would carry over to Fiscal Year 2021.
- Deputy Director Beyer stated that he and Ms. Klatt have discussed the consultation regarding the CAAT software. Despite recent personnel changes at OBM, both he and Ms. Klatt agreed they would like to continue to move forward with the CAAT software consultation. Ms. Klatt added by saying that their office was also looking to inquire about the ACL software however due to the software price they have decided to look at other options. Ms. Klatt stated that she shared this information with Deputy Director Beyer and she will continue to keep him informed as they continue to look for other software.
- Deputy Director Beyer asked whether there were any questions. There were none.
- Deputy Director Beyer moved onto the Aging Accountability summary report. He stated that the number of outstanding issues was slightly lower than in the month of July. In July there were thirty-one opened issues and currently, we are at twenty-nine opened issues.
- Deputy Director Beyer stated that he added nine issues after the completion of two audits. Deputy Director Beyer noted that the average age of issues was slightly higher and that they have been working diligently to decrease that number.
- Chairman Whalen asked whether we can benchmark the long and short term issues. Chairman Whalen stated that the total number of issues tends to be challenging to understand and he would like those issues to itemize so that the long and short term issues could be benchmarked.
- Commissioner Mingo added that it was helpful to review the data and look at the length of time that is required to close out an issue.
- Chairman Whalen stated that when we look back at the data some of the averages were in the thousandths so we have made great strives to close some of those issues that had been opened for years. Deputy

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Director Beyer stated that there were approximately five issues that averaged over 1100 days past due. Those were the issues that he want to close before the next Audit Committee meeting.

Deputy Director Beyer stated he will discuss further after the Executive Session the particulars of those audit issues.

- Chairman Whalen asked Deputy Director Beyer as of today where are we as far as completing the Fiscal Year 2020 Audit Plan. Deputy Director Beyer responded stating that he felt more comfortable with how we are progressing. Deputy Director Beyer stated that Ms. Nagorny and Mr. Volpi audits took a little longer than what he had hoped for, however, both audits are scheduled to be completed before the end of the calendar year and they are already assigned their next audits. Deputy Director Beyer stated that he felt confident that the audit plan would be further along than it had been in previous Fiscal Years.
- Deputy Director Beyer stated he will start the Risk Assessment process for Fiscal Year 2021 and he planned to ensure that there were a balance number of high, medium and low audits. Deputy Director Beyer stated that he wanted to ensure that there would be more variety for the auditors to choose as oppose to working on majority of high audits.
- Chairman Whalen stated he would like to have the conversation with Deputy Director Beyer as it relate to the Risk Assessment and with the existing staff what they would be able to accomplish in completing audits for Fiscal Year 2021. Chairman Whalen stated that based on best practices he want to understand any the gaps of why we may not be able to complete the Audit universe in five years.
- Deputy Director Beyer stated that this concluded his report.

## **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 sections 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.

## **OFFICE OF BUDGET MANAGEMENT UPDATES**

- Cindy Klatt, Chief Audit Executive, Office of Budget Management stated that her office would perform its Annual Assurance Review for the department of Internal Audit in the 3<sup>rd</sup> quarter. Kelly Beckett, Internal Audit Section Chief, Office of Budgetment Management would contact Deputy Director Beyer in the next couple of weeks to request documents. Ms. Klatt stated they would report the results of the Annual Review at the March Audit Committee meeting.
- Ms. Klatt explained that they would request and review IA’s policies and procedures and randomly select a couple of audits. Ms. Klatt added that in4th quarter they would begin planning for the Marcus Thomas audit.
- Ms. Klatt stated as far as the data analysis software she will work with Deputy Director Beyer as far as what are there options. She stated she would share any information that would help Deputy Director Beyer make an informed decision on what he wants to do to move forward in this initiative.

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- Chairman Whalen stated that the purpose of the software was for data to be automatically populated as this would help with the cycle times so that auditors could focus on other aspects of the audits.
- Chairman Whalen asked Deputy Director Beyer would this be his first Quality Assurance Review? Deputy Director Beyer responded, yes.
- Ms. Klatt added that they would continue to follow-up on the License and Bonding audit findings and that the first couple of findings were not due until January 2020 and the remainder of the findings are due in July 2020.
- This concluded Ms. Klatt's report.  
Chairman Whalen asked whether there were any questions. There were none.

### **DEPUTY DIRECTOR OFFICE OF INTERNAL AUDIT UPDATES**

- Deputy Director Beyer stated that the Aging Accountability Report (AAR) was organized by the project name. Deputy Director Beyer stated that he along with AD Webster and AD Kosutura have made great progress in resolving some of outstanding issues.
- Deputy Director Beyer stated that the **Employee Reimbursement audit** there were a couple of issues that was close to being resolved. Deputy Director Beyer moved onto the **Contract Compliance audit** he stated that two of the issues required a longer timeframe to implement and they would continue to work with Deputy Director Bowers to resolve those issues.
- Deputy Director Beyer moved onto the **Retailer Incentive audit**. Deputy Director Beyer stated that they have made significant progress over the past couple of months. He stated that they closed several of the findings and that there were two remaining issues opened. Deputy Director Beyer stated that one of the issues we are waiting on the department to provide procedures and the other issue would be categorized as a long-term issue as it pertained to an analysis of the Retailer Incentive Program to look at the sale of games. Deputy Director Beyer stated that the Deputy Director of Finance planned to collaborate with Deputy Director of Sales regarding this issue.
- Deputy Director Beyer moved onto the Employee Reimbursement audit this issue related to employees submitting the appropriate travel documents in order to get reimbursement. Deputy Director Beyer stated that the document was provided and he had a minor comment to add then he would close the issue.
- Deputy Director Beyer moved onto the **Security audit**. He stated that they developed a checklist for new hires to gain access to the building. Deputy Director Beyer stated that Human Resources submitted this document in October and we will pull a sample to verify that this action was performed. Deputy Director Beyer stated he expects that these two issues will be closed by March's Audit Meeting.
- Deputy Director Beyer stated that the **Financial Reporting audit** findings were new and responses are not due until the end of Fiscal Year 2020. According to the Finance Department, they are in the process of implementing the general ledger software and the findings will be resolved once the software installed and staff are trained.
- Commissioner Mingo asked Deputy Director Beyer would he revise the implementation dates on the AAR? Deputy Director Beyer stated that he updated some of the dates but not all however, he would once he receive feedback from the departments on what their plan of action.
- Chairman Whalen asked whether there were any additional items to be discussed. There were none.

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**ADJOURNMENT**

- Chairman Whalen called for adjournment of the meeting at 11:05 a.m.

Prepared by:



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Carla Reeves, OLC IA Administrative Professional

Approved by:

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Sean Whalen, OLC Audit Committee Chairman