



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

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

**September 9, 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
Nick Stadler, Office of Executive Management, OLC
Cindy Klatt, Chief Audit Executive, Office of Budget and Management
Erin Brown, Internal Audit, Section Chief, 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 September 9, 2020, was called to order by Chairman Sean Whalen at 10:02 a.m. via Microsoft TEAMS.

APPROVAL OF MINUTES OF June 10, 2020

- Chairman Whalen asked the Audit Committee Members whether there were any questions regarding the June 10, 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.

APPROVAL OF FISCAL YEAR 2020 INTERNAL AUDIT ANNUAL REPORT

- Chairman Whalen asked the Audit Committee Members whether there were any questions regarding the Fiscal Year 2020 Annual Report. Commissioner Mingo and Commissioner Sweeney agreed that the report layout was appealing, and they commended Deputy Director Beyer and staff for their efforts in

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organizing the Internal Audit Annual Report. Chairman Whalen asked Deputy Director Beyer whether there were any comments he would like to add. Deputy Director Beyer stated that last year he received feedback from the State Audit Committee regarding concerns about the number of open outstanding issues. Deputy Director Beyer stated that in this report he wanted to highlight the collaboration between Senior Management and the Assistant Directors on the work they have performed to close or mitigate the risk of outstanding issues.

- Deputy Director Beyer stated that he along with the Assistant Directors and Senior Management will continue to work together to mitigate issues and decrease the number of outstanding issues over the next Fiscal Year.
- Chairman Whalen also added that the Audit Committee has had continuous discussions on how to present the data for those long-standing audit issues of significance. They have discussed how to provide an appropriate framework to a path of resolution. Chairman Whalen stated that the committee did not overlook long-term issues and that those issues are at the forefront to ensure improvements are made.
- Chairman Whalen asked whether there were any additional comments or questions. There were none.
- Chairman Whalen asked for a motion to approve the 2020 Fiscal Year Annual Report. Commissioner Mingo motioned to approve the Fiscal Year 2020 Annual Report, 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 we were heading towards a new fiscal year and Audit Plan. Chairman stated that he was interested in learning more about the review work that would take place and how teleworking has impacted the agency as a whole.
- Chairman Whalen stated that he was also looking forward to working with the Internal Audit staff, as well as Deputy Director Beyer and the Assistant Directors, on the Annual Audit Plan. Adding that he felt that the collaboration and partnership would help maintain the integrity of the Lottery. Chairman Whalen stated that he wanted the Internal Audit group to improve its methods of auditing as the Lottery evolves into the digital era.
- Chairman Whalen asked whether there were any questions. There were none.
- 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, which took place in June, the Audit Department had been very productive. For example, it was able to close a couple of issues, and it distributed two final audit reports which were the Contract Intralot Gaming System and the Regional Cashing audit. There were six findings identified in the Contract Intralot Gaming System audit and there was one finding for the Regional Cashing audit which the Finance Department was able to rectify quickly.
- Deputy Director Beyer stated that the Office of Budget and Management (OBM) completed its Assurance Review for the Lottery's Internal Audit Department, adding that its staff would provide an update later on in this meeting.
- Deputy Director Beyer shared that he met with the Lottery's Finance team, Deputy Director Gregory

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Bowers, Finance Analyst Ed Slyman and Assistant Director Sean Webster to discuss Internal Audit's budget for Fiscal Years 2022-2023. Although there have been challenges due to COVID-19 Deputy Director Beyer stated that he was pleased to report that there were not any major changes to Internal Audit's budget that would impact the operation of the department. Deputy Director Beyer added that he had requested funds for two larger items to be added to the Fiscal Year 2023 budget. One was the Peer Review and pertained to the implementation of upgrades to our current audit software "TeamMate".

- Deputy Director Beyer asked whether there were any questions regarding the Peer Review or the budget process.
- Chairman Whalen explained that at the time the Peer Review was performed the intent was to seek external validation that allowed us to identify areas of improvement and at the same time validate that we as an organization were doing everything that we needed to do to execute the Lottery's mission. The Peer Review was based on objectivity of an outside party to perform the review for the organization. Chairman Whalen stated that from his understanding Peer Reviews are performed every five years which gives the committee the confidence that as an organization we are achieving the benchmarks.
- Commission Sweeney thanked Chairman Whalen for explaining the purpose of the Peer Review. Deputy Director Beyer added that he would share the results of the Peer Review with Commissioner Sweeney.
- Deputy Director Beyer moved on to the Dashboard. He stated that we just began Fiscal Year 2021 and currently we have started three audits. Two of those audits are in the planning stage and the third audit was going into the fieldwork stage.
- Deputy Director Beyer stated that we have been making progress on the older issues. Deputy Director Beyer stated the about two thirds of the issues stemmed from Fiscal Year 2019 and 2020.
- Deputy Director Beyer moved on to the Quarterly Audit Status Report. He stated that this report provided an overall review of Fiscal Year 2021 Audit Plan status. Deputy Director Beyer provided details of each audit and their stages. Commissioner Mingo asked whether the Background Checks audit included backgrounds checks from both Retailers and Racinos. Deputy Director Beyer responded that this audit included only the background checks of our Racino staff.
- Deputy Director Beyer moved on to the Aging Accountability Report (AAR) Summary page. He stated that currently we have implemented two issues and that we planned to follow up with those departments in the next month. Currently, we have thirty-two open issues, of which the majority are internal. Deputy Director Beyer stated that there were projects that required more time to develop a solution than others.
- Deputy Director Beyer stated that after we enter into the Executive Session, he would discuss in greater detail as these are longer term items.
- Deputy Director asked whether there were any questions on the AAR Summary. There were none.
- Deputy Director moved onto the AAR. The first item was the Contract-Intralot Gaming System. There were six issues and the majority of the issues involved invoicing and the verification of the data. Deputy Director Beyer stated that IT had made several improvements to the process and over the next couple of weeks he planned to meet with the Deputy Director of Finance and IT to verify that those changes were performed.
- Deputy Director moved on to the next audit which was the Super Retailer audit. Deputy Director Beyer stated that they had made significant progress on these items, in particular updating the terms and conditions contract for the Super Retailers. Assistant Director Webster added that changes were made as far as expanding the Super Retailer contract and improving the applications for the higher-tier cashing.

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He stated that as they reviewed the audit findings, they would make the appropriate changes and resolve the issues.

- Deputy Director Beyer stated that another finding pertained to the oversight of monitoring and logging applications performance trends. The program was performed by our third-party vendor Marcus Thomas along with Data Yard. Deputy Director Beyer stated that Marcus Thomas would provide an annual SOC report and that we were waiting for them to distribute the SOC report to verify the information.
- Deputy Director Beyer asked whether there were any questions. There were none.
- Deputy Director Beyer moved on to the Contract Compliance and Vendor Management audit. There were three issues in this audit and the status had changed from short term to long term. Currently, the Contract Compliance Manager was on a leave of absence and we planned on re-evaluating these issues at the end of the calendar year, in hopes to have a better idea of how to move forward to mitigate these issues.
- Assistant Director Webster added that despite the absence of the Contract Compliance Officer, progress was still being made.
- Deputy Director Beyer moved on to the Sponsorship audit. He stated there were three recommendations for this audit, and they provided responses. He added, however, that in order for the responses to be implemented, there had to be Sponsorship programs in progress, but due to COVID-19, many of the sponsorships have been postponed.
- Deputy Director Beyer moved on to OBM-Retailer Licensing and Bonding audit. He stated that there were two remaining issues and those issues should be resolved by January 2021.
- Deputy Director Beyer stated that one of the issues identified was due to lack of documentation of Licensing and Bonding and Retailers. Based on this issue, the DD of Security was involved and noted that they were hiring a Security Analyst who would assist with the review of retailer contracts. This person would also perform random background checks on retailers to ensure that their licensing was current.
- Chairman Whalen asked whether the position was an external open position or was the position to internal staff. Assistant Director Webster stated that this position would be an addition to staff and would be posted internally as well as externally.
- Deputy Director Beyer added that the second issue was due to Lack of Monitoring of Systems Access. Deputy Director stated that IT annually performs a check of the IT systems. In addition, the Department of General Services also performs their own internal review of the IAD system.
- Deputy Director Beyer moved on to the AOS audit. He stated that he spoke with IT regarding these issues and after AOS performs their audit these issues should be resolved.
- Deputy Director Beyer concluded his report and asked whether there were any questions. There were none.

ASSISTANT DIRECTOR'S UPDATES

- Assistant Director Webster stated that Deputy Director Beyer provided a thorough report of the issues. He added that the General Ledger software had been implemented in the Finance Department, however staff was currently focusing on the CAFR, which should be completed in the next couple months. He stated that once the CAFR had been completed, staff would utilize the software. Chairman Whalen

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asked what the next steps would be in closing the finding as it related to the General Ledger. Assistant Director Webster stated that it would be a general overview of how the system worked along with providing procedures.

- Assistant Director Webster concluded his report.
- Assistant Director Kostura stated that once COVID-19 was over, they could obtain sponsors to move forward in resolving the issues noted in the Sponsorship audit. She stated that she appreciated the comments brought forth by the Committee.
- Assistant Director Kostura concluded her report.

OFFICE OF BUDGET MANAGEMENT UPDATES

- Cindy Klatt, Chief Audit Executive, OBM, updated the Committee stating that the Liquidated Damage audit was slated to be performed in quarter two of Fiscal Year 2021. The other audit Mobile Cashing audit was slated to be performed in quarter three of Fiscal Year 2021.
- Ms. Klatt stated that they were working with the License and Bonding staff to remediate two issues in hopes that they are closed by the end of January 2021. She stated that they had previously closed two other issues since June's Audit meeting.
- Kelly Salamone, OBM, updated the Committee on the Annual Assurance Review. Ms. Salamone stated that they perform this engagement every year to ensure that the Lottery performed certain practices, so OBM could rely on their work. Ms. Salamone stated that she did not identify any key issues during her review.
- Ms. Salamone 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 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 10:54 a.m.
- The Audit Committee moved out of Executive Session at 11:04 a.m.

ADJOURNMENT

- Chairman Whalen called for adjournment of the Meeting at 11:06 a.m.

Prepared by:



Carla Reeves, OLC IA Administrative Professional

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Approved by:

Angela Mingo

Angela Mingo, Interim OLC Audit Committee Chairperson