



**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**

**April 10, 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
Trevor McAleer, Audit Committee Member and Commissioner, OLC
Patrick McDonald, Executive Director, OLC
Nicola Kostura, Assistant Director, OLC
Sean Webster, Assistant Director, OLC
Charles LoPresti, Chief Legal Counsel, OLC
Elizabeth Popadiuk, Deputy Director of Human Resources, OLC
Greg Bowers, Deputy Director of Finance, OLC
James Brown, IT Manager, OLC
Maureen Hall, Interim Deputy Director of Information Technology, OLC
Jon Dillinger, Deputy Director of General Services, OLC
Michael Sliwinski, Assistant Legal Counsel, OLC
Connie Miller, Deputy Director of Operations, OLC
Simeona Mays, Interim Deputy Director of Security, OLC
Cindy Klatt, Chief Audit Executive, Office of Internal Audit, Office of Budget and Management
Kelly Salomone, Internal Audit Section Chief, Office of Internal Audit, Office of Budget and Management
Michael Lloyd, Information Technology Manager, Office of Internal Audit, Office of Budget and Management
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

OHIO LOTTERY COMMISSION AUDIT COMMITTEE MINUTES

April 10, 2019

Page 2

CALL TO ORDER

- The Ohio Lottery Commission's Audit Committee Meeting of April 10, 2019, was called to order by Chairman Sean Whalen at 10:00 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 December 2018 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. The motion passed 3-0.

CHAIRMAN'S COMMENTS

- Chairman Whalen stated that his comments would be brief. He stated that they were continuing to work on reporting the visibility and transparency for the current audit objectives for both the Audit Committee and the Internal Audit group. In addition, they have labeled long-term projects which was a mutual collaboration between Internal Audit and Senior staff.
- Chairman Whalen stated that these items were improvements to the organization but were not to be resolved within six months or even a year. He stated that the intent was not to extend the timeframe beyond our metrics as to not give the perception that they are not paying attention. Chairman Whalen stated that the issues were very important and required a methodical approach for improvement and that they did not want to rush the improvements. In addition, they want to ensure that they assess the risks appropriately. Chairman Whalen stated by categorizing the issues the Audit Committee is provided a clearer picture.
- Chairman Whalen also stated that they were working with Deputy Director Wilson on the Annual Risk Assessment. Chairman Whalen stated that there has been a lot of effort and helpful feedback for establishing the plan for Fiscal Year 2020.
- Chairman Whalen asked whether there were any questions. There were none.
- Chairman Whalen directed the meeting to Deputy Director Wilson.

DEPUTY DIRECTOR OFFICE OF INTERNAL AUDIT REPORT

- Deputy Director Wilson stated that she would incorporate her comments while presenting the data and directed the Committee to the Dashboard.
- Deputy Director Wilson stated that the first pie chart located on the left-hand side identified OLC Internal Audit's activities. Deputy Director Wilson stated that they had not completed any audits as of current and she provided the following status: Two audits were in reporting, three audits were in fieldwork, one audit had not started, one audit had been assigned, and two audits were in planning.
- Deputy Director Wilson stated that she anticipated that the two audits that were currently in reporting status and that the three audits that were currently in fieldwork status would be completed by the end of the fourth quarter. Deputy Director Wilson also stated that they were aggressively working on completing another audit by the end of the fourth quarter. Currently, the Sponsorship audit was in the planning status.
- Deputy Director Wilson stated that she had subsequently closed the NIST Implementation audit due to policies that were still in draft form. Deputy Director Wilson stated that they will fold that into this year's risk assessment and will determine if the item would be carried forward into the Fiscal Year 2020 plan.

OHIO LOTTERY COMMISSION AUDIT COMMITTEE MINUTES

April 10, 2019

Page 3

- Deputy Director Wilson moved on to the second pie chart and commented that this pie chart included both external and internal audits. Deputy Director Wilson stated that the external audits included the Office of Budget and Management (OBM), the Auditor of State (AOS), Third-Party vendors and the Multi-State Lottery Association (MUSL.)
- Deputy Director Wilson asked whether there were any questions.
- Chairman Whalen asked what high-risk audits were not completed for the Fiscal Year 2019.
- Deputy Director Wilson responded that she closed the IT Project Management audit which was considered medium risk. The NIST Implementation audit was designated as high-risk, however, it was un-auditable due to policies that were in draft status. Further, the Play at the Checkout audit was designated as high-risk and this was closed because it was no longer an initiative.
- Commissioner McAleer asked when the Sponsorship audit was anticipated to begin. Deputy Director Wilson replied that the audit had started and was in the planning phase. Deputy Director Wilson stated that Joseph Volpi, Internal EDP Auditor, was assigned to the audit and was working with the Marketing staff to obtain documents. Deputy Director Wilson commented that the Sponsorship audit scope was focused on the contracts.
- Deputy Director Wilson moved on to the bar chart located at the bottom left-hand side entitled Total Issues Open/Closed in Fiscal Year 2019 by Fiscal Year. Deputy Director Wilson stated that there were eleven issues currently open from Fiscal Year 2017 and that seventeen issues were closed.
- Deputy Director Wilson stated that there were still two open issues from Fiscal Year 2015 and two open issues from Fiscal Year 2016.
- Deputy Director Wilson asked whether there were any questions.
- Executive Director McDonald asked what needed to be done to close them. Deputy Director Wilson replied that we would review the Aging Accountability Report (AAR) shortly to discuss the specifics of each issue.
- Deputy Director Wilson stated that the charts located on the lower right-hand side related to high, medium and low-risk issues for each department.
- Deputy Director Wilson stated that since the last Audit Committee meeting she has closed ten issues.
- Chairman Whalen stated that substantial progress had been made, and it was important to understand what the charts represent.
- Deputy Director Wilson also provided the Audit Committee a high-level update on the progress of the Annual Risk Assessment process. Deputy Director Wilson stated that she met with both Director McDonald and Assistant Director Webster to introduce the Annual Risk Assessment model that Internal Audit utilized. Deputy Director Wilson stated that she also shared with them the audit universe which currently has 133 auditable areas. Deputy Director Wilson explained to the Committee that part of her process was to meet with each Deputy Director and to rate their area as it related to risk.
- Deputy Director Wilson stated that part of the process has been completed, and all departments were assessed.
- Deputy Director Wilson stated that she was currently working on analyzing the data. She stated that she would include the survey results that were sent to the Commissioners and the Office of Budget and Management (OBM) as the surveys were part of the process in rating the auditable areas.
- Commissioner Mingo asked whether this was an annual process. Deputy Director Wilson responded, yes,

OHIO LOTTERY COMMISSION AUDIT COMMITTEE MINUTES

April 10, 2019

Page 4

- and that this year was a base-line year which meant that she zeroed out all the data and started with new data.
- Deputy Director Wilson stated that she does not zero out the data every year and that next year will be a non-baseline year which means that she will keep the data and ask each Deputy Director whether anything changed from the previous year.
 - Deputy Director Wilson added that she had productive conversations with each of the Deputy Directors in both the baseline and non-baseline years.
 - Commission McAleer asked Deputy Director Wilson how many survey responses she had received?
 - Deputy Director Wilson responded that she received 7 out of 11 surveys.
 - Chairman Whalen asked whether the responses were anonymous. Deputy Director Wilson responded, yes.
 - Chairman Whalen stated that he would like the Committee to understand the Risk Assessment process so that they may understand the risk areas and which of those areas that would potentially be added to the audit plan.
 - Deputy Director Wilson stated that she discussed with Chairman Whalen the purchase of a Computer Assisted Auditing Techniques (CAAT) software and explained that the software would help the auditors perform 100% sampling and based on the results they would focus on the exceptions.
 - Chairman Whalen asked Deputy Director Wilson to submit a proposal and to include the cost-benefit to the agency.
 - Deputy Director Wilson replied, yes.
 - Deputy Director Wilson stated that once she completes the draft proposal, she will send the document to the Audit Committee for their review. Director McDonald asked the cost of the software.
 - Ms. Klatt stated that they have ten licenses for ACL, for which they have paid a total cost of \$7,000.
 - Commissioner McAleer stated that his organization uses the software and that they paid \$8,000.
 - Commissioner McAleer stated that the software was a benefit to the organization as it takes the place of manual tasks and checks for duplication of payments.
 - Deputy Director Wilson agreed and stated that she would only require two licenses for her department.
 - Deputy Director Wilson moved on to the Draft protection language document. Deputy Director Wilson directed the Audit Committee to page 6 of the document. She stated that the language was slightly different from previous years. Deputy Director Wilson stated that the new language would require that Internal Audit reports remain confidential until the final report is submitted to both the Director and the Chairperson of the Commission. Deputy Director Wilson also stated that they would therefore not be considered a public record.
 - Deputy Director Wilson asked Nicole Kostura, Assistant Director, Marketing and Sales for the status of the protection language.
 - Assistant Director Kostura explained to the Audit Committee the budget process and stated that the protection language document was submitted to the House. Assistant Director Kostura stated that they testified before the House and it would take seven days before the House provided us with their decision.
 - Assistant Director Kostura stated that the protection language mirrored the Office of Budget and Management's protection language.
 - Deputy Director Wilson asked whether there were any questions. There were none.
 - Deputy Director Wilson moved on to the Aging Accountability Report Summary page. She explained that

OHIO LOTTERY COMMISSION AUDIT COMMITTEE MINUTES

April 10, 2019

Page 5

- the one-page report summarized the number of audits that were open and the average age of the issues. Also, there was an additional section that identified the average age of long and short-term issues.
- Deputy Director Wilson stated that the Audit Committee members provided her with some guidance on the criteria as to how to determine which issue to place in the long and short-term categories.
 - Deputy Director Wilson stated that they had decided, for the long-term bucket, that the criteria would be based on the following: complexity, collaboration with external areas, and time/money invested. She stated that these criteria were used to determine whether the issue was long or short-term.
 - Deputy Director Wilson requested that if there were any questions on why an issue was placed in a category, she would like to discuss during the meeting.
 - Chairman Whalen agreed. He stated that the intent was to demonstrate the difference between a short-term issue and long-term issue. Some issues may require a shorter period to resolve versus long-term issues which may require a longer time to resolve based on the complexity of the issue.
 - Chairman Whalen stated that their goal was to ensure those issues that were short or long-term are categorized appropriately.
 - Deputy Director Wilson stated that she reviewed the long-term and short-term issues age and that the data were similar.
 - Commissioner McAleer asked whether she had received feedback from departments regarding the way the issues were categorized. Deputy Director Wilson responded, no, and stated that she included both the AAR and the AAR summary with her bi-weekly report.
 - Chairman Whalen clarified that the purpose of the AAR was to communicate better with the management team on items that may require attention at that moment.
 - Chairman Whalen asked whether there were any questions. There were none.
 - Deputy Director Wilson stated that she was in the process of reviewing the Internal Audit governance documents and would submit those documents to the Audit Committee members for review and approval before June's meeting. Deputy Director Wilson stated that the governance documents consisted of both IA and AC Charters, the Annual Audit Plan and the IA policy.
 - Chairman Whalen asked whether there were any questions, comments or suggestions.
 - There were none.
 - Deputy Director Wilson stated that this concluded her report.

EXECUTIVE SESSION

- Chairman Whalen remarked, "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 section 149.433."
- Chairman Whalen asked whether there was a motion to move into Executive Session. Commissioner Mingo made such a motion, and Commissioner McAleer seconded the motion. The motion passed 3-0.
- The Audit Committee moved into Executive Session at 10:24 a.m.
- The Audit Committee moved out of Executive Session at 11:05 a.m.

OPEN SESSION: INTERNAL AUDIT REPORT REVIEW

- Deputy Director Wilson stated that the first open item was **Relying on the Work of Assurance Providers audit**. The Office of Budget and Management performs this audit on an annual basis to ensure that they can rely on the Internal Audit department's work. Deputy Director Wilson stated that OBM personnel was present to speak on the results of the annual review. Ms. Kelly Salomone, Section Chief for the Office of Budget and Management, stated that she performed the review.
- Ms. Salomone stated that they based their review on the Institute of Internal Auditors (IIA) five recommended areas: Purpose, Independence and Objectivity, Competence, Elements of Practice, and Communication of Results and Impactful Remediation. Ms. Salomone stated that they could rely on IAs work, however, there were areas that they identified that could be improved.
- Ms. Salomone stated that she worked with Deputy Director Wilson and Carla Reeves, Internal Audit's Administrative Professional, to obtain documents and she selected an audit that had been completed.
- Ms. Salomone stated that under the areas of *Purpose, Independence and Objectivity* she did not have any recommendations.
- Ms. Salomone stated that the area of *Competence* she discussed with Deputy Director Wilson was that the Office of Internal Audit's goal was to complete 80 percent of the Annual Audit plan. However, for the Fiscal Year 2018, only 57 percent of planned audits were completed, and through December 2018, only 11 percent of the Fiscal Year 2019 audits were completed. Ms. Salomone stated that she discussed with Deputy Director Wilson that she noticed that each auditor was only assigned one audit at a time and this limited their ability to achieve completion of the planned audits for the year.
- Ms. Salomone stated that she suggested when there was downtime, to assign the auditor another audit so that the auditor would be working on two audits concurrently.
- Ms. Salomone also stated that some of the audits seemed to expand beyond the initial scope, and when this happens, Deputy Director Wilson may want to consider discussing with the Audit Committee members extending the period of the assigned audit.
- Commissioner McAleer asked Deputy Director Wilson what her thoughts were regarding assigning additional audits to the auditors. Deputy Director Wilson stated that audits do overlap meaning she would prefer that they would complete the planning stage and most of their fieldwork before she would assign another audit.
- Commissioner McAleer asked whether assigning more than one audit would increase the completion rate. Deputy Director Wilson stated, no.
- Chairman Whalen asked whether there were concerns with the quality of the work performed. Deputy Director Wilson stated, yes.
- Ms. Salomone stated that she looked at projects that were completed for calendar year 2018 and identified that three projects were completed. She chose the Game Show audit to review.
- Ms. Salomone stated that in the area of *Elements of Practice* that the audit was effectively planned. However, Ms. Salomone noted that she had difficulty in following the results of the workpapers to the testing documents and that the sample size methodology was not consistent. Ms. Salomone stated that she discussed the findings with Deputy Director Wilson.
- Chairman Whalen asked whether there were templates that the auditors used or did each auditor have their style of documenting information. Deputy Director Wilson stated that the auditors used a

OHIO LOTTERY COMMISSION AUDIT COMMITTEE MINUTES

April 10, 2019

Page 7

combination. Deputy Director Wilson stated that they have procedures and work instructions on how to select sample size and the methodology.

- Deputy Director Wilson noted that this was the auditor's first project, however, since she approved the auditor's work, she would take personal responsibility to ensure that the auditors follow more of the IIA standards.
- Ms. Salomone added that the work performed was not bad and she stated that if someone were to follow-up, it would be difficult to follow.
- Ms. Salomone stated that the final item was the *Communication of Results and Impactful Remediation*.
- Ms. Salomone stated that for the Game Show audit there was no evidence that the audit results were shared with the Lottery management team until three months after the audit concluded. Ms. Salomone stated that she recommended adding a procedure to the auditor's workpapers as this would be evidence that they emailed the final audit reports to the Lottery's management team. Ms. Salomone noted that she was aware that Deputy Director Wilson emailed the Audit Committee the final audit reports; however, there was no documentation in the workpapers to support this action.
- Deputy Director Wilson added that she would also ensure that the relevant Assistant Director receive the final audit reports. Deputy Director Wilson stated that she would include this in her procedure as well.
- Commissioner Mingo asked whether there was a recommended timeframe in which deputy directors or managers should follow-up with their responses to the recommendations. Ms. Salomone stated that she was not aware of a standard related to the question; however, three months was too long.
- Ms. Salomone stated that this concluded her report.
- Chairman Whalen thanked Ms. Salomone and stated we were always looking for opportunities for improvement.
- Deputy Director Wilson stated that the second item was the **Performance Evaluations** audit. Deputy Director Wilson stated that as a follow-up to last quarter's Audit Committee meeting, there were discussions regarding an appropriate performance evaluation completion rate. Deputy Director Wilson directed the meeting to Elizabeth Popadiuk, Deputy Director of Human Resources to provide the Committee an update.
- Deputy Director Popadiuk stated that at the last Audit Committee meeting former Director Dennis Berg addressed the issue of the agency's inability to achieve a 100 percent performance evaluation completion rate and that Chairman Whalen asked her to reflect on what she thought was an acceptable completion rate and report back to the Committee.
- Deputy Director Popadiuk stated that a 100 percent completion rate was their goal. However, she stated that we operated on two evaluation cycles, January and April. Deputy Director Popadiuk stated that she anticipated and hoped for 100 percent for each cycle, but with the understanding that there may be extended absences due to either a manager and employee being out on leave.
- Deputy Director Popadiuk stated that if this occurred, they will follow-up as soon as possible with the manager and employee once they return to work.
- Deputy Director Popadiuk reconfirmed that 100 percent was their goal.
- Chairman Whalen stated that 100 percent of an unexcused absence would be the minimum standard.
- Chairman Whalen stated that he would leave the decision up to Deputy Director Wilson on what was required to close the issue.

OHIO LOTTERY COMMISSION AUDIT COMMITTEE MINUTES

April 10, 2019

Page 8

- Deputy Director Popadiuk replied she would email Deputy Director Wilson a directive. Also, she mentioned that they do have a policy.
- Deputy Director Wilson stated that she would review both the directive and policy once she received it.
- Chairman Whalen stated that Deputy Director Popadiuk had a plan and it would be up to Deputy Director Wilson on how she wanted to verify the information.
- Deputy Director Wilson moved on to the next item which was the **Bank Reconciliation** audit. Deputy Director Wilson stated that the audit was categorized as a long-term issue based on the purchasing, installation and training of the software. Deputy Director Wilson stated that Greg Bowers, Deputy Director of Finance, was present to speak to the progress.
- Deputy Director Bowers stated that the software had been installed for the appropriate users and that representatives from Great Plains was training the users on how the software worked. Deputy Director Bowers stated that for the months of May and June, they were planning to run both the old and new software systems which included bank reconciliations and by July 1st they planned to move to the new system completely.
- Deputy Director Bowers stated that he would provide the Committee an update on how the new system worked at June's Audit Committee meeting.
- Chairman Whalen stated that this was another example of the Committee evolving and learning how the Finance department put in place a solution to the recommendation set forth by the auditors.
- Chairman Whalen stated that moving forward we should note that this was Finance's response to the recommendation and that the Audit Committee was satisfied with the risk relevant to the timeline of the remediation and to close the issue. Chairman Whalen stated that they would periodically follow-up with Deputy Director Bowers for updates.
- Deputy Director Wilson noted that the original intent of the recommendation was to automate not to manually perform bank reconciliations.
- Deputy Director Wilson stated that the auditor did not recommend purchasing new software; that decision was how Finance chose to respond. Chairman Whalen agreed.
- Deputy Director Wilson asked for clarification from Deputy Director Bowers regarding his statement that "the system was not going to be as simple as the auditors thought it would be." Deputy Director Wilson asked whether he was saying that the bank reconciliation would not be automated and would remain a manual process.
- Deputy Director Bowers responded that according to the vendor, they were still working on the details on how to automate the system. He stated that there would be an automated function to reconcile the bank statements.
- Chairman Whalen noted that there had been several conversations regarding this issue and the ultimate decision was to purchase new software. Chairman Whalen stated that the software was purchased and based on additional conversation it would take a year or so for the software to be installed and training to be performed.
- Chairman Whalen stated that at the time of the discussion the Committee should have decided if the timeframe was appropriate to resolve the issue. However, due to the complexity of the issue, the Audit Committee decided that we would accept Finance's recommendation and periodically follow-up.

OHIO LOTTERY COMMISSION AUDIT COMMITTEE MINUTES

April 10, 2019

Page 9

- Chairman Whalen stated that the Audit Committee agreed to accept the risk with the understanding that Finance was working on a solution.
- Deputy Director Wilson moved on to the next issue which was the **Claims-Expired Tickets Review and Deferred Payments** audit. Deputy Director Wilson stated that this issue related to user access form detail and review. Deputy Director Wilson stated that Maureen Hall, Interim Deputy Director of IT was present to provide the Committee an update.
- Ms. Hall stated that the application was being built and that they would account for all users' rules for all applications. Ms. Hall stated that they were also adding the classification to the rule. Ms. Hall stated that they would test the application with their internal information security staff.
- Deputy Director Wilson stated that the next four issues related to the **Contract Compliance and Vendor Management** audit. Deputy Director Wilson stated that she will close the issue named "Lack of a Contract Compliance-Vendor Management Manual," as the manual was reviewed, completed and distributed to the contract managers.
- Deputy Director Wilson stated that Ms. Diane Nagorny, Internal EDP Auditor was present to provide the Committee with an update regarding the issue of "Lack of Subcontracting Requirements in All Negotiable/Commercial Agreements." Ms. Nagorny stated that she met with Gwen Penn, Financial Manager, to discuss the subcontractor language. Deputy Director Bowers agreed stating, yes, Ms. Penn was working with DAS to include subcontractor language in the PO request and other documents.
- Deputy Director Bowers stated that they were in the process of completing this issue.
- Deputy Director Wilson asked whether they received the proposed language. Deputy Director Bowers stated, no. Ms. Hall stated that, yes, proposed language was in their original response.
- Commissioner Mingo asked whether there was a revised implementation date. Deputy Director Bowers stated that since they were collaborating with DAS, he would say yes.
- Deputy Director Bowers asked Ms. Nagorny what was the status of her phone conversation with DAS regarding adding language to the documents. Ms. Nagorny responded that the conversation with DAS was focused more on an information security assessment. Ms. Nagorny stated that the issue arises when there is a state negotiated contract with no statement requiring an information security assessment, but it is required. When asked if we could add the obligation in the agreement with the vendor, she added that DAS has stated that we could insert it in the "requirements" phase of the agreement between the Lottery and the vendor. Ms. Nagorny noted that she was not familiar with the subcontractor language.
- Deputy Director Wilson stated that she needed clarification on how to move forward with this issue and Chairman Whalen agreed. Chairman Whalen asked whether someone could provide clarification of the issue. Deputy Director Bowers stated that he was under the assumption that Ms. Nagorny and Ms. Penn had a conversation with DAS regarding the subcontractor language. Ms. Nagorny stated that sometimes we negotiate directly with the vendor without going through DAS. Deputy Director Bowers stated that because it's our contract and not DAS, we can insert the obligations regarding subcontracting and the responsibilities by all parties.
- Deputy Director Bowers stated that the issue was working with DAS to obtain language to be inserted into other documents such as a purchase order. Ms. Nagorny added that one could add information security orders to the subcontractor agreement. She stated that the DAS-OIT Contract has the requested language.

OHIO LOTTERY COMMISSION AUDIT COMMITTEE MINUTES

April 10, 2019

Page 10

- Deputy Director Bowers stated that he would provide the Committee an update at June's meeting.
- Deputy Director Wilson moved on to the issue of "IT Contracted Services Do Not Always Include Requirements to Follow NIST Control Standards." Ms. Nagorny stated that this issue pertained to when they spoke with DAS and the purchasing department, we could add language in our contract even though the contract had already been negotiated. There was a process in place to add additional language. Interim Deputy Director Hall stated that DAS was updating their policies and procedures and they have sent IT the supplemental documents to review.
- Deputy Director Wilson stated that she would enter a revised implementation date of September 30, 2019.
- Deputy Director Wilson moved on to the next issue "Inconsistency in Maintaining a Complete Contract Documents Packet in a Centralized location." Deputy Director Wilson asked whether a location had been decided: OnBase or SharePoint. Deputy Director Bowers replied that they were still evaluating their options.
- Deputy Director Wilson moved on to "Lack of Documented Procedures on the Oversight of SOC Reports" and asked Ms. Hall whether there was a meeting to discuss this issue. Ms. Hall responded that they were still in discussion on who would receive the SOC reports. She also stated that IT received their own SOC reports, but they were unsure as to how they should handle reviewing all OLC's SOC reports since IT was not staffed to perform that type of duty.
- Ms. Nagorny explained that there was a general sentence in the SOC report stating whether the vendor passed or not. She stated that all they needed to do was to review the exceptions and to identify if those exceptions applied to the Lottery, and then determine whether they need to perform more oversight pertaining to that issue or have a conversation with the vendor.
- Ms. Nagorny stated that SOC reports were new to the Lottery.
- Deputy Director Wilson stated that the Internal Audit department must review SOC reports for risk-based reasons, however, the Internal audit department could not be the controller of the SOC reports.
- Deputy Director Wilson stated that currently she was using the SOC reports for the Complimentary User Entity Controls (CUEC) follow-ups and has interviewed managers to ensure that they are performing the duties that were required by the SOC report. Deputy Director Wilson proposed that she could be the controller of the CUECs if this did not compromise what she or her department should and should not do. Deputy Director Wilson asked Ms. Klatt her thoughts on whether this action would compromise compliance to the IIA standards.
- Ms. Klatt responded stating that there should be another person involved. Deputy Director Wilson agreed and stated that the contract owner should also be involved. Deputy Director Wilson stated that she would review the exceptions and risk accordingly.
- Chairman Whalen agreed and asked whether it was feasible for the contract owners to review the SOC reports and provide Internal Audit the exceptions. Deputy Director Miller replied and asked once they agree on a centralized document location would it make sense to have the SOC reports either under the Legal or Contract Compliance department?
- Chairman Whalen stated that the question was who would review the SOC reports, rather than where they are located. Interim Deputy Director Hall stated that SOC reports are not difficult to review, however, they are difficult to remediate based on the exception.

OHIO LOTTERY COMMISSION AUDIT COMMITTEE MINUTES

April 10, 2019

Page 11

- Chairman Whalen stated that step one would be alerting the organization of the exception, but currently we don't have anyone for that role. Interim Deputy Director Hall agreed. Currently, IT was the only department that reviewed their own SOC reports. Chairman Whalen stated that this sounded like we needed someone to raise the awareness that there were SOC reports that needed to be reviewed. He also stated that Internal Audit could perform the initial review of the SOC reports and work as a consult with the designated department on how to review the reports, identify exceptions and plan for next steps.
- Executive Director McDonald proposed that this would be a perfect opportunity for Assistant Director Webster to assist with the process. Assistant Director Webster agreed.
- Chairman Whalen asked how do we engage the Assistant Director in the process? Chairman Whalen stated that we don't have to have an answer today, but should be considered as a next step.
- Deputy Director Wilson moved on to the next issue "Lack of Documented Procedures for the Purchasing Process." Deputy Director Wilson stated that according to DAS, E-procurement was scheduled to fully launch by August 2019. Deputy Director Bowers agreed and asked for a revised implementation date of September 30, 2019.
- Executive Director McDonald asked whether these issues would be brought up at the next Audit Committee meeting since the dates were being moved up. Deputy Director Wilson stated that it depended on the level of priority.
- Deputy Director Wilson moved on to the **Lottery Profits Education Fund (LPEF)** audit. Deputy Director Wilson stated that the online audit validation report would be released in Spring of 2019.
- Deputy Director Wilson moved on to the **IG Report**. She stated that this was low priority due to the non-revenue generating nature, however, Interim Deputy Director Hall stated that this too was related to the online audit validation report and was scheduled to release in Spring, 2019.
- Deputy Director Wilson moved on to the **AOS Annual** audit issue of incompatible job functions. Deputy Director Wilson stated that this issue has been an open item for over ten years. AOS finds this exception every time they perform their annual audit. Mr. Brown replied that they anticipated that this issue would close in September.
- Deputy Director Wilson concluded her report.
- Chairman Whalen asked Ms. Klatt for OBM updates. Ms. Klatt stated that they are currently working on the Withheld Taxes for Prizes audit and would provide an update at June's meeting. In addition, they are working on the annual audit plan for Fiscal Year 2020 with Deputy Director Wilson.
- Chairman Whalen asked whether there were any questions. There were none.

OHIO LOTTERY COMMISSION AUDIT COMMITTEE MINUTES

April 10, 2019

Page 12

ADJOURNMENT

- Chairman Whalen called for adjournment of the meeting at 11:45 a.m.

Prepared by:



Carla Reeves, OLC IA Administrative Professional

Approved by:



Sean Whalen, OLC Audit Committee Chairman