



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

**Ohio Lottery 4th Floor Conference Rm 430/Microsoft Teams
615 West Superior Avenue, Cleveland, Ohio 44113**

**December 13, 2023
10:32 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
Matthew Szollosi, Audit Committee Member and Commissioner, Ohio Lottery Commission
Michelle Gillcrist, Executive Director, Ohio Lottery Commission
Charles LoPresti, Chief Legal Counsel, 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
Samantha Crites, 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
Matthew Goldman, Senior Financial Audit Manager, Ohio Auditor of State
Brian Ohl, IT Audit Manager, Ohio Auditor of State

CALL TO ORDER

- The Lottery Commission's Audit Committee Meeting of December 13, 2023, was called to order by Madam Chair Angela Mingo at 10:32 a.m. The meeting was held both in person and via Microsoft Teams.

APPROVAL OF MINUTES OF

- Madam Chair Mingo asked the Audit Committee Members whether there were any questions regarding the minutes from the September 21, 2023 Audit Committee Meeting. There were no questions at that time. Madam Chair Mingo motioned to approve the Minutes, which was seconded by Commissioner Sweeney. Valerie took a roll call vote, and all Audit Committee Members present affirmatively voted. The motion passed 3-0.

MADAM CHAIR COMMENTS

- Madam Chair Mingo welcomed the newest Internal Auditor, Samantha Crites, who has been with the Lottery Internal Audit Department for seven weeks and was previously employed by the Office of Budget and Management (OBM) in their Internal Audit Department.
- Madam Chair Mingo turned the meeting over to Matthew Goldman and Brian Ohl from the Ohio Auditor of State Office to discuss the Auditor of State's report.

AUDITOR OF STATE COMMENTS

- Matthew Goldman was the Senior Audit Manager for the Financial Audit and Brian Ohl was the Audit Manager for the IT (Information Technology) audit.
- Mr. Goldman began with an overview on the audit opinion. The Financial Audit was started in August, completed in September, and the exit conference was held in October with most of the Lottery management team.
- Mr. Goldman stated that the purpose of a Financial Audit was to reach an opinion over the accuracy of the Financial Statements. The Lottery received an unmodified opinion which is the best possible opinion for an audit performed under the Generally Accepted Auditing Standards.
- Madam Chair Mingo asked if there were any comments or questions regarding the opinion and there were not any, so Mr. Goldman moved on to systems of controls.
- Mr. Goldman stated that if there were any major control issues they would be noted as material weakness or significant deficiency, however there were none.
- Mr. Ohl next discussed the Management Letter recommendations which were related to the IT side of the audit that were not disclosed in the report.
- Mr. Ohl stated there were four management recommendations:
 - 1.) Annual user account confirmation – Where individual roles and permissions within the applications were not confirmed.
 - 2.) Logical Access (ICS Windows Environment) – Where there were manual controls in place. There was no automation.
 - 3.) Security Administration – Temporary employees still had access after termination. User access was disabled during field work.
 - 4.) Service Organization Monitoring Control Procedures – There is not a service level agreement between the Lottery and DAS/OIT (Department of Administrative Services/ Office of Information Technology).
- Madam Chair Mingo asked Deputy Director Beyer, which measures were taken when examining areas where there may be risks that were identified per the state Auditor's Office? Deputy Director

Beyer responded that in those cases, he meets with our IT Management team to address those issues and how to correct them.

- Madam Chair Mingo thanked Mr. Goldman and Mr. Ohl for their overviews and turned the meeting over to Deputy Director Beyer for the Internal Audit Report.

DEPUTY DIRECTOR, OFFICE OF INTERNAL AUDIT COMMENTS

- Deputy Director Beyer informed that one final audit report was issued, the External Quality Assurance Review was completed, and the Auditor of State completed their financial and IT controls audit. Additionally, his office is waiting for the final report from OBM on the Mills James Game Show contract.
- Deputy Director Beyer added that the external Quality Assurance Review and Self-Assessment Report was recently completed. He explained to the Committee that completion is required every five years to remain in compliance with the Institute of Internal Auditors Standards. The Internal Audit Department collaborated with the NASPL (National Association of State and Provincial Lotteries) to complete the assessment. Deputy Director Beyer was given a working report to follow and complete for the self-assessment.
- Deputy Director Beyer stated that the objectives of the assessment included:
 - 1.) Assessing the efficiency and effectiveness of the internal audit activities.
 - 2.) Identifying opportunities and offering ideas and council to Internal Audit staff for improving their performance.
 - 3.) Raising the value added to management and the Audit Committee.
 - 4.) Providing an overall opinion on the internal audit activities conformance with the spirit and intent of the standards.
- Deputy Director Beyer stated that he utilized the assessment tool provided by NASPL to complete the assessment.
- Deputy Director Beyer informed the Committee that the Louisiana Lottery was asked to complete the independent validation for our self-assessment, and once completed he would share the full report.
- Deputy Director Beyer discussed continuing education for the Internal Audit team, stating that 40 hours are completed annually through seminars, webinars and or in person events. There has been a great deal of collaboration and communication between the auditors regarding what will be beneficial for the team as well as for the agency.
- Madam Chair Mingo, asked if we have an overall strategy that serves as a North Star for the different departments, so we all are building some cohesion around strategy? Or have we given any thought to just how we ensure we are aligning strategic planning internally? Director Gillcrist commented that an agency wide strategic planning process is in place, and Micheal Gonzalez, who heads the of Data and Analytics and Strategic Planning Department, has begun to compile all information from other Deputy Directors, with the intention of drafting a final document for internal review, which will be shared with the commissioners.

- Deputy Director Beyer gave an overview of the progress of the audit plan for the year.
 - 4 projects (Racino Regulator Operations – Complete, Annual Financial Audit – Complete, External Assets – Complete and Mill James Game Show Contract – Reporting) have begun started and are either completed or in the reporting stage.
 - 2 projects (Liability Deposit Program – Field Work/Testing; Fleet Management – Fieldwork) are in field work and testing.
 - 2 projects (Claims Excluded Players – Planning; Payroll – Planning/On-Hold) are in the planning stage.
 - 2 projects have not yet started,
 - but are tentatively scheduled to begin in the Spring (Proprietor Oversight-Sports Gaming and Voluntary Exclusion Program).

- Deputy Director Beyer stated that there are currently fifteen open issues in progress and two are marked as implemented.

- Deputy Director Beyer mentioned that one open issue was currently marked overdue. - Commissioner Sweeney inquired about cross training to complete the open issue. Director Gillcrist responded that she had been meeting with deputy directors individually regarding cross training efforts and that some departments have already implemented cross training.

- Madame Chair Mingo welcomed back Chief Counsel, Charles LoPresti, who had been on Military Leave the past nine months.

OBM INTERNAL AUDIT REPORT

- Chief Audit Executive Kelly Salomone stated that they were wrapping up the Mills James Game Show contract and Ms. Brown had already given the preliminary observation, that nothing has changed since the September meeting. There were five observations that had been identified.
 - One of the observations was a moderate risk observation that had to do with the bid documentation regarding promotional advertising and digital creative services. Some of the bids did not have supporting documents and some invoice materials did not match. Management has developed an action plan that would be in place by the end of the year.
 - Four of the observations were low risk dealing with the MBE set aside percentage; monitoring and documentation in general; lodging expenses; social media access and analytics policy.

- Ms. Salomone also stated that Deputy Director Beyer will follow up with the departments and discuss appropriate recommendations to address the issues.

- Ms. Salomone also spoke on open remediation items, Super Retailer being on hold until June 2024 due to a Quick Start Application, and Mobile Claiming Security Controls are waiting for documentation to

be closed out which should be received by the end of the calendar year. Two other projects that are still slated with the Lottery are the Assurance Provider Review and the Voluntary Exclusion Program.

- Madame Chair Mingo thanked Ms. Salomone for her updates and asked if there were any questions and or comments. There were none and she turned the meeting over to Director Gillcrist.

DIRECTORS' REPORT

- Director Gillcrist began by identifying the three couriers currently operating in the State of Ohio, jackpocket.com, lotto.com and jackpot.com. These couriers are able to operate in the state of Ohio due to two of them having their own store front, which allowed them to be licensed Retailers and one of them has partnered with Circle K, current Lottery Retailer. Director Gillcrist stated that the couriers would be audited on an ongoing basis, to ensure that they are operating according to the Lottery's standards, policies and procedures currently in place, as well as making sure they are maintaining the integrity of the games and the Lottery. These audits would include the Legal, Sales and Product Innovation departments and this would be our first audit of our couriers.
- Chief Counsel Charles LoPresti added that the Lottery took a wait and see approach regarding the couriers, in an effort to look at what other lotteries across the country were doing. Some lotteries said no to couriers, some lotteries said yes but under specific regulations, and some just let them do what they wanted. The Lottery wanted to see the whole environment. Mr. LoPresti also stated that in every state couriers operate, they have become the highest grossing retailer.
- Commissioner Sweeney inquired on the resources for the audit or if it would be contracted out, and Deputy Director Beyer responded by saying it is currently in the planning stage as to what needs to be done and what the objectives are going to be. He also stated that he reached out to the New Jersey Lottery who is a big regulator on the couriers.
- Commissioner Sweeney asked how Couriers have come into existence. Director Gillcrist responded saying it was a gap in the market and people wanted accessibility to play on their devices as well as target the younger audience.

NEW BUSINESS

- Deputy Director Beyer informed that the IIA (Institute of Internal Auditors) would release the new Global Internal Audit Standards in December 2023, which would go into effect in January 2025.

ADJOURNMENT

- Madame Chair Mingo called for adjournment of the Meeting at 11:42am.

X Valerie Murphy

Valerie Murphy
Administrative Professional 4

X Angela Mingo

Madame Chair Angela Mingo
OLC Audit Committee

Signature: *Valerie Murphy*

Email: valerie.murphy@lottery.ohio.gov

Signature: *Angela Mingo*
Angela Mingo (Mar 20, 2024 14:30 EDT)

Email: angela.mingo@nationwidechildrens.org

December 2023 Meeting Minutes

Final Audit Report

2024-03-20

Created:	2024-03-15
By:	Valerie Murphy (valerie.murphy@lottery.ohio.gov)
Status:	Signed
Transaction ID:	CBJCHBCAABAA2glrhYQVz0XGFFWHephpFXwHmLma8TT4

"December 2023 Meeting Minutes" History

-  Document created by Valerie Murphy (valerie.murphy@lottery.ohio.gov)
2024-03-15 - 7:51:51 PM GMT
-  Document emailed to Valerie Murphy (valerie.murphy@lottery.ohio.gov) for signature
2024-03-15 - 7:51:55 PM GMT
-  Document emailed to Angela Mingo (angela.mingo@nationwidechildrens.org) for signature
2024-03-15 - 7:51:55 PM GMT
-  Email viewed by Valerie Murphy (valerie.murphy@lottery.ohio.gov)
2024-03-15 - 7:52:46 PM GMT
-  Document e-signed by Valerie Murphy (valerie.murphy@lottery.ohio.gov)
Signature Date: 2024-03-15 - 7:55:11 PM GMT - Time Source: server
-  Email viewed by Angela Mingo (angela.mingo@nationwidechildrens.org)
2024-03-20 - 6:29:55 PM GMT
-  Document e-signed by Angela Mingo (angela.mingo@nationwidechildrens.org)
Signature Date: 2024-03-20 - 6:30:08 PM GMT - Time Source: server
-  Agreement completed.
2024-03-20 - 6:30:08 PM GMT