

RICK SCOTT
Governor



CYNTHIA F. O'CONNELL
Secretary

September 30, 2014

Cynthia O'Connell
Florida Lottery Secretary
250 Marriott Drive
Tallahassee, FL 32301

Re: OIG Annual Report for Fiscal Year 2013-14

Dear Secretary O'Connell:

In accordance with Section 20.055(7), Florida Statutes, I am pleased to present the Annual Report for the Office of Inspector General (OIG). The report reflects the activities and accomplishments of the OIG for Fiscal Year 2013-14.

We remain committed to the goals of the Florida Lottery and to our work to provide a central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency.

Thank you for your continued support of our efforts.

Sincerely,

A handwritten signature in blue ink, appearing to read "A. Mompeller".

Andy Mompeller
Inspector General

cc: David W. Martin, Florida Auditor General
Melinda M. Miguel, Florida Chief Inspector General



September 30, 2014

OIG Annual Report For Fiscal Year 2013-14



Andy Mompeller
Inspector General

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Overview

In 1986, Florida voters authorized a lottery through a constitutional amendment, enacted by a two-to-one margin, which would use its proceeds to enhance public education in Florida. The Florida Legislature established the Florida Lottery with the mission of maximizing revenues for education to allow the people of Florida to benefit from significant additional monies while providing the best lottery games available. Over the history of the Florida Lottery, both goals have been accomplished. The mission of the Florida Lottery is to *maximize revenues in a manner consonant with the dignity of the state and the welfare of its citizens.*

The Office of Inspector General (OIG) provides support to the agency's mission through its function. Section 20.055, Florida Statutes, establishes an OIG in each state agency to provide a central point for coordination of and responsibility for activities that promote accountability, integrity and efficiency in government. Responsibilities of the OIG include:

- Provide direction for, supervise and coordinate audits, investigations and management reviews relating to the programs and operations of the agency;
- Conduct, supervise or coordinate other activities carried out or financed by the agency for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations;
- Keep the Lottery Secretary informed concerning fraud, abuses, and deficiencies relating to programs and operations administered or financed by the agency, recommend corrective action concerning fraud, abuses, and deficiencies, and report on the progress made in implementing corrective action;
- Review and evaluate internal controls necessary to ensure fiscal accountability of the agency;
- Assess the reliability and validity of the information provided by the agency on performance measures and standards and make recommendations for improvement, if necessary;

- Review, as appropriate, rules relating to the program and operations of the agency and make recommendations concerning their impact; and
- Ensure that an appropriate balance is maintained between audit, investigative, and other accountability activities.

OIG Mission and Goal

The mission of the Florida Lottery OIG is to protect and promote public integrity and accountability within the Department through audits and investigations that detect fraud, waste and abuse, and administrative violations.

The goal of the OIG is to prevent and decrease the reoccurrence of such violations through employee awareness and cooperation while providing the Department with a timely, accurate, objective and useful work product that promotes confidence and provides transparency for the citizens of the State of Florida.

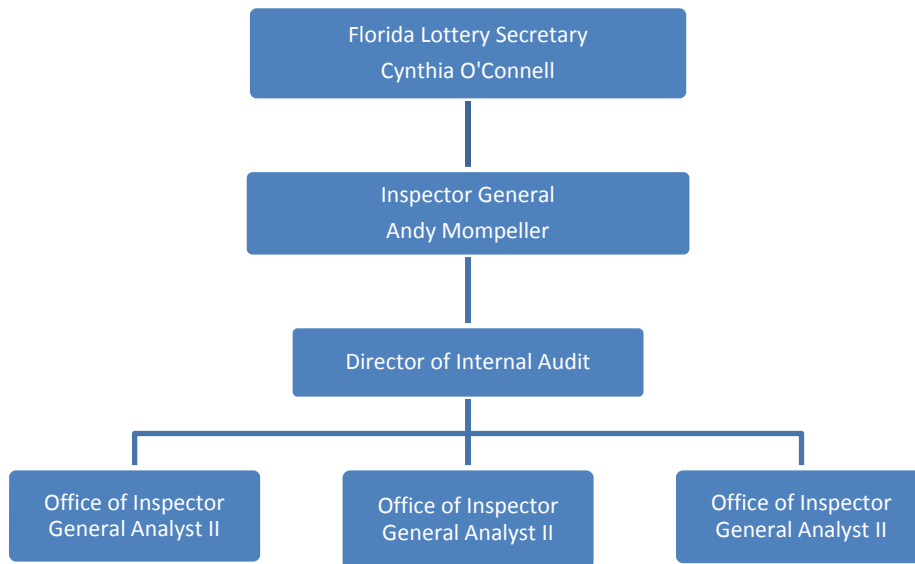
Summary of OIG Activities

For Fiscal Year 2013-14, the OIG completed projects in the following areas:

- Audit Activities;
- Consulting Engagements;
- Audit Follow-up Activities;
- Investigations;
- Complaint Processing;
- Other Oversight Activities, including:
 - External Audit Coordination;
 - Enterprise Projects; and
 - Internal Oversight Projects.

Organizational Structure

The OIG has five professional positions, with four positions supervised by the Inspector General. Personnel collectively possess diverse professional and educational backgrounds that provide the office with the expertise to fulfill its statutory requirements.



Staff Qualifications

In accordance with the *International Standards for the Professional Practice of Internal Auditing*, internal auditors must enhance their knowledge, skills and other competencies through continuing professional development. In addition, the OIG must meet minimum training standards as required by the Commission for Law Enforcement Accreditation, Inc. (CFA) in order to maintain accreditation. OIG personnel complete training each year to improve knowledge and skills in audits and investigations. The OIG staff remains committed to seeking professional excellence through continued training and development to ensure the highest quality of service to our customers.

Expertise within the OIG encompasses a variety of disciplines with personnel qualified in auditing, accounting, investigations, and information technology. Staff members continually seek to augment their professional

credentials which further enhance their abilities and skill level through additional training.

The accomplishments of the staff in obtaining professional certifications represent significant time and effort by each staff member, reflecting positively on the individual as well as the Department. During Fiscal Year 2013-14, OIG staff held numerous professional certifications.

The table below details the types and number of certifications held by OIG staff.

Professional Certifications	No.
Certified Internal Auditor	1
Certified Information Systems Auditor	2
Certified Information Systems Security Professional	1
Certified Government Accounting Professional	1
Certified Inspector General	1
Certified Inspector General Auditor	1
Certified Contract Manager	1
Notary Public	3

In addition to maintaining professional certifications, OIG personnel are active in professional organizations that support audits and investigations. This participation assists staff in maintaining a high level of proficiency in their profession and areas of certification.

OIG personnel are affiliated with the following professional organizations:

- The Association of Inspectors General (National and Local Chapters);
- The Institute of Internal Auditors (National and Local Chapters); and
- ISACA (National and Local Chapters).

Internal Audits

The mission of the internal audit activity is to provide independent, objective assurance (audits) and consulting engagements designed to add value and improve the organization's operations. The internal audit activity helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Audits and consulting engagements are conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors and the *Principles and Standards for Offices of Inspectors General*, published by the Association of Inspectors General.

During Fiscal Year 2013-14, the OIG completed three internal audits, two consulting service engagements, and two external follow-up assignments. Additionally, the OIG followed up on 39 open internal audit findings, which included 62 recommendations. There was one management review in progress at the close of the fiscal year.

There have been no significant recommendations described in previous annual reports for which corrective actions have not been implemented.

Completed Internal Audit Services

Fortune System Audit, Report No. 13-1006

Release Date: November 15, 2013

The Office of Inspector General (OIG) conducted an audit of the Fortune System. The purpose of the audit was to determine if the Fortune System was operating in compliance with applicable regulations, policies and procedures, and had an adequate internal control system in place to minimize risk and safeguard the integrity of the Florida Lottery. We also looked for opportunities for improved efficiency, effectiveness or economy of operations. The audit focused on Fortune System access controls, system development and modification controls, Fortune System reporting accuracy and reliability, and the State Owed Debts (SOD) Interface.

Specific findings and recommendations are deemed confidential in accordance with section 282.318(4)(f), Florida Statutes; as a result, the detailed findings and recommendations are not included in this report. Lottery management concurred with the findings and recommendations and provided intended corrective action plans.

Lottery management concurred with the findings and recommendations and provided intended corrective action plans.

Ft. Myers District Office Audit, Report No. 14-000-1001

Release Date: June 16, 2014

Our audit determined whether the Ft. Myers District Office was operating in compliance with the direction of Lottery management and demonstrating an adequate system of internal controls which adequately safeguards the assets and integrity of the Lottery. Specifically, the audit focused on selected controls over cash handling, paying claims, selling tickets, property, handling of promotional tickets, Merchandise Inventory Control System (MICS) inventory, and physical security. We also determined the status of corrective actions regarding prior audit findings discussed in our Report No. 10/11-13-A. Additionally, we conducted a climate survey of the Ft. Myers District Office staff.

We found that controls over cash handling were in place, but not operating as intended. We made recommendations to management which if implemented would help mitigate the risk of cash mismanagement or loss of assets. Specifically, we recommended management:

- Have a process in place to ensure bank signature cards are kept current with the bank and at headquarters, maintain a current bank signature card at the district office and with Headquarters, and change the safe combination anytime a staff member knowing the combination terminates employment or whenever security may have been compromised.
- Control physical access to buildings through badges or physical locks.
- Strengthen monitoring of Scratch-Off ticket inventory by counting and recording orders the same day they are received, conducting periodic audits of inventory on hand, and keeping inventory secure. Similar findings related to Scratch-Off inventory were noted in prior audits of the Ft. Myers District Office, most recently our Report No. 10/11-13-A.

Additionally, we found that controls over paying claims and selling tickets are designed effectively, but not operating as intended. Similar findings related to paying claims were noted in prior audits of the Ft. Myers District Office, most recently our report No. 10/11-13-A. We recommended management perform advanced searches for State Owed Debts (SOD) for all known last names, confirm ambiguous documentation with players to ensure all claims are processed as required by procedures, and ensure that the correct information is entered into Lottery systems. Implementation of these actions will help reduce the risk of incorrect data entered into Lottery systems.

We also found that controls over property, handling of promotional inventory, and MICS inventory were in place, but not operating as intended. We recommended that management ensure promotional Scratch-Off ticket documentation is signed by authorized individuals responsible for the physical custody of the tickets and that the tickets are returned to the district office designee within the time frame outlined in the promotional agreement or Lottery procedures. Doing so will help mitigate the risk of promotional Scratch-Off tickets validated by unintended individuals.

Lottery management concurred with the findings and recommendations and provided intended corrective action plans.

Tallahassee District Office Audit, Report No. 13-1008

Release Date: June 26, 2014

Our audit determined whether the Tallahassee District Office was operating in compliance with the direction of Lottery management and demonstrating an adequate system of internal controls which adequately safeguards the assets and integrity of the Lottery. Specifically, the audit focused on selected controls over cash handling, property, paying prizes, handling of promotional tickets, promotional merchandise, and security, as well as the district office environment. Additionally, we conducted a climate survey of the Tallahassee District Office staff.

Overall, the areas focused on during the audit had adequate, effective controls in place, except for the following:

- Controls over cash handling and promotional merchandise inventory could be strengthened by adding additional measures to written procedures.

- Management should ensure existing procedures are followed regarding promotional Scratch-Off ticket documentation and return of unused tickets, daily opening and closing processes, paying prizes, inventory and issuance/return processes for MICS merchandise and management of tangible personal property.

Lottery management concurred with the findings and recommendations and provided intended corrective action plans.

Consulting Engagements

Product Development Lifecycle Management, Report No. 14-000-1002

Release Date: December 23, 2013

At the request of a senior Lottery manager, the OIG reviewed the draft Product Lifecycle Management Procedures and processes for Scratch-Off and Terminal Games. As part of this engagement, we flowcharted the process, provided recommendations of improvement to the draft procedures and evaluated the current process against twelve key product development controls. Additionally, we provided best practices for policy and procedure management.

Claims Processing Cage Review, Report No. 14-9101

Release Date: March 13, 2014

At the request of a senior Lottery manager, the OIG observed the Claims Process Cage Review. As a result of our participation, we provided a list of our observations including any noted opportunities for improvements. Additionally, we provided best practices for conducting physical inventory audits.

Audit Follow-up Activities

The *International Standards for the Professional Practice of Internal Auditing* requires the internal audit activity establish a follow-up process to monitor and ensure management actions have been effectively implemented. The follow-up activities for issued audits and management reviews conducted during Fiscal Year 2013-14 are detailed below.

Internal Audit Prior Audit Follow-up, Report No. 14-200-1001

Release Date: June 30, 2014

The OIG reviewed the status of open corrective action plans from ten audits and two management reviews. There were 39 open findings, which included 62 recommendations. We verified the completion of 44 recommendations. As of June 30, 2014, 18 recommendations remained open. We will continue to follow up on these outstanding items until all corrective actions have been completed. See **Appendix A** for a list of the Outstanding Recommendations for Prior Internal Audits.

Auditor General Report No. 2013-089, Department of the Lottery Financial Audit For the Fiscal Years Ended June 30, 2012 and 2011

Release Date: July 25, 2013

In accordance with Section 20.055(5)(h), Florida Statutes, the OIG conducted a review of the department's progress on recommendations made in Auditor General Report No. 2013-089, issued in January 2013. Management had taken actions towards addressing all recommendations. A status of corrective actions was provided to the Secretary of the Lottery and the Legislative Auditing Committee.

OPPAGA Report No. 13-02, Lottery Revenue Has Increased Over the Past Year; Options Remain to Enhance Transfers

Release Date: July 25, 2013

In accordance with Section 20.055(5)(h), Florida Statutes, the OIG conducted a review of the department's progress on recommendations made in OPPAGA Report No. 13-02, issued in January 2013. Management had taken actions towards addressing all of the recommendations. A status of corrective actions was provided to the Secretary of the Lottery and the Legislative Auditing Committee.

Management Reviews in Progress

One management review was still in progress as of June 30, 2014.

Retailer Suspension & Termination Process, No. 14-000-1006

The OIG was asked to perform a management review of the Retailer Suspension & Termination Process in order to identify areas of improvement and increased efficiency.

Investigations

In addition to audit activities, Section 20.055, Florida Statutes, details investigative duties of the OIG. The OIG shall initiate, conduct, supervise and coordinate investigations designed to detect, deter, prevent and eradicate fraud, waste, mismanagement, misconduct and other abuses. In line with this, the OIG is required to:

- Receive complaints and coordinate all activities of the agency as required by the Whistle-blower's Act, pursuant to Section 112.3187-112.31895, Florida Statutes;
- Receive and consider the complaints which do not meet the criteria for an investigation under the Whistle-blower's Act and conduct, supervise, or coordinate such inquiries, investigations, or reviews as appropriate; and
- Report expeditiously to the Department of Law Enforcement or other law enforcement agencies, as appropriate, whenever the Inspector General has reasonable grounds to believe there has been a violation of criminal law.

During Fiscal Year 2013-14, the OIG completed 4 internal investigations, provided investigative support on three assignments to Management and the Division of Security, processed 95 complaints and conducted activities related to maintaining the Commission for Law Enforcement Accreditation.

Internal Investigations

Misuse of Lottery Resources, Report No. 13-4002

Release Date: September 4, 2013

The OIG conducted an investigation based on an allegation that a Lottery employee inappropriately disclosed confidential information and misused Lottery issued resources. The allegations were substantiated.

Conduct Unbecoming, Report No. 13-4003

Release Date: August 21, 2013

The OIG conducted an investigation based on an allegation that two Lottery employees engaged in conduct unbecoming a public employee and that a Lottery employee willfully and deliberately misrepresented or omitted facts with the intent to mislead. The allegations were substantiated.

Misuse of Lottery Promotional Items, Report No. 13-4005

Release Date: October 11, 2013

The OIG conducted an investigation based on an allegation that a Lottery employee misused Lottery promotional items, falsified records, and engaged in conduct unbecoming of a public employee. The allegations were unsubstantiated and unfounded. However, our office did issue an incidental finding regarding neglect of duty.

Conduct Unbecoming, Report No. 14-000-4001

Release Date: January 23, 2014

The OIG conducted an investigation based on an allegation that Lottery employees engaged in conduct unbecoming a public employee. The allegation was unsubstantiated.

Investigative Support to Management and the Division of Security

Retailer Integrity Suspect Tickets, OIG Assignment No. 14-000-4005

Release Date: On-going

During Fiscal Year 2013-14, the OIG began accumulating leads sent to us by the District Offices and/or Claims Processing at Headquarters. These leads included redeemed tickets that were ripped, folded, or otherwise defaced in any way. Additionally, tickets that were redeemed by known Retailers or under any other suspicious activity were forwarded to our office for review. Since July 3, 2013, we've received 420 leads. These leads were researched by our staff and the information provided to management and the Division of Security for their review and action.

Operation Integrity, OIG Assignment No. 14-000-4003

Release Date: May 2014

Operation Integrity was initiated as a result of the RIST processing and included planning exercises for the Division of Security's tactile Retailer Integrity Testing efforts. The project evolved to the development of a Retailer Integrity Program which included OIG staff training other Lottery staff on research techniques, identifying and categorization of top winners, as well as initiation of Lottery system changes. The project was transitioned to the Division of Security in May 2014. Over the course of the assignment, the OIG provided 17 data analysis summaries to Lottery management and the Division of Security.

Ticket Courier, OIG Assignment No. 14-000-4006

Release Date: April 2014

This investigation examined possible ticket brokering by several retailers using couriers to cash the tickets at Lottery District Offices and was initiated to support the Division of Security. The OIG released five data analysis summaries to Lottery management and the Division of Security as a result of this project.

Complaint Processing

The OIG received and processed 95 complaints during the fiscal year. OIG staff responded to all complainants as needed. Of the total complaints received, OIG staff directly handled 23 complaints and 72 were processed and then referred to Lottery management.

Commission for Law Enforcement Accreditation

The Office of Inspector General was first awarded accreditation status by the Commission for Florida Law Enforcement Accreditation (CFA) in 2010. The CFA is an independent reviewing authority created in 1993 to establish a voluntary accreditation program. The CFA establishes standards, manages accreditation programs, and grants accreditation to Offices of Inspectors General that adhere to the established standards.

On August 6, 2013, the CFA's assessment team reviewed evidence of all aspects of the OIG Investigation Section's performance including policies and procedures, management, investigative plans and case files to determine compliance with 42 recognized standards of excellence. They determined that the OIG is 100% compliant with the CFA standards and recommended reaccreditation on September 25, 2013. Full compliance provides an assurance that the OIG is operating in a consistent, predictable and repeatable manner.



L to R: OIG CFA Accreditation Manager Ray Pace, Director of Internal Audit Sarah Beth Hall, Inspector General Andy Mompeller, Chairman Julie Jones, and CFA Executive Director Lori Mizell

OIG staff regularly conducts activities to ensure ongoing compliance with accreditation requirements. Activities relating to this effort include:

- Conducting annual reviews to ensure continued compliance with the standards and the Investigations Manual. This includes a full review of all complaints and investigations and supporting documentation;
- Providing assistance to other agencies with their accreditation process. On several occasions, OIG staff provided assistance

(guidance and relevant materials) to other agencies to support them in their accreditation efforts;

- Attending Accreditation Managers meetings to discuss current and future issues regarding accreditation requirements;
- Revising the OIG Investigations Manual to comply with changes in CFA standards;
- Conducting an annual inspection and inventory of the evidence room;
- Ensuring annual independence attestations are submitted and annual training requirements for CFA standards are met for OIG staff; and
- Completing the CFA Annual Report.

Other Oversight Activities

The OIG participates in other activities, such as external audit coordination, Enterprise Projects, projects with other agencies and internal oversight projects.

External Audit Coordination

Section 20.055, Florida Statutes, requires the OIG to ensure effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies with a view toward avoiding duplication. The OIG is the primary liaison with external audit entities and is responsible for coordinating and facilitating responses to audits or reviews by those entities.

Each year, external auditors perform annual financial audits of the Florida Lottery.¹ These audits include the expression of an opinion on the adequacy of internal controls and recommendations to enhance the earning capability and efficiency of Florida Lottery operations.²

During Fiscal Year 2013-14, six external audits were published. Additionally, two external audits were in progress at the close of the fiscal year.

Department of Financial Services Contract and Grant Management Review, OIG Assignment No. 13-5007

Release Date: July 12, 2013

Pursuant to Section 17.03, Florida Statutes, DFS conducted a review of selected Lottery contract agreements and related contract management activities. DFS reviewed 20 Lottery agreements and did not find any agreements with scope of work or financial consequences deficiencies. However, 35 percent of the reviewed agreements had contract management deficiencies. DFS identified 4 potential areas for improvement – cost analysis, contract/grant management, contract/grant management training, and contract agreements.

¹ The State of Florida Auditor General currently fulfills this audit requirement.

² Section 24.123, Florida Statutes

OPPAGA Annual Efficiency Review Report No. 14-06

Release Date: January 2014

As directed by the Legislature, OPPAGA examined the Lottery and assessed options to enhance earning capability and improve its efficiency. The review found that Lottery's operating expense rate continued to meet legislative performance standards and is the third lowest in the nation. Additionally, the review found that while several additional game and product distribution options were available to increase transfers to education, some of the options could represent expanded gambling. OPPAGA recommended the Lottery continue efforts to expand the retailer network. OPPAGA also recommended that when the Lottery seeks bids to replace its contract with its gaming system vendor, it solicit bids for both leasing and purchasing vending machines.

Financial Statement Audit, Auditor General Report No. 2014-095

Release Date: January 2014

The Auditor General conducted an examination of the Lottery's basic financial statements as of and for the fiscal years ended June 30, 2013, and 2012, and an examination of the effectiveness of the Lottery's internal control over financial reporting. The Auditor General concluded that:

- The basic financial statements prepared by the Department of the Lottery (Lottery) present fairly, in all material respects, the financial position of the Lottery as of June 30, 2013, and 2012, and the changes in the financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.
- Lottery management maintained, in all material respects, effective internal control over financial reporting.
- The results of tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*; however, the Auditor General did note two additional matters relating to information technology controls and minority retailer participation.

Surplus Computer Hard Drive Disposal Processes at Selected State Agencies, Auditor General Information Technology Operational Audit, Report No. 2014-187

Release Date: April 2014

The Florida Auditor General conducted an operational audit focused on information technology controls applicable to the storage and disposal of surplus computer hard drives at five state agencies. The audit included a review of the procedures followed by the agencies in sanitizing (erasing data from) surplus computer hard drives. The Auditor General did not issue any findings or recommendations for the Department of Lottery.

Comprehensive Study and Evaluation of Lottery Security

Release Date: May 14, 2014

Every two years, the Florida Lottery is required to engage an independent firm to conduct a comprehensive study and evaluation of all aspects of security in the operation of the department, in accordance with Section 24.108, Florida Statutes. Delehanty Consulting, LLC, conducted this audit during Fiscal Year 2013-14. The project team found that the overall security measures enacted by the Lottery were very good.

Selected Administrative Activities and Prior Audit Follow-Up, Auditor General Operational Audit, Report No. 2014-198

Release Date: June 2014

The Auditor General conducted an audit focused on selected Lottery administrative activities and included a follow-up on findings noted in Auditor General report No. 2012-007. The audit disclosed three findings in the area of tangible personal property records, description of sensitive or attractive items, and the implementation of the Business Lottery Accounting System.

External Audits in Progress

Auditor General, Financial Statement and Operational Audit, OIG Assignment No. 14-000-5002

As directed by the Legislative Auditing Committee, the Auditor General initiated an audit of the Lottery's basic financial statements and operations of the Department for the fiscal year ending June 30, 2014.

OPPAGA Operational Efficiency Review, OIG Assignment No. 15-000-5001

At the direction of the Legislature, the Office of Program Policy Analysis and Government Accountability initiated a review of the Florida Lottery to identify options to enhance the earning capability of the lottery and improve the efficiency of department operations, as required in s. 24.123, Florida Statutes.

Enterprise Projects

To gain efficiencies of working together, the Chief Inspector General (CIG) and Agency Inspectors General conducted an Enterprise Risk Assessment and developed an Enterprise Project Plan for Fiscal Year 2012-13.

Enterprise Assessment of the State of Florida's Background Screening Process - Identifying Costs and Opportunities for Efficiencies and Economies, CIG Report No. 2013-15

Release Date: November 2013

Due to the potential risks and opportunities for cost savings to the enterprise, the Background Screening topic was included as a project in the plan. The project scope was limited to those background screenings where the payment of the screening is the responsibility of the State of Florida. Both initial and renewal background screenings were examined. The primary objective of this project was to identify opportunities for improved efficiencies and economies related to the background screening process and use of Livescan devices. A team consisting of staff from various Offices of Inspectors General conducted this project.

Internal Oversight Projects

Risk Assessment, Annual Audit Plan and Annual Report

In accordance with Section 20.055, Florida Statutes, the OIG develops long-term and annual audit plans, based on the findings of a comprehensive annual risk assessment. The annual audit plan was approved by the agency head and submitted to the Office of the Chief Inspector General and the Auditor General. The OIG is also responsible for preparing an Annual Report summarizing the activities of the office during the immediately preceding fiscal year.

Performance Measures, Report No. 14-000-6006

Release Date: September 23, 2013

The OIG conducts an annual review of the agency's Performance Measures as required by Section 20.055, Florida Statutes. The OIG assessed the reliability and validity of the five performance measures provided to the Legislature and found them to be reliable and valid in all material respects.

Lottery Draw Studio

The facility where Lottery drawings are conducted requires a dual-control environment necessitating Division of Security staff and audit staff be present during any required maintenance and other activities. OIG staff fulfills this role as needed.

Other Ongoing Oversight

OIG staff proactively monitors certain Lottery activities and reviews patterns to determine if additional action is warranted.

Appendix A

Outstanding Recommendations for Prior Internal Audits

Internal Controls over Contract Documentation, Report No. 07/08-27-A

Release Date: March 27, 2009

Finding 6: Florida Lottery written procedures for contract administration tracking, processing, and approvals are in draft format.

Recommendation 1: We recommend that General Services management finalize, formally approve and implement the Contract Administration Tracking, Processing and Approvals written procedure.

Tampa District Office Audit, Report No. 10/11-107-A

Release Date: January 23, 2012

Finding 3: Tampa District Office staff did not comply with the Lottery's written procedures for cash handling, including daily opening and closing processes.

Recommendation 2: We recommend that Cash & Receivables review and update the *Finance and Budget Weekly Cash Reconciliation Procedures*. The District Offices should be involved in this process. This should include establishing dual controls to be used when putting items back into the safe/secured location and when removing scratch-off ticket books from the safe/secured location during the workday.

Finding 5: Tampa District Office staff did not comply with the Lottery's written procedures for inventory.

Recommendation 2: We recommend that Tampa District Office staff fill out MICS documentation completely and accurately to avoid any appearance of impropriety and to properly safeguard Lottery assets.

Finding 6: Support Services and Tampa District staff did not follow the Lottery's written procedures for fleet management.

Recommendation 1: We recommend that Support Services maintain up-to-date vehicle assignments.

Recommendation 2: We also recommend that Tampa District staff understand and comply with Lottery written procedures regarding communication of vehicle assignments.

Advertising Contracts Deliverables Audit, Report No. 10/11-45-A

Release Date: July 31, 2012

Finding 1: No Marketing Department written procedures exist for advertising invoice approval and reconciliation processes.

Recommendation 1: We recommend Marketing management develop and implement written procedures for processing and approval of advertising invoices and the reconciliation of advertising's budget, estimate, payments, closed jobs, available balances, and service fee calculation. Reconciliations should include documented supervisory review as an added step in internal controls.

Finding 2: There is inadequate compliance with basic fiscal policies by Machado Garcia-Serra and the Lottery.

Recommendation 1: We recommend that MGS pay vendors promptly as stipulated in the contract agreement. *Note: Not analyzed due to ongoing procurement negotiations.*

Finding 3: Full and timely post buy analysis reporting is not being provided by the ad agencies.

Recommendation 1: We recommend that ad agencies provide full and timely post buy analysis reports as per the contract showing performance with and without make-ups. *Note: Not analyzed due to ongoing procurement negotiations.*

Finding 4: Ad agency advertising jobs are not closed out timely.

Recommendation 1: We recommend that the ad agencies close advertising jobs timely and supply job close dates. *Note: Not analyzed due to ongoing procurement negotiations*

Recommendation 2: We also recommend that management clarify contract language for Lottery's date of acceptance in future renewals or amendments.

Finding 5: Not all contractual services are monitored on the contract monitoring tool.

Recommendation 1: We recommend that Marketing management develop and implement a process to communicate advertising contract basic fiscal policy compliance for contract monitoring purposes.

Recommendation 2: We also recommend that Marketing monitor all contractual services related to advertising contracts.

Finding 6: There is insufficient competitive bid support for Hispanic production advertising.

Recommendation 1: We recommend that future production bids are more formalized and contain a signed letter on company letterhead confirming the bid amount. *Note: Not analyzed due to ongoing procurement negotiations.*

Recommendation 2: We also recommend that production bids are only obtained from unrelated companies except those specified in MGS' RFP Response. *Note: Not analyzed due to ongoing procurement negotiations.*

Mail Distribution Management Review, Report No. 11/12-26-O

Release Date: February 15, 2012

Finding 3: Outdated agency-wide procedure for mail handling.

Recommendation 1: We recommend that Management review and determine if Agency-wide mail handling policies are required. If a policy is required, it should be updated and made available to all employees.

Finding 4: Inadequate and poor picture quality of mail room security video recordings.

Recommendation 1: We recommend that Security management review video recordings for clarity and proper camera positioning.

Finding 6: No agency-wide procedure to notify claims processing of live ticket receipt.

Recommendation 1: We recommend that Claims Processing management develop and implement Agency-wide procedures for routing live tickets.

Claims Processing Audit, Report No. 13-1005

Release Date: June 13, 2013

Finding 1: Three Claims Processing procedures were outdated, inaccurate, or lacking. Additionally, portions of the Claims Processing procedures were not followed.

Recommendation 1: The Claims Processing Manager should update and correct inaccuracies and omissions in existing policies and procedures. Additionally, the Claims Processing Manager should ensure staff follow written policies and procedures.

Florida Lottery Office of Inspector General

Mail

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