

RICK SCOTT
Governor



TOM DELACENSERIE
Interim Secretary

September 30, 2015

Tom Delacenserie
Florida Lottery Interim Secretary
250 Marriott Drive
Tallahassee, FL 32301

Re: OIG Annual Report for Fiscal Year 2014-15

Dear Interim Secretary Delacenserie:

In accordance with Section 20.055(8), 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 2014-15.

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 black ink, appearing to read "A. Mompeller". The signature is written in a cursive style with a large, sweeping flourish at the end.

Andy Mompeller
Inspector General



September 30, 2015

OIG Annual Report For Fiscal Year 2014-15



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 Chief Inspector General (CIG) 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.

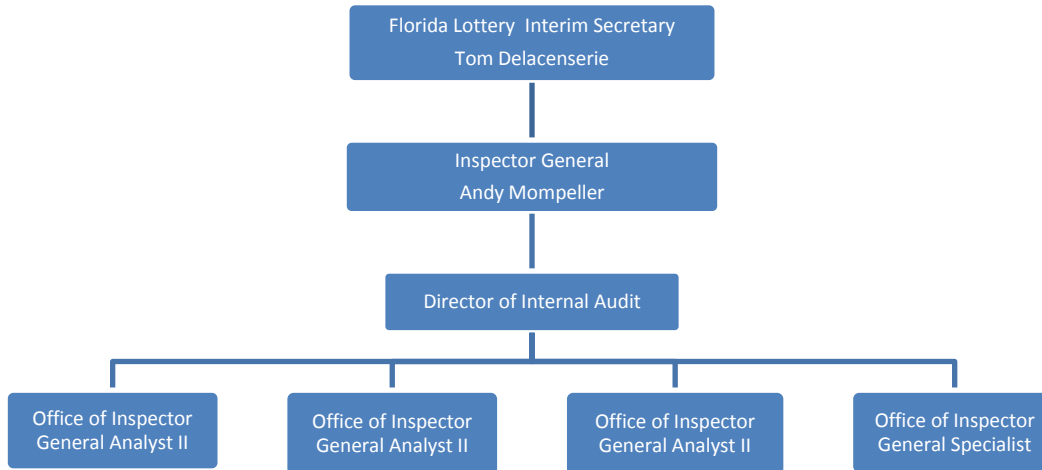
OIG Mission and Goal

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.

Organizational Structure

The OIG has six professional positions, with five 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

The *International Standards for the Professional Practice of Internal Auditing* as published by the Institute of Internal Auditors, and the *Association of Inspectors General's Principles and Standards for Offices of Inspector General* require internal auditors to maintain their professional proficiency through continuing education and training. 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 2014-15, 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	2
Notary Public	3

In addition to maintaining professional certifications, OIG personnel are active in professional organizations that support audits and investigations; such as:

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

This participation assists staff in maintaining a high level of proficiency in their profession and areas of certification.

Internal Audit Services

The mission of the internal audit activity is to provide independent, objective assurance (audits), consulting engagements, management reviews 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 applicable *Principles and Standards for Offices of Inspector General*, published by the Association of Inspectors General.

Management reviews are reviews of the Lottery's units, programs, or processes that do not require a comprehensive audit. Management reviews result in written reports or letters of findings and recommendations, including responses by management. Management reviews are conducted in accordance with the applicable *Principles and Standards for Offices of Inspector General*, published by the Association of Inspectors General. These reports are distributed internally to the Secretary and affected program managers. In addition, certain reports are sent to the CIG and to the Auditor General.

During Fiscal Year 2014-15, the OIG completed two internal audits, one consulting service engagement, five management reviews, and five external follow-up assignments. Additionally, the OIG followed up on 63 open findings, which included 82 recommendations. There were three internal audits, two management reviews, and one consulting engagement 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

BLAST System Audit, Report No. 15-000-1001

Release Date: April 7, 2015

The Office of Inspector General (OIG) conducted an audit of the Business Lottery Accounting System (BLAST). Our audit documented the status of the effort to replace the Lottery's accounting system; evaluated selected general IT controls as related to the development and implementation of BLAST; evaluated selected application and user controls related to the accounts receivable and accounts payable modules of BLAST, in production; and evaluated selected controls related to the implementation phase of the general ledger module of BLAST.

Our audit revealed 11 findings in the areas of the protection of personally identifiable information, retailer incentive check payment process, BLAST authentication controls, timely deactivation of BLAST-related access privileges, BLAST production and system files and servers, monitoring for unauthorized changes, monitoring of JDE system account activities, BLAST approval authorization, and periodic review of access appropriateness, BLAST modification documentation, policies and procedures, and BLAST system change controls. We provided 19 recommendations for management.

Specific findings and recommendations were 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.

Physical Security Audit, Report No. 15-000-1004

Release Date: April 7, 2015

The Office of Inspector General (OIG) conducted an audit of the Florida Lottery's physical security management program. Our audit focused on selected controls over the physical security management program, perimeter physical security, interior physical security, and a determination of whether management had corrected, or was in the process of correcting, prior audit findings relevant to physical security.

Our audit revealed four findings in the areas of physical security monitoring, unauthorized access, policies and procedures, and access badge authorization documentation. We provided 10 recommendations for management.

Specific findings and recommendations were 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.

Management concurred with the findings and recommendations and provided intended corrective actions.

Security Consulting Service, Report No. 15-000-1007

Release Date: April 3, 2015

At the request of a Lottery director, the OIG reviewed and flowcharted the current process the Division of Security follows for reinstatement of retailers terminated for criminal reasons, as well as the proposed process for reinstatement of retailers who have been suspended or terminated for integrity violations. Additionally, we identified three opportunities for improvement, to the reinstatement process proposed for retailers suspended or terminated for integrity violations, in the areas of policy, procedure, and legal review.

Retailer Suspension & Termination Process Management Review - Criminal, Report No. 14-000-1006

Release date: July 25, 2014

At the request of executive management, the OIG performed a management review of the retailer criminal suspension and termination process. The scope of this management review included the processes in place prior to the advent of the Retailer Integrity Program in the Division of Security, Retailer Contracting, Games Administration, General Counsel, and Sales. Additionally, we researched best practices, to identify areas of improvement and increased efficiency, and created a process map based on interviews and input from relevant staff.

Our review identified five opportunities for improvement in the areas of written procedures, timeliness and accuracy, and confidentiality. Implementing the recommendations outlined in this memo may lead to increased efficiencies and strengthened internal controls.

Performance Measure Validation Management Review, Report No. 15-000-1003

Release Date: September 25, 2014

The OIG conducts an annual review of the performance measures for the Lottery's annual Long Range Program Plan 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.

Retailer Suspension & Termination Process Management Review - Financial, Report No. 14-000-1006

Release Date: October 8, 2014

At the request of executive management, the OIG performed a management review of the retailer financial suspension and termination process. The scope of this management review included the Retailer Contracting, Division of Security, Games Administration, General Counsel, and Sales divisions. Additionally, we researched best practices to identify areas of improvement and increased efficiency, and created a process map based on interviews and input from relevant staff.

Our review identified four opportunities for improvement in the areas of written procedures, involvement of legal representation, appropriate authorizations, and confidentiality. Implementing the recommendations outlined in this memo may lead to increased efficiencies and strengthened internal controls.

Internal Control Assessment over Financial Reporting Fiscal Year 2014 Management Review, Report No. 15-000-1002

Release Date: January 5, 2015

The OIG conducted an assessment of the Florida Lottery's internal control structure which was provided to the Auditor General as part of their audit of the Fiscal Year 2014 Financial Statements. Our objective was to determine if the internal controls for financial statement reporting were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements.

Based on the work performed, it appears that Florida Lottery management has established an adequate system of internal controls for financial reporting and all five components of internal control were present.

We identified three deficiencies in the areas of access privilege reviews, policies and procedures, and excel spreadsheets. Recommendations were provided to management and management concurred with the deficiencies.

Jacksonville District Climate Management Review, Report No. 15-000-1006

Release Date: April 2, 2015

As part of OIG Investigation No. 15-000-4003, we conducted a climate survey of the Jacksonville District. The purpose of this review was to assess the management climate of the Jacksonville District. Our office conducted the site visit on Tuesday, December 16, 2014 and Wednesday, December 17, 2014.

We found that overall job satisfaction was high and that employees felt that the work expectations were clear and understandable. However, our review found that morale (work environment atmosphere with management and co-workers) and vehicles might have a negative impact on employees at the Jacksonville District. Additionally, we noted an opportunity for improvement in the area of vehicle maintenance.

Follow-up Activities

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 Inspector General*, published by the Association of Inspectors General requires the OIG to establish a follow-up process to monitor and ensure management corrective actions were effectively implemented. The follow-up activities for issued audits (both internal and external), consulting engagements, management reviews, and investigations conducted during Fiscal Year 2014-15 are detailed below.

Follow-up Project, Report No. 15-200-1001

Release Date: May 20, 2015

The OIG reviewed the status of open corrective action plans from 7 internal audits, 2 external audits¹, 3 management reviews, and 3 investigations. There were 63 open findings, which included 82 recommendations. We verified the completion of 62 recommendations. As of June 30, 2015, 20 recommendations remained open. We will continue to follow up on these outstanding recommendations until all corrective actions have been completed. See **Appendix A** for a list of the outstanding recommendations.

Auditor General and OPPAGA Six-Month Follow-Up Projects

In accordance with Section 20.055(6)(h), Florida Statutes, the OIG monitors the implementation of Lottery's responses and planned corrective actions to findings and recommendations made in reports issued by the Auditor General or by the Office of Program Policy Analysis and Government Accountability (OPPAGA). The OIG is also required to provide a written report to the CIG on the status of planned corrective actions no later than six months after an Auditor General or OPPAGA report is published. A copy of the report is also provided to the Joint Legislative Auditing Committee and Lottery Secretary.

During Fiscal Year 2014-15, the OIG followed up on five separate reports issued by either the Auditor General or OPPAGA. In all instances, we reported that Lottery management had taken actions towards addressing the

¹ External engagements other than those conducted by the Florida Auditor General or OPPAGA.

recommendations. A status of corrective actions was provided to the CIG, the Secretary of the Lottery, and the Legislative Auditing Committee.

Auditor General and OPPAGA Six Month Follow-Up Projects		
Entity	Report No.	Report Name
Auditor General	2014-095	Department of the Lottery Financial Audit For the Fiscal Years Ended June 30, 2013 and 2012
OPPAGA	14-06	Lottery Transfers Have Recovered; Options Remain to Enhance Transfers
Auditor General	2014-198	Department of the Lottery Selected Administrative Activities and Prior Audit Follow-Up
Auditor General	2015-092	Department of the Lottery Financial Audit For the Fiscal Years Ended June 30, 2014 and 2013
OPPAGA	15-03	Lottery Transfers Have Recovered; Options Remain to Enhance Transfers

Internal Audit Services in Progress As of June 30, 2015

Pensacola District Audit, No. 15-000-1008

Target Release Date: September 30, 2015

The Pensacola District functions as a Lottery retailer and prize redemption center, which includes selling scratch-off and terminal game tickets and redeeming winning tickets with a value of up to \$250,000 and up to and including \$1 million for Powerball® and Mega Millions®. The district office operates a warehouse which includes receiving, storing, and distributing promotional and retail merchandise, point of sale (POS) advertising, and other items as needed to support the Lottery retailers located within the district. Additionally, the district office serves as an operations center for lottery sales representatives, whose duties are to service retailers located within district boundaries.

The purpose of this audit is to determine whether the Pensacola District is operating in compliance with the direction of Lottery management and demonstrating an adequate system of internal controls that adequately

safeguard the assets and integrity of the Lottery. Specifically, the audit is focusing on selected controls over opening/closing procedures and cash, security of resources and assets, Merchandise Inventory Control System (MICS) inventory, paying claims, scratch-off tickets, promotional scratch-off ticket handling, fleet, and the district climate.

Gainesville District Audit, No. 15-000-1009

Target Release Date: September 30, 2015

The Gainesville District functions as a Lottery retailer and prize redemption center, which includes selling scratch-off and terminal game tickets and redeeming winning tickets with a value of up to \$250,000 and up to and including \$1 million for Powerball® and Mega Millions®. The district office operates a warehouse, which includes receiving, storing, and distributing promotional and retail merchandise, POS advertising, and other items as needed to support the Lottery retailers located within the district. Additionally, the district office serves as an operations center for lottery sales representatives, whose duties are to service retailers located within district boundaries.

The purpose of this audit is to determine whether the Gainesville District is operating in compliance with the direction of Lottery management and demonstrating an adequate system of internal controls that adequately safeguard the assets and integrity of the Lottery. Specifically, the audit is focusing on selected controls over opening/closing procedures and cash, security of resources and assets, MICS inventory, paying claims, scratch-off tickets, promotional scratch-off ticket handling, fleet, and the district climate.

Annuity Program Audit, No. 15-000-1011

Target Release Date: September 30, 2015

The mission of the Lottery's Claims Processing (CP) division is to validate, pay, audit, and research claims to ensure compliance with Lottery rules and regulations; including creating, paying, and maintaining installment payments for top prizes. During Fiscal Year 2013-14, CP paid 154 top prize winners at Headquarters, totaling over \$446,457,242. Top prize winners for LOTTO™, Lucky Money™, Powerball®, Mega Millions®, and select scratch-off games may choose the cash option or annuity payments, as set forth in the Lottery Rule applicable to the game won. Most annuity payments are made annually, on one of four quarterly payment dates,

although there are a few scratch-off games with prizes that are paid with weekly annuity payments.

The purpose of this audit is to determine whether the annuity program is operating in compliance with applicable policies, procedures, regulations, and best practices and has an adequate internal control system in place to minimize risks and safeguard the integrity of the Florida Lottery. Specifically, the audit is focusing on the initial and succeeding installment payments, split installment payments, select Fortune application controls related to dual control and segregation of duties, and training of new staff and policies and procedures, as related to annuity payments.

HR Consulting Service, No. 15-000-1005

Target Release Date: September 30, 2015

At the request of a Lottery director, the OIG met with Human Resources (HR) staff to discuss the importance of internal controls; educated staff on the risks of not following internal controls; and identified risks to various HR processes and the controls in place (or needed) to mitigate those risks. During Fiscal Year 2014-15, seven trainings were conducted. The remaining five trainings are scheduled through the first quarter of Fiscal year 2015-16.

Backup Data Center Management Review, No. 15-000-1010

Target Release Date: September 30, 2015

The Lottery's backup data center and backup drawing room are co-located with the Lottery's gaming system vendor's backup data center. The Lottery's gaming system vendor is responsible for the building lease and for maintaining the environmental controls over the Lottery's backup data center. The Lottery's Division of Security is responsible for physical security of the backup data center. The purpose of this management review is to review the security of the Lottery's backup data center including physical and logical access controls, environmental controls, and its ability to physically respond to a disaster.

Internal Audit QAR Management Review, No. 15-000-6006

Target Release Date: September 30, 2015

Pursuant to 20.055, Florida Statutes, Offices of Inspector General Internal Audit activities are to comply with the *International Standards for the*

Professional Practice of Internal Auditing (Standards) and Code of Ethics issued by the *Institute of Internal Auditors (IIAs)*. *Standards* require that the Chief Audit Executive (CAE) develop and maintain a quality assurance and improvement program (QAIP) that covers all aspects of the internal audit activity. The QAIP must include both internal and external assessments.

The OIG is conducting an internal quality assurance review of the Internal Audit activity to evaluate its conformance with the Institute of Internal Auditor's, *International Professional Practices Framework (IPPF)*, including standards, the code of ethics, the audit charter, the internal audit manual, and the use of successful practices.

Investigation Services

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 2014-15, the OIG completed four internal investigations, provided investigative support on three assignments to Management and the Division of Security, processed 175 complaints, and conducted activities related to maintaining the Commission for Law Enforcement Accreditation.

Internal Investigations

Hostile Work Environment, Report No. 15-000-4001

Release Date: September 9, 2014

The OIG conducted an investigation based on an allegation that a Lottery employee was subjected to a hostile work environment created by a co-worker's abusive language and conduct; and that management did not take appropriate action. One allegation was substantiated and the other was unfounded.

Tallahassee District Office Cash Management, Report No. 15-000-4002

Release Date: February 9, 2015

The OIG conducted an investigation based on an allegation of mismanagement of funds. The allegation was substantiated. The OIG issued an incidental finding regarding internal controls over cash management.

Jacksonville District Office Complaint, Report No. 15-000-4003

Release Date: February 10, 2015

The OIG conducted an investigation based on an allegation that a Lottery employee was physically assaulted, a member of management violated human resource practices, and neglect of duty. One allegation was unsubstantiated, one unfounded, and one substantiated. Our office issued an incidental finding regarding neglect of duty.

Harassment, Report No. 15-000-4004

Release Date: February 27, 2015

The OIG conducted an investigation based on an allegation that a Lottery employee suffered sexual harassment and retaliation. One allegation was unsubstantiated and the other unfounded.

Investigative Support to Management and the Division of Security

Retailer Integrity Suspect Tickets, OIG Assignment No. 15-000-4005

Release Date: On-going

During Fiscal Year 2014-15, the OIG continued 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. During Fiscal Year 2014-15, our office received 490 leads. These leads were researched by our staff and the information provided to management and the Division of Security for their review and action.

Lucky Lotto Promotion Analysis, OIG Assignment No. 14-000-4007

Release Date: July 15, 2014

March 17, 2014, through Sunday, April 27, 2014, the Florida Lottery conducted the Lucky Lotto Collect & Win Promotion (Promotion). Players who purchased a FLORIDA LOTTO® or FLORIDA LOTTO® with XTRA ticket of any price point were eligible to scan the barcode on their tickets using a Smartphone or tablet, or manually enter the ticket number on the Florida Lottery's website to collect lucky symbols for a chance to win prizes.

During the Promotion, a Lottery Director notified the OIG, that entrants were using cancelled and training tickets as entries into the Promotion. The OIG initiated a project to look at the entrants for each draw date of the Promotion in order to identify patterns of suspicious entries. We provided the results of our review to Lottery management and the Division of Security for their review and action.

Data Part 1 Investigation, OIG Assignment No. 15-000-4006

Release Date: June 30, 2015

This investigation examined patterns of suspicious activity involving scratch-off book statuses. We provided the results of our review to Lottery management and the Division of Security for their review and action.

Complaint Processing

The OIG received and processed 175 complaints during the fiscal year. OIG staff responded to all complainants as needed. Of the total complaints received, 137 were processed and referred to management, the remaining 38 were handled by OIG staff.

Commission for Law Enforcement Accreditation

The OIG first received accreditation status by the Commission for Florida Law Enforcement Accreditation (CFA) in 2010 and received reaccreditation status in 2013. 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.

OIG staff regularly conducts activities to ensure ongoing compliance with accreditation requirements. Activities relating to this effort are detailed below.

- Conduct 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.
- Provide 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.
- Attend Accreditation Managers meetings to discuss current and future issues regarding accreditation requirements.
- Revise the OIG Investigations Manual to comply with changes in CFA standards.
- Ensure OIG staff submit annual independence attestations and meet annual training requirements for CFA standards.
- Complete the CFA Annual Report.

Other Oversight Activities

Services other than assurance engagements, consulting engagements, and management reviews performed by the OIG for Lottery management or for external entities are considered special projects or other oversight activities. These projects and activities may include external audit coordination, enterprise projects, fraud awareness presentations, and other 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.² 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.³ During Fiscal Year 2014-15, two external audits were published. Additionally, one external audit was in progress at the close of the fiscal year. The table below provides the details on each engagement.

External Audit Coordination			
Entity	Report No.	Report Name	Status
OPPAGA	15-03	Lottery Transfers to Increase; Options Remain to Enhance Transfers and Improve Efficiency	Completed – January 2015
Auditor General	2015-092	Department of the Lottery – Financial Audit For the Fiscal Years Ended June 30, 2014, and 2013	Completed – January 2015
Auditor General	In Progress	Financial Audit for Fiscal Years Ended June 30, 2015, and 2014, and Operational Audit	Initiated – May 2015

² The State of Florida Auditor General currently fulfills this audit requirement.

³ Section 24.123, Florida Statutes

Enterprise Projects

To gain efficiencies of working together, the CIG and agency Inspectors General meet on a regular basis to discuss and evaluate enterprise issues and projects.

Inspector General Working Groups

The CIG appointed several functional working groups made up of inspectors general from various state agencies to evaluate issues crossing agencies. During Fiscal Year 2014-15, the IG participated on two CIG working groups; including the IG/ISM working group on Risk Management and the Investigative Report Writing working group.

Audit Director Roundtable

The Director of Internal Auditing participates in the Audit Director Roundtable. The mission of the Audit Director Roundtable is to promote the effective and efficient use of Internal Audit resources toward accountability, productivity, and enhancement of management control over operations. The Roundtable is a voluntary group composed of representatives (primarily Audit Directors) from local companies and organizations, state agencies and institution of higher education with an Internal Audit function.

During Fiscal Year 2014-15, the Director of Internal Audit participated on a Staff Development working group. In March 30, 2015, the working group presented their findings on best practices in recruitment, interviewing, applicant selection, and retention to the Audit Director Roundtable.

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.

Retailer Integrity Program

Throughout Fiscal Year 2014-15, the OIG provided administrative support, research, and consulting activities. The IG serves as an advisor to the Retailer Integrity Program and attends the weekly meetings.

Florida Lottery New Employee Training

The OIG participates in the Lottery's new employee training program, *Lottery 101*. During fiscal Year 2014-15, our office participated in two *Lottery 101* programs in which we described our services and conducted fraud awareness training for new employees.

OIG Newsletter

In the OIG's continued effort to educate and communicate with Department employees, the OIG initiated the issuance of a newsletter to Department employees in March 2015. The newsletter informs employees of OIG processes, highlights areas of the Department recently audited or investigated, and reminds staff of internal control best practices. The goal of the newsletter is to keep employees better informed and to seek a reduction in fraud, waste, abuse, and irregularities within the Department.

OIG Office Brochure

In the OIG's continued effort to educate and communicate with Department employees, the OIG published an office brochure in May 2015. The OIG brochure was handed out at new employee orientation and is used by staff to educate Lottery employee's about our office when initiating engagements.

Lottery Drawings

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. Additionally, the OIG is notified of any draw discrepancies. We monitor these discrepancies and perform additional reviews when necessary.

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 Audit Engagements Outstanding Recommendations as of 6/30/14		
Project No.	Audit Name	Recommendation
07/08-27-A	Internal Controls over Contract Documentation	Finding 6: Recommendation 1 - We recommend that General Services management finalize, formally approve and implement the Contract Administration Tracking, Processing and Approvals written procedure.
13-1005	Claims Processing Audit	Finding 1: 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.
13-1006	Fortune	Finding 1: Recommendation 1 - Confidential
13-1006	Fortune	Finding 1: Recommendation 2 - Confidential
13-1006	Fortune	Finding 1: Recommendation 3 - Confidential
13-1006	Fortune	Finding 2: Recommendation 2 - Confidential
13-1006	Fortune	Finding 3: -Recommendation 1 - Confidential
13-1006	Fortune	Finding 4: Recommendation 1 - Confidential
13-1006	Fortune	Finding 5: Recommendation 1 - Confidential
13-1006	Fortune	Finding 7: Recommendation 1 - Confidential
13-1006	Fortune	Finding 7: Recommendation 2 - Confidential
14-000-1006	Retailer Suspension & Termination Criminal Process Management Review	Finding 1: Recommendation 1 - We recommend the Division of Security revise draft procedures to reflect current practice and obtain management approval.

External Engagements* Outstanding Recommendations as of 6/30/14		
Project No.	Audit Name	Recommendation
Delehanty	2014 Security Review	Finding 1L: Recommendation 1 – Confidential
Delehanty	2014 Security Review	Finding 7L: Recommendation 1 - Confidential
Delehanty	2014 Security Review	Finding 8L: Recommendation 1 - Confidential
Delehanty	2014 Security Review	Finding 9L: Recommendation 1 - Confidential
Delehanty	2014 Security Review	Repeat Finding 1L: Recommendation 1 - Confidential
Delehanty	2014 Security Review	Repeat Finding 07M: Recommendation 1 – Confidential
Delehanty	2014 Security Review	Repeat Finding 12L: Recommendation 1 - Confidential

*External engagements other than those conducted by the Florida Auditor General or OPPAGA.

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