

RON DESANTIS
Governor



JOHN F. DAVIS
Secretary

September 22, 2023

John F. Davis, Secretary
Florida Lottery
250 Marriott Drive
Tallahassee, Florida 32301

Re: OIG Annual Report for Fiscal Year 2022-23

Dear Secretary Davis:

In accordance with Section 20.055(8), Florida Statutes, I am pleased to submit our Annual Report for the Florida Lottery, Office of Inspector General (OIG). The report reflects the activities and accomplishments of the OIG for fiscal year 2022-23.

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.

Respectfully submitted,

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

Andy Mompeller
Inspector General

cc: Reggie Dixon, Chief of Staff



September 22, 2023

Office of Inspector General Annual Report for Fiscal Year 2022-23



Andy Mompeller
Inspector General

FLORIDA DEPARTMENT OF LOTTERY
OFFICE OF INSPECTOR GENERAL
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INTRODUCTION

OVERVIEW

In 1986, Florida voters approved a lottery through a constitutional amendment. 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. Consistent with this, the Florida Lottery's mission is to maximize revenues for the enhancement of public education while upholding the highest standards of integrity and public trust.

The Office of Inspector General (OIG) provides support to the Lottery's mission through its function. Section 20.055 of Florida Statutes (F.S.) defines the duties and responsibilities of the Inspectors General and requires the OIG to submit an annual report each year, summarizing the activities performed by the OIG during the preceding fiscal year. This annual report is presented to the Secretary of the Florida Lottery and the Governor's Chief Inspector General to comply with statutory requirements and to provide departmental staff and interested parties with information on the OIG's progress in accomplishing its mission.

MISSION STATEMENT

The mission of the Florida Lottery OIG is to protect and promote public integrity and accountability within the Lottery through audits and investigations that detect fraud, waste, 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 Lottery with timely, accurate, objective, and useful work products that promote confidence and provide transparency for the citizens of the State of Florida.

OIG RESPONSIBILITIES

Section 20.055, F.S., establishes the Office of Inspector General within each state agency to provide a central point for coordination of, and responsibility for, activities that promote accountability, integrity, and efficiency in government. The OIG has full, free, and unrestricted access to all Lottery activities, records, data, properties, functions, and personnel necessary to carry out its responsibilities effectively. The OIG's responsibilities include:

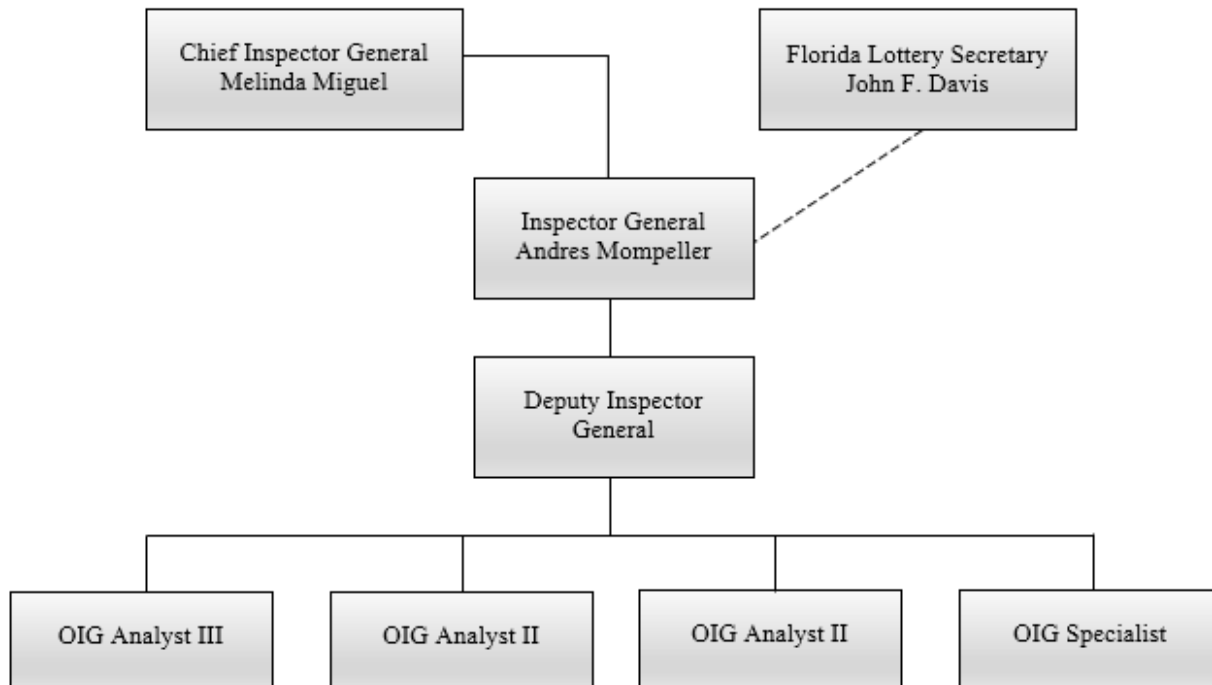
- Conducting audits, investigations, and management reviews relating to the programs and operations of the Lottery;
- Reviewing and evaluating internal controls necessary to ensure the fiscal accountability of the Lottery;
- Keeping the Secretary and Chief Inspector General informed concerning fraud, abuse,

and deficiencies relating to programs and operations administered or financed by the Lottery;

- Recommending corrective action and reporting on the progress made in implementing corrective action;
- Advising in the development of performance measures, standards, and policies and procedures for Lottery programs;
- Conducting or coordinating other activities carried out or financed by the Lottery for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations;
- Coordinating and monitoring the implementation of the Lottery’s response to recommendations made by the Auditor General, the Office of Program Policy Analysis and Government Accountability (OPPAGA), the Florida Department of Financial Services, and other external agencies; and
- Ensuring that an appropriate balance is maintained between audit, investigative, and other accountability activities.

ORGANIZATION AND STAFF

The Lottery Inspector General falls under the administrative supervision of the Lottery Secretary but reports directly to the Governor’s Chief Inspector General. The OIG consists of six professional positions that perform internal audit and investigative functions, as shown below.



OIG STAFF QUALIFICATIONS AND CERTIFICATIONS

OIG personnel are highly qualified and bring various backgrounds and expertise to the Lottery. The collective experience spans a variety of disciplines including auditing, accounting, process improvement, investigations, and information systems.

The *International Standards for the Professional Practice of Internal Auditing* as published by the Institute of Internal Auditors, and the *Principles and Standards for Offices of Inspector General* as published by the Association of Inspectors General, require internal audit and investigative staff to maintain their professional proficiency through continuing education and training. In addition, the OIG has received accreditation by the Commission for Law Enforcement Accreditation, Inc., and must meet minimum training standards to maintain accreditation.

OIG staff members continually seek to enhance their abilities and contributions to the OIG and the Lottery. Many staff members have obtained certifications that demonstrate their knowledge, motivation, and commitment to the profession. 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 Lottery. During fiscal year 2022-23, professional certifications held by OIG staff members include:

- Certified Inspector General (CIG)
- Certified Internal Auditor (CIA)
- Certified Information Systems Auditor (CISA)
- Certified Information Security Manager (CISM)
- Certified Inspector General Investigator (CIGI)
- Certified Governmental Auditing Professional (CGAP)
- Florida Certified Contract Manager (FCCM)
- Notary Public



AFFILIATIONS

OIG staff members participate in a number of professional organizations to maintain proficiency in their areas of expertise and certification. These associations allow them to establish and advance professional networks and participate in professional development activities. OIG staff members are affiliated with the following professional organizations that support audit and investigation activities:

- Association of Inspectors General (AIG)
- Institute of Internal Auditors (IIA)
- Association of Government Accountants (AGA)
- ISACA

INTERNAL AUDIT



The purpose of internal auditing is to provide independent, objective assurance and consulting activities designed to add value and improve the Lottery's operations. Our vision is to help the Lottery by facilitating change directed toward improving efficiency, effectiveness, accountability, and teamwork.

Audit responsibilities of the OIG include:

- Conduct compliance, information technology, performance, operational, and financial audits of the Lottery to identify and recommend corrective action for deficiencies or matters of noncompliance;
- Conduct consulting activities in order to provide independent advisory services to Lottery management;
- Assess the reliability and validity of Lottery performance measures;
- Ensure effective coordination and cooperation with the Office of the Auditor General, OPPAGA, and other governmental bodies to ensure proper coverage and minimize duplication of effort;
- Conduct risk assessments of the Lottery annually, taking into consideration the input of senior management;
- Develop annual and long-term audit plans outlining the audits to be conducted during each year and related resources to be devoted to the respective audits;
- Monitor the implementation of the Lottery's response to audit reports issued by the Inspector General, Office of the Auditor General, OPPAGA, or other oversight agencies;
- Develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity, with an external assessment conducted every three years; and
- Participate in enterprise projects and provide assistance as requested by the Chief Inspector General.

The OIG conducts assurance and consulting activities in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors, Inc. Audit reports are distributed internally to the Secretary of the Florida Lottery and affected Lottery managers, the Executive Office of the Governor's Chief Inspector General, and the Office of the Auditor General.

INTERNAL AUDIT ACCOMPLISHMENTS

During fiscal year 2022-23, the OIG completed one internal audit and three management reviews. Additionally, the OIG conducted follow-up activities to review the status of nine internal engagements. The results of those engagements are summarized below.

23-1001, Internal Control Assessment

The Internal Control Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) is the recognized standard for establishing internal controls. Under the COSO model, the five interrelated components of internal control are control environment, risk assessment, control activities, information and communication, and monitoring. The OIG completed an assessment of the Lottery's internal control structure in accordance with the COSO framework. The purpose was to provide reasonable assurance on the effectiveness of the internal controls over the Lottery's financial reporting.



Based on the work performed, we determined that Lottery management has established an adequate system of internal controls for financial reporting and all five components of internal control were present. We identified minor deficiencies relating to previous findings regarding system access reviews and bank signature card changes. We recommended that finance develop a process to ensure access reviews are sufficiently documented and conducted semi-annually in accordance with policy and ensure access to accounting systems is modified and removed timely. We also recommended that Finance develop a process to ensure bank signature card changes are initiated immediately when an employee is no longer authorized to sign on the account. This assessment was provided to the Auditor General as part of their Financial Statement audit for the fiscal year ending June 30, 2022.

23-1002, Performance Measures

Section 20.055, F.S., requires the OIG in each state agency to advise in the development of performance measures, standards, and procedures for the evaluation of state agency programs; assess the reliability and validity of the information provided by the state agency on performance measures and standards; and make recommendations for improvement, if necessary. The OIG conducted a review of the Lottery's performance measures found in the Long-Range Program Plan. We assessed the reliability and validity of the five performance measures and found them to be reliable and valid in all material respects.

23-1003, Security Evidence Vault

The Lottery Division of Security (Security) evidence vault is used to store evidence and property that is taken into custody by Security employees. Security is responsible for providing a secure storage facility and maintaining a system of documentation to track property from its receipt to its eventual disposition. In response to a request by Security management, the OIG conducted a review of the evidence vault located in Security's forensic laboratory. The purpose of our review was to verify the accuracy of property records against the property stored in the evidence vault. We found all items to be appropriately preserved and properly reconciled to the property records.

23-8003, Cybersecurity Identity Management and Access Control



Chapter 60GG-2 of Florida Administrative Code (F.A.C.) is known as the Florida Cybersecurity Standards, thereby establishing cybersecurity standards for information technology (IT) resources. The OIG conducted an audit to evaluate Lottery controls and compliance with Rule 60GG-2.003, F.A.C., *Identity Management, Authentication, and Access Control*, regarding identity management and access control processes. The scope of this audit included Lottery cybersecurity identity management and access control policies, procedures, activities, and processes for selected Lottery Systems.

Due to the nature of the audit, the results of this audit are confidential and exempt from public disclosure pursuant to section 282.318(4)(g), F.S.

23-2001, Follow-up Jackpot Triple Play

Internal audit standards require the establishment and maintenance of a system to monitor the disposition of results communicated to management to ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. The OIG conducted a 6-month follow-up of the corrective actions in response to recommendations in Report 22-4004, Jackpot Triple Play Draw. We verified the completion of corrective actions for 11 of the 12 recommendations.

23-2002, Internal Follow-Up

The OIG conducted an internal follow-up review during the first half of the 2022-23 fiscal year that included the review of the status of corrective actions from seven internal audits and reviews. Our review included follow-up of 15 findings and 20 recommendations. We verified the completion of 16 recommendations, which resulted in the closure of 11 findings.

23-2003, Internal Follow-Up Cybersecurity

The OIG conducted an internal follow-up review during the second half of the 2022-23 fiscal year that included the review of the status of corrective actions from one internal audit. Our review included follow-up of 10 findings and 17 recommendations. We verified the completion of 6 recommendations, which resulted in the closure of 2 findings.

AUDIT RESPONSE COORDINATION AND FOLLOW-UP

The OIG provides a single point of contact for external agencies that audit the Lottery. This is done to ensure effective coordination and cooperation between the Lottery and the Office of the Auditor General, OPPAGA, and other governmental bodies, and to minimize duplication of effort. We coordinate information requests and responses and assist in scheduling meetings for these entities. We provide coordination of the Lottery's formal responses to preliminary and tentative findings issued by the Office of the Auditor General, OPPAGA, Department of Financial Services, and other oversight agencies. We also coordinate the six-month response on the status of corrective actions taken by the Lottery on any audit findings and recommendations issued by the Office of the Auditor General or OPPAGA. A written report on the status is provided to the Chief Inspector General and the Joint Legislative Auditing Committee. During the 2022-23 fiscal year, we coordinated the following external engagements:



OFFICE OF THE AUDITOR GENERAL
FINANCIAL AUDIT FOR THE FISCAL YEAR ENDED JUNE 30, 2022
SIX-MONTH STATUS: FINANCIAL AUDIT FOR THE FISCAL YEAR ENDED JUNE 30, 2022
OFFICE OF PROGRAM POLICY ANALYSIS AND GOVERNMENT ACCOUNTABILITY
REVIEW OF THE FLORIDA LOTTERY, 2022
SIX-MONTH STATUS: REVIEW OF THE FLORIDA LOTTERY, 2022
EIGHTEEN-MONTH STATUS: REVIEW OF THE FLORIDA LOTTERY, 2021
BULLETPROOF SOLUTIONS, INC.
SIX-MONTH STATUS: COMPREHENSIVE STUDY AND EVALUATION OF LOTTERY SECURITY (2022)
TWELVE-MONTH STATUS: COMPREHENSIVE STUDY AND EVALUATION OF LOTTERY SECURITY (2022)

REVIEW OF CORRECTIVE ACTIONS FOR PRIOR YEAR AUDITS

Section 20.055(8)(c), F.S., requires the identification of each significant recommendation described in previous annual reports on which corrective action has not yet been completed. There are no corrective actions that remain open for significant recommendations reported in previous annual reports.

RISK ASSESSMENT AND AUDIT PLAN

Section 20.055, F.S., requires the Inspector General to develop long-term and annual audit plans based on periodic risk assessments of the Lottery. This helps ensure the OIG is responsive to management concerns and that those activities judged to have the greatest risks are identified and scheduled for review.

The risk assessment included identifying programs and activities administered by the Lottery and evaluating each activity based on indicators of risk exposure, or risk factors. Each program or activity was given a score for seven risk factors: control environment, financial impact, operation complexity, public perception, change in operations/systems, audit coverage, and management concerns. The risk assessment included administration of a risk assessment survey to Lottery management and meetings with executive management to discuss enterprise risk exposures and internal controls.

Using the results from these efforts and our professional judgment, we developed the audit plan for the 2023-24 fiscal year. The audit plan provides the most effective coverage of the Lottery's programs and processes while optimizing the use of internal audit resources. At the request of the Chief Inspector General, we have dedicated audit hours to enterprise projects, which address administrative issues common to most agencies. The annual audit plan was approved by the Lottery Secretary and submitted to the Office of the Chief Inspector General and the Auditor General. The audit plan is subject to change as Lottery priorities change and new risks are identified. During the 2023-24 fiscal year, audit resources will be allocated to the following engagements:

2023-24 Audit Plan

Division/Office	Project
Support Services	Fleet Management - carryover
Retailer Contracting/Security	Retailer Contract Applications - carryover
Software Quality Assurance	Change Control – carryover

Information Resources	Disaster Recovery Plan – carryover
Security	Background Screening - carryover
Department-wide	Conduct Documentation Review - carryover
Security	Evidence Vault
Sales	District Offices
Department-wide	Performance Measures
Finance	Internal Control Assessment
Security	Driver License Portal Usage
Finance/Gaming Operations	Prize Payment System Implementation
Information Resources	Contracted Positions
Product/Information Resources	Product Launch Process
Chief Inspector General	Enterprise Projects/Cybersecurity Audit

INVESTIGATIONS

The OIG works to deter, detect, and investigate allegations of fraud, waste, abuse, or employee misconduct impacting the Lottery. The OIG receives inquiries or complaints regarding Departmental activity from many sources, including the Whistle-blower’s Hotline, the Florida Department of Financial Services’ Get Lean Hotline, the Chief Inspector General’s Office, an online complaint form on the OIG’s website, the Executive Office of the Governor, letters, telephone calls, and e-mails.



Investigation Responsibilities of the OIG include:

- Receive complaints and coordinate all activities of the agency as required by the Whistle-blower's Act pursuant to Section 112.3187 – 112.31895, F.S.;
- Receive and consider complaints that 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 the Inspector General deems appropriate;
- Report expeditiously to the Florida 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;

- Conduct investigations and other inquiries free of actual or perceived impairment to the independence of the Inspector General or the Inspector General's office. This shall include freedom from any interference with investigations and timely access to records and other sources of information; and
- Submit in a timely fashion, final reports on investigations conducted by the Inspector General to the agency head, except for Whistle-blower's investigations, which shall be conducted and reported pursuant to Section 112.3189, F.S.



Investigations are conducted in accordance with quality and quantitative standards as set forth in the *Principles and Standards for Offices of Inspector General*, published by the Association of Inspectors General, and the *Florida Inspectors General Standards Manual*, published by the Commission for Florida Law Enforcement Accreditation. If suspicion of potential criminal activity is discovered, it is referred to the appropriate law enforcement agency. The OIG coordinates with law enforcement on any criminal investigation, while ensuring that issues of an internal nature are addressed administratively.

During fiscal year 2022-23, the OIG completed two internal investigations, processed 369 complaints, and conducted activities related to maintaining the Commission for Law Enforcement Accreditation.

COMPLAINTS

The OIG received 369 complaints during fiscal year 2022-23. OIG staff responded to each complainant as appropriate and referred 272 complaints to Lottery management for proper handling. Two complaints resulted in the OIG initiating an investigation. The remaining 95 complaints were addressed by OIG staff.

COMPLETED INVESTIGATIONS

During the 2022-23 fiscal year, the OIG completed two investigations. A synopsis of those investigations is provided below.

23-4004

The OIG received a complaint from a Florida Lottery employee who alleged a Special Agent did not follow procedure while serving as draw manager. Through interviews and a review of surveillance video, the allegations of noncompliance with Lottery policies and procedures were Substantiated. The OIG recommended management take appropriate action as they deemed necessary. The investigation also resulted in incidental observations regarding excessive cell phone usage while in the draw studio vault, the need for audio enhancement to the surveillance

system, and the need for developing a process to ensure draw auditors are being rotated regularly and do not serve for extended periods of time.

23-4005

The OIG received a complaint from an external party who alleged a Sales Representative drove recklessly and when confronted, used inappropriate language toward the complainant. Through interviews and review of surveillance video, the allegations of unsafe operation of a Florida Lottery vehicle and conduct unbecoming a public employee were *Unsubstantiated*. The OIG recommended management take appropriate action as they deemed necessary.

ACCREDITATION

Accreditation programs have long been recognized as a means of maintaining and verifying the highest standards. In 2009, the Commission for Florida Law Enforcement Accreditation (CFA) expanded its program to include Inspectors General offices. The CFA is an accreditation program recognized as a means of maintaining the highest standards of professionalism for independent investigations based on meeting specific requirements and prescribed standards. The Florida Lottery OIG was the fourth IG office in the state to receive this accreditation status and was first accredited by the CFA in 2010.



The accreditation remains in effect for three years, at which point state assessors complete a reaccreditation review of the OIG. The OIG was reaccredited for the fourth time in October 2022. OIG staff regularly conduct activities to ensure ongoing compliance with accreditation requirements. Activities relating to this effort include:

- 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.
- Attend Accreditation Manager 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 OIG ACTIVITIES

The OIG participates in numerous other activities, including internal quality assessments, OIG work plans, OIG annual reports, and other internal/external assistance activities. OIG staff proactively monitor certain Lottery activities and review patterns to determine if additional action is warranted. During fiscal year 2022-23, the OIG performed the following activities.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The *International Standards for the Professional Practice of Internal Auditing (Standards)* require that the OIG develop and maintain a quality assurance and improvement program (QAIP) that covers all aspects of the internal audit activity. The QAIP must ongoing monitoring of the performance of the internal audit activity and periodic self-assessments.

The OIG conducted an internal quality assessment review to assess conformance with the *Standards* and the efficiency and effectiveness of the internal audit activity in meeting the needs of our various stakeholders. Our review disclosed that the Florida Lottery OIG internal activity generally conforms with the *Standards* and *Code of Ethics*. “Generally Conforms” means that an internal audit activity conforms with the *Standards* and applies the *Code of Ethics*. We did not find any opportunities for improvement in the areas of due professional care, documentation of engagement review, and engagement monitoring.

COMPUTER SECURITY INCIDENT RESPONSE TEAM

The Computer Security Incident Response Team (CSIRT) responds to suspected computer security incidents by identifying and controlling incidents, notifying designated CSIRT responders, and reporting findings to Lottery management. The Inspector General is a core member of the CSIRT team for the Lottery and attends CSIRT meetings scheduled by the Director of Information Security Management to review and provide input to management on policies and procedures.

RETAILER INTEGRITY PROGRAM

Throughout the fiscal year 2022-23, the OIG provided administrative support, research, and consulting activities relating to retailer integrity. The Inspector General serves as an advisor to the Retailer Integrity Program.

LOTTERY DRAWINGS

The facility where Lottery drawings are conducted requires a dual-control environment, necessitating the Division of Security staff and audit staff to 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.

CHIEF AUDIT EXECUTIVE ROUNDTABLE

The Deputy Inspector General participates in the Chief Audit Executive Roundtable. The mission of the Chief Audit Executive 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 institutions of higher education with an internal audit function.

OIG NEWSLETTER

The OIG published our annual OIG Newsletter in fiscal year 2022-23 to inform Lottery employees of OIG processes and remind them of the importance of recognizing and reporting fraud. The newsletter focused on fraud, to include both facts and theories about fraud. The June newsletter addressed the process for creating the annual audit plan and the importance of policy compliance for state vehicle usage. The newsletter also provided information about complaints received by the OIG and the methods by which a complaint can be filed. The goal of the newsletters is to keep employees better informed and to seek a reduction in fraud, waste, abuse, and irregularities within the Lottery.



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