Florida Lottery
Office of Inspector General
Memorandum

Date: June 28, 2013
To: Cynthia O'Connell, Lottery Secretary
From: Andy Mompeller, Inspector General
Subject: Office of Inspector General Audit Plan For Fiscal Year 2013-2014

I am submitting for your approval the annual Audit Plan for the Office of Inspector General (OIG), pursuant to Section 20.055, Florida Statutes, Rule 53-1.007, Florida Administrative Code, and The International Standards for the Professional Practices of Internal Auditing, issued by the Institute of Internal Auditors. The Audit Plan documents our goals and objectives for Fiscal Year 2013-2014, including audits for the upcoming fiscal year and projected audits for the following two fiscal years. The Audit Plan is risk-based to provide the most effective coverage of the Department's programs, processes, systems, and contracts. Our analysis is based on a risk assessment performed by the OIG, including input from executive staff, Department directors and managers, and OIG staff. We have also allocated a portion of our auditable hours for enterprise projects as requested by the Governor's Chief Inspector General.

We look forward to working with you in meeting the challenges and opportunities that face the Department. With your approval, we will implement the Audit Plan for Fiscal Year 2013-2014, and will submit copies of the Audit Plan to the Governor's Chief Inspector General and the Auditor General. Thank you for your continued support.

Approved by: Cynthia O'Connell, Secretary 7/11/13
Date
Mission
The mission of the Office of Inspector General (OIG) internal audit activity is to provide independent, objective assurance, and consulting services designed to add value and improve the Lottery’s operations. The internal audit activity helps the Lottery accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Risk Assessment & Audit Plan
To fulfill its mission and goals, the OIG conducts a risk assessment of Lottery operations. Both Florida Statutes and professional audit standards require the OIG to develop risk-based annual and long-term audit plans which consider resource requirements and input from senior management.

The audit plan includes participation in Enterprise audit projects as requested by the Chief Inspector General. The approved audit plan will guide our activities throughout the year, but will be adjusted to meet management needs as other priorities change and new risks are identified.

The following sections provide information on OIG staff changes as well as detailed planned projects and audits for Fiscal Year 2013-2014.

Available Staff Resources
The Inspector General (IG) has been authorized five positions. They are comprised of three professional audit staff, a Director of Internal Audit, and the Inspector General.

The professional staff positions provide 8,320 staff hours of professional and administrative support for this upcoming year.

These resources are applied to:
- Audits, consulting services, investigations, management reviews;
- Administration, oversight, and supervision of the OIG;
- Enterprise audit projects;
- Training; and
- Leave/Holidays.

Fiscal Year 2013-2014 Staff Resources Allocation

For fiscal year 2013-2014, OIG allocation of staff hours are:

<table>
<thead>
<tr>
<th>Category</th>
<th>Planned Hours</th>
<th>Percent of Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carry Forward Assignments</td>
<td>350 hours</td>
<td>4%</td>
</tr>
<tr>
<td>Planned Audits</td>
<td>3,850 hours</td>
<td>46%</td>
</tr>
<tr>
<td>Investigative Services</td>
<td>530 hours</td>
<td>7%</td>
</tr>
<tr>
<td>Audit Follow-up</td>
<td>700 hours</td>
<td>9%</td>
</tr>
<tr>
<td>External Audit &amp; Oversight</td>
<td>500 hours</td>
<td>6%</td>
</tr>
<tr>
<td>Outreach and Education</td>
<td>100 hours</td>
<td>1%</td>
</tr>
<tr>
<td>Indirect Activities</td>
<td>1,860 hours</td>
<td>22%</td>
</tr>
<tr>
<td>Audit Management</td>
<td>430 hours</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>8,320 hours</td>
<td>100%</td>
</tr>
</tbody>
</table>

Staff Changes
The OIG experienced several staff changes during Fiscal Year 2012-2013. In January, 2013, Ray Pace joined the office as an OIG Analyst II. Pace is a Certified Governmental Accounting Professional with military, private, and State government experience. In February 2013, Sarah Hall joined the office as the Director of Internal Audit. Hall is a Certified Internal Auditor, Certified Inspector General Auditor, Certified Information Systems Auditor, and a Certified Systems Security

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1 Planned audits include Management Requests and Enterprise Audits.
2 Indirect activities include leave, training, and administration.
Professional with State government and private sector experience. In April 2013, Stacey Francescon joined the office as an OIG Analyst II. Francescon is a Certified Contract Manager with State government and private sector experience.

**CARRY FORWARD ASSIGNMENTS**

The OIG staff has two audit assignments that were in progress during Fiscal Year 2012-2013 that are currently near completion. They are expected to be closed out within the first quarter of Fiscal Year 2013-2014, and 350 hours have been allocated for their completion.

**PLANNED AUDITS**

A total of 3,600 OIG staff hours are allocated to new audits for FY 2013-2014. These audits were selected based on a risk assessment performed by the OIG, including input from Florida Lottery management.

**Lottery District Office**

The Florida Lottery has nine district offices that manage the sale, promotion and redemption of Lottery products through a statewide network of more than 13,000 retailers. District offices employ staff who assist in the promotion and sale of Lottery products at the retail level. The objective of this audit will be to ensure that they are operating in compliance with the direction of Lottery management (i.e., policies and procedures) and whether internal controls exist that provide for the safeguarding of the assets and integrity of the Lottery.

**Special Events, Promotions, and Promotional Alliances**

The Special Events, Promotions, and Promotional Alliances Units work to increase awareness of Florida Lottery products and contributions to education through special promotions, alliances, promotional merchandise and participation in special events held in communities throughout Florida. The audit will encompass the processes used to implement these types of events and alliances including the use of promotional items and tickets to determine if they are in accordance with senior management directives and applicable rules, policies and procedures.

**Orlando Data Center**

The Orlando Data Center serves as the backup facility for the Florida Lottery. The purpose of this audit will be to review the security of the Orlando Data Center including physical and logical access controls and its ability to physically respond to a disaster.

**BLAST**

The Business Lottery Accounting System (BLAST) is the Florida Lottery’s integrated accounting system. It is composed of a general ledger, accounts receivable and accounts payable modules. It also has cash management and report development tools. All financial systems will be integrated with BLAST, which will in turn interface with FLAIR. This audit will review the application and general controls over the system including review of interface controls and post-implementation support.

**Confidential Information**

The Florida Lottery has confidential data throughout its programs. The purpose of this audit is to review the controls over the Lottery's confidential data including collection and storage of sensitive information in electronic and paper form.

**Management Requests**

A portion of our planned audits has been reserved for management requests that may occur during the Fiscal Year. These requests may be for assurance or consulting services.

**Enterprise Projects**

The Governor’s Chief Inspector General (CIG) asked agency inspectors general to identify common audit topics in preparation of an Enterprise Audit Plan. At the request of the CIG, a portion of our resources were allocated to enterprise audit projects for Fiscal Year 2013-2014.

**INVESTIGATIVE SERVICES**

In addition to audit activities, Section 20.055, Florida Statutes, requires the OIG to conduct investigations to detect, deter, and prevent fraud, waste, misconduct, and other abuses. The OIG also receives and handles complaints.

The OIG received accreditation for Investigations in 2010 by the Commission for Law Enforcement Accreditation, Inc., and is up for reaccreditation in Fiscal Year 2013-2014. OIG staff will be conducting activities related to reaccreditation. A total of 530 hours have been allocated for these investigative-related activities.
AUDIT FOLLOW-UP

OIG staff conduct follow-up assessments on both internal and external audits to ensure that the Lottery has taken appropriate corrective action on audit findings. Sixteen projects, consisting of audit follow-up evaluations, are scheduled for Fiscal Year 2013-2014, with a total of 700 OIG staff hours allocated to these projects.

EXTERNAL AUDIT & OVERSIGHT

External Audit Activities

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. The inspector general shall provide written responses to the agency head on the status of corrective actions taken.

Each year, external auditors perform an annual financial audit of the Lottery. By statute, this audit includes the expression of an opinion on the adequacy of internal accounting controls and recommendations to enhance the Lottery’s earning capability and the efficiency of Lottery operations. The OIG serves as the primary point of contact with external auditors.

The Florida Lottery is required on a bi-annual basis, to engage an independent firm to conduct a comprehensive study and evaluation of all aspects of security in the operation of the department. Delehanty Consulting, LLC is scheduled to conduct this audit during FY 2013-2014.

In addition, OPPAGA is reviewing Lottery operations for ways to enhance revenue and increase operational efficiencies.

Oversight Activities

The OIG participates in numerous activities that are classified as oversight. This includes an annual review of department Performance Measures and support to investigations. A total of 500 OIG staff hours are allocated to oversight activities for Fiscal Year 2013-2014.

OUTREACH AND EDUCATION

The OIG currently provides ongoing consultation to management regarding risk, internal controls, program management and efficiency of operations in efforts to assist the Florida Lottery in meeting its mission. A total of 100 hours were allocated for these related activities.

INDIRECT ACTIVITIES

General and Administrative

OIG staff routinely perform activities that do not relate to specific assignments. Examples of these types of tasks include timekeeping, staff meetings, training, drafting of internal procedures, as well as informal management consultations.

Training

In accordance with the International Standards for the Professional Practice of Internal Auditing, internal auditors should possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. OIG staff are required to obtain a minimum of 40 hours of continuing professional education every two years. In addition, the Lottery must meet minimum training standards required by the Commission for Florida Law Enforcement (CFA) in order to maintain accreditation. The CFA requires OIG staff to complete 40 hours of training every two years that directly enhances professional proficiency.

AUDIT MANAGEMENT

Audit Management represents the oversight of internal audits and projects by the Director of Internal Audit

Long-Term Audit Plan

The OIG Long-Term Audit Plan is to ensure that its services provide the most benefit to the Florida Lottery. Specifically, the OIG intends to be a leader in developing competent, innovative staff, and providing reports that are objective, clear, concise, constructive and timely, concerning matters that are important to the Florida Lottery Secretary.

Specifically, planned projects for Long-Term Audit Plan will be as follows:

Fiscal Years 2014-2016

- The Department’s Security System
- Second Chance Drawings
- Fleet Management
- Lottery District Office

3 The State of Florida Auditor General and OPPAGA currently fulfill the statutory audit requirements.

4 Section 24.123, Florida Statutes.