STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2020-011
August 2019

DEPARTMENT OF THE LOTTERY

Advertising and Sponsorship and Selected Administrative Activities

Sherrill F. Norman, CPA
Auditor General

Secretary of the Department of the Lottery

The Department of the Lottery is established by Section 20.317, Florida Statutes. The head of the Department is the Secretary who is appointed by the Governor and subject to confirmation by the Senate. During the period of our audit, the following individuals served as Department Secretary:

Jim Poppell	From July 10, 2017
David Mica, Jr.	Interim, June 2, 2017, through July 9, 2017
Tom Delacenserie	October 2, 2015, through June 2, 2017
Cynthia F. O'Connell	Through October 1, 2015

The team leader was Aaron Franz, CPA, and the audit was supervised by Allen G. Weiner, CPA.

Please address inquiries regarding this report to Kathryn D. Walker, CPA, Audit Manager, by e-mail at kathrynwalker@aud.state.fl.us or by telephone at (850) 412-2781.

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DEPARTMENT OF THE LOTTERY

Advertising and Sponsorship and Selected Administrative Activities

SUMMARY

This operational audit of the Department of the Lottery (Department) focused on Department advertising and sponsorship and selected administrative activities. The audit also included a follow-up on the findings noted in our report No. 2017-019. Our audit disclosed the following:

Advertising and Sponsorship

Finding 1: Department records did not always evidence adequate monitoring of advertising agency contracts.

Finding 2: Department procedures for reconciling advertising agency subcontractor payments to vendor payment history records need improvement.

Finding 3: Department invoice payment controls need enhancement to ensure that sponsorship agreement payments are made in accordance with contract terms and conditions.

Selected Administrative Activities

Finding 4: The Department did not always timely cancel purchasing cards upon a cardholder's separation from Department employment.

BACKGROUND

State law[1] authorizes the Department of the Lottery (Department) to operate lottery games to maximize revenues in a manner consonant with the dignity of the State and the welfare of its citizens. The net proceeds of lottery games are to benefit public education. Specifically, revenues from the sale of lottery tickets, less prizes paid to winning ticket holders, retailer commissions and fees, gaming vendor fees, and administrative costs, are to be transferred to the Educational Enhancement Trust Fund (EETF) managed by the Department of Education.[2] The amount transferred to the EETF is calculated net of all Department administrative and game expenses. For the 2017-18 fiscal year, the Department was authorized 418.50 positions, received appropriations totaling approximately $167.4 million, and transferred over $1.7 billion to the EETF.

[1] Article X, Section 15 of the State Constitution, and Sections 24.102 and 24.104, Florida Statutes.

[2] Section 24.121, Florida Statutes.

FINDINGS AND RECOMMENDATIONS

ADVERTISING AND SPONSORSHIP

Pursuant to State law,[3] the Department advertises and promotes lottery games using multi-media, such as television, radio, digital, print, outdoor, and point-of-sale advertising. During the period July 2015 through February 2018, the Department contracted with three advertising agencies[4] for Statewide advertising services and paid each advertising agency a fee in accordance with agreed-upon contract terms. The Department also enters into sponsorship agreements for exclusive events (i.e., high-profile sport, celebrity, or entertainment events) to promote lottery games. Table 1 summarizes Department advertising and promotion appropriations, by budget category, for the 2015-16, 2016-17, and 2017-18 fiscal years.

Table 1
Department Advertising and Promotion Appropriations

For the 2015-16 Through 2017-18 Fiscal Years

Budget Category	2015-16	2016-17	2017-18
Paid Advertising and Promotion	$38,793,508	$36,312,514	$36,312,514
Advertising Agency Fees	2,756,945	3,237,939	3,237,939
Totals	**$41,550,453**	**$39,550,453**	**$39,550,453**

Source: Chapters 2015-232, 2016-66, and 2017-70, Laws of Florida, General Appropriations Acts.

Finding 1: Advertising Agency Contract Monitoring

State law[5] provides that State agencies are responsible for enforcing the terms and conditions of all contracts and ensuring that contract deliverables are appropriately satisfied. To demonstrate effective contract management, Department records should evidence monitoring activities, including a determination of whether desired service outcomes were achieved and performance problems, if any, were timely identified so that corrective action could be promptly initiated. Pursuant to Department contracts, advertising agencies were required, among other things, to: provide the Department marketing campaign plans and post-campaign or promotional reports recapping the event, including a breakdown of expenses, total costs, return on investment, media coverage, and performance; achieve a 15 percent added value on all media buys; issue media post-buy reports to the Department indicating whether the reach, frequency, and gross rating points goals of each media buy were achieved within budget; and submit to the Department quarterly media print audit reports analyzing the circulation of print media and evidence of insurance and performance bonds.

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[3] Section 24.107, Florida Statutes.

[4] The Department contracted with one advertising agency for Spanish language market advertising services during the period October 31, 2014, through December 8, 2015, and two advertising agencies for general market advertising services for the periods August 26, 2009, through March 31, 2017, and November 1, 2016, through October 31, 2021, respectively.

[5] Section 287.057(14), Florida Statutes.

As part of our audit, we examined Department monitoring records applicable to five of the calendar quarters[6] the Department's three advertising agency contracts were in effect during the period July 2015 through December 2017 to determine whether Department records evidenced adequate contract monitoring. Our examination disclosed that Department records did not evidence that the Department:

- Received three of the seven marketing campaign plans due from one advertising agency during the two quarters tested.
- Obtained from one advertising agency the added value reports due during the two quarters tested demonstrating whether the agency achieved a 15 percent added value on all media buys.
- Received and evaluated the media post-buy report due from one advertising agency during the quarter tested documenting whether television, radio, print, outdoor advertising, and digital media efforts performed as intended.
- Received and evaluated the post-campaign reports due from the three advertising agencies during the four applicable quarters tested.
- Received from one advertising agency all media print audit reports due during the two quarters tested.
- Received from one advertising agency the required $2 million performance bond or other acceptable security.

In response to our audit inquiry, Department management indicated that the Department had not established formalized checklists or other contract monitoring tools for advertising contracts, which may have contributed to the deficiencies noted.

Effective contract monitoring evaluates whether desired service outcomes are being achieved and identifies performance problems as early as possible so that corrective action may be timely initiated. Without adequate documentation of monitoring activities performed, the Department cannot clearly demonstrate that advertising agency services were provided in accordance with contract terms or that the contract deliverables were adequately received.

Recommendation: We recommend that Department management establish standard contract monitoring tools to ensure that advertising agency contract monitoring activities are appropriately performed and documented in Department records.

Finding 2: Subcontractor Payment Reconciliations

Pursuant to Department advertising contracts, advertising agencies utilized subcontractors to perform certain contracted services and were to include such services when submitting invoices to the Department for payment. Upon review and approval of an advertising agency invoice, the Department was to pay the agency, who would then pay applicable subcontractors. Department contracts also required advertising agencies to provide the Department monthly payment reports that included for all agency payments to subcontractors the information necessary (e.g., subcontractor payment dates and the dates payments cleared the agency's bank) for vendor payment history records to be reconciled to the final payments to subcontractors. According to Department procedures, the Department was to reconcile monthly the advertising agency payment reports to Department of Financial Services online

[6] The calendar quarters tested included one quarter for one advertising agency and two quarters each for the other two agencies.

vendor payment history records to ensure that the advertising agencies paid subcontractors timely and payments to the subcontractors agreed with the amounts submitted to the Department for payment.

According to Department records, during the period July 2015 through February 2018, the Department received 40 advertising agency payment reports for reconciliation. We examined Department records for 15 advertising agency payment report reconciliations to determine whether Department reconciliations were complete, accurate, timely, subject to supervisory review, and noted differences were appropriately documented and resolved. Our audit procedures disclosed that:

- Although the advertising agency payment reports associated with 5 reconciliations omitted subcontractor payment dates and indications that payments to the subcontractors had cleared the agency's bank, and for another reconciliation the date a payment to the agency was deposited, the Department did not require the agencies to resubmit the reports to include the omitted information.
- Department records did not evidence timely completion of 9 of the reconciliations.
- 5 reconciliations did not include explanations for or document the resolution of reconciling differences. Subsequent to our audit inquiry, the Department provided documentation demonstrating that the differences had been appropriately addressed approximately 11 to 15 months after the reconcilations were completed.
- None of the reconciliations evidenced supervisory review.

According to Department management, Department procedures did not require all phases of the reconciliation process, including supervisory review, be documented, and changes in the format of one of the advertising agency's monthly payment report made reconciliations more cumbersome.

Absent documentation evidencing that advertising agency payment report reconciliations are complete, accurate, timely, subject to supervisory review, and noted differences are appropriately resolved, the Department has less assurance that subcontractors are paid timely and payments to subcontractors agree with the amounts submitted by advertising agencies to the Department for payment.

Recommendation: We recommend that Department management enhance advertising agency payment report reconciliation procedures to ensure that Department records evidence that reconciliations are complete, accurate, timely, subject to supervisory review, and noted differences are appropriately resolved.

Finding 3: Sponsorship Agreements

To extend the Department's advertising reach, the Department entered into sponsorship agreements with companies to sponsor events such as college football and basketball games. Pursuant to the sponsorship agreements, the Department was to receive various advertising services and promotional items, such as recognition in event radio and television broadcasts; signage during the events and on event Web sites; season tickets and parking passes to host select retailers, prospective retailers, or for other official purposes; and t-shirts, hats, autographed memorabilia, event tickets, and passes to pre-event hospitality. The sponsorship companies were required to provide the Department evidence of the performance of each advertising service or delivery of required promotional items, such as notarized affidavits, television and radio logs, and pictures of signage.

During the period July 2015 through February 2018, the Department expended $3,435,418 related to 25 sponsorship agreements. As part of our audit, we examined Department records for 6 of the agreements, with expenditures totaling $1,052,122, to determine whether the Department received advertising services and promotional items in accordance with sponsorship agreement terms and conditions. Our examination disclosed that:

- Although Department records evidenced for one agreement that the Department only received 21 of the 24 required live reads of a radio advertisement, the Department did not adjust the sponsorship company's invoice, resulting in a $1,350 overpayment.
- Another agreement specified that the Department was to receive 408 t-shirts and 418 hats; however, Department records indicated that only 400 t-shirts and 410 hats were received, resulting in a $200 overpayment.
- For a third agreement, the Department was to receive 28 full-screen[7] exposures during various football games at a cost of $325 per exposure, and 408 t-shirts and 418 hats at a cost of $10 and $15 each, respectively. However, Department records evidenced that only 24 full-screen exposures, 400 t-shirts, and 410 hats were received, resulting in a $1,500 overpayment.

In response to our audit inquiry, Department management indicated that the Department may have erroneously counted the number of full-screen exposures received based on documentation received from the sponsorship company. Additionally, although we inquired, Department management could not explain why the Department paid for the live radio advertisement reads, t-shirts, and hats that were not received.

Absent appropriate invoice payment controls, the Department has reduced assurance that sponsorship agreement payments will be made only after the receipt of contract deliverables.

Recommendation: We recommend that Department management enhance invoice payment controls to ensure that sponsorship agreement payments are made in accordance with contract terms and conditions.

Selected Administrative Activities

As part of our audit, we also evaluated selected Department administrative activities and controls, including those related to Department purchasing cards.

Finding 4: Purchasing Card Controls

The Department participates in the State's purchasing card program, which allows authorized personnel to charge Department expenses on purchasing cards. As of December 31, 2017, the Department had 63 active purchasing cards and purchasing card charges totaled $1,017,346 during the period July 2015 through November 2017.

As a participant in the State's purchasing card program, the Department is responsible for implementing key controls, including procedures for timely canceling purchasing cards upon a cardholder's separation from Department employment or when an employee no longer requires a purchasing card to perform his or her job duties. According to the Department's *Purchasing Card Procedures Manual*, Human

[7] Full-screen exposures are Department advertisements displayed across the full screen of the sporting venue's main video board during pre-game and half-time of a sporting event.

Resources was to e-mail the Purchasing Card Administrator (PCA) when a cardholder separated from Department employment and the PCA was responsible for canceling and destroying the employee's purchasing card.

We compared Department employee separation dates recorded in People First, the State's human resource information system, to purchasing card cancellation dates recorded in Department purchasing card records and found that the Department did not timely cancel the purchasing cards for 5 of the 20 cardholders who separated from Department employment during the period July 2015 through December 2017. Specifically, we found that 4 of the purchasing cards were canceled 3 to 24 business days (an average of 12 business days) after the cardholders' employment separation dates, while another card was canceled 202 business days after the cardholder separated from Department employment. In response to our audit inquiry, Department management indicated that, although the PCA is sometimes notified in advance of a cardholder's employment separation, delays in purchasing card cancellations may occur because the communication is overlooked.

Although our audit tests did not disclose any charges incurred after the 5 cardholders' separation from Department employment, timely cancellation of purchasing cards upon a cardholder's separation from Department employment is necessary to reduce the risk that unauthorized purchases will be made.

Recommendation: We recommend that Department management promptly cancel purchasing cards upon a cardholder's separation from Department employment.

PRIOR AUDIT FOLLOW-UP

The Department had taken corrective actions for the findings included in our report No. 2017-019.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from January 2018 through May 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit of the Department of the Lottery (Department) focused on Department advertising and sponsorship and selected administrative activities. The overall objectives of the audit were:

- To evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and other guidelines.

- To examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

Our audit also included steps to determine whether management had corrected, or was in the process of correcting, all deficiencies noted in our report No. 2017-019.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls, instances of noncompliance with applicable governing laws, rules, or contracts, and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature, does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws, rules, and other State guidelines to obtain an understanding of the legal framework governing Department operations.
- Reviewed applicable laws, rules, Department policies and procedures, and other guidelines, and interviewed Department personnel to obtain an understanding of Department advertising and sponsorship processes.
- From the population of 13 advertising agency calendar quarters related to the three advertising contracts in effect during the period July 2015 through February 2018, examined Department and advertising agency records for 5 selected quarters to determine whether the Department adequately monitored the contracts in accordance with applicable laws, rules, Department policies and procedures, and contract terms and conditions.

- Selected and examined 15 of the 40 advertising agency payment reports received by the Department for reconciliation during the period July 2015 through February 2018 to determine whether Department advertising agency payment reconciliations were complete, accurate, timely, subject to supervisory review, and noted differences were appropriately documented and resolved.
- Examined the Department's 2015-16 and 2016-17 fiscal year advertising agency monitoring worksheets to determine whether the Department adequately monitored advertising agency budgets in accordance with contract terms, Department policies and procedures, and other applicable guidelines.
- From the population of 16 advertising productions costing over $100,000 and totaling $4,531,977, created during the period July 2015 through February 2018, examined Department records for 7 selected productions, totaling $2,392,354, to determine whether production services were procured and subcontractors were paid pursuant to applicable laws, rules, Department policies and procedures, and contract terms and conditions.
- Analyzed Department financial data for the ten advertising vendors with the highest advertising expenses during the period July 2015 through February 2018 to determine whether the vendors incurred minimal non-advertising expenses in relation to overall expenses.
- From the population of 25 sponsorship agreements managed by the Department and with expenditures totaling $3,435,418 during the period July 2015 through February 2018, examined Department records related to 6 selected sponsorship agreements, with expenditures totaling $1,052,122, to determine whether the Department properly monitored the agreements pursuant to contract terms and conditions and whether all tangible advertising deliverables were properly accounted for and used for authorized purposes.
- From the population of 33 sponsorship agreements awarded by the Department during the period July 2015 through February 2018, analyzed Florida Accountability Contract Tracking System records to determine whether any of the agreements were no-cost event sponsorship agreements.
- Determined whether Department advertising expenditure and advertising agency commission transactions were in correct amounts; adequately documented; reconciled and reviewed; made in accordance with applicable laws, rules, and contract terms; and properly authorized and approved. Specifically:
    - From the population of 4,351 advertising expenditure transactions, totaling $89,963,723, made during the period July 2015 through February 2018, examined Department records for 40 selected advertising expenditure transactions totaling $12,899,356.
    - From the population of 69 advertising agency commission transactions, totaling $7,552,353, made during the period July 2015 through February 2018, examined Department records for 24 selected transactions totaling $4,119,910.
- Analyzed Department records for advertising agency fees, totaling $7,552,353, reported for the period July 2015 through February 2018, to determine whether advertising agency fees did not exceed annual budget amounts and were made in accordance with contract terms.
- Evaluated Department actions to correct the findings noted in our report No. 2017-019. Specifically, we:
    - Examined records for 5 selected contracts, totaling $1,343,176, from the population of 30 contracts, totaling $578,146,338, procured during the period April 1, 2017, through July 26, 2018, to determine whether the Department obtained conflict of interest attestations from employees and vendors involved in the contract procurements and whether the Department reviewed the Department of Management Services convicted vendor list.

- Analyzed Department property records as of January 10, 2018, to determine whether Department records included inventory dates preceding property acquisition dates for the 1,945 active property items, totaling $12,208,555, acquired prior to July 2017.
- Examined Department records for 17 selected expenses, totaling $387,192, from the population of 13,050 nonprize, nonpersonnel, nontransfer expenses, totaling $129,650,855 incurred during the period February 2017 through December 2017, coded in Department records as acquisitions of tangible personal property and 10 selected expenses, totaling $57,021, related to the acquisition of potentially sensitive or attractive property items, to determine whether the Department appropriately recorded the acquisitions in Department property records.
- Analyzed Department property records as of January 10, 2018, to determine whether the Department depreciated the 136 sensitive and attractive property items acquired during the period February 1, 2017, through January 10, 2018.
- Observed, documented, and evaluated the status of the implementation of the Business Lottery Accounting System.

- Observed, documented, and evaluated the effectiveness of selected Department processes and procedures for:
  - Budgetary and purchasing activities. Additionally, from the population of 226 purchase orders, totaling $5,076,910, active during the period July 2016 through June 2017, we examined 15 selected purchase orders, totaling $2,278,227, to determine whether the goods and services related to the purchase orders were competitively solicited in accordance with applicable laws, rules, and other guidelines.
  - The assignment, use, and disposition of motor vehicles. As of January 10, 2018, the Department was responsible for 181 motor vehicles with related acquisition costs totaling $3,574,838.
  - The administration of purchasing cards in accordance with applicable guidelines. As of December 1, 2017, the Department had 63 active purchasing cards.
  - The administration of Department travel in accordance with State law and other applicable guidelines. During the period July 2015 through December 2017, Department travel expenditures totaled $402,948.
  - The assignment and use of Department mobile devices with related costs totaling $230,192 during the period July 2015 through December 2017.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading ***MANAGEMENT'S RESPONSE***.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE

RON DESANTIS
Governor

JIM POPPELL
Secretary

August 8, 2019

Sherrill F. Norman, CPA
Florida Auditor General
Claude Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

The Lottery has received your list of preliminary and tentative audit findings and recommendations resulting from your operational audit of the Lottery, Advertising and Sponsorship and Selected Administrative Activities. Below is our response to each finding and recommendation:

Finding #1: Department records did not always evidence adequate monitoring of advertising agency contracts.

Recommendation: We recommend that Department management establish standard contract monitoring tools to ensure that advertising agency contract monitoring activities are appropriately performed and documented in Department records.

Lottery's Response: We had a leadership change in Brand Management in December 2017. Since this change, the team has implemented a robust and comprehensive contract monitoring plan to ensure desired service outcomes are being achieved and any problems identified are being resolved and corrected in a timely manner. It is worth noting that Brand Management completed a Contract Management Review, conducted by DFS in February 2019. This review evaluated the Department's contract deliverables monitoring processes and selected contracts. The review focused on the Department's monitoring of its advertising agreement with PP+K, Inc., during the period January 1, 2018 through March 31, 2019. The review found that the Department successfully developed *monitoring processes that provide assurances that the advertising services obtained under the PP+K agreement are being provided consistent with the ITN's deliverables and the agreed-upon terms for the program execution, production, media delivery, etc.*

Finding #2: Department procedures for reconciling advertising agency subcontractor payments to vendor payment history records need improvement.

Recommendation: We recommend the Department management enhance advertising agency payment report reconciliation procedures to ensure that the Department records evidence that reconciliations are complete, accurate, timely, subject to supervisory review, and noted differences are appropriately resolved.

Lottery's Response: We concur with your recommendation, and General Accounting has enhanced procedures to include a step to ensure the vendor provides confirmation that subcontractor payments are made timely. The subsequent clearing of these payments is verified as well. A requirement has also been added to the procedures for all reconciliations to be completed within 30 days of the end of the month. These reconciliations are then reviewed and approved by the Financial Transactions Supervisor and/or Director of Accounting.

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Finding #3: Department invoice payment controls need enhancement to ensure that sponsorship agreement payments are made in accordance with contract terms and conditions.

Recommendation: We recommend that Department management enhance invoice payment controls to ensure that sponsorship agreement payments are made in accordance with contract terms and conditions.

Lottery's Response: In January 2018, we instituted a new process for monitoring all sponsorship agreements and contracts, which includes a monitoring document and proof of performance checklist that is provided as backup when invoices are routed for payment. The monitoring document outlines every single deliverable and for each deliverable a description, completion date, how we verified the deliverable was achieved, a link to the content/deliverable, and any notes. If any deliverable deviates from the agreement terms, said deviation is noted with an explanation for how it is (or will be) resolved. The Proof of Performance checklist is used at the end of a partnership in tandem with the monitoring document to ensure accurate payment is invoiced.

Finding #4: The Department did not always timely cancel purchasing cards upon a cardholder's separation from Department employment.

Recommendation: We recommend that Department management promptly cancel purchasing cards upon a cardholder's separation from Department employment.

Lottery's Response: In fiscal year 2018-19, additional controls were implemented in General Accounting and Human Resources (HR) to ensure that purchasing cards are timely deactivated upon the separation of a cardholder's employment from the Department. When an employee separates from the Lottery, HR sends out a notification of separation to the DL-Separations Group and their backup staff in accordance with HR internal operating procedures. This notification contains instruction for the primary custodian to complete a checklist once the removal of access has been completed. The DL-Separations Group is responsible for removal of access and account closure. General Accounting has identified a primary and secondary coordinator to the DL-Separations Group and responds to HR when the separation activities have been completed. Also, since the notifications from HR often have future effective dates, General Accounting has created a log to track the termination dates of employees leaving the Department who have a PCard. This additional control has proven very useful in ensuring that cards are timely deactivated.

Thank you for your audit efforts and recommendations. I look forward to receiving your final report.

Sincerely,

Jim Poppell

Jim Poppell
Secretary

cc: Samantha Ferrin, Chief of Staff
Amber Seale, Chief of Brand Management
Anthony Garcia, Deputy Secretary of Administration
Andy Mompeller, Inspector General