

RICK SCOTT
Governor



CYNTHIA F. O'CONNELL
Secretary

FLORIDA LOTTERY

March 28, 2012

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

Dear Secretary O'Connell,

Section 20.055(5)(h), Florida Statutes, requires the Inspector General to monitor the implementation of the agency's response to any report on the Florida Lottery issued by the Auditor General or by the Office of Program Policy Analysis and Government Accountability. The referenced statute further requires that no later than six months after the findings are published, the Inspector General must provide a written response of the status of actions taken. The purpose of this letter is to provide updated information on the agency's response to the Auditor General's Games Administration Operational Audit findings and fulfill these requirements.

In September 2011, the Auditor General released its report titled Games Administration Operational Audit. The report outlined four audit findings. The following details each finding and the current progress of Lottery staff to address each finding:

Finding No. 1: *Although our tests disclosed no instances in which significant game development processes had been omitted, the Department's game management controls could be improved by implementing written procedures describing the steps to be performed when selecting, launching, advertising, monitoring, and closing lottery games.*

Status of Corrective Action: The Lottery has prepared a comprehensive draft of procedures describing the steps and timing necessary for the successful creation, launch, marketing, monitoring and closing of Lottery Scratch-off Games. That draft is now being circulated for review and editing among the agency's functional departments. Once the suggestions are incorporated, the proposed procedures will be submitted to you for your review and approval.

The analogous procedures draft is being prepared for the other major lottery product line: "terminal" or "drawing" games. This too will be circulated for review and comment before a final version is presented to you for consideration. It is anticipated that both sets of procedures will be in place by the start of the new fiscal year, July 1, 2012.



Mrs. Cynthia O'Connell
Florida Lottery Secretary
Status on Auditor General Findings
March 28, 2012

Finding No. 2: *The Department did not utilize a methodology, such as the completion of a checklist, to document the accomplishment of game management milestones.*

Status of Corrective Action: In the Lottery's August 30, 2011, response to the Auditor General's preliminary and tentative findings and recommendations, the agency pledged the following in regard to this recommendation:

We will examine our existing processes and determine if there are other areas in which checklists, approval forms or similar documents would genuinely benefit the efficient and effective business operations, particularly in regard to conveying the necessary process steps to new employees.

The Lottery has concluded that, at this time, there is no efficiency or effectiveness to be gained by adopting additional checklists, approval forms or similar documents. This decision reflects consideration of long-standing practices, specifically those embodied in the "Status of Games in Progress" for Scratch-off Games, "Product Briefs" and game launch timelines. This judgment also is based on written procedures currently under review in response both to Finding Number 1 of this operational audit and to suggestions from other auditing organizations.

Finding No. 3: *The Department did not always document that all appropriate divisions approved a game's working papers prior to the contracting for the game.*

Status of Corrective Action: As noted in the Lottery's August 30, 2011, response, corrective action was taken immediately to ensure that all working papers would contain all critical functional area representative signatures prior to game execution. In addition, draft written procedures currently being reviewed by executive management require that all working papers be formally reviewed and approved by the Lottery's Legal, Product Development, Security, Finance and Budget, Software Quality Assurance, Information Resources and Communications departments prior to execution.

Finding No. 4: *The Department should consider tracking in one system all applicable costs for each game, including license fees, research costs, and advertising costs.*

Status of Corrective Action: The Lottery's original response stated that we concur with this recommendation. While the Lottery does a considerable amount of game and cost analysis already, a project is underway to greatly strengthen capabilities in this regard by putting in place a new financial accounting system.


The first phase of the new accounting system implementation project is currently in parallel processing and the entire system is expected to go-live on July 1, 2012. Once the system is up and completely functioning, the agency will explore expanding the

Mrs. Cynthia O'Connell
Florida Lottery Secretary
Status on Auditor General Findings
March 28, 2012

functionality to resolve this finding. It is estimated that the more advanced needs can be accomplished in second quarter of FY 12-13.

If you require additional information in these matters, please feel free to contact me at your earlier convenience at 487-7726.

Sincerely,



Andy Mompeller
Inspector General

cc. Ms. Cathy Dubose, Coordinator - Legislative Auditing Committee