

From: Jean Block
Sent: Tuesday, July 08, 2014 3:21 PM

Subject: Springdale Claim Center lease

Commissioners:

I'm forwarding you the email below at Commissioner Lamberth's request. You'll recall that the Commission has discussed the expiring Springdale Claim Center lease over the past few months. In late May, my contact at the AR Building Authority, the state agency charged with helping state agencies find suitable lease space, emailed me 22 alternative sites. I'd asked him to provide me with smaller and less expensive alternate sites and sites that were conducive to space sharing with other state agencies. I forwarded the information to Comm. Lamberth, and based on his knowledge of the area she asked former ALC Commissioner Mike Malone to drive by the sites and provide feedback on the most desirable locations. Mike recommended a handful of sites. ALC Treasurer, Tim Parrish, who was involved in the selection of the current claim centers, then traveled to Fayetteville to view some of those sites and identified a clear standout - 3155 N. College Ave. in Fayetteville (referred to as Fayetteville #5 in the email below).

Commissioner Lamberth supports selecting the Fayetteville #5 location since it will meet ALC's needs and will cost ALC about \$10,000 less annually than the current Springdale lease. She plans to include this item on the agenda of next week's *Audit & Legal Committee* meeting so that the committee may consider it and take a vote.

Please let me know if you have questions about this or need additional information about it.

Jean

From: Jean Block
Sent: Friday, June 27, 2014 4:46 PM

Subject: Springdale Claim Center Lease

Dianne:

As you know, the Springdale Claim Center lease will expire on Sept. 30, 2014. ALC staff has closely evaluated the lease options that you and I discussed a few weeks back. We had to remove one of the top choices, Fayetteville #16, from our short list because the space is on the 2nd floor and there is no elevator access to it. Because the space is not ADA-accessible, it is not a viable option for us. Earlier this week, ALC Treasurer, Tim Parrish, visited the three other sites – Fayetteville #5, #20 and #6. The attached Word document contains his brief summary of the 3 locations. In his opinion, Fayetteville 5, which I believe was the next top choice, was the best option and has a good location. I've attached pictures of the 3 sites he visited and floor plans of two of them.

A few other pertinent points:

- We currently we pay \$27,198 annually for 1,800 SF at the Springdale site; Fayetteville 5 would cost \$17,836 annually for 1274 SF.
- I reviewed our 3 current leases and they all allow us to remove fixtures and signs which means we'll be able to remove our safes and bank teller windows.
- We have to give 30 days written notice if we wish to terminate our current leases.

- The current leases allows us to extend the leases for not more than 90 days if necessary. We'd need to give 30 days written notice if we wish to do that.

The other two leases expire on 11/30/14. I expect that we'll have alternative lease options presented to us by next week. I'll forward them to you as soon as I have them. Please let me know if you have questions or need any additional information regarding this.

Jean

Northwest Arkansas Claim Center Site Survey

3155 North College Ave (Fayetteville #5): This location has easy access off Fulbright Expressway, approximately .8 mi south on N College Ave. This is a busy thoroughfare with many retail businesses; location is across from shopping complex with Office Depot and Hobby Lobby. Building is directly on College Ave, has ample parking and first floor entrance faces College Ave. Available suite is approximately 1,290 sq ft, has entrance off the main atrium near the main building entrance. There is no rear or side entrance to this suite. The space would be built out to our specifications in approximately 90 days. There is no available street signage, but building facade signage is allowed. Floor plan attached.

Assessment: This is a viable space and a good location.

3608 North Steele Blvd (Fayetteville #20): This location is somewhat near the Northwest Arkansas Mall and the Wal-Mart Supercenter but is not on a main thoroughfare and is somewhat difficult to get to. There is limited traffic and no retailer businesses in the near vicinity. The location is in the Uptown Professional Center, available suite is approximately 1500 sq ft on the first floor with entrance near the main building entrance. There are two additional side entrances off the central hallway. There is a monument sign on the street we may be able to utilize but facade signage is not allowed. Floor plan attached.

Assessment: This is a viable space but not a good location.

5501 Willow Creek (Fayetteville #6): This location would have easy access off I-49 but the Johnson Mill Blvd ramps are currently under construction. The area is what I would describe as a medical park with the main tenant being the Willow Creek Women's Hospital which is where Willow Creek ends. The available space is in a building occupied by medical clinics and physicians. The available space was a physician's office and is laid out as such with exam rooms. Agent was not sure about remodel and I have not received any additional information requested.

Assessment: This is not a viable space or location.



Great location on busy College Ave in North Fayetteville.

Address: **3155 N College Ave**
 City/State/Zip: **Fayetteville, AR 72703**
 Market: **West Fayetteville**
 Submarket: --

Year Built:
 Core Factor:
 Sublease: **No**
 % Occupied: **61.2%**

Bldg Size: **33,486 SF**
 Stories: **1**
 Status: **Existing**
 Class: **B**
 Parking Ratio: --

Available SF: **12,992 SF**
 Max Contig: **5,125 SF**
 Rental Rate: **\$12.00 - \$14.00 Gross**
 Sale Price: **Not for Sale**
 Price/SF: **Not for Sale**

Property Type: **General Office**
 Zoning:
 Parcel #: **765-15916-000**

Operating Exp/SF: --
 Taxes/SF --

Floor	Unit	SF Avail	Max Contig	Min Div	Lease Rate	Space Type	Vacant	Occupancy	Term
1	101	1,274	1,274	1,274	\$14.00 Gross		Yes	Now	
Vacant Gray Box									

Paradigm Companies

Tracy Hoskins (479) 521-7007



Office space for lease on 1st floor. Suites 102 and 103 available. Located behind Target shopping center.

Address: **3608 N Steele Blvd**
 City/State/Zip: **Fayetteville, AR 72703**
 Market: **North Fayetteville**
 Submarket: --

Year Built: **2005**
 Core Factor: **18%**
 Sublease: **No**
 % Occupied: **78.14%**

Bldg Size: **17,490 SF**
 Stories: **2**
 Status: **Existing**
 Class: **B**
 Parking Ratio: **2.51 /1000 SF**

Available SF: **3,823 SF**
 Max Contig: **2,294 SF**
 Rental Rate: **\$13.50 NNN**
 Sale Price: **Not for Sale**
 Price/SF: **Not for Sale**

Property Type: **General Office**
 Zoning:
 Parcel #: **765-22237-000; 765-22237-002**

Operating Exp/SF: --
 Taxes/SF --

Floor	Unit	SF Avail	Max Contig	Min Div	Lease Rate	Space Type	Vacant	Occupancy	Term
1	103	1,529	1,529	1,529	\$13.50 NNN	Office	Yes	Now	1 year
--									

CBRE | Northwest Arkansas
 Clinton Bennett (479) 301-2520



Class A medical office space. Conveniently located across from Willow Creek Women's Center in Johnson and just off of I-540 and Greathouse Springs Blvd.

Address: **5501 Willow Creek Dr**
 City/State/Zip: **Springdale, AR 72762**
 Market: **North Fayetteville**
 Submarket: --

Bldg Size: **38,160 SF**
 Stories: **2**
 Status: **Existing**
 Class: **B**
 Parking Ratio: --

Property Type: **Medical Office**
 Zoning:
 Parcel #: **785-18024-206**

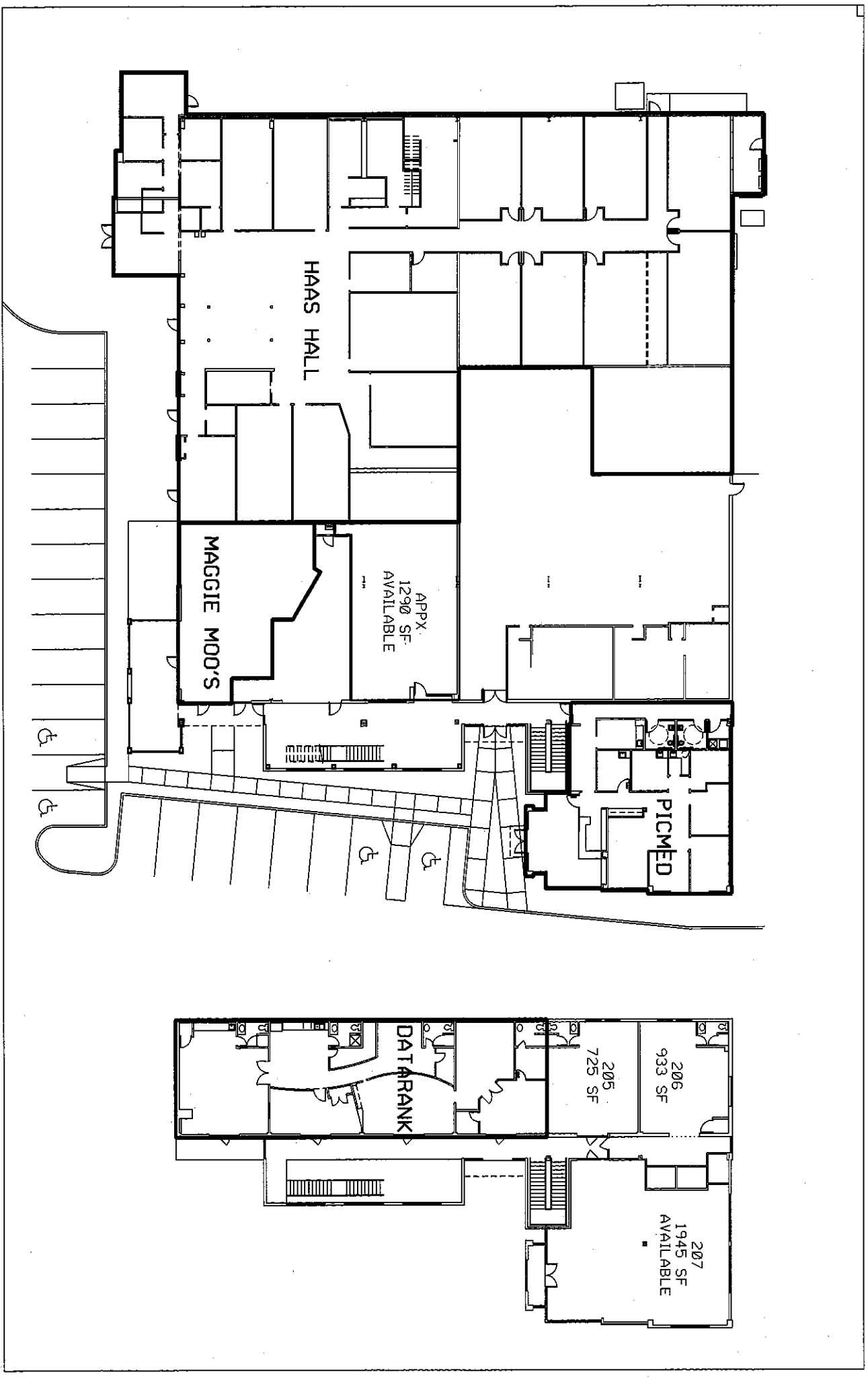
Year Built:
 Core Factor:
 Sublease: **No**
 % Occupied: **96.93%**

Available SF: **1,173 SF**
 Max Contig: **1,173 SF**
 Rental Rate: **\$16.00 NNN**
 Sale Price: **Not for Sale**
 Price/SF: **Not for Sale**

Operating Exp/SF: --
 Taxes/SF --

Floor	Unit	SF Avail	Max Contig	Min Div	Lease Rate	Space Type	Vacant	Occupancy	Term
1	101	1,173	1,173	1,173	\$16.00 NNN	Medical	Yes	Now	
--									

Colliers International
 Alan Cole (479) 845-1505





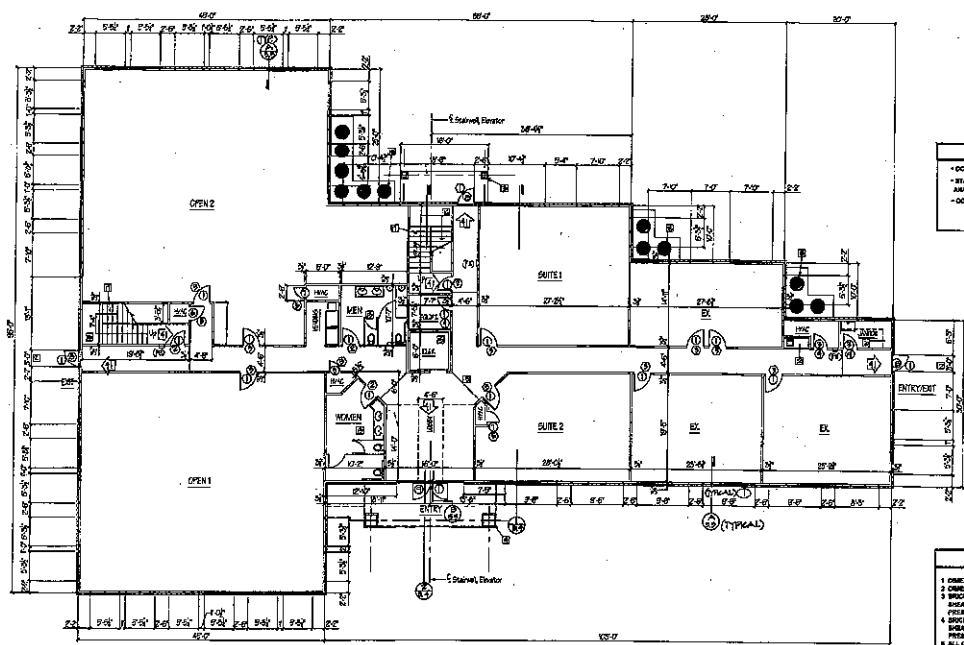
T.J. McQUIRE & ASSOCIATES
ARCHITECTS, INC.
Box 17
Germantown, MI 48130-0017

STEEL CROSSING PROFESSIONAL CENTRE
FIRST FLOOR PLAN

REVISED	BY

DATE: _____
TABLE NO: TK-04

SHEET NO:
5.0



FIRST FLOOR PLAN
19-F0

EGRESS OCCUPANCY INFORMATION

- OCCUPANCY EGRESS NUMBERS SHOWN IN SYMBOL.
- STAIRWAY EGRESS PORTALS MUST BE BETWEEN LEVELS FOR EGRESS AVAILABLE.
- OCCUPANCY BASED ON 100 S.F. PER OCCUPANT IN ALL BUSINESS, OFFICE, ROOMS, HALLWAY, ETC.
- 300 S.F. PER OCCUPANT IN RECREATION, STORAGE, EQUIPMENT SPACES, ETC.

- PLAN NOTES - 1st. & 2nd. LEVEL**
- CONCRETE L&T TO FACE OF FRAMING LINE UNLESS NOTED OTHERWISE.
 - CONCRETE FOR LAYOUT ONLY - VERIFY ALL DOOR THRESHOLD ROUGH CONDITIONS.
 - SPRINKLER COLUMNS 14" x 14" x 14" UNLESS SPECIFIC OTHERWISE. ALL WOOD FRAMED COLLARS SHALD BE WRAPPED IN MOISTURE BARRIER. ALL WOOD IN CONTACT WITH CONCRETE TO BE PRESERVED TREATED.
 - SPRINKLER COLUMNS 14" x 14" x 14" UNLESS SPECIFIC OTHERWISE. ALL WOOD FRAMED COLLARS SHALD BE WRAPPED IN MOISTURE BARRIER. ALL WOOD IN CONTACT WITH CONCRETE TO BE PRESERVED TREATED.
 - ALL CEILING LINERS, ELEVATOR, ELEVATOR EQUIPMENT ROOM, STAIRWAYS, HALLS TO BE CEILING 1/2" TYPE 1/2" GY. B.D. 5/8" S&S. ALL PLUMBING TO BE INSTALLED PER CODES AND REGULATIONS.
 - ALL WALLS AND OTHER GY. B.D. CEILING ABOVE OR BENEATH ARE TO BE 1-LAYER GY. 1/2" TYPE 1/2" GY. B.D.
 - INSTALL SOUND RATED INSULATION @ ALL INTERIOR WALLS.
 - SEE ENCLOSED PLANS BY ME.
 - IF FEASIBLE USE FIRE EXTINGUISHERS TO MEET NFPA-10 REQUIREMENTS FOR LOW VOLTAGE EQUIPMENT, VESTIBULE REQUIREMENTS FOR CABINET INSTALLATION.
 - SEE OTHER FLOOR PLANS FOR DRAWINGS.
 - SEE ALARM BELL DETECTION SYSTEM TO BE INSTALLED PER CODE REQUIREMENTS. VERIFY BELL DETECTION SPECIFICATIONS FOR APPROVAL.
 - SEE OTHER FLOOR PLANS FOR DRAWINGS. ARCHITECT TO FINISH LAYOUT, STYLE, TRIM, DETAILS, ETC.
 - SEE OTHER FLOOR PLANS FOR BATHROOM ACCESSORIES.
 - SEE OTHER FLOOR PLANS FOR BATHROOM ACCESSORIES.
 - ALL INTERIOR GLASS PARTS IN INTERIOR FIRE RATED WALL ASSEMBLY TO BE FIRE RATED AS REQUIRED FOR PENETRATION AND TO BE BY "PROFESSIONAL GLASS PRODUCTS" OR APPROVED EQUAL.
 - ELEVATOR "COT" HOLES BY 14" x 14" x 14" UNLESS SPECIFIC OTHERWISE. ALL WOOD FRAMED COLLARS SHALD BE WRAPPED IN MOISTURE BARRIER. ALL WOOD IN CONTACT WITH CONCRETE TO BE PRESERVED TREATED.
 - DOOR SEAL SYSTEMS TO MEET SMOKE CONTAINMENT REQUIREMENTS PER CODE OR ENGINEER'S REQUIREMENTS TO BE INSTALLED AT EACH DOOR. INSTALL & COMPLY WITH ALL ELEVATOR SUPPLIER SPECIFICATIONS & CODE REQUIREMENTS FOR LIFT, SHUTTLE, ELEVATOR EQUIPMENT ROOM, ETC. FOR COMPLETE INSTALLATION. ALL FRAMING, COLLARS, ETC. TO BE BY ARCHITECT'S CHOICE.
 - SEE OTHER FLOOR PLANS FOR TRIM, 1/2" GY. B.D. COVERED, PATTERNS, COLORS TO BE SELECTED BY ARCHITECT'S CHOICE.
 - EXTENSIVE COORDINATING LIMITS. LOCATIONS MAY VARY AS APPROVED BY ARCHITECT.
 - SEE OTHER FLOOR PLANS FOR TRIM, 1/2" GY. B.D. COVERED, PATTERNS, COLORS TO BE SELECTED BY ARCHITECT'S CHOICE.
 - SEE OTHER FLOOR PLANS FOR TRIM, 1/2" GY. B.D. COVERED, PATTERNS, COLORS TO BE SELECTED BY ARCHITECT'S CHOICE.

WINDOW SCHEDULE INFO.

1. ALL ALUMINUM DOORS, FLOOR WINDOWS, STOREFRONT ENTRY SYSTEMS, "OFFICE COMPARTMENT" OR APPROVED EQUAL FRAMING SYSTEMS, WITH WALL, GYPSUM AND DOOR FRAMED MATERIALS, ALUMINUM FINISH, FINISH AS INDICATED, OUTSIDE GLAZED WITH 1/2" TINTED, LOW-E INSULATED GLAZING, DOUBLE GLAZED TO BE INSULATED.

INCLUDE ALL REQUIRED HARDWARE, THRESHOLDS, ETC. ALL PRODUCTS, SYSTEMS, GLAZING, ETC. TO BE INSTALLED PER MANUFACTURER'S REQUIREMENTS. NATIONAL ALUMINUM FINISH. ALL FRAMING GLAZING INFORMATION TO BE SUBMITTED TO ARCHITECT FOR APPROVAL. ALL HARDWARE & HARDWARE COMPATIBILITY TO BE SUBMITTED AND APPROVED BY ARCHITECT.

VERIFY DIMENSIONS PLACE WALL ON WINDOW BEARING. ARCHITECT TO FINISH DETAIL FOR SPECIFIC CONDITIONS.

**Arkansas Lottery Commission
Audit & Legal Committee Meeting
July 16, 2014**

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**Arkansas Lottery Commission
Internal Audit Automation Proposal**

Current Processes

- Paper-based audit documentation
 - Content developed by Internal Audit produced in Microsoft Excel or Word, then printed
 - System reports generated, then printed or copied (often truncated due to size)
 - Internal Audit content saved to department shared drive and backed-up
 - Sign-off of completion and review only resident in the paper-based file
 - Content provided by Management included in working papers may only be resident in paper form

- Storage and Protection
 - Paper files are stored in an extra office that is locked
 - Fire protection is that which is common to the rest of the floor (no fire safe used for storage)
 - Storage area is subject to natural disaster

- Current Method Cost
 - Paper files are stored in an extra office that is locked
 - Documentation for FY 2014 Audit Plan required approximately 25 3-ring binders (est. cost \$150)
 - Contents of audit documentation binders for FY 2014 Audit Plan are estimated at \$2,100
 - If draw audit responsibilities are added to Internal Audit, the volume of paper would increase greatly

- Data Analysis
 - Limited to standard Microsoft Office and Access functionality
 - Using standard functionality is sometimes cumbersome and inefficient

**Arkansas Lottery Commission
Internal Audit Automation Proposal**

Proposal

- Actively seek electronic audit documentation and workflow management solution
 - Essentially eliminates paper documentation
 - Provides backup and protection of all audit documentation in the event of fire or natural disaster
 - Provides opportunities for efficiency that aren't captured in costs mentioned above
 - Cost effective
 - = One-time user license cost of \$2,100 to \$2,500 per user
 - = Ongoing maintenance costs of \$420 to \$860 per user
 - Provides built-in features and resources that help ensure compliance with standards
 - Is the standard compared to other internal audit organizations
 - = Survey of other Internal Audit Organizations (7 U.S. Lottery and 3 State Agency/University responses)
 - = 5 of 7 responding lotteries and 2 of 3 responding State entities use an electronic solution

- Actively seek data analytics solution
 - Helps ensure compliance with standards and best practices ("continuous auditing")
 - Allows for more sophisticated analysis than that available through standard Excel functionality
 - = Automated and complex sampling methods (random, stratified, monetary/PPS)
 - = Stratification and aging tools
 - = Digital analysis such as Benford's Law, cross tabs, duplicate key detection, and gap detection
 - Is the standard compared to other internal audit organizations
 - = Survey of other Internal Audit Organizations (6 U.S. Lottery and 3 State Agency/University responses)
 - = 4 of 6 responding lotteries and 3 of 3 responding State entities use a data analytics solution
 - Cost effective
 - = One-time user license cost of \$250 to \$2,640 per user
 - = Ongoing maintenance costs of \$50 to \$1,000 per user

**State of Arkansas Career Service Pay Plan
Grades C117 - C122**

	C117	C118	C119	C120	C121	C122
Entry ¹	\$ 32,249	\$ 33,861	\$ 35,554	\$ 37,332	\$ 39,199	\$ 41,159
Base ²	\$ 34,234	\$ 35,946	\$ 37,743	\$ 39,631	\$ 41,612	\$ 43,693
Midpoint ³	\$ 44,505	\$ 46,730	\$ 49,067	\$ 51,124	\$ 53,264	\$ 55,490
Max ⁴	\$ 54,775	\$ 57,514	\$ 60,390	\$ 62,616	\$ 64,915	\$ 67,287
Career ⁵	\$ 59,157	\$ 62,115	\$ 65,221	\$ 67,626	\$ 70,108	\$ 72,670

Grade Classification Descriptions (Source: ALC Human Resources)

- 1 The level of expected compensation for the grade noted for candidates that meet the minimum qualifications stated in the job description.
- 2 The level of expected compensations for those already employed by the State who are transitioning from a lower pay grade to the grade noted.
- 3 The maximum level of expected compensations for candidates that clearly possess skills, education, certifications, or other experience that exceed the minimum qualifications stated in the job description.
- 4 The maximum level of compensation for the grade. Maximum would be reached through increases to the employee's annual compensation through mechanisms such as Cost of Living Adjustments (COLA).
- 5 The level of compensation reserved for employees that have held the same position for at least 15 years.

**Arkansas Lottery Commission
Draw Audit Proposal
Employee Cost Assumptions**

	Year 1 Costs		
	C121 ¹	C118 ²	Hourly Rate
	FT Employee	PT Employee	
Annual Compensation ³	45,400	13,968	\$ 16.28
Social Security & Medicare (7.65%) ⁴	3,473	1,069	
Retirement (14.88%) ⁵	6,756	-	
Health Insurance (Est.) ⁶	5,592	-	
Annual Merit (3.00%) ⁷	1,362	419	
Total Annual Compensation Costs	62,583	15,455	
Employee Hardware (every 3-4 years) ⁸	1,300	1,300	
IA-Specific Software ⁹	2,349	2,100	
Total "One-Time" IT Costs	3,649	3,400	
IA-Specific Software Maintenance ¹⁰	469	420	
Total Annual IT Costs	469	420	

	Year 2 Costs		Year 3 Costs		Year 4 Costs		Year 5 Costs	
	C121	C118	C121	C118	C121	C118	C121	C118
	FT Employee	PT Employee	FT Employee	PT Employee	FT Employee	PT Employee	FT Employee	PT Employee
Annual Compensation	46,081	14,177	46,772	14,390	47,474	14,606	48,186	14,825
Social Security & Medicare	3,525	1,085	3,578	1,101	3,632	1,117	3,686	1,134
Retirement	6,857	-	6,960	-	7,064	-	7,170	-
Health Insurance	5,592	-	5,592	-	5,592	-	5,592	-
Annual Merit	1,382	425	1,403	432	1,424	438	1,446	445
Total Annual Compensation Costs	63,437	15,687	64,305	15,922	65,186	16,161	66,080	16,404
Employee Hardware					1,300	1,300		
IA-Specific Software								
Total "One-Time" IT Costs	-	-	-	-	1,300	1,300	-	-
IA-Specific Software Maintenance	469	420	469	420	469	420	469	420
Total Annual IT Costs	469	420	469	420	469	420	469	420

- 1 Suggested grade for suggested full-time employee. Annual compensation used in cost assumptions represents a pay level between the base and midpoint on the basis that a candidate exceeding the minimum position qualifications is identified. See Pay Grade discussion for classification levels and related descriptions.
- 2 Suggested grade for suggested part-time employee. Annual compensation used in cost assumptions represents pay in proportion to the expected hours to be worked in a year at the entry level of pay for the grade. See Pay Grade discussion for classification levels and related descriptions.
- 3 Annual compensation for the grades listed as described in 1 and 2 above. Year 2 through 5 annual compensation figures for both suggested employees include an annual 1.5% COLA. COLAs may or may not be factored into the biennial budgets approved by the General Assembly, and are typically subject to the Governor's discretion based on recommendations from the DFA Director for employees of certain State agencies. The ALC's past practice has been to follow the guidance issued by DFA with approval of the Governor relative to granting COLAs to its employees, and thus, the COLAs reflected may or may not be granted. 1.5% used since the last two COLAs granted or discussed have been 2% and 1%.
- 4 Represents federally-required taxes the ALC must pay on behalf of its employees.
- 5 Represents required contribution to APERS the ALC must pay on behalf of full-time employees eligible for the plan. Employees that work less than 1,000 hours annually are not eligible to participate in APERS, and as such, no cost factored into part-time employee costs noted above.
- 6 Represents the ALC-funded portion of annual health insurance costs. The ALC is required to pay \$466 monthly for each employee eligible to participate in the health insurance plan. Employees that work less than 1,000 hours annually are not eligible to participate in the health plan, and as such, no cost factored into part-time employee costs noted above.
- 7 Annual merit bonuses of 3% are reflected each year presented above. Much the same as COLAs, merit pay is subject to recommendation of the DFA Director and approval of the Governor for employees of certain State agencies, and the ALC's past practice has been to follow this guidance in awarding merit pay to its employees. Merit pay is also subject to performance ratings relative to each employee and can vary from year to year not only based on an employee's performance, but also on any adjustments to the merit pay percentages included in the recommendation from the DFA Director approved by the Governor. 3% used for illustration purposes as the default merit percentage for employees with the "Above Average" rating.
- 8 Estimated upper-end cost of laptop computer, loaded with basic software, provided by ALC IT Network Engineer. Decisions regarding actual hardware deployed to each employee would be determined at the time of hiring based on expected job functions, and could be lower than this upper-end projection. The ALC typically replaces hardware every 3 to 4 years.
- 9 Represents one-time licensing cost of audit documentation and workflow software for each employee. Full-time employee costs also include one-time cost for data analysis software. See separate analysis regarding these products.
- 10 Represents annual maintenance costs relative to the software outlined in 9 above.

**Arkansas Lottery Commission
Draw Audit Proposal
5-Year Return Analysis**

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Total</u>
FT Employee						
Compensation	62,583	63,437	64,305	65,186	66,080	321,591
"One-Time" IT Costs	3,649	-	-	1,300	-	4,949
Annual IT Costs	469	469	469	469	469	2,345
Total FT Employee	66,701	63,906	64,774	66,955	66,549	328,885
PT Employee						
Compensation	15,455	15,687	15,922	16,161	16,404	79,629
"One-Time" IT Costs	3,400	-	-	1,300	-	4,700
Annual IT Costs	420	420	420	420	420	2,100
Total FT Employee	19,275	16,107	16,342	17,881	16,824	86,429
Total Projected Costs¹	85,976	80,014	81,117	84,836	83,372	415,314
Current Costs²	124,200	124,200	124,200	124,200	124,200	621,000
Projected Savings	38,224	44,186	43,083	39,364	40,828	205,686
Savings Expressed in Scholarships³	10.9	12.6	12.3	11.2	11.7	58.8

1 Total Projected costs for suggested ALC resources. See Employee Cost Assumptions for further information.

2 Amount represents total estimated annual cost of draw audit services based on actual July 2013 through April 2014 billings from the Division of Legislative Audit for draw audit services.

3 Savings expressed in the number of \$3,500 scholarships. \$3,500 used because under the new system, a recipient attending a 4-year institution would earn an average of \$3,500 per year [$(\$2,000 + \$3,000 + \$4,000 + \$5,000) / 4 \text{ years} = \$3,500$].



**STATE OF ARKANSAS
ARKANSAS LOTTERY COMMISSION**

Post Office Box 3238
Little Rock, Arkansas 72203-3238
Phone: (501) 683-2000
Fax: (501) 683-1878
<http://myarkansaslottery.com>

ALC Job Description

Authorized Job Title: TBD	Internal Title: Assistant Auditor
Reports to: Lottery Commission Internal Auditor	FLSA Status: Exempt
Department: Internal Audit	Prepared by: Internal Auditor
Position #: TBD	Grade: C121

Position Summary:

The Assistant Auditor is responsible for providing an objective, independent review of the Lottery's activities and internal controls to help the Commission and management monitor and evaluate internal control adequacy and effectiveness and ensure compliance with applicable statements of policy and procedure, state and federal laws and regulations, and in a manner consistent with high standards of administrative practice.

Essential Job Functions:

- Conducts programmatic, operational/performance, compliance, information technology and/or financial audits.
- Conducts audits of daily and monthly draw procedures for in-state games.
- Reviews financial information to ensure compliance with established criteria, policies, and regulations.
- Compiles data and audit information for preparation of reports.
- Assists in preparation of audit reports and assists in developing recommendations.
- Performs other duties and oversees special projects as may be assigned by the Internal Auditor.
- May assist in preparation of information for legislative oversight bodies and other external auditors, accountants, or consultants.

Knowledge, Skills and Abilities:

- Awareness of the Standards for the Professional Practice of Internal Auditing.
- Awareness of Information Technology and/or Generally Accepted Accounting Principles (GAAP), including governance frameworks such as COBIT.
- The ability to interpret and analyze reports and records for audit purposes.
- Excellent communication skills, both written and oral.
- The ability to establish and maintain effective working relationships.
- The ability to multi-task.
- The ability to understand ALC policies and procedures.
- The ability to work under pressure and adhere to tight deadlines.

Special Job Dimensions:

- Will require the flexibility to adapt to an alternate work schedule, which will require work on weekends and evenings on a regular basis.
- Will require some in-state and out-of-state travel.

Minimum Education and/or Experience:

- A bachelor's degree from an accredited college or university in information technology, accounting, finance, or closely-related field.
- Working knowledge of Microsoft Office Suite.

Preferred Education and/or Experience:

- Active professional certification such as CISA, CPA, or CIA.
- One year or more of auditing, information technology, or accounting experience.
- Working knowledge of data extraction and analysis methods, including related software, such as Active Data, ACL, IDEA, or SQL-based tools.
- Knowledge of State of Arkansas accounting practices and procedures.

Reporting to this Position:

- None



**STATE OF ARKANSAS
ARKANSAS LOTTERY COMMISSION**

Post Office Box 3238
Little Rock, Arkansas 72203-3238
Phone: (501) 683-2000
Fax: (501) 683-1878
<http://myarkansaslottery.com>

ALC Job Description

Authorized Job Title: TBD	Internal Title: Part-Time Draw Auditor
Reports to: Lottery Commission Internal Auditor	FLSA Status: Non-Exempt
Department: Internal Audit	Prepared by: Internal Auditor
Position #: TBD	Grade: C118

Position Summary:

The Part-Time Draw Auditor is responsible for providing an objective, independent review of the Lottery's draw activities and internal controls.

Essential Job Functions:

- Conducts audits of daily and monthly draw procedures for in-state games.
- Reviews management-prepared information to ensure compliance with established criteria, policy, and regulations.
- Compiles data and audit information for preparation of reports.
- May assist in preparation of audit reports and recommendations.
- May perform other duties as assigned by the Internal Auditor.

Knowledge, Skills and Abilities:

- Awareness of the Standards for the Professional Practice of Internal Auditing.
- The ability to interpret and analyze system reports and records for audit purposes.
- Proficient communication skills, both written and oral.
- The ability to establish and maintain effective working relationships.
- The ability to understand Arkansas Lottery Commission policies and procedures.

Special Job Dimensions:

- Will require the ability to work evenings, up to 7 days per week on a routine basis.
- May require the ability to work days, up to 7 days per week in a backup or on-call role.

Minimum Education and/or Experience:

- A bachelor's degree from an accredited college or university in accounting, finance, or closely-related field.
- Basic knowledge of Microsoft Office Suite.

Reporting to this Position:

- None

DRAFT

Arkansas Lottery Commission
Internal Audit Charter
(Revised & Adopted ~~April 22~~July 16, 2014)

PURPOSE

The authority and responsibility of the Arkansas Lottery Commission's Internal Audit Division is defined in this Charter, which is reviewed and approved annually by the Arkansas Lottery Commission (ALC) Audit and Legal Committee.

MISSION

The mission of the ALC Internal Audit Division is to provide independent and objective assurance and consulting services designed to add value to and improve the ALC's operations through a systematic and disciplined approach to its evaluation of the ALC's control, risk management, and compliance processes. Key to this evaluation is assessment of the ALC's network of governance, control, risk management, and compliance processes designed and represented by ALC Management, in order to ensure that:

- Risks are appropriately identified and managed.
- Interaction with various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and provided to stakeholders in a timely fashion.
- Programs, plans, and objectives are achieved.
- Employees' actions are in compliance with internal policies, standards, and procedures and such internal policies are in compliance with applicable laws and regulations.
- Resources are acquired economically, used efficiently, and are adequately safeguarded.
- Quality and continuous improvement in control processes is fostered on an ongoing basis.
- Significant legislative or regulatory issues are recognized and addressed appropriately and timely.

The Internal Audit Division may identify opportunities to strengthen controls, improve profitability, or otherwise improve the operations of the ALC in the course of completing audits. Such opportunities will be communicated to ALC Management and Arkansas Lottery Commissioners, as appropriate.

ACCOUNTABILITY

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The Internal Audit Division, led by the Internal Auditor, is accountable to the ALC Audit and Legal Committee to:

- Provide coverage of the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under the Mission stated above.
- Report important issues related to the processes for managing risk and controlling the activities of the organization, including potential improvements to those processes, and provide information concerning such issues through resolution. This includes coverage of risk management and governance practices.
- Periodically provide information on the status and results of the annual audit plan and the sufficiency of Internal Audit Division resources, which includes ensuring the resources are sufficient in amount and competency.
- Establish a follow-up process to track and monitor the effective implementation of management actions related to important issues and recommendations.

AUTHORITY

The Internal Auditor will report directly to the Arkansas Lottery Commission through the ALC Audit and Legal Committee. The Internal Audit Division is authorized full, free, and unrestricted access to all ALC functions, records, property, and personnel. Specifically, the Internal Auditor is authorized to:

- Have full and free access to the Audit and Legal Committee.
- Allocate resources, set frequencies, select subjects, determine scope of work, and apply techniques required to accomplish audit objectives.
- Obtain the assistance of personnel in all operating divisions of the ALC, as well as assistance from all of those with whom the ALC contracts to achieve its objectives.
- Provide consulting services to management as deemed appropriate.

The Internal Audit Division has neither direct responsibility for, nor authority over, any of the activities, functions, or tasks it reviews. Accordingly, the Internal Audit Division is not authorized to:

- Perform operational duties for the ALC.

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- Initiate or approve accounting transactions external to the internal audit function.
- Direct the activities of any ALC employee that does not report to the Internal Auditor.
- Develop or write ALC policies and procedures.

RESPONSIBILITY

The Internal Auditor is responsible for developing and implementing a flexible three-year audit plan that outlines the engagements to be performed using an appropriate risk-based methodology. An annual update of the flexible three-year audit plan shall be presented to the ALC Audit and Legal Committee no later than July 31 of each year, unless the Committee approves any delay. The three-year plan is reviewed and approved by the ALC Audit and Legal Committee and the full ALC. The Internal Audit Division performs three types of engagements:

1. Assurance / Audit Services – Assurance/Audit services are objective examinations of evidence for the purpose of providing an independent assessment. This includes assessing and reporting on the adequacy and effectiveness of internal controls and the quality of performance in carrying out assigned responsibilities. The scope of the audit services can include reviewing and evaluating:
 - a. Internal controls established to ensure compliance with applicable policies, plans, procedures, laws, regulations and contracts.
 - b. The safeguarding of assets.
 - c. The reliability and integrity of financial and operating information.
 - d. The economy, efficiency, and effectiveness with which resources are employed.
 - e. IT systems to determine if they are appropriately managed, controlled, and protected.
2. Consulting Services –Consulting services involve activities designed to mitigate risk, improve operations, and/or assist management in achieving its business objectives, in which the nature and scope of engagements are agreed upon with ALC management. Examples include informational resources counsel, advice, facilitation, process design, and training. Consulting services may include participation on various committees and task forces.

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3. Investigation Services – Investigations evaluate allegations of unethical business practices and/or financial and operational misconduct to determine if allegations are substantiated and to prevent future occurrences.

Additional responsibilities of the Internal Auditor:

- Provide periodic reports on the status and results of the audit plan to the ALC Audit and Legal Committee, and the full ALC, as appropriate.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and certifications (including required annual continuing education) to meet the requirements of this Charter.
- Issue periodic reports to the ALC summarizing the results of audit activities.
- Review all significant issues raised in audit reports, including ALC Management's responses to Internal Audit recommendations, with the ALC Audit and Legal Committee, or the full ALC, as appropriate.
- Keep the ALC Audit and Legal Committee apprised of emerging trends and practices in internal auditing.
- Consider the scope of work of the external auditors for the purpose of providing optimal audit coverage.
- Review this Charter with the ALC Audit and Legal Committee at least annually.

AUDIT REPORTS

At the conclusion of each audit, a draft report will be provided to ALC Management for discussion and review. ALC Management will respond, in writing, within 15 business days to all audit recommendations. Management's response will be incorporated into the final report. The response should include what actions were taken or are planned in regards to the specific recommendation(s) included in the draft report. Disagreements with recommendations or alternative solutions are acceptable when justified in writing.

Copies of completed reports will be provided to the Arkansas Lottery Commissioners and ALC Management.

EXTERNAL AUDITORS

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The Internal Auditor shall coordinate with auditors from the Arkansas Division of Legislative Audit and any other external auditors to:

- Coordinate audit, review, and investigation activities related to the ALC, as appropriate.
- Foster a cooperative working relationship.
- Consider the scope of the work of the external auditors, as appropriate, for the purpose of providing optimal audit coverage to the ALC.
- Promote appropriate sharing of information.

AUDIT STANDARDS, INDEPENDENCE, OBJECTIVITY, AND ETHICS

The internal audit profession is covered by the International Professional Practices Framework of The Institute of Internal Auditors. This framework includes mandatory elements consisting of the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing. The Internal Audit Division will meet or exceed these mandatory requirements of the profession. The Internal Auditor will annually communicate the results of the Internal Audit Division's Quality Assurance and Improvement Program (QA&IP) to the ALC's Audit and Legal Committee. The QA&IP serves as the means by which the Internal Auditor assures effective operation of the Internal Audit Division's activities. The Internal Audit Division is expected to consistently demonstrate high standards of conduct and ethics, appropriate judgment, independence, and discretion. The Internal Audit Division should maintain a professional image and protect confidential information. Because of the importance of the ALC Audit and Legal Committee visibility to the Internal Audit Division to support its independence and objectivity, the Audit and Legal Committee should be involved in:

- Approving and annually reviewing the Internal Audit Charter.
- Approving the risk-based internal audit plan.
- Receiving communications from the Internal Auditor regarding the Internal Audit Division's performance relative to its plan and other matters.
- Approving decisions regarding the appointment and removal of the Internal Auditor.
- Conducting the Internal Auditor's performance evaluation and deciding compensation.

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- Making appropriate inquiries of management and of the Internal Auditor to determine whether there are inappropriate scope or resource limitations.

Arkansas Lottery Commission
Internal Audit External Assessment (Peer Review)

- Prescribed by the Institute of Internal Auditors (IIA)
- Measures Conformance with the *International Professional Practices Framework* (IPPF), issued by the IIA
 - IPPF Composed of "Mandatory" and "Strongly Recommended" Guidance
 - IIA prescribes conditions necessary to claim conformance with guidance included in IPPF
 - Standard 1312 addresses "External Assessments"
 - = May be referred to as "Peer Review" or "Quality Assessment Review"
 - = Required once every 5 years per IIA Standards
 - = "Full External Assessment" or "Self-Assessment with Independent External Validation" options
 - = NASPL Audit Steering Group (ASG) offers program for use by Lottery Internal Audit Functions
- North American Association of State and Provincial Lotteries (NASPL) ASG Quality Assessment Review Program
 - Established to:
 - = Provide a mechanism for member lottery audit functions to comply with IIA Standards
 - = Provide a more value-added review with reduced learning curve and increased value
 - = Eliminate any cost for the review itself, except for the travel expenses for review team members
 - = Provide greater credibility to audit functions in an industry where credibility is critical
 - Quality Assessment Review Program calls for Full External Assessment initially
 - Quality Assessment Review Program calls for Self-Assessment option every other cycle
 - Estimated Cost for Full External Assessment (required for first assessment)
 - = \$2,600 based on 2 review team members, inclusive of airfare, lodging, and meals per ALC Policy
- Proposal: Move forward with plan for Full External Assessment in January 2015

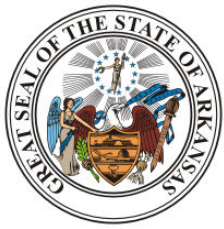
Arkansas Lottery Commission
Human Resources Processes Follow-Up Procedures
FY 2014
July 16, 2014

General Information

- Follow-Up Procedures centered on Management's implementation of controls, procedures, and / or processes to address the observations noted in the initial follow-up audit of Human Resources processes.
- Fieldwork included review of documentation and information generated through May 30, 2014.

Observation

- Incomplete performance appraisals per ALC Policy for ten employees as of the due date.
 - For all ten employees the Evaluation Stage of the performance appraisal for the performance year ending May 31, 2014 and the Planning Stage of the performance appraisal for the performance year ending May 31, 2015 were not complete.
 - The annual May 31 deadline for completion was established by unanimous Commission vote in the October 16, 2013 meeting.
 - The ten Evaluation Stage appraisals were incomplete primarily due to the fact that these appraisals had not been fully discussed as described in the ALC's *Performance Appraisals* policy as of the due date.
 - IA recommended that any remaining discussions necessary for the process, as described in ALC policy to be considered complete, be held no later than June 30, 2014.
 - Management responded stating that two of the ten open evaluations at May 31, 2014 were for the Commission's two employees (Director and Internal Auditor), and that the Commission completed its evaluation of these two employees on June 25, 2014.
 - Management responded further stating that the remaining evaluations that were open at May 31, 2014 were open pending any relevant feedback resulting from the conversations held June 25, 2014 and that the performance appraisal process would be completed for these employees soon.
 - Follow-up audit procedures are planned as part of the FY 2015 Audit Plan in order for the observation to be considered cleared.



STATE OF ARKANSAS

ARKANSAS LOTTERY COMMISSION

Audit & Legal Committee Three-Year Audit Plan Update July 16, 2014

A.C.A. § 23-115-206 Requirements

- Formal, written three-year audit plan be established by July 1, 2011
- Annual review of the audit plan
- Commission or subcommittee approval of amendments to the plan

Background - Three-Year Audit Plan

- Current Plan covers FY 2014 – 2016
- Current Plan approved by Audit & Legal Committee on July 12, 2013
- Needs:
 - Addition of FY 2017 Plan in order to continue to maintain Three-Year Audit Plan
 - Update to FY 2015 and FY 2016 Plans based on known business changes/conditions and refreshed risk assessment prioritization process

Risk Assessment Foundation

- Current Plan for FY 2014 – 2016 developed using risk assessment as foundation
- Division Director, CFO, ALC Director (collectively, “Management”) inputs in addition to Internal Audit judgment
- Risk Assessment scores used as starting point for each year’s plan

Risk Assessment Approach for 2014

- IIA Standards require annual risk assessment
- Management involvement in scoring each functional area, based on span of responsibility
- Director participation in scoring process

2014 Risk Assessment – Definition of Considerations

Process Considerations, Weighting, & Explanation		
Consideration Number	Consideration Description	Consideration Explanation
Consideration #1	Financial Impact on Lottery Proceeds (5)	<i>The extent to which a process directly impacts lottery proceeds.</i>
Consideration #2	Previous Audit Issues (5)	<i>The seriousness of known previous internal or external audit findings related to the process.</i>
Consideration #3	Director Assessment (5)	<i>A measure of overall interest in or perceived risk for a process as expressed by the Director.</i>
Consideration #4	Functional Management Assessment (4)	<i>A measure of overall risk assessment for a process by the functional management responsible.</i>
Consideration #5	Impact on Reputation (4)	<i>The extent to which control breakdown within a process could result in an issue that has a negative impact on the reputation of the Lottery.</i>

2014 Risk Assessment – Definition of Considerations

Process Considerations, Weighting, & Explanation

Consideration Number	Consideration Description	Consideration Explanation
Consideration #6	External Audit Exposure (4)	<i>The extent to which there are known audit procedures performed by the External Auditors that address controls within a process.</i>
Consideration #7	Internal Auditor Assessment (4)	<i>A measure of overall interest in or perceived risk for a process as expressed by the Internal Auditor.</i>
Consideration #8	Complexity, Including Impact of Changes (3)	<i>The overall complexity of a process, including the extent of recent change in the environment, culture, and operating procedures, including management structure and employee turnover.</i>
Consideration #9	Defined Control Environment (3)	<i>The extent to which existing policies and procedures are documented for both manual and automated systems that touch a process.</i>

Notes on Risk Assessment

- Identification of risk in an area does not mean there are not controls in place to mitigate that risk
- Serves as a tool in developing Three-Year Plan
- Nature, timing, and extent of audit procedures are always at the discretion of Internal Audit, the Audit & Legal Committee, and the Commission

Risk Assessment – Scoring Method

Consideration Number	Consideration Description	Min Rating	Max Rating		Weight	Min Score	Max Score
#1	Financial Impact on Lottery Proceeds	1	5	x	5	5	25
#2	Previous Audit Issues	1	5	x	5	5	25
#3	Director Assessment	1	5	x	5	5	25
#4	Functional Management Assessment	1	5	x	4	4	20
#5	Impact on Reputation	1	5	x	4	4	20
#6	External Audit Exposure	1	5	x	4	4	20
#7	Internal Auditor Assessment	1	5	x	4	4	20
#8	Complexity, Including Impact of Changes	1	5	x	3	3	15
#9	Defined Control Environment	1	5	x	3	3	15
Totals		9	45			37	185

Scoring by Process

Process	Brief Description	2014 Score	2012 Score
Online Games & Gaming System Contract Compliance	Compliance with Contract for Online Games & Gaming System (Intralot).	154	118
Instant Ticket Lottery Game Services Contract Compliance	Compliance with Contract for Instant Ticket Games (Scientific Games).	154	121
Major Procurement Contracts	Controls and procedures surrounding major procurement contract renewal and/or request for proposal decisions, vendor evaluation, and vendor selection processes.	135	N/A
Federal & State Tax Withholding & Reporting	Controls and procedures surrounding federal and state tax withholding, reporting to appropriate taxing authorities, and remittance of amounts owed.	126	127
IT General Controls	General IT/Computer-related controls that apply to all system components, processes, and data. ITGCs include logical and physical data center access, system development, change management, backup and recovery, and computer operation controls.	124	119

Scoring by Process

Process	Brief Description	2014 Score	2012 Score
Accounting Close & Reporting	Controls and procedures surrounding the monthly close process and production of monthly financial statements.	123	N/A
Revenue/Prize Payments – Instant Ticket Games	Controls surrounding instant game sales, prize expenses, prizes payable, and unclaimed prizes.	122	136
Revenue/Prize Payments/Reserves – Online Games	Controls surrounding online game sales, prize expenses, prizes payable, reserve accounts, and unclaimed prizes.	121	135
Instant Ticket Warehouse Operations	Controls and procedures surrounding the operation of the instant ticket warehouse, including procedures performed by ALC security and SGI personnel.	120	98
Financial Accounting & CAFR	Controls and procedures surrounding the production of the annual financial statements, related notes to the statements, and other items/schedules included in the CAFR.	117	N/A

Scoring by Process

Process	Brief Description	2014 Score	2012 Score
Accounts Payable/Purchasing/Expenditures	Controls and procedures surrounding the accounts payable, purchasing, and expense processes, including procurement and payment authorization, compliance with ALC procurement rules/laws, and the small and minority business program.	115	132
Travel Reimbursements	Controls and procedures surrounding travel reimbursements, including travel documentation and accurate travel and expense reimbursement reporting.	115	117
IT Gaming Operations	Overall control environment surrounding the IT Gaming functions and operations, including controls and procedures surrounding multi-state games.	114	120

Scoring by Process

Process	Brief Description	2014 Score	2012 Score
Payroll & Leave	Controls and procedures surrounding leave, including the authorization and approval of requested leave and related payments to employees, and the payroll function.	113	113
Legal Compliance & Monitoring	Overall monitoring of ALC compliance with applicable laws.	112	98
Back Office System (BOS) Administration	Controls and procedures that ensure the ALC's BOS system is secure and that access to is controlled.	112	122
IT Gaming Quality Assurance	Controls and procedures surrounding the Instant Game Management System, including access, game loading, testing, and processing.	107	111
Points for Prizes & Play It Again	Controls and procedures surrounding the Points for Prizes and Play It Again programs.	106	104

Scoring by Process

Process	Brief Description	2014 Score	2012 Score
Security Investigations	Controls and procedures involving the investigation process, including allegations of theft, retailer non-compliance, and reported cases of fraud.	105	117
Banking Contract Compliance	Compliance with Banking Contracts (Bank of the Ozarks).	105	74
Instant & Online Ticket Game Development	Controls and processes surrounding the development of instant and online ticket games.	103	113
Disaster Recovery/Business Continuity	Controls and processes surrounding management response to any disruption or extended interruption of the Lottery's normal business operations and services.	100	120
In-State Draw Security & Controls	Controls and procedures that ensure ALC draws are secure and reliable.	98	114
Sales Force Processes	Controls and procedures surrounding sales force procedures and the reporting provided to Management and the Arkansas Lottery Commission relative to sales data.	97	83

Scoring by Process

Process	Brief Description	2014 Score	2012 Score
Retail Sweeps/Commissions/Accts Receivable & Adjustments	Controls and procedures that ensure the proceeds from online and instant ticket games are collected fully and timely.	96	117
Advertising Contract Compliance	Compliance with Advertising Contracts in place.	96	73
Financial Planning/Budgeting	Controls and procedures surrounding the planning and budgeting process, including management assumptions, budget compilation, and long-range planning.	93	101
Education Trust Fund	Controls and procedures that ensure existence and proper handling of education trust and shortfall reserve funds.	92	113
Unclaimed Prize Fund	Controls and procedures surrounding the unclaimed prize fund.	89	98

Scoring by Process

Process	Brief Description	2014 Score	2012 Score
Transparency Reporting & Compliance	Controls and procedures surrounding required reporting of information and compliance with requirements under Act 303 of 2011, that created the <i>transparency.arkansas.gov</i> website.	88	N/A
Human Resources Processes (Hiring, Benefits, Terminations, etc.)	Controls and procedures surrounding hiring and termination of employees, benefits administration, and general human resources functions.	87	95
Advertising & Marketing (excl Contract Compliance)	Controls and procedures surrounding the administration of the Advertising and Marketing functions, including strategy, spend, procurement/distribution of promotional items, and planning/administration of special events.	85	78
Claim Center Operations	Controls and procedures surrounding product sales, claim validations, and prize payments.	81	134

Scoring by Process

Process	Brief Description	2014 Score	2012 Score
Licensing & Retailer Compliance	Controls and procedures surrounding the retailer licensing application and renewal process as well as maintenance of the retailer fidelity fund.	79	111
Instant Ticket Reconstructions (Annually)	Controls and procedures surrounding instant ticket reconstruction requests.	78	N/A
Instant Ticket Quality	Review of independent quality control reports for instant tickets.	78	100
Record Retention	Development of and compliance with Records Retention policy and related laws, including the Arkansas Freedom of Information Act.	77	89
Background Checks	Controls and procedures surrounding the background check process.	76	90

Scoring by Process

Process	Brief Description	2014 Score	2012 Score
Building & Facility Maintenance	Controls and procedures surrounding building and facility maintenance, including compliance with applicable laws and regulations.	73	80
Lottery Vehicles	Controls and procedures surrounding lottery fleet management and maintenance.	72	76
Lottery Facilities Security & Controls	Controls and procedures that ensure ALC buildings and facilities are physically secure.	71	80
Fixed Assets	Controls and procedures surrounding the fixed asset process including asset acquisition/disposition, depreciation, and tracking of fixed assets.	67	65
Public & Legislative Relations	Controls and procedures surrounding the administration of information provided to the press, members of the Arkansas General Assembly (including the Legislative Oversight Committee), and the Arkansas Lottery Commissioners.	66	92

Scoring by Process

Process	Brief Description	2014 Score	2012 Score
Cash Management ¹	Controls and procedures surrounding the management of cash, interest, and any investments.	66	71
IT Help Desk & Desktop Support	Controls and processes surrounding IT help desk tickets and desktop support including proper issue management, response times, impact to interruption of business operations, and avoidance of/response to cyber attacks.	65	88
Cash Receipts ¹	Controls and procedures surrounding cash receipts	61	102

¹Processes were separately assessed in both 2014 and 2012 risk assessment exercises; however, after consideration of process coverage and specific feedback from functional management, Internal Audit determined that for efficiency purposes, these two processes should be merged into one.

Updated Three-Year Audit Plan

Fiscal Year 2015 – Planned Audits		
Process Number	Process Name	Brief Description
3	Banking Contract Compliance	Compliance with Banking Contracts (Bank of the Ozarks).
4	Advertising Contract Compliance	Compliance with Advertising Contracts in place.
5	Record Retention	Development of and compliance with Records Retention policy and related laws, including the Arkansas Freedom of Information Act.
6	Legal Compliance & Monitoring	Overall monitoring of ALC compliance with applicable laws.
6A	Major Procurement Contracts ²	Controls and procedures surrounding major procurement contract renewal and/or request for proposal decisions, vendor evaluation, and vendor selection processes.
12	Lottery Facilities Security & Controls	Controls and procedures that ensure ALC buildings and facilities are physically secure.
18	Background Checks	Controls and procedures surrounding the background check process.

²Process reflected in FY 2015 Audit Plan based on expected timing of possible contract negotiations involving both gaming vendors (Scientific Games & Intralot).

Updated Three-Year Audit Plan (continued)

Fiscal Year 2015 – Planned Audits (continued)		
Process Number	Process Name	Brief Description
20	Public & Legislative Relations	Controls and procedures surrounding the administration of information provided to the press, members of the Arkansas General Assembly (including the Legislative Oversight Committee), and the Arkansas Lottery Commissioners.
21	Sales Force Processes ³	Controls and procedures surrounding sales force processes and the reporting provided to Management and the Arkansas Lottery Commission relative to sales data.
22	Advertising & Marketing (excluding Contract Compliance)	Controls and procedures surrounding the administration of the Advertising and Marketing functions, including strategy, spend, procurement/distribution of promotional items, and planning/administration of special events.
24	Cash Management & Receipts ⁴	Controls and procedures surrounding management of cash, interest, investments, and any miscellaneous cash receipts.

³Process name and description updated to more accurately reflect planned scope of planned audit.

⁴Represents merger of two processes previously separately identified. Processes merged for efficiency purposes.

Updated Three-Year Audit Plan (continued)

Fiscal Year 2015 – Planned Audits (continued)

Process Number	Process Name	Brief Description
27	Fixed Assets	Controls and procedures surrounding the fixed asset process including asset acquisition/disposition, depreciation, and tracking of fixed assets.
31	Unclaimed Prize Fund	Controls and procedures surrounding the unclaimed prize fund.
40	IT Help Desk & Desktop Support	Controls and processes surrounding IT help desk tickets and desktop support including proper issue management, response times, impact to interruption of business operations, and avoidance of/response to cyber attacks.
41	Lottery Vehicles	Controls and procedures surrounding lottery fleet management and maintenance.
42	Building & Facility Maintenance	Controls and procedures surrounding building and facility maintenance, including compliance with applicable laws and regulations.

Updated Three-Year Audit Plan (continued)

Fiscal Year 2015 – Planned Audits (continued)		
Process Number	Process Name	Brief Description
47	Instant Ticket Reconstructions (Annually)	Controls and procedures surrounding instant ticket reconstruction requests.
48	Key System Conversion/Implementation (As Needed) ⁵	Controls and procedures surrounding data conversion, data migration, and implementation of new key systems.

⁵New process added to FY 2015 Plan based on expected replacement of ALC's Accounting System (Peachtree) during the fiscal year.

Updated Three-Year Audit Plan (continued)

Fiscal Year 2015 – Planned Consulting & Other Tracked Projects		
Process Number	Process Name	Brief Description
43	Facilitation/Review of Risk Assessment Coordinated by DFA (Biennially) ⁶	Risk Assessment requested by DFA.
44	Gaming System SSAE 16 SOC1 Review (Annually)	Controls and procedures gaming system vendor (Intralot) has in place surrounding services provided to the ALC.
45	Financial Statements & CAFR Review (Annually)	Review of financial statements and related notes, management discussion and analysis, and other aspects of the CAFR.
46	Instant Ticket Vendor Security Review (Annually)	Coordinated security review of instant ticket vendor (Scientific Games) with outside firm.
49	Performance Audit Coordination (Ad-Hoc) ⁷	Coordination of Performance Audit engagement expected to be awarded resulting from RFP.
50	External Assessment (Peer Review) ⁷	Internal Audit's Planned External Assessment for conformance with IIA Standards.

⁶Project deferred from FY 2014 Audit Plan to FY 2015 Audit Plan based on Management's decision to defer timing of internal process needed to complete risk assessment exercise from FY 2014 to FY 2015. Approved by Audit & Legal Committee on April 22, 2014.

⁷Projects reflected above as "other tracked projects" in order to provide members of the Arkansas Lottery Commission insight into the use of internal audit resources complete these initiatives.

Updated Three-Year Audit Plan (continued)

Fiscal Year 2015 – Follow-Up Audit Procedures

Process Number	Process Name	Brief Description
14F3	Back Office System (BOS) Administration Follow-Up Procedures	Follow-Up on Observations from FY 2014 Follow-Up Audits.
19F2	Human Resources Processes Follow-Up Procedures	Follow-Up on Observations from FY 2014 Follow-Up Audit.
29F	Payroll & Leave Follow-Up Procedures	Follow-Up on Observations from FY 2014 Process Audit.
30F	Federal & State Tax Withholding & Reporting Follow-Up Procedures	Follow-Up on Observations from FY 2014 Process Audit.
36AF	Financial Accounting & CAFR Follow-Up Procedures	Follow-Up on Observations from FY 2013 Process Audit.
40AF	Transparency Reporting & Compliance Follow-Up Procedures	Follow-Up on Observations from FY 2014 Process Audit.

Updated Three-Year Audit Plan (continued)

Fiscal Year 2016 – Planned Audits		
Process Number	Process Name	Brief Description
2	Instant Ticket Lottery Game Services Contract Compliance	Compliance with Contract for Instant Ticket Games (Scientific Games).
7	Instant & Online Ticket Game Development	Controls and processes surrounding the development of instant and online ticket games.
8	Points for Prizes & Play It Again	Controls and procedures surrounding the Points for Prizes and Play It Again programs.
9	IT Gaming Operations	Overall control environment surrounding the IT Gaming functions and operations, including controls and procedures surrounding multi-state games.
10	IT Gaming Quality Assurance	Controls and procedures surrounding the Instant Game Management System, including access, game loading, testing, and processing.
13	In-State Draw Security & Controls ⁸	Controls and procedures that ensure ALC draws are secure and reliable.

⁸Project may be removed from FY 2016 Plan and Internal Audit universe for consideration in rotation of periodic audits as a result from the potential continuous Internal Audit involvement in daily audits of the ALC's draw game processes.

Updated Three-Year Audit Plan (continued)

Fiscal Year 2016 – Planned Audits		
Process Number	Process Name	Brief Description
15	Instant Ticket Warehouse Operations	Controls and procedures surrounding the operation of the instant ticket warehouse, including procedures performed by ALC security and SGI personnel.
16	Licensing & Retailer Compliance	Controls and procedures surrounding the retailer licensing application and renewal process as well as maintenance of the retailer fidelity fund.
23	Claim Center Operations	Controls and procedures surrounding product sales, claim validations, and prize payments.
25	Retailer Sweeps/Commissions/Accounts Receivable & Adjustments	Controls and procedures that ensure the proceeds from online and instant ticket games are collected fully and timely.

Updated Three-Year Audit Plan (continued)

Fiscal Year 2016 – Planned Audits		
Process Number	Process Name	Brief Description
28	Accounts Payable/Purchasing/Expenditures	Controls and procedures surrounding the accounts payable, purchasing, and expense processes, including procurement and payment authorization, compliance with ALC procurement rules/laws, and the female and minority-owned business program.
33	Travel Reimbursements	Controls and procedures surrounding travel reimbursements, including travel documentation and accurate travel and expense reimbursement reporting.
34	Revenue/Prize Payments/Reserves – Online Games	Controls surrounding online game sales, prize expenses, prizes payable, reserve accounts, and unclaimed prizes.
35	Revenue/Prize Payments – Instant Ticket Games	Controls surrounding instant game sales, prize expenses, prizes payable, and unclaimed prizes.
36	Accounting Close & Reporting	Controls and procedures surrounding the monthly close process and production of monthly financial statements.

Updated Three-Year Audit Plan (continued)

Fiscal Year 2016 – Planned Audits		
Process Number	Process Name	Brief Description
37	IT General Controls	General IT/Computer-related controls that apply to all system components, processes, and data. ITGCs include logical and physical data center access, system development, change management, backup and recovery, and computer operation controls.
38	Financial Planning/Budgeting	Controls and procedures surrounding the planning and budgeting process, including management assumptions, budget compilation, and long-range planning.
39	Disaster Recovery/Business Continuity	Controls and processes surrounding management response to any disruption or extended interruption of the Lottery's normal business operations and services.
47	Instant Ticket Reconstructions (Annually)	Controls and procedures surrounding instant ticket reconstruction requests.

Updated Three-Year Audit Plan (continued)

Fiscal Year 2016 – Planned Consulting & Other Tracked Projects		
Process Number	Process Name	Brief Description
44	Gaming System SSAE 16 SOC1 Review (Annually)	Controls and procedures gaming system vendor (Intralot) has in place surrounding services provided to the ALC.
45	Financial Statements & CAFR Review (Annually)	Review of financial statements and related notes, management discussion and analysis, and other aspects of the CAFR.
46	Instant Ticket Vendor Security Review (Annually)	Coordinated security review of instant ticket vendor (Scientific Games) with outside firm.

Updated Three-Year Audit Plan (continued)

Fiscal Year 2017 – Planned Audits or Reviews		
Process Number	Process Name	Brief Description
1	Online Games & Gaming System Contract Compliance	Compliance with Contract for Online Games & Gaming System (Intralot).
3	Banking Contract Compliance	Compliance with Banking Contracts (Bank of the Ozarks).
4	Advertising Contract Compliance	Compliance with Advertising Contracts in place.
5	Record Retention	Development of and compliance with Records Retention policy and related laws, including the Arkansas Freedom of Information Act.
6	Legal Compliance & Monitoring	Overall monitoring of ALC compliance with applicable laws.
11	Instant Ticket Quality	<u>Review</u> of independent quality control reports for instant tickets.
14	Back Office System (BOS) Administration	Controls and procedures that ensure the Lottery's BOS system is secure and that access to is controlled.

Updated Three-Year Audit Plan (continued)

Fiscal Year 2017 – Planned Audits or Reviews		
Process Number	Process Name	Brief Description
17	Security Investigations	Controls and procedures involving the investigation process, including allegations of theft, retailer non-compliance, and reported cases of fraud.
18	Background Checks	Controls and procedures surrounding the background check process.
19	Human Resource Processes (Hiring, Benefits, Terminations, etc.)	Controls and procedures surrounding hiring and termination of employees, benefits administration, and general human resources functions.
21	Sales Force Processes ⁹	Controls and procedures surrounding sales force processes and the reporting provided to Management and the Arkansas Lottery Commission relative to sales data.

⁹Process name and description updated to more accurately reflect planned scope of planned audit.

Updated Three-Year Audit Plan (continued)

Fiscal Year 2017 – Planned Audits or Reviews

Process Number	Process Name	Brief Description
22	Advertising & Marketing (excl Contract Compliance)	Controls and procedures surrounding the administration of the Advertising and Marketing functions, including strategy, spend, procurement/distribution of promotional items, and planning/administration of special events.
31	Unclaimed Prize Fund	Controls and procedures surrounding the unclaimed prize fund.
32	Education Trust Fund	Controls and procedures that ensure existence and proper handling of education trust and shortfall reserve funds.
36A	Financial Accounting & CAFR	Controls and procedures surrounding production of the external financial statements, related notes to the statements, and other items/schedules included in the CAFR.
40A	Transparency Reporting & Compliance	Controls and procedures surrounding required reporting of information and compliance with requirements under Act 303 of 2011, that created the <i>transparency.arkansas.gov</i> website.

Updated Three-Year Audit Plan (continued)

Fiscal Year 2017 – Planned Audits or Reviews

Process Number	Process Name	Brief Description
41	Lottery Vehicles	Controls and procedures surrounding lottery fleet management and maintenance.
42	Building & Facility Maintenance	Controls and procedures surrounding building and facility maintenance, including compliance with applicable laws and regulations.
47	Instant Ticket Reconstructions (Annually)	Controls and procedures surrounding instant ticket reconstruction requests.

Updated Three-Year Audit Plan (continued)

Fiscal Year 2017 – Planned Consulting & Other Tracked Projects		
Process Number	Process Name	Brief Description
43	Facilitation/Review of Risk Assessment Coordinated by DFA (Biennially) ⁶	Risk Assessment requested by DFA.
44	Gaming System SSAE 16 SOC1 Review (Annually)	Controls and procedures gaming system vendor (Intralot) has in place surrounding services provided to the ALC.
45	Financial Statements & CAFR Review (Annually)	Review of financial statements and related notes, management discussion and analysis, and other aspects of the CAFR.
46	Instant Ticket Vendor Security Review (Annually)	Coordinated security review of instant ticket vendor (Scientific Games) with outside firm.

⁶Project reflected in FY 2017 Plan based on expected timing of Management’s updated risk assessment efforts. Timing could change based on timing of the effort by Management.

Summary of Proposed Changes

FY 2015

- Shift of one consulting project from FY 2014 Plan to FY 2015 Plan (previously approved by Audit & Legal Committee)
- Addition of new audits regarding major procurement contracts and key system implementation
- Merger of cash management and receipts processes
- Addition of “other tracked projects” – Performance Audit coordination and IA’s External Assessment (Peer Review)
- Addition of six follow-up audits based on FY 2013 & 2014 Audit Plan results

Summary of Proposed Changes

FY 2016

- Removal of four audit projects from the approved FY 2016 Plan, due to follow-up audits for same process areas included in the FY 2015 Plan
- Addition of five audit projects as replacements, with the addition of one project contingent upon IA's future role in the audits of in-state draw games

Plan Development Considerations

- Internal Audit “Balancing Act” – flexibility/adaptability v. follow-through on solid plans
- Following through on planned coverage important
- Responding to change also important
- 2017 is three years away – a lot will change

Updated Three-Year Plan Summary

- Some changes suggested
- Coverage of the 42 processes identified in 2012 planning for FY 2013 – 2015 Audit Plan maintained
- Risk Assessment is a continual process
- Flexibility with notification and approval

Questions?????

