

RECORD
AUDIT AND LEGAL COMMITTEE
9.7.2012, 10 a.m., Little Rock Headquarters

The meeting was called to order by the Committee Chair Commissioner Campbell, who noted the presence of members Commissioners Faris, Engstrom, and Lamberth. Also present were Director Woosley, Auditor Brown and staff members Baldrige, Vick, and others.

Commissioner Campbell announced that the Committee was meeting to hear information from Internal Auditor Matt Brown on the three-year audit plan, and recognized Internal Auditor Brown. He first introduced the new Auditor, Maria Craig, to the Committee. He began a presentation (included in file) on the three-year audit plan noting that the previous plan was approved in April of 2011, for 2012 to 2014, and said that it is time to add 2015 to the plan.

He said that after studying the operations and discussions with management of the Lottery, he had developed an audit universe of 33 processes and a ranking of these areas to aid in deciding how often each should be audited. He showed the Commissioners the rotating audits in the past. He said that he had reevaluated the risk assessment process used in the past—developed prior to recent audits and prior to Director Woosley’s appointment—and that he believes reevaluations should continue at regular intervals in the future, as time passes and changes continue. He said that each plan must consider resources available, and noted that the Commission now has two CPA’s in the Internal Audit section.

He noted that the audits for 2012 must be completed and pointed out that he had allotted the period ending December 31, 2012 for that work, leaving six months to complete the Fiscal Year 2013 audits as scheduled. He went through the considerations utilized in the risk assessment study he performed. He emphasized that identifying an area with risk does not mean that controls are not in place to control that risk.

He said that he had merged processes for efficiency and redefined some processes, resulting in the 33 previously-defined areas fitting now into a 25-process universe. He said he had looked at other lotteries’ audit plans in order to reach these conclusions. He described the end result of the process. He said he had retained three projects that were consultant-based. He noted the example of the instant-ticket audit that had been performed in the past, and described that as worthy of continuing. He said that Internal Audit, under this plan, would have coverage of 42 process areas during the three-year period, giving him a basis for evaluation of each of them for future audits. He said there also may be new areas that should be included down the road.

Commissioner Engstrom asked whether there was an organization only for lottery-based internal auditors. Mr. Brown said that the annual professional development conference by NASPL, which he attended in June, brought together lottery internal auditors for a three-day series of meetings and discussions. So while there is not a separate organization, the group works together once a year and members freely share information when asked. He said there were a lot of resources available through that group and that he already had received a great deal of information from them.

By motion of Commissioner Engstrom, seconded by Commissioner Lamberth, the three-year audit plan for FY2013 through FY2015, and including FY2012, was approved without dissent.

Chairman Campbell commented that Lottery Department heads had been very complimentary of Mr. Brown's work, and he said that he in turn had appreciated the cooperation he had been given by them. Commissioner Lamberth said she had great comfort in the way Mr. Brown made his presentation and included management, and said she appreciated his work.

Chairman Campbell announced that the next regular meeting was October 5, Friday, and reminded the group of the upcoming Commission meeting September 17 at the University of Arkansas in Fayetteville. The meeting was adjourned.