





**McCONNELL & JONES LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

# **INTERNAL AUDIT SERVICES**



## **STATUS REPORT TO THE COMMISSIONERS**

**AUGUST 8, 2017**

**INFORMATION ITEM – NO ACTION REQUIRED**



## Internal Audit Activities This Period

Internal Audit Services' activities during this period (June 1, 2017 through July 30, 2017) include:

- Completed Retailer Management Audit Report
- Completed the following audits:
  - Time and Attendance
  - Second Chance Drawings
- Commenced the following audits:
  - Scratch Ticket Working Paper Workflow System
  - Jackpot Estimation System
  - Crisis Management Plan
  - Active Directory



# Fiscal Year 2017 Internal Audit Plan Status

| Activity # | Audit  | Planning | Fieldwork | Draft Report | Mgmt. Comments | Final Report | Issued |
|------------|--|----------|-----------|--------------|----------------|--------------|--------|
| 1          | Scratch Ticket Warehouse Receiving Controls                | ✓        | ✓         | ✓            | ✓              | ✓            | ✓      |
| 2          | Scratch Ticket Pack Reconstruction                         | ✓        | ✓         | ✓            | ✓              | ✓            | ✓      |
| 3          | Bingo Audit Processes                                      | ✓        | ✓         | ✓            | ✓              | ✓            | ✓      |
| 4          | Enforcement - Background Check and Investigation Processes | ✓        | ✓         | ✓            | 🔍              |              |        |
| 5          | Retailer Management  | ✓        | ✓         | ✓            | ✓              | 🔍            |        |
| 6          | Fraud Awareness Training                                   | ✓        | ✓         | N/A          | N/A            | N/A          | N/A    |
| 7          | Time and Attendance  | ✓        | ✓         | ✓            | 🔍              |              |        |
| 8          | Second Chance Drawing Process                              | ✓        | ✓         | ✓            | 🔍              |              |        |
| 9          | Crisis Management Plan                                     | ✓        | 🔍         |              |                |              |        |
| 10         | Active Directory Audit                                     | ✓        | 🔍         |              |                |              |        |
| 11         | Jackpot Estimation System                                  | ✓        | 🔍         |              |                |              |        |

Legend: Not Started In-Progress Completed Continuous

# Fiscal Year 2017 Internal Audit Plan Status Cont'd

| Activity # | Audit  | Planning | Fieldwork | Draft Report | Mgmt. Comments | Final Report | Issued |
|------------|--|----------|-----------|--------------|----------------|--------------|--------|
| 12         | Scratch Ticket Working Paper Workflow System     |          |           |              |                |              |        |
| 13         | Follow-Up On Prior Audit Findings                |          |           |              |                |              |        |
| 14         | Monitor of Fraud/Complaint Hotlines Lines        |          |           |              |                |              |        |
| 15         | External Audit / Review Assistance               |          |           |              |                |              |        |
| 16         | Update Risk Assessment & Develop 2018 Audit Plan |          |           |              |                |              |        |
| 17         | Annual Audit Report                              |          |           |              |                |              |        |

Legend: Not Started In-Progress  
 Completed Continuous

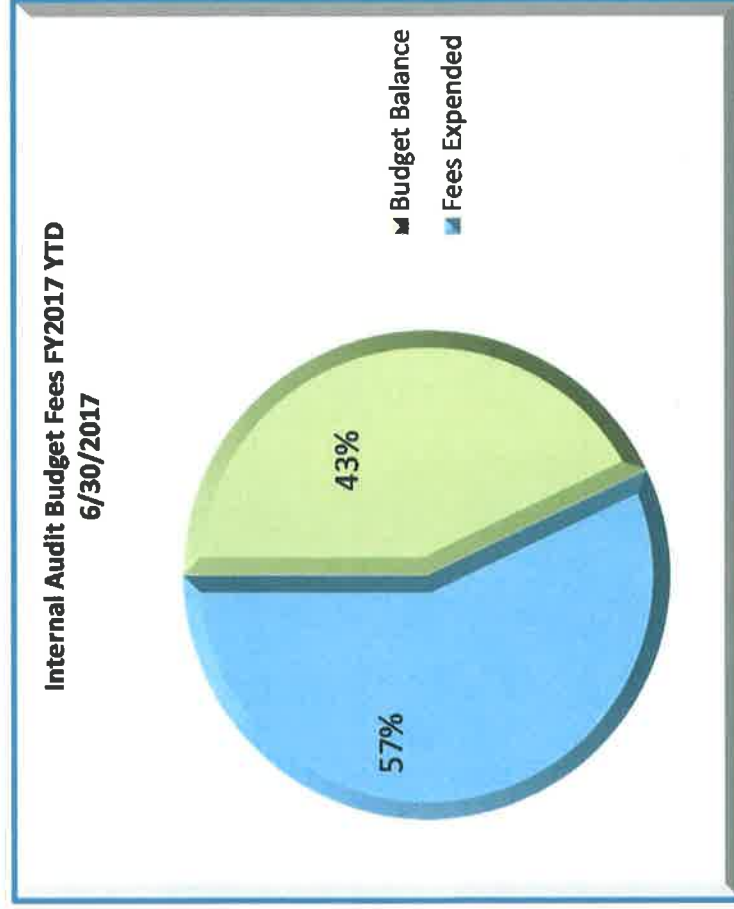


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## FY2016 Internal Audit Budget as of June 30, 2017

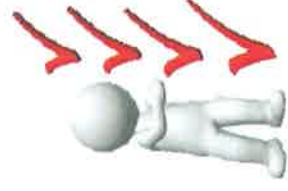
MJ is cognizant of the importance of managing the approved hours and budget. As such we are diligent about staying within the estimated hours per audit and activity. There may be instances where audits/activities are over or under estimated hours and we will adjust the audit plan budget accordingly to stay within the total approved budget.

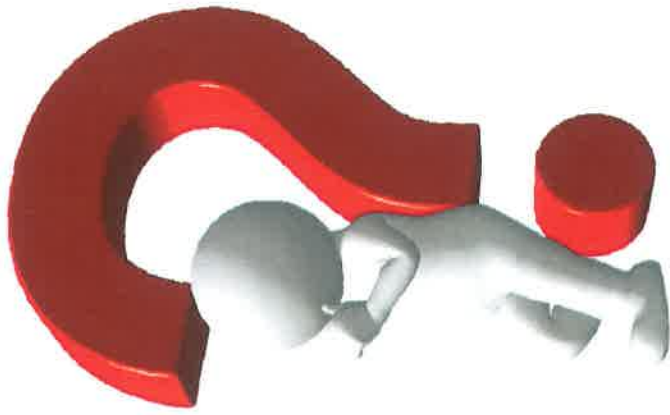




## Anticipated Activities Next Period

- **Finalize:**
  - Crisis Management Plan Audit
  - Active Directory Audit
  - Jackpot Estimation Audit
  - Scratch Ticket Working Paper Workflow System Audit
  - Risk Assessment and FY2018 Annual Audit Plan











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# INTERNAL AUDIT SERVICES



## AUDIT REPORT SUMMARY

**AUGUST 8, 2017**

**ACTION ITEM**



# Scratch Ticket Warehouse Receiving Controls Audit

| Audit                                | Audit Rating | Number of Observations |
|--------------------------------------|--------------|------------------------|
| 17-005 Retailer Management Processes | Effective    | 0                      |

*Internal controls over the agency's retailer management function and processes are effective and working as intended.*

#### Processes Reviewed:

- Retailer Recruitment
- Retailer Application & Licensing
- Licensed Retailer and Sales Agent Training
- Licensed Retailer Monitoring
- Retailer License Terminations
- Consumer Complaints

#### Key Agency Risks:

- Damaged reputation due to:
  - Licensed retailers not abiding by TLC's standards and requirements.
  - Customer and public complaints not followed-up on.



# Action

Internal Audit requests your approval of the following audit reports:

1. Retailer Management Processes