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McConnell & Jones LLP
CERTIFIED PUBLIC ACCOUNTANTS

INTERNAL AUDIT SERVICES

STATUS REPORT TO THE COMMISSIONERS

JUNE 21, 2018

INFORMATION ITEM – NO ACTION REQUIRED

Internal Audit Activities

Internal Audit Services' activities during this period (April 1, 2018 through May 31, 2018) include:

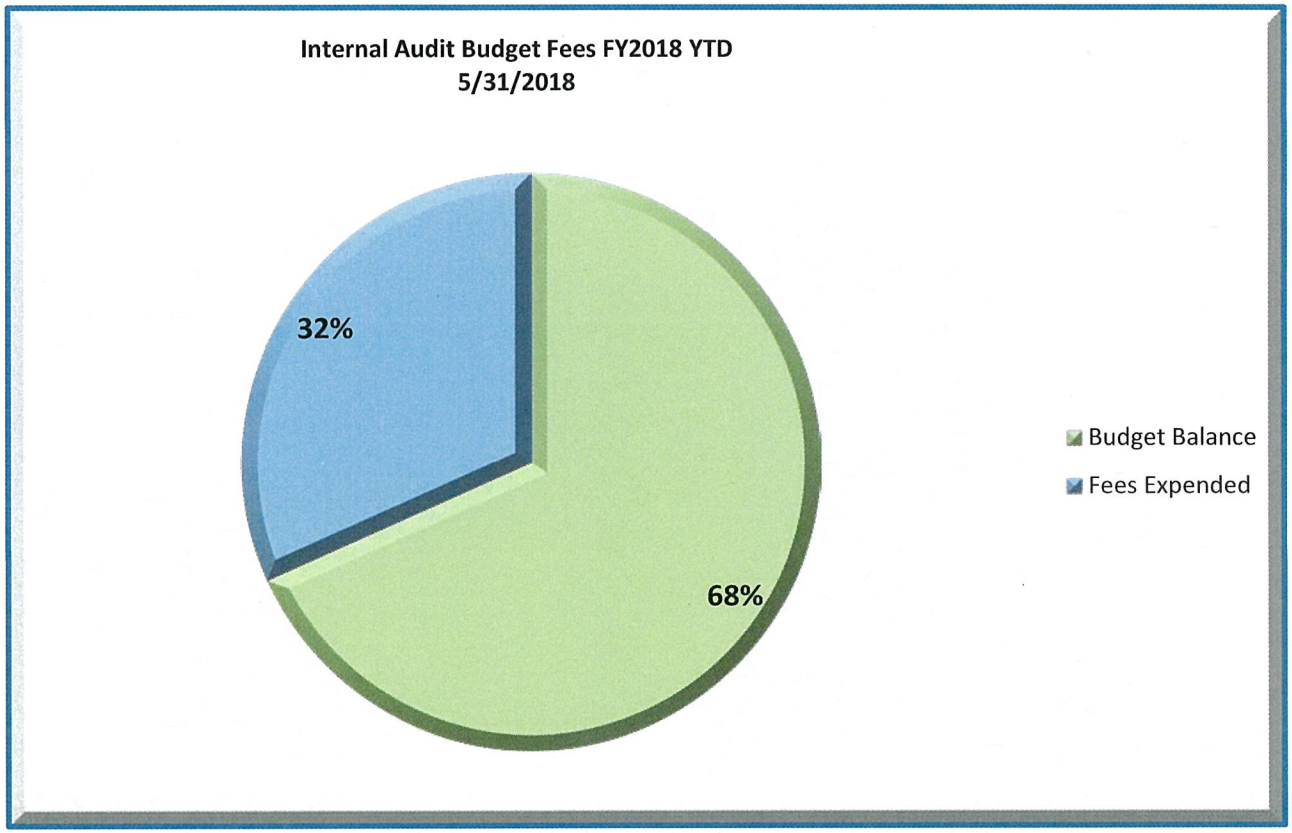
- Completed the Unclaimed Prizes Audit
- Issued draft report on the Enforcement Division Background Checks and Case Investigation Processes
- Participated in CBOD paperwork reduction committee meetings
- Worked with CBOD audit staff to complete the revised bingo audit program and auditor training
- Completed the Personal Identifiable Information Handling Audit
- Commenced the Social Responsibility Audit

Fiscal Year 2018 Internal Audit Plan Status

Activity #	Audit	Planning	Fieldwork	Draft Report	Mgmt. Comments	Final Report	Issued
1	CBOD Education Program	✓	✓	✓	✓	✓	🔍
2	Personal Identifiable Information Handling	✓	✓	🔍			
3	Social Responsibility	✓	🔍				
4	Drawing Equipment Maintenance	🔍					
5	Unclaimed Prize Processes	✓	✓	✓	✓	✓	🔍
6	Instant Game Closing Processes	🔍					
7	Main and Mail Room Processes	⊘					
8	Follow-Up On Prior Audit Findings	♻	♻	♻	♻	♻	♻
9	Monitor of Fraud/Complaint Hotlines Lines	♻	♻	♻	♻	♻	♻
10	External Audit / Review Assistance	♻	♻	♻	♻	♻	♻
11	Update Risk Assessment & Develop 2019 Audit Plan	⊘					
12	Annual Audit Report	⊘					

Legend: ⊘ Not Started 🔍 In-Progress
✓ Completed ♻ Continuous

FY 2018 Internal Audit Budget as of May 31, 2018



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 the CBOD Education Program Audit Report
- Issue the Personal Identifiable Information Handling Audit Report
- Issue Social Responsibility Audit Report
- Complete Drawing Equipment Maintenance Audit
- Complete Instant Game Closing Audit
- Complete Mailroom Process Audit
- Complete Annual Risk Assessment and Draft FY 2019 Annual Internal Audit Plan

MJ McCONNELL & JONES LLP
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INTERNAL AUDIT SERVICES

AUDIT REPORT SUMMARY

JUNE 21, 2018

ACTION ITEM

Summary of Audit Outcomes

Report #	Report Title	Audit Rating	# of Recommendations	Comments
17-004	Enforcement Division Background Check and Case Investigation Process	▪ Effective Internal Controls	None	The Enforcement Division implemented DPS recommendations and improved their internal controls over processes and documents.
18-002	Charitable Bingo Operations Division Education Program	N/A – This was a consulting and advisory engagement.	Eight	There is a need to revamp the current Education and Training Program. There are opportunities to improve the overall content and dissemination of the training program so that it is more relevant and innovative.
18-005	Unclaimed Prizes	▪ Effective Internal Controls ▪ Best Practice Processes	None	Unclaimed prizes are accurately accounted for and funds are transferred in accordance with regulatory requirements and the General Appropriations Act.

Background Checks and Case Investigation

Audit	Audit Rating	Number of Observations
17-004 Enforcement Division Background Checks and Case Investigation Processes	▪ Effective Internal Controls	0

Processes Reviewed:

- Background check requests
- Background check processing
- Background check results reporting
- Background check document security
- Case investigation intake, assignments, monitoring and reporting

Key Agency Risks:

- Data privacy mishandling
- Reporting incorrect background check results

Recommendations:

1. None

Bingo Education Program

Audit	Audit Rating	Number of Observations
#18-002 Charitable Bingo Operations Division Education Program	N/A - Consulting and Advisory Engagement	8

There is a need to revamp CBOD's education program to make the content more relevant and informative.

The scope included identifying the current processes in place and tools available to determine:

- Education Needs
- Education Program Topics
- Education Resources Available to Stakeholders
- Education Content Delivery Methods
- Education Requirements
- Education Program Monitoring Process
- Education Program Metrics

Bingo Education Program Cont'd

Opportunity #1 – Education and Training Materials

1) Update all training and education materials content to reflect current regulations and statutes. This is essential to the success of the education program.

2) Establish a training materials review committee that is comprised of one individual from each CBOD function and is facilitated by the Training and Education coordinator.

3) Develop detailed written procedures for tracking, review and updates of all training and education materials.

4) Post a summary of legislative changes to the website after each legislative session.

Opportunity #2 – Education and Training Delivery Methods

1) Redesign the training and education materials to reflect the audience and learning styles.

a. The bingo chairperson training should be a series of pre-recorded webinars or computer-based sessions with each webinar or computer-based session focused on a specific topic. Each webinar or computer-based session should be no longer than 30 minutes long and include videos, interactive questions and examples of operations or forms. The chairperson would need to complete each webinar or computer-based session in order to receive the certificate of completion.

b. In-person training should be enhanced to include videos, case studies and interactive exercises. The training should be segmented so that the participants can attend specific sections.

2) Develop optional training for bingo workers. This can be in the form of a quick YouTube video of a bingo hall and bingo workers in action with a discussion of the "to-do" and "not to-do".

3) Mandatory training should be developed for bookkeepers. This should be a series of webinars or computer-based sessions that includes videos, interactive questions and examples of required forms.

4) All training should be updated and refreshed at least once every two years and when rules or requirements change.

5) Regular webinars or computer-based sessions should be established to discuss hot topics and bingo operations.

Bingo Education Program Cont'd

Opportunity #3 – CBOD Website

1) Contract with a professional web developer to redesign the CBOD website. The website's homepage should be designed in a manner that the content is organized according to the respective user's purpose for visiting the website.

Opportunity #4 - Education and Training Function Staffing

1) During the time of our fieldwork there was an additional position added to CBOD organization. We recommend that the Education and Training function report directly to this position.

2) Reiterate the expectations, duties, roles and responsibilities with each Education and Training staff person to ensure that each individual is clear on their role in the success of the Commission's objectives.

3) Hold the Education and Training function staff accountable for developing the robust Education and Training Program and updating content according to project plans established. In observation #1.

4) Task the training materials review committee with ensuring that updated materials are provided to the Education and Training function in a timely manner.

5) Establish an education and training component whereby CBOD's auditors in Austin and the regional offices provide training to bingo organizations on the required recordkeeping.

Bingo Education Program Cont'd

Opportunity #5 – Education and Training Function Procedures

1) Develop detailed guidelines for the Education and Training program that describes the goals, responsibilities and expectations for the program. These should include performance metrics that staff should be capturing and reporting on.
2) Revise procedure CB-SP-003, Bingo Training Program Management to be more detailed regarding the steps required for outlining, updating, testing and launching all training materials.

3) Develop a detailed checklist for the Education and Training function staff to use when creating, reviewing or updating training materials. Require the checklist to be completed for all training material creation, review and updates.

Opportunity #6 – Training Content Updates

1) Create an outline of imperative information for the bingo chairperson training modules to serve as the framework for revising the training.

2) Create an outline of imperative information for other bingo operations' roles involving the administration of bingo at the hall level such as workers, bookkeepers and organizations in general. Use this outline as the basis for new training materials.

3) Develop and retain detailed outlines of training materials that reference specific regulations and statutes. This outline would serve as a checklist going forward for reviewing training content after each legislative session convenes.

Bingo Education Program Cont'd

Opportunity #7 – Training Platform

1) Transition away from the MOODLE platform to the agency's YouTube Channel.

2) Work with TLC's Information Resources Department and Media Department to understand and use the agency's YouTube Channel for the training platform.

3) Require the Education and Training staff to become proficient with all training tools and methods including PowerPoint, YouTube, video, webinar applications and other computer-based applications. Prepare a professional development plan for the Education and Training function staff that includes attending presentation and computer-based training sessions and conferences.

4) Place all YouTube procedures and training materials on CBOD's network drive for knowledge transfer purposes.

Opportunity #8 – Education and Training Approach

1) The Education and Training staff should become a proactive resource by periodically notify organizations of the common questions and violations.

2) Develop how-to videos and documentation for common questions and concerns to reduce the number of email and telephone inquiries.

3) Produce videos, computer-based sessions, and general training protocols to enhance the customer experience.

Unclaimed Prizes Audit

Audit	Audit Rating	Number of Observations
18-005 Unclaimed Prizes	▪ Effective Internal Controls ▪ Best Practice Processes	0

TLC's processes for identifying, recording, monitoring and reconciling unclaimed prizes results in accurate and timely transfers to designated beneficiaries.

Processes Reviewed:

- Unclaimed prize identification
- Unclaimed prize monitoring
- Unclaimed prize reporting
- Accounting for unclaimed prizes
- Reconciling unclaimed prize account
- Calculating unclaimed prize distributions
- Transferring unclaimed prize funds to the designated organizations
- Compliance with applicable statutes
- Controls around spreadsheets used for the calculations and reporting

Key Agency Risks:

- Inaccurate and/or untimely transfer of unclaimed prizes to designated beneficiaries.

MJ McCONNELL & JONES LLP
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INTERNAL AUDIT SERVICES

TEXAS LOTTERY

UPDATED ANNUAL INTERNAL AUDIT PLAN

JUNE 21, 2018

ACTION REQUIRED

FY 2018 Annual Internal Audit Plan

During the audit of the Charitable Bingo Operations Division's education program we were requested to perform an additional review of certain activities. We were also requested to assist CBOD's audit function by reviewing their revised audit program and templates. Additionally, we are participating in CBOD's paperwork reduction sub-committee to advise of potential internal control impacts related to any potential changes.

As a result of these requests we have revised the approved FY 2018 Annual Internal Audit Plan to adjust hours and fees.

The net effect of the revised FY 2018 Annual Internal Audit Plan is shown below and the details are on the following page.

Description	Hours	Fees
Approved	2,241	$299,873.53
Revised	2,199	$281,104.05
Difference	(42)	$(18,769.48)

Fiscal Year 2018 Internal Audit Plan Revision and Status

Description	Approved		Revised		YTD Hours		Balance May 31, 2018	
	Hours	Fees	Hours	Fees	Hours	Fees	Hours	Fees
CBOD Education Program	280.00	$ 35,233.60	430.00	$ 57,629.20	418.00	$ 54,410.30	12.00	$ 3,218.90
Personal Identifiable Information Handling Processes	401.00	$ 52,142.85	157.00	$ 22,861.25	43.80	$ 6,963.42	113.20	$ 15,897.83
Social Responsibility	387.00	$ 49,911.29	271.00	$ 33,676.75	48.50	$ 5,556.03	222.50	$ 28,120.72
Drawing Equipment Maintenance	205.00	$ 26,701.41	190.00	$ 22,433.30	2.00	$ 339.68	188.00	$ 22,093.62
Unclaimed Prize Processes	281.00	$ 36,896.05	290.00	$ 32,378.50	78.00	$ 10,128.80	212.00	$ 22,249.70
Instant Game Closing Processes	240.00	$ 31,962.40	240.00	$ 28,370.80	-	$ -	240.00	$ 28,370.80
Mail and Mail Room Processes	184.00	$ 23,770.56	180.00	$ 20,591.88	-	$ -	180.00	$ 20,591.88
CBOD Communications	-	$ -	120.00	$ 20,380.80	58.50	$ 9,935.64	61.50	$ 10,445.16
Follow-Up On Prior Audit Findings	145.00	$ 18,461.25	149.00	$ 18,452.05	7.50	$ 1,085.93	141.50	$ 17,366.12
Monitor Fraud/Complaint Hotlines Lines	8.00	$ 1,358.72	8.00	$ 1,358.72	-	$ -	8.00	$ 1,358.72
External Audit / Review Assistance	8.00	$ 1,358.72	8.00	$ 1,358.72	1.25	$ 212.30	6.75	$ 1,146.42
Update Risk Assessment & Develop 2019 Audit Plan	81.00	$ 11,434.85	91.00	$ 10,970.25	1.00	$ 169.84	90.00	$ 10,800.41
Annual Audit Report	9.00	$ 1,552.37	9.00	$ 1,552.37	-	$ -	9.00	$ 1,552.37
Audit Communications, Committee Meetings, Project Managem	56.00	$ 9,089.46	56.00	$ 9,089.46	37.00	$ 6,284.08	19.00	$ 2,805.38
Total	**2,241.00**	**$ 299,873.53**	**2,199.00**	**$ 281,104.05**	**695.55**	**$ 95,086.02**	**1,503.45**	**$ 186,018.03**