

RICK SCOTT  
Governor



CYNTHIA F. O'CONNELL  
Secretary

November 20, 2014

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

Re: Auditor General Report No. 2014-198, Department of the Lottery Selected Administrative Activities and Prior Audit Follow-Up

Dear Secretary O'Connell:

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

In June 2014, the Auditor General released its report No. 2014-198 titled Department of the Lottery Selected Administrative Activities and Prior Audit Follow-Up. The report outlined three audit findings. The following details each audit finding and recommendation with the current progress of Lottery staff to address each recommendation:

1) Tangible Personal Property Controls

*Finding No. 1: Department tangible personal property records did not include for all property items the information required by Department of Financial Services rules. Additionally, the information in Department tangible personal property records was not always accurate.*

*Recommendation 1: We recommend that Department management enhance tangible personal property controls to ensure that Department property records are accurately maintained in accordance with DFS rules. Among other things, the enhanced controls should promote Department staff knowledge of the FLAIR Property Subsystem and effective communication between Department staff responsible for the property and accounting functions.*

**Management's Status of Corrective Actions:**

- A. The Lottery historically has and continues to conduct an annual physical inventory of all tangible personal property and maintains documentation of all property items located during each inventory. Records are maintained in accordance with the applicable State of Florida Records Retention Schedule.

The FLAIR Property Subsystem has been accurately updated, for each applicable property item, to reflect the most recently completed annual physical inventory date.

- B. Motor vehicle property records, previously containing tag numbers, have been enhanced to reflect the VIN number in the serial number field.
- C. The Lottery historically has and continues to maintain documentation on all tangible personal property disposed of.

The Lottery has confirmed five (5) previously identified missing property items as being lost or stolen and in accordance with property guidelines, requested and received approval from the Department of Financial Services (DFS) to write-off these items.

As of June 30, 2014, the FLAIR Property Subsystem has been accurately updated to reflect the correct disposal status code of all disposed of items previously bearing an inaccurate status code of "4: lost/stolen".

- D. Acquisition costs of equipment (060000 category) have been accurately recorded, however, in some instances may not have included supplemental costs such as installation (100777 category). As of July 29, 2014, impacted property items have been accurately updated to include supplemental costs in the FLAIR Property Subsystem. Additional processes have been implemented by Lottery staff to help ensure all supplemental costs are captured.
- E. The Lottery has worked diligently with DFS FLAIR Education to obtain refresher training of the FLAIR Property Subsystem and as a result secured three spots in their first training since June. Training is scheduled for December 2014.

2) Sensitive and Attractive Property Items

*Finding No. 2: Although Department procedures specified that sensitive or attractive items (i.e., electronic equipment, handguns, and technology equipment) were to be included in Department property records, the procedures did not specify the types of electronic and*

*technology equipment considered to be sensitive or attractive. This may have contributed to sensitive and attractive items not always being identified and included in Department property records.*

*Recommendation 2: We recommend that Department management enhance procedures to clarify the definition of sensitive or attractive property items. We also recommend that Department management take appropriate actions to ensure that all sensitive and attractive items are included in Department property records and that the records contain the information necessary to provide proper accountability for the items.*

**Management's Status of Corrective Actions:** The Lottery has clarified what constitutes a sensitive or attractive property item and distributed an updated definition to all Lottery Custodian's Delegates on September 19, 2014. Additionally, Property Reviews at Headquarters and District Offices have been implemented, to in part validate that all sensitive or attractive items have been appropriately recorded.

3) Business Lottery Accounting System (BLAST)

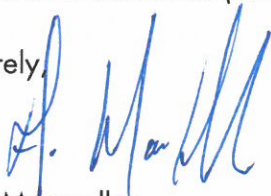
*Finding No. 3: The Department should continue efforts to implement the Business Lottery Accounting System (BLAST) so that all applicable cost data can be tracked for each game and summarized for use in post-game analyses and planning future games.*

*Recommendation 3: We recommend that Department management continue efforts to implement BLAST so that all applicable cost data can be tracked for each game and summarized for use in post-game analyses and planning future games.*

**Management's Status of Corrective Actions:** The Department is currently on schedule to move into production by the end of January the Accounts Receivable subsidiary module and associated control account.

If you require additional information in these matters, please feel free to contact me at your earliest convenience at (850) 487-7726.

Sincerely,



Andy Mompeller  
Inspector General

cc: Kathy DuBose, Coordinator, Joint Legislative Auditing Committee