

CHARLIE CRIST
Governor



LEO DIBENIGNO
Secretary

FLORIDA LOTTERY

July 24, 2009

Mr. Leo DiBenigno
Florida Lottery Secretary
250 Marriott Drive
Tallahassee, FL 32301

Dear Secretary DiBenigno,

Section 20.055(5)(g), 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 findings are published, the Inspector General must provide a written response of 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 January 2008, the Auditor General released its report titled *Financial Audit of the State of Florida Department of the Lottery for the Fiscal Year Ended June 30, 2008*. The report outlined four audit findings. The following details each finding and the current progress of Lottery staff to address each finding:

1) Information Technology Controls

Audit Finding: The Lottery should make necessary enhancements to its IT control practices to address the issued identified.

Status of Corrective Action: In May 2009, the Office of Inspector General conducted an assessment of actions taken by the Department to correct the detailed deficiencies noted in the Auditor General's confidential report on Information Technology Control. The Auditor General's report contained 14 findings, of which it was determined 9, have been fully addressed by Lottery managers and 5 have either been partially addressed and/or are in process of being addressed. Based on this assessment, it was determined that Lottery management had made considerable progress towards resolution of deficiencies noted by the Auditor General.



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2) Marketing and Research Support Funds

Audit Finding: The Lottery's On-line ticket and Scratch-Off ticket gaming service vendors are contractually required to periodically make deposits into marketing and research support funds (fund). In our prior reports, we recommended that the Lottery amend applicable provisions of each contract to include language that specifically addressed the ownership of each fund. The Lottery executed a new contract with its Scratch-Off vendor effective October 1, 2008, that includes provisions stipulating that any remaining moneys in the fund will be returned to the Lottery and establish the Lottery's right to hold back final payment to the vendor if the moneys are not returned. The Lottery had chosen not to pursue contract renegotiations with its On-line vendor, but intends to utilize all available moneys prior to the contract's end.

Status of Corrective Action: The Lottery continues to closely monitor the marketing and research funds for the On-Line vendor contract and intends to utilize all available funds prior to the contract's end.

3) Electronic Funds Transfer of Annual Prize Payments

Audit Finding: The Lottery pays the prizewinners of various games through a deferred payment (annuity) option rather than a single lump sum payment. Our review disclosed that controls over related electronic funds transfer payments could be improved.

Status of Corrective Action: The Lottery has implemented additional controls over all annuity electronic funds transfer payments.

4) Minority Retailer Participation

Audit Finding: Section 24.113, Florida Statutes, requires that 15 percent of the Lottery's retailers shall be minority business enterprises; however, no more than 35 percent of such retailers shall be owned by the same type of minority person. The Auditor General noted that as of November 3, 2008, retailers comprising one minority type totaled 63 percent of the total number of minority retailers. A similar finding was included in prior reports.

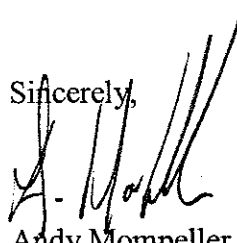
Status of Corrective Action: Minority retailers from underrepresented categories continue to be actively sought out and recruited by the Florida Lottery. Strategic initiatives have continued to seek out and recruit under-represented minorities. The strategic initiatives include identifying and partnering with minority oriented business associations, conducting retailer recruitment seminars, advertising for

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new retailers in community newspapers and magazines and exploring non-traditional trade styles for Lottery retailer prospects.

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

Sincerely,

A handwritten signature in black ink, appearing to read "A. Mompeller", with a large, sweeping flourish extending upwards and to the right.

Andy Mompeller
Inspector General

cc. Ms. Cathy Dubose, Director
Legislative Auditing Committee