

RICK SCOTT
Governor



CYNTHIA F. O'CONNELL
Secretary

July 25, 2014

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

Re: Auditor General Report No. 2014-095, Department of the Lottery Financial Audit
For the Fiscal Years Ended June 30, 2013, and 2012

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 January 2014, the Auditor General released its report No. 2014-095 titled Department of the Lottery Financial Audit for the Fiscal Years Ended June 30, 2013, and 2012. The report outlined two audit findings. The following details each audit finding and recommendation with the current progress of Lottery staff to address each recommendation:

1) Information Technology Controls

Finding No. 1: During our audit, we identified the need for enhancements to the Lottery's information technology (IT) control practices. Specific details of these issues are not disclosed in this report to avoid the possibility of compromising Lottery information. However, the appropriate Lottery personnel have been notified of these issues.

Recommendation 1: We recommend that Lottery management make the necessary IT control enhancements to address the issues identified.

Management's Status of Corrective Actions: Corrective actions have been implemented on 6 of the 8 confidential findings and recommendations connected with Auditor General Report No. 2014-095. Corrective action plans for the 2 remaining

confidential findings and recommendations are in place and have expected completion dates of July 31, 2014 and January 2015.

2) Minority Retailer Participation

Finding No. 2: Section 24.113, Florida Statutes, requires that 15 percent of the Lottery's retailers be minority business enterprises, as defined in Section 288.703(3), Florida Statutes; however, no more than 35 percent of such retailers shall be owned by the same type of minority person, as defined by Section 288.703(4), Florida Statutes. Our audit disclosed that as of July 1, 2013, retailers comprising one minority type totaled 65 percent of the total number of minority retailers. A similar finding has been included in prior reports.

Recommendation 2: We recommend that the Lottery continue its efforts to increase retailer participation in under-represented minority groups.

Management's Status of Corrective Actions: We agree with the Auditor General's recommendation to continue efforts to increase retailer participation in under-represented minority groups. Our on-going efforts to recruit underrepresented minority retailers include the following:

Attending annual trade shows sponsored by the Asian American Convenience Store Association to discuss the benefits to becoming a Lottery retailer in order to recruit new retailers. In 2013, the Asian American Convenience Store Association merged with Florida Petroleum Marketers Association (FPMA). As members of FPMA the Florida Lottery has access to membership information for both groups. With help from FPMA we will work to identify non-Lottery retailers in order to create efficiencies recruiting under-represented minorities.

Advertising or attempts to advertise in the following minority media vehicles – Black College Monthly, Black College Today, Capital City Black Pages, Community Newspapers, Onyx, Orlando Advocate, Out Front, Jacksonville Free Press*, N-Touch News*, Gulf Coast African American Chamber of Commerce* (*proposal submitted no commitment yet).

Working with our Terminal Vendor, GTECH to identify and recruit potential new retailers including both non-traditional trade styles and under-represented minorities.

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Continue to have Lottery sales representatives recruit non-traditional and under-represented minority groups as they cover their individual sales territories.

Provide information through our website to any and all potential retailers on how to become a Florida Lottery Retailer.

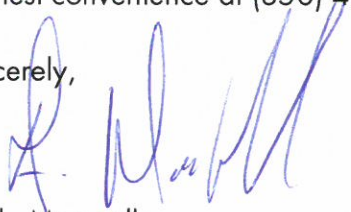
It should be noted that despite our on-going efforts, recruiting under-represented minority retailers is difficult on a number of levels. First, while we make no distinction regarding who we recruit we can only recruit retailers who participate and are represented in the marketplace. Second, since 2009, our largest corporate Convenience Store retailer, 7-Eleven has begun franchising their stores. While under-represented minorities can be franchisees, their affiliation would be considered part of 7-Eleven's Corporate umbrella rather than an under-represented minority retailer.

Finally, the high turnover rate in our independent retailer base makes it difficult to get an accurate reading on participating retailer groups. Factors that contribute to the high turnover rate include terminations resulting from delinquent payments owed the Lottery due to low sales or weak economic conditions, suspected criminal activity, and fraud.

Going forward, we will continue to try to find ways to increase recruitment of under-represented minority groups.

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