



OREGON STATE LOTTERY AUDIT COMMITTEE

Annual Report to the Commission

Audit Committee Activity for the Year Ending December 31, 2019

Purpose

To present a summary to the Oregon State Lottery Commission of Audit Committee activity for the year ending December 31, 2019, as required by the Lottery Audit Committee Charter.

Audit Committee Overview

Purpose

The purpose of the Lottery Audit Committee (Committee) is to assist the Oregon State Lottery Commission in fulfilling its responsibility to oversee the Lottery's: (1) financial reporting process, (2) system of internal control, (3) process for monitoring compliance with laws, regulations, and policies, including Lottery's ethics policy, and (4) audit activities. The Committee acts to promote and help ensure fairness, integrity, security, and honesty in the operation and administration of the Lottery.

Authority

Oregon Administrative Rule (OAR) 125-700-0135 requires each agency having an internal audit function to establish and maintain an audit committee. If the agency has a governing board or commission, the audit committee is to include one or more board or commission members. The audit committee is to assist management in carrying out its oversight responsibilities as they relate to financial and other reporting practices; internal control; compliance with laws, regulations, and ethics; and economy and efficiency of operations.

The Committee Charter, most recently approved on November 30, 2018, gives the Committee the authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Seek legal advice from the Oregon Department of Justice at the Lottery's expense.
- Retain independent accountants, internal auditors, or others to advise the Committee or assist in conducting investigations.
- Facilitate resolution of disagreements between management and internal or external auditors.
- Seek any information it requires from employees or external parties.
- Meet with Lottery management, employees, internal and external auditors, or other external parties as necessary.
- Monitor Internal Audit's activities by working with the Internal Audit Manager to establish priorities.

Composition and Meetings

Committee membership as of December 31, 2019 consisted of Commissioner and Audit Committee Chair Raul Valdivia, CPA; Commissioner Maulin Patel; Director Barry Pack; with meetings facilitated by Robert Martinez, Internal Audit Manager. The Committee is scheduled to meet at least four times annually, as Commission schedules allow. Lottery Internal Audit staffed the meetings and invited members of management, auditors or others to attend meetings and provide pertinent information, as needed.

Responsibilities

The Committee's responsibilities are stated in its Charter. Responsibilities include oversight in the areas of financial statement presentation and audit; the internal control environment; compliance with laws, rules, policies and regulations; internal and external audit; and other activities as requested by the Commission. The Committee is also required to regularly report to the Commission on its activities and to confirm to the Commission annually that responsibilities outlined in the Charter have been carried out.

2019 Activities

For the year ending December 31, 2019, the Committee fulfilled its responsibilities as outlined in the Charter. The Committee met four times during the year and activities included:

- Reviewing action taken on audit findings and following up with management.
- Hearing reports of the Lottery's Enterprise Risk Management process.
- Hearing reports on Oregon Audits Division's financial audit results.
- Receiving regular updates on Internal Audit activities.
- Reviewing and approving Internal Audit's annual audit plan.

The Committee also reviewed results of audits and consulting engagements performed by the Lottery's Internal Audit Department, including: 1) Casino Prohibition Rule Compliance Review, 2) Employee Background Update Review, 3) Internal Quality Assessment Review, 4) Cloud Computing Risk Assessment, 5) Supply Chain Management Consultative Review, 6) Cybersecurity Risk Assessment, and 7) Annual Follow-Up Review of Open Audit Recommendations. Internal Audit's work for the reporting period included: examinations of the efficiency and effectiveness of Lottery operations; the effectiveness of Lottery's internal controls; and compliance with laws, rules, policies and procedures.