



McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS

INTERNAL AUDIT SERVICES



STATUS REPORT TO THE COMMISSIONERS

DECEMBER 1, 2016

INFORMATION ITEM – NO ACTION REQUIRED



Internal Audit Activities This Period

Internal Audit Services' activities during this period (October 1, 2016 through November 15, 2016) include:

- Continued scratch ticket warehouse receiving controls (truck seals)
- Continued CBOD restructuring and BOSS implementation project follow-up review
- Commenced scratch ticket reconstruction audit
- Commenced Enforcement Division background check and investigations processes audit
- Commenced CBOD audit services processes review
- Completed HR draft report
- Completed CBOD ledger account reconciliation project draft report



**FY2017
Internal Audit Plan
Status**

Activity #	Audit	Planning	Fieldwork	Draft Report	Mgmt. Comments	Final Report	Issued
1	Scratch Ticket Warehouse Receiving Controls						
2	Scratch Ticket Pack Reconstruction						
3	Bingo Audit Processes						
4	Enforcement - Background Check and Investigation Processes						
5	Retailer Management						
6	Fraud Awareness Training						
7	Time and Attendance						
8	Second Chance Drawing Process						
9	Crisis Management Plan						
10	Active Directory Audit						
11	Jackpot Estimation System						
12	Scratch Ticket Working Paper Workflow System						
13	Follow-Up On Prior Audit Findings						
14	Monitor of Fraud/Complaint Hotlines Lines						
15	External Audit / Review Assistance						
16	Update Risk Assessment & Develop 2018 Audit Plan						
17	Annual Audit Report						

Legend: Not Started In-Progress
 Completed Continuous



Anticipated Activities Next Period

➤ **Begin:**

- Retailer management audit
- Time and attendance audit

➤ **Complete:**

- Scratch ticket warehouse receiving controls (truck seals)
 - CBOD restructuring and BOSS implementation project follow-up review
 - Scratch ticket reconstruction audit
 - Enforcement Division background check and investigations processes audit
 - CBOD audit services processes review
- Conduct fraud awareness training for TLC staff







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AUDIT REPORT SUMMARY

DECEMBER 1, 2016

ACTION ITEM



Human Resources Audit

Audit	Audit Rating	Number of Observations
16-006 Human Resources	Effective	2 Low Risk

Internal controls over the agency's human resource function and process are effective and working as intended.

Processes Reviewed

- Recruiting
- Hiring
- On-Boarding
- Retention
- Performance Evaluation, Merit, Promotions
- Separations

Key Agency Risk

- TLC faces the risk of significant institutional knowledge loss due to its 13 percent retirement eligible population by the end of fiscal year 2018. The majority of the executive team is either currently retirement eligible, or will be, within the next two fiscal years.

Internal Audit Conclusion

- TLC leadership has taken steps to reduce the risk and impact of potential institutional knowledge loss through the following activities:
 - Implementing a culture of transparency and knowledge sharing within and between departments.
 - Mentoring and developing staff.



CBOD Ledger Account Reconciliation Project

Purpose:

1. Verify correct account balances

Pre-Reconciliation Account Balance (Credit Balances Only)	Reconciled Credit Balances	Reconciled Account Balances Net of Liabilities
\$ 746,634	\$316,343	\$112,367

Activities:

1. Reconciled transactions posted to Statute, Administrative Rules and license fees
2. Posted identified adjustments
3. Issued notices of liabilities or credit balances to licensees

Results:

1. Clean and accurate data in BOSS
2. Correct ledger account balances
3. Transactions posted and fees charged in accordance with Statute and Administrative Rules



Action

Internal Audit requests your approval of the Human Resources audit report and the CBOD Ledger Account Reconciliation Project report.