

Dooling, Timothy V. (SAO)

From: Sweeney, Michael <msweeney@masslottery.com>
Sent: Wednesday, February 6, 2019 3:30 PM
To: Atar, Shay A. (SAO)
Subject: Re: MSLC Engagement Letter

Good afternoon Mr. Atar

Appreciate the opportunity to talk. Thank you for sending the engagement letter. I will contact you again before the close of business on Friday to handle scheduling.

Michael

On Feb 6, 2019, at 3:22 PM, Atar, Shay A (SAO) <shay.a.atar@state.ma.us<mailto:shay.a.atar@state.ma.us>> wrote:

Mr. Sweeney,

It was great talking to you this afternoon. Per our conversation, please see the attached MSLC Engagement Letter. Please let me know if you have any questions.

Thank you,
Shay Atar

AIC
Office of the State Auditor Suzanne Bump
1 Winter Street
Boston, MA 02108
857-242-5397
<MSLC Engagement Letter.pdf>



The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

521 EAST STREET
CHICOPEE, MASSACHUSETTS 01020

SUZANNE M. BUMP, ESQ.
AUDITOR

TEL: 413-784-1080
FAX: 413-784-1169

February 6, 2019

Mr. Michael R. Sweeney, Executive Director
Massachusetts State Lottery Commission
60 Columbian Street
Braintree, MA 02184

Dear Mr. Sweeney:

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we will be conducting an audit of the Massachusetts State Lottery Commission (MSLC) for the period July 1, 2016 through December 31, 2018. We intend to start this audit on or around February 13, 2019.

Our audit will be conducted in accordance with generally accepted government auditing standards, and will include, but not be limited to, following up on issues identified in our prior audit of MSLC. Specifically, we will review MSLC's procedures over conducting criminal background reviews for initial license applications and renewal updates of sales agents, accounting for safeguarding of tickets that were in the custody of terminated sales agents, policies and procedures regarding "peeking" by sales agents, and policies and procedures ensuring Lottery employees or immediate household members are not claiming prizes.

Chapter 11, Section 12, of the General Laws requires organizations being audited to provide us with books, documents, and other records pertaining to the audit. We will also need to discuss audit issues with the members of your staff directly responsible for the functions under audit. Management is responsible for making sure that all requested records and information are made available to us in a timely manner and for the accuracy and completeness of this information. We would prefer to have unrestricted access to agency records and staff. However, if you chose to designate a member of your staff as a liaison for the audit, we ask that this liaison provide us with all requested records within 72 hours of the date of the request. Also, we ask that you allow inquiries with your staff to be completed as expeditiously as possible. As part of our audit process, we also may request written confirmation from management of statements your staff made to us during the audit. Accordingly, we request that the information appearing in the Attachment to this letter, and any other information be made available in a timely manner and in electronic format, where possible.

At the completion of our audit, your agency will be provided with a draft copy of our report for your review and comments. According to Chapter 11, if our office requires your organization to respond to audit results that are contained in our draft report, such response must be forwarded to our office within 15 days of notification or the date shown on the draft report. We will consider your responses in preparing the final report and will include those that are germane to the audit results. Once you have sent your written comments, contact me if you would like to schedule a formal exit conference.

Either myself or Shay Atar of our staff will contact you to make arrangements for an entrance conference to be scheduled the week of February 11th, 2019. Shay Atar can be contacted at 857-242-5397 or Shay.Atar@sao.state.ma.us if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "William Kaplita". The signature is written in a cursive style with a large, stylized initial "W" and a long, sweeping underline.

William Kaplita
Audit Manager

cc: Ms. Deborah B. Goldberg, Treasurer and Receiver General, Chair of the MSLC

2019-0089-7S

ATTACHMENT

The following are documents that are being requested to be made available at the start of the audit. Please provide the following documents in effect during our audit period July 1, 2016 through December 31, 2018:

- Internal Control Plan
- Risk Assessments
- Policy and Procedure Manuals
- Independent Audit Reports and Studies
- Internal and External Audit Reports and Program Reviews
- Organizational Chart and List of Employees

Dooling, Timothy V. (SAO)

From: Atar, Shay A. (SAO)
Sent: Friday, February 8, 2019 9:03 AM
To: Sweeney, Michael (LOT)
Subject: RE: MSLC Engagement Letter

Great! Thanks again.

-----Original Message-----

From: Sweeney, Michael <msweeney@masslottery.com>
Sent: Friday, February 8, 2019 9:01 AM
To: Atar, Shay A. (SAO) <Shay.Atar@MassMail.State.MA.US>
Subject: Re: MSLC Engagement Letter

Mr Atar

Good discussion this morning. We are confirmed for Wednesday, February 20th at 1:00pm in the Crane Conference Room on the 12th floor of Ashburton Place in Boston.

I will send you a list of our attendees prior to the meeting.

Michael

On Feb 6, 2019, at 3:22 PM, Atar, Shay A (SAO) <shay.a.atar@state.ma.us<mailto:shay.a.atar@state.ma.us>> wrote:

Mr. Sweeney,

It was great talking to you this afternoon. Per our conversation, please see the attached MSLC Engagement Letter. Please let me know if you have any questions.

Thank you,
Shay Atar

AIC
Office of the State Auditor Suzanne Bump
1 Winter Street
Boston, MA 02108
857-242-5397
<MSLC Engagement Letter.pdf>

Kaplita Jr., William J. (SAO)

From: Atar, Shay A. (SAO)
Sent: Wednesday, February 20, 2019 2:44 PM
To: Pottier, Elizabeth (LOT)
Cc: Kaplita Jr., William J. (SAO); Kidd, Christopher R. (SAO); Lynch, Christian M. (SAO)
Subject: RE: Lottery audit

Hi Elizabeth,

It was great meeting you all this afternoon. Thank you for all information provided during the meeting. We can wait with the requested materials until we will discuss the audit with our Director. We will be in touch soon.

Thank you,
Shay

-----Original Message-----

From: Pottier, Elizabeth <epottier@masslottery.com>
Sent: Wednesday, February 20, 2019 2:12 PM
To: Atar, Shay A. (SAO) <Shay.Atar@MassMail.State.MA.US>; Kaplita Jr., William J. (SAO) <William.Kaplita@MassMail.State.MA.US>; Kidd, Christopher R. (SAO) <Christopher.Kidd@MassMail.State.MA.US>
Subject: Lottery audit

Good afternoon,

It was a pleasure to meet all of you today and I look forward to working with you.

Would you prefer the requested materials be sent after you discuss the audit with your director or would you like them as soon as possible?

Our Dorchester address is 150 Mount Vernon St. When using GPS it may default to Boston and this will send you to the wrong place. If this happens use the location for the Doubletree Hilton at Bayside. It is right next door to us.

Please contact me for any information or questions as needed; my work phone and cellphone numbers are listed below.

w: 781-849-5611

c: 781-664-4923

Cordially

Elizabeth Pottier

Kaplita Jr., William J. (SAO)

From: Ahearn, Barry V. (SAO)
Sent: Friday, February 22, 2019 10:33 AM
To: Kaplita Jr., William J. (SAO)
Subject: RE: Massachusetts State Lottery Commission

Thanks Bill.

I will have something definitive by early next week.

From: Kaplita Jr., William J. (SAO) <William.Kaplita@MassMail.State.MA.US>
Sent: Friday, February 22, 2019 10:32 AM
To: Ahearn, Barry V. (SAO) <Barry.Ahearn@MassMail.State.MA.US>
Subject: Massachusetts State Lottery Commission

Barry,

I am writing to inform you of a matter brought up during the MSLC entrance conference.

At the entrance conference, the executive director, CFO, and internal auditor stated they are implementing a new information system that will replace the current system. System implementation is scheduled for the end of March/Beginning of April 2019. After system implementation, the current processes and procedure will be updated and reviewed accordingly by MSLC. Because MSLC has not yet determined and documented new policies and procedures, we cannot specifically determine which ones involving our current audit topics will change. Management did specifically note they expect significant changes to handling of tickets of terminated sales agents (the CFO specifically stated they will have the ability to deactivate tickets) and background checks on new/current agents. MSLC expects to have greater technological capabilities with this new system.

Additionally, we were told that the MSLC internal audit unit was not a part of the new system implementation process. Internal controls within the new system were not reviewed by the internal audit unit so there has been little scrutiny as to how the system will function when it goes live.

It may benefit us to postpone the audit of the MSLC until they have had time to implement their new system, processes, and internal controls. That way, our audit findings and recommendations would be more relevant with a greater impact to MSLC operations. It seems likely that MSLC will have updated processes and procedures to testing areas that will require additional scrutiny during our audit and may already address any issues our testing identifies. Also, by delaying our audit, we can better audit MSLC's period of change where there is typically greater risk.

Thanks,
Bill

Kaplita Jr., William J. (SAO)

From: Atar, Shay A. (SAO)
Sent: Friday, March 8, 2019 9:31 AM
To: Kaplita Jr., William J. (SAO)
Subject: FW: Letter

FYI..

From: Atar, Shay A. (SAO)
Sent: Thursday, March 7, 2019 3:15 PM
To: Pottier, Elizabeth (LOT) <epottier@masslottery.com>
Subject: RE: Letter

Hi Elizabeth,

Great, thank you for your help with this.

All the best,
Shay

From: Pottier, Elizabeth <epottier@masslottery.com>
Sent: Thursday, March 7, 2019 12:28 PM
To: Atar, Shay A. (SAO) <Shay.Atar@MassMail.State.MA.US>
Subject: Letter

Hello,

I sent the letter for review to make sure all the points are referenced. I hope to get it to you tomorrow but if not early next week.

Please call me on my cellphone if you need anything in the interim.

Have a nice day

Elizabeth

Elizabeth Pottier
Assistant Director
Internal Audit
work: 781-849-5611
cell: 781-664-4923
epottier@masslottery.com

Kaplita Jr., William J. (SAO)

From: Pottier, Elizabeth <epottier@masslottery.com>
Sent: Monday, March 11, 2019 8:31 AM
To: Atar, Shay A. (SAO)
Cc: Sweeney, Michael (LOT); Kaplita Jr., William J. (SAO); Kidd, Christopher R. (SAO); Taylor, Brian (LOT); Bertola, Didier (LOT)
Subject: Letter request
Attachments: Letter for State Auditor.pdf

Hello,

Attached is a copy of the letter you requested. A hard copy will be mailed today.

Please contact me if you have any questions.

Thank you

Elizabeth

Elizabeth Pottier
Assistant Director
Internal Audit
work: 781-849-5611
cell: 781-664-4923
epottier@masslottery.com



Massachusetts State Lottery Commission

DEBORAH B. GOLDBERG
Treasurer and Receiver General

MICHAEL R. SWEENEY
Executive Director

March 11, 2019

Office of the State Auditor
Attention: Shay Atar

Dear Mr. Atar,

This is in response to your request from the week of March 1, 2019. As we discussed in our meeting, the Lottery's new system provides enhancements that impact the recommendations from the 2014 State Auditor's report. The recommendations involved safeguarding activated instant game tickets for final settlements, monitoring sales agent scanning for instant game tickets, criminal background checks for corporate accounts, and controls to ensure employees do not play any Lottery games.

Below is a summary of the updates related to the State Auditor's 2014 report:

Final settlement for activated instant game tickets

- Lottery Sales Representatives (LSR) will scan activated, unsold instant game tickets while at the sales agent location; scanned tickets are then not cashable for any prize level since they are now in a "returned" status.
- The LSR can reassign instant game tickets to the location's new owner (e.g. change of ownership); these tickets do not leave the location and become part of the new owner's inventory.
- LSR bar code scanning of the first and last tickets will auto-calculate the book settlement value
- After all scanning is completed by the LSR, two final settlement reports are generated from the agent's terminal with signature lines for the sales agent and LSR

Monitoring sales agent scanning for instant game tickets (Clear error reports)

- Auto cash rules changed as of March 7, 2019; a valid 3-digit code must be entered for any cashing higher than the price point of the ticket. For example: a \$2 ticket will auto-cash for a \$2 win but not for any other winning or non-winning ticket.
- Barcode scanning the back of the ticket will only auto-cash the price point of the ticket. For example: a \$5 ticket with a \$5 win will auto-cash; all other winning and non-winning tickets require the 3-digit code.
- Beginning mid-summer 2019, the Lottery plans to eliminate the barcode on the back of new instant game tickets with a process run for one game only and then for all future games. In the interim, coding in the new system to detect scanning and clearing and/or entering the wrong 3-digit code remains in place. If an agent reaches this coding limit they are required to scan the bar code on the front of the ticket for the rest of the day.



Supporting the 351 Cities and Towns of Massachusetts

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- Clear error reports will continue but may be phased out as system processes and instant ticket changes become available.

CORI checks for corporate officers on license renewals

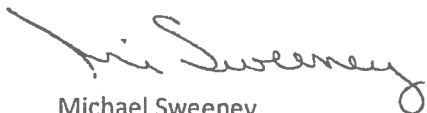
- This items is a matter of policy vs. system automation; the Lottery is working to redefine the CORI process for corporations since multi-national companies (e.g. Stop & Shop, 7-Eleven) will not forward personally identifiable information (PII) about their management for the purposes of CORI validation.

Controls to ensure employees do not play any Lottery games

- Internal Audit reviewed employee addresses to all claims cashed in excess of \$599 for calendar year 2018; results confirm no matches found.

Please contact Elizabeth Pottier at (781) 849-5611 if you have any questions or need additional clarification.

Sincerely,



Michael Sweeney
Executive Director
MSLC

cc: E. Pottier



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60 Columbian Street • Braintree • Massachusetts • 02184-1738 • Tel: 781-849-5555 • Fax: 781-849-5547 • TTY: 781-849-5678 • www.masslottery.com

Dooling, Timothy V. (SAO)

From: Kaplita Jr., William J. (SAO)
Sent: Monday, March 11, 2019 1:07 PM
To: Pottier, Elizabeth (LOT); Atar, Shay A. (SAO)
Cc: Sweeney, Michael (LOT); Taylor, Brian (LOT); Bertola, Didier (LOT)
Subject: RE: Letter request
Attachments: MSLC Signed 3-11-2019 Disengagement Letter.pdf

Good Afternoon,

Based on the information provided, we have decided to disengage from this audit at this time. We will contact you after MSLC has implemented the aforementioned system changes detailed in your March 11, 2019 letter with a date to reinitiate our audit.

Please see the attached memorandum.

Thank you,

William Kaplita, CPA, CGFM
Audit Manager
Office of the State Auditor Suzanne Bump
521 East Street
Chicopee, MA 01020
857-242-5685

From: Pottier, Elizabeth
Sent: Monday, March 11, 2019 8:31 AM
To: Atar, Shay A. (SAO)
Cc: Sweeney, Michael (LOT) ; Kaplita Jr., William J. (SAO) ; Kidd, Christopher R. (SAO) ; Taylor, Brian (LOT) ; Bertola, Didier (LOT)
Subject: Letter request

Hello,

Attached is a copy of the letter you requested. A hard copy will be mailed today.

Please contact me if you have any questions.

Thank you

Elizabeth

Elizabeth Pottier
Assistant Director
Internal Audit
work: 781-849-5611

Kaplita Jr., William J. (SAO)

From: Pottier, Elizabeth <epottier@masslottery.com>
Sent: Monday, March 11, 2019 1:18 PM
To: Kaplita Jr., William J. (SAO)
Subject: RE: Letter request

Thank you for the update.

Have a good afternoon

Elizabeth

From: Kaplita Jr., William J. (SAO) [mailto:william.j.kaplita.jr@state.ma.us]
Sent: Monday, March 11, 2019 1:07 PM
To: Pottier, Elizabeth <epottier@masslottery.com>; Atar, Shay A. (SAO) <shay.a.atar@state.ma.us>
Cc: Sweeney, Michael <msweeney@masslottery.com>; Taylor, Brian <btaylor@masslottery.com>; Bertola, Didier <dbertola@masslottery.com>
Subject: RE: Letter request

Good Afternoon,

Based on the information provided, we have decided to disengage from this audit at this time. We will contact you after MSLC has implemented the aforementioned system changes detailed in your March 11, 2019 letter with a date to reinitiate our audit.

Please see the attached memorandum.

Thank you.

Uxbridge, MA 01569
857-242-5685

From: Pottier, Elizabeth <epottier@masslottery.com>
Sent: Monday, March 11, 2019 8:31 AM
To: Atar, Shay A. (SAO) <Shay.Atar@MassMail.State.MA.US>
Cc: Sweeney, Michael (LOT) <msweeney@masslottery.com>; Kaplita Jr., William J. (SAO) <William.Kaplita@MassMail.State.MA.US>; Kidd, Christopher R. (SAO) <Christopher.Kidd@MassMail.State.MA.US>; Taylor, Brian (LOT) <btaylor@masslottery.com>; Bertola, Didier (LOT) <dbertola@masslottery.com>
Subject: Letter request

Hello,

Attached is a copy of the letter you requested. A hard copy will be mailed today.

Please contact me if you have any questions.

Thank you

Elizabeth

Elizabeth Pottier
Assistant Director
Internal Audit
work: 781-849-5611
cell: 781-664-4923
epottier@masslottery.com



The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

521 EAST STREET
CHICOPEE, MASSACHUSETTS 01020

SUZANNE M. BUMP, ESQ.
AUDITOR
2019-0089-7S

TEL: 413-784-1080
FAX: 413-784-1169

March 11, 2019

Michael Sweeney, Executive Director
Massachusetts State Lottery Commission
150 Mount Vernon Street, Suite 300
Dorchester, MA 02125-3573

Dear Mr. Sweeney,

As you are aware, on February 6, 2019, the Office of the State Auditor (OSA) initiated an audit of the Massachusetts State Lottery Commission (MSLC). The primary objective of this audit was to follow-up on issues identified in our prior audit of MSLC (2013-0089-3S). Specifically, we intended to review MSLC's procedures over conducting criminal background reviews for initial license applications and renewal updates of sales agents, accounting for safeguarding of tickets that were in the custody of terminated sales agents, policies and procedures regarding "peeking" by sales agents, and policies and procedures ensuring Lottery employees or immediate household members were not claiming prizes.

During our entrance conference that was held at your agency on February 20, 2019, MSLC officials informed us that in the near future, MSLC was going to be implementing significant changes to its systems that could impact our audit work and any related recommendations. Subsequently, on March 11, 2019, MSLC's Assistant Director of Internal Audit Elizabeth Pottier provided us with a listing of these changes as well as their current implementation status.

After reviewing this information and speaking with MSLC staff, we have determined that at this time, it is best that we disengage from this audit. We will contact you after MSLC has implemented the aforementioned system changes to arrange a date to reinstate our audit.

Sincerely,

A handwritten signature in black ink that reads "William Kaplita".

William Kaplita
Audit Manager

cc: Ms. Deborah B. Goldberg, Treasurer and Receiver General, Chair of the MSLC
Mr. Barry Ahearn, OSA, Audit Director, State Audits

Dooling, Timothy V. (SAO)

From: Atar, Shay A. (SAO)
Sent: Thursday, March 14, 2019 11:10 AM
To: Pottier, Elizabeth (LOT)
Subject: RE: Letter request

Hi Elizabeth,

Thank you for the letter and your help with gathering the information.

All the best,
Shay

From: Pottier, Elizabeth
Sent: Monday, March 11, 2019 8:31 AM
To: Atar, Shay A. (SAO)
Cc: Sweeney, Michael (LOT) ; Kaplita Jr., William J. (SAO) ; Kidd, Christopher R. (SAO) ; Taylor, Brian (LOT) ; Bertola, Didier (LOT)
Subject: Letter request

Hello,

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Thank you

Elizabeth

Elizabeth Pottier
Assistant Director
Internal Audit
work: 781-849-5611
cell: 781-664-4923
epottier@masslottery.com

Dooling, Timothy V. (SAO)

From: Pottier, Elizabeth <epottier@masslottery.com>
Sent: Friday, March 15, 2019 7:50 AM
To: Atar, Shay A. (SAO)
Subject: Re: Letter request

Glad to help.

Have a nice weekend

Elizabeth

Sent from my iPhone

On Mar 14, 2019, at 11:10 AM, Atar, Shay A (SAO) <shay.a.atar@state.ma.us<mailto:shay.a.atar@state.ma.us>> wrote:

Hi Elizabeth,

Thank you for the letter and your help with gathering the information.

All the best,
Shay

From: Pottier, Elizabeth <epottier@masslottery.com<mailto:epottier@masslottery.com>>
Sent: Monday, March 11, 2019 8:31 AM
To: Atar, Shay A. (SAO) <Shay.Atar@MassMail.State.MA.US<mailto:Shay.Atar@MassMail.State.MA.US>>
Cc: Sweeney, Michael (LOT) <msweeney@masslottery.com<mailto:msweeney@masslottery.com>>; Kaplita Jr., William J. (SAO) <William.Kaplita@MassMail.State.MA.US<mailto:William.Kaplita@MassMail.State.MA.US>>; Kidd, Christopher R. (SAO) <Christopher.Kidd@MassMail.State.MA.US<mailto:Christopher.Kidd@MassMail.State.MA.US>>; Taylor, Brian (LOT) <btaylor@masslottery.com<mailto:btaylor@masslottery.com>>; Bertola, Didier (LOT) <dbertola@masslottery.com<mailto:dbertola@masslottery.com>>
Subject: Letter request

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Elizabeth

Elizabeth Pottier
Assistant Director
Internal Audit
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cell: 781-664-4923
epottier@masslottery.com<mailto:epottier@masslottery.com>

From: Atar, Shay A. (SAO)

Sent: Thursday, August 15, 2019 11:31:43 AM

To: Kaplita Jr., William J. (SAO)

Subject: Re: audit

Hi Bill,

Please see the email below from Elizabeth regarding the lottery system implementation status.

Thanks,

Shay

From: Pottier, Elizabeth <epottier@masslottery.com>

Sent: Thursday, August 15, 2019 9:33:49 AM

To: Atar, Shay A. (SAO)

Subject: audit

Good morning,

In reference to our call last week, I returned from vacation yesterday and I'm working on getting an update about the system from our IT Director. Once I have this I will reach out to you again.

Please also note that we are not looking to delay your start at all. If your group wants to come we can schedule that anytime. My only goal was for the process to be as efficient for your group as possible knowing that we are working on updating not just our system but process changes due to the new system as well.

I can tell you that the new system vendor is still on site working with our IT team. I want to talk to the IT Director so I can give you a more fruitful answer than that.

Please call me on my cell phone if you have any questions

Talk soon

Elizabeth

Elizabeth Pottier