

# **Massachusetts State Lottery Commission Meeting of the Audit Committee**

**DATE:** May 28, 2013

**TIME:** 9:39 a.m.

**PLACE:** Office of the Treasurer and Receiver General  
12<sup>th</sup> floor  
One Ashburton Place  
Boston, MA

**MEMBERS PRESENT:** Sue Perez, Chairwoman, Audit Advisory Committee  
Martin Benison, Commissioner  
Elizabeth Nadzo, Designee for Commissioner Andrea Cabral

**ALSO PRESENT:** Tim McMahon, Commissioner  
Beth Boland, Commissioner  
Paul Sternburg, Executive Director, Lottery  
William Egan, General Counsel, Lottery  
Jean Caron, Executive Assistant, Lottery  
Dave Sweeney, CFO, Lottery  
Paul Mandeville, Asst. Ex. Director, Director of MIS  
Cathy Judd-Stein, Asst. Ex. Director, Director of Policy  
and Special Counsel, Lottery  
Elizabeth Pottier, Internal Auditor, Lottery  
Jim MacDonald, First Deputy Treasurer  
Jamey Tesler, General Counsel, Treasury  
Al Gordon, Director of Policy, Treasury

Chairwoman Perez opened the meeting at 9:39 a.m.

Chairwoman Perez asked for an update on the State Audit. Director Sternburg stated that he felt it was going well and that the delay was due in part to the fact that the Auditors are completing another audit as well. The Auditors met with Director Sternburg informally with regard to the "Sting Policy" changes. Director Sternburg told them that the program was reviewed and changed before they had arrived at the Lottery. The Auditors were happy with the policy; however, they had not seen it referenced in previous Audit reports. Director Sternburg explained that the manufacturers of the Instant Tickets will print "test tickets" for the purpose of an investigation when requested. These tickets are not valid and will only be used for investigatory purposes.

Ms. Elizabeth Pottier spoke of the policies and procedures from 2010 that the Auditors are referring to and she explained to them that those are applicable to their audit period, where the revised or newly written policies executed in the last year and a half are more likely to be outside that period. Chairwoman Perez

asked if their observations were focused on what we had already changed. Upon reflection of the time frame for the last audit conducted in FY 2010, it was confirmed that the Auditors' final report was not available until a year and a half after the completion of the audit. Discussion about the timeliness of the report ensued, raising concern that such delay in reporting impacts response, possibly making the Lottery appear as though management is not performing.

Commissioner Boland asked about the controls in place to secure data and prevent data breaches. Paul Mandeville explained that the Lottery's online gaming system is secure from outside tampering at several levels and that we are in full PCI compliance with respect to Internet connectivity. The Lottery's newest challenge has been presented by those entering our buildings with wireless devices and securing wireless connectivity. Those measures are in place and are currently being strengthened.

Chairwoman Perez stated that at the last meeting she had asked about a date for the final report and Director Sternburg indicated that, at this time, the Auditors have not been able to state a finish date. Ms. Pottier told Chairwoman Perez that she asks them on a weekly basis about the status of their testing, which has not yet commenced.

Chairwoman Perez asked if there were any additional comments or questions. There were none, so she asked for a motion to adjourn, which was made by Commissioner Benison at 10:01 am and seconded by Elizabeth Nadzo, Designee for Commissioner Andrea Cabral. Motion approved 5-0.