Massachusetts State Lottery Commission
Meeting of the Audit Advisory Committee

DATE:	**November 27, 2012**
TIME:	**9:30 a.m.**
PLACE:	**Office of the Treasurer and Receiver General** **12th floor** **One Ashburton Place** **Boston, MA**
MEMBERS PRESENT:	**Sue Perez, Chairman, Audit Advisory Committee** **Jenny Hedderman, General Counsel, Comptroller's Office** **Designee for Comptroller Benison** **Jane Gabriel, Acting General Counsel, EOPS** **Designee for Secretary Mary Beth Heffernan**
ALSO PRESENT:	**Beth Boland, Commissioner** **Tim McMahon, Commissioner** **Paul Sternburg, Executive Director, Lottery** **William Egan, General Counsel, Lottery** **Jean Caron, Executive Assistant, Lottery** **David Sweeney, CFO, Lottery** **Cathy Judd-Stein, Assistant Executive Director of Policy and Special Counsel, Lottery** **Elizabeth Pottier, Internal Auditor, Lottery** **Jamey Tesler, General Counsel, Treasury**
KPMG MEMBERS:	**Greg Driscoll, Partner** **Jay Green, Senior Manager** **Geoff Clarke, IT Manager**

I. Meeting Brought to Order:

Chairman Perez opened the meeting at 9:34 a.m. She asked the Committee to accept the minutes of the October 30, 2012 meeting. Counselor Hedderman made a motion to accept the minutes of the meeting and Acting General Counselor Jane Gabriel seconded the motion. The minutes were approved at 9:35 a.m.

II. KPMG Presentation:

Chairman Perez then introduced the KPMG members in attendance for their presentation of 2012 Audit Results.

(Please refer to KPMG's handout prepared for the Committee entitled "Massachusetts State Lottery Commission 2012 Audit Results" and dated November 27, 2012.)

Greg Driscoll began the meeting by stressing that the audit results were all positive and proceeded through the above referenced handout. KPMG found no change in audit results relating to areas of focus discussed at the September 25, 2012 meeting. It found no material or non-material recorded or unrecorded audit differences. Also, no material weaknesses or significant deficiencies in internal control over financial reporting were noted.

Mr. Driscoll then provided an update as to the completed reports, adding that agreed-upon procedures report for the Lucky for Life Game is expected by end of November or early December.

Jay Green began his portion of the presentation by reviewing the responsibilities of KPMG, Management and the Audit Committee. He explained that there were no new standards in the accounting policies of this audit and no significant matters to report. With respect to required communications, no audit misstatements, corrected or uncorrected, were identified. No material omitted disclosures were identified. And no material weaknesses or significant deficiencies were identified as a result of KPMG's audit.

There were no disagreements with management and no difficulties encountered while performing the audit. This year's report was a follow-up to last year's detailed report and is included in the handout from KPMG.

KPMG next turned to IT General Control Observations. It notes that "while no reliance is placed on IT systems for our audit, we are required to conduct procedures to understand the IT environment." Key observations include the following:

- Physical Access ~ Data Centers in Braintree and Norwell are both very well controlled; access privileges need to be managed through formal data center management authorization and review
- Logical Access ~ Staff terminations need to be communicated to IT from HR ~ access needs to be approved and continually managed by IT manager
- Shared Users ID's ~ Technical limitations prevent use of unique support User Id's. Director Sternburg explained that the current system dates back to 1998 and is very outdated.
- Staffing and Succession Planning ~ Continue cross training and increase junior staff responsibilities
- Policies and Procedures ~ Regarding information security, change management, and systems development should be introduced, maintained and enforced.

The full report is included in the handout.

Geoff Clarke, KPMG, suggested that we make sure to continually monitor our system. Director Sternburg explained that we operate on a closed system now with no outside access. There is only e-mail access and that is with a very high constringent and firewalls. Director Sternburg also informed the committee that Cathy Judd-Stein and Paul Mandeville will be developing a manual for the IT Policies and Procedures. Elizabeth Pottier will be assisting in this as well.

The next steps would be to schedule another meeting to make sure the changes have been made.

Director Sternburg thanked the KPMG members for their work on the audit and also thanked Chairman Perez.

III. Adjournment of the Meeting:

Chairman Perez asked if there were any comments or questions. There were none so she then asked for a motion to adjourn which was made by Commissioner Boland at 10:05 am and seconded by Jenny Hedderman, designee for Comptroller Benison. Motion approved 4-0.