

Attachment 39

Response to Request for Status of Implementation of Recommendations from the District of Columbia Auditor dated September 12, 2011 to the District of Columbia Lottery and Charitable Games Control Board from Fiscal Year (FY) 2006 to FY 2009

Title	Report Number	Date Received	OIO Recommendations	Status
Response to Draft Report on Audit Of the District of Columbia Lottery & Charitable Games Control Board for FY '06 to FY '09	11:337:V J:SDG:A W:cm	9/13/11	<ol style="list-style-type: none"> 1) The Lottery's Executive Director should work with the Council of the District of Columbia to immediately amend provisions of D.C. Code, title 3, Chapter 13 to reflect the Lottery's current organizational structure and operations. 2) The Executive Director of the Lottery should immediately amend the Lottery's rules and regulations at District of Columbia Municipal Regulations, Title 30, Chapter 1 to reflect the Lottery's current organizational structure. 3) The Executive Director of the Lottery should establish Memoranda of Understanding for all future transactions with any District Government agency providing services to the Lottery. 	<p>COMPLETE The OCFO has been in contact with the Office of Boards and Commissions about an appropriate legislative change.</p> <p>INCOMPLETE The Lottery will work to amend its rules and regulations at District of Columbia Municipal, Title 30 and Chapter 1 to reflect its current organizational structure.</p> <p>COMPLETE DCLB <u>disagrees</u> in part to the findings. In reference to MOUs between the DCLB and other components of the OCFO, although the DCLB and OCFO have used MOUs in the past to</p>

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			<p>4) The Lottery's Agency Fiscal Officer (AFO) must ensure that appropriate agency officials sign all Memoranda of Understanding <i>before</i> services are rendered.</p> <p>5) The AFO for the Lottery must take steps to ensure that vendors, who satisfactorily provide goods and services and submit a proper invoice for payments are paid within 30 calendar days in accordance with The District's Quick Payment Act.</p> <p>6) The Lottery's AFO should take steps to ensure that Lottery employees comply with the Lottery's policies and procedures by properly logging in the date invoices are received.</p> <p>7) The Lottery's AFO should take steps to ensure that all invoices are properly approved for payment by appropriate officials of the Lottery before invoices are processed for payment.</p> <p>8) The Chief of Security of the Lottery</p>	<p>account for services provided to the DCLB by other components of the OCFO, the use of MOUs is not legally necessary. The current practice is for the OCFO's Office of Management and Administration to issue an assessment for such services. The Metropolitan Police Department (MPD) is the exception and an MOU will be established with MPD for all future transactions.</p> <p>COMPLETE The Lottery's Agency Fiscal Officer will ensure that appropriate agency officials sign all Memoranda of Understandings before services are rendered.</p> <p>COMPLETE The Lottery makes every effort to adhere to the QPA.</p> <p>COMPLETE</p>

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			<p>should take steps to ensure that the results of pre-employment background and fingerprint checks are received and reviewed prior to an individual's employment.</p> <p>9) The Lottery's Executive Director should take steps to establish and implement policies and procedures that require periodic background and fingerprint checks for lottery employees.</p> <p>10) The Lottery's Chief of Security should take steps to ensure that all appropriate documents including credit checks, hiring, memorandum, authority to release information, affidavit not to purchase lottery tickets, driver's license photograph and employee history are properly completed and maintained in each employee's security file.</p> <p>11) The Chief Financial Officer and the Agency Fiscal Officer should ensure</p>	<p>The majority of invoices are received through the Support Services Unit as part of the mail receipt and delivery process. The Support Services Unit date stamps all mail.</p> <p>COMPLETE</p> <p>The AFO feels that sufficient controls are in place to ensure that invoices paid are properly approved prior to payment.</p> <p>COMPLETE</p> <p>The Lottery disagrees with the finding. The Lottery's Human Resources Division falls under the direction of the Office of the Chief Financial Officer and is subject to its procedures and controls. The Human Resources Division conducts pre-employment background checks. The Lottery conducts pre-</p>

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			<p>that the Lottery collects \$47 from the contractor for each fingerprint/background check processed for the contractor.</p> <p>12) The Chief Financial Officer should bill LTE in the amount of \$705 for the background and fingerprint checks that were performed.</p> <p>13) The Lottery's Director of Sales should take steps to consistently enforce rules and regulations pertaining to the minimum sales requirement for agents.</p> <p>14) The AFO must deactivate a sales agent's terminal after receiving the first notification that the sales agent's bank account had insufficient funds (NSF) on the day the Lottery attempted to collect the agent's sales revenue. Additionally, the AFO must request that the Chief of Security investigate to collect payment.</p>	<p>employment fingerprint checks.</p> <p>COMPLETE</p> <p>The Lottery disagrees with the finding. The Lottery is under the direction of the Office of the Chief Financial Officer and as a result does not conduct background checks for Lottery employees. The Office of Integrity & Oversight periodically conducts background checks on behalf of all OCFO employees. The Lottery is currently attempting to establish an MOU with MPD to conduct background checks—in cooperation with OIO—on Lottery employees every 4 years.</p> <p>COMPLETE</p> <p>The Lottery disagrees with the finding. The Lottery's Human Resources Division falls under the direction of the Office of the Chief Financial Officer and is subject to its procedures and controls. The</p>

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			<p>15) The AFO for the Lottery must take steps to establish an effective collection policy for unpaid accounts receivable due from sales agents.</p> <p>16) The Lottery's General Counsel must ensure that agents comply with repayment agreements and pursue collection of amounts owed in Superior Court, the U.S. Attorney General for the District or the Attorney General of the District of Columbia.</p> <p>17) The AFO should pursue collection of the \$228,041 and \$141,864 owed by sales agents as of FY '08 and FY '09 respectively.</p>	<p>Lottery communicated this finding to the Director of Human Resources and the Office of Integrity and Oversight to ensure that relevant information is maintained in employees' files.</p> <p>COMPLETE The Lottery is currently abiding by the SOP to collect \$47 from the contractor for each fingerprint/background check processed for the contractor.</p> <p>COMPLETE DCLB disagrees. LTE's contract with the Lottery as the gaming system contractor expired November 22, 2010. LTE is no longer in business.</p> <p>COMPLETE From a business perspective, it is sometimes more feasible to allow an agent to participate even though</p>

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			<p>18) The Lottery must take steps to ensure that appropriate documents required to license sales agents are complete and properly maintained.</p> <p>19) The Lottery's cardholder for the Lottery's P-Card program should not attend the Lottery's ART meetings.</p> <p>20) The Lottery's Executive Director should also designate an employee other than the Lottery's cardholder to serve as the Lottery's Agency Program Coordinator.</p>	<p>the minimum sales requirement is not being met due to an overall decline in sales, desire for an agent's presence in a specific location to accommodate players, etc. The Lottery is considering discontinuance of the minimum sales requirement.</p> <p>COMPLETE</p> <p>The Lottery <u>disagrees</u> with the finding. The agency's current NSF collection policy requires that all agents' terminals be deactivated immediately upon notification from the banking institution that a NSF incident has occurred without exception. The respective agent's terminal is not reactivated until the NSF has been paid in full, repayment agreement has been signed, and Executive Director's directive and/or for other legitimate reasons such as incorrect charge by</p>

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				<p>bank, deposit errors, etc. The Chief of Security is notified to assist in collection of funds when robbery and other criminal activities are involved or suspected.</p> <p>COMPLETE</p> <p>The Lottery <u>disagrees</u> with the finding. The Lottery feels it has an effective collection policy for unpaid accounts receivable due from sales agents. Since inception, the Lottery has collected over 99.99% of monies owed by retailer/sales agents. While the agency is always looking for ways to strengthen its policy and to collect all funds due, it is a fact that some accounts will not be collected due to disappearance of retailers and inability of retailers to pay due to bankruptcy and other business dissolutions. The Office of the Attorney General will not act on any debt</p>

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				<p>below \$2500.</p> <p>COMPLETE</p> <p>The Lottery's General Counsel will extend necessary efforts to ensure that agents comply with repayment agreements. Previous history of using civil lawsuits and others filings have proven to be less than effective.</p> <p>COMPLETE</p> <p>A review of documents supporting agents' balances owed and comprising the amounts noted above indicates that the majority of the agents/respective principals in question can no longer be reached. Approximately \$37,400 of the FY '09 balance owed has been collected. It should be noted that in FY '05, our independent auditors recommended that we discontinue the deposit of bonding fees to a miscellaneous trust fund specifically established to cover delinquent and</p>

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				<p>uncollectible agents' receivables. Bonding fees in excess of \$1 million were recognized as revenue in FY 05. For FYs '07 thru '09, the agency collected bonding fees totaling of \$559,000 and averaging almost \$140,000 per annually. The amounts collected were used to offset agents' accounts receivable written-off over the same time period.</p> <p>COMPLETE</p> <p>During the time frame of the audit, the agency's policy was to renew lottery licenses on a biennial basis. This may account for the fact that a certain percentage of file folders did not contain clean hands act certifications, good standing certificates, criminal background checks and evidence of inspections.</p> <p>COMPLETE</p> <p>DCLB agrees.</p>

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					COMPLETE DCLB agrees.