

# **CALIFORNIA LOTTERY**

Report

## **RISK ASSESSMENT SURVEY**

*July 1, 2011, through February 28, 2015*



**BETTY T. YEE**  
California State Controller

April 2016



**BETTY T. YEE**  
California State Controller

April 12, 2016

Hugo López, Director  
California Lottery  
700 North Tenth Street  
Sacramento, CA 95811

Dear Mr. López:

The State Controller's Office (SCO) has completed a risk assessment survey of the California Lottery's (Lottery) operations and activities. The survey included operations and activities for the period of July 1, 2011, through February 28, 2015. The assessment was performed to identify which of the Lottery's operations and activities should be audited based on risk exposure and to prioritize the need for these audits. This assessment will be used in developing future SCO audit plans of the Lottery.

The SCO identified 124 operations and activities and developed a list of risk factors with which to prioritize operations and activities into five risk categories. As a result of the risk assessment, the operations and activities have been categorized as follows:

- 14 as high risk;
- 32 as medium-high risk;
- 40 as medium risk;
- 20 as medium-low risk; and
- 18 as low risk

The SCO will periodically assess the effects of any future changes in the Lottery's operations and activities or related risk factors that may occur. Such an assessment will facilitate adjustments to audit priorities and future audit plans.

If you have any questions, please contact Andrew Finlayson, Chief, State Agency Audits Bureau, by telephone at (916) 324-6310 or by email at [afinlayson@sco.ca.gov](mailto:afinlayson@sco.ca.gov).

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD, CPA**  
Chief, Division of Audits

JVB/as

cc: Paula D. LaBrie, Chief Deputy Director

California Lottery

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California Lottery

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# Report

## Summary

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- 18 as low risk

## Background

Proposition 37, the California State Lottery Act of 1984 (Lottery Act), amended the California Constitution to authorize the establishment of a statewide lottery, to create the California Lottery Commission, and to give the commission broad powers to oversee the operation of a statewide lottery.

Under the authority of Government Code section 8880.46.6, the SCO may conduct special post audits of the Lottery as the Controller deems necessary. In addition, Government Code section 12410 states, "The Controller shall superintend the fiscal concerns of the state. The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment." Government Code section 12411 states that "The Controller shall suggest plans for the improvement and management of public revenues."

## Objectives, Scope, and Methodology

The purpose of the risk assessment is to review and evaluate the Lottery's operations and activities in terms of the various risks to which those operations and activities are exposed, and to prioritize the operations and activities into risk categories to facilitate future SCO audit plans of the Lottery. This risk assessment included operations and activities for the period of July 1, 2011, through February 28, 2015. This engagement is a survey and not an audit. As such, it does not constitute an audit under generally accepted auditing standards.

The risk assessment is a systematic process of gathering, assessing, and integrating professional judgment conditions that impact the financial and operational activities of the organization. This process provides a logical methodology to determine the priority listing of the Lottery operations and activities, based on risk.

The SCO developed a list of all operations and activities of the Lottery that could be audited. This list was determined by:

1. Performing a review of the following:
  - Risk assessment ranking schedules for the operations and activities noted in the previous SCO's Risk Assessment report dated November 2011
  - The Lottery's organization charts for fiscal year (FY) 2011-12 through FY 2014-15
  - Any risk assessment surveys performed by the Lottery's Internal Audits
  - The Lottery's contract list to determine which contracts should be included in the risk assessment list of operations and activities
2. Interviewing Lottery management and supervisory personnel and other staff to gain an understanding of the operations and activities within their respective divisions/units.

The procedures performed to assess the risk associated with each operation and activity included:

- Establishing risk factors in order to evaluate the operations and activities identified above
- Determining a rating scale and a weight for each risk factor
- Analyzing the information collected and assigning a score for each of the risk factors for every identified operation and activity
- Computing a composite risk score for each operation and activity based on score of its risk factors and the weight given to each factor
- Ranking the surveyed operations and activities from the highest to the lowest based on composite score
- Categorizing the operations and activities into one of the five levels of risk based on composite score: high, medium-high, medium, medium-low, and low
- Evaluating the overall reasonableness of the risk assessment rankings schedules

The risk categories and the relative weight of these categories are based on the most relevant critical factors for assessing risk as determined by the judgment of the SCO management and staff. Each of the risk factors received a score between zero and five, with zero indicating no risk and five indicating maximum risk.

The risk factors and their respective composition are as follows:

1. Operational Risk

This factor focuses on the five interrelated components of internal control: control environment, risk assessment, information and communication, control activities, and monitoring.

2. Financial Risk

This factor focuses on the budgets and expenditures of the division/unit compared to the total budget as a whole. This factor was also based on the dollar amount, complexity, and frequency of the transactions performed by the division/unit.

3. Compliance Risk

This factor was based on the Lottery's mandatory compliance of the state laws and regulations, contractual obligations, and reporting requirements.

4. Strategic Risk

This factor focuses on the business development of the division/unit. The recent restructuring, expansion of operations, and changes in processes increase the risks to operations and activities within a division/unit.

The scores of each of these factors were entered into a risk matrix. Each of the four risk factors was given a weight based on the judgment of the SCO management and auditors as follows:

<u>Risk Factor</u>	<u>Weight Given</u>
Operational Risk	40%
Financial Risk	30%
Compliance Risk	20%
Strategic Risk	10%

A composite score for each of the Lottery's operations and activities was computed based on the score of each of its risk factors and the weight given to the factor. A composite score of five indicates maximum risk.

## Conclusion

The SCO identified 124 operations and activities as critical or necessary functions within the Lottery. Based on the composite score of each operation and activity, the SCO categorized it into one of five levels of risk: high, medium-high, medium, medium-low, or low.

The results of the final categorization of operations and activities are as follows:

Level of Risk	Explanation of Risk	Number of Operations and Activities	Schedule
High	Operations/activities that, due to their nature and the level of current oversight, must be audited on a routine basis.	14	1
Medium-High	Operations/activities for which, due to their nature and the level of current oversight, a periodic audit would be advisable.	32	2
Medium	Operations/activities for which, given time constraints and resources, should be audited periodically.	40	3
Medium-Low	Operations/activities that, as ranked by the risk matrix, have limited risk. As such, an audit may be warranted at some time.	20	4
Low	Operations/activities that carry little to no risk. New extraordinary circumstances would need to occur to warrant an audit.	18	5

The risk assessment included operations and activities for the period of July 1, 2011, through February 28, 2015. The SCO will periodically assess the effect of any future changes in the operations and activities or related risk factors that may occur. Such an assessment will facilitate adjustments to audit priorities and future audit plans.

### **Restricted Use**

This report is intended for the information and use of the California Lottery, the California Lottery Commission, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

April 12, 2016

## Schedule 1— High Risk Operations and Activities July 1, 2011, through February 28, 2015

Operations and Activities	Division	Description	Composite Score
GTECH Corp. (expires 10/13/2019)	ITSD	Provide gaming and telecommunication services.	4.8
Revenue Collection	Finance	Collect revenues from almost 22,000 retailers that sell Lottery products; responsible for retailer inquiries, resolving non-sufficient funds issues, and administering retailer sanctions and terminations; perform financial reviews of prospective retailers intending to sell Lottery products.	4.5
MUSE Communications, Inc. (expires 10/31/2018)	Sales & Marketing	Provide African-American advertising.	4.35
Procurement Function - Purchase Order, Service Agreements	Executive	Responsible for procurement functions.	4.2
Prize Payments	Finance	Validate and process all prize claims received from players and the Lottery's district offices; process certain retailer account adjustments and responding to prize-related inquiries received by the Lottery's customer service center.	4.2
Investments	Finance	Responsible for the Lottery's investment portfolio that is currently valued at approximately \$1 billion. The investment portfolio is comprised of securities that are purchased and sold to fund annuity payments to the Lottery's grand prize winners. This unit also performs alternative collections in an effort to collect outstanding debts owed to the Lottery from retailers.	4.2
Contract Administration Services	Operations	Provide contract administration guidance and assistance to all Lottery Contract Managers in the contract post award-phase. Also provide Contract Managers as-needed guidance and assistance during the contract development phases to ensure Lottery contracts incorporate adequate administration controls.	4.2
DPR Constructions, A General Partnership (expires 12/18/2018)	Operations	Provide construction services for Lottery facilities statewide.	4.2
Alcone Marketing ( expires 08/31/2018)	Sales & Marketing	Provide marketing promotions and Point-Of-Sale Services.	4.2
Casanova Pendrill Publicidad Inc. (expires 12/31/2017)	Sales & Marketing	Provide Hispanic market advertising services.	4.2
David & Goliath, LLC (expires 11/18/2017)	Sales & Marketing	Provide general marketing advertising services.	4.2
Pollard Banknote Limited (expires 11/30/2019)	Sales & Marketing	Provide Scratchers printing and related services.	4.15
GTECH Corp. (expires 11/30/2019)	Sales & Marketing	Provide Scratchers printing and related services.	4.08
Scientific Games, Inc. (expires 11/30/2019)	Sales & Marketing	Provide Scratchers printing and related services.	4.05

**Schedule 2—  
Medium-High Risk Operations and Activities  
July 1, 2011, through February 28, 2015**

Operations and Activities	Division	Description	Composite Score
Field Investigations	SLED	Conduct field investigations; monitor and manage the security of district operations.	3.9
Special Investigations	SLED	Investigate questionable and fraudulent tickets. Conduct all investigations including criminal investigations for the Lottery. Monitor and analyze criminal activities and trends of criminal organizations that negatively affect the Lottery. Maintain liaison with law enforcement agencies.	3.9
Draw Management	SLED	Assure all draws are conducted fairly with utmost integrity and security, the draw environment is strictly controlled, and all draw-related activities are performed under video and audio surveillance; monitor all online and 2nd Chance draws.	3.9
Andrews International (expires 12/31/2014)	SLED	Provide interim security guard services to Lottery facilities statewide.	3.9
Accounts Payable	Finance	Process payable transactions for Lottery vendors and retailers.	3.8
Cash Receipts & Disbursements	Finance	Record cash receipts, deposits, and remittance of money.	3.8
Revolving Fund and Disbursements Travel	Finance	Maintain and monitor disbursement records, revolving fund transactions, and travel advances.	3.8
Non-Retailer Account Receivables	Finance	Maintain and monitor account receivable records for vendors and employees.	3.8
Payroll	Finance	Process all payroll transactions, including distribution of warrants.	3.8
Security Management Group International (expires 12/31/2019)	SLED	Provide security guard services at Lottery facilities statewide.	3.8
Contract Development Services	Executive	Coordinate and oversee contracting functions of the Lottery.	3.7
Scratchers	Sales & Marketing	Manage the entire lifecycle of Scratchers Games from beginning to end. This includes developing the Scratcher Product Plan in order to achieve sales goals; determining launch dates, price points, themes, prize, structures, graphic design; and inventory management, sales monitoring, planogram placement and ending games.	3.7
Retailer Network Management	Sales & Marketing	Manage the "Retailer Management System" lifecycle of a retailer account. This includes application and equipment installation processing, changes of ownership, new locations, tax changes, moves, terminations, and any other record update/changes. Process retailer incentives. Assist retailers in signing on to the retailer website.	3.7
Time Advertising (expires 11/07/2015)	Sales & Marketing	Provide asian advertising of Lottery products.	3.7
Personnel Transaction Processing	Human Resource	Process personnel transactions, leave balances, payroll, and benefits (health, dental, and vision).	3.7
District Sales Representative Activities	Sales & Marketing	Provide sales support and promotional services for games. Act as a Sales Consultant for retailers throughout the State to maximize lottery product visibility and profitability.	3.7
Lottery's Visa Cal-Card Program	Executive	Administer the Lottery Cal-Card Program.	3.6
Financial Statements and Game Accounting	Finance	Responsible for all financial reporting required of the Lottery by statute and Commission directives including, but not limited to, quarterly and annual financial statements; perform game accounting and fixed assets accounting; research and analyze complex game account and fiscal issues to formulate appropriate accounting methods to meet accounting standards and GAAP requirements.	3.6
Burke, Inc. (expires 3/31/2015)	Corporate Communications	Provide Communication Effectiveness Tracking Study.	3.6

## Schedule 2 (continued)

Operations and Activities	Division	Description	Composite Score
Consumer Marketing & Advertising	Sales & Marketing	Assist in the development of positive player and public attitudes towards the California Lottery and its games; oversee the development of the advertising and marketing campaigns that promote the sale of Lottery products. This includes overseeing the media planning and buying process and the development of effective marketing communications plans and budgets to support corporate goals.	3.6
District Offices	Sales & Marketing	Support personnel in nine District offices. Process winner claims in the District offices and provide field sales support efforts.	3.5
Administration of Epicor/eBack office Security and G Tech system access	Finance	Administer the Epicor/eBackoffice security access, manage the changes to eBackoffice modules and reports, and review GTECH system access (Finance only).	3.4
Route Sales & Services Unit	Sales & Marketing	Call upon and service all active CVS Drug Chain of stores; order, deliver and load scratcher tickets, provide merchandising, collect money from vending machines from the sale of both scratchers and draw games, and work with store management to verify monies collected; maintain records of all store visits and work performed at each location.	3.4
California Department of Public Health (expires 06/30/2015)	Executive	Maintain the Lottery's problem-gambling helpline and other services.	3.3
Fleet Management	Operations	Monitor the use and maintenance of the Lottery's vehicles.	3.3
Property and Asset Management	Operations	Management of the Lottery's inventories, ensuring that all of the Lottery's assets are appropriately tagged, maintained, and tracked in the Asset Management Database, and supervise the disposal of all Lottery assets.	3.3
District Sales Representative (DSR) Bonus	Sales & Marketing	Program wherein the DSRs earn quarterly bonuses if they meet sales goals.	3.3
District Sales Representative Reporting System	Sales & Marketing	Database system tracks DSR results for bonuses.	3.3
e-procurement system	Executive	Contract/procurement management system for the initiation, approval, acceptance of goods and services, and approval of payment.	3.3
Facilities Development	Operations	Coordinate the development of the Lottery's self-owned facility.	3.3
IT Management Services	ITSD	This unit is the administrative arm of ITSD. The unit is responsible for all human resources related activities (workforce development, hiring and separations, training, and timesheet tracking), development and monitoring the ITSD budget and all ITSD procurements. In addition, the unit has responsibility for tracking overall IT maturity and progress against change initiatives within ITSD. The unit serves as the liaison to the Human Resources, Finance, and Contract Development Services.	3.2
LPA Sacramento, Inc. (expires 03/20/2019)	Operations	Perform professional architectural and engineering services for Lottery facilities throughout California.	3.1

## Schedule 3— Medium Risk Operations and Activities July 1, 2011, through February 28, 2015

Operations and Activities	Division	Description	Composite Score
United Parcel Service, Inc. (expires 02/19/2017)	Operations	Provide Scratchers ticket delivery services.	3
United Parcel Service, Inc. (expires 11/30/2016)	Operations	Service agreement to provide small parcel delivery services.	3
United Parcel Service, Inc. (expires 08/27/2016)	Operations	Provide small package delivery services under leveraged procurement agreement - WSCA contract 7-11-99-13.	3
Stanley Convergent Security Solutions (expires 08/31/2019)	SLED	Provide security system services, preventive maintenance, new installations, emergency services, and equipment repair statewide.	3
Department of Rehabilitation (expires 06/30/2015)	Executive	Accessibility consulting services.	3
Department of Human Resources (expires 06/25/2016)	Human Resource	Maintain package for online services for Marketing Analyst exam series.	3
Department of Human Resources (expires 06/30/2017)	Human Resource	Substance testing services with CDT.	3
Department of Human Resources (expires 06/30/2015)	Human Resource	Test validation, construction, and maintenance services for the DSS, DSR, and LSM classifications.	3
Department of Human Resources (expires 06/30/2015)	Human Resource	Psychological screening of Peace Officer candidates.	3
Department of Human Resources (expires 06/30/2015)	Human Resource	Interagency agreement for services through CalHR for Online Selection System Services for FY 2014/15.	3
Department of General Services (expires 06/30/2015)	Human Resource	Inter-agency agreement to fund Governor appointee position.	3
Elsym Consulting, Inc. (expires 10/13/2019)	ITSD	Provide internal control services and related services, including tax system services.	3
Hudson Alley Software, Inc. (expires 02/18/2017)	ITSD	Customer Relationship Management (CRM) Tool Solution for Lottery sales staff force.	3
Tax Unit	Finance	Compile tax requirements of the Lottery and meet all State and federal tax reporting requirements.	3
Classification & Pay	Human Resource	Administer the State's classification plan and related personnel actions; recruitment and hiring.	2.9
Independent Verification & Validation	Executive	Responsible for conducting independent verification and validation of 2nd Chance promotions.	2.8
Solution, LLC (expires 05/31/2015)	ITSD	Provide a full range of website development, design, implementation, and web hosting services.	2.8
LPA Sacramento, Inc. (expires 01/21/2016)	Operations	Architectural and engineering services for HQ campus.	2.8
Scratchers Distribution Centers	Operations	The Northern and Southern Distribution Centers serve as the two central points for distribution of Lottery supplies, point-of-sale materials, tickets, and equipment.	2.8
KPMG LLP - Draw Audit Contract	Executive	Provide draw auditing and review services.	2.7
Retailer Services	SLED	Evaluate the criminal background of retailers seeking to sell Lottery products to determine their suitability pursuant to Lottery Regulations; work with Lottery investigators to ensure retailer is in compliance with operating procedures, contractual requirements, regulations, and policies; oversee appeal pleadings, probation monitoring, and inspections of retailers who are subjects of complaints.	2.7
Physical Security	SLED	The Physical Security Unit is responsible for the security of all Lottery products, facilities, employees, vendors, and visitors through the management of a 24-hour/7-day-a-week, statewide comprehensive physical security system. The system is comprised of surveillance cameras, access control, intrusion detection, fire systems monitoring, and visitor management at all 13 Lottery facilities. These components are responsible for the safety of more than 700 Lottery employees working at the Headquarters facility, district offices, and distribution centers.	2.7

### Schedule 3 (continued)

Operations and Activities	Division	Description	Composite Score
Office Supplies	Operations	Order office supplies for the Lottery's staff.	2.6
Budgets	Finance	Administer overall budgetary operations of the Lottery, including development, implementation, evaluation, and control of the Lottery's budget and fiscal planning activities.	2.4
Mail & Reprographic Services	Operations	Receive mail, distribute intra-office mail, log and track certified and registered claims mail, and provide copying services for the Lottery.	2.4
Public Relations	Corporate Communications	Develop and disseminate information to media; press releases, media advisories, organize media events, and mission campaigns, etc.	2.4
Website	Corporate Communications	Create, maintain, and update Lottery's public website and social media sites.	2.4
Corporate Productions	Corporate Communications	Produce corporate audio, video, and other production activities designed to meet communication needs, e.g., storytelling using video production to publicize real winners on TV, YouTube, or public websites.	2.4
Scratchers Inventory Management Center	Sales & Marketing	Maximize sales and ensure retailers have sufficient inventory until the next cycle. Keep retailers informed of pertinent information such as new games, game features, sales promotional events, and sales campaigns.	2.4
Draw Management Services	Executive	Assist Draw Management with activities related to draws; review draw procedures and monitor equipment. Liaison for Electronic Claim Submission Requirements.	2.4
Promotions/Events	Sales & Marketing	Develop and execute promotional extensions that also include events, fairs, and festivals for consumers and retailers.	2.2
Draw Games	Sales & Marketing	Develop gaming options for consumers and retailers, assess potential gaming opportunities through the Lottery Draw games portfolio.	2.2
IT Security and Compliance	ITSD	This unit is responsible for change management, incident reporting tracking, software compliance, and ensuring that ITSD is following internal standards and policies to protect the integrity and security of the organization. Additionally, as the Lottery expands its digital capabilities, this unit is dedicated to cyber security and understanding, monitoring, and mitigation of cyber-risk.	2.2
KPMG LLP - Financial Audit Contract (expires 12/31/2015)	Executive	Provide financial auditing and related services at the Lottery headquarters in Sacramento.	2.1
Solutions Quality Assurance	ITSD	Gather and write business requirements, create test plans, test cases and problem reports. Review system requirements specifications and facilitate customer acceptance testing of Gaming System changes, public website changes, and contract center solution changes. In addition, it has recently begun performing quality assurance for Lottery mobile applications.	2.1
Engineering & Maintenance	Operations	Provide maintenance services for Lottery facilities.	2.1
On-Line Marketing	Sales & Marketing	Communicate to players and consumers alike through digital channels such as web, mobile, email, SMS, etc. Manage the Lottery's Player Loyalty Program offering players more ways to win the 2nd Chance and other experiences.	2.1
Retailer Recruitment	Sales & Marketing	Recruite new retailers to the California Lottery.	2.1
Key Accounts	Sales & Marketing	Develop and maintain communications with major retail chains and franchise organizations.	2.1
Training	Human Resource	Oversee staff development and training.	2.1

## Schedule 4— Medium-Low Risk Operations and Activities July 1, 2011, through February 28, 2015

Operations and Activities	Division	Description	Composite Score
IT Service Desk	ITSD	Receive and record all Service Desk interactions with IT customers while assessing, resolving, and reporting service disruption (incidents); provide technical support for all technology devices used by Lottery employees including software installations and upgrades, desktops, laptops, telephones, mobile devices, scanners, printers, and copiers.	2
Health & Safety	Human Resource	Develop and maintain health and safety and wellness programs. Maintain CAL-OSHA injury reporting requirements.	2
Injured Workers Program	Human Resource	Oversee workers compensation (SCIF) and Return to Work Program.	2
Project Coordination/Campaign & Program Integration	Sales & Marketing	Coordinate marketing-related projects and programs internally and across the Lottery organization. Ensure that all critical touch points in the development process for new games and Consumer Marketing & Advertising programs are fully vetted to maximize communication consistencies and to deliver projects and programs with high value, in a timely and efficient manner.	2
Selection Services	Human Resource	Administer exams for the Lottery and recruit for vacancies.	1.9
Financial Analysis and Risk Management	Finance	Control the organization's exposure to financial risks, improve the effectiveness and business process efficiencies of Finance, e.g., in-depth review of Accounts Receivable and Accounts Payable process, develop performance metrics, and enhance the financial reporting infrastructure; perform financial disclosures on prospective Lottery vendors, maintain Finance's audit tracking database and action calendar in addressing audit recommendations and corrections, and provide oversight of financial policies and procedures.	1.9
Enterprise Application Delivery	ITSD	Perform custom design and development of websites, mobile applications, and web-based applications.	1.9
Oversight of Independent Control System	Executive	Approve system changes/enhancements related to the ICS.	1.8
IT Vendor Management	ITSD	Manage the day-to-day monitoring and operations for the Lottery Gaming System, Lottery's public website, Call Center Services, and Play at the pump; enforce specific contract language and ensure all contract deliverables are completed; and serve as the liaison between contractors and Lottery staff monitoring the service-level agreements and imposing financial assessments when agreed-upon service levels are not met.	1.7
Leasing	Operations	Provide lease management services.	1.7
Legal Services	Executive	Provide legal services to the Lottery. Advise colleagues and commissioners of risks; oversee Ethics/Form 700 compliance as well as Public Records Act compliance.	1.6
US Patent & Trademark Office	Executive	Preserve trademarks; submit applications for patents and services.	1.6
Business Intelligence	ITSD	Maintain the enterprise-wide Business Intelligence and Business Analytics (BIBA) system. BIBA provides descriptive and predictive analytic capabilities to stakeholders within the Lottery. BIBA is the authoritative source for many of the Lottery's key performance metrics.	1.6

## Schedule 4 (continued)

Operations and Activities	Division	Description	Composite Score
Customer Service Center	Corporate Communications	Receive and provide services to retailers and public who call the 1-800 information line, and perform correspondence services.	1.6
Retailer POS/Marketing	Sales & Marketing	Develop, produce, and distribute all POS materials. Develop general marketing advertising for all Lottery retailers.	1.6
Sales Training	Sales & Marketing	Develop and implement sales training program to be delivered to the Lottery Field Sales Force and the Retailer Network.	1.4
Retailer Access Program (RAP)	Executive	Ensure that people with disabilities have access to Lottery products. All California lottery retailers must comply with the RAP and California lottery regulations.	1.3
Forecasting	Finance	Forecast sales for the Super Lotto Plus and Mega Millions jackpot games and establish the advertised jackpot levels for each drawing for these games.	1.3
Labor Relations	Human Resource	Develop and maintain manager-labor relationships, labor grievances, meet with unions (SEIU 1000, peace officers, etc.); investigate allegations and adverse actions.	1.3
Lottery's legislative portfolio	Executive	Manage the Lottery's legislative portfolio; propose, draft, track and testify regarding all legislative bills involving or sponsored by the Lottery.	1.1

**Schedule 5—  
Low Risk Operations and Activities  
July 1, 2011, through February 28, 2015**

Operations and Activities	Division	Description	Composite Score
Statement on Standards for Attestation Engagements 16 (SSAE 16)	Executive	Monitor the Lottery's service companies compliance control. Ensure the Lottery's service providers, e.g., GTECH has proper internal control in place.	1
Audits, Internal Reviews & Consulting Services	Executive	Examine and evaluate financial, administrative, and operational activities of the California Lottery. Provide guidance to Executive Management on internal controls and strategic planning.	1
Monitoring Audit Contracts	Executive	Manage and oversee contracts for annual Financial Audit, Mega Millions, Power Ball Agreed-Upon Procedures and other audit-related contracts.	1
Monitor and Implement Audit Recommendations	Executive	Monitor the status and implementation of all internal and external audit recommendations.	1
Security Review - World Lottery Associate Certificate - Security Control Standards 2012 (WLA-SCS:2012)	Executive	Oversee the annual WLA audits to ensure the Lottery meets the criteria to maintain the WLA Security Control Standards Certification.	1
Workforce & Succession Planning	Human Resource	Responsible for planning a functioning and effective talent pipeline through staff evaluation, career development, catering training needs, and mentoring programs for fostering organizational continuity.	1
Equal Employee Opportunity Services	Human Resource	Develop, implement and monitor the EEO Upward Mobility, bilingual services, and Diversity and Inclusion programs.	1
Reasonable Accommodation	Human Resource	Implement and monitor ADA, HIPAA, medical problems, and accident training.	1
IT Planning and Enterprise Architecture	ITSD	This section ensures alignment of IT strategy with business strategy. It provides architecture development services to identify solutions to enterprise business needs and develop migration and sequencing plans for their implementation (roadmaps). The unit provides architecture assurance services for enterprise implementation and deployment projects to assure business value realization, verifies compliance with architecture standards and promotes architecture and solution reuse.	1
Enterprise Portfolio Management Office	ITSD	Provide portfolio-level oversight of projects throughout the Lottery to help determine strategic alignment, dependencies and capacity; provide direct project management of high criticality projects; and provide guidance and support for managers of lower criticality projects.	1
Corporate Social Responsibility programs, community sponsorship program, and stakeholder relations	Executive	Develop community relations and support outreach program; publicize information about responsible gaming, partner with California Department of Education to support its annual Teacher of the Year Awards, and Distinguished School Awards, etc.	0.9
Business/Strategic Planning	Executive	Plan corporate objectives, coordinate with all divisions to develop the annual and three-year strategic plans; facilitate discussion, identify strategies for achieving them. Perform market research, business analysis for various Lottery Divisions-especially the Sales & Marketing Division and ITSD.	0.8
Records Retention Management	Operations	Manage and retain all of the Lottery's physical records.	0.8
Small Business and DVBE Program	Executive	Small Business: Requires that a fair share of the state's purchases and contract for goods, information technology, services and construction be placed with small business or microbusiness. The Lottery has set a SMP Goal of 25%. DVBE: Participation in incentive program. The program is intended to further veterans' participation in Lottery contracting, promote competition, and encourage greater economic opportunity. Participation goals for DVBEs is 3% of overall dollars expended for Lottery contracts annually.	0.7

## Schedule 5 (continued)

Operations and Activities	Division	Description	Composite Score
Infrastructure Administration	ITSD	Provide monitoring, support and maintenance of the Lottery's IT Infrastructure. This includes critical business systems such as email, wireless and wired networks for computer connectivity, and telephone services for Headquarters, district offices and distributions centers. Infrastructure also supports the critical connections to the Lottery's business partners such as GTECH, California Office Technology Services and Department of Justice.	0.7
Forms Management	Operations	Manage and maintain all of the Lottery's form documents.	0.7
Custodial Support	Operations	Provide janitorial services.	0.6
Employee Recognition	Human Resource	Oversee development and implementation of employee recognition programs for the Lottery.	0.5

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