

CALIFORNIA STATE LOTTERY

Survey Report

Risk Assessment

July 1, 2016, through October 31, 2019



BETTY T. YEE
California State Controller

September 2020



BETTY T. YEE
California State Controller

September 30, 2020

Alva Vernon Johnson, Director
California State Lottery
700 North Tenth Street
Sacramento, CA 95811

Dear Mr. Johnson:

The State Controller's Office conducted a risk assessment survey of the California State Lottery's (Lottery) operations and activities for the period of July 1, 2016, through October 31, 2019. The survey was performed to evaluate the risks for which Lottery operations, activities, and certain contracts are exposed. This survey will be used to assist us in developing future Lottery audit plans.

We identified 123 operations, activities, and major contracts. As a result of our survey, the operations, activities, and major contracts have been categorized as follows:

- Eight as high risk;
- Thirty as medium-high risk;
- Twenty-one as medium risk;
- Twenty-six as medium-low risk; and
- Thirty-eight as low risk.

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.

Sincerely,

Original signed by

JIM L. SPANO, CPA
Chief, Division of Audits

JLS/as

cc: Gregory Ahern, Chair
California State Lottery Commission
Keetha Mills, Commissioner
California State Lottery Commission
Peter Stern, Commissioner
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Survey Report

Summary

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See Schedules 1 through 5 for operation and activity descriptions and survey results.

Background

On November 6, 1984, California voters passed Proposition 37, the California State Lottery Act of 1984 (Lottery Act), which authorized the creation of a state-operated lottery. The Lottery Act is found in Chapter 12.5, section 8880 et seq., of the Government Code. The Lottery Act created the California State Lottery Commission (Commission) and gave it broad powers to oversee the operations of a statewide lottery. The purpose of the Lottery Act was to provide supplemental monies to benefit public education without the imposition of additional or increased taxes.

The Lottery has eight divisions: Executive, Finance, Human Resources, Operations, Corporate Communications, Security and Law Enforcement, Information Technology Services, and Sales and Marketing. As of June 1, 2020, the Lottery has 883 budgeted positions, which include positions at Lottery Headquarters in Sacramento, two distribution centers, and nine district offices.

The SCO performs a risk assessment on the Lottery's operations and activities approximately every five years; the survey is used to assist us in developing future Lottery audit plans. The risk assessment is a systematic process of evaluating the exposure to risk of operations and activities that impact the Lottery's mission to provide supplemental funding to California's public schools. An assessment involves gathering entity-wide information, developing assessment criteria, identifying and assessing risks, and categorizing activities and operations from low to high risk.

Pursuant to Government Code (GC) section 8880.46.6, the SCO may conduct special post-audits of the Lottery, as the Controller deems necessary. The Controller or his/her agents conducting an audit under this chapter shall have access and authority to examine any and all records of the Commission.

GC 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 provision of law for payment.” In addition, GC section 12411 stipulates that “. . . the Controller shall suggest plans for the improvement and management of revenues.”

Objectives, Scope, and Methodology

The objectives of our survey were to:

- Identify and gain an understanding of all Lottery operations and activities;
- Evaluate each of the Lottery’s operations and activities and assess its exposure to risks of fraud, waste, misuse, abuse, and noncompliance with laws, rules, and regulations; and
- Classify operations and activities into risk categories to assist us in developing future audit plans.

The survey period was July 1, 2016, through October 31, 2019.

To achieve our objectives, we:

- Developed and distributed questionnaires and performed interviews with Lottery management, supervisory personnel, and other staff members to gain an understanding of the operations, activities, and major contracts of each division;
- Developed a list of Lottery operations, activities, and major contracts to be evaluated;
- Established risk factors, a rating scale, and scoring criteria for evaluating the operations, activities, and major contracts identified;
- Reviewed the results of previous engagements by the SCO, the Lottery’s Internal Audits Unit, and external audit agencies;
- Obtained and analyzed limited aspects of internal control, as well as financial and other data;
- Assigned a score for each of the risk factors and computed a composite risk score for every identified operation, activity, and major contract; and
- Categorized each of the operations, activities, and major contracts into one of the five levels of risk based on its composite score: high, medium-high, medium, medium-low, or low.

We identified 123 Lottery operations, activities, and major contracts. We compiled the list using the following sources:

- Risk assessment ranking schedules from the previous SCO risk assessment survey, dated April 2016;
- The Lottery's organizational charts for fiscal year (FY) 2016-17 through FY 2019-20;
- Input from the Lottery's executive management team; and
- The Lottery's contract listing.

We used the following risk factors to evaluate the identified operations, activities, and major contracts and their respective weights:

- **Operational Risk – 30%**

This factor focuses on the five interrelated components of internal control: control environment, risk assessment, information and communication, control activities, and monitoring. To evaluate this factor, we used information from questionnaires and interviews with Lottery management and staff.

- **Financial Risk – 30%**

This factor focuses on reviewing budgeted and actual expenditures of the division/unit. The dollar amount, type, complexity, and frequency of the transactions made by the division/unit were also considerations for this factor.

- **Compliance Risk – 20%**

This factor focuses on the Lottery's mandatory compliance with state laws and regulations, contractual obligations, and reporting requirements. To evaluate this factor, we gained an understanding of the laws, rules, and regulations of each operation and activity and reviewed current and prior audit findings by the SCO, the Lottery's Internal Audits Unit, and external agencies.

- **Strategic Risk – 20%**

This factor focuses on the business development of the division/unit. The recent restructuring, expansion of operations, and changes in processes were components of this risk factor.

This engagement is a survey and not an audit; therefore, we did not perform this engagement under generally accepted government auditing standards.

Conclusion

Based on the work performed, the risk factors of each operation, activity, and major contract received a score between one and five, with one indicating minimal risk and five indicating maximum risk. We then determined the composite score of each operation, activity, and major contract and categorized it into one of five levels of risk: high, medium-high, medium, medium-low, or low. The following table summarizes the results:

Level of Risk	Explanation of Risk	Number of Operations, Activities, and Contracts	Schedule
High (4.01-5.00)	Operations, activities, and contracts assessed at high risk for susceptibility of potential waste, fraud, and/or misuse of resources. These areas should be audited on a routine basis.	8	1
Medium-High (3.51-4.00)	Operations, activities, and contracts assessed with elevated risk. These areas should be audited periodically.	30	2
Medium (3.01-3.50)	Operations, activities, and contracts assessed with moderate risk. Given time constraints and resources, these areas should be audited occasionally.	21	3
Medium-Low (2.01-3.00)	Operations, activities, and contracts assessed with limited risk. As such, an audit may be conducted.	26	4
Low (1.00-2.00)	Operations, activities, and contracts assessed with minimal risk. New information or extraordinary circumstances would need to arise to warrant an audit.	38	5

For operations, activities, and contracts categorized as medium-high and high-risk, future audits will include an economy and efficiency objective focusing on identifying potential waste and ensuring that contributions to education are maximized.

We will periodically assess the effects of any future changes to the Lottery's operations and activities, or related risk factors that may occur. We will consider these adjustments for audit priorities and future audit plans.

See Schedules 1 through 5 for operation and activity descriptions and survey results.

Views of Responsible Officials

We discussed our survey results with Lottery representatives at the exit conference held on August 25, 2020. Due to the nature of this engagement, a draft report was not issued.

Restricted Use

This report is intended for the information and use of the Lottery, the Commission, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record, and will be available on the SCO website at www.sco.ca.gov.

Original signed by

JIM L. SPANO, CPA
Chief, Division of Audits

September 30, 2020

Schedule 1— High Risk Operations and Activities

Operation/Activity/Contract	Division	Description	Composite Score
Procurement services	Operations	Acquires goods, services, or works from an external source through purchase orders, service agreements, and/or contracts.	4.15
Prize Payments Unit	Finance	Validates and processes all prize claims received from players and the Lottery's district offices; processes certain retailer account adjustments; responds to prize related inquiries received by the Lottery's customer service center.	4.08
International Game Technology PLC (IGT) Global Solutions Corporation contract (expires October 13, 2026)	Information Technology Services	Provides gaming and telecommunication services.	4.08
Revenue Collections Unit	Finance	Collects revenues from over 23,000 retailers that sell Lottery products; handles retailer inquiries, resolves non-sufficient funds issues, and administers retailer sanctions and terminations; performs financial reviews of prospective retailers intending to sell Lottery products.	4.08
Scientific Games, Inc. contract (expires November 30, 2022)	Sales and Marketing	Provides Scratchers printing and related services.	4.05
Scratchers Unit	Sales and Marketing	Manages the entire lifecycle of Scratchers games; develops the Scratchers Product Plan in order to achieve sales goals; determines launch dates, price points, themes, prize structures, and graphic design; oversees inventory management, sales monitoring, planogram placement, and ending games.	4.05
District Sales Representative activities	Sales and Marketing	Provides sales support, retailer consultation, and promotional services for games to maximize Lottery product visibility and profitability.	4.05

Schedule 1 (continued)
High Risk Operations and Activities

Operation/Activity/Contract	Division	Description	Composite Score
District offices	Sales and Marketing	Supports personnel in nine district offices. Processes winner claims in the district offices and provides field sales support efforts.	4.05

Schedule 2— Medium-High Risk Operations and Activities

Operation/Activity/Contract	Division	Description	Composite Score
Distribution centers	Sales and Marketing	Northern and Southern Distribution Centers serve as the two central points for distribution of Lottery supplies, point-of-sale materials, Scratchers tickets, and equipment.	3.98
DPR Construction, A General Partnership contract (expires December 18,2020)	Operations	Provides statewide construction services for Lottery facilities.	3.93
Personnel Transactions Unit	Human Resources	Processes personnel transactions, leave balances, payroll, and benefits.	3.90
IGT Global Solutions Corporation contract (expires November 30, 2022)	Sales and Marketing	Provides Scratchers printing and related services.	3.90
David and Goliath, LLC contract (expires August 18, 2023)	Sales and Marketing	Provides general market advertising services.	3.85
Alcone Marketing Group contract (expired August 31, 2020)	Sales and Marketing	Provides marketing promotion and point-of-sale services.	3.83
Fleet Management Program	Operations	Monitors the use and maintenance of Lottery vehicles.	3.80
Facilities Administration Unit	Operations	Manages maintenance and repairs contracts for all Lottery facilities statewide to ensure the health and safety of staff and public, continuity of operations, and site security; tracks, maintains, and schedules all preventative maintenance work orders for heating, ventilation, and air conditioning systems; performs backflow testing and fire system checks; tracks energy and water usage; maintains Leadership in Energy and Environmental Design certifications.; provides tri-annual site inspections to proactively address facilities issues; ensures buildings comply with safety standards, Occupational Safety and Health Administration, State Fire Marshal, and local requirements for facility systems.	3.80

Schedule 2 (continued)

Operation/Activity/Contract	Division	Description	Composite Score
United Parcel Service, Inc. contract (expires November 27, 2021)	Sales and Marketing	Provides Scratchers ticket delivery services.	3.80
Promotions and Events Unit	Sales and Marketing	Develops and executes promotional events, fairs, and festivals for consumers and retailers.	3.78
Casanova Pendrill Publicidad, Inc. contract (expired October 31, 2019)	Sales and Marketing	Provides Hispanic market advertising services.	3.78
Contract Administration Services Unit	Operations	Provides contract administration guidance and assistance to all Lottery contract managers during the contract development and post award-phases.	3.75
Route Sales Representative activities	Sales and Marketing	Servises all active Smart and Final, Rite Aid, and CVS stores. Responsibilities include ordering, delivering, and loading Scratchers tickets, providing merchandising, collecting money from vending machines from the sale of both Scratchers tickets and draw games, and working with store management to verify money collected.	3.68
Accounts Payable Unit	Finance	Processes accounts payable transactions for Lottery vendors and retailers.	3.68
Circus LAX LLC contract (expires October 17, 2024)	Sales and Marketing	Provides Hispanic market advertising services.	3.68
Field Investigations Section	Security and Law Enforcement	Conducts investigations of Lottery-related criminal and administrative violations; conducts claim investigations and in-person interviews on high-value prize claims; ensures that the compliance enforcement program is effective in preventing sales of Lottery products to minors; ensures that Lottery retailers comply with Lottery Regulations; conducts complaint investigations and background checks of Lottery employees and contractors.	3.68

Schedule 2 (continued)

Operation/Activity/Contract	Division	Description	Composite Score
Consumer Marketing and Advertising Unit	Sales and Marketing	Assists in the development of positive player and public attitudes toward the Lottery and its games; oversees the development of advertising and marketing campaigns that promote the sale of Lottery products and support corporate goals; coordinates marketing-related projects and programs.	3.65
Key Accounts Unit	Sales and Marketing	Develops and manages relationships with major retail chains, franchise organizations, and ownership groups with multiple locations.	3.63
LPA Sacramento, Inc. contract (expires March 20, 2021)	Operations	Provides architectural and engineering services for Lottery facilities.	3.63
Stanley Convergent Security Solutions contract (expires August 31, 2019)	Security and Law Enforcement	Provides security system services, preventative maintenance, new installations, emergency services, and equipment repairs at Lottery facilities.	3.63
Pollard Banknote Limited contract (expires November 30, 2022)	Sales and Marketing	Provides Scratchers printing and related services.	3.60
Sales Incentive Bonus Program	Sales and Marketing	Coordinates quarterly bonuses for eligible Sales employees that meet sales goals.	3.60
Cash Receipts and Disbursements Unit	Finance	Records cash receipts and deposits.	3.60
Office Revolving Fund and Travel Disbursements	Finance	Maintains and monitors disbursement records, revolving fund transactions, and travel reimbursements and advances.	3.60
Property and Asset Management	Operations	Tags, maintains, tracks and disposes of Lottery assets.	3.58
MUSE Communications, Inc. contract (expires October 31, 2020)	Sales and Marketing	Provides African-American market advertising services.	3.58

Schedule 2 (continued)

Operation/Activity/Contract	Division	Description	Composite Score
Special Investigations and Gaming Security Unit	Security and Law Enforcement	Performs ticket printing security tests on Scratchers tickets; investigates questionable and fraudulent tickets; conducts criminal background and disclosure investigations on all Lottery employees and contractors.	3.58
Scratchers Inventory Management Center Unit	Sales and Marketing	Maximizes sales and ensures that retailers have a sufficient amount of inventory until the next cycle; keeps retailers informed of pertinent information such as new games, game features, sales promotional events, and sales campaigns.	3.55
Draw Management Unit	Security and Law Enforcement	Ensures that all draws are conducted fairly and securely; monitors online and second-chance draws; monitors online systems, and maintains draw files.	3.55
Emergency Management and Physical Security Unit (formerly Physical Security Unit)	Security and Law Enforcement	Provides security for all Lottery products, facilities, employees, vendors, and visitors through the management of a 24-hour, 7-day-a-week, statewide comprehensive physical security system.	3.55

Schedule 3— Medium Risk Operations and Activities

Operation/Activity/Contract	Division	Description	Composite Score
Mail and Reprographic Services Unit	Operations	Receives mail; distributes intra-office mail; logs and tracks certified and registered claims mail; provides copying services for the Lottery.	3.50
Investigative Services Unit	Security and Law Enforcement	Addresses Security and Law Enforcement Division (SLED)-related calls from the Lottery's 1-800-LOTTERY telephone line; reviews and authenticates questionable claims and high-value prize claims.	3.50
Retailer Marketing and Point-of-Sale Materials Unit	Sales and Marketing	Develops, produces, and distributes all point-of-sale materials; develops general marketing advertising for all Lottery retailers.	3.48
Financial Statements and Game Accounting Unit	Finance	Prepares financial reporting required of the Lottery by statute and Commission directives including, but not limited to, quarterly and annual financial statements; performs game accounting and fixed assets accounting; researches and analyzes complex game account and fiscal issues to formulate appropriate accounting methods to meet accounting standards and Generally Accepted Accounting Principles requirements.	3.45
Engagement and Retention Marketing Unit	Sales and Marketing	Communicates to players and consumers through digital channels such as web, mobile, email, and short message service; manages the Lottery's Player Loyalty Program.	3.38
Non Retailer Accounts Receivables Unit	Finance	Maintains and monitors accounts receivable records for vendors and employees.	3.35
Financial Oversight and Investments Unit	Finance	Manages the Lottery's investment portfolio, currently valued at approximately \$850 million; performs alternative collections methods in an effort to collect outstanding debts owed from Lottery retailers.	3.33

Schedule 3 (continued)

Operation/Activity/Contract	Division	Description	Composite Score
Securitas Security Services, USA, Inc. contract (expires December 27, 2021)	Security and Law Enforcement	Provides security-guard services at Lottery headquarters and at special events throughout the state.	3.33
Retailer Services Unit	Security and Law Enforcement	Evaluates the background of retailers seeking to sell Lottery products to determine their suitability pursuant to Lottery Regulations; works with Lottery investigators to ensure that retailers comply with operating procedures, contractual requirements, Lottery regulations, and policies; oversees appeal pleadings, probation monitoring, and inspections of retailers who are subjects of complaints.	3.28
District Offices Prize Payments Unit	Finance	Processes immediate prize payments for error-free claims of prizes up to \$1,000.	3.28
Time Advertising contract (expires November 7, 2020)	Sales and Marketing	Provides Asian-market advertising services.	3.28
Capital Program Management, Inc. contract (expired August 7, 2020)	Operations	Provides program management services for statewide construction projects at Lottery facilities.	3.25
Taxes Unit	Finance	Compiles tax requirements of the Lottery and ensures compliance with all state and federal tax-reporting requirements.	3.25
Epicor Software Corporation contract (expires December 23, 2023)	Information Technology Services	Provides services for upgrading the financial system to Epicor 10.	3.18
Draw Games Unit	Sales and Marketing	Develops gaming options for consumers and retailers; assesses potential gaming opportunities through the Lottery draw games portfolio.	3.15
Facilities Development Program	Operations	Coordinates the development of Lottery-owned facilities.	3.08
Retailer Recruitment Unit	Sales and Marketing	Recruits new retailers to the Lottery.	3.08

Schedule 3 (continued)

Operation/Activity/Contract	Division	Description	Composite Score
Information Technology (IT) Procurement and Administrative Services Unit	Information Technology Services	Provides human-resources-related activities in Information Technology Services Division (ITSD); develops and monitors the ITSD budget and all ITSD procurements; responsible for tracking overall IT maturity and progress against change initiatives within ITSD.	3.08
ICF Next, Inc. contract (expires September 30, 2020)	Information Technology Services	Provides website development, design, implementation, and web-hosting services.	3.08
Visa Cal-Card Program	Operations	Manages the purchase card program to Lottery staff for the acquisition of allowable goods and services with spending limits.	3.05
Western Contract Furnishers contract (expires June 14, 2022)	Operations	Provides modular furniture components and related reconfiguration and installment services for all Lottery locations.	3.03

Schedule 4— Medium-Low Risk Operations and Activities

Operation/Activity/Contract	Division	Description	Composite Score
Office supplies	Operations	Reviews, approves, and submits office supply orders for Lottery staff.	2.78
Security and Law Enforcement Administration	Security and Law Enforcement	Provides general administration functions, including processes over SLED's asset management, inventory, and equipment.	2.73
Website and social media	Sales and Marketing	Creates, maintains, and updates the Lottery's public website and social media sites.	2.70
Budgets Unit	Finance	Administers budgetary operations of the Lottery, including development, implementation, evaluation, and control of the Lottery's budget and fiscal planning activities.	2.68
Classification and Pay Unit	Human Resources	Ensures that appointments to civil service classifications are made in accordance with applicable laws, regulations, and control agency guidelines; initiates personnel action requests.	2.68
Consolidated Communications contract (expired July 31, 2020)	Information Technology Services	Provides telecommunication and disaster recovery services.	2.60
Fiscal Systems Unit	Finance	Conducts studies of the Division's fiscal systems and related policies, procedures and practices, facilitates system changes and resolutions, and provides consultative services to users and stakeholders; administers Epicor/eBackoffice security access; manages changes to eBackoffice modules and reports; and reviews IGT system access for the Finance Division.	2.60
Engineering and Maintenance Unit	Operations	Provides engineering and maintenance services for Lottery facilities.	2.55

Schedule 4 (continued)

Operation/Activity/Contract	Division	Description	Composite Score
Training, Recruitment and Fleet Services (formerly Standards and Training) Unit	Security and Law Enforcement	Manages SLED's training program, plans, and fleet of vehicles; provides oversight of the gaming database project.	2.55
Elsym Consulting, Inc. contract (expires October 13, 2021)	Information Technology Services	Provides internal control services and related services, including tax system services.	2.53
Retailer Network Management Unit	Sales and Marketing	Manages Retailer Management System lifecycles of retailer accounts, including application and equipment installation processing, ownership changes, tax changes, moves, terminations, and any other record updates or changes; processes retailer incentives; assists retailers in signing on to the retailer website.	2.48
Digital and Interactive Services Unit	Information Technology Services	Performs custom design and the development of websites, mobile applications, and web-based applications.	2.43
Forecasting Unit	Finance	Forecasts sales for the Super Lotto Plus and Mega Millions jackpot games; establishes the advertised jackpot levels for each drawing for these games.	2.38
Gaming Vendor Management Unit	Information Technology Services	Manages the day-to-day monitoring and operations for the gaming system; enforces specific contract language and ensures that all contract deliverables are completed; acts 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.	2.38
Customer Contact Center Unit	Sales and Marketing	Receives and provides correspondence services to retailers and members of the public who call the 1-800 information line or send email to the Lottery.	2.38

Schedule 4 (continued)

Operation/Activity/Contract	Division	Description	Composite Score
Productions Unit	Sales and Marketing	Produces corporate audio, video, and other production activities designed to meet communication needs.	2.33
Department of Rehabilitation contract (expires June 30, 2022)	Executive	Provides accessibility consulting services.	2.30
Retailer Access Program	Executive	Ensures that people with disabilities have access to Lottery products at Lottery retailers.	2.30
e-procurement system	Operations	Contract/procurement management system for the initiation, review, and approval of purchases.	2.28
Leasing activities	Operations	Monitors the Lottery's leases.	2.28
Small Business and Disabled Veteran Business Enterprise Program	Operations	Small Business: Ensures that a fair share of the Lottery's purchases and contracts for goods, information technology, services, and construction be placed with small businesses or microbusiness. Disabled Veteran Business Enterprise: Ensures veteran participation in the Lottery's procurement of contracts.	2.25
Information Security and Privacy Office	Executive	Safeguards information assets from various threats to information security and privacy; establishes protocols for identifying and neutralizing threats, and administers information security training programs; ensures that any findings and observations from compliance assessments are addressed.	2.23
Payroll distribution processes	Finance	Posts adjusting and correcting payroll entries; receives and distributes warrants to the Lottery's divisions.	2.15
Financial Analysis and Risk Management Unit	Finance	Performs analysis and research to control risks, identify profit opportunities, and improve the Lottery's effectiveness.	2.10
Training	Human Resources	Oversees supervisors and staff development and training.	2.05
Custodial Support Unit	Operations	Provides janitorial services.	2.05

Schedule 5— Low Risk Operations and Activities

Operation/Activity/Contract	Division	Description	Composite Score
Alter Agents Inc. contract (expires February 22, 2021)	Executive	Provides Communication Effectiveness Tracking Study services.	1.88
Legal Services Unit	Executive	Provides legal services to the Lottery; advises staff and commissioners of risks; oversees ethics and Public Records Act compliance.	1.85
Health and Safety Unit	Human Resources	Develops and maintains health and safety and wellness programs; maintains Division of Occupational Safety and Health (Cal/OSHA) injury reporting requirements.	1.85
Records Retention Management	Operations	Management of all of the Lottery's physical records.	1.85
KPMG LLP - Draw Audit contract (expires July 21, 2020)	Executive	Provides draw auditing and review services.	1.80
IT Service Desk Unit	Information Technology Services	Receives and records all Service Desk interactions with IT customers while assessing, resolving, and reporting service incidents; provides technical support for all technology devices used by Lottery employees, including software installations and upgrades.	1.80
IT Security and Enterprise Architecture Unit	Information Technology Services	Ensures alignment of IT strategies with business strategies; provides architecture-development services to identify solutions for enterprise business needs and develops migration and sequencing plans for their implementation; manages cyber security; monitors and mitigates cyber-risk.	1.80

Schedule 5 (continued)

Operation/Activity/Contract	Division	Description	Composite Score
Quality Review Unit	Finance	Provides oversight of Finance Division's core functions and ensures that the internal management team's existing practices conform to policies, procedures, and quality standards. Performs post-reviews of financial transactions and reviews of policies and procedures; assesses the quality of financial data and work documents, and reduces the number of preventable audit findings; compiles the Quarterly Finance Division Performance Report; maintains Finance Division's audit tracking database and action calendar in addressing audit recommendations and corrections.	1.78
Monitor and implement audit recommendations	Executive	Internal Audits Unit monitors the status and implementation of all internal and external audit recommendations.	1.75
Injured Workers Program	Human Resources	Oversees workers' compensation and the Return to Work program.	1.68
Network Engineering and Administration Unit	Information Technology Services	Oversees the Lottery's networking infrastructure which includes switches, routers, firewalls, wireless and Voice over Internet Protocol connectivity and performance.	1.60
Infrastructure Administration and Support Unit	Information Technology Services	Provides monitoring, support, and maintenance of the Lottery's IT infrastructure.	1.60
Data, Information and Analytics Services Unit	Information Technology Services	Maintains the enterprise-wide Business Intelligence and Business Analytics system.	1.60
Forms management	Operations	Maintains all of the Lottery's form documents.	1.58

Schedule 5 (continued)

Operation/Activity/Contract	Division	Description	Composite Score
Enterprise Portfolio Management Office	Information Technology Services	Provides portfolio-level oversight of projects throughout the Lottery; provides direct project management of high criticality projects; provides guidance and support for managers of lower criticality projects.	1.55
Gaming Application Support and Quality Management Unit	Information Technology Services	Gathers and writes business requirements; creates test plans and tests cases; produces problem reports; reviews system requirement specifications and facilitates customer acceptance testing of gaming-system changes.	1.50
Labor Relations and Performance Management Unit	Human Resources	Develops and maintains manager-labor relationships; handles labor grievances; meets with unions; investigates allegations and adverse actions.	1.50
KPMG LLP - Financial Audit contract (expires March 29, 2021)	Executive	Provides financial auditing and related services.	1.48
Enterprise Risk and Optimization Section	Executive	Monitors and strengthens internal controls at the enterprise level; performs risk assessments and process evaluations to create a desk manual for the Lottery; reports biannually on the adequacy of Lottery's control systems (State Leadership Accountability Act).	1.48
Legislative portfolio	Executive	External Affairs Unit proposes, drafts, tracks, and testifies all legislative bills involving or sponsored by the Lottery.	1.48
Application Development and Support Unit	Information Technology Services	Provides support for software applications used by internal Lottery users.	1.48

Schedule 5 (continued)

Operation/Activity/Contract	Division	Description	Composite Score
Business research and analytics	Executive	Business Planning and Research Unit provides research services to divisions to aid in the development of their tactical programs; creates predictive data models to help solve business problems; conducts independent assessments of the effectiveness of implemented tactics.	1.43
Audits, internal reviews and consulting services	Executive	Internal Audits Unit examines and evaluates financial, administrative, and operational activities of the Lottery; provides guidance to executive management on internal controls and strategic planning.	1.40
Equal Employment Opportunity Unit	Executive	Administers the Lottery's Equal Employment Opportunity program, bilingual services, Limited Examination Appointment Process, Upward Mobility program, and Bullying and Abusive Conduct Policy.	1.35
Business and strategic planning	Executive	Business Planning and Research Unit develops the annual and three-year strategic plans; assists divisions in developing their tactical proposals to address the goals for the upcoming fiscal year; develops each product's annual sales goal, which becomes part of the Lottery's proposed budget; conducts an independent assessment of the effectiveness of implemented tactics.	1.33
Independent verification and validation services	Executive	Internal Audits Unit conducts independent verification and validation services for special promotions.	1.23
Oversight of Internal Control System	Executive	Internal Audits Unit approves Internal Control System changes and enhancements.	1.23
Selection services	Human Resources	Reviews applications to ensure that minimum qualifications are met and recruits for vacancies.	1.23

Schedule 5 (continued)

Operation/Activity/Contract	Division	Description	Composite Score
Public Affairs and Communication	Public Affairs and Communication	Develops and disseminates press releases, and media advisories; organizes media events and mission campaigns.	1.18
Patents and trademarks	Executive	Legal Services Unit administers preserving trademarks; submits applications for patents and services.	1.18
Draw Management services	Executive	Internal Audits Unit assists the Draw Management Unit with activities related to draws; reviews draw procedures; monitors equipment.	1.15
Monitoring audit contracts	Executive	Internal Audits Unit manages and oversees annual financial audit contracts, other audit-related contracts, and agreed-upon procedures contracts.	1.15
World Lottery Association Security Standards certification	Executive	Internal Audits Unit ensures that the Lottery meets the criteria to maintain the World Lottery Association Security Control Standards certification.	1.15
Corporate social responsibility programs, community sponsorship program, and stakeholder relations	Executive	External Affairs Unit develops community relations and supports outreach programs; publicizes information about responsible gaming; partners with California Department of Education to support its annual Teacher of the Year Awards and Distinguished School Awards.	1.15
Employee recognition	Human Resources	Oversees the development and implementation of employee recognition programs for the Lottery.	1.15

Schedule 5 (continued)

Operation/Activity/Contract	Division	Description	Composite Score
Statement on Standards for Attestation Engagements 18	Executive	Governs the way organizations report on various compliance controls. Lottery ensures IGT has proper controls in place; IGT completes Service Organization Control I and Service Organization Control II reports.	1.08
Workforce and succession planning	Human Resources	Updates and maintains work force succession plans through staff evaluation, career development, training needs, and mentoring programs.	1.08
Reasonable accommodation	Human Resources	Implements and monitors compliance with the Americans with Disabilities Act and the Health Insurance Portability and Accountability Act; staff medical-related issues, and provides accident training for Lottery staff.	1.08

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