

CALIFORNIA LOTTERY

Audit Report

RISK ASSESSMENT REVIEW

As of June 30, 2011



JOHN CHIANG
California State Controller

November 2011



JOHN CHIANG
California State Controller

November 30, 2011

John Mass, Chairperson
California Lottery Commission
600 North Tenth Street
Sacramento, CA 95811

Dear Mr. Mass:

The State Controller's Office (SCO) has completed a risk assessment of the California Lottery's (Lottery) operations as part of its ongoing responsibilities under the California State Lottery Act. The risk assessment included operations and activities as of June 30, 2011. The assessment was performed 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.

The SCO identified 142 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:

- 23 as high risk;
- 34 as medium-high risk;
- 38 as medium risk;
- 27 as medium-low risk; and
- 20 as low risk

The SCO will periodically assess the effect of any future changes in 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 about this analysis, please contact Andrew Finlayson, Chief, State Agency Audits Bureau, at (916) 324-6310.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/sk

cc: John Menchaca, Commissioner
California Lottery Commission
Alex E. Fortunati, Commissioner
California Lottery Commission
Linh Nguyen, Acting Director
California Lottery
Michael T. Ota, Deputy Director
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Contents

Audit Report

Summary	1
Background	1
Objectives, Scope, and Methodology	1
Conclusion	4
Restricted Use	4
Schedule 1—High Risk Operations and Activities	5
Schedule 2—Medium-High Risk Operations and Activities	7
Schedule 3—Medium Risk Operations and Activities	10
Schedule 4—Medium-Low Risk Operations and Activities	13
Schedule 5—Low Risk Operations and Activities	15

Audit Report

Summary

The State Controller's Office (SCO) performed a risk assessment of the California Lottery's (Lottery) operations as part of its ongoing responsibilities under the California State Lottery Act. The assessment was performed 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.

The SCO identified 142 operations and activities and developed a list of risk factors in order to prioritize operations and activities to five risk categories. As a result of the risk assessment, the operations and activities have been categorized as follows:

- 23 as high risk;
- 34 as medium-high risk;
- 38 as medium risk;
- 27 as medium-low risk; and
- 20 as low risk.

Background

By authority of the California Constitution, 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 provision of law for payment." In addition, Government Code section 12411 stipulates that "... the Controller shall suggest plans for the improvement and management of revenues."

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.

Pursuant to Government Code section 8880.67, the SCO may conduct other special post-audits of the Lottery, as the State 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 California Lottery Commission.

Objectives, Scope, and Methodology

The purpose of the risk assessment is to review and evaluate the California Lottery's (Lottery) 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. This risk assessment included operations and activities as of June 30, 2011. 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 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:
 - Prior risk assessment ranking schedules for the operations and activities noted in the previous SCO Risk Assessment report, dated March 2008
 - The Lottery's Organization Charts for Fiscal Year 2010-2011
 - The Lottery's contract list to determine if contracts should be included in the Risk Assessment list of operations and activities
 - The Lottery's Internal Audits Office risk assessment to determine if the operations and activities should be included in our risk assessment
2. Interviewing Lottery management personnel to confirm that the list contained all of the operations and activities in their respective divisions.

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

- Identifying and developing critical factors in order to evaluate the operations and activities identified above;
- Assigning each identified operation and activity a score for each risk factor;
- Computing a composite risk score for each operation and activity;
- Ranking the operations and activities in descending order from the highest to the lowest, and assigning each operation and activity to five risk categories from high to low; and
- Evaluating the overall reasonableness of the risk assessment rankings and the placement of operations and activities into five risk categories.

The risk categories and the relative weighing of these categories are based on the most relevant critical factors for assessing risk as determined by the judgment of SCO management and staff. Each of the risk factors, except for extraordinary circumstances, received a score of from one to five, with one indicating minimum risk and five indicating maximum risk. For extraordinary circumstances, if an operation or activity had a risk factor in this category, it was given an automatic score of five.

The risk factors and their respective composition are as follows:

1. Financial Impact

This factor was based on the dollar amount of the transactions, complexity of the transactions, and frequency of the transactions.

2. Compliance with Lottery Act, Other Legal Requirements, and SAM

This factor was based on the operation or activity's mandatory compliance with the Lottery Act, other legal requirements, and the State Administrative Manual (SAM).

3. Prior SCO Experience

This factor was based on prior audits and reviews the SCO has performed on the operation or activity.

4. Change in Operations/New Processes

This factor was based on any changes or new processes occurring within an operation or activity.

5. Security and Integrity

This factor was based on the complexity and diversity of operating systems, physical access, and logical access.

6. Extraordinary Circumstances

This factor was based on any important and unusual matters that deserve special attention.

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

<u>Risk Factor</u>	<u>Weight Given</u>
Financial Impact	50%
Compliance with Lottery Act, Other Legal Requirement, and SAM	30%
Prior SCO Experience	10%
Change in Operations/New Processes	5%
Security and Integrity	5%
Extraordinary Circumstances	100%

A final risk 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 total score of 10, which indicates maximum risk and includes the extraordinary circumstance risk factor, was possible.

Conclusion

The SCO identified 142 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, low-medium, or low.

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

<u>Level of Risk</u>	<u>Explanation of Risk</u>	<u>Number of Operations and Activities</u>	<u>Schedule</u>
High	Operations/activities that, due to their nature and the level of current oversight, must be audited on a routine basis.	23	1
Medium-High	Operations/activities for which, due to their nature and the level of current oversight, a periodic audit would be advisable.	34	2
Medium	Operations/activities for which, given time constraints and resources, should be audited periodically.	38	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.	27	4
Low	Operations/activities that carry little or no risk. New extraordinary circumstances would need to occur to warrant an audit.	20	5

The risk assessment included operations and activities as of June 30, 2011. 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. This restriction is not intended to limit distribution of the final report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

November 30, 2011

Schedule 1— High Risk Activities and Operations As of June 30, 2011

<i>Operations and Activities</i>	<i>Division</i>	<i>Description</i>	<i>Composite Score</i>
Revolving Fund and Disbursements/Travel	Fin/Admin	Maintain and monitor disbursement records, Revolving Fund transactions, and travel advances.	4.43
GTECH Gaming Contract (expires on 10/13/19)	ITSD	Provide gaming and telecommunication services.	4.38
Prize Assignment	Fin/Admin	Process winners' request for trusts, beneficiary designations, estates, group claims, loan and sales, etc. of installment payments.	4.30
On-line Claims	Fin/Admin	Validate and process on-line claims from winners and from district offices.	4.29
Scratcher Claims	Fin/Admin	Validate and process Scratcher game prize claims from winners and from district offices.	4.29
Purchase & Disposal of Investment Securities	Fin/Admin	Acquisition of investments to fund the payment of the deferred prizes, cash out (bond liquidation) the unclaimed annuity prizes for transfer to Education.	4.26
Receipts & Disbursements of Funds	Fin/Admin	Monitor and record cash receipts, deposits, and remittances of money.	4.15
Procurement Function	Executive	Oversee procurement functions.	4.11
Delinquent Account Collections	Fin/Admin	Coordinate the efforts in the collection of monies due from terminated retailers. Monitor collection agency contract for compliance with percentage fee billings.	4.10
Banking Activity (Electronic Fund Transfer)	Fin/Admin	Daily physical processing of electronic files created for billing purposes and ensuring appropriate retailer bank accounts are maintained on the Stratus, IBM, and Platinum accounts receivable systems.	3.99
Payroll	Fin/Admin	Maintain and process all payroll transactions, including distribution of warrants.	3.96
Otto Construction (expires on 12/31/11)	Operations	Pre-construction services and construction of new HQ building.	3.93
eProcurement System	Executive	Contract/procurement management system for the initiation, approval, acceptance of goods and services, and approval of payment.	3.78
Gaming Security: On-line, Scratcher Games, and Scratcher Production	SLED	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.	3.75
David & Goliath Contract (expires on 11/18/15)	Sales & Marketing	David & Goliath will perform general market advertising services.	3.75

Schedule 1 (continued)

<i>Operations and Activities</i>	<i>Division</i>	<i>Description</i>	<i>Composite Score</i>
Contract Services	Executive	Oversee contracting functions.	3.74
Financial Statements, Reports, and Footnotes	Fin/Admin	Analysis and preparation of GAAP quarterly and annual financial statements, with full disclosure footnotes. Analysis and preparation of end-of-game report, and the monthly management information reports.	3.71
Camelot Global Services North America (Expires on 07/12/13)	Sales and Marketing	Business planning consulting in developing and implementing the Lottery's business plan.	3.70
Accounts Payable-Vendors	Fin/Admin	Maintain and monitor accounts payable transactions for Lottery vendors and retailers.	3.70
Fixed Assets	Fin/Admin	Capitalization and depreciation of assets.	3.70
Ramirez & CO. Contract (expires on 06/30/11)	Fin/Admin	Investment advisor and a fee structure for services as an agent for the Lottery in executing and restructuring of our investment portfolio.	3.70
Fleet Services	Operations	Monitor the use and maintenance of the Lottery's vehicles.	3.70
Point-of-Sale (POS)	Sales & Marketing	Develop, produce, and distribute all POS materials.	3.70

Schedule 2— Medium-High Activities and Operations As of June 30, 2011

<i>Operations and Activities</i>	<i>Division</i>	<i>Description</i>	<i>Composite Score</i>
Retailer-Accounts Receivable-Collections	Fin/Admin	Analysis and reconciliation of electronic fund transfers, to/from retailers, including non-sufficient funds.	3.69
Retailer-Accounts Management	Fin/Admin	Maintain communication with retailers to collect monies owed the Lottery. Analyze and resolve retailer questions regarding Lottery billing processes.	3.69
Fixed Assets & Inventory System	Operations	System to maintain fixed assets records and maintain Lottery-owned property	3.66
Alcone Marketing Group Contract (expires on 08/31/11)	Sales & Marketing	Marketing promotions and point-of-sale services	3.65
Annuity System	Fin/Admin	Process investments to fund the grand prize and monitor the investment portfolio. Process installment prize payments through the prize authorization process and create the prize claim schedule tapes for (SCO) payments.	3.65
Scratchers Inventory Management Center	Sales & Marketing	Provide retailer services for sales and promotions and resolve retailer problems, and manage Scratcher inventory.	3.64
Technology Operations	ITSD	Maintains the technology infrastructure for the Lottery internal operations, which include the network, voice, servers, and data. The technology infrastructure is housed at the primary data center (Lottery Headquarters) and an Operational Recovery Site.	3.61
Personnel Transaction Processing	HR	Process personnel transactions, leave balances, payroll and benefits (health, dental, & vision).	3.60
Key Accounts-Chain Retailers	Sales and Marketing	Develop and maintain communications with major retail chains and franchise organizations.	3.60
Scratcher Game Close-out Process	Sales and Marketing	Process for closing and ending Scratcher games.	3.58
Consumer Marketing & Advertising	Sales and Marketing	Provide general marketing advertising for all Lottery products	3.58
End of Game Reconciliations	Fin/Admin	Reconcile end-of-game ticket inventories to the accounts receivable system.	3.56
Quarterly Transfer	Fin/Admin	Quarterly transfer of net revenues to public education.	3.55
Draw Management	SLED	Manage, coordinate, and approve activities related to mechanical and automated draws, and on-line game draws.	3.55
Develop and Monitor Annual Budgets	Fin/Admin	Prepare, evaluate, implement, administer, and control the Lottery's budget and fiscal planning activities.	3.55

Schedule 2 (continued)

<i>Operations and Activities</i>	<i>Division</i>	<i>Description</i>	<i>Composite Score</i>
Forecasting	Fin/Admin	Develop sales forecasts for setting jackpot amount for major draw games and sales forecasts for budget development/monitoring.	3.55
IT Compliance	ITSD	Track and monitor resolution of audit issues. Review and provide recommendations for technical security procedures. Identify security vulnerabilities and provide recommendations for process improvements.	3.45
Mail & Reproduction Services	Operations	Receive mail, distribute intra-office mail, log and track certified and registered claims mail, provide copying services for the Lottery.	3.43
Adjustment Activity	Fin/Admin	Process manual payments and adjustments to retailer accounts.	3.40
Promotions	Sales & Marketing	Manage consumer and retailer promotions.	3.40
Equipment/Inventory	Operations	Coordinate office relocations.	3.40
Website	Corp Comm	Create, maintain, and update public Lottery website.	3.38
Gaming Contract Management Section	ITSD	Manager and monitor the Lottery's gaming public website contracts. This involves understanding the contract terms; monitoring contractor performance and deliverables; overseeing and communicating contractual issues; and performing analysis necessary to manage, document, and coordinate problem resolution.	3.38
Manual Payments Processing	Fin/Admin	Process all manual payments to vendors, retailers, and employees.	3.35
Business Services	Operations	Provide employees and Big Spin participants an outlet to purchase Lottery services.	3.30
Time Advertising Contract (expires on 09/07/12)	Sales & Marketing	Advertising of Lottery products to Asian community.	3.30
Special Investigations	SLED	Conduct investigations of civil, internal, administrative, employee, contractor, criminal and disclosure issues. Monitor production of Scratcher tickets, and conduct preliminary investigations into lost or stolen Lottery tickets. Monitor complaints against retailers and assist in authenticating online tickets. Monitor games to ensure security and integrity.	3.25
Draw Audit Contract - KPMG (expires 12/31/11)	Executive	To provide Draw auditing and review services.	3.25
Salary Advance	Fin/Admin	Process, maintain, and monitor salary advances.	3.25
Retailer Network Planning, Installation & Maintenance	Sales & Marketing	Plan and direct retailer network services.	3.25
End of Games Audit	Sales & Marketing	End-of-game reconciliation of Scratcher tickets for inventory.	3.20

Schedule 2 (continued)

<i>Operations and Activities</i>	<i>Division</i>	<i>Description</i>	<i>Composite Score</i>
Quarterly Accruals-Administrative Expense	Fin/Admin	Record and process quarterly accruals for vendors.	3.15
Classification & Pay	HR	Administer the State's classification plan and related personnel actions; recruitment	3.10
Business Continuity Plan	Operations	Provide procedures and processes designed to protect critical business activities from the effects of major failures of information systems or disasters and to ensure their timely resumption.	3.05

Schedule 3— Medium Risk Activities and Operations As of June 30, 2011

<i>Operations and Activities</i>	<i>Division</i>	<i>Description</i>	<i>Composite Score</i>
District Offices	Sales & Marketing	Provide Lottery and/or retailer support in sales, advertising, and security in nine district offices.	3.00
Customer Service Delivery	ITSD	Provide support to all Lottery staff for phones, desktops/laptops, mobile devices, and peripherals. Staff the IT Service Desk that is the single source of input for Lottery staff technology requests and problem reporting.	2.95
On-line Marketing	Sales & Marketing	Develop long-term product & distribution strategies.	2.95
Product Development	Sales & Marketing	Analyze, plan, and develop all Lottery games.	2.95
District Sales Representative Activities	Sales & Marketing	Provide sales support and promotional services for games.	2.95
Casanova Pendrill Publicidad Contract (expires on 12/31/11)	Sales & Marketing	Provide advertising services targeting Hispanic community.	2.95
Retailer Marketing	Sales & Marketing	Develop general marketing advertising for all Lottery's retailers.	2.90
Andrews International Security Systems (expires on 12/02/11)	SLED	Provide security guard services.	2.90
Questioned Tickets	Fin./Admin	Review questionable tickets submitted for prize claims.	2.85
District Sales Representative (DSR) Bonus	Sales & Marketing	Program wherein the DSRs earn quarterly bonuses if they meet sales goals.	2.85
District Sales Representative Reporting System	Sales & Marketing	Database system tracks DSR activities for bonus.	2.85
GTECH Printing Corp. (expires on 06/30/13)	Sales & Marketing	Supplemental Scratcher printing.	2.85
Information Security Program	SLED	Ensure compliance with all statutory and regulatory requirements regarding the confidentiality and security of information.	2.85
Financial Audit Contract - KPMG (expires on 12/31/13)	Executive	Provide financial auditing and review services.	2.80
Key Accounts System	Sales & Marketing	Database system for chain retailer accounts.	2.80
Investigation of Questionable/Fraudulent Tickets	SLED	Investigate questionable and fraudulent tickets.	2.80
Background Processing (In-house)	SLED	Conduct background investigations, regulate retailers, and monitor all administrative and criminal actions against Lottery retailers.	2.70

Schedule 3 (continued)

<i>Operations and Activities</i>	<i>Division</i>	<i>Description</i>	<i>Composite Score</i>
Physical Access	SLED	Maintain controls over physical access to facilities, equipment, etc.	2.70
Logical Access	ITSD	Control access to data maintained in computer files and gaming systems (vendors).	2.65
LPA Sacramento, Inc (expires on 12/31/11)	Operations	Provide professional architectural and engineering services.	2.63
Employee Recognition	HR	Oversee development and implementation of employee recognition programs for the Lottery.	2.60
Tax Unit	Fin/Admin	Process tax deposits, provide tax reporting to governmental agencies, and process 1099s and W-2Gs for winners, retailers, and vendors.	2.60
Petty Cash Funds	Fin/Admin	Maintain and monitor petty cash disbursements.	2.55
Estrada Consulting (expires on 4/18/12)	ITSD	Design, develop, and implement a Business Intelligence system.	2.50
Public Relations	Corp Comm	Develop and disseminate information to media; press releases, media advisories, earned media events, etc.	2.50
Non-Retailer Accounts Receivable	Fin/Admin	Maintain and monitor accounts receivable records for vendors and employees.	2.50
Facilities Operations	Operations	Maintain building and furniture inventory, and provide lease management services.	2.48
Sales Inquiry System	Sales & Marketing	Sales information database.	2.40
General Ledger Analysis	Fin/Admin	Monthly analysis and reconciliation of general ledger accounts.	2.35
State Treasurer's Office Contract	Fin/Admin	Investment and custodial services of U.S. Treasury Securities.	2.35
Game Accounting	Fin/Admin	Analysis, reconciliation, research, and accrual of on-line and Scratchers game accounting activities such as sales, prizes, commission expenses, etc.	2.30
Pollard Banknote Limited (expires on 06/30/13)	Sales & Marketing	Supplemental Scratchers printing.	2.25
Scientific Games, Inc (expires on 6/30/13)	Sales & Marketing	Scratcher design/development/production.	2.25
Processing Retailer Adjustments	Fin/Admin	Process retailer adjustments for both online and Scratchers games.	2.25
Business Consulting Services	ITSD	Conduct business analysis and customer acceptance testing for all Lottery business applications supported by the Information Technology Services Division.	2.23

Schedule 3 (continued)

<i>Operations and Activities</i>	<i>Division</i>	<i>Description</i>	<i>Composite Score</i>
Trade Incentive Program (TIP)	Sales & Marketing	Administer and monitor retailer promotional programs.	2.20
Stanley Convergent Security Solutions	SLED	Provide Lottery's physical security system services.	2.20
Training	HR	Oversee staff development and training.	2.20

Schedule 4— Medium-Low Risk Activities and Operations As of June 30, 2011

<i>Operations and Activities</i>	<i>Division</i>	<i>Description</i>	<i>Composite Score</i>
Background Investigation System (In-house now)	SLED	Maintain database for background investigations.	2.10
Enterprise Application Delivery	ITSD	Deploy, maintain, and support in-house developed applications or commercial-off-the-shelf applications.	2.05
Television Communications	Corp Comm	Provide corporate audit, video, and other production activities designed to meet communication needs.	2.00
Corporate Social Responsibility	Executive	Focus on building productive stakeholder relationships and promote responsible gaming.	2.00
California Office of Problem Gambling Contract (Exp on 06/30/2011)	Executive	Maintain the Lottery's problem-gambling helpline (1-800) and other services.	2.00
Contract Support	Operations	Monitor, implement, and initiate all contracts, work requests, and purchase for technical/trade services for all buildings and grounds.	2.00
Invoice Center	Sales & Marketing	Manage receipt of Scratcher tickets invoices from retailers.	1.98
Exception Questionable Claim System	SLED	Database for questioned tickets investigated by Security.	1.98
Reasonable Accommodation	HR	Implement and monitor ADA, HIPA, medical problems, accident training.	1.95
Muse Communications Contract (Exp on 01/31/12)	Sales & Marketing	Provide advertising targeting African-American community.	1.95
Retailer Document Processing	Sales & Marketing	Establish, maintain, update, and purge all retailer master file records.	1.90
Selection Services	HR	Administer exams for the Lottery and recruit for vacancies.	1.90
Labor Relations	HR	Develop and maintain manager-labor relationships, labor grievances, meeting with unions (SEIU 1000, peace officers, etc.); investigating allegations, adverse actions.	1.90
Equal Employee Opportunity Services	HR	Develop, implement and monitor the EEO program.	1.90
Health & Safety	HR	Develop and maintain health and safety and wellness programs. CAL-OSHA.	1.90
Injured Workers Program	HR	Oversee workers compensation (SCIF), and Return to Work Program.	1.90

Schedule 4 (continued)

<i>Operations and Activities</i>	<i>Division</i>	<i>Description</i>	<i>Composite Score</i>
University Enterprises (Expires on 6/30/11)	HR	Provide student assistant services to various departments within the Lottery.	1.90
State Personnel Board (Expires on 6/30/11)	HR	Various services (ongoing): On-line Data Processing Psychological screening On-line testing services	1.90
Leasing	Operations	Monitor Lottery's leased property.	1.85
Case Tracking System	SLED	Database for cases investigated by Security.	1.83
Monitoring Audit Contracts	Executive	Coordinate audits to minimize duplications or omissions.	1.81
Retailer Systems/Sales Operations	Sales & Marketing	Track installation of retailer vending machines.	1.80
Customer Service	Operations	Receive calls and provide services to retailers and public via 1-800 information line, and provide performance correspondence services.	1.75
TG Page Design Group (Expires on 03/31/12)	Corp Comm	Provide a broad range of original graphic design layout and creative design services.	1.60
Security Audit Contract - KPMG	Executive	Provide security evaluation audit services.	1.58
IPSOS Reid (Exp on 07/31/11)	Executive	Provide Lottery player and non-player tracking services.	1.55
IT Planning & Project Management	ITSD	Provide project management for IT projects and enterprise architecture.	1.50

**Schedule 5—
Low Risk Activities and Operations
As of June 30, 2011**

<i>Operations and Activities</i>	<i>Division</i>	<i>Description</i>	<i>Composite Score</i>
Shaw Valenza LLP (Expires on 8/31/11)	HR	Service agreement for consultation and investigative services on Equal Employment Opportunity (EEO) matters.	1.45
Audits, Reviews & Special Projects	Executive	Conduct internal audit reviews and other projects.	1.40
Legal Services	Executive	Provide legal services to the Lottery.	1.30
Sierra National Construction, Inc (Expired)	Operations	Provide construction and tenant improvements at the Lottery headquarters complex.	1.30
Retailer Communications	Sales & Marketing	Coordinate retailer communications and develop and maintain newsletter.	1.30
Solution, LLC (expires on 5/13/13)	ITSD	Provide a full range of website development, design, implementation, and web hosting services.	1.30
California Technology Agency (OTECH)	ITSD	Host and provide support to Lottery mainframe applications.	1.19
SAS 70	Executive	Audit online gaming vendor.	1.15
Records Retention Management	Operations	Manage and retain all of Lottery's physical records.	1.15
Enterprise Services Support	ITSD	Provides internal services to Information Technology Services staff and liaison support to other service organizations in the Lottery (e.g., Finance, HR, Contracts and Procurement).	1.13
Monitor & Implement Audit Recommendations	Executive	Monitor the status and implementation of all internal and external audit recommendations.	1.10
Engineering & Maintenance	Operations	Provide maintenance services for Lottery facilities.	1.10
Forms Management	Operations	Manage and maintain all of the Lottery's form documents.	1.05
Security Audit (Printers) Contract - Delehanty Consulting	Executive	Service Agreement to conduct a security audit of Scratcher printer vendors by expert consultant.	1.00
US Patent & Trademark Office	Executive	Register of patents and services.	1.00
Business/Strategic Planning	Executive	Plan corporate objectives for the annual and five-year strategic plans and identify strategies for achieving the objectives.	1.00
Market Research & Sales Analysis	Executive	Perform market research, sales analysis for various Lottery Divisions-especially Sales and Marketing and ITSD.	1.00

Schedule 5 (continued)

<i>Operations and Activities</i>	<i>Division</i>	<i>Description</i>	<i>Composite Score</i>
Comparing Budget & Associated Expenditures (BETS)	Fin/Admin	Database system to monitor expenditures against budget and provide monthly reports.	1.00
Custodial Support	Operations	Provide janitorial services.	1.00
Experiential Marketing & Broadcasting	Sales & Marketing	Provide information and analysis to management and manage Lottery broadcast programs.	1.00

**State Controller's Office
Division of Audits
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<http://www.sco.ca.gov>