

**Finance and Audit Committee Meeting
New Mexico Lottery Authority
September 5, 2024**

MINUTES

Call to Order: Committee Chair Paul Guerin called the meeting to order at 2:00 p.m. and asked for a roll call. Present and constituting a quorum were Paul Guerin and Leo Romero. Othiamba Umi absent.

Introductions: NMLA staff present were Wilma Atencio, David Barden, Carolyn Cabell, and Michael Boland.

Approval of Proposed Agenda: P. Guerin entertained a motion to approve the agenda. L. Romero moved to approve the proposed agenda; P. Guerin seconded the motion. Motion carried 2-0.

Public Comment: None.

REPORTS:

Complementary User Entity (CUE) Controls Consulting Engagement Report: M. Boland provided an overview of the CUE Controls Engagement Report. M. Boland reported that the Internal Auditor (IA) consulted with relevant process owners and management to review the design and operational effectiveness of the CUE controls which support Intralot's systems controls. The engagement scope included review of the nineteen (19) controls in place. Based on IA's consultation and analysis, the majority of the Lottery's CUE controls are sufficiently designed and operate effectively. IA offered best practice recommendations to enhance three controls.

L. Romero asked about the scope of the controls related to vendors. M. Boland responded that this engagement was solely related to Intralot's system. M. Boland reported that it is a dual responsibility for both the Lottery and Intralot to have controls in place and operating effectively. M. Boland reported that the CUE controls are part of the SOC review process. In the SOC report, there is a disclaimer assuming that the Lottery has CUE controls in place, complementary to the tested controls that are Intralot's responsibility.

L. Romero asked for clarification regarding a consulting engagement. M. Boland responded that a consulting engagement is a process in which the IA works with process owners to review existing controls or develop better controls. D. Barden reported that the IA conducts many of these engagements at the direction of management to ensure the processes are followed appropriately and if they require any updates or changes. D. Barden reported that if we get a new vendor, processes relating to the online vendor and its systems may need to be updated.

P. Guerin asked for clarification about the Back Office System and the related CUE controls. There was general discussion about BOS functions. D. Barden explained that processes in the IA's recommendations are being done, just not being documented per the IA's suggested method. M. Boland stated that the recommendation about logging relates to Intralot developers accessing the system and the Lottery being able to track what changes, if any, were made. D. Barden reported that acquiring Lottery permission for developer access is a MUSL rule and there has been some discussion about eliminating this rule because it is outdated. D. Barden and M. Boland stated that these processes may change when a vendor is selected through the RFP for Lottery Solutions. Even if the same vendor is selected, the BOS may be re-developed.

FY 2025 Internal Audit Plan: W. Atencio noted that the agenda should show FY 2025 instead of FY 2024.

M. Boland reported that pages 1-4 of the Audit Plan highlight the audit areas, priority level, audit/activity, and estimated time allotted for each audit area. Internal Audit will concentrate efforts in automated approval processes, payables management, cyber security readiness, disaster recovery/business continuity processes, and other division efficiencies. The audit plan includes time allocated for consulting activities and ad hoc projects and activities as needed.

L. Romero asked for clarification about priority levels. M. Boland responded that the items listed on page 4 are assessed based on the priority model listed on pages 5 through 8. Areas rated as high are given priority and other audit areas listed are primarily based on consultation with management, the external auditors report, and Internal Audit's schedule of when those areas were last assessed. P. Guerin noted that the process is objective due to a formula method of scoring and prioritizing.

P. Guerin entertained a motion. L. Romero moved to approve and recommend to the full Board that the FY 2025 Internal Audit Plan as presented be approved; P. Guerin seconded the motion. Motion carried 2-0.

M. Boland reported that he will not be available to present the FY 2025 Audit Plan at the upcoming Board meeting. D. Barden reported that it would be an option to move Board review of the Plan to a subsequent meeting.

P. Guerin commented that the Audit Plan is being presented two months into the fiscal year and is already in progress. D. Barden reported that in the audit policy being presented today, it will state that the Audit Plan will be presented as soon as practical. C. Cabell stated as per the current Audit Charter, the Audit Plan is to be presented at the beginning of each fiscal year, which would no earlier than the first Board meeting of the fiscal year. P. Guerin asked when the plan was developed. M. Boland responded that it was developed in July, following Internal Audit completion of the CUE controls engagement report.

Audit Policy: D. Barden reported that this policy has been updated with suggested new language that expands and further clarifies the Finance and Audit Committee's jurisdiction and duties, as well as codifies current processes. Additional changes were marked technical for consistency and clarity. D. Barden and the Committee discussed changes throughout the document.

P. Guerin entertained a motion. L. Romero made a motion to approve and to recommend to the full Board the Audit Policy as presented with technical changes and corrections as discussed; P. Guerin seconded the motion. Motion carried 2-0.

Other Items: None.

Adjournment: P. Guerin moved to adjourn the meeting; L. Romero seconded the motion. Motion carried 2-0. The meeting adjourned at 2:55 p.m.

Paul Guerin

P. Guerin, Committee Chair

Date: 9/19/24