GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

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Office of Integrity and Oversight

MEMORANDUM

TO: Beth Bresnahan, Executive Director
Office of Lottery and Gaming

FROM: Timothy Barry, Executive Director
Office of Integrity and Oversight

DATE: July 09, 2019

SUBJECT: Follow-up on Open Recommendations for the "Best Practices Review Report of the DC Lottery" (19-03-12 OLCG)

This memorandum report summarizes the results of the Office of Integrity and Oversight's (OIO) Review of the Follow-up on Open Recommendations for the "Best Practices Review Report of the DC Lottery". This follow-up was conducted as part of OIO's continued oversight of OCFO operations and to ensure corrective actions were completed.

Based on our review of supporting documentation for the six (6) open recommendations, we have deemed five (5) recommendations as fully implemented and one (1) in progress. Should you have any questions, please call me at (202) 442-6433, or Tisha Edwards, Director, Internal Audit, at (202) 442-6446.

Attachment

cc: Jeff DeWitt, Chief Financial Officer
Angell Jacobs, Deputy Chief Financial Officer, OCFO
Marshelle Richardson, Chief Risk Officer, OCFO

OIO

Office of Integrity & Oversight

Government of the District of Columbia, Office of the Chief Financial Officer

July 09, 2019

FOLLOW-UP ON OPEN RECOMMENDATIONS FOR THE "BEST PRACTICES REVIEW REPORT OF THE DC LOTTERY"

BACKGROUND

The Office of Lottery and Gaming (OLG) formerly the Office of Lottery and Charitable Games (OLCG), procured Delehanty Consulting to conduct an independent review of the DC Lottery. The results were published in the report, "Best Practices Review Report of the DC Lottery" issued February 26, 2016. The Best Practices report cited 27 suggestions and recommendations to improve lottery operations in key performance areas. The Office of Integrity and Oversight (OIO) previously reviewed the status of the implementation of the Best Practice recommendations in August 2017 under job code 17-01-11 OLCG. At the conclusion of our August 2017 review, the OLG was in progress of completing the implementation of six (6) Best Practice recommendations.

OBJECTIVES, SCOPE, and METHODOLOGY

The objectives of our follow-up were to: (1) determine whether the OLG implemented the remaining six recommendations of the "Best Practices Review Report of the DC Lottery-February 26, 2016" by Delehanty Consulting, LLC, and (2) assess whether the implemented recommendations have achieved the intended process improvements and mitigated the noted internal control deficiencies.

To achieve these objectives, we requested the status of the recommendations, reviewed supporting documentation, met with appropriate staff as necessary, and determined whether the actions taken met the intent of the recommendation.

Verification Results

The OLCG responded to our request for status on May 1, 2019. Based on the criteria set forth, our review of the review of documentation, we noted the following:

Recommendation 2.6.2.4:	The DC Lottery is in the process of acquiring a new customer relationship management system that is available through an existing DC contract. This system should be used to capture and analyze business issues reported by players and retailers. The best practice would be to implement the system so data would be accessible by all departments and divisions that need to enter, update, view and analyze complaints. Appropriate restrictions should be put in place to limit the viewing of sensitive data to people with a need-to-know.
Management's Response:	Zendesk, a web-based trouble ticket system, was originally planned to be implemented in FY 2018 when funding would be available to support the initiative. The initiative would be implemented in two phases providing corrective action to RECOMMENDATION 2.6.2.4 and RECOMMENDATION 6.6.2.3, collectively. Phase 1, implemented in June 2018, addressed RECOMMENDATION 6.6.2.3. Phase 2, addressing this RECOMMENDATION 2.6.2.4, began in early FY 2019. Subsequently, project development was underway for a new lottery licensing application web site, which provided an opportunity to build in a customized customer management system more aligned with agency needs and resources. The new web site has an estimated projected launch of Fall 2019.
OIO's Evaluation:	***In Progress.*** OLCG management has taken actions to implement the recommendation. This was supported by inquiry and screenshots of the Zendesk system. Based on the overall assessed risk of non-implementation as low, a Fall 2019 implementation is reasonable.
Recommendation 6.6.2.3:	The DC Lottery IT Department should consider implementing a helpdesk ticketing system for capturing information regarding IT service requests and resolution.
Management's Response	This recommendation is implemented. Zendesk, a web-based trouble ticket system, was implemented in June 1, 2018.
OIO's Evaluation:	***Fully Implemented.*** OIO discussed steps taken with appropriate staff and reviewed screenshots of the Zendesk system. The corrective actions taken meet the intent of the recommendation.

Recommendation 8.6.2.2:	DC Lottery should optimize the placement of self-service sales devices and refrain from adding more MPs and Win Stations until at least 90% of the existing devices are in locations that are profitable for the DC Lottery. This recommendation contained 2 steps; Step 1 "Provide evidence of the Sales Team audit and evaluation of self-service machines" has been completed. Step 2 "Provide copy of internal guidelines to established internal minimum monthly sales guidelines for Win Stations ($5,000) and MP's ($2,500)" remains open. Please provide the Status of Step 2 below.
Management's Response:	For FY 2019, the Lottery maintains its current administrative regulation pertaining to minimal sales standards for licensed retailers, inclusive of Win Station and MP sales. In October 2018, the Lottery issued a bulletin to each of its 400+ licensed retailers reminding them of the minimum sales requirement along with a message relaying our commitment to the partnership with our retailers and their success in growing lottery sales and resulting commissions. We are reviewing lottery sales performance throughout the year and will follow up with retailers who are at risk of not maintaining the required sales levels with the goal to assist our lower-performing retail partners, who may need guidance in order to come into compliance.
OIO's Evaluation:	***Fully Implemented.*** OIO verified that the information was communicated by management of DC Lottery through a bulletin to licensed retailers, Win Station and MP sales. The corrective actions taken meet the intent of the recommendation.
Recommendation 10.4.2.3 (a):	The DC Lottery should consider experimenting with cross-selling DC-5 with DC 3 and DC 4 in limited, select retail locations.
Management's Response:	In FY 2018, the DC Lottery introduced two new easy-to-play games, DC-2 and The Lucky One, to counter a trend in declining draw games sales. DC-2, a "pick two" game designed to serve as an entry-level game aimed at attracting new numbers game players, was introduced on March 11, 2018. This provided a platform to launch a promotional campaign highlighting the entire "family of numbers games" (DC-2, DC-3, DC-4 and DC-5) that included radio, television and point-of-sale advertising.
OIO's Evaluation:	***Fully Implemented.*** This is an ongoing initiative to identify opportunities and implement strategies to cross-sell DC-3, DC-4, and DC-5. The corrective actions taken meet the intent of the recommendation.

Recommendation 10.4.2.3 (b):	The DC Lottery should consider experimenting with promoting specific easier-to-win bet-types, such as Front Pair and Back Pair, for DC 3 in limited, select locations.
Management's Response:	In FY 2018, the DC Lottery introduced two new easy-to-play games, DC-2 and The Lucky One, to counter a trend in declining draw games sales. DC-2 was introduced on March 11, 2018 as an addition to the family of numbers games (DC-3, DC-4, DC-5). The "pick two" game was designed to serve as an entry-level game aimed at attracting new numbers game players. The Lucky One was launched on May 20, 2018. Players select one number out of 36 numbers. In addition to the player being able to select one number, they have the option to select high/low, and odd/even, for an additional wager. In addition to marketing and advertising initiatives supporting the new game launches above, the Sales department worked to address this recommendation by conducting regular in-store "how to play promotions" for all our games.
OIO's Evaluation:	*Fully Implemented.* We verified the new easy to play games, The Lucky One and DC-2, on the OLG website. The corrective actions taken meet the intent of the recommendation.

Recommendation 11.5.2.4:	The DC Lottery is developing a retailer advisory committee that can be used by DC Lottery leadership, sales staff and marketing staff to solicit feedback and capture new ideas from retailers.
Management's Response:	In April 2018, a contracted consultant conducted face-to-face meetings with licensed Lottery retailers to help us enhance our sales and retail merchandising efforts. While in-store, they were able to help the Lottery gauge retailers' interest in participating in focus group-type panels. Retailer interest in providing feedback was high; however, the majority of Lottery retailers run small businesses and indicated they face challenges leaving their locations during business hours. To overcome this obstacle, leadership of the Executive, Sales and Marketing departments regularly visit licensed retailers to speak to owners, managers and clerks to collect feedback on lottery operations, new games/promotions, sales and marketing programs.

	The Lottery continues to explore digital/electronic measures to reach a broader audience of retailers with minimal time commitment on their end. Additionally, the Lottery is working with its technology vendor, INTRALOT/DC09LLC, to undertake a formal retailer survey to track the general state of retailers' in-store lottery business and how it compared to previous years; assess the attitudes of retailers towards the Lottery; rate the Lottery's performance on their interactions with retailers and meeting their needs; identify major causes of concern for retailers; and help the Lottery better understand retailers' needs in the District's rapidly-evolving market. The vendor anticipates soliciting proposals for this work in late February 2019 with a contract award and work commencing in March/April 2019.
OIO's Evaluation:	*Fully Implemented.* The OLG determined that an advisory committee will not be set up; however, alternatives to the committee were used to solicit feedback and capture new ideas. The Sales/Marketing team received feedback through focus group type panels and responses from surveys. DC Lottery management also contracted Delehanty Consulting to perform Retailer audits and site visits from April to June 2018. The alternative actions taken are responsive and should address the lack of means to solicit feedback and capture new ideas. Therefore, the corrective actions taken meet the intent of the recommendation.