



Auditing for a Better Oregon

April 11, 2003

Brenda Rocklin, Director
Oregon State Lottery
500 Airport Road SE
Salem, Oregon 97301-5075

Dear Ms. Rocklin:

We have completed a change of director review of the Oregon State Lottery's former director, Chris Lyons, who resigned effective November 30, 2002. The review was conducted in compliance with Oregon Revised Statute 297.210, which requires the Audits Division to perform an audit or review when the executive head of a state agency leaves that position for any reason.

Our objective was to ensure that appropriate actions were taken to protect state assets when the former director resigned from her position. We reviewed representations from management and determined that assets assigned to the former director were returned and that access to state and automated systems was terminated. We examined the former director's recent payroll disbursements and leave accruals, which appear to be appropriate and accurate. We also reviewed contracts signed by the former director during her last three months of employment and determined the one contract signed by the former director appears to be for a valid business purpose.

Finally, we reviewed travel claims and other reimbursements submitted by the former director during her last three months of employment to determine whether these claims complied with applicable laws and regulations. When compiling documents for our review, Lottery identified that the former director should have reimbursed the Lottery \$280 for travel expenses the Lottery paid in October 2002 related to the Multi-State Lottery Association (MUSL). MUSL directly reimbursed the former director for these expenses in November 2002, but the former director did not reimburse the Lottery until the Lottery requested reimbursement in March 2003.

We recommend that Lottery develop a policy for the review and approval of agency head transactions similar to the Oregon Accounting Manual policy. Furthermore, when reviewing MUSL expense claim forms, Lottery should identify expenses paid for by Lottery and ensure reimbursement is received.

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Based on our limited review, except for the issue noted above, we found that the Oregon State Lottery took appropriate actions to protect state assets upon the former director's separation from the agency.

Should you have any questions concerning the review, feel free to contact Amy Palacios or me at (503) 986-2255.

Sincerely,
OREGON AUDITS DIVISION

Kelly L. Olson, CPA
Audit Administrator

KLO:brk

cc: Mark Wilborn, Internal Audit Manager
Gary Weeks, Director, Department of Administrative Services
John Radford, Administrator, State Controller's Division,
Department of Administrative Services