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REQUEST FOR PROPOSAL (RFP) ADDENDUM

Addendum No.: 1

Date of Addendum: 8/20/19

RFP Number: _____

Agency: Minnesota State Lottery

Due Date, Time: Friday, August 30, 2019, 2:00pm CT

Revised Date, Time: n/a

Procurement Officer: Pam Mogensen

TITLE: Financial and Draw Auditing and Related Services RFP

SCOPE OF ADDENDUM

This document is posted on the Minnesota State Lottery website:
<https://www.mnlottery.com/vendor-opportunities>

MINNESOTA STATE LOTTERY DRAWING AND FINANCIAL AUDIT RFP Q&A's AUGUST 20, 2019

1. What is the main reason for the request for proposal (end of current contract, required rotation, unhappy, etc.)?

The Lottery's financial and draw audit contracts end October 31, 2019. The Lottery is required to procure its major contracts through a public and competitive process, including its contract/s for financial and draw audit services.

2. Are you satisfied with the current auditor? If not, why?

Generally, the Lottery is satisfied with the services rendered by its current auditor. Please also see the Lottery's response to question one, above.

3. Is the Minnesota Lottery required to submit an RFP every two years or are they looking to make a change in auditor's?

See the Lottery's response to question one, above, and Section 3.6 of the RFP.

4. What qualities are you looking for in an audit firm beyond what is in the RFP?

Please see the RFP Section 4.

5. Is the current auditing firm allowed to bid on the work again?

Yes.

6. Has your auditor provided any additional services in the past – do you anticipate any in the future?

The Lottery's current auditor has provided various additional financial services in the past five years including reviewing a Lottery business partner's finances and providing an IT systems audit via a subcontract. Similar work may be requested under this contract.

7. Does the scope of the RFP include any standalone IT auditing procedures as well?

No.

8. Is the Lottery responsible for its own IT environment controls and security controls (primary and backup locations)?

Yes.

9. For the draw audit, do all of the CPAs assisting with this part of the RFP need to be within a certain mileage of the Minnesota Lottery drawing location?

The draw audit requires an auditor to be physically present at the draw location in Roseville (or at the Lottery's backup site) at the times specified in the RFP or as directed by the Lottery.

10. What were the fees for the financial and draw audits for the past three years? Please provide a breakdown between the 2 audits.

The Lottery's financial audit for FY19 cost \$64,000. The Lottery's draw audit costs approximately \$6,300 per month.

11. Has there been any indication of any fraud at the Minnesota Lottery in the past three years?

No.

12. Are there any outstanding issues or findings from funding or regulatory agencies?

No.

13. Has the previous auditor reported any material weaknesses to the Minnesota Lottery in the past three years?

No.

14. What are some of the challenges you are facing in the next 1 - 5 years?

The Lottery recently converted a longstanding back-office system to a system provided by our gaming vendor IGT. This may lead to challenges related to new policies and procedures. Additionally, the Lottery is continuously evaluating new games and marketing opportunities that may create challenges for its auditors. Also, please see Section 3.6 of the RFP.

15. When does fieldwork need to be performed?

Generally, the fieldwork for the financial audit is performed in late July through early August each year.

16. When are the audit reports required to be completed?

The financial audit must be completed by the middle of September each year.

17. When has the Lottery currently had the audit conducted?

See the Lottery's response to questions fifteen and sixteen, above.

18. How long were the prior auditors onsite for the audit and how many auditors were present?

Approximately, three auditors for three weeks, not including the manager and partner.

19. How many and what types of adjustments have the auditors proposed in the past?

There have been no adjustments to the financial audit in the past three years.

20. Are we able to review a sample report related to audit irregularities during the drawing audits?

Sample reports, policies, and procedures can be made available to the winning vendor after signing a contract. Draw audit irregularity reports are generally a few paragraphs to a couple of pages, and are not frequently required.

21. How many employees does the organization have?

Approximately 160.

22. Are there any planned significant changes in Lottery operations or personnel?

Yes. A new CISO will be hired in the next few months.

23. Has there been turnover in the top management or the accounting department?

The Lottery's Executive Director started in April 2019 and the Lottery's CFO started in July 2017. The rest of the accounting staff has been at the Lottery at least five years.

24. Do you expect any major changes to occur in the years you are requesting bids for major construction projects, refunding of debt, new debt, new grants, etc.? If so, what are they?

No.

25. What accounting system do you use? What systems impact the financial statements? (application version, operating systems)? Can you describe the business use for each system and how it interfaces with the financial systems? Are these systems in the cloud or in-house? What are your key Technology vendors, and can you describe the product/service they provide? What software does the Lottery use for its general ledger and are there any plans to change in the near future?

The Lottery's accounting system is JD Edwards Version 9.2 and hosted in-house on an iSeries IBM server. Within the next couple of months, we will be migrating to Microsoft SQL. The Lottery's IT staff is responsible for maintaining and upgrading the JDE System. Fixed Assets, Purchasing, Budgets and Accounts Payable directly feed the general ledger. Our sales and direct cost data including scratch and lotto ticket sales and validations, retailer commissions and retailer adjustments from daily operations are feed from our central gaming system vendor (IGT) through daily interfaces updating the general ledger.

26. Who maintains the fixed asset and depreciation system – Lottery staff or auditor?

The Lottery.

27. Who prepares the financial statements – Lottery staff or auditor?

The Lottery.

28. Do you have written documentation of the organization's internal controls over significant process cycles (payroll, cash disbursements, cash receipts, etc.)?

Yes.

29. Part 2 of the Lottery background indicates the firm awarded the contract for the auditing of the drawing results, includes but is not limited to providing an individual to attend all preliminary, final, and post draw functions conducted by the Lottery each day to certify the authenticity of the drawing. How many drawings has the current firm attended on a monthly basis? Page 5 would lead me to believe it is daily that an accountant is onsite to observe the drawing?

That understanding is correct. The Lottery requires an onsite observer 365 days per year.

All other terms, conditions and specifications of the original RFP remain the same.

This addendum shall become part of the RFP and MAY be returned with the RFP.

RESPONDER NAME:

SIGNATURE:

TITLE:

DATE:

For TTY/TDD communication, contact us through the Minnesota Relay Service at 1.800.627.3529.

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