

MISSISSIPPI LOTTERY CORPORATION

LIST OF QUESTIONS RECEIVED BY 04/23/19

RE: RFP NO. 2 -- REQUEST FOR PROPOSALS FOR

COMPREHENSIVE ACCOUNTING AND AUDITING SERVICES

RESPONSE SUBMISSION DEADLINE: MAY 6, 2019 (2:00 P.M. CST)

RESPONSES DUE TO:

**DR. MICHAEL J. MCGREVEY, CHAIRMAN
C/O BALCH & BINGHAM LLP
188 E. CAPITOL STREET, SUITE 1400
JACKSON, MS 39201**

NOTES:

- As used herein, the following terms have the following meanings:
 - “Corporation” refers to the Mississippi Lottery Corporation.”
 - “Act” refers to the Alyce G. Clarke Mississippi Lottery Law, Senate Bill 2001 (First Extraordinary Session 2018).
 - “RFP” refers to the Corporation’s RFP No. 2 – Request for Proposals for Comprehensive Accounting and Auditing Services.
- The responses set forth herein are meant to guide potential respondents to the RFP and to clarify the RFP, where possible. Such responses are not part of any resulting contract with the respondent(s) selected to perform banking services for the Corporation. The Corporation reserves the right to modify, supplement or amend any of said responses, either in writing or in practice.

1. What is the fiscal year end of the Corporation? Is the fiscal year end June 30, 2019 and the deadline September 30, 2019?

The Corporation’s fiscal year ends on June 30, 2019.

2. What is the first period expected to be audited? For example, if the fiscal year end is June 30th, will the first fiscal year end under audit be June 30, 2020?

The first period audited shall be the first quarter in which the Corporation is operating. We expect this to be June 30, 2019.

3. What is the level of business activity expected to be for the first period of audit (using the time frame referenced in question 2)? Business activity could be presented in the form of budgeted revenues or expected revenues.

The Corporation is unable to make this projection as of the date of this response. To date, the Corporation’s economic analysis consists of the report generated by the

University Research Center, Mississippi Institutions of Higher Learning, “An Economic Analysis of a Lottery in Mississippi,” which can be found at <http://www.mississippi.edu/urc/downloads/lotteryanalysis.pdf> and a report generated in the form of a Technical Brief April/May 2017 by the John C. Stennis Institute of Government and Community Development, “A Discussion on a State Lottery,” which can be found at https://www.sig.msstate.edu/publications/Brief_Lottery_May2017.pdf.

4. Please provide any projected or pro-forma financial statements of the Corporation for the 5-year period covered by the audit fee request. This is needed to scope the audit request and prepare a reasonable estimate of the needed time to complete any audit work.

Please see response to number 3 above.

5. What type of accounting/finance staff has the Corporation hired or does the Corporation intend to hire? Or does the Corporation intend to outsource any portions of the accounting/finance function?

The Corporation is still in its start-up phase. There is no accounting staff as of the date of this response.

6. What policies and procedures have been implemented around internal control over financial reporting? Have these been formalized in writing in policies and procedures manuals or some other format?

Such policies and procedures are required to be adopted by the Act, but are not yet in place. The Corporation anticipates working with the accounting and audit team to implement such policies and procedures.

7. When will lottery operations begin? Please provide a timeline of expected activities to facilitate scoping the audit work.

It is expected the lottery will begin actual operations (i.e., active games) by calendar year end 2019.

8. Does the Corporation currently have any accounting records?

No.

9. When is the first quarterly report due?

The first quarterly report is due thirty (30) days after June 30, 2019.

10. What accounting and financial reporting systems does the Corporation use or intend to use?

The Corporation anticipates receiving input from its accounting and audit team prior to selecting and implementing such systems.

11. Will the Corporation report under FASB or GASB accounting standards?

The Corporation anticipates input from its accounting and audit team to make this determination.

12. The Act and the RFP state that audit reports must be completed by 90 days after year-end. When will the accounting records of the Corporation be closed and ready for audit?

The Corporation is unable to respond at this time.

13. Does the Corporation anticipate the first audit to begin 06/30/19 or a future year-end?

Yes. The first audit is expected to begin following the end of the current fiscal year.

14. What is the expected CPA firm involvement at the recurring cash drawings? With what frequency does the Corporation anticipate conduction drawings?

The Corporation is unable to respond at this time.

15. The Act calls for internal auditing. Is that expected to be an internal position or will it be considered as a part of this or another RFP?

The Corporation does not anticipate a separate RFP for accounting services.

16. Has the Corporation selected a lottery service provider?

No.

17. Will the Corporation sell tickets or will all ticket sales be conducted by retailers?

Retailers approved by the Corporation pursuant to the Act will sell tickets. It is unknown at this time whether the Corporation may sell tickets directly.

18. Does the Mississippi Lottery Corporation (MLC) anticipate having an audit in fiscal year 2019?

Yes, an audit will be needed following the close of the fiscal year.

19. Does the MLC have established policies and procedures? If not, is this something that a Firm not selected to perform the audit could assist the MLC with?

The Act requires the Corporation to adopt a number of policies and procedures. The Corporation anticipates using various resources to promulgate these policies and procedures.

20. What accounting system will the MLC use? Has the system been implemented?

Please see response to number 10 above.

21. When will the selected Firm be allowed to begin audit planning and field work?

The Corporation is unable to respond at this time.

22. Will the additional reporting required under item 2(a) be satisfied by the issuance of the Government Auditing Standards Report on Internal Control over Financial Reporting and Compliance with Other Matters, or does the Board anticipate a separate report (and a separate engagement) would be required?

The Board does not anticipate a separate engagement at this time.

23. For the quarterly and annual reports, do you anticipate that these will be compilation engagements under AR-C Section 80?

The Corporation anticipates input from its accounting and audit team to make this determination.

24. Can you provide a projection of revenues and expenses for the first two years subject to audit?

Please see response to number 3 above.

25. Please provide clarification that you are not asking for accounting services that would compromise accounting firms' independence under Government Auditing Standards. We would not be allowed to perform the audit if certain accounting/bookkeeping functions were performed by our firm.

The Corporation needs more information to respond to this question.

26. Is the Lottery Corporation a component unit of the State of Mississippi?

The Mississippi Lottery Corporation is a quasi-governmental entity, created by statute and operating as a corporation. The Mississippi Lottery will be accountable to the Governor, the Legislature and the people of the state through a system of audits, reports and disclosures as required by its enabling statute.

27. What is the size of the accounting staff of the Corporation?

The Corporation is still in its start-up phase. There is no accounting staff as of the date of this response.

28. Will the staff provide all information requested for the audit?

Once a staff is hired, it is anticipated they will provide requested information.

29. Will there be one point of contact for the audit?

It is anticipated that there will be a single point of contact.

30. Will the staff help draft the financial statements, including all note disclosures of the Corporation, or is that expected to be done by the audit firm?

The Corporation is unable to respond at this time.

31. Can you provide a list of key accounting and finance personnel and a brief summary of their experience and credentials?

The Corporation is still in its start-up phase. There is no accounting staff as of the date of this response.

32. May we have a copy of the latest financial statement for our review?

No such statement exists.

33. May we have a copy of the Corporation's budget for FY 2019 and FY 2020 (if available)?

The Corporation has not adopted a budget as of the date of this response.

34. Are there internal auditors available to assist in the audit? If not, have any internal audits been performed on the Corporation's activities during the year that we will be able to review?

The Corporation is still in its start-up phase. There is no internal audit staff as of the date of this response.

35. Does the Corporation have an actuary that is used to record pension and post-employment liabilities, if applicable?

The Corporation is still in its start-up phase. There is no actuarial staff as of the date of this response.

36. If applicable, does the Corporation track all outstanding winnings that have yet to be paid? If so, is it tracked by the year it is due?

Not applicable as of the date of this response.

37. Is the audit period a 12 month period or a short year?

There will be an annual audit.

38. If the Corporation has not been audited in the prior year, does the RFP anticipate that beginning balances will be audited as well?

Yes.

39. When did the company begin selling lottery tickets or when does the company anticipate selling lottery tickets?

The Company anticipates the sale of lottery tickets will begin by the end of calendar year 2019.

40. Does the Corporation have written policies and procedures (including controls) that govern the activities of the Corporation?

The Corporation will promulgate regulations, including those providing for internal controls, prior to commencement of operations.

41. Does the Corporation's board meet on a regular basis?

The Corporation currently holds its regular meetings on the second (2nd) Tuesday of each month.

42. Under Requested Services of the RFP, item 2. (d), will the quarterly reports be accompanied by a compilation report from us?

The Corporation is unable to respond at this time.