

MISSISSIPPI LOTTERY CORPORATION

Accounting Internal Controls Policy

1. INTRODUCTION

The Mississippi Lottery Corporation (the “Corporation”) has adopted this Accounting Internal Controls Policy to safeguard the assets of the Corporation, ensure the reliability and integrity of its financial information and to promote efficient and effective operations. The Corporation’s Board of Directors (the “Board”) has the responsibility to establish and maintain these controls in order to ensure the Corporation meets its obligations under the Alyce G. Clarke Mississippi Lottery Law, Senate Bill 2001 (First Extraordinary Session 2018) (the “Act”). The safeguarding of the Corporation’s assets and the reliability which the Corporation and the public can place upon its financial records is dependent upon the effectiveness of the internal control process.

2. GENERAL

The Corporation’s Board of Directors (the “Board”) is responsible for authorizing all bank accounts and check signers. Financial institutions where Corporation accounts are maintained are notified on at least an annual basis of any changes in check signers, following the transition of officers or changes in staff with check signing responsibilities. Financial reports shall be presented to the Board for review at each regular Board meeting. Applicable financial, administrative and regulatory guidelines of the Act shall be followed.

3. PAYROLL TRANSACTIONS

Hourly and Non-Exempt Employees will complete a weekly timesheet. Timesheets shall be reviewed and approved by the Employee’s Supervisor and the Vice President of Human Resources prior to processing. The Vice President of Human Resources also shall review and approve all semi-monthly payroll statements prior to processing.

4. RECEIPTS

Employees handling cash will have the necessary knowledge and skills to perform the job and will be carefully supervised. Employees receiving cash not related to prize validations, should provide a duplicate receipt to the person providing the cash, and both parties should sign.

Cash receipts must be deposited within three days of receipt or when the deposit amount exceeds \$2,000, whichever comes first. Records of cash received must be totaled and initialized by authorized employees. Incoming cash must be counted and receipts/bank deposits developed by two or more persons authorized to perform these functions. Bank deposits will be verified by a second employee to ensure completeness and accuracy before deposits are made. Bank deposit

¹ Adopted [08.13.19], first published [08.14.19] and effective [09.14.19].

receipts must be compared and attached to the original bank deposit slips. Additionally, the deposit slips should be attached to the signed copy of the cash receipt. Adequate physical controls must be maintained over cash receipts from the time of receipt to deposit in the bank. Cash collection documentation totals must be compared and reconciled to bank deposit receipts on a regular basis. Incoming checks must be restrictively endorsed, “for deposit only” with the Corporation’s account number, when received.

Checks will be deposited daily through an electronic deposit process. Any checks that are received after cut-off or cash awaiting deposit will be placed in a locked location in accounting or a fire-proof safe in prize validation.

5. DRAWS FROM LINE OF CREDIT

The President, the Chairman, the Vice Chairman, the Secretary-Treasurer and the Vice President of Finance and Administration are authorized to request draws from the line of credit issued by Hancock Whitney Bank. Any draw over \$750,000 requires the approval of two of the five people authorized to request same. Any funds received from draws on the line of credit must be deposited into the Corporation’s primary operating account.

Documentation of the draw request should contain the amount of the request, date, and proper signatures, if required by the bank. The approval of the draw must be properly obtained before the request is made from the bank and a copy of the request must be maintained on file.

6. PURCHASING CARD

The Corporation will determine the need for purchase cards based on employee job duties and titles. Limits will be set on each purchase card based on a case by case basis not to exceed the Corporation’s collective credit limit of \$100,000. Both the President and the Vice President of Finance must approve the issuance of a purchase card.

Any employee who has a Corporation purchasing card must retain and provide to the Corporation’s Vice President of Finance and Administration itemized invoices or receipts for any purchases made using a Corporation purchasing card. If the receipts do not clearly demonstrate a business purpose for the purchase, then a statement providing the business reason for the purchase must be submitted with the invoice or receipt. If an additional explanation is needed to demonstrate the business purpose, the expense should be approved by the employee’s supervisor or person of higher authority. The Vice President of Finance and Administration shall review and approve all invoices and receipts and reconcile same with the purchasing card statement at the end of each month.

7. DISBURSEMENTS

(a) Approval

¹ Adopted [08.13.19], first published [08.14.19] and effective [09.14.19].

The Vice President of Finance and Administration shall provide approval for all disbursements. Supporting documentation must accompany checks when presented for signature. In the Vice President of Finance and Administration's absence, the President, Chairman or the Secretary-Treasurer may provide disbursement approval.

(b) Checks

All checks must be issued in accordance with the Corporation's Check Signing Authorization Policy. Checks must be made payable to specific payees based upon appropriate documentation; and never to "cash" or "bearer." Prior to preparing checks, receiving reports should be compared to vendor invoices for accuracy. Checks must be prepared from vendor invoices only and not from a vendor statement. Access to blank checks must be limited to persons authorized to prepare checks. Blank check stock must be locked in a secure place when not in use. Any voided/spoiled checks must be marked "Void," shredded with the signature portion removed and retained in a secure place.

(c) Electronic Funds Transfer

Recurring disbursements may be set up electronically with vendor via electronic funds transfer ("EFT") with prior written approval of the Corporation's President. One-time payments may be made via electronic funds transfer if authorized by the President, Vice President of Finance and Administration, Chairman, Vice-Chairman or the Secretary/Treasurer. If such payments exceed \$5,000, then they must be approved by two of the aforementioned individuals. The written approval of the EFT will be maintained in the appropriate vendor file.

(d) Bank Reconciliations

Bank accounts must be reconciled by the Senior Manager of Financial Reporting and Compliance on a monthly basis and reviewed by the Vice President of Finance and Administration. The Vice President of Finance and Administration and the Treasurer must each receive the bank reconciliations, review cancelled checks and electronic disbursements. Proper segregation of duties shall be established over access to cash accounts, disbursements, and reconciliation of the accounts. In cases where a conflict in segregation of duties cannot be avoided due to the limited nature of the organization staffing, compensating controls will be put into place.

8. PURCHASE ORDERS

The Corporation may choose to use purchase orders. Upon the use of the purchase order process, all purchases of commodities and services must be pre-approved through the purchase ordering system. Once the purchases are approved, and ordered, there must be a match between the purchase order, the invoice, and the receiving documents.

¹ Adopted [08.13.19], first published [08.14.19] and effective [09.14.19].