

MISSISSIPPI LOTTERY CORPORATION

CHAPTER 11- FINANCE POLICIES

11.1 ACCOUNTING AND INTERNAL CONTROLS

Rule 11.01 PURPOSE

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 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.

Rule 11.02 - GENERAL

The Corporation’s Board of Directors 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.

Rule 11.03 – 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.

Rule 11.04 – RECEIPTS

Amended: 10.15.19

Employees handling cash will have the necessary knowledge and skills to perform the job and will be carefully supervised. The prize redemption center of the Corporation will maintain a minimal amount of cash for operations. Cash receipts must be deposited when the cash on hand exceeds \$5,000. The President shall have the authority to temporarily raise this amount if operationally necessary. Controls over the daily cash reconciliation for the redemption center and any deposits will be outlined in the Corporation’s prize validation procedures.

Cash Received: Records of cash received must be totaled and initialed 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 for cash on hand will be verified by a

second employee to ensure completeness and accuracy before deposits are made. Bank deposit 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 the bank deposit receipts on a regular basis.

Checks Received: Checks received are recorded into a daily check log. Checks are deposited electronically daily and stamped via the remote deposit machine noting the date of deposit. The daily detailed deposit report is printed from the Corporation's bank website and compared to the daily check log by the Senior Manager of Budgeting and Accounting and approved by the Vice President of Finance and Administration. Adequate physical controls must be maintained over cash receipts from the time of receipt to deposit in the bank. Any checks received after cut-off or cash awaiting deposit will be placed in a locked location in accounting or a fire-proof safe.

Rule 11.05 – DRAWS FROM LINE OF CREDIT

Amended: 10.15.19

The President, the Vice President for Finance and Administration, the Chairman, the Vice Chairman and the Secretary-Treasurer 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 four people authorized to request same. Any funds received from draws on the line of credit must be deposited into the Corporation's primary master account. The Corporation's master account is the main operating bank account that all subsidiary bank accounts will zero balance into daily.

Rule 11.06 – PURCHASING CARD

Amended: 10.15.19

The President, the Vice President of Finance and Administration, and the Senior Manager of Procurement and Purchasing maintain the Corporation's purchasing cards. An employee needing to use the purchase card must first complete a purchase requisition and obtain the proper level of approvals. Once approved, the employee may request the use of the purchase card to place the order of the respective item. After the purchase is complete, all receipts must be forwarded to the Senior Manager of Budgeting and Accounting for reconciliation of the Corporate Purchase Card. The purchase card account will be reconciled monthly by the Senior Manager of Budget and Accounting. Limits are set on each purchase card based on job titles with a combining Corporation collective credit limit not to exceed \$100,000.

Rule 11.07 – DISBURSEMENTS AND PURCHASES

Amended: 10.15.19

- A. Approval Levels on Disbursements: The following levels of approval are required on disbursements and purchases:
 1. Disbursements and purchases up to \$1,999 require the written approval of the functional area's Vice President and Director or Vice President of Finance and

Administration;

2. Disbursements and purchases between \$ 2,000 and \$24,999 require the written approval of the Senior Vice President of the division and the Vice President of Finance and Administration; and
 3. All disbursements and purchases \$25,000 or above require the written approval of the President or his or her designee, in addition to the approval levels required by the preceding subsection (2).
 4. In the Vice President of Finance and Administration's absence, the President, Chairman or the Secretary-Treasurer may provide disbursement and purchase approval. In the President's absence, the Chairman or the Secretary-Treasurer may provide disbursement and purchase approval.
 5. Supporting documentation must accompany checks when presented for signature and prior to orders being placed for goods or services.
 6. Should a vendor require a purchase order, the Purchasing Administrator will create the purchase order from the purchase requisition.
- 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".
- C. Electronic Funds Transfer (EFT): Recurring disbursements may be set up electronically with vendor via electronic funds transfer 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.
- D. Agreements for Goods or Services: Any contract needing Board approval must be authorized by the Board and executed by the President only after the contract for goods or services has been reviewed approved by the Senior Vice President of the functional area making such request and the Vice President of Finance and Administration. Any contract for good or services not requiring Board approval must first be authorized and executed by the President only after it has been

reviewed and approved by the Senior Vice President of the functional area making the request and the Vice President of Finance and Administration.

- E. Prize payments will follow the Mississippi Lottery Corporation's Administrative Regulations Chapter 8 – Prize Validation and Payment Policy for proper approval
- F. Recurring disbursements that have been approved initially may forgo the approval process for subsequent payments by maintaining the original approval in the vendor's master file.

Rule 11.08 – BANK RECONCILIATIONS

Bank accounts must be reconciled by the Senior Manager of Financial Reporting 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.

Rule 11.09 – POSITIVE PAY

Positive Pay is a banking service that matches the account number, the check number and dollar amount of each check presented for payment against a list of checks provided by the Corporation. The Corporation will use its bank's positive pay service for all accounts payable and prize payments. Check information will be uploaded to the Corporation's bank server for processing every hour for prize payments and weekly as accounts payable checks are written.

Rule 11.10 – PRENOTIFICATION

A prenote (or prenotification) is a low-dollar test to validate a bank account. The Act and the Corporation require all retailers to set-up a separate "in trust" account to hold all lottery proceeds on tickets sold. For all new retail accounts, as well as bank account changes, the Corporation will perform a prenote procedure to validate the bank account set up by the retailer.

Rule 11.11 ACH RETAILER PAYMENTS/ RECEIPTS

The Corporation will collect lottery retailer amounts owed and make payments through a weekly EFT draw from dedicated retailer accounts. This process is known as the weekly "sweep." The Corporation's gaming system will generate the Automated Clearing House (ACH) file at the end of the accounting week and will contain the amount due to/ from the Corporation from the lottery retailers. The ACH file will be automatically uploaded to the Corporation's bank for processing by the Corporation's gaming system.

Rule 11.12 TRANSFER TO STATE FUNDS

Within twenty (20) days following the close of each calendar month, the Corporation shall transfer to the Lottery Proceeds Fund in the State Treasury the amount of net proceeds. The transfer will be accomplished via EFT directly into the State Treasury Bank Account.

Rule 11.13 VENDOR SET UP

All new vendors will be set up by the Senior Manager of Financial Reporting. Finance staff will provide the requesting department and/or vendor with a New Vendor Request Form. All vendors should be approved by the Vice President of Finance and Administration. Vendors must provide the Corporation with a completed W-9 form before approval and payment is made by MLC. A copy of the approval form and W-9 will be maintained in the respective vendor file.