December 18, 2025

Joe Stephenshaw, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Dear Director Joe Stephenshaw,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the California State Lottery Commission submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2025.

Should you have any questions please contact Florence Bernal, Chief Deputy Director, at (916) 822-8090, fbernal@calottery.com.

GOVERNANCE

Mission and Strategic Plan

Mission and Strategic Plan

The California State Lottery (Lottery) was established in 1984 following the passage of Proposition 37, which authorized a statewide lottery to provide supplemental funding for public education without increasing taxes. On April 8, 2010, a key legislative amendment, Assembly Bill 142, adjusted the Lottery's funding formula to reallocate revenues and 'maximize the amount of funding allocated to public education,' effectively aligning operations with industry best practices.

Lottery's Mission Statement:

We generate supplemental funding for public education from elementary schools to universities. With honesty and integrity, we build a better tomorrow for students and our communities through the responsible sale of entertaining Lottery products.

Strategic Direction:

The Lottery's long-term strategic direction was approved by the California State Lottery Commission (Commission) on June 29, 2023. The plan includes four strategic objectives:

- Expand Scratchers sales by removing barriers to play among infrequent players
- Grow Draw Game sales, notably Jackpot Games and Hot Spot
- Explore new ways to expand and utilize the Lottery's strong retail network

- Continue to improve knowledge and perceptions about the Lottery

Business Plan:

The Lottery continuously assesses its operational efficiency by reviewing performance against short-term business objectives. A business plan is developed each fiscal year to align with and support strategic goals. The Commission approved the business plan for Fiscal Year (FY) 2025-26 on May 13, 2025.

The Lottery's FY 2025-26 Business Plan encompasses the following objectives, strategies, and tactics in alignment with the Lottery's Strategic Direction:

- Continue to Grow Draw Game Sales
  - Focus will shift towards California games
  - Assess game enhancements for sales and profit gains, resource needs, and timeline to implement
- Expand Scratchers Sales by Removing Barriers to Play Among Infrequent Players
  - Continue to focus on the fun and entertainment value of Scratchers with communications, exclusive sponsorships, promotions, and exciting game offerings
  - Pilot program with 1,000 self-service machines accepting cashless payment
- Continue to Improve Knowledge and Perceptions about the Lottery
  - Continue the Education Campaign
  - Use 40th Anniversary, jackpot fever, and winner awareness as opportunities to share more about the mission and contributions to the community
- Explore New Ways to Expand and Utilize the Lottery's Strong Retail Network
  - Continue to expand retail recruitment efforts
  - Maximize retailer sales through pilots of new signage, equipment, and inventory management systems
- Become Customer Focused and Continue to Improve the Customer Experience
  - Cashless Vending Pilot
  - Improving prize payment processes for winners
  - 2nd Chance system upgrades
  - Expansion of retail inventory management and security system
  - Human Resources digitization and modernization efforts
  - Continued focus and research on promoting internal culture

- Facility improvements to better meet safety standards and operational needs
- Continue to Celebration of the Lottery's 40th Anniversary
  - Launch of fan favorite and 40th Anniversary Scratchers games throughout the year
  - Scratchers game with "fun facts" to uncover interesting trivia about the Lottery's history
  - Social media elements that highlight the Lottery's history, appreciation for its players, retailers, and our mission
  - Incorporate 40th Anniversary elements into marketing, products, and promotions

Reporting Responsibilities

The Lottery does not have entities under its reporting responsibilities.

Control Environment

Ethical Values

The successful operation of the Lottery is fundamentally dependent on the ethical values embedded in its daily operations. To maintain the public trust that is vital to continued success, all staff must demonstrate integrity, honesty, fairness, accountability, and transparency in the organization's administration. This commitment is crucial for reassuring consumers that all games are operated fairly and that every valid winning ticket will be honored.

Responsible Gaming

The *Lottery* is continuing its commitment to *responsible gaming*, aiming to prevent *problem gambling*, raise awareness, and pioneer the first problem gambling hotline in California.

The Lottery's Code of Conduct on Responsible Gaming is a pledge to continue incorporating responsible gaming programs into its daily operations and products, to partner with retailers to increase awareness of problem gambling, and to protect our consumers through education.

In February 2015, the California State Lottery became the first in the nation to receive a World Lottery Association (WLA) Responsible Gaming Level Four Certification. This is the highest level of internationally recognized certification for responsible gaming. In 2018, 2021, and 2025, we were honored to be recertified at the same level for continuous improvement.

The WLA has also awarded the Lottery with the prestigious gaming security certification for the Security Control Standard.

Oversight

Oversight is performed at various levels at the Lottery, including internal and external entities such as:

California State Lottery Commission

As an initiative statute, the California State Lottery Act of 1984 (Lottery Act) created the California State Lottery Commission (Commission). It gave it broad powers to oversee the operation of a statewide lottery. This includes approving the Lottery's budget, strategic plan, and business plan to ensure the Lottery's mission is achieved. The Commission consists of five members appointed by the Governor with the advice and consent of the Senate. These appointments meet the requirements of the Lottery Act, which specifies that:

- No more than three members can be from the same political party.
- One member must be a certified public accountant.
- One member must have a minimum of five years of experience in law enforcement.

Lottery's Director

The Governor appoints the Director of the California State Lottery as the Lottery's chief administrator. The Director supervises and administers Lottery operations, ensuring compliance with the Lottery Act and the Commission's regulations. The Director actively promotes the Lottery's core values, including teamwork, respect, diversity, equity & inclusion, integrity, transparency, and accountability.

Lottery's Audit Committee

The Lottery's Audit Committee offers independent assurance, adhering to California Government Code sections 13886(a) and 13887(b), and reports to the Lottery Commission at least once a year. This report covers significant internal audit findings and management's responses; the effectiveness of the internal audit function and its conformity with applicable law and standards; the adequacy of the budget and staffing of the internal audit unit; and significant issues or conflicts arising in connection with internal audits.

Lottery's Audit Program

Internal Audits ensures independent, objective assurance and consulting services designed to enhance and protect the Lottery's value through risk-based assessments, recommendations, and strategic insights. Internal Audits aids in accomplishing business objectives by conducting systematic, disciplined audits and evaluations. Additionally, Internal Audits coordinates all external audits, including those performed by the State Controller's Office (SCO) and independent audit firms, to minimize duplication of effort and costs and ensure timely responses to external audit reports.

Workforce Management

The Lottery established a Workforce Development Section, within the Human Resources Division, dedicated to workforce and succession planning. This section oversees and collaborates with all divisions to develop and implement workforce and succession planning activities to support the Lottery's workforce needs. By consistently and proactively assessing workforce needs, these activities mitigate risk and ensure a strong internal talent pipeline for key organizational positions. The Lottery's comprehensive Workforce and Succession Plan includes a detailed qualitative and quantitative analysis of the Lottery's workforce data. This analysis identifies organizational gaps and potential risks, leading to the development of targeted activities to address them and continuously enhance the overall workforce.

Enterprise Risk Management

The Enterprise Risk Management (ERM) ensures the Lottery applies risk assessment practices to strategic initiatives across operational, financial, compliance, and reporting functions. ERM's objective is to cultivate a shared understanding among executive leadership of the organization's foremost risks, specifically those identified as currently most critical to successfully achieving the Lottery's strategic mission. ERM is designed to equip and empower Lottery personnel to proactively identify and respond to emerging risks by introducing specific actions, activities, and changes.

In January 2020, the Enterprise Risk and Optimization Section (EROS) was established within the Enterprise Risk Management (ERM) section, following Commission approval. EROS's objective is to ensure the Lottery maintains documented policies, programs, processes, and procedures in a standardized format, consistent with the Lottery Act and the Lottery Regulations. This responsibility includes conducting detailed process evaluations to verify the efficacy of internal controls, enhance operational efficiency, identify and address risks, and eliminate unnecessary duplication of effort.

Documentation and Control Systems

The Lottery adheres to and emphasizes the Three Lines of Defense Model as the standard practice to ensure compliance with SLAA's directives.

First Line of Defense

- Supervisors and managers monitor performance to ensure accuracy and accountability
- Establishment of internal control monitors is in progress in various divisions
- EROS's deliverable of creating and standardizing documentation throughout the Lottery is in progress and will be utilized as a tool to ensure accountability

Second Line of Defense

Multiple divisions, sections, and committees at the Lottery continue to perform governance, oversight, and compliance activities. Examples of these defense activities include:

- Change Management Governance Committee - Promotes change management best practices and strategies for active and planned efforts

- EROS - Performs comprehensive process evaluations to ensure efficiency and compliance with policies and regulations, risk management, and serves as an enterprise control monitor
- Executive Management - Ensures the appropriate levels of approval are exercised and the correct optics are applied to the decision-making process
- Finance Division - Quality Review Unit provides assurance that existing practices conform with policies, procedures, and quality standards
- Information Security Committee - Oversees Information Security Management Systems
- Information Technology Services Division (ITSD) Change Management - Facilitates the coordination, communication, planning, and tracking of changes for Information Technology units
- Policy Committee - Facilitates the review and approvals of Lottery policies
- Retailer Risk Committee - Addresses issues impacting Lottery retailers
- Ticket Theft Committee - Strengthens the relationship between the Lottery and its retailers, deters theft of Lottery products, and better protects both retailers and the Lottery from financial loss

Third Line of Defense

- Internal Audits provides independent assurance, objective assessments, and recommendations.

The Lottery's Directorate, Commission, Lottery's Audit Committee, SCO, and independent audit firms provide governance and/or oversight to the Three Lines of Defense Model.

Information and Communication

The Lottery cultivates an environment that encourages employees to consider the potential risks and impacts on the enterprise when making decisions. Roles have been defined to facilitate the monitoring and communication of information regarding programs, operational, and administrative functions across the enterprise. Some of the practices are described below:

- A monthly status report is sent to all Lottery employees on the performance of Lottery sales, profits, and recent efforts that have taken place at the division level.
- The executive management facilitates communication and encourages collaboration between all levels of staff and management.
- Confidential Employee Engagement Surveys (EES) have been conducted, requesting feedback on what was working well at the Lottery and what areas could use

improvement. In response to the survey, the Lottery began conducting quarterly staff meetings to address opportunities for improvement.

- A weekly report is provided to the Governor's Office for activities that have an external impact, such as the release of new products and other activities the department attends or addresses.
- By statute, the Lottery also produces reports related to financial, operational, security, and audit results.
- Lottery Audit Committee reports significant audit findings and management responses to the Lottery Commission.
- Project portfolio activity is presented to stakeholders, which is then shared amongst the divisions.
- Various types of communication are presented to department staff via email and posted to our intranet. The communications cover items from system and informational alerts, Human Resource changes, Mission, Vision and Values announcements, job opportunity announcements, news and news releases from Public Affairs and Communications, Health & Safety tips, Wellness Committee tips, Equal Employment Office (EEO) announcements, information from other departments such as the California Department of Public Health (CDPH), training opportunities from the California Human Resources (CalHR), payroll information from the SCO and activities related to business change and educational items.
- An Enterprise control monitoring and change control framework to allow communication and monitoring of process changes and risks is under review. This process will support the internal and enterprise monitoring efforts and will include a centralized intake system.
- A Security and Privacy Newsletter is provided to staff via email to share information and tips for information security and privacy.
- A Retailer Forum is an event for retailers and Lottery team members, which provides retailers the opportunity to share their thoughts, concerns, and experiences, and for the Lottery to share information regarding multiple pertinent subjects.
- The Information Technology Service Division chairs a release management meeting that communicates items that are being released to production prior to the activity being executed.
- Divisions communicate with each other and report on their latest activities in various change management meetings.

External Communications

Public Affairs and Communication (PAC) Division

PAC serves as the official voice of the Lottery, aiming to bolster the Lottery's reputation and educate Californians about our mission to raise additional funds for public education. PAC leads outreach efforts to maximize awareness of the Lottery's mission and operations. The main channels of communication with the public are through media outlets and newsrooms, social and owned media, and responding to Public Records Act (PRA) requests. The process for responding to these communications is clearly defined and includes the necessary stakeholders and appropriate levels of approval to ensure quality information is provided.

PAC's team professionally develops a comprehensive range of communications materials, including messages, talking points, and fact sheets, designed to inform and educate the public about the Lottery's operations and its beneficiaries.

Core functions also encompass managing media relations—specifically responding to inquiries, drafting press releases, and organizing press conferences. Furthermore, PAC is responsible for creating targeted content for various platforms, including social media, public service announcements, and corporate video projects, while strategically managing and enhancing the Lottery's public relations image and brand.

PAC leverages an in-house tracking system for PRA requests, which provides real-time status of all public inquiries. This tool adds a layer of control to ensure compliance with all PRA-related timelines and activities.

Deputy Director of Legislation and External Affairs

The Deputy Director of Legislation and External Affairs is tasked with legislative liaison duties, including engaging with members of the Legislature, tracking bills relevant to the Lottery's operations, and, as required, coordinating bill analyses to illustrate the impact of specific legislation on the Lottery's functions.

Reporting Process

The Lottery's reporting process is designed to be inclusive of all staff, encouraging employees to identify and raise concerns with their direct supervisors or, where established within their division, with internal control monitors. This practice aligns with the Lottery's Three Lines of Defense Model, and depending on the issue, escalation may also involve informing impacted areas both internally and externally, enterprise control monitors, and the Enterprise Risk Management (ERM) section.

MONITORING

The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the California State Lottery Commission monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Anthony Edmonds, Enterprise Risk Officer.

Through our ongoing monitoring practices, the Lottery management ensures that internal control systems effectively govern to meet objectives across baseline administrative, financial, operational, and reporting functions. As part of our ongoing monitoring practices, internal controls are evaluated whenever new mandates or enhancements are introduced. This practice ensures that updated information is communicated to and recorded by staff across the Lottery.

Enterprise Risk and Optimization Section (EROS)

With the creation of EROS in January 2020, a structured evaluation and documentation practice and internal control monitoring process were implemented for the Lottery. The primary objectives are to ensure programs and processes align with established policies, to promote the efficient execution of processes, and to enhance the overall strength of internal control monitoring. Monitoring and reporting on controls at the enterprise level ensures communication, alignment of expectations, and compliance at the divisional level. Progress is underway to implement a fully functional internal control monitoring process that integrates practices defined in California Government Code sections 13400 through 13407. EROS members, designated as Enterprise Control Monitors (ECMs), are actively supporting program areas throughout the Lottery by identifying and guiding area-specific Internal Control Monitors (ICMs) as they assume their new roles and responsibilities.

Internal Audit Division

The Internal Audit Division (Internal Audits) maintains a comprehensive audit program that follows the Institute of Internal Auditing’s (IIA’s) International Standards for the Professional Practice of Internal Auditing (Standards). IIA Standards require an external Peer Review at least once every 5 years, conducted in accordance with the standards and guidelines published by the Association of Local Government Auditors (ALGA).

In addition, external resources are used as independent evaluators of internal control practices, which helps maintain impartiality and ensure the Lottery's integrity with our stakeholders. Examples of external resources include:

Independent Audit of Financial Statements

An independent audit firm performs annual financial audits of the Lottery's financial statements. Since the inception of the Lottery, the annual financial statements have been fairly and appropriately presented without any identified exceptions, and in compliance with Generally Accepted Accounting Principles. Further, in recognition of the Lottery's commitment to prepare financial statements reflecting transparency and full disclosure, the Government Finance Officers Association (GFOA) of the United States and Canada has awarded a Certificate of Achievement for Excellence in Financial Reporting to the Lottery for 21 fiscal years, with the most recent being for the 2023-24 fiscal year.

State Controller's Office (SCO) Audits

The SCO conducts quarterly and annual post-audits of all Lottery accounts and transactions. The audits include verification of quarterly transfers to education, vendor claim schedules, and all prize payments.

Independent Audit and Verification of Draw Games

An independent audit firm witnesses and reviews every lottery draw to ensure the accurate execution of the draw procedures, including verification of the technological systems, draw equipment, and associated draw items such as Lotto balls.

Independent Review and Audit of Security Measures

The Lottery proactively exceeds the biennial security review requirement mandated by the Lottery Act by opting for more frequent assessments. The Lottery's security measures are reviewed annually by independent auditors from the World Lottery Association/International Organization for Standardization, with a comprehensive, in-depth audit performed every three years. This audit process includes a complete study and evaluation of all required security aspects of the Lottery's operations.

RISK ASSESSMENT PROCESS

The following personnel were involved in the California State Lottery Commission risk assessment process: executive management, middle management, front line management, and staff.

The following methods were used to identify risks: brainstorming meetings, employee engagement surveys, ongoing monitoring activities, audit/review results, other/prior risk assessments, external stakeholders, questionnaires, consideration of potential fraud, and performance metrics.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/goals/objectives, timing of potential event, potential impact of remediation efforts, and tolerance level for the type of risk.

The Lottery currently identifies risks by multiple methods, such as:

- In the day-to-day operations through various practices, including Strategic Planning, Project Portfolio Management practices, Information Security risk evaluations, and daily operational and infrastructure monitoring.
- The Chief Enterprise Risk Officer meets with division deputy directors regularly to discuss potential risks and areas of concern.
- Each division completes enterprise-level risk assessments to address strategic and operational risks with the direction from the ERM section.

RISKS AND CONTROLS

Risk: Workforce Development

The Lottery has a distinctive workforce comprising specialized positions across sales, marketing, law enforcement, finance, auditing, information technology, and professional staff. The diverse and specific skill sets required for these roles pose inherent challenges to effective workforce and succession planning efforts. These challenges primarily involve recruiting and retaining the necessary talent, as individuals often have opportunities to secure more competitive compensation and benefits in the private sector.

The Lottery's capacity for agility and rapid adaptation to evolving market demands has been constrained by civil service regulations, particularly concerning specialized roles.

Control: Workforce and Succession Planning

The Lottery maintains a dedicated Workforce Development Section focused on strategic workforce planning and succession. This section is responsible for proactively and consistently evaluating and addressing the organization's staffing needs to ensure robust internal bench strength and continuity for key positions.

A comprehensive Workforce and Succession Plan (WSP) was established to proactively manage workforce development challenges. The core objectives are to attract and recruit high-caliber talent essential for achieving the Lottery's mission, enhance employee retention rates, and manage the Succession Planning Program to guarantee a skilled and knowledgeable workforce capable of supporting both current operations and future organizational growth. To enhance this control, the following activities have been completed or are underway:

• Development and pilot of an internal instructor-led teamwork course for the Human Resources Division, with plans to expand availability across all Lottery divisions, units, and groups.

• Delivering Situational Leadership II training to 91% of Lottery supervisors and managers, a mandatory course as part of the Leadership Development Program, supporting continuous leadership growth and skill enhancement.

• Enhancement of the Lottery's Change Management training by integrating the SCARF model (Status, Certainty, Autonomy, Relatedness, Fairness) to deepen understanding of human behavior during organizational change.

• Implementation of the Lottery's 2025–28 Workforce and Succession Plan, ensuring alignment and compliance with CalHR guidelines and requirements.

• Advancement of the development of targeted recruitment marketing materials for hard-to-fill Finance and Sales classifications.

• Expansion of relationships with local colleges and universities - engaging department heads and students in hard-to-recruit program areas to strengthen the Lottery's talent pipeline.

• Design of the framework for the Lottery's first annual Organizational Change Management Practitioner Summit, providing certified practitioners with opportunities to network and enhance their change management capabilities.

Additionally, the following activities will be considered to enhance this control further:

• Host the Lottery's first annual Organizational Change Management Practitioner Summit, providing certified change practitioners with opportunities to network and strengthen their change management skills.

• Develop on-demand training videos to complement the Lottery Learning Central Learner's Guide and Approver's Guide, offering additional learning

resources for all Lottery employees.
• Design and deliver internal instructor-led courses in key skill areas identified through the 2023–24 Training Needs Assessment, including Analytical Skills – Critical Thinking, Completed Staff Work, Effective Communication, and Interpersonal Skills.
• Develop and deliver a Crucial Conversations course as part of the Lottery Leadership Development Program, equipping supervisors and managers to lead and engage effectively in difficult discussions.
• Implement a comprehensive strategy to educate employees on Lottery classifications and career paths, including pre-recorded learning modules and a live event to reinforce understanding and engagement.
• Conduct division-level change management assessments to evaluate readiness, awareness, and engagement in upcoming organizational changes.
• Launch sustainability initiatives for Situational Leadership II training—such as peer competitions and cohort networking—to promote continuous application of the model and shared learning among participants.
• Upgrade the Supervisor University training series (rebranded from HR University) to include mandatory courses for supervisors and managers beyond HR topics—featuring content from the EEO and Finance divisions, such as EEO for Supervisors, LEAP, and Travel Training.
In addition, the Enterprise Risk and Optimization Section (EROS) continues to progress with process evaluation, risk management, and documentation standardization efforts. The outcomes of these efforts will assist with monitoring, oversight, and succession planning.

Risk: Automated Systems

The Lottery is currently using legacy systems and processes that have been in place for an extended period. Due to the expansion of core business functions in scope and volume, these aging systems may not adequately support necessary operations. This reliance on non-automated systems introduces potential risks and negatively impacts overall operational efficiency.

Asset Management - The Lottery's legacy asset management process was retired in 2022, as the Lottery prepared to transition to a new procurement and accounting system. However, unexpected delays and complications in procuring a new asset management system necessitated the interim use of an Excel spreadsheet to track assets. This manual approach introduced risk to the Lottery's operational efficiency and ability to monitor and manage its assets accurately.

Human Resources Processes - Various processes that handle sensitive employee data are currently paper-based. The transition of these processes to automated systems is complicated by their dependence on, or support for, subsequent processing in external departments. The reliance on manual, paper-based workflows introduces several risks, including the potential for user error, extended processing timeframes, and the unauthorized disclosure of sensitive information.

Control: Asset Management

The Lottery is actively managing the implementation of the asset management system. To enhance this control, the following activities have been completed or are underway:

- Hardware asset management (HAM) go-live has shifted from October 2025 to November 2025 due to strain from running HAM user acceptance testing (UAT) and software asset management (SAM) design parallel with an unplanned Sprint 13, which includes bulk scanning and database cleanup.
- SAM initiation, planning, design, build, and UAT.

Additionally, the following activities will be considered to enhance this control further:

- New policies and processes to be developed.
- Identify roles and responsibilities related to asset management and incorporate the digital asset tracking information.
- SAM go-live has shifted to April 2026 due to strain from running the HAM UAT and SAM design in parallel, along with an unplanned Sprint 13.

Control: Human Resources Processes

While continuing to manage current paper-based processes within established, risk-mitigating frameworks, the Lottery's future focus includes exploring practical opportunities to automate these workflows. This consists of the ServiceNow Human Resources Service Center (HRSC) optimization options. To enhance this control, the following activities have been completed or are underway:

• Enhanced Emergency Contact Visibility
• Updated Interim Manager Logic
• Enhanced Workplace Violence Reporting
• Annual Human Resources Division (HRD) Policy Acknowledgement Process Routine
• Annual Sensitive Classifications Notification and Acknowledgement Process
• Performance Review Notifications Update
• HR Staff Assignment Listing
• Manager HR Dashboard Updates
• Allow HRD to Submit Ergonomic Evaluations, Leave of Absence (LOA), and Reasonable Accommodation (RA) requests on Behalf of employees
• Update the link to the Badge Access Request
• Update to Employee Separation Request
• Performance Review updates
• Probationary Period Notification Change
• Monthly Headquarters Designation Report
• Salary Advance Approval Notification Update
• Update of the AB 119 Report
• LOA Request Routing Issue
• Budget's Assignment Group Update
• Sensitive Classification Update

Additionally, a comprehensive evaluation of the following processes will be conducted to identify opportunities for automation:

• Range Change, Merit Salary Adjustment, and Pay Differential Ticklers
• Auto-Completion of Security and Law Enforcement Division (SLED) Background Investigation Request
• Wellness Center Request

• Outside Employment Acknowledgement Process
• Superior Accomplishment Award (SAA) Nomination finalization
• Continued enhancement of the HRSC Dashboard
• Process to facilitate employee self-service for a legal name change
• Digitize Official Personnel File (OPF)
• Training Course Curriculum Request Form and Training Conference Request / Specialty External Training Request Justification Form
• Telework – Move to HRSC, correct numerous issues, including those tied to annual renewal notifications
• Notification to Transactions when someone on probation enters into a LOA
• Add User LOA Status on Position Control Table
• Administrative Time Off (ATO) Approval Notice-add dates of ATO approved.
• LOA/ RA/Family Medical Leave Act (FMLA) Remapping
• HR Approval of Conditional Job Offer (CJO) process to send notice to SLED
• Reclass & Recruitment Position Updates-explore solutions to duplicate positions generated on the position control table when reclassifications occur.
• Request for Personnel Action (RPA) Number Assignment-For RPA types that currently don't have an RPA # programmed
• Fulfillment Instructions Update for Performance Reviews-Reviewing Officer signature step signed copies only attached to the case
• HR Support Staff Access to Separation Data
• HR initiated Salary Advances, and inclusion of Finance tasks for all Salary advance types

Risk: Return to Office (Four Days) Mandate

In April of 2024, the California State Governor's Office issued a directive instructing state agencies "to implement a hybrid telework policy with an expectation of at least two in-person days per week…", effective in June 2024. The Lottery complied with this directive by implementing a hybrid telework schedule with two in-person days per week (note that certain employees based at the Lottery's headquarters in Sacramento, as well as all Lottery employees in district offices and distribution centers, were already working in-person full time). To accomplish this, the Lottery quickly conducted research and analysis to identify constraints and implement modifications that shifted the vast majority of its headquarters-based employees from a full-time telework model to a hybrid telework model without disrupting operations and creating a smoother transition for employees.

In March of 2025, the California State Governor's Office issued Executive Order N-22-25, instructing state agencies to "implement a hybrid telework policy with a default minimum of four in-person days per work week… effective July 1, 2025." Reasoning for this order included "increasing in-office work expectations for state employees… is an operational necessity, to maximize collaboration, cohesion, efficiency, and accountability for delivering services to the public and to maintain public confidence in the efficiency and effectiveness of state government".

Although the Lottery was able to implement two in-person days per week, anything beyond that would result in insufficient workspace for each employee, given the Lottery's growth since COVID and the current space limitations of the Headquarters building. Specifically, implementing a hybrid telework policy beyond its current two-day model would require the Lottery to reconfigure its headquarters' office space or acquire another headquarters building. Either option would result in a significant expense for the Lottery, introducing a critical risk to its mission of maximizing its funds for supplemental funding of California education.

Control: Maintain Two In-Office Days Arrangement

In June of 2025, the Lottery Director determined, after careful review and with the authority granted by the Lottery Act and with the Administration's support, that the Lottery would maintain the two in-person days per week. This allows the Lottery to continue successful, efficient operations required to fulfill its mission of maximizing funds for supplemental funding of California education while still achieving the benefits of in-person work cited in the Executive Order. In addition, this control prevents productivity losses due to insufficient office space, thereby increasing employee morale, retention, and overall satisfaction as a destination employer.

CONCLUSION

The California State Lottery Commission strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies as appropriate. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

Harjinder Chima, Director

CC: California Legislature [Senate, Assembly]
California State Auditor
California State Library
California State Controller
Director of California Department of Finance
Secretary of California Government Operations Agency