



STATE OF ARKANSAS
**Department of Finance
and Administration**

OFFICE OF THE ARKANSAS LOTTERY

Post Office Box 3238
Little Rock, Arkansas 72203-3238
Phone: (501) 683-2000
Fax: (501) 683-1878
<http://myarkansaslottery.com>

August 10, 2020

The Honorable Asa Hutchinson
Governor of Arkansas
State Capitol
Little Rock, AR 72201

RE: Monthly Disclosure Reports

Dear Governor Hutchinson:

On behalf of the Arkansas Department of Finance and Administration and the Office of the Arkansas Lottery, pursuant to A.C.A. §§ 23-115-206 and 23-115-302, please accept the attached disclosure reports for the month of July 2020. The reports contain the following information:

1. Contracts Awarded
2. Debt Set-Off Collections
3. Retailer Losses
4. Breakdown of Lottery Sales per County
5. Total Number of Retailers
6. Total Lottery Revenue
7. Prize Disbursements
8. Operating Expenses
9. Net Assets
10. Administrative Expenses
11. Unclaimed Prize Report
12. DFA Office of the Arkansas Lottery Minority- and Female-owned Business Report
13. DFA Office of the Arkansas Lottery Vendor Minority- and Female-owned Business Report
14. DFA Office of the Arkansas Lottery Demographics
15. Internal Auditor Report
16. Instant Ticket Games Released

Please call me if you have any questions or need additional information.

Respectfully submitted,

J. Eric Hagler
Director

Enclosures

cc: Mr. Larry Walther, Secretary of the Department of Finance and Administration



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**Department of Finance
and Administration**

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August 10, 2020

The Honorable Joyce Elliot, Co-Chair
The Honorable Laurie Rushing, Co-Chair
Arkansas Legislative Council Lottery Oversight Subcommittee
One Capitol Mall, Room R-501
Little Rock, AR 72201

RE: Monthly Disclosure Reports

Dear Senator Elliot and Representative Rushing:

On behalf of the Arkansas Department of Finance and Administration and the Office of the Arkansas Lottery, pursuant to A.C.A. §§ 23-115-206 and 23-115-302, please accept the attached disclosure reports for the month of July 2020. The reports contain the following information:

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Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Term Contracts for Goods and Services
July 1 through July 31, 2020

On July 1, 2020, the Department of Finance and Administration Office of the Arkansas Lottery (OAL) and Camelot Global Services (North America) Inc. (Camelot) entered into a Second Amendment to Agreement for Contractual Services for Business Plan and Consultancy Services. The following information is provided:

- a. Date of Second Amendment to Agreement: July 1, 2020
- b. Vendor or Other Parties to the Agreement: Camelot
- c. Term of Second Amendment Agreement: This Agreement shall continue uninterrupted until June 30, 2022, unless earlier terminated as set forth herein. Both parties further agree that this Agreement may be terminated without penalty by either Party with thirty (30) days written notice to the other Party. Compensation may be incurred through the thirtieth (30th) day after notice of termination has been provided by either Party. Invoicing and payment for all Compensation incurred shall be in accordance with the Agreement. These Compensation payments shall not constitute penalties under this Agreement.
- d. Terms of Compensation:
 1. Base Compensation: Beginning July 1, 2020, and for each Fiscal Year of the OAL during the First Extended Term, OAL will pay Camelot a Compensation not to exceed \$650,000.00 per annum. Camelot will provide a minimum of 650 dedicated days to the services provided pursuant to the Agreement. In the event OAL does not utilize any of its allocated 650 days during the First Extended Term, the Compensation will be reduced by \$1,000 for each day not utilized by OAL up to the allocated 650 days.
 2. Incentive Compensation:
 - (a) Fiscal Year 2021:
 - (1) Camelot will receive 11.75% of all Net Operating Income between \$78,200,000.00 and \$88,039,952.00 and 20% of any net operating income above \$88,039,952.00.
 - (2) The above incentive compensation applies to all current games of the OAL until Powerball and/or Mega Millions jackpots exceed \$400 million dollars. For Powerball and Mega Millions jackpots exceeding \$400 million dollars, Camelot will receive 4% of gross profits of each draw of Powerball and Mega Millions. The gross profit will be considered 39.43% for Powerball and 40% for Mega Millions.

(3) Prior to the launch of any Instant Ticket price point exceeding \$20, the OAL and Camelot shall agree to an incentive compensation amount to be paid for proceeds from that game.

(b) Fiscal Year 2022: OAL and Camelot will agree upon an incentive compensation plan by April 1, 2021.

e. Value (cost or cost savings projected for the Agreement): The value of the Agreement, which includes the initial term and the two additional extension periods of twelve months each, is \$18,950,000.00.

**Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Debt Set-Off and Retailer Losses
July 2020**

1. Debt Set-Off Collections:

a.	Arkansas Department of Finance and Administration	\$9,843.33
b.	Arkansas Office of Child Support Enforcement - Child Support	<u>\$948.61</u>
	Total Debt Set-Off:	\$10,791.94

2. Retailer Losses: \$0.00

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF THE ARKANSAS LOTTERY
RETAIL SALES BY COUNTY
July 1 through July 31, 2020

COUNTY	CASH 3	CASH 4	FAST PLAY	INSTANT SETTLEMENTS	LUCKY FOR LIFE	MEGA MILLIONS	NATURAL STATE JACKPOT	POWERBALL	TOTAL SALES FOR COUNTY
ARKANSAS	\$14,221.00	\$7,420.00	\$13,076.00	\$566,394.00	\$2,136.00	\$10,332.00	\$5,542.00	\$13,020.00	\$632,141.00
ASHLEY	\$16,209.50	\$18,549.50	\$9,038.00	\$225,328.00	\$1,248.00	\$5,296.00	\$2,802.00	\$9,917.00	\$288,388.00
BAXTER	\$3,737.00	\$2,498.50	\$33,788.00	\$505,820.00	\$5,954.00	\$16,536.00	\$12,168.00	\$23,585.00	\$604,086.50
BENTON	\$8,716.50	\$3,357.00	\$27,896.00	\$1,476,702.00	\$14,886.00	\$76,183.00	\$26,871.00	\$103,198.00	\$1,737,809.50
BOONE	\$2,193.50	\$2,612.00	\$43,728.00	\$560,878.00	\$2,506.00	\$12,004.00	\$6,131.00	\$16,743.00	\$646,795.50
BRADLEY	\$2,084.50	\$2,637.00	\$3,229.00	\$216,868.00	\$1,156.00	\$3,089.00	\$2,139.00	\$4,102.00	\$235,304.50
CALHOUN	\$3,912.00	\$887.00	\$2,443.00	\$72,812.00	\$360.00	\$884.00	\$1,020.00	\$1,236.00	\$83,554.00
CARROLL	\$462.50	\$679.00	\$14,083.00	\$310,662.00	\$1,732.00	\$7,926.00	\$3,821.00	\$11,523.00	\$350,888.50
CHICOT	\$7,164.50	\$5,096.00	\$5,688.00	\$244,745.00	\$3,186.00	\$8,985.00	\$4,997.00	\$12,215.00	\$292,076.50
CLARK	\$6,499.00	\$1,988.00	\$29,952.00	\$498,121.00	\$1,860.00	\$8,876.00	\$5,758.00	\$10,606.00	\$563,660.00
CLAY	\$257.00	\$69.50	\$4,052.00	\$115,524.00	\$626.00	\$2,497.00	\$1,497.00	\$3,172.00	\$127,694.50
CLEBURNE	\$3,511.00	\$466.00	\$29,547.00	\$342,686.00	\$2,582.00	\$12,569.00	\$9,254.00	\$16,212.00	\$416,827.00
CLEVELAND	\$1,456.00	\$197.50	\$2,258.00	\$78,300.00	\$1,108.00	\$891.00	\$399.00	\$1,512.00	\$86,121.50
COLUMBIA	\$17,851.50	\$7,317.50	\$12,091.00	\$411,207.00	\$1,622.00	\$6,561.00	\$4,279.00	\$9,738.00	\$470,667.00
CONWAY	\$7,293.00	\$4,757.00	\$22,759.00	\$515,292.00	\$1,908.00	\$10,787.00	\$8,085.00	\$13,790.00	\$584,671.00
CRAIGHEAD	\$15,704.50	\$7,462.50	\$59,971.00	\$1,773,320.00	\$6,272.00	\$32,407.00	\$16,259.00	\$42,577.00	\$1,953,973.00
CRAWFORD	\$2,033.00	\$1,122.00	\$11,049.00	\$478,998.00	\$3,346.00	\$20,133.00	\$10,283.00	\$27,683.00	\$554,647.00
CRITTENDEN	\$28,337.50	\$16,429.50	\$14,089.00	\$922,265.00	\$5,024.00	\$26,159.00	\$12,183.00	\$38,644.00	\$1,063,131.00
CROSS	\$5,957.50	\$1,983.50	\$16,152.00	\$332,769.00	\$1,032.00	\$5,177.00	\$2,715.00	\$6,573.00	\$372,359.00
DALLAS	\$2,436.00	\$1,057.50	\$4,982.00	\$235,500.00	\$526.00	\$2,840.00	\$1,940.00	\$3,943.00	\$253,224.50
DESHA	\$3,723.00	\$3,311.50	\$6,264.00	\$299,100.00	\$914.00	\$7,333.00	\$3,400.00	\$8,418.00	\$332,463.50
DREW	\$6,430.00	\$3,200.00	\$16,724.00	\$445,037.00	\$2,010.00	\$7,835.00	\$3,443.00	\$9,777.00	\$494,456.00
FAULKNER	\$19,458.00	\$8,857.50	\$65,623.00	\$1,591,312.00	\$9,084.00	\$45,138.00	\$29,650.00	\$57,070.00	\$1,826,192.50
FRANKLIN	\$945.00	\$131.50	\$17,702.00	\$232,175.00	\$1,266.00	\$7,187.00	\$3,213.00	\$9,664.00	\$272,283.50
FULTON	\$772.50	\$200.00	\$3,322.00	\$71,985.00	\$1,036.00	\$2,347.00	\$1,818.00	\$3,063.00	\$84,543.50
GARLAND	\$13,982.00	\$7,099.50	\$43,737.00	\$1,462,082.00	\$12,578.00	\$56,792.00	\$41,706.00	\$69,413.00	\$1,707,389.50
GRANT	\$613.00	\$313.50	\$14,117.00	\$198,999.00	\$1,532.00	\$6,014.00	\$4,407.00	\$7,450.00	\$233,445.50
GREENE	\$872.00	\$377.50	\$27,541.00	\$767,311.00	\$2,988.00	\$14,040.00	\$8,078.00	\$19,668.00	\$840,875.50
HEMPSTEAD	\$62,952.50	\$19,900.50	\$14,522.00	\$452,326.00	\$1,208.00	\$7,628.00	\$3,144.00	\$9,680.00	\$571,361.00
HOT SPRING	\$1,344.00	\$464.50	\$16,826.00	\$495,299.00	\$2,048.00	\$11,243.00	\$6,165.00	\$13,228.00	\$546,617.50

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF THE ARKANSAS LOTTERY
RETAIL SALES BY COUNTY
July 1 through July 31, 2020

COUNTY	CASH 3	CASH 4	FAST PLAY	INSTANT SETTLEMENTS	LUCKY FOR LIFE	MEGA MILLIONS	NATURAL STATE JACKPOT	POWERBALL	TOTAL SALES FOR COUNTY
HOWARD	\$48,816.00	\$12,276.00	\$8,341.00	\$311,950.00	\$1,744.00	\$4,928.00	\$2,335.00	\$5,650.00	\$396,040.00
INDEPENDENCE	\$4,613.00	\$2,112.50	\$46,216.00	\$611,298.00	\$1,916.00	\$14,253.00	\$9,383.00	\$17,682.00	\$707,473.50
IZARD	\$105.00	\$33.50	\$10,208.00	\$89,966.00	\$630.00	\$3,729.00	\$3,031.00	\$4,757.00	\$112,459.50
JACKSON	\$15,463.00	\$8,375.50	\$31,939.00	\$386,757.00	\$1,404.00	\$6,684.00	\$6,959.00	\$8,335.00	\$465,916.50
JEFFERSON	\$72,976.00	\$58,557.50	\$54,393.00	\$2,016,536.00	\$10,414.00	\$38,358.00	\$25,201.00	\$49,820.00	\$2,326,255.50
JOHNSON	\$1,243.00	\$2,418.00	\$11,797.00	\$347,588.00	\$1,240.00	\$7,472.00	\$4,361.00	\$9,741.00	\$385,860.00
LAFAYETTE	\$11,121.00	\$2,460.00	\$3,543.00	\$98,401.00	\$498.00	\$2,329.00	\$748.00	\$2,921.00	\$122,021.00
LAWRENCE	\$469.50	\$394.50	\$14,492.00	\$301,634.00	\$1,452.00	\$5,840.00	\$2,845.00	\$6,956.00	\$334,083.00
LEE	\$5,731.50	\$13,126.50	\$2,668.00	\$111,600.00	\$434.00	\$1,829.00	\$446.00	\$2,659.00	\$138,494.00
LINCOLN	\$393.50	\$779.50	\$6,079.00	\$125,688.00	\$754.00	\$2,771.00	\$1,866.00	\$3,712.00	\$142,043.00
LITTLE RIVER	\$5,378.00	\$2,416.00	\$4,539.00	\$153,544.00	\$636.00	\$4,440.00	\$1,434.00	\$5,667.00	\$178,054.00
LOGAN	\$1,806.00	\$632.50	\$8,981.00	\$310,658.00	\$1,186.00	\$6,910.00	\$4,840.00	\$10,394.00	\$345,407.50
LONOKE	\$14,520.50	\$7,140.00	\$51,715.00	\$1,210,654.00	\$6,068.00	\$34,061.00	\$18,885.00	\$41,817.00	\$1,384,860.50
MADISON	\$99.50	\$52.00	\$2,080.00	\$89,310.00	\$686.00	\$4,056.00	\$1,579.00	\$5,072.00	\$102,934.50
MARION	\$5,863.00	\$2,428.50	\$11,056.00	\$226,346.00	\$1,982.00	\$6,393.00	\$6,509.00	\$9,216.00	\$269,793.50
MILLER	\$35,068.00	\$14,386.00	\$12,951.00	\$717,156.00	\$4,336.00	\$14,443.00	\$6,588.00	\$17,478.00	\$822,406.00
MISSISSIPPI	\$64,432.50	\$24,102.50	\$23,523.00	\$738,532.00	\$2,040.00	\$12,685.00	\$4,825.00	\$16,172.00	\$886,312.00
MONROE	\$15,026.00	\$3,132.00	\$4,462.00	\$224,762.00	\$434.00	\$4,630.00	\$3,123.00	\$6,204.00	\$261,773.00
MONTGOMERY	\$5.00	\$0.00	\$1,658.00	\$32,580.00	\$182.00	\$1,810.00	\$1,162.00	\$2,088.00	\$39,485.00
NEVADA	\$5,616.00	\$2,021.00	\$3,214.00	\$213,829.00	\$1,026.00	\$2,810.00	\$1,250.00	\$3,267.00	\$233,033.00
NEWTON	\$10.00	\$17.00	\$3,525.00	\$53,380.00	\$174.00	\$1,286.00	\$881.00	\$1,944.00	\$61,217.00
OUACHITA	\$16,388.00	\$6,624.50	\$23,373.00	\$722,039.00	\$2,090.00	\$8,578.00	\$5,133.00	\$12,155.00	\$796,380.50
PERRY	\$806.50	\$420.00	\$2,888.00	\$141,211.00	\$412.00	\$3,496.00	\$1,683.00	\$4,018.00	\$154,934.50
PHILLIPS	\$12,091.00	\$5,825.00	\$11,817.00	\$307,723.00	\$2,034.00	\$8,641.00	\$3,936.00	\$11,276.00	\$363,343.00
PIKE	\$275.00	\$163.00	\$12,331.00	\$163,608.00	\$946.00	\$3,534.00	\$3,134.00	\$4,599.00	\$188,590.00
POINSETT	\$9,450.50	\$1,438.00	\$28,022.00	\$603,464.00	\$860.00	\$7,095.00	\$4,108.00	\$10,419.00	\$664,856.50
POLK	\$1,030.00	\$22.00	\$8,420.00	\$178,314.00	\$1,478.00	\$7,204.00	\$4,556.00	\$9,974.00	\$210,998.00
POPE	\$6,470.00	\$2,713.50	\$28,750.00	\$987,460.00	\$4,980.00	\$27,514.00	\$15,179.00	\$36,864.00	\$1,109,930.50
PRAIRIE	\$2,690.50	\$1,443.00	\$7,383.00	\$231,595.00	\$522.00	\$3,346.00	\$1,964.00	\$4,773.00	\$253,716.50
PULASKI	\$168,379.50	\$132,307.00	\$283,220.00	\$8,277,803.00	\$64,658.00	\$241,280.00	\$149,337.00	\$291,888.00	\$9,608,872.50
RANDOLPH	\$117.00	\$106.50	\$9,220.00	\$173,002.00	\$1,182.00	\$6,412.00	\$2,333.00	\$7,207.00	\$199,579.50

**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF THE ARKANSAS LOTTERY
RETAIL SALES BY COUNTY
July 1 through July 31, 2020**

COUNTY	CASH 3	CASH 4	FAST PLAY	INSTANT SETTLEMENTS	LUCKY FOR LIFE	MEGA MILLIONS	NATURAL STATE JACKPOT	POWERBALL	TOTAL SALES FOR COUNTY
SAINT FRANCIS	\$24,873.00	\$14,809.50	\$8,072.00	\$414,479.00	\$2,154.00	\$9,471.00	\$3,971.00	\$12,947.00	\$490,776.50
SALINE	\$20,209.50	\$6,242.00	\$63,352.00	\$1,443,945.00	\$12,122.00	\$48,961.00	\$34,747.00	\$59,444.00	\$1,689,022.50
SCOTT	\$187.50	\$30.50	\$4,492.00	\$113,219.00	\$584.00	\$3,503.00	\$1,198.00	\$5,070.00	\$128,284.00
SEARCY	\$168.00	\$638.50	\$2,313.00	\$73,360.00	\$684.00	\$2,453.00	\$1,535.00	\$3,394.00	\$84,545.50
SEBASTIAN	\$14,352.50	\$4,160.00	\$21,703.00	\$1,174,101.00	\$11,352.00	\$53,309.00	\$31,210.00	\$68,059.00	\$1,378,246.50
SEVIER	\$5,972.00	\$499.00	\$1,429.00	\$181,689.00	\$762.00	\$4,726.00	\$2,304.00	\$5,215.00	\$202,596.00
SHARP	\$899.00	\$178.00	\$18,775.00	\$295,892.00	\$1,724.00	\$9,208.00	\$5,888.00	\$12,180.00	\$344,744.00
STONE	\$1,810.00	\$1,054.00	\$10,505.00	\$130,800.00	\$774.00	\$4,485.00	\$3,731.00	\$5,589.00	\$158,748.00
UNION	\$74,739.00	\$31,571.50	\$43,621.00	\$1,128,239.00	\$3,814.00	\$16,394.00	\$7,286.00	\$23,078.00	\$1,328,742.50
VAN BUREN	\$2,872.00	\$1,048.00	\$14,994.00	\$226,505.00	\$1,114.00	\$6,234.00	\$4,320.00	\$8,118.00	\$265,205.00
WASHINGTON	\$17,787.00	\$8,717.50	\$37,599.00	\$1,735,915.00	\$13,886.00	\$72,370.00	\$35,107.00	\$96,929.00	\$2,018,310.50
WHITE	\$7,587.50	\$3,300.50	\$72,147.00	\$1,285,203.00	\$5,058.00	\$25,297.00	\$15,399.00	\$30,922.00	\$1,444,914.00
WOODRUFF	\$3,004.50	\$2,309.00	\$4,572.00	\$136,535.00	\$680.00	\$2,675.00	\$1,272.00	\$3,020.00	\$154,067.50
YELL	\$565.50	\$337.50	\$11,350.00	\$292,800.00	\$1,116.00	\$5,985.00	\$4,570.00	\$8,524.00	\$325,248.00

GRAND TOTALS	*Cash 3	*Cash 4	*Fast Play	*Instant Settlements	*Lucky for Life	*Mega Millions	*Natural State Jackpot	*Powerball	*Total Sales
	\$962,610.00	\$513,261.50	\$1,633,977.00	\$44,690,887.00	\$267,956.00	\$1,199,577.00	\$695,319.00	\$1,544,634.00	\$51,508,221.50

*Estimates

**Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Total Number of Active Retailers
July 2020**

There were 1,959 active retailers as of July 31, 2020.

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Statement of Net Position
July 31, 2020

ASSETS

Current assets:	
Cash and cash equivalents	\$ 5,205,333.30
Restricted assets:	
Cash and cash equivalents	122,063,228.22
Accounts receivable	13,887,301.87
Prepaid items	1,790,682.72
Total current assets	<u>142,946,546.11</u>
Non-current assets:	
Restricted assets:	
Cash and cash equivalents	20,507,909.39
Deposits with Multi-State Lottery Association	2,515,353.21
Capital assets (Net of accumulated depreciation)	1,744,537.57
Total non-current assets	<u>24,767,800.17</u>
 Total assets	 167,714,346.28
Deferred outflows of resources:	
Related to pension	1,120,097.39
Related to OPEB	18,004.67
	<u>1,138,102.06</u>
 Total assets and deferred outflows of resources	 <u>\$ 168,852,448.34</u>

LIABILITIES

Current liabilities:	
Prizes payable	\$ 22,357,904.96
Accrued and other liabilities	5,892,333.43
Due to other funds of the State	553,118.92
Due to Education Trust Account	56,281,692.49
Due to Workforce Challenge Trust Account	64,242,994.73
Compensated absences	365,788.94
OPEB Obligation	107,523.28
Unearned revenue	292,181.85
Total current liabilities	<u>150,093,538.60</u>
Long-Term liabilities:	
Net other post employment benefits	3,268,330.86
Net pension liability	4,301,376.00
Total long-term liabilities	<u>7,569,706.86</u>
 Total liabilities	 157,663,245.46
Deferred inflows of resources:	
Related to pension	658,932.00
Related to OPEB	396,615.19
Total deferred inflows of resources	<u>1,055,547.19</u>
 Total liabilities and deferred inflows of resources	 <u>158,718,792.65</u>

NET POSITION

Net position:	
Invested in capital assets	1,744,537.57
Restricted for:	
Scholarship shortfall reserve	20,000,000.00
Retailer bond reserve	511,359.39
Deposits with Multi-State Lottery Association	2,515,353.21
Unclaimed prizes reserve	1,138,541.00
Unrestricted (deficit)	<u>(15,776,135.48)</u>
 Total net position	 <u>10,133,655.69</u>
 Total liabilities, deferred inflows of resources and net position	 <u>\$ 168,852,448.34</u>

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Statement of Revenues, Expenses and Change in Net Position
For the Month Ended July 31, 2020

	Current month	Year to date
Operating revenues:		
Instant ticket sales	\$ 42,930,443.00	\$ 42,930,443.00
Online ticket sales	6,803,834.50	6,803,834.50
Retailer application, fidelity, bond and service fees	46,015.47	46,015.47
Other revenue	<u>77.02</u>	<u>77.02</u>
Total operating revenues	<u>49,780,369.99</u>	<u>49,780,369.99</u>
Operating expenses:		
Instant game prizes	31,718,818.13	31,718,818.13
Online game prizes	3,922,899.35	3,922,899.35
Retailer commissions	2,816,110.20	2,816,110.20
Gaming contract costs	2,323,840.70	2,323,840.70
Compensation and benefits	443,490.95	443,490.95
Marketing, advertising and promotions	616,063.03	616,063.03
General and administrative expenses	323,592.83	323,592.83
Services provided by Arkansas Department of Higher Education	42,000.00	42,000.00
Services provided by Arkansas Legislative Audit	20,600.00	20,600.00
Legal and professional services	50.00	50.00
Depreciation	<u>37,901.52</u>	<u>37,901.52</u>
Total operating expenses	<u>42,265,366.71</u>	<u>42,265,366.71</u>
Operating income (1)	7,515,003.28	7,515,003.28
Non-operating revenue:		
Interest income	<u>67,265.39</u>	<u>67,265.39</u>
Income before transfers	7,582,268.67	7,582,268.67
Transfers to:		
Education Trust Account (2)	<u>(8,592,573.93)</u>	<u>(8,592,573.93)</u>
Change in net position	<u>\$ (1,010,305.26)</u>	(1,010,305.26)
Total net position - beginning		11,143,960.95
Total net position - ending		<u>\$ 10,133,655.69</u>

1) Includes all GAAP related accounting items including unclaimed prizes.

2) Reflects adjustment of sales and prizes expense to a modified cash basis and does not include unclaimed prizes.

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Statement of Revenues and Expenses Budget Comparisons
For the Month Ended July 31, 2020

	CM Actual	%	CM Budget	%	CM Variance	YTD Actual	%	YTD Budget	%	YTD Variance
Operating revenues:										
Instant games	\$ 42,930,443.00	86.24	\$ 30,500,000.00	85.94	\$ 12,430,443.00	\$ 42,930,443.00	86.24	\$ 30,500,000.00	85.94	\$ 12,430,443.00
Online games	6,803,834.50	13.67	4,950,000.00	13.95	1,853,834.50	6,803,834.50	13.67	4,950,000.00	13.95	1,853,834.50
Retailer fees	46,015.47	0.09	41,000.00	0.12	5,015.47	46,015.47	0.09	41,000.00	0.12	5,015.47
Other revenue	<u>77.02</u>	0.00	<u>500.00</u>	0.00	<u>(422.98)</u>	<u>77.02</u>	0.00	<u>500.00</u>	0.00	<u>(422.98)</u>
				0.00%						
Total operating revenues	<u>49,780,369.99</u>	100.00	<u>35,491,500.00</u>	100.00	<u>14,288,869.99</u>	<u>49,780,369.99</u>	100.00	<u>35,491,500.00</u>	100.00	<u>14,288,869.99</u>
Operating expenses:										
Instant game prizes	31,718,818.13	63.72	21,860,000.00	61.59	9,858,818.13	31,718,818.13	63.72	21,860,000.00	61.59	9,858,818.13
Online game prizes	3,922,899.35	7.88	2,667,000.00	7.51	1,255,899.35	3,922,899.35	7.88	2,667,000.00	7.51	1,255,899.35
Retailer commissions	2,816,110.20	5.66	2,007,000.00	5.65	809,110.20	2,816,110.20	5.66	2,007,000.00	5.65	809,110.20
Gaming contract costs	2,323,840.70	4.67	1,817,000.00	5.12	506,840.70	2,323,840.70	4.67	1,817,000.00	5.12	506,840.70
Compensation & benefits	443,490.95	0.89	478,000.00	1.35	(34,509.05)	443,490.95	0.89	478,000.00	1.35	(34,509.05)
Marketing, advertising & promotions	616,063.03	1.24	610,000.00	1.72	6,063.03	616,063.03	1.24	610,000.00	1.72	6,063.03
General and administrative expenses	323,592.83	0.65	188,000.00	0.53	135,592.83	323,592.83	0.65	188,000.00	0.53	135,592.83
Services provided by other agencies	62,600.00	0.13	63,000.00	0.18	(400.00)	62,600.00	0.13	63,000.00	0.18	(400.00)
Legal and professional service	50.00	0.00	500.00	0.00	(450.00)	50.00	0.00	500.00	0.00	(450.00)
Depreciation	<u>37,901.52</u>	0.08	<u>31,000.00</u>	0.09	<u>6,901.52</u>	<u>37,901.52</u>	0.08	<u>31,000.00</u>	0.09	<u>6,901.52</u>
Total operating expenses	<u>42,265,366.71</u>	84.90	<u>29,721,500.00</u>	83.74	<u>12,543,866.71</u>	<u>42,265,366.71</u>	84.90	<u>29,721,500.00</u>	83.74	<u>12,543,866.71</u>
Operating income	7,515,003.28	15.10	5,770,000.00	16.26	1,745,003.28	7,515,003.28	15.10	5,770,000.00	16.26	1,745,003.28
Non-operating revenue:										
Interest income	<u>67,265.39</u>	0.14	<u>55,000.00</u>	0.15	<u>12,265.39</u>	<u>67,265.39</u>	0.14	<u>55,000.00</u>	0.15	<u>12,265.39</u>
Income before transfers	<u>\$ 7,582,268.67</u>	15.23	<u>\$ 5,825,000.00</u>	16.41	<u>\$ 1,757,268.67</u>	<u>\$ 7,582,268.67</u>	15.23	<u>\$ 5,825,000.00</u>	16.41	<u>\$ 1,757,268.67</u>

**Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Net Proceeds Transfer to Ed Trust Computation
Modified Cash Basis
For the Month Ended July 31, 2020**

	Year to date
Operating revenues:	
Instant ticket (Settlements)	\$ 44,680,128.00
Online ticket sales	6,803,834.50
Retailer application, fidelity and service fees	46,015.47
Other revenue	77.02
	51,530,054.99
 Total operating revenues	 51,530,054.99

Operating expenses:	
Instant game prizes (Settlements)	32,349,199.00
Online game prizes	3,922,899.35
Retailer commissions	2,816,110.20
Gaming contract costs	2,323,840.70
Compensation and benefits	443,490.95
Marketing, advertising and promotions	616,063.03
General and administrative expenses	323,592.83
Services provided by ADHE	42,000.00
Services provided by Legislative Audit Agency	20,600.00
Legal and professional services	50.00
Current year capital asset cost	0.00
Total operating expenses	42,857,846.06

Change in net proceeds from operations 8,672,208.93

Non-operating revenue:	
Interest income	67,265.39
Other non-operating income	0.00
EDUCATION TRUST FUNDING-Current Year	0.00
Less Act 1180 Unclaimed Prizes	(138,541.00)
Less current year Bond Reserve Fees	(11,359.39) restricted reserves
Add Bond Funds in excess of \$500,000	see 23-115-603(a)(5)
Add back Write Off Retailer Bad Debt	0.00
Less current year MUSL Reserves	0.00 see 23-115-103(17) and (19)(A)&(B)
Add OPEB expense in Comp and Benefits	3,000.00
	3,000.00

NET PROCEEDS EARNED-Current Month **\$ 8,592,573.93**

	Transfer	Interest	Total
Academic Challenge Scholarship Trust	\$ 53,208,834.92	\$ 3,072,857.57	\$ 56,281,692.49
July 2019 funding - 8/15/19	\$ 4,402,422.51	\$ 121,508.24	\$ 4,523,930.75
Aug 2019 funding - 9/15/19	\$ 4,825,647.15	\$ 117,089.82	\$ 4,942,736.97
Sep 2019 funding - 10/15/19	\$ 6,439,886.65	\$ 126,086.67	\$ 6,565,973.32
Transfer to ADHE 10/16/19	\$ (35,000,000.00)	\$ -	\$ (35,000,000.00)
October 2019 funding - 11/15/19	\$ 6,222,988.61	\$ 95,110.60	\$ 6,318,099.21
Transfer to ADHE Trust Fund (final 2019 Adj) -11/08/19	\$ 227,293.15	\$ -	\$ 227,293.15
Transfer excess net proceeds to Workforce Trust Fund 11/8/19	\$ (23,639,040.28)	\$ -	\$ (23,639,040.28)
November 2019 funding - 12/15/19	\$ 5,911,949.20	\$ 35,228.25	\$ 5,947,177.45
December 2019 funding - 1/15/20	\$ 6,333,195.26	\$ 38,788.23	\$ 6,371,983.49
January 2020 funding - 2/15/20	\$ 8,190,940.02	\$ 48,143.75	\$ 8,239,083.77
Transfer to ADHE 2/10/19	\$ (38,000,000.00)	\$ -	\$ (38,000,000.00)
February 2020 funding - 3/15/20	\$ 7,201,704.36	\$ 31,852.41	\$ 7,233,556.77
March 2020 funding - 4/15/20	\$ 7,381,962.30	\$ 4,535.00	\$ 7,386,497.30
April 2020 funding - 5/15/20	\$ 8,312,074.87	\$ 6,237.77	\$ 8,318,312.64
May 2020 funding - 6/15/20	\$ 8,609,833.84	\$ 9,272.55	\$ 8,619,106.39
June 2020 funding - 7/15/20	\$ 14,969,860.90	\$ 14,602.28	\$ 14,984,463.18
July 2020 funding - 8/15/20	\$ 8,573,004.11	\$ 19,569.82	\$ 8,592,573.93

	Transfer	Total
Workforce Challenge Scholarship Trust	\$ 64,242,994.73	\$ 64,242,994.73
FY 2017 Excess Net Proceeds transferred from Edu Trust 12/1/17	\$ 14,157,060.23	\$ 14,157,060.23
ADHE Refund from FY 2017 - 11/30/17	\$ 4,887,236.92	\$ 4,887,236.92
ADHE Refund from FY 2018 - 9/6/18	\$ 11,710,439.46	\$ 11,710,439.46
Transfer excess net proceeds to Workforce Trust Fund 10/16/18	\$ 8,344,929.36	\$ 8,344,929.36
Transfer to ADHE for 2018 fall funding 11/7/18	\$ (1,000,000.00)	\$ (1,000,000.00)
FY 2019 Excess Net Proceeds transferred from Edu Trust 9/5/19	\$ 3,904,288.48	\$ 3,904,288.48
Transfer excess net proceeds to Workforce Trust Fund 11/08/18	\$ 23,639,040.28	\$ 23,639,040.28
Transfer to ADHE for 2020 fall funding 4/24/18	\$ (1,000,000.00)	\$ (1,000,000.00)
Transfer to ADHE for 2020 fall funding 7/24/20	\$ (400,000.00)	\$ (400,000.00)

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Unclaimed Prizes
July 31, 2020

	Monthly	Year to Date
Reserve Balance July 1, 2020		\$1,000,000.00
1. Unclaimed lottery prize money:	\$138,541.00	138,541.00
2. Expenditures from unclaimed lottery prize money:		
3. Reserved for future prizes, promotions or reserves:	\$138,541.00	138,541.00
4. Less Deposits to net lottery proceeds from unclaimed Lottery prize money:		
Reserve Balance July 31, 2020		\$1,138,541.00

**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF THE ARKANSAS LOTTERY**

**OFFICE OF THE ARKANSAS LOTTERY MINORITY AND FEMALE OWNED DIVERSITY COMPLIANCE REPORT
July 1 through July 31, 2020**

Vendors	Goods or Services	Diversity Classification	July 2020	FY 2021 Total
Government Supply Services	Office Furniture/Supplies	MBE	\$255.92	\$255.92
Totals			\$255.92	\$255.92

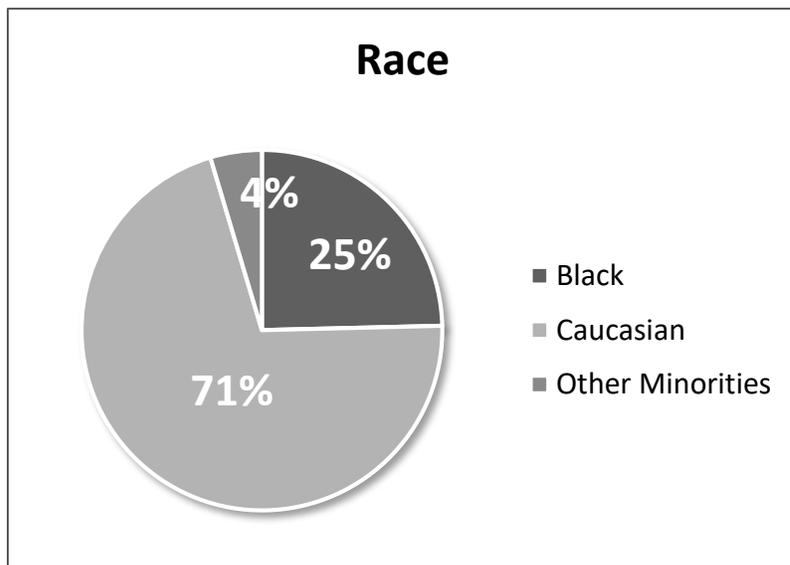
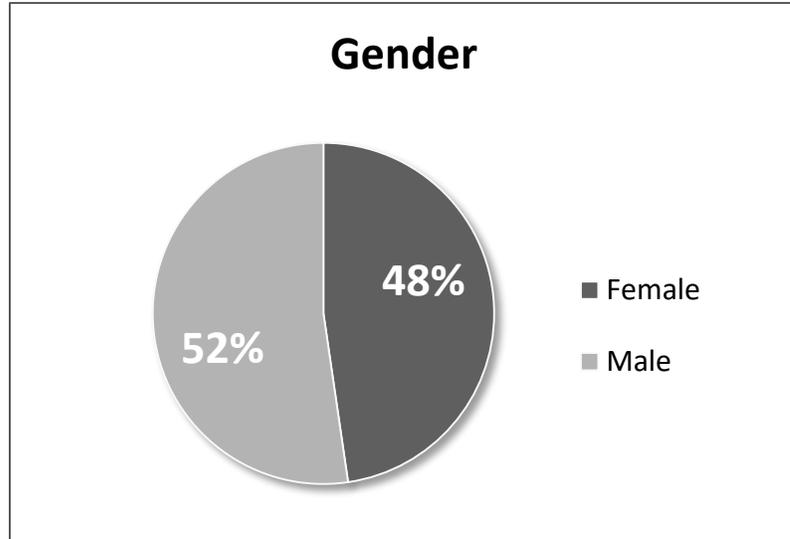
**INTRALOT MINORITY AND FEMALE-OWNED DIVERSITY COMPLIANCE REPORT
July 1 through July 31, 2020**

Vendors	Goods or Services	Diversity Classification	July 2020	FY 2021 Total
J Kelly Referrals and Information Services	Call Center/Information Services	CMBE	\$14,000.00	\$14,000.00
Totals			\$14,000.00	\$14,000.00

**SCIENTIFIC GAMES MINORITY AND FEMALE-OWNED DIVERSITY COMPLIANCE REPORT
July 1 through July 31, 2020**

Vendors	Goods or Services	Diversity Classification	July 2020	FY 2021 Total
Expedited Transportation Service	Transportation Services	DBE	\$3,308.75	\$3,308.75
Ingage, LLC	Fulfillment Services and Prizes	WBE	\$119,399.75	\$119,399.75
Pure Cleaning Services	Janitorial Services	MBE	\$1,125.00	\$1,125.00
Totals			\$123,833.50	\$123,833.50

**Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
July 2020**



Total Number of Employees as of July 2020: 65

Gender:

Females – 31
Males – 34

Race:

Black – 16
Caucasian – 46
Other – 3

Female -- 9	Male - 7
Female -- 22	Male -- 24
Female -- 0	Male -- 3



STATE OF ARKANSAS
Department of Finance and Administration

OFFICE OF THE ARKANSAS LOTTERY
Post Office Box 3238
Little Rock, Arkansas 72203-3238
Phone: (501) 683-2010

William C. Miller, CPA, CGMA
Internal Auditor

<u>Audit:</u>	2020-45 Instant Ticket Reconstruction	<u>Report Date:</u> July 20, 2020
<u>Report Distribution:</u>	Larry Walther, Secretary Department of Finance and Administration	<u>For Fiscal Year:</u> June 30, 2020
	<u>Office of the Arkansas Lottery</u> Michael Helms, OAL Interim Director Jerry Fetzer, Chief Fiscal Office	

Introduction

A scheduled audit of the Instant Ticket Reconstructions process for fiscal year ending June 30, 2020 has been completed by Internal Audit (IA). The audit was conducted in conformance with the *International Standards of the Professional Practice of Internal Auditing*, upon which Office of the Arkansas Lottery (OAL) Internal Audit policies and procedures are based.

Background

From time to time, the OAL is presented with an instant ticket that a player believes to be a winner that the OAL claim center cannot validate through normal methods. Most often, this inability to validate results from some sort of damage to some or all of the instant ticket, and normally includes some level of damage to the barcodes used to scan instant tickets in the claim center to determine if the tickets are winners. Damage usually results from the player inadvertently getting a ticket wet, using tools for scratching the ticket that removes more than the top coatings that are intended to be removed, or other actions that damage or destroy critical portions of the instant ticket. When this occurs, claim center personnel refer the case to OAL Security for resolution. There are also occasions where OAL ticket reconstruction requests is initiated by IT Gaming. These requests occur to resolve a player complaint. In these cases, the ticket is researched in BOS because OAL will not have the hard copy of the ticket in question.

OAL Security normally collects information from the player about their ticket, in addition to obtaining the ticket or remains thereof, and then logs a request with Scientific Games (SGI), OAL's instant ticket vendor, to determine if the ticket is a winner or non-winner, so that a recommendation on whether or not the player should be paid can be made. This is done even when a ticket appears to be a winner and the play area of a ticket has not been damaged, but the barcode cannot be scanned, in order to confirm that no alteration of the ticket has taken place, so that pay out of a claim for a fraudulent ticket can be avoided. Reconstruction of a ticket involves SGI personnel accessing confidential game and ticket information that allows them to provide an image of the play area for a given ticket and confirmation to OAL Security that a specific instant ticket is indeed a winner or a non-winner. As such, SGI treats these requests with a high level of importance and exercises a number of control processes to ensure that only authorized individuals from lotteries like the OAL are able to request reconstructions, that only those tickets requested to be reconstructed are indeed reconstructed, that only authorized SGI employees are able to perform the reconstructions, and that the integrity of the games it produces for the OAL is protected by systematic requirement of certain information and details before reconstructions can take place.

Background information continued on the following page.

Background (continued)

This is primarily achieved through the Keyed Dual Security (KDS) II system, where the OAL makes reconstruction requests. Despite the level of checks and balances in place at SGI to protect the integrity of the OAL's instant games through the reconstruction process, it is also important for the OAL to have controls and procedures in place to ensure that only select employees have the ability to request instant ticket reconstructions, and that such requests are reasonable under the circumstances, given that requesting employees are able to ascertain if specific tickets are winners (if authorized to request such information from SGI), even if the tickets reconstructed are not in the physical custody of the requesting individual or if the play area and/or barcode have not been revealed through scratching.

Purpose, Objectives, and Scope

The overall purpose, objectives, and scope of the audit were as follows:

Purpose

The purpose of this audit was to ensure that there are adequate controls and procedures in place to assure that instant ticket reconstruction requests are authorized and reasonable given the circumstances that might give rise to a reconstruction request.

Objectives

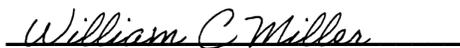
To ensure that instant ticket reconstruction requests are authorized and reasonable.

Scope

The procedures performed included reviewing internal reconstruction logs, records per the KDS II System used to submit reconstruction requests to Scientific Games, hard copy files detailing actions taken, and monthly reconciliation / review documentation maintained by OAL Security for the fiscal year ending June 30, 2020.

Observation

IA had no observations or recommendations to report.



William C Miller, Internal Auditor



STATE OF ARKANSAS
Department of Finance and Administration

OFFICE OF THE ARKANSAS LOTTERY
Post Office Box 3238
Little Rock, Arkansas 72203-3238
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William C. Miller, CPA, CGMA
Internal Auditor

<u>Audit:</u>	2020-11 Instant Ticket Quality	<u>Report Date:</u> July 30, 2020
<u>Report Distribution:</u>	Larry Walther, Secretary Department of Finance and Administration	<u>For Fiscal Year:</u> June 30, 2020
	Office of the Arkansas Lottery Michael Helms, OAL Interim Director Jerry Fetzer, Chief Fiscal Office	

Introduction

A scheduled periodic review of Instant Ticket Quality reports for fiscal year ended June 30, 2020 has been completed by Internal Audit. The periodic review was conducted in accordance with the Office of the Arkansas Lottery (OAL) Internal Audit Charter, which governs the types and objectives of engagements performed by the OAL Internal Audit function.

Background

On an annual basis, Scientific Games International, Inc. (Scientific Games) selects three instant ticket games produced on behalf of the OAL for independent testing designed to assess the selected tickets' security and durability. Scientific Games compensates the independent lab, Evaluations, Inc. (EVAL), of Reynoldsburg, Ohio, for completing the security and durability tests. Evaluations, Inc. issues three individual reports to the OAL. Each report includes a summary report of its findings and detailed information and exhibits regarding the selected instant ticket performed.

Evaluations, Inc. was formed as a C-Corp, incorporated in the State of Ohio, December 1994 and opened for business on February 13, 1995. Since opening, they have provided client independent security, integrity and quality examinations of scratch-off and pull-tab products. Other areas in which they have provided services within the lottery industry include audits of "live" lottery drawings, examinations of all sets and drawing equipment, and quasi-statistical analysis of the randomly drawn numbers for lottery games.

EVAL uses four different subjective ratings for the quality, security, and protective coating characteristics when evaluating instant lottery tickets. The subjective ratings used by EVAL are good, relatively good, fair and poor. There overall security rating is usually a "balance" of four subcategory rating. The security subcategories are (1) surreptitious reading, (2) data removal or concealment and replacement alterations, (3) "cut and paste" alterations, and (4) color copier reproduction/alteration. Basic definitions/descriptions of ticket characteristics and test results which would result in the above ratings are provided below. *With respect to "acceptable" as provided for Quality in reports, that would be equivalent to either "good" or "relatively good" as described below.*

Background (Continued)***Good***

With respect to quality, a good rating implies that there are no consistent or readily noticeable flaws throughout the ticket submission.

A good overall security rating would imply that none of the evaluated compromise or alteration methods presented a threat to ticket security, and that all or most of the cover material/paper card stock compromise methods resulted in no data read out.

If the ticket components are not noticeably affected during the various water exposure evaluations (i.e. submersions and water puddling), then the protective coating integrity is usually given a good rating.

Relatively Good

A relatively good quality rating usually is given when minor, but easily noticeable, quality flaws are present which do not affect ticket security or integrity or data legibility.

With respect to overall security, a relatively good rating may be given if some minor threats are present with respect to ticket security.

Noticeable effects during the various water exposure evaluations, which do not result in the data becoming illegible, typically result in a relatively good rating for protective coating integrity.

Fair

With respect to quality, a fair rating may be given when numerous minor flaws are present, or when quality flows are present (e.g. in the overprinting) which adversely affect ticket security or integrity, but do not result in a serious threat to security or integrity. In addition, difficult cover removal, severe cover material dusting, and ticket-to-ticket variations in appearance or test results, may result in a fair quality rating.

An overall security rating of fair usually implies that several compromise/alteration methods were considered to present threats to ticket security. While these threats should be taken seriously and corrective action is usually recommended, these threats typically are not “serious.” An overall security rating of fair may be assigned, even in the presence of a serious threat, depending on other test results (i.e. a serious threat is present with respect to color copier reproduction, but the surreptitious readout, data removal/concealment and replacement, and “cut and paste” subcategories have good or relatively good ratings).

A fair protective coating integrity rating typically implies that damage to the game data area inks and coatings occurred during the various water exposure evaluations, and some data may not fully legible. The damage may result in a perceived threat to ticket security, but the threat typically is not considered serious.

Background (Continued)

Poor

A poor quality rating is indicated when quality flaws in the tickets result in some of the following effects: illegible data, cover removal which results in damage to the data, or overprinting flaws which disguise cover material compromise.

Poor ratings are rarely assigned to the overall security category, since this area is defined by four subcategories. However, in the event that a very simple compromise method (which may be accidentally discovered and requires little hands-on time) is highly successful with little or no noticeable ticket damage, the overall security rating may be reported as poor.

With respect to the protective coating integrity, a poor rating is usually assigned when various exposures to liquids result in complete (or nearly complete) loss of legible data and/or removal of the data inks with no other noticeable damage, or when cover removal results in damage to the data which causes it to be illegible.

They do not provide a rating for the overall integrity of the tickets but do indicate in the report, and in the report conclusions, if possible, threats to the integrity of the tickets were noted during the evaluation.

Purpose, Objectives, and Scope

The overall purpose, objectives, and scope of the audit were as follows:

Purpose

The purpose of this periodic review was to ensure that independent forensic testing reports obtained by the OAL provide reasonable assurance that instant tickets sold by the OAL to the public are secure and durable.

Objectives

Review independent laboratory reports to ensure OAL instant tickets subjected to testing passed all durability and security tests.

Scope

The procedures included reviewing the reports issued by Evaluations, Inc. relative to three (3) instant ticket games submitted to Evaluations, Inc. for testing procedures to ensure they passed all durability and security tests performed. The three (3) instant ticket games tested by Evaluations, Inc. were “10X Payout” (Game #490), “Ca\$h Fever” (Game #524), “Millionaires Club” (Game #535). Given that the review was limited to the reports issued for these games, there were no other games selected, by Scientific Games International, Inc., for testing, after January 24, 2020 (the Evaluations, Inc. report dates).

Observation

The results of Evaluations, Inc. was as follows:

“10X Payout” Game 490

The quality of these “10X Payout” tickets was judged to be acceptable. No quality flaws were identified which adversely affected ticket security or integrity.

The overall security of the “10X Payout” tickets was judged to be relatively good.

The integrity of the game data area protective coating was judged to be relatively good.

“Ca\$h Fever” Game 524

The quality of these “Ca\$h Fever” tickets was judged to be acceptable. No quality flaws were identified which adversely affected ticket security or integrity.

The overall security of the “Ca\$h Fever” tickets was judged to be relatively good.

The integrity of the game data area protective coating was judged to be fair.

“Millionaires Club” Game 535

The quality of these “Millionaires Club” tickets was judged to be acceptable. No quality flaws were identified which adversely affected ticket security or integrity.

The overall security of the “Millionaires Club” tickets was judged to be relatively good.

The integrity of the game data area protective coating was judged to be relatively good.

Internal Audit suggests that OAL work with Scientific Games International, Inc., in order to ensure that all game tickets released are judged to be above “fair” and “poor.” Internal Audit further suggests management consider diversifying ticket vendors in order to gain competitive advantage in pricing and quality.

Management Response

While management strives to ensure that SGI prints tickets of the highest quality on behalf of the OAL, management believes that “fair” is an acceptable rating after having reviewed the definition of “fair” as it relates to the integrity of the game data area protective coating. SGI was asked to discuss the “fair” rating with Evaluations Inc. and the OAL was provided the following response from SGI.

“After reviewing and comparing the report for AR-524 with the other 2 reports (AR-490,535) no obvious differences/concerns were found in the text of the reports. We contacted Evaluations Inc. for a more detailed explanation and this is what came back:

Sandy Long of Evaluations Inc. stated, ‘I have the ticket/test samples in front of me. Sometimes words are not sufficient to describe the visual differences in the results. There was more noticeable damage to the

Management Response (Continued)

data printing during the hot and the hot soapy water submersions on Game 524, than on 490 and 535. I did include samples of the hot water submersion results in all three reports. Game 524 could have gone “relatively good”. It was a judgement call on my part at that time, and based on the lesser damage on the other two games.”

While management appreciates the competitive advantage as it relates to pricing that may be found through diversifying ticket vendors, the OAL’s contract for ticket printing is exclusive with SGI, with very few exceptions, and currently runs into 2026.

William C. Miller

William C Miller, Internal Auditor

DFA/Office of the Arkansas Lottery
Instant & Fast Play Games
July 2020

There were no new Instant games that started sales in July 2020.

Sales for the following Fast Play games began July 6, 2020. No ending dates have been determined for these games.

\$1 Quick Cards

\$2 Bingo