



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>

February 10, 2023

The Honorable Sarah Huckabee Sanders
Governor of Arkansas
State Capitol
Little Rock, AR 72201

RE: Monthly Disclosure Reports

Dear Governor Sanders:

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 December 2022. The report contains the following:

1. Contracts Awarded
2. Debt Set-off Collections
3. Retailer Losses
4. Breakdown of Lottery Sales per County
5. Total Number of Retailers
6. Revenue and Expenses
7. Net Position
8. Lottery Scholarship Account
9. Unclaimed Prize Report
10. ADHE
11. Instant Ticket Games Releases
12. DFA Office of the Arkansas Lottery Minority & Female owned Business Report
13. Internal Auditor Reports

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'J. Hagler', is written over a horizontal line.

J. Eric Hagler
Director

Enclosures

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



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February 10, 2023

The Honorable Ronald Caldwell, Co-Chair
One Capitol Mall Room R-501
Little Rock, AR 72201

RE: Monthly Disclosure Reports

Dear Senator Caldwell:

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 December 2022. The report contains the following:

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J. Eric Hagler
Director

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



Section 1

Contracts Awarded

Arkansas Department of Finance and Administration

Office of the Arkansas Lottery

Term Contracts for Goods and Services

January 1 through January 31, 2023



Office of the Arkansas Lottery marketing department entered into an agreement with Arkansas Travelers Baseball Club. This agreement will be for one season to run from April 2023 through September 2023.

The cost of this partnership will be \$10,300.00 due upon invoice. The cost will cover radio, live in-games, on field games, as well as a promotional tabling night at the park.

ARKANSAS TRAVELERS BASEBALL CLUB, INC. PARTNERSHIP AGREEMENT**Address:**

PO Box 3177 Little Rock, AR 72203
 Phone: (501) 664-1555 Fax: (501) 664-1834
www.travs.com

Date: 12/2/2022

PURCHASED BY:

Contact: Ashley McNatt
 Business: Arkansas Scholarship Lottery
 Address: 124 W Capitol Ave, Suite 1400
 City, State, Zip: Little Rock, AR 72201
 Phone: 501-683-1866
 Mobile: 501-353-9525
 Email: Ashley.McNatt@arkansas.gov

BILLING ADDRESS: (if other than purchaser)

Contact: _____
 Business: _____
 Address: _____
 City, State, Zip: _____
 Phone: _____
 Mobile: _____
 Email: _____

Purchaser hereby orders the following and agrees to pay the Arkansas Travelers Baseball Club, Inc.

Concourse Sign	10300.00
On-Field Game (35 Games)	
Promotional Tabling Night at the Park (Date TBD)	
:30 Radio Commercial (138 Games)	
One Live In-Game Broadcast Read (138 Games)	

Seasons on contract (Promotions): 1

Annual Total:

Seasons on contract (Tickets): 0

Contract Total:

10300.00

Art Work Due: ASAP

Payment Terms: Due upon Invoice

Comments: Additional Contact: Tiffany McNeal 501-683-2055 Tiffany.McNeal@arkansas.gov

1. Payments shall be made upon submission of an invoice. The purchaser agrees to pay any and all costs that Arkansas Travelers Baseball Club, Inc. (ATB) suffers as a result of failure of payment. If ATB fails to make available the services to be provided to Purchaser herein, the Purchaser shall be entitled to a refund of advertising costs on a pro-rata basis. ATB shall have the right to designate the location of spaces on the outfield fence and in the program, and may relocate such space from time-to-time at its sole discretion. If copy is not received by the specified date, ATB will have the right to determine copy and/or release the space. ATB reserves the right to refuse to provide any services which it shall determine to be offensive, immoral, inappropriate, or for any other reason. In consideration of the acceptance of this advertising order, recognizing advanced expenditures and because of the necessity of reserving space for the entire baseball season, it is hereby agreed that no part of this contract may be countermanded or canceled. It is hereby agreed that ATB is not bound by any stipulation, representative or agreements not embodied in this contract. In the event either party is unable to perform its obligations under the terms of this Agreement because of acts of God, strikes, pandemic, epidemic, equipment or transmission failure or damage reasonably beyond its control, acts of terrorism, riots, protests or assemblies, violence, regulations or orders of a governmental authority or agency, umpire or player strikes, cancellation or delay of the baseball season by Major League Baseball, or other causes reasonably beyond the party's control, such party shall not be liable for damages to the other for any damages resulting from such failure to perform or otherwise from such causes.

2. Notwithstanding any other provision of this Agreement, this Agreement and the rights, exclusivities and protections granted by (Arkansas Travelers Baseball Club, Inc.) to (Arkansas Scholarship Lottery) shall be subject to the request of MLB PDL, be subject to its review and written approval, and shall in all respects be subordinate to, and shall not prevent the issuance, entering into, or amendment of, any of the following, each as may be issued, entered into or amended from time to time (collectively, the "PDL Documents"): (i) any present or future agreements or arrangements entered into by, or on behalf of MLB PDL and/or any of its respective present or future affiliates, assigns or successors (collectively, the "PDL Entities"); and (ii) the present and future mandates, rules, regulations, policies, practices, bulletins, by-laws, directives or guidelines issued or adopted by, or on behalf of, MLB PDL, any other PDL Entity and/or the Commissioner of Baseball that are specifically related to or generally applicable to the player development league system or one or more of the PDL Clubs. The issuance, entering into, amendment, or implementation of any of the PDL Documents shall be at no cost or liability to any PDL Entity or to any individual or entity related thereto [except for the reduction in fees payable to (Arkansas Travelers Baseball Club, Inc.) and specifically referenced in (Paragraph) (Section) 1 hereof]. The territory within which (Arkansas Scholarship Lottery) operates shall be limited to, and nothing herein shall be construed as conferring on (Arkansas Scholarship Lottery) any rights, exclusivities or obligations involving the Internet or any interactive or on-line media (as defined by the PDL Entities) are conferred by this Agreement, except as are specifically approved in writing by the applicable PDL Entity.

Signature: _____

Date: 01-18-23

Travs Signature: _____

Date: 12/2/2022

Travs Rep: _____

Email: Lance@Travs.com

Title: Director of Charities & Community Support

Phone #: 501-664-1555 Ext. 1005



Sections 2&3
Debt Set-Off Collections/Retailer
Losses

Department of Finance& Administration
Office of the Arkansas Lottery
Retailer Loss/Debt Set-Off/ Income Tax
January 2023

As of 01/31/2023

Retailer losses \$0

Arkansas Debt Set-Off	Jan-23	Total Since Inception
Department of Finance and Administration	\$ 9,703.40	\$ 1,646,995.03
Office of Child Support Enforcement	\$ -	\$ 677,176.20
Total Debt Set-Off	\$ 9,703.40	\$ 2,324,171.23

Income Taxes Withheld	Jan-23	Total Since Inception
Federal	\$ 649,766.00	\$ 126,737,482.00
State	\$ 132,635.00	\$ 34,673,867.00
Total Income Taxes Withheld	\$ 782,401.00	\$ 161,411,349.00



Section 4

Breakdown of Lottery Sales per County

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF THE ARKANSAS LOTTERY
RETAIL SALES BY COUNTY
January 1 through January 31, 2023

COUNTY	CASH 3	CASH 4	FAST PLAY	INSTANT	LOTTO	LUCKY FOR LIFE	MEGA MILLIONS	NATURAL STATE	POWERBALL	TOTAL
ARKANSAS	\$15,348.00	\$12,478.50	\$21,101.00	\$438,328.00	\$8,744.00	\$2,760.00	\$43,668.00	\$3,551.00	\$26,569.00	\$572,567.50
ASHLEY	\$14,497.50	\$15,213.00	\$24,050.00	\$284,049.00	\$4,222.00	\$1,966.00	\$22,948.00	\$1,835.00	\$18,067.00	\$386,847.50
BAXTER	\$3,135.00	\$2,606.00	\$27,037.00	\$510,843.00	\$12,132.00	\$9,884.00	\$97,379.00	\$11,014.00	\$52,753.00	\$726,783.00
BENTON	\$7,550.00	\$2,870.00	\$31,805.00	\$1,692,748.00	\$46,066.00	\$21,384.00	\$514,217.00	\$30,271.00	\$240,798.00	\$2,587,709.00
BOONE	\$1,985.00	\$3,393.50	\$28,131.00	\$492,676.00	\$6,394.00	\$2,978.00	\$69,925.00	\$4,646.00	\$36,314.00	\$646,442.50
BRADLEY	\$2,020.50	\$4,399.00	\$4,478.00	\$166,323.00	\$2,984.00	\$686.00	\$12,281.00	\$1,374.00	\$8,873.00	\$203,415.50
CALHOUN	\$2,658.50	\$406.50	\$2,556.00	\$49,689.00	\$710.00	\$588.00	\$4,218.00	\$714.00	\$2,791.00	\$64,331.00
CARROLL	\$1,060.00	\$543.00	\$13,288.00	\$287,238.00	\$5,122.00	\$2,328.00	\$41,364.00	\$2,956.00	\$22,937.00	\$376,836.00
CHICOT	\$7,874.50	\$2,660.00	\$6,150.00	\$189,813.00	\$4,264.00	\$3,274.00	\$29,693.00	\$2,726.00	\$19,803.00	\$266,257.50
CLARK	\$3,812.00	\$1,395.50	\$35,972.00	\$423,939.00	\$10,240.00	\$3,396.00	\$40,449.00	\$5,624.00	\$26,722.00	\$551,549.50
CLAY	\$1,978.00	\$115.50	\$6,741.00	\$136,256.00	\$2,536.00	\$1,986.00	\$15,588.00	\$1,875.00	\$10,373.00	\$177,448.50
CLEBURNE	\$2,667.50	\$112.50	\$46,388.00	\$350,908.00	\$11,776.00	\$4,716.00	\$55,625.00	\$7,882.00	\$33,082.00	\$513,157.00
CLEVELAND	\$683.00	\$286.50	\$1,768.00	\$56,344.00	\$1,118.00	\$1,352.00	\$6,395.00	\$455.00	\$4,315.00	\$72,716.50
COLUMBIA	\$16,873.50	\$10,095.50	\$12,143.00	\$360,090.00	\$4,006.00	\$2,936.00	\$27,317.00	\$2,906.00	\$17,985.00	\$454,352.00
CONWAY	\$8,879.50	\$2,471.00	\$28,574.00	\$511,671.00	\$20,006.00	\$4,010.00	\$49,039.00	\$7,495.00	\$37,164.00	\$669,309.50
CRAIGHEAD	\$13,289.00	\$8,843.00	\$66,483.00	\$1,800,532.00	\$26,352.00	\$11,926.00	\$204,500.00	\$13,985.00	\$113,980.00	\$2,259,890.00
CRAWFORD	\$3,671.00	\$996.50	\$18,647.00	\$446,756.00	\$14,550.00	\$6,194.00	\$114,335.00	\$8,820.00	\$56,240.00	\$670,209.50
CRITTENDEN	\$44,778.50	\$16,502.00	\$24,842.00	\$743,998.00	\$8,102.00	\$9,394.00	\$107,247.00	\$8,397.00	\$81,099.00	\$1,044,359.50
CROSS	\$6,206.50	\$6,823.00	\$13,189.00	\$398,373.00	\$3,852.00	\$1,644.00	\$26,034.00	\$1,764.00	\$16,306.00	\$474,191.50
DALLAS	\$2,935.00	\$1,549.50	\$11,926.00	\$215,570.00	\$3,486.00	\$732.00	\$13,502.00	\$1,421.00	\$8,696.00	\$259,817.50
DESHA	\$2,719.00	\$1,483.00	\$5,586.00	\$224,476.00	\$4,034.00	\$1,172.00	\$23,735.00	\$2,664.00	\$14,739.00	\$280,137.00
DREW	\$3,415.00	\$3,137.50	\$13,138.00	\$359,777.00	\$7,212.00	\$3,682.00	\$29,725.00	\$3,553.00	\$20,407.00	\$444,056.50
FAULKNER	\$13,696.50	\$5,356.00	\$90,216.00	\$1,480,540.00	\$52,260.00	\$16,474.00	\$208,866.00	\$23,555.00	\$130,851.00	\$2,021,814.50
FRANKLIN	\$499.00	\$58.50	\$19,485.00	\$208,929.00	\$6,498.00	\$1,356.00	\$37,648.00	\$3,147.00	\$20,957.00	\$298,577.50
FULTON	\$390.50	\$1,156.50	\$9,006.00	\$61,692.00	\$1,672.00	\$836.00	\$10,344.00	\$726.00	\$6,774.00	\$182,599.00
GARLAND	\$13,957.50	\$7,825.50	\$58,656.00	\$1,274,332.00	\$54,054.00	\$22,472.00	\$257,729.00	\$41,278.00	\$148,037.00	\$1,878,341.00
GRANT	\$949.00	\$1,249.00	\$13,959.00	\$190,063.00	\$6,020.00	\$2,930.00	\$27,271.00	\$3,243.00	\$17,999.00	\$293,683.00
GREENE	\$998.50	\$525.00	\$33,844.00	\$702,675.00	\$9,692.00	\$4,280.00	\$80,188.00	\$6,649.00	\$50,047.00	\$888,898.50
HEMPSTEAD	\$65,710.50	\$23,975.50	\$20,637.00	\$392,550.00	\$4,008.00	\$2,896.00	\$32,096.00	\$2,553.00	\$20,493.00	\$564,919.00
HOT SPRING	\$1,035.50	\$405.00	\$30,641.00	\$422,471.00	\$11,366.00	\$4,852.00	\$47,354.00	\$5,675.00	\$29,080.00	\$552,879.50
HOWARD	\$50,251.00	\$14,130.00	\$11,817.00	\$241,701.00	\$3,444.00	\$2,458.00	\$19,539.00	\$1,887.00	\$12,075.00	\$357,297.00
INDEPENDENCE	\$4,900.50	\$2,365.00	\$64,569.00	\$690,321.00	\$13,710.00	\$4,208.00	\$63,606.00	\$6,204.00	\$38,105.00	\$887,988.50
IZARD	\$235.00	\$289.50	\$14,565.00	\$120,403.00	\$2,786.00	\$950.00	\$16,727.00	\$2,480.00	\$10,021.00	\$168,456.50
JACKSON	\$16,230.00	\$10,443.00	\$38,446.00	\$379,436.00	\$6,786.00	\$1,794.00	\$28,941.00	\$3,496.00	\$16,874.00	\$502,446.00
JEFFERSON	\$63,628.00	\$34,099.00	\$46,223.00	\$1,336,138.00	\$35,416.00	\$14,118.00	\$143,878.00	\$21,382.00	\$103,078.00	\$1,806,960.00
JOHNSON	\$850.50	\$1,231.00	\$6,736.00	\$287,251.00	\$5,094.00	\$2,498.00	\$41,280.00	\$3,663.00	\$24,655.00	\$373,238.50
LAFAYETTE	\$15,516.50	\$4,847.50	\$3,233.00	\$77,147.00	\$852.00	\$702.00	\$8,158.00	\$506.00	\$5,859.00	\$116,821.00
LAWRENCE	\$917.00	\$70.00	\$19,258.00	\$335,212.00	\$3,586.00	\$1,866.00	\$28,658.00	\$2,119.00	\$15,973.00	\$407,659.00
LEE	\$4,313.50	\$11,216.00	\$1,351.00	\$77,695.00	\$666.00	\$402.00	\$11,221.00	\$423.00	\$7,086.00	\$114,373.50
LINCOLN	\$488.50	\$409.50	\$4,017.00	\$115,591.00	\$3,162.00	\$1,966.00	\$11,916.00	\$1,926.00	\$8,908.00	\$148,384.00
LITTLE RIVER	\$6,041.00	\$3,288.50	\$6,847.00	\$143,805.00	\$2,350.00	\$848.00	\$18,771.00	\$1,297.00	\$10,630.00	\$193,877.50
LOGAN	\$839.00	\$160.00	\$22,330.00	\$267,741.00	\$5,632.00	\$1,886.00	\$37,411.00	\$3,940.00	\$20,736.00	\$360,671.00
LONOKE	\$13,277.00	\$8,424.50	\$69,777.00	\$1,193,988.00	\$36,934.00	\$12,832.00	\$152,311.00	\$19,931.00	\$96,518.00	\$1,603,992.50
MADISON	\$54.50	\$178.00	\$2,244.00	\$119,788.00	\$2,602.00	\$1,036.00	\$25,158.00	\$1,347.00	\$14,359.00	\$166,766.50
MARION	\$3,504.50	\$1,865.50	\$18,674.00	\$234,678.00	\$4,798.00	\$2,134.00	\$28,665.00	\$4,395.00	\$16,991.00	\$315,705.00
MILLER	\$34,915.50	\$12,969.00	\$30,680.00	\$585,219.00	\$8,680.00	\$5,916.00	\$66,582.00	\$5,305.00	\$37,210.00	\$787,476.50
MISSISSIPPI	\$56,585.00	\$25,175.00	\$19,307.00	\$731,220.00	\$6,254.00	\$3,542.00	\$67,746.00	\$3,699.00	\$39,306.00	\$952,834.00

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RETAIL SALES BY COUNTY
January 1 through January 31, 2023

COUNTY	CASH 3	CASH 4	FAST PLAY	INSTANT SETTLEMENTS	LOTTO	LUCKY FOR LIFE	MEGA MILLIONS	NATURAL STATE STATE	POWERBALL	TOTAL
MONROE	\$27,855.00	\$12,144.50	\$37,490.00	\$206,566.00	\$4,718.00	\$1,472.00	\$24,614.00	\$2,259.00	\$17,819.00	\$334,957.50
MONTGOMERY	\$298.00	\$292.00	\$3,215.00	\$34,202.00	\$1,932.00	\$604.00	\$8,151.00	\$882.00	\$5,642.00	\$55,218.00
NEVADA	\$4,228.00	\$2,291.50	\$4,501.00	\$182,126.00	\$2,170.00	\$970.00	\$13,029.00	\$817.00	\$8,015.00	\$218,147.50
NEWTON	\$22.00	\$30.00	\$3,705.00	\$38,225.00	\$998.00	\$320.00	\$6,004.00	\$841.00	\$4,266.00	\$54,471.00
OUACHITA	\$16,276.00	\$9,021.50	\$21,247.00	\$652,160.00	\$10,590.00	\$4,056.00	\$37,872.00	\$4,755.00	\$27,542.00	\$783,519.50
PERRY	\$851.00	\$715.00	\$7,244.00	\$102,071.00	\$5,124.00	\$1,112.00	\$13,905.00	\$1,873.00	\$10,333.00	\$143,228.00
PHILLIPS	\$14,087.00	\$5,859.00	\$6,126.00	\$211,433.00	\$2,992.00	\$2,414.00	\$29,016.00	\$2,362.00	\$22,075.00	\$296,364.00
PIKE	\$281.00	\$248.00	\$10,047.00	\$135,849.00	\$5,720.00	\$1,592.00	\$17,855.00	\$2,121.00	\$12,014.00	\$185,727.00
POINSETT	\$3,953.50	\$1,091.00	\$38,916.00	\$545,382.00	\$6,158.00	\$2,078.00	\$47,574.00	\$3,181.00	\$27,553.00	\$675,886.50
POLK	\$1,838.00	\$83.50	\$20,589.00	\$197,594.00	\$6,802.00	\$2,144.00	\$32,270.00	\$3,888.00	\$19,455.00	\$284,663.50
POPE	\$3,072.50	\$1,344.50	\$41,300.00	\$928,163.00	\$24,588.00	\$9,376.00	\$123,363.00	\$14,507.00	\$77,039.00	\$1,222,753.00
PRAIRIE	\$1,492.00	\$544.00	\$7,862.00	\$152,246.00	\$3,302.00	\$856.00	\$16,166.00	\$1,151.00	\$9,692.00	\$193,311.00
PULASKI	\$194,550.00	\$157,328.00	\$334,471.00	\$7,148,921.00	\$365,086.00	\$302,570.00	\$1,535,059.00	\$257,290.00	\$1,095,932.00	\$11,391,205.00
RANDOLPH	\$131.50	\$71.00	\$23,233.00	\$206,386.00	\$4,150.00	\$3,114.00	\$27,979.00	\$2,628.00	\$17,117.00	\$284,809.50
SAINT FRANCIS	\$26,258.50	\$12,129.50	\$5,256.00	\$324,224.00	\$4,340.00	\$3,016.00	\$44,227.00	\$3,185.00	\$30,217.00	\$452,853.00
SALINE	\$30,236.00	\$7,161.50	\$103,981.00	\$1,398,074.00	\$48,048.00	\$18,432.00	\$201,571.00	\$27,828.00	\$121,836.00	\$1,957,167.50
SCOTT	\$433.50	\$244.00	\$6,987.00	\$105,240.00	\$2,512.00	\$860.00	\$20,411.00	\$1,294.00	\$11,592.00	\$149,573.50
SEARCY	\$21.00	\$75.00	\$7,249.00	\$107,457.00	\$2,292.00	\$836.00	\$11,895.00	\$1,298.00	\$7,279.00	\$138,402.00
SEBASTIAN	\$11,279.50	\$3,901.50	\$31,547.00	\$1,046,556.00	\$34,510.00	\$16,366.00	\$283,524.00	\$22,691.00	\$146,795.00	\$1,597,170.00
SEVIER	\$5,156.50	\$463.50	\$4,817.00	\$206,809.00	\$3,320.00	\$1,122.00	\$21,458.00	\$1,857.00	\$13,501.00	\$258,504.00
SHARP	\$1,045.00	\$273.50	\$29,776.00	\$367,452.00	\$6,016.00	\$3,020.00	\$51,203.00	\$5,108.00	\$29,570.00	\$493,463.50
STONE	\$1,072.00	\$192.50	\$7,487.00	\$116,044.00	\$3,358.00	\$1,224.00	\$16,683.00	\$2,857.00	\$9,368.00	\$158,285.50
UNION	\$72,761.00	\$33,638.50	\$61,862.00	\$971,706.00	\$9,570.00	\$6,410.00	\$67,177.00	\$7,985.00	\$48,334.00	\$1,279,443.50
VAN BUREN	\$1,057.00	\$1,087.00	\$12,216.00	\$232,790.00	\$8,022.00	\$2,622.00	\$34,186.00	\$5,104.00	\$20,948.00	\$318,032.00
WASHINGTON	\$18,773.50	\$8,975.50	\$56,591.00	\$1,913,621.00	\$50,176.00	\$26,052.00	\$444,265.00	\$31,057.00	\$222,490.00	\$2,772,001.00
WHITE	\$11,271.50	\$2,553.00	\$81,857.00	\$1,093,421.00	\$28,860.00	\$9,326.00	\$124,596.00	\$13,251.00	\$76,252.00	\$1,441,387.50
WOODRUFF	\$1,227.00	\$774.00	\$8,079.00	\$138,867.00	\$2,026.00	\$622.00	\$12,380.00	\$935.00	\$7,940.00	\$172,850.00
YELL	\$338.50	\$606.50	\$6,534.00	\$267,314.00	\$8,020.00	\$1,900.00	\$28,716.00	\$3,364.00	\$17,478.00	\$334,271.00

GRAND TOTALS	*Cash 3	*Cash 4	*Fast Play	*Instant Settlements	*Lotto	*Lucky for Life	*Mega Millions	*Natural State Jackpot	*Powerball	*Total Sales
	\$987,586.50	\$542,229.50	\$2,084,688.00	\$40,841,974.00	\$1,151,626.00	\$638,726.00	\$6,316,016.00	\$723,123.00	\$3,890,749.00	\$57,176,718.00



Section 5

Total Number of Retailers

Arkansas Scholarship Lottery Retailer, Terminal Counts, and Vendor Service Highlights ***intralot***

January 2023

Retailer Count by Status	
Active	1905
Renewal	64
Total	1,969

Monthly Highlights

- ▶ 6,254,394 Total transactions processed through the Arkansas Scholarship Lottery System in January.
- ▶ 463 service tickets resolved by Field Service and the Call Center for the month of January.
- ▶ 580 Preventative Maintenance Actions completed by Field Service Technicians for the month of January.

Terminal Count by Type	
Photon	2,077
TVM	126
DreamTouch Smart	85
Total	2,288



Sections 6-9

Finance

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Statement of Revenues, Expenses and Change in Net Position
For the Seven Months Ended January 31, 2023

	Current month	Year to date
Operating revenues:		
Instant ticket sales	\$ 39,798,663.00	\$ 270,538,877.00
Online ticket sales	16,327,140.00	88,270,363.00
Retailer application, fidelity, bond and service fees	58,953.66	404,462.28
Other revenue	<u>4.34</u>	<u>14.78</u>
Total operating revenues	<u>56,184,761.00</u>	<u>359,213,717.06</u>
Operating expenses:		
Instant game prizes	30,442,647.53	195,543,375.01
Online game prizes	8,511,263.66	47,006,026.93
Retailer commissions	3,112,876.43	20,146,096.98
Gaming contract costs	2,628,588.47	17,347,809.93
Compensation and benefits	497,007.43	3,375,285.64
Marketing, advertising and promotions	640,611.66	4,547,307.76
General and administrative expenses	268,934.27	1,774,525.74
Services provided by Arkansas Department of Education -		
Division of Higher Education	125,200.00	795,500.00
Services provided by Arkansas Legislative Audit	13,200.00	92,400.00
Amortization - GASB 87 Leases	22,652.65	158,568.52
Depreciation	<u>35,725.90</u>	<u>250,324.41</u>
Total operating expenses	<u>46,298,708.00</u>	<u>291,037,220.92</u>
Operating income (1)	9,886,053.00	68,176,496.14
Non-operating revenue:		
Interest income	223,243.99	1,424,679.09
Interest Expense	<u>(1,336.24)</u>	<u>(9,964.79)</u>
Income before transfers	10,107,960.75	69,591,210.44
Transfers to:		
Lottery Scholarship Trust Account	<u>(11,966,992.86)</u>	<u>(65,344,318.08)</u>
Change in net position	<u>\$ (1,859,032.11)</u>	4,246,892.36
Total net position - beginning		9,835,490.51
Total net position - ending		<u>\$ 14,082,382.87</u>

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

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Statement of Revenues and Expenses Budget Comparisons
For the Seven Months Ended January 31, 2023

	CM Actual	%	CM Budget	%	CM Variance	YTD Actual	%	YTD Budget	%	YTD Variance
Operating revenues:										
Instant games	\$ 39,798,663.00	70.84	\$ 35,000,000.00	81.28	\$ 4,798,663.00	\$ 270,538,877.00	75.31	\$ 250,600,000.00	82.13	\$ 19,938,877.00
Online games	16,327,140.00	29.06	8,007,000.00	18.59	8,320,140.00	88,270,363.00	24.57	54,162,000.00	17.75	34,108,363.00
Retailer fees	58,953.66	0.10	54,000.00	0.13	4,953.66	404,462.28	0.11	370,000.00	0.12	34,462.28
Other revenue	4.34	0.00	200.00	0.00	(195.66)	14.78	0.00	1,100.00	0.00	(1,085.22)
				0.00%						
Total operating revenues	56,184,761.00	100.00	43,061,200.00	100.00	13,123,561.00	359,213,717.06	100.00	305,133,100.00	100.00	54,080,617.06
Operating expenses:										
Instant game prizes	30,442,647.53	54.18	25,340,583.00	58.85	5,102,064.53	195,543,375.01	54.44	181,517,081.00	59.49	14,026,294.01
Online game prizes	8,511,263.66	15.15	4,402,417.00	10.22	4,108,846.66	47,006,026.93	13.09	29,751,919.00	9.75	17,254,107.93
Retailer commissions	3,112,876.43	5.54	2,441,000.00	5.67	671,876.43	20,146,096.98	5.61	17,244,000.00	5.65	2,902,096.98
Gaming contract costs	2,628,588.47	4.68	2,159,000.00	5.01	469,588.47	17,347,809.93	4.83	15,254,000.00	5.00	2,093,809.93
Compensation & benefits	497,007.43	0.88	476,000.00	1.11	21,007.43	3,375,285.64	0.94	3,377,000.00	1.11	(1,714.36)
Marketing, advertising & promotions	640,611.66	1.14	595,000.00	1.38	45,611.66	4,547,307.76	1.27	4,456,000.00	1.46	91,307.76
General and administrative expenses	268,934.27	0.48	270,000.00	0.63	(1,065.73)	1,774,525.74	0.49	1,885,000.00	0.62	(110,474.26)
Services provided by other agencies	138,400.00	0.25	92,000.00	0.21	46,400.00	887,900.00	0.25	642,000.00	0.21	245,900.00
Amortization - GASB 87 Leases	22,652.65	0.04	-	-	22,652.65	158,568.52	0.04	-	0.00	158,568.52
Depreciation	35,725.90	0.06	35,000.00	0.08	725.90	250,324.41	0.07	245,000.00	0.08	5,324.41
Total operating expenses	46,298,708.00	82.40	35,811,000.00	83.16	10,487,708.00	291,037,220.92	81.02	254,372,000.00	83.36	36,665,220.92
Operating income	9,886,053.00	17.60	7,250,200.00	16.84	2,635,853.00	68,176,496.14	18.98	50,761,100.00	16.64	17,415,396.14
Non-operating revenue:										
Interest income	223,243.99	0.40	123,000.00	0.29	100,243.99	1,424,679.09	0.40	881,000.00	0.29	543,679.09
Interest expense	(1,336.24)	(0.00)	-	-	(1,336.24)	(9,964.79)	(0.00)	-	-	(9,964.79)
Income before transfers	\$ 10,107,960.75	17.99	\$ 7,373,200.00	17.12	\$ 2,734,760.75	\$ 69,591,210.44	19.37	\$ 51,642,100.00	16.92	\$ 17,949,110.44

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Statement of Net Position
January 31, 2023

ASSETS

Current assets:

Cash and cash equivalents	\$ 4,864,958.02
Restricted assets:	
Cash and cash equivalents	233,496,028.95
Accounts receivable	18,096,494.67
Prepaid items	164,514.76
Total current assets	<u>256,621,996.40</u>

Non-current assets:

Restricted assets:	
Cash and cash equivalents	20,569,952.54
Deposits with Multi-State Lottery Association	2,093,327.76
Capital assets (Net of accumulated depreciation)	719,666.48
Right to use assets-net	974,063.85
Total non-current assets	<u>24,357,010.63</u>
 Total assets	 <u>280,979,007.03</u>

Deferred outflows of resources:

Related to pension	745,414.27
Related to OPEB	504,192.38
Total deferred outflows of resources	<u>1,249,606.65</u>
 Total assets and deferred outflows of resources	 <u>\$ 282,228,613.68</u>

LIABILITIES

Current liabilities:

Accounts payable	\$ 168,725.87
Prizes payable	28,458,746.05
Accrued and other liabilities	2,859,341.05
Due to other funds of the State	818,913.70
Due to Lottery Scholarship Trust Account	226,038,036.61
Lease Liability	259,870.17
Compensated absences	444,106.99
OPEB Obligation	98,210.89
Unearned revenue	330,989.93
Total current liabilities	<u>259,476,941.26</u>

Long-Term liabilities:

Net other post employment benefits	2,291,344.96
Net pension liability	1,476,746.00
Lease Liability	732,800.06
Total long-term liabilities	<u>4,500,891.02</u>
 Total liabilities	 <u>263,977,832.28</u>

Deferred inflows of resources:

Related to pension	2,794,615.00
Related to OPEB	1,373,783.53
Total deferred inflows of resources	<u>4,168,398.53</u>
 Total liabilities and deferred inflows of resources	 <u>268,146,230.81</u>

NET POSITION

Net position:

Invested in capital assets	719,666.48
Restricted for:	
Scholarship shortfall reserve	20,000,000.00
Retailer bond reserve	575,852.54
Deposits with Multi-State Lottery Association	2,093,327.76
Unclaimed prizes reserve	7,082,608.59
Unrestricted (deficit)	<u>(16,389,072.50)</u>
 Total net position	 <u>14,082,382.87</u>
 Total liabilities, deferred inflows of resources and net position	 <u>\$ 282,228,613.68</u>

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Net Proceeds Computation to Transfer to Lottery Scholarship Trust
Modified Cash Basis
For the Seven Months Ended January 31, 2023

Year to date

Operating revenues:	
Instant ticket (Settlements)	\$ 270,444,063.00
Online ticket sales	88,270,363.00
Retailer application, fidelity and service fees	404,462.28
Other revenue	14.78
	<u>359,118,903.06</u>
Total operating revenues	<u>359,118,903.06</u>

Operating expenses:	
Instant game prizes (Settlements)	193,876,584.00
Online game prizes	47,006,026.93
Retailer commissions	20,146,096.98
Gaming contract costs	17,347,809.93
Compensation and benefits	3,375,285.64
Marketing, advertising and promotions	4,547,307.76
General and administrative expenses	1,774,525.74
Services provided by Arkansas Department of Education - Division of Higher Education	795,500.00
Services provided by Legislative Audit Agency	92,400.00
Amortization - GASB 87 Leases	158,568.52
Current year capital asset cost	6,052.98
Total operating expenses	<u>289,126,158.48</u>

Change in net proceeds from operations 69,992,744.58

Non-operating revenue:	
Interest income	1,424,679.09
Other non-operating income	(9,964.79)
EDUCATION TRUST FUNDING-Current Year	(53,377,325.22)
Less Act 1180 Unclaimed Prizes	(6,082,608.59)
Less current year Bond Reserve Fees	(75,852.54) restricted reserves
Add Bond Funds in excess of \$500,000	0.00 see 23-115-603(a)(5)
Add back Write Off Retailer Bad Debt	0.00
Less current year MUSL Reserves	(58,679.67) see 23-115-103(17) and (19)(A)&(B)
Add OPEB expense in Comp and Benefits	154,000.00

NET PROCEEDS EARNED-Current Month	\$ 11,966,992.86
-Year to Date	\$ 65,344,318.08

	Transfer	Interest	Total
Lottery Scholarship Trust Account	\$ 221,033,322.94	\$ 5,004,713.67	\$ 226,038,036.61
January 2022 funding - 2/15/22	\$ 7,741,727.84	\$ 21,088.96	\$ 7,762,816.80
February 2022 funding - 3/15/22	\$ 7,444,508.46	\$ 20,051.05	\$ 7,464,559.51
Transfer to ADHE for FY 2022 Spring Funding 3/4/22	\$ (33,000,000.00)		\$ (33,000,000.00)
March 2022 funding - 4/15/22	\$ 7,384,136.30	\$ 34,227.62	\$ 7,418,363.92
April 2022 funding - 5/15/22	\$ 8,012,114.84	\$ 47,454.08	\$ 8,059,568.92
May 2022 funding - 6/15/22	\$ 7,872,154.05	\$ 114,192.35	\$ 7,986,346.40
Transfer to ADHE for FY 2022 Concurrent Scholarship Funding 6/9/22	\$ (500,000.00)		\$ (500,000.00)
Transfer to ADHE for FY 2022 Workforce Scholarship Funding 6/9/22	\$ (250,000.00)		\$ (250,000.00)
June 2022 funding - 7/15/22	\$ 13,886,610.16	\$ 126,730.86	\$ 14,013,341.02
July 2022 funding - 8/15/22	\$ 12,323,427.00	\$ 142,552.31	\$ 12,465,979.31
August 9, 2022 ADHE Refund of FY 22 unused Scholarship Money	\$ 15,927,228.23		\$ 15,927,228.23
August 2022 funding - 9/15/22	\$ 5,852,986.68	\$ 177,987.60	\$ 6,030,974.28
Transfer to ADHE for FY 2023 Fall Funding 9/23/22	\$ (30,000,000.00)		\$ (30,000,000.00)
September 2022 funding - 10/15/22	\$ 7,719,458.52	\$ 203,931.27	\$ 7,923,389.79
October 2022 funding - 11/15/22	\$ 9,704,387.92	\$ 158,821.32	\$ 9,863,209.24
November 2022 funding 12/15/22	\$ 10,496,530.57	\$ 161,458.63	\$ 10,657,989.20
Transfer to ADHE for FY 2023 Concurrent Scholarship Funding 12/7/22	\$ (2,000,000.00)		\$ (2,000,000.00)
December 2022 funding 1/15/23	\$ 6,266,787.59	\$ 168,995.81	\$ 6,435,783.40
January 2022 funding - 2/15/22	\$ 11,781,045.35	\$ 185,947.51	\$ 11,966,992.86

**Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Lottery Scholarship Trust Account**

			Fiscal Year June 30, 2022	Fiscal Year June 30, 2023 (YTD Jan 2023)
Beginning Balance			\$ 152,129,833	\$ 192,693,718
Net Proceeds			99,386,657	65,344,318
Transfers to ADHE:	FY22	FY23		
Fall Academic Challenge Scholarships	9/7/21	9/23/22	(38,000,000)	(30,000,000)
Concurrent and Workforce Scholarships	10/8/21	12/7/22	(3,000,000)	(2,000,000)
Spring Academic Challenge Scholarships	3/4/22		(33,000,000)	
Concurrent Scholarships	6/9/22		(500,000)	
Workforce Scholarships	6/9/22		(250,000)	
			<u>(74,750,000)</u>	<u>(32,000,000)</u>
Refund of Unused Scholarship Proceeds Requested:				
	FY22			
	8/9/22		<u>15,927,228</u>	<u>-</u>
Ending Balance			<u>\$ 192,693,718</u>	<u>\$ 226,038,036</u>

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Unclaimed Prizes
January 31, 2023

	Monthly	Year to Date
Reserve Balance July 1, 2022		\$1,000,000.00
1. Unclaimed lottery prize money:	\$ 379,546.00	6,082,608.59
2. Expenditures from unclaimed lottery prize money:		
3. Reserved for future prizes, promotion or reserves:	379,546.00	6,082,608.59
4. Less Deposits to net lottery proceeds from unclaimed Lottery prize money:		
Reserve Balance January 31, 2023		\$7,082,608.59



Section 10

Arkansas Department of Higher
Education

Arkansas Department of Finance and Administration

Office of the Arkansas Lottery

January 1 through January 31, 2023



Office of the Arkansas Lottery received no request from ADHE during the reporting period of January 1st through January 31st, 2023.



Section 11

Instant Ticket Games Releases

DFA/Office of the Arkansas Lottery
Instant & Fast Play Games
January 2023

Sales for the following instant games began January 31, 2023. No ending dates have been determined for these games.

\$1 9's in a Line

\$2 Jumbo Bucks Elite

\$3 SCRABBLE™ Crossword¹

\$5 Ultimate 7's

\$10 Roses & Riches

¹SCRABBLE Crossword™ is a licensed property game. There are no additional costs for this game.

Sales for the following Fast Play games began January 2, 2023. No ending dates have been determined for these games.

\$1 Cash Count Up

\$1 7's

Sales for the following Fast Play games began January 30, 2023. No ending dates have been determined for these games.

\$1 Beat the Dealer

\$2 Lucky Clover



Section 12

Minority & Female owned Business Report

Minority Report - January 2023			
Arkansas Scholarship Lottery			
VENDORS		January	FY to Date Total
A-ABSOLUTE MOVING & HAULING	CMBE		\$498.40
ADVANTAGE COMMUNICATIONS	MBE		
AFRICAN AMERICAN PERSPECTIVES	MBE		
AJP FARM, LLC	MBE		
ARKANSAS FLAG AND BANNER	WBE		\$9,575.00
BEST BANNER AND SIGNS			
BSW ADVERTISING	FOB		
BUDS GRAPHICS SALES & SERVICE	MBE		
BYRD ENTERPRISE, INC	NAI		
CCI Of ARKANSAS	CMBE		
CHOICE PROMOTION	MBE		\$66,590.92
CREATIVE GRAPICS, INC	MBE		
CRENSHAW SIGNS	MBE		
DE'LISA BALENTINE	WBE		
DR. B'S WINDSHIELD REPAIR COMPANY	MBE		
GATHRIGHT VAN AND STORAGE			
GODDESS PRODUCTS	CMBE		
GOVERNMENT SUPPLY SERVICES	CMBE	\$155.46	\$1,984.96
HOG WASH DETAIL DENT & TINT	MBE		
HOLA! ARKANSAS	MBE		
INCLUSION MAGAZINE	MBE		
LA DESIGNS	WBE		
LAHARPE'S OFFICE FURNITURE	WBE		\$1,298.07
LAF PRODUCTION, INC	MBE		
MICKY'S SPECIAL AFFAIRS	MBE		
MR. B'S 2 MOBILE HAND WASH & WAX	MBE		
NORTHEAST ARKANSAS CLEANING SERVICE	WBE		
PARTY PRINTS	CMBE		
PREMIER STAFFING	WBE		
RIDE N SHINE DETAIL	MOB		
RU-MEL & ASSOCIATES, INC	MBE		
S & P SERVICES	MBE		
STAND NEWS	MBE		
THE AMERICAN BANNER PUBLISHING, LLC	MBE		
TRIVIA MARKETING	WBE		
Total		\$155.46	\$79,947.35
MBE = Minority Business Enterprise			
CMBE = Certified Minority Business Enterprise			



Section 13

Internal Auditor Reports



STATE OF ARKANSAS
Department of Finance and Administration

William C. Miller, CPA, CGMA
Internal Auditor

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

<u>Audit:</u>	2022-19 Sales Force Processes	<u>Report Date:</u> January 31, 2023
<u>Report Distribution:</u>	Larry Walther, Secretary Department of Finance and Administration	<u>For Fiscal Year:</u> June 30, 2022
	<u>Office of the Arkansas Lottery</u> Eric Hagler, Executive Director Jerry Fetzer, Chief Fiscal Office Mark Hearn, Sales Division Director Brent Standridge, Legal Counsel	

Introduction

An audit for Sales Force Processes for fiscal year ended June 30, 2022, has been completed by Internal Audit. The audit consisted of follow-up procedures for the audit report dated February 6, 2019, as well as audit procedures to address risks identified during the planning phase of the audit. The audit 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

OAL maintains twenty sales regions based on congressional districts across Arkansas. Each district is assigned a Marketing Sales Representative (MSRs). The MSR's are based out of a home office and may, or may not, live within their assigned district. Two Regional Sales Managers (RSM's) supervise the MSR's. The Sales Division also has one Key Accounts position, as well as a Sales Division Director. There was significant turnover related to the Sales Division between the audit dated February 6, 2019, and the beginning of field work. On December 29, 2018, the previous Sales Director resigned from OAL. At that time, Executive Director, Bishop Woosley, assumed the duties of the Sales Director, coordinating with RSMs and MSRs, as well as working with the Key Accounts employee. The Executive Director would also appear on television and radio spots throughout the year performing advertising duties. On August 3, 2020, the former Executive Director resigned from OAL. On August 6, 2020, the new Executive Director, Eric Hagler was hired. On October 18, 2020, a new Sales Director was hired. During this time the prior Key Accounts employee resigned, January 1, 2021, and on August 8, 2021, a new Key Accounts employee was hired as a replacement.

Purpose, Objectives, and Scope

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

Purpose

The purpose of the audit follow-up procedures was to determine if OAL Management had effectively implemented controls, procedures, and/or processes to address the Internal Audit (IA) recommendations

reported to the OAL in the audit reported titled "Sales Forces Processes Audit", dated February 6, 2019. IA also identified risks during the planning phase of the audit that it found would be beneficial to address in the engagement. These are found in Objectives 2 through 5 below.

Objectives

1. Ensure processes and procedures have been designed, documented, and implemented to address the observations and recommendations noted in the audit report dated February 6, 2019.
2. Ensure that OAL Sales Staff abide by undocumented, but understood, policies and procedures using the Terminal Logged In/Logged Out function.
3. Ensure that there are policies and procedures, related to monitoring, by supervisors providing reasonable assurance that miles reimbursed to OAL Sales Staff were traveled and appropriate.
4. Evaluate the efficiency of sales routes traveled.
5. Ensure there are policies and procedures, related to monitoring by supervisors, providing reasonable assurance that proper hourly attendance is being reflected in AASIS.

Scope

Based on initial responses for Objective 1, procedures were limited to inquiry of the Sales Division Director, Key Accounts Manager, RSMs as well as Intralot staff for the fiscal year ending June 30, 2022. For Objectives 2 through 5, only transactions and events that had occurred during the fiscal year, prior to the completion of testing, were considered within its scope. As such, no documents or information generated after May 31, 2022, were selected for testing.

2019 Observation and Recommendations

2019 Observation and Recommendations

- *Observation #1* – No written policies or procedures exist for the Sales Department
 - *Internal Audit Recommendation* – IA recommends management compile written policies and procedures including a training manual for MSR's.
 - *Management Response* – Management will create an MSR training manual and review all internal policies and procedures, as it relates to the Sales Division. Management will create any policies or procedures that may be necessary to carry out sales division functions.
 - *Current Status and Auditor Recommendation*: As of the beginning of engagement there were no written policies and procedures for the Sales Department. As such, employees could be confused or unsure of their job duties. IA recommends Management design, document, and implement policies and procedure as they relate to the Sales Division.

Management Response - Observation #1:

Agreed. The DFA-OAL Sales Department abides by DFA policies and DFA-OAL written procedures. The sales management team will develop standard operating procedures in the form of a checklist that will be utilized and documented during the onboarding process for new hires in the Sales Division; checklists will also be utilized and documented for existing sales division staff members for any additional training that involves a change in policy or procedure. The competency checklist will provide an understanding of DFA-OAL's statutory mission, organizational and work structure, and expectations. Sales division staff will execute (signature) the checklists acknowledging their receipt of the list and any associated training.

- *Observation #2* – In many cases, the retailer manager's terminal login codes are shared with the MSR's
 - *Internal Audit Recommendation* - IA contacted 25% of the Lotteries around the country to gather information about how other Lotteries deal with this issue. Five of the 11 Lotteries contacted allow MSR's to activate packs; the other 6 Lotteries do not allow MSR's to activate packs. It should be noted that all of the 5 Lotteries that allow MSR's to activate packs recognized a risk in this practice. Three of the 5 Lotteries that allow MSR's to activate packs on behalf of the retailers require the MSR to use their own activation code instead of the retailer's. One lottery does not use activation codes at all. The one other Lottery recognized as sharing codes does require a manual signature from the retailer during a pack activation as a control.

Even with some mitigating controls in place, such as Security Department's weekly activation report review (internal control) and retailers trained to take inventory daily (external control), the risk of an MSR activating packs for personal use still exists. Therefore, IA recommends OAL consider discontinuing the practice of allowing MSR's to activate packs. If OAL decides to allow the MSR's to activate packs, at a minimum, MSR's should be assigned their own login code to allow them to activate packs without using retailer's login codes. In addition, IA recommends that OAL consider modifying the retailer agreements, so that the retailer acknowledges that they accept the risk involved with the MSR activating instant ticket packs on their behalf.

- *Management Response* - OAL uses practices which are well accepted in the industry and management is not aware of a single instance of fraud as it relates to this practice in the nine-year history of the agency. Management will review the recommendation of internal audit and make changes if deemed necessary in light of the observation.
- *Current Status and Auditor Recommendation:* Per inquiry, Management has continued the practice of allowing the retailer managers' login codes to be shared with MSRs. IA concludes that the use of a retailer's password by an MSR increases the risk of fraud by the MSR, through activating packs, and keeping the packs for personal use. Therefore, IA concurs with prior IA recommendation that OAL consider modifying its retailer agreements, so that the

retailer acknowledges that they accept the risk involved with the MSR activating instant tickets on their behalf. IA further recommends that the process be included in the policies and procedures of the Sales Division. (See Observation #1) IA would further recommend an approval form be designed and utilized in cases where MSR's do activate tickets on behalf of a retailer. The form could include, but not be limited to, the Retailer Name, Date, MSR name, as well as the reason for the MSR activation of tickets. The form should be signed and dated by the retailer as proof of authorization.

Management Response – Observation #2:

Noted. DFA-OAL has adopted practices that are well-accepted in the lottery industry. Management is unaware of a single instance of fraud as it relates to this practice during the thirteen-year existence of the agency.

Management appreciates the feedback and will continue to monitor the industry for a change in best-practices.

- *Observation #3* - There is currently no requirement on how long MSR's should keep receipts generated by the retailer's terminal.
 - *Internal Audit Recommendation* - OAL management should require all signed terminal receipts be kept by each MSR for a reasonable period. This could be accomplished by incorporating it into the OAL's written policies and procedures (see Observation #1).
 - *Management Response* - OAL management will review the recommendation and determine if the recommended action is necessary.
 - *Current Status and Recommendation*: As stated in Observation #1, as of the beginning of the engagement no policies and procedures existed for the Sales Division. However, per inquiry, Management excepted the 2019 recommendations and required all signed Terminal Transaction Receipts, to be maintained by MSR's until the end of the game run. Without formal written policies and procedures, employees could be unsure of their duties as they relate to maintaining of the Terminal Transaction Receipts. Therefore, IA recommends OAL Management include language regarding the Terminal Transaction Receipts within the policies and procedures.

Management Response – Observation #3:

Agreed. The DFA-OAL Sales Division management team has provided Marketing Sales Representatives with an electronic form for the uploading of an actual photocopy of receipts. These receipts are archived until the end of a game cycle.

- **Observation #4** - After a MAC form is submitted to Intralot, there is currently no follow-up by Intralot to convey the completion of the work requested to OAL management.
 - *Internal Audit Recommendation* - A process should be instituted for Intralot to report the status of a MAC form request to OAL management.
 - *Management Response* - OAL management will review the current process for reporting and review of MAC form statuses and work with Intralot to implement any processes necessary to improve MAC form reporting.
 - *Current Status and Recommendation*: As of the beginning of the engagement, there was still no MAC Form follow-up by Intralot to convey the completion of the work requested to OAL management by retailers. However, per inquiry of OAL and Intralot staff, Intralot developed Siebel software that will allow entry of MAC Forms into a digital format. This release was completed after field work was performed, but prior to the audit report being finalized. This will allow Intralot and the Sales Management team, to access a report of all MAC Form requests and their status. This will further allow all parties, to monitor completion of tasks and to perform follow up inquiry of tasks not performed in a timely manner. Without this reporting function, service requests could go uncompleted in a timely manner. Instances of uncompleted service requests could lead to retailer dissatisfaction and a potential loss of sales. Therefore, IA recommends OAL Management design, document, and implement policies and procedures related to monitoring of the Siebel reports. The policies and procedures should include the OAL position that is responsible for weekly review, requiring an approval signature, and state the instances where follow-up would be appropriate. (See Observation #1) IA will incorporate further testing in this area in the follow-up audit.

Managements Response – Observation #4:

Agreed. DFA-OAL has implemented follow-up procedures to ensure MAC forms are completed. The Siebel system provides access for viewing the progress of all MAC forms through the Intralot system. Additionally, Intralot will continue to provide a "Call Center Weekly Report," which lists retailer details, service dates, and CST call times.

2022 Observation and Recommendations

2022 Observation and Recommendations

Observation #5: Objective #2

Observation Title: Terminal Logged In/Logged Out Function

Internal Audit Observation: Every retailer has a terminal that is used for the selling of lottery games. Currently MSRs or RSMs, cannot be logged onto the terminals at the same time as retailers. When MSRs

or RSMs are logged in all other retailer functions are locked out, including sales. This is due to that OAL accepted the standard software configuration that comes with the hardware. It is because of this lack of dual sign in capability, MSR and RSMs log in then out to record their appointment. Per Inquiry, Log In/Log Out reports of MSRs are only spot checked by the RSMs, due to the number of MSRs. IA randomly selected a sample of six MSRs and tested a haphazardly selected month for each. IA documented that there were 35 instances where no log on occurred at the retailer when it was documented the retailer was visited per the Mileage Reimbursement Report.

Effect: Visits to retailers could not be occurring which could lead to underserved retailers and a potential loss of revenue.

Internal Audit Recommendation: Through inquiry, IA understands that Management is anticipating developing Gem Intelligence software that will enable MSRs as well as RSMs to better perform their service and sales functions. One aspect of the software will enable geo-tracking, that will record when a MSR arrives at a retailer and departs a retailer. However, it is IA's understanding that initial development has not been initiated as of the Audit Report Date. IA recommends that interim policies and procedures be designed, documented, and implemented, for RSMs that they review Log On/Log Off reports on a weekly basis to insure that MSRs are meeting the requirements of visiting the retailers on their predetermined routes. IA also believes it would be beneficial for there to be two sets of Log On/Log Offs per visit, until the Gem Intelligence comes online, for RSMs to better determine the duration of a MSR appointment at a retailer. This would allow managers to better determine if their job functions had adequate time to be performed. Another option would be to work with Intralot to design a software update that would allow both MSRs or RSMs to be dually logged into the system with the retailers. Management could reach out to Ohio or Illinois Lotteries that currently have the updated software for feedback on the system.

Management Response – Observation #5:

Noted. The primary function of the Marketing Sales Representative terminal login access is to provide retailers support with inventory management. These logins by Marketing Sales Representatives also provides a tool for verifying mileage reports of Marketing Sales Representatives and provides a record of visits to retail stores. The two DFA-OAL Regional Sales Managers monitor and review these logins weekly. Marketing Sales Representatives have been instructed to make a contemporaneous notation of any unsuccessful login's and to provide specific detail in their mileage logs.

Importantly, a previous DFA-OAL Internal Audit finding from 2018 advised the Marketing Sales Representatives and Intralot service technicians to login to a separate screen. If management adopts the recommendation set forth in Observation #5 and remains logged into the retailer's terminal during the entirety of the Marketing Sales Representatives visit to the retail store, the net result of such a process would necessarily render retailers unable to sell lottery games nor cash winning tickets presented by consumers. The potential and actual loss of revenue for scholarships renders outweighs any perceived advantages to a single login during Marketing Sales Representative service calls.

The DFA-OAL sales management team is currently partnering with Scientific Games to develop and implement the Gem Intelligence System software. This software supports geo-locating capabilities and will

capture data regarding the specific details of the Marketing Sales Representatives visit. Scientific Games is actively working with DFA-OAL Sales Division to deploy the Gem Intelligence software in 2QFY24. During the interim period, all identified discrepancies will be addressed by sales team management. DFA-OAL HR will be included when deemed necessary. Management appreciates the feedback and will continue to manually monitor the process until implementation of the Gem Intelligence software system.

Observation #6: Objective #3

Observation Title: Mileage Reimbursement Reports and Approvals

Internal Audit Observation: As discussed in Observation #5 above, Log On/Log Off Reports of MSRs are only spot checked by the RSMs. Based on this, IA determined that Log On/Log Off reports are not being utilized while reviewing and approving Mileage Reimbursement Reports. IA randomly selected a sample of six MSRs and tested a haphazardly selected month for each. IA documented that there were 23 instances where there were no miles recorded on the Mileage Reimbursement Report that were reflected in the Log On/Log Off Reports. There were four instances where the Mileage Reimbursements report had the wrong order of retailers visited in comparison to the Log On/Log Off Reports. There were an additional four instances, where the Mileage Reimbursement approved reports that had the wrong retailer listed. IA observed that there were no current terminals located at Scientific Games for MSRs or RSMs to log into to verify they arrived. Also, per inquiry, for RSMs Mileage Reimbursements, the Sales Director is not performing the review and approval. Instead that function is being performed by the CFO which, like the RSMs, is not using the Log On/Log Off Reports during the approval process.

Effect: Mileage Reimbursement reports are not being properly reviewed using support documentation leading to misstated mileage reimbursements.

Internal Audit Recommendation: IA recommends that until the Gem Intelligence system can be developed, that interim policies and procedures be designed, documented, and communicated, so RSMs use the Log On/Log Off Reports as supporting documentation when reviewing and approving Mileage Reimbursement Statements on a weekly basis. Documentation should reflect approval and be maintained according to retention criteria. Currently there are 2,200 contracted photons/terminals and 2,092 in field. IA recommends placing one of the non-utilized photons/terminals at Scientific Games warehouse that would be available for MSRs and RSMs to use the Log In/Log off function to document the trip for mileage reimbursement purposes. Taking into account that the RSMs report to the Sales Director and are structured under them within the organizational structure, IA further recommends that policies and procedures be designed, documented, and communicated, so that RSMs Mileage Reimbursement Report approval is the responsibility of the Sales Director. IA recommends the same procedures be followed as the ones IA recommended for RSMs review of MSRs Mileage Reimbursement Statements.

Management Response – Observation #6:

Agreed in part; Noted in part. Generally, the majority of Marketing Sales Representative visits are routine. Visits and routes are routinely monitored by the two Regional Sales Managers. However, Marketing Sales

Representative routes may vary for numerous reasons, including critical outages, supply shortage, or to respond to a specific retailer request for a visit. Routine visits and exceptional visits are monitored by the two Regional Sales Managers; Marketing Sales Representatives are required to address any identified discrepancies with their respective Regional Sales Manager.

As noted herein above in Observation #5, the DFA-OAL Sales Division is currently partnering with Scientific Games to develop and deploy the Gem Intelligence software system. This software supports geo-locating and data capturing capabilities. Reporting variances will be captured through the Gem Intelligence system which will be remediated. As of the week of January 15, 2023, all Regional Sales Manager mileage will be reviewed and approved by the Director of Sales.

Finally, DFA-OAL will not request that Intralot place a Photon at our local Scientific Games facility as this would take a Photon machine out of service at a cost to the lottery of approximately \$5,000. Also, the two companies are direct competitors who utilize confidential and proprietary technology in their respective systems; we are unaware of any state lottery asking a competitor to house proprietary electronic equipment at the location of a direct competitor. Management appreciates the feedback and will continue to monitor the industry for a change in best-practices.

Observation #7: Objective #4

Observation Title: Efficiency Routes

Internal Audit Observation: Per inquiry, not every MSR is based in their sales territory. This response led IA to question whether MSRs were running the most efficient route possible, as to comply with OAL's mission of maximizing scholarships in responsible ways. Using CACI & CallSmart software tools that have been contractually available to OAL, IA calculated a route optimization schedule that could save an estimated 3,614 miles a month or \$1,879 a month based on reimbursement of \$.52 a mile. Based on these calculations, IA estimated a savings of \$22,550 annually in mileage reimbursement costs to the agency.

Effect: Inefficient use of agency resources.

Internal Audit Recommendation: IA recommends that Management perform efficiency studies of their routes, and sales territories. IA also recommends that a requirement for hiring for the MSRs positions is that the candidates live within their territories or would be willing to relocate.

Management Response – Observation #7:

Noted. DFA-OAL has been provided with route efficiency plans through our commercial consultant, Camelot, which provided route suggestions for each Marketing Sales Representative to optimize travel for retailer visits. DFA-OAL utilized Camelot's software solution to establish the most feasible routes for territory alignment. The current Marketing Sales Representative territories are a direct result of the data pulled from the Camelot software solution. It should be noted, however, that some realignment was required for the following reasons.

The Camelot software solution did not in some instances consider geographical barriers. Original suggestions derived from sole reliance on a software-based mapping tool would have resulted in some Marketing Sales Representatives driving through dead space (such as state and national parks) with no lottery retail locations for miles. Similar difficulties arose when attempting to equalize the number of retailers assigned to each Marketing Sales Representatives; some Marketing Sales Representatives cover large swaths of territory that do not include a high number of retailers (retail deserts).

The sales team management has moved to revise Marketing Sales Representative routes when geographical barriers have been identified; sales team management is not inclined to divide territory based on congressional districts.

The sales management team makes every effort to hire Marketing Sales Representatives within the assigned area. However, at times it can be challenging to recruit qualified candidates within select territories. Currently, there is only one Marketing Sales Representatives residing outside their assigned area.

Observation #8: Objective #5

Observation Title: Time and Attendance

Internal Audit Observation: IA selected a sample of six MSRs to test a haphazardly selected month for each. IA took into consideration, leave, time traveled to the first retailer, visit and travel from the last retailer visit. IA further allowed for two hours for drive time and loading and unloading personal vehicle per day. Based on work performed, IA estimated that 37 days, or 29%, were spent in the field in front of retailers less than 6 hours a day. IA further noted six days where no Logged In/Logged Offs were documented. Based on these findings, IA believed it was necessary to expand testing in this area.

The additional audit procedures were to test all MSRs from January 1, 2022, through May 31, 2022. IA was able to take into consideration leave and training time, however, was not able to take in consideration travel to and from the first and last retailer. Due to this, IA continued to allow for 2 hours of drive time and loading and unloading personal vehicle. IA noted within the tested time frame, that 1,978 days were workdays. Days worked, excluding leave time, was 1,906 days. Per test work performed 983 days were spent working six hours or less, or 51.57%. IA also noted, during the same time frame, there were 44 days where no Logged In/Logged Offs were documented, and no leave time was entered into AASIS. IA further noted that in instances where MSRs worked less than six hours per day in the field, a total of eight hours was entered into AASIS as hourly employees and approved by Management. When using the 2022 budget for compensation, a total of \$200,245 is estimated annual compensation spent on time not spent in the field by MSRs. (See Exhibit A.)

Effect: Inefficient use of agency resources.

Internal Audit Recommendation: IA noted that MSR's are non-exempt employees under the Fair Labor Standards Act. IA recommends that management develop a system that can accurately capture, and document hours worked by sales staff to properly account for hours worked within the payroll system. This documentation should be used by managers in their approval of time entries in AASIS. Only the appropriate

hours worked should be entered by sales staff into their AASIS time sheets to prevent payroll expense from being overstated and improper payroll payments from occurring. IA believes it would be beneficial for all employees within the Sales Department to take a refresher course on the Payroll Policies and Procedures Manual through DFA. Any deviations from an eight-hour workday should be documented and approved by a supervisor and if deemed necessary, due to the situation, be approved by DFA's Human Resources Department.

Management Response – Observation #8:

It is understandable that there can be some difficulty in understanding and recognizing the breadth of the job duties associated with the position of Marketing Sales Representatives. Certain duties assigned to the Marketing Sales Representatives are most efficiently performed away from a retail location; thus, Marketing Sales Representatives performance cannot be measured by in-store login, alone. Examples of these duties include but are not limited to the following: detailed computer data entry, time sheets, MAC forms requesting action by Intralot, compilation of weekly/monthly mileage logs.

Additionally, detailed information regarding systemic technology issues in need of global resolution. Examples include but are not limited to the following: software issues, DFA-OAL-issued equipment issues, system outages, changing passwords and passcodes.

Certain duties of each respective Marketing Sales Representative are not attributable to any specific retailer. Rather, certain communications (via email or phone) are necessary for all retailers within a specific Marketing Sales Representatives network of responsibility. This is especially relevant during new-game activation weeks. Other duties not specific to a particular retailer include ticket inventory management reviews, organizing/packing/shipping of tickets and point-of-sale promotional items and signage.

A unique responsibility among state employees is the fact that Marketing Sales Representatives are "on call" 24 hours a day, seven days a week, including holidays. Retailers do not feel honor bound to consider the normal business hours of a Marketing Sales Representative. As such, Marketing Sales Representatives are frequently contacted after-hours, on weekends, and during holidays. Retailers are not concerned with time of day; rather, they are only interested in resolving whatever problem is causing them issues in the selling of lottery games.

It is also important to note that Marketing Sales Representatives are frequently asked to work during weekend and after-hours promotional events. Some Marketing Sales Representatives routinely drive three-hour one way to attend day-long sales meetings in Little Rock, where they also return to their home afterwards. Marketing Sales Representatives do not receive extra compensation for these after-hours, weekend, and holiday activities.

It is management's professional opinion that logins at retailers should not be used as a sole determinative factor in classifying a Marketing Sales Representative to be "at work." Logins can only be used to verify two factors: (a) verify mileage driven, and (b) provide a record of visits. If anomalies are identified during Regional Sales Management Review, then further inquiry by the regional supervisor is triggered, including possible referral to DFA-OAL HR when deemed necessary. This is the process for all other employees of

the State of Arkansas; a separate standard for DFA-OAL Marketing Sales Representative is unnecessary and unduly burdensome.

Management appreciates the feedback and will continue to monitor the industry for a change in best-practices.

Auditor Response

Based on test work performed and audit documentation obtained throughout the engagement, IA believes that Appendix A reflects a reasonable estimation. As such, IA maintains its observations and recommendations. However, based upon the following information included in the management response to Observation #8, IA has concerns that current recordkeeping procedures are insufficient to capture the activities, thereby increasing the risk of violations with Department of Transformation and Shared Services – Office of Personnel Management Policy Number 28, and Fair Labor Standards Act, specifically 29 CFR §§ 516 and 778.107.

("..Marketing Sales Representatives are frequently contacted after-hours, on weekends, and during holidays." and "It is also important to note that Marketing Sales Representatives are frequently asked to work during weekend and after-hours promotional events. Some Marketing Sales Representatives routinely drive three-hours one way to attend day-long sales meetings in Little Rock, where they also return to their home afterwards. Marketing Sales Representatives do not receive extra compensation for these after-hours, weekend, and holiday activities.")

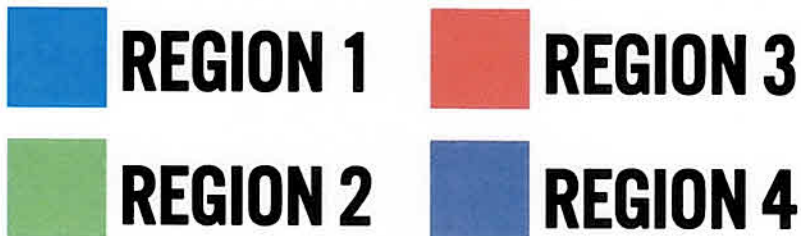
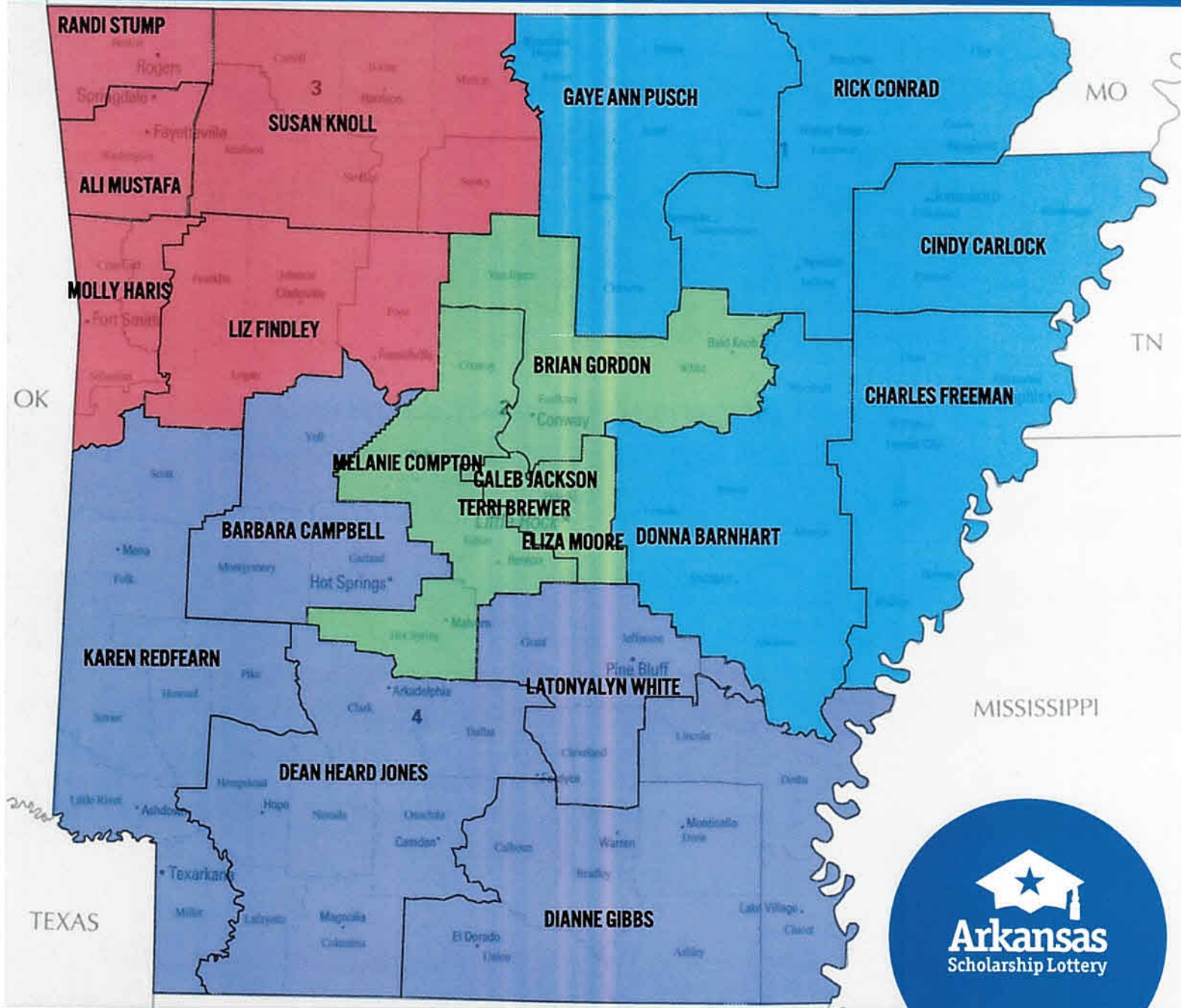
William C Miller, CPA

William C Miller, Internal Auditor



Marketing Sales Representatives Information List

OVERVIEW



SALES DIRECTOR
Mark Hearn



REGION 1 RSM
Andy Biernat

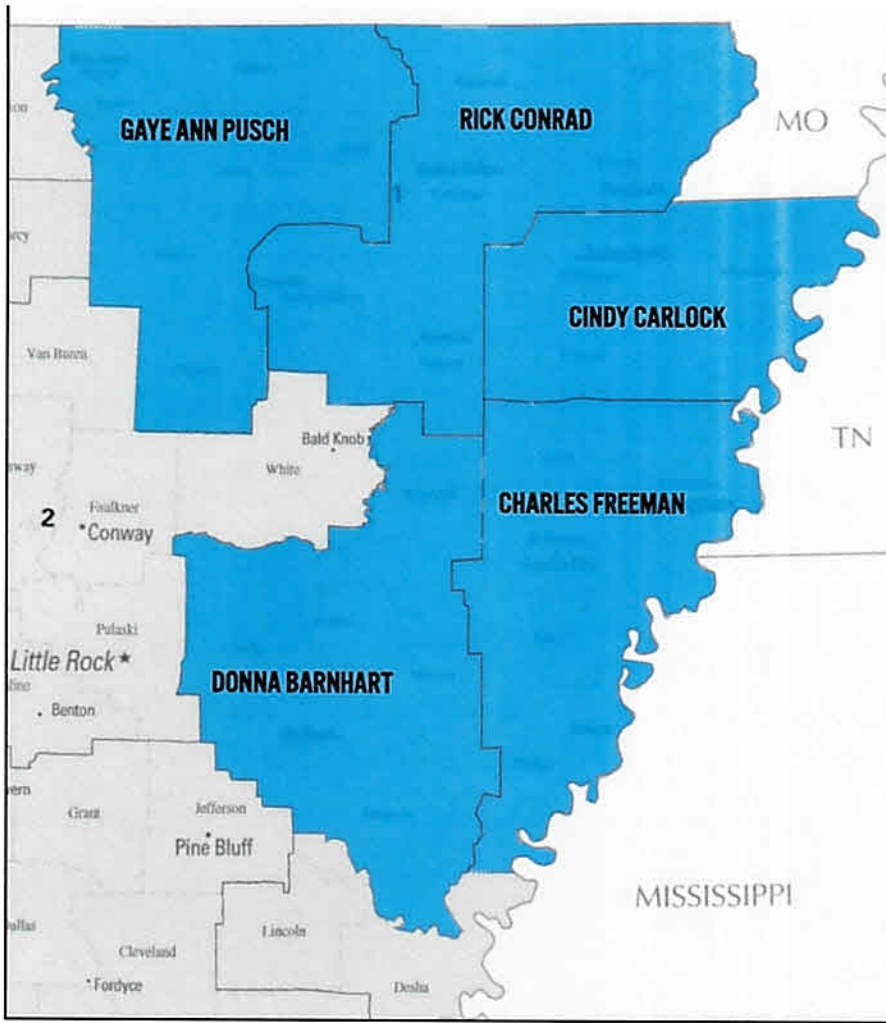


REGION 2 RSM
Linda Chambers



KEY ACCOUNTS MANAGER
Sabrina Allen





REGION 1



REGION 1 RSM:
Andy Biernat



Cindy Carlock

Craighead, Mississippi, & Poinsett



Rick Conrad

Clay, Greene, Independence,
Jackson, Lawrence, Randolph



Donna Barnhart

Arkansas, Lonoke, Monroe, Prairie,
Woodruff



Charles Freeman

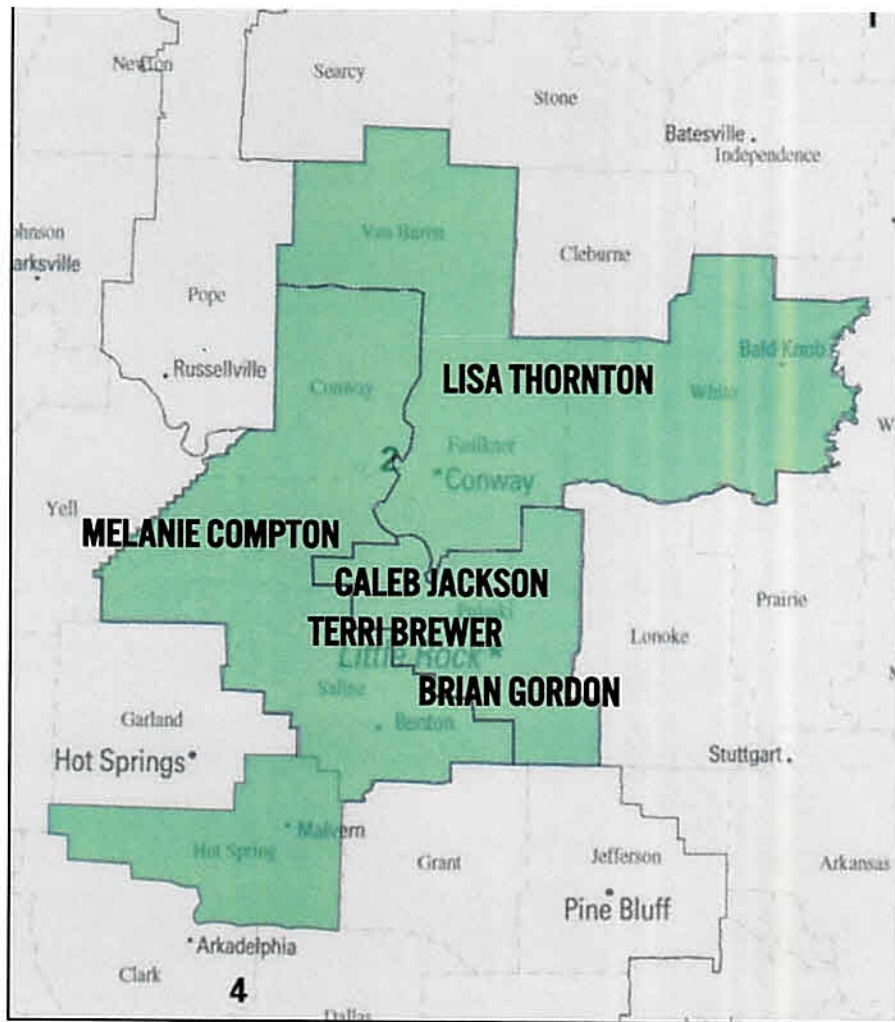
Crittenden, Cross, Lee, Phillips,
Francis



Gaye Ann Pusch

Baxter, Cleburne, Fulton, Izard,
Sharp, Stone





REGION 2



REGION 2 RSM:
Linda Chambers



Caleb Jackson
Northern Pulaski



Melanie Compton
Conway, Hot Springs, Perry, Saline



Terri Brewer
Western Pulaski County

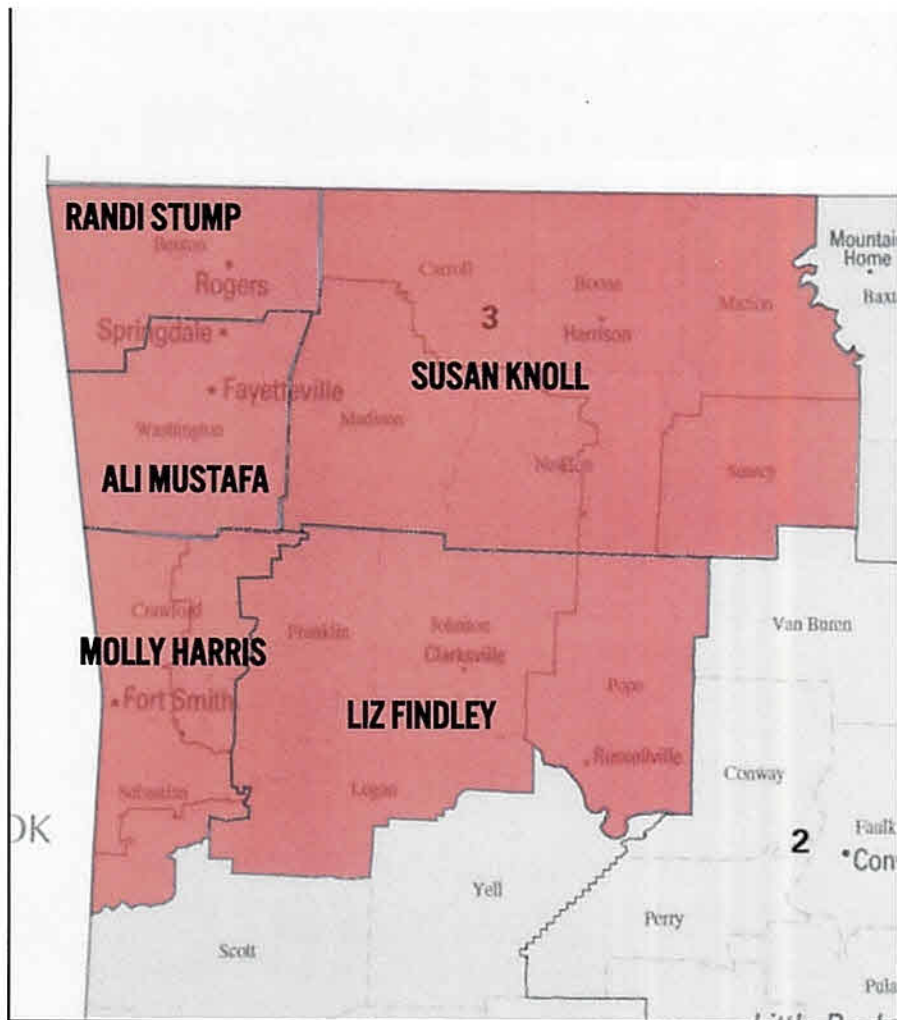


Brian Gordon
Central & Southern Pulaski



Lisa Thornton
Faulkner, White, Van Buren





REGION 3



REGION 3 RSM: Andy Biernat



Randi Stump
Washington



Ali Mustafa
Benton



Molly Harris
Sebastian & Crawford

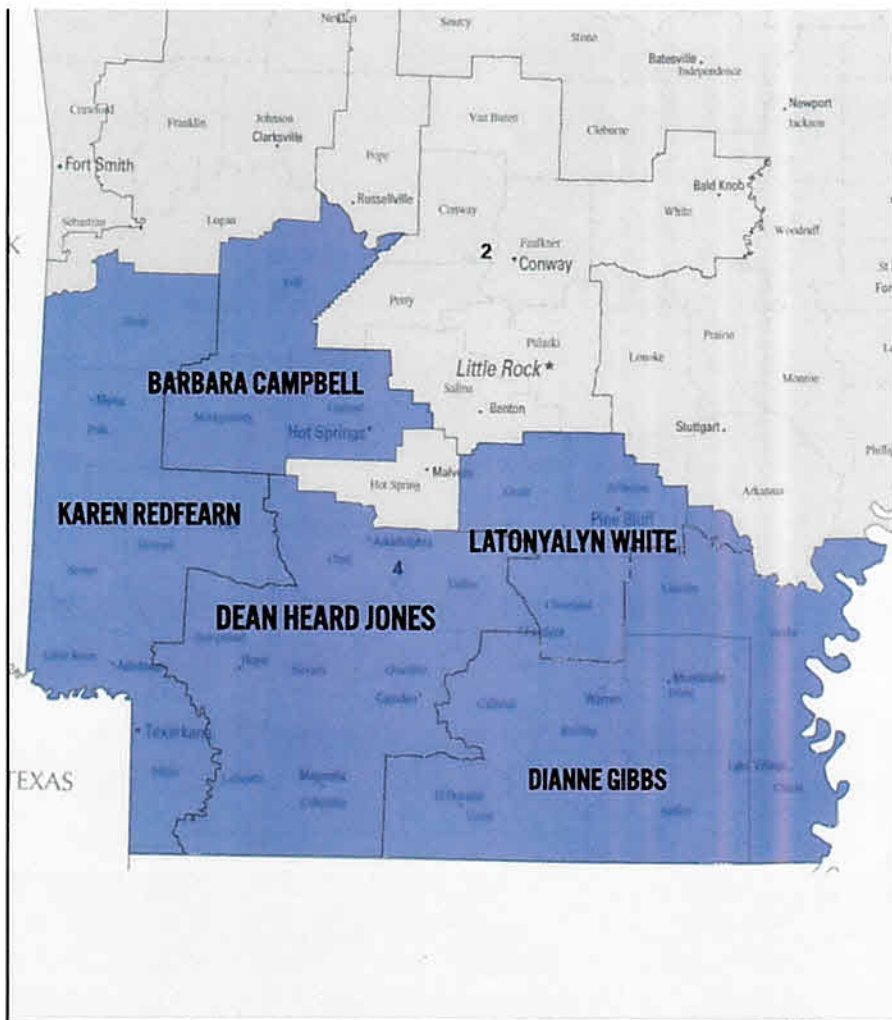


Susan Knoll
Boone, Carroll, Madison, Marion,
Newton, Searcy



Liz Findley
Franklin, Johnson, Logan, Pope,
Yell





REGION 4



REGION 4 RSM:
Linda Chambers



Barbara Campbell

Garland, Montgomery, Yell,
Hot Springs



LaTonyalyn White

Cleveland, Grant, Jefferson



Dean Heard Jones

Clark, Columbia, Dallas, Hempstead,
Lafayette, Nevada, Ouachita



Karen Redfearn

Howard, Little River, Miller, Pike,
Polk, Scott, Sevier



Dianne Gibbs

Ashley, Bradley, Calhoun, Chicot,
Desha, Drew, Lincoln, Union

