

"A Natural State of Fun!"

ARKANSAS LOTTERY  
COMMISSION

Dianne Lamberth,  
Chair

January 10, 2012

Mike Malone,  
Vice Chair

The Honorable Mike Beebe  
Governor of Arkansas  
State Capitol  
Little Rock, AR 72201

Ben Pickard,  
Secretary/Treasurer

John C. (Smokey)  
Campbell III

RE: Monthly Disclosure Reports

Bruce R. Engstrom

Dear Governor Beebe:

Steve Faris

On behalf of our agency and the Commissioners of the Arkansas Lottery Commission, please accept the attached monthly disclosure reports pursuant to §§ 23-115-206 and 23-115-302 for the month of December 2011. The report contains the following information:

Raymond Frazier

George Hammons

Patty L. Shipp

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. Arkansas Scholarship Lottery Minority- and Female-owned Business Report
13. Arkansas Scholarship Lottery Vendor Minority- and Female-owned Business Report
14. Arkansas Scholarship Lottery Demographics
15. Internal Auditor Report
16. Instant Ticket Games Released

Julie Baldrige,  
Interim Director

Respectfully submitted,

Julie Baldrige  
Interim Director

Enclosures

cc: Ms. Dianne Lamberth, Chair  
Arkansas Lottery Commission

# Arkansas

Scholarship Lottery

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Bruce R. Engstrom

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Julie Baldrige,  
Interim Director

January 10, 2012

The Honorable Mark Perry, Chair  
Arkansas Lottery Commission Legislative Oversight Committee  
One Capitol Mall, Room R-501  
Little Rock, AR 72201

RE: Monthly Disclosure Reports

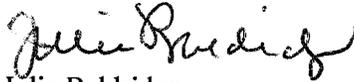
Dear Representative Perry:

On behalf of our agency and the Commissioners of the Arkansas Lottery Commission, please accept the attached monthly disclosure reports pursuant to §§ 23-115-206 and 23-115-302 for the month of December 2011. The report contains the following information:

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

Respectfully submitted,



Julie Baldrige  
Interim Director

Enclosures

cc: Ms. Dianne Lamberth, Chair  
Arkansas Lottery Commission

# Arkansas

Scholarship Lottery

"A Natural State of Fun!"

ARKANSAS LOTTERY  
COMMISSION

January 10, 2012

The Honorable Johnny Key, Chair  
Arkansas Lottery Commission Legislative Oversight Committee  
One Capitol Mall, Room R-501  
Little Rock, AR 72201

RE: Monthly Disclosure Reports

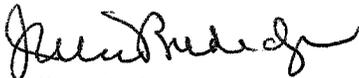
Dear Senator Key:

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Respectfully submitted,



Julie Baldridge  
Interim Director

Enclosures

cc: Ms. Dianne Lamberth, Chair  
Arkansas Lottery Commission

**Arkansas Lottery Commission Term Contracts for Goods and Services  
December 2011**

No term contracts were entered into by the Arkansas Lottery Commission during the month of December 2011.

**Arkansas Lottery Commission  
Debt Set-Off / Retailer Losses  
December 2011**

1. Retailer losses for period December 1 through December 31, 2011: There were no retailer losses for the month of December 2011.

2. Debt Set-Off:

a.	Department of Finance and Administration	\$6,143.72
b.	Office of Child Support Enforcement - Child Support	<u>\$ 1,000.00</u>
	Total Debt Set-Off:	\$7,143.72

**ARKANSAS LOTTERY COMMISSION**  
**RETAIL SALES BY COUNTY**  
**December 1 through December 31, 2011**

COUNTY	ARKANSAS 50/50	CASH 3	CASH 4	DECADES OF DOLLARS	FAST PLAY	INSTANT	MEGA MILLIONS	POWERBALL	TOTAL SALES FOR COUNTY
ARKANSAS	\$910.00	\$6,058.00	\$7,690.00	\$5,676.00	\$3,158.00	\$478,500.00	\$19,948.00	\$23,296.00	\$545,236.00
ASHLEY	\$495.00	\$13,843.50	\$14,413.50	\$2,140.00	\$1,197.00	\$104,962.00	\$8,491.00	\$14,114.00	\$159,656.00
BAXTER	\$1,160.00	\$3,991.50	\$3,434.50	\$5,778.00	\$3,205.00	\$327,522.00	\$24,764.00	\$35,103.00	\$404,958.00
BENTON	\$6,625.00	\$5,862.00	\$2,260.00	\$16,140.00	\$5,232.00	\$811,613.00	\$95,222.00	\$113,467.00	\$1,056,421.00
BOONE	\$955.00	\$2,263.50	\$1,997.00	\$3,012.00	\$2,890.00	\$340,462.00	\$18,774.00	\$25,464.00	\$395,817.50
BRADLEY	\$410.00	\$1,007.50	\$650.00	\$1,224.00	\$672.00	\$130,500.00	\$4,947.00	\$6,793.00	\$146,203.50
CALHOUN	\$150.00	\$455.50	\$474.00	\$816.00	\$291.00	\$46,200.00	\$2,176.00	\$3,091.00	\$53,653.50
CARROLL	\$695.00	\$532.00	\$589.00	\$1,910.00	\$2,402.00	\$231,563.00	\$14,022.00	\$16,204.00	\$267,917.00
CHICOT	\$1,070.00	\$5,968.00	\$3,225.50	\$4,074.00	\$1,377.00	\$177,000.00	\$24,560.00	\$33,841.00	\$251,115.50
CLARK	\$985.00	\$3,424.50	\$1,910.50	\$3,470.00	\$1,717.00	\$390,474.00	\$16,955.00	\$20,328.00	\$439,264.00
CLAY	\$335.00	\$741.50	\$136.50	\$1,030.00	\$565.00	\$99,110.00	\$3,620.00	\$4,689.00	\$110,227.00
CLEBURNE	\$1,595.00	\$1,047.50	\$268.00	\$5,866.00	\$2,741.00	\$310,821.00	\$26,014.00	\$29,347.00	\$377,699.50
CLEVELAND	\$260.00	\$986.50	\$847.50	\$1,240.00	\$164.00	\$59,114.00	\$3,975.00	\$5,347.00	\$71,934.00
COLUMBIA	\$575.00	\$10,979.50	\$6,562.00	\$2,542.00	\$1,883.00	\$189,828.00	\$8,662.00	\$12,832.00	\$233,863.50
CONWAY	\$1,805.00	\$7,904.00	\$2,818.00	\$5,108.00	\$2,532.00	\$451,056.00	\$24,879.00	\$27,860.00	\$523,962.00
CRAIGHEAD	\$4,620.00	\$8,873.00	\$6,503.50	\$11,264.00	\$5,271.00	\$1,300,300.00	\$69,132.00	\$80,394.00	\$1,486,357.50
CRAWFORD	\$3,240.00	\$2,439.00	\$1,793.50	\$7,462.00	\$2,030.00	\$372,600.00	\$43,538.00	\$55,411.00	\$488,513.50
CRITTENDEN	\$1,820.00	\$13,654.00	\$10,064.00	\$5,748.00	\$2,869.00	\$533,862.00	\$53,579.00	\$69,153.00	\$690,749.00
CROSS	\$1,035.00	\$2,896.00	\$2,409.50	\$1,978.00	\$881.00	\$234,900.00	\$11,632.00	\$14,058.00	\$269,789.50
DALLAS	\$480.00	\$1,457.00	\$655.00	\$1,820.00	\$3,234.00	\$147,187.00	\$7,883.00	\$9,739.00	\$172,455.00
DESHA	\$780.00	\$1,143.50	\$554.50	\$2,498.00	\$745.00	\$184,540.00	\$9,825.00	\$12,610.00	\$212,696.00
DREW	\$1,025.00	\$1,148.50	\$766.00	\$2,292.00	\$711.00	\$204,300.00	\$11,424.00	\$15,477.00	\$237,143.50
FAULKNER	\$6,785.00	\$9,990.00	\$5,559.00	\$18,750.00	\$5,753.00	\$1,196,292.00	\$93,690.00	\$104,523.00	\$1,441,342.00
FRANKLIN	\$1,110.00	\$646.00	\$182.00	\$2,014.00	\$2,283.00	\$169,200.00	\$11,617.00	\$15,453.00	\$202,505.00
FULTON	\$130.00	\$290.50	\$27.00	\$690.00	\$651.00	\$50,918.00	\$3,070.00	\$4,280.00	\$60,056.50
GARLAND	\$5,980.00	\$7,906.00	\$3,841.50	\$25,522.00	\$6,351.00	\$897,878.00	\$105,924.00	\$120,232.00	\$1,173,634.50
GRANT	\$1,090.00	\$490.00	\$447.50	\$3,050.00	\$628.00	\$162,677.00	\$14,024.00	\$16,409.00	\$198,815.50
GREENE	\$2,435.00	\$3,201.00	\$1,045.00	\$4,346.00	\$1,691.00	\$561,300.00	\$22,628.00	\$30,475.00	\$627,121.00
HEMPSTEAD	\$575.00	\$22,189.00	\$7,921.50	\$1,810.00	\$1,160.00	\$327,786.00	\$13,041.00	\$12,951.00	\$387,433.50
HOT SPRING	\$1,475.00	\$2,488.00	\$1,489.00	\$5,456.00	\$1,379.00	\$322,258.00	\$21,887.00	\$24,988.00	\$381,420.00

**ARKANSAS LOTTERY COMMISSION**  
**RETAIL SALES BY COUNTY**  
**December 1 through December 31, 2011**

COUNTY	ARKANSAS 50/50	CASH 3	CASH 4	DECADES OF DOLLARS	FAST PLAY	INSTANT	MEGA MILLIONS	POWERBALL	TOTAL SALES FOR COUNTY
HOWARD	\$380.00	\$17,224.50	\$4,983.50	\$1,584.00	\$607.00	\$125,358.00	\$6,502.00	\$6,502.00	\$163,141.00
INDEPENDENCE	\$5,780.00	\$3,684.50	\$1,763.00	\$7,094.00	\$2,496.00	\$722,915.00	\$31,042.00	\$35,386.00	\$810,160.50
IZARD	\$395.00	\$268.50	\$85.50	\$1,128.00	\$785.00	\$82,366.00	\$5,535.00	\$7,806.00	\$98,369.00
JACKSON	\$1,590.00	\$11,350.50	\$8,216.50	\$5,134.00	\$2,218.00	\$354,646.00	\$18,574.00	\$22,535.00	\$424,264.00
JEFFERSON	\$4,755.00	\$36,594.50	\$28,989.50	\$17,956.00	\$6,387.00	\$1,180,712.00	\$71,493.00	\$85,826.00	\$1,432,713.00
JOHNSON	\$1,165.00	\$318.00	\$204.00	\$2,968.00	\$1,197.00	\$270,300.00	\$14,220.00	\$19,464.00	\$309,836.00
LAFAYETTE	\$130.00	\$3,239.00	\$1,220.00	\$618.00	\$633.00	\$84,300.00	\$2,187.00	\$3,540.00	\$95,867.00
LAWRENCE	\$920.00	\$1,300.00	\$433.50	\$1,620.00	\$1,479.00	\$292,160.00	\$9,377.00	\$10,566.00	\$317,855.50
LEE	\$215.00	\$1,881.00	\$1,919.00	\$700.00	\$549.00	\$104,400.00	\$3,475.00	\$5,225.00	\$118,364.00
LINCOLN	\$390.00	\$878.50	\$229.00	\$1,036.00	\$514.00	\$105,524.00	\$6,100.00	\$6,736.00	\$121,407.50
LITTLE RIVER	\$215.00	\$3,584.00	\$1,605.50	\$924.00	\$269.00	\$64,877.00	\$5,160.00	\$4,382.00	\$81,016.50
LOGAN	\$1,170.00	\$777.00	\$161.00	\$2,968.00	\$1,730.00	\$274,371.00	\$14,499.00	\$20,390.00	\$316,066.00
LONOKE	\$4,735.00	\$7,113.50	\$2,945.00	\$15,392.00	\$4,343.00	\$1,041,558.00	\$73,672.00	\$81,923.00	\$1,231,681.50
MADISON	\$355.00	\$386.00	\$290.50	\$964.00	\$285.00	\$54,000.00	\$5,054.00	\$7,073.00	\$68,407.50
MARION	\$420.00	\$1,339.50	\$377.00	\$3,180.00	\$2,579.00	\$147,300.00	\$8,528.00	\$11,636.00	\$175,359.50
MILLER	\$1,560.00	\$24,299.50	\$8,855.50	\$3,508.00	\$2,442.00	\$467,271.00	\$24,616.00	\$20,732.00	\$553,284.00
MISSISSIPPI	\$1,475.00	\$37,036.00	\$15,152.00	\$3,236.00	\$3,278.00	\$559,624.00	\$21,670.00	\$26,753.00	\$668,224.00
MONROE	\$405.00	\$5,195.00	\$1,921.50	\$2,066.00	\$1,301.00	\$121,800.00	\$11,374.00	\$12,653.00	\$156,715.50
MONTGOMERY	\$190.00	\$156.00	\$37.00	\$456.00	\$441.00	\$25,490.00	\$3,573.00	\$4,312.00	\$34,655.00
NEVADA	\$245.00	\$2,316.00	\$792.00	\$1,472.00	\$335.00	\$180,819.00	\$6,705.00	\$6,240.00	\$198,924.00
NEWTON	\$155.00	\$167.50	\$112.00	\$340.00	\$187.00	\$63,000.00	\$2,824.00	\$3,587.00	\$70,372.50
OUACHITA	\$1,680.00	\$9,979.00	\$4,850.00	\$6,360.00	\$3,556.00	\$529,566.00	\$19,557.00	\$24,134.00	\$599,682.00
PERRY	\$430.00	\$548.00	\$270.00	\$1,338.00	\$789.00	\$91,200.00	\$6,964.00	\$8,235.00	\$109,774.00
PHILLIPS	\$495.00	\$4,285.00	\$3,433.50	\$1,986.00	\$1,108.00	\$220,826.00	\$15,846.00	\$20,535.00	\$268,514.50
PIKE	\$405.00	\$75.00	\$105.50	\$1,470.00	\$149.00	\$84,900.00	\$7,795.00	\$8,425.00	\$103,324.50
POINSETT	\$1,720.00	\$6,980.50	\$2,732.50	\$2,626.00	\$2,253.00	\$502,232.00	\$17,428.00	\$22,496.00	\$558,468.00
POLK	\$1,065.00	\$754.50	\$130.00	\$2,664.00	\$1,832.00	\$144,478.00	\$10,391.00	\$14,994.00	\$176,308.50
POPE	\$4,700.00	\$5,609.00	\$2,805.00	\$11,340.00	\$3,781.00	\$879,848.00	\$55,198.00	\$62,825.00	\$1,026,106.00
PRAIRIE	\$495.00	\$5,912.50	\$1,742.00	\$1,666.00	\$840.00	\$174,900.00	\$7,883.00	\$9,746.00	\$203,184.50
PULASKI	\$28,930.00	\$96,723.50	\$69,441.50	\$109,708.00	\$34,546.00	\$6,043,388.00	\$489,865.00	\$508,744.00	\$7,381,346.00
RANDOLPH	\$840.00	\$130.50	\$88.00	\$2,244.00	\$461.00	\$145,500.00	\$8,220.00	\$8,589.00	\$166,072.50

**ARKANSAS LOTTERY COMMISSION  
RETAIL SALES BY COUNTY  
December 1 through December 31, 2011**

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SAINT FRANCIS	\$650.00	\$7,639.00	\$4,724.00	\$2,344.00	\$795.00	\$227,400.00	\$16,575.00	\$21,414.00	\$281,541.00
SALINE	\$6,055.00	\$5,246.50	\$3,396.50	\$22,016.00	\$6,539.00	\$1,305,319.00	\$112,073.00	\$115,505.00	\$1,576,150.00
SCOTT	\$300.00	\$206.00	\$35.50	\$728.00	\$1,036.00	\$128,091.00	\$5,405.00	\$8,243.00	\$144,044.50
SEARCY	\$250.00	\$2,883.00	\$854.00	\$1,500.00	\$1,420.00	\$93,734.00	\$4,826.00	\$6,215.00	\$111,682.00
SEBASTIAN	\$7,120.00	\$13,422.00	\$4,389.50	\$16,582.00	\$5,440.00	\$825,865.00	\$90,503.00	\$126,129.00	\$1,089,450.50
SEVIER	\$275.00	\$3,736.00	\$845.00	\$694.00	\$395.00	\$120,600.00	\$6,343.00	\$6,824.00	\$139,712.00
SHARP	\$975.00	\$1,195.00	\$391.00	\$1,918.00	\$1,787.00	\$210,552.00	\$9,008.00	\$11,379.00	\$237,205.00
STONE	\$300.00	\$1,193.50	\$200.00	\$1,312.00	\$1,638.00	\$76,940.00	\$5,412.00	\$8,659.00	\$95,654.50
UNION	\$1,965.00	\$42,413.00	\$21,897.50	\$5,266.00	\$3,356.00	\$619,335.00	\$28,383.00	\$37,759.00	\$760,374.50
VAN BUREN	\$1,055.00	\$938.00	\$562.50	\$2,882.00	\$1,141.00	\$178,406.00	\$12,375.00	\$15,970.00	\$213,329.50
WASHINGTON	\$7,740.00	\$11,084.50	\$7,894.00	\$25,484.00	\$5,289.00	\$1,351,180.00	\$132,420.00	\$156,851.00	\$1,697,942.50
WHITE	\$3,715.00	\$3,521.00	\$3,491.50	\$11,384.00	\$8,601.00	\$1,183,618.00	\$55,212.00	\$66,067.00	\$1,335,609.50
WOODRUFF	\$495.00	\$3,377.50	\$692.00	\$1,110.00	\$373.00	\$171,832.00	\$6,970.00	\$7,724.00	\$192,573.50
YELL	\$865.00	\$1,062.50	\$309.00	\$2,374.00	\$3,180.00	\$163,800.00	\$11,755.00	\$14,660.00	\$198,005.50

<b>GRAND TOTALS</b>	<b>*Arkansas 50/50</b>	<b>*Cash 3</b>	<b>*Cash 4</b>	<b>*Decades of Dollars</b>	<b>*Fast Play</b>	<b>*Instant</b>	<b>*Mega Millions</b>	<b>*Powerball</b>	<b>*Totals</b>
	\$149,770.00	\$531,900.50	\$306,107.00	\$466,066.00	\$190,023.00	\$32,611,024.00	\$2,272,490.00	\$2,653,318.00	\$39,180,698.50

\*Estimates

**Arkansas Lottery Commission  
Total Number of Active Retailers  
December 2011**

There were 1,867 active retailers as of December 31, 2011.

**Arkansas Lottery Commission**  
**Statement of Net Assets**  
**December 31, 2011**

**ASSETS**

**Current assets:**

Cash and Cash Equivalents	\$ 3,583,560.34
Restricted Assets:	
Cash and cash equivalents	51,163,291.80
Accounts receivable	11,737,200.93
Prepaid items	<u>2,022.04</u>
 Total current assets	 <u>66,486,075.11</u>

**Noncurrent assets:**

Restricted assets:	
Cash and cash equivalents	20,055,260.53
Deposits with Multi-State Lottery Asso.	1,468,900.88
Capital assets:	
Equipment	526,664.88
Leasehold Improvements	498,416.68
Less accumulated depreciation	<u>(393,472.05)</u>
 Total noncurrent assets	 <u>22,155,770.92</u>
 Total assets	 <u>\$ 88,641,846.03</u>

**LIABILITIES**

**Current liabilities:**

Accounts payable	\$ 940,776.76
Prizes payable	16,657,033.48
Accrued and other liabilities	1,185,635.37
Due to other funds	681,500.00
Due to ADHE	50,145,115.89
Compensated absences	228,865.90
Deferred revenue	<u>337,642.00</u>
 Total current liabilities	 <u>70,176,569.40</u>

**Long-Term liabilities:**

Net OPEB Obligation	<u>457,989.97</u>
 Total liabilities	 <u>70,634,559.37</u>

**NET ASSETS**

**Net assets:**

Invested in capital assets	631,609.51
Restricted for:	
Scholarship shortfall fund	20,000,000.00
Retailer fidelity fund	55,260.53
Deposits with MUSL	1,468,900.88
Future prizes or special prize promotions	1,000,000.00
Unrestricted	<u>(5,148,484.26)</u>
 Total net assets	 <u>18,007,286.66</u>
 Total liabilities & net assets	 <u>\$ 88,641,846.03</u>

**Arkansas Lottery Commission**  
**Statement of Revenue, Expenses, and Changes in Net Assets**  
**For the Six Months Ending December 31, 2011**

	Current month	Year to date
<b>Operating revenues:</b>		
Instant ticket sales	\$ 33,184,615.00	\$ 192,539,268.58
Online ticket sales	6,420,839.00	34,181,020.50
Retailer application, fidelity and service fees	55,297.64	313,513.08
Other revenue	<u>0.00</u>	<u>7,043.18</u>
 Total operating revenues	 <u>39,660,751.64</u>	 <u>227,040,845.34</u>
 <b>Operating expenses:</b>		
Instant game prizes	22,199,612.28	134,341,860.58
Online game prizes	3,104,795.97	16,571,553.38
Retailer commissions	2,216,970.48	12,736,382.26
Gaming contract costs	2,026,088.06	11,862,095.58
Compensation and benefits	466,524.22	2,814,154.32
Marketing, advertising and promotions	656,000.47	1,955,521.62
General and administrative expenses	87,532.49	630,734.35
Services provided by ADHE	109,440.00	656,640.00
Services provided by Legislative Audit Agency	28,100.00	169,100.00
Legal and professional services	39,604.85	57,349.88
Depreciation	<u>15,179.89</u>	<u>91,079.34</u>
 Total operating expenses	 <u>30,949,848.71</u>	 <u>181,886,471.31</u>
 Operating income	 8,710,902.93	 45,154,374.03
 <b>Nonoperating revenue (expense):</b>		
Interest income	32,868.44	181,726.25
 Income before transfers	 8,743,771.37	 45,336,100.28
 Transfers to:		
Transfers to ADHE	(7,888,279.14)	(45,685,747.76)
Transfers to ADHS	0.00	(200,000.00)
 Transfers from:		
Transfers from ADHE	<u>0.00</u>	<u>0.00</u>
 Change in net assets	 <u>855,492.23</u>	 <u>(549,647.48)</u>
 Total net assets -beginning		 <u>18,556,934.14</u>
Total net assets - ending		<u>18,007,286.66</u>

Arkansas Lottery Commission  
Statement of Revenue, Expenses, and Changes in Net Assets  
For the Six Months Ending December 31, 2011

	Current Month	%	Year to Date	%	Budget YTD	%	Variance YTD
<b>Operating Revenues</b>							
Instant Games	\$ 33,184,615.00	83.67	\$ 192,539,268.58	84.80	\$ 177,147,396.75	82.37	15,391,871.83
OnLine Games	6,420,839.00	16.19	34,181,020.50	15.06	37,597,514.37	17.48	(3,416,493.87)
Retailer application, fidelity	55,297.64	0.14	313,513.08	0.14	303,542.53	0.14	9,970.55
Other Revenue	<u>0.00</u>	0.00	<u>7,043.18</u>	0.00	<u>2,010.94</u>	0.00	<u>5,032.24</u>
<b>Total Operating Revenues</b>	<u>39,660,751.64</u>	100.00	<u>227,040,845.34</u>	100.00	<u>215,050,464.59</u>	100.00	<u>11,990,380.75</u>
<b>Operating Expenses</b>							
Instant Game Prizes	22,199,612.28	55.97	134,341,860.58	59.17	119,574,492.80	55.60	14,767,367.78
On-Line Game Prizes	3,104,795.97	7.83	16,571,553.38	7.30	19,223,374.24	8.94	(2,651,820.86)
Retailer Commissions	2,216,970.48	5.59	12,736,382.26	5.61	12,028,186.60	5.59	708,195.66
Gaming Contract Costs	2,026,088.06	5.11	11,862,095.58	5.22	10,954,241.66	5.09	907,853.92
Staff Compensation & Benefits	466,524.22	1.18	2,814,154.32	1.24	3,402,547.85	1.58	(588,393.53)
Marketing, Advertising & Promotions	656,000.47	1.65	1,955,521.62	0.86	2,250,000.00	1.05	(294,478.38)
General and administrative expenses	87,532.49	0.22	630,734.35	0.28	821,011.38	0.38	(190,277.03)
Services Provided by Other Agencies	137,540.00	0.35	825,740.00	0.36	882,639.98	0.41	(56,899.98)
Legal and Professional Service	39,604.85	0.10	57,349.88	0.03	40,050.00	0.02	17,299.88
Capital asset depreciation	<u>15,179.89</u>	0.04	<u>91,079.34</u>	0.04	<u>107,499.96</u>	0.05	<u>(16,420.62)</u>
<b>Total Operating Expenses</b>	<u>30,949,848.71</u>	78.04	<u>181,886,471.31</u>	80.11	<u>169,284,044.47</u>	78.72	<u>12,602,426.84</u>
<b>Operating Income</b>	8,710,902.93	21.96	45,154,374.03	19.89	45,766,420.12	21.28	(612,046.09)
<b>Non-Operating Revenue (Expense)</b>							
Interest Income	32,868.44	0.08	181,726.25	0.08	109,999.98	0.05	71,726.27
<b>Income before transfers</b>	<u>8,743,771.37</u>	22.05	<u>45,336,100.28</u>	19.97	<u>45,876,420.10</u>	21.33	<u>(540,319.82)</u>

**Arkansas Scholarship Commission**  
**Net Proceeds Transfer to Ed Trust Computation**  
**For the Six Months Ending December 31, 2011**

Year to date

<b>Operating revenues:</b>	
Instant ticket SETTLEMENTS	\$ 193,318,040.58
Online ticket sales	34,181,020.50
Retailer application, fidelity and service fees	313,513.08
Other revenue	<u>7,043.18</u>
<b>Total operating revenues</b>	<u><b>227,819,617.34</b></u>

<b>Operating expenses:</b>	
Instant game prizes SETTLEMENTS	134,318,241.00
Online game prizes	16,571,553.38
Retailer commissions	12,736,382.26
Gaming contract costs	11,862,095.58
Compensation and benefits	2,814,154.32
Marketing, advertising and promotions	1,955,521.62
General and administrative expenses	630,734.35
Services provided by ADHE	656,640.00
Services provided by Legislative Audit Agency	169,100.00
Legal and professional services	57,349.88
Current year Capital Asset cost	0.00
<b>Total operating expenses</b>	<u><b>181,771,772.39</b></u>

Change in net proceeds from operations 46,047,844.95

**Nonoperating revenue (expense):**

Interest Income	181,726.25
EDUCATION TRUST FUNDING-Current Year	(37,797,468.62)
Less Act 1180 Unclaimed Prizes	0.00
Less Transfer to ADHS	(200,000.00)
Less Current year Fidelity Fund fees	(13,055.25) restricted fund
Less Current year MUSL Reserves additions	(330,768.18) see 23-115-103(17) and (19)(A)&(B)

**NET PROCEEDS EARNED-Current Month**

**\$ 7,888,279.14**

Totals	Transfer	Interest	Total
	\$ 49,601,615.39	\$ 543,500.51	\$ 50,145,115.90
July 2010 funding - 8/13/10	\$ 8,503,421.96	\$ 37,490.77	\$ 8,540,912.73
August 2010 funding - 9/14/10	\$ 7,925,706.45	\$ 41,129.77	\$ 7,966,836.22
September 2010 funding - 10/14/10	\$ 7,361,418.43	\$ 43,339.89	\$ 7,404,758.32
October transfer to ADHE 10/1/10	\$ (65,000,000.00)		\$ (65,000,000.00)
October 2010 funding - 11/12/10	\$ 7,197,503.10	\$ 18,042.76	\$ 7,215,545.86
November 2010 funding - 12/15/10	\$ 8,235,343.71	\$ 20,925.06	\$ 8,256,268.77
December 2010 funding - 1/14/11	\$ 6,671,666.03	\$ 25,098.81	\$ 6,696,764.84
January 2011 funding - 2/11/11	\$ 9,005,241.74	\$ 28,533.34	\$ 9,033,775.08
February transfer to ADHE 2/11/11	\$ (50,000,000.00)		\$ (50,000,000.00)
February 2011 funding - 3/14/11	\$ 8,213,896.20	\$ 15,845.40	\$ 8,229,741.60
March 2011 funding - 4/13/11	\$ 10,279,304.63	\$ 12,939.26	\$ 10,292,243.89
April 2011 funding - 5/13/11	\$ 8,380,584.65	\$ 16,872.92	\$ 8,397,457.57
May 2011 funding - 6/14/11	\$ 8,500,021.38	\$ 21,763.28	\$ 8,521,784.66
June 2011 funding - 7/15/11	\$ 3,690,562.00	\$ 24,714.99	\$ 3,715,276.99
July 2011 funding - 8/12/11	\$ 7,124,686.65	\$ 28,216.33	\$ 7,152,902.98
ADHE Refund for excess funding 8/1/11	\$ 12,430,211.12		\$ 12,430,211.12
June 2011 Audit Adjustments funding - 8/3/11	\$ 60,972.09		\$ 60,972.09
August transfer to ADHE 8/4/11	\$ (60,000,000.00)		\$ (60,000,000.00)
August 2011 funding - 9/14/11	\$ 7,531,880.34	\$ 11,673.25	\$ 7,543,553.59
September 2011 funding - 10/14/11	\$ 6,961,428.55	\$ 11,751.16	\$ 6,973,179.71
October transfer to ADHE 10/13/11	\$ (10,000,000.00)		\$ (10,000,000.00)
June 2011 Audit Adjustments funding - 11/15/11	\$ (102,990.22)		\$ (102,990.22)
October 2011 funding - 11/15/11	\$ 8,121,007.71	\$ 12,698.12	\$ 8,133,705.83
November 2011 funding - 12/15/11	\$ 7,980,208.54	\$ 13,917.97	\$ 7,994,126.51
December 2011 funding - 01/15/12	\$ 7,870,103.23	\$ 18,175.91	\$ 7,888,279.14

**Arkansas Lottery Commission**  
**Unclaimed Prizes**  
**Year To Date December 31, 2011**

1. Unclaimed lottery prize money: \$2,615,988.
2. Expenditures from unclaimed lottery prize money: \$0
3. Reserved for future prizes or promotions: \$0
4. Deposits to net lottery proceeds from unclaimed lottery prize money: \$2,615,988

**ARKANSAS LOTTERY COMMISSION MINORITY- AND FEMALE-OWNED DIVERSITY COMPLIANCE REPORT**  
**December 1 through December 31, 2011**

<b>Vendors</b>	<b>Goods or Services</b>	<b>Diversity Classification</b>	<b>December 2011</b>	<b>FY 2012 Total</b>
African American Perspectives	Advertising/Public Relations	Minority-owned		\$2,500.00
Goddess Products	Office Furniture/Supplies	Minority-owned	\$1,212.66	\$9,353.74
Hogwash Detail Dent & Tint	Auto Detail and Cosmetic Repair	Minority-owned		\$268.73
Hola! Arkansas	Advertising/Public Relations	Minority-owned		\$1,500.00
Northeast Arkansas Cleaning Service	Janitorial Services	Female-owned	\$515.38	\$2,821.01
SHI International Corporation	Computer Software	Female-owned	\$2,500.00	\$9,536.58
Trivia Marketing	Advertising/Public Relations	Female-owned	\$19.35	\$79.55
<b>Totals</b>			<b>\$4,247.39</b>	<b>\$26,059.61</b>

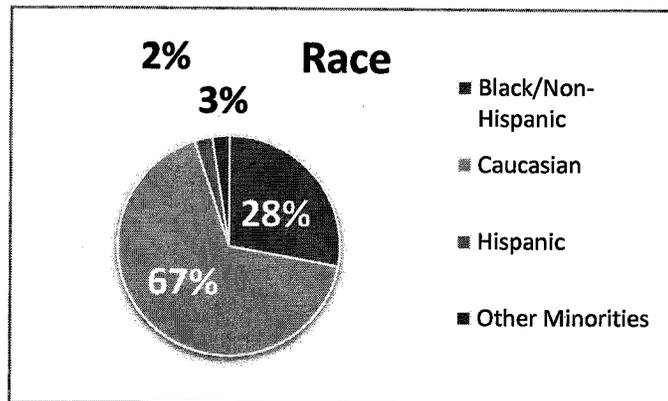
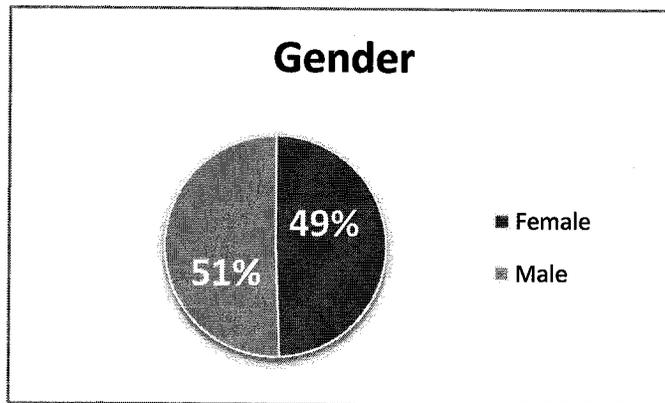
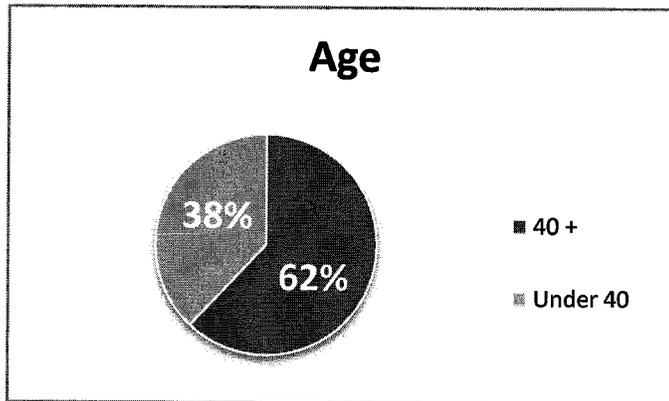
**INTRALOT MINORITY- AND FEMALE-OWNED DIVERSITY COMPLIANCE REPORT**  
**December 1 through December 31, 2011**

<b>Vendors</b>	<b>Goods or Services</b>	<b>Diversity Classification</b>	<b>December 2011</b>	<b>FY 2012 Total</b>
Goddess Products	Office Furniture/Supplies	Minority-owned		\$199.25
J. Kelly Referrals & Information Services, Inc.	Call Center/Information Services	Minority-owned	\$14,036.56	\$81,023.27
<b>Totals</b>			<b>\$14,036.56</b>	<b>\$81,222.52</b>

**SCIENTIFIC GAMES MINORITY- AND FEMALE-OWNED DIVERSITY COMPLIANCE REPORT**  
**December 1 through December 31, 2011**

<b>Vendors</b>	<b>Goods or Services</b>	<b>Diversity Classification</b>	<b>December 2011</b>	<b>FY 2012 Total</b>
Central Copiers	Office Supplies/Equipment	Female-owned		\$474.80
Expedited Transportation Service	Transportation	Female-owned	\$9,265.20	\$95,603.24
Mr. Klean Carpet and Janitorial Service	Janitorial Services	Minority-owned	\$298.30	\$2,266.40
Premier Staffing	Staffing Services	Female-owned	\$1,664.40	\$15,312.48
<b>Totals</b>			<b>\$11,227.90</b>	<b>\$113,656.92</b>

**Arkansas Lottery Commission  
Demographics – December 2011**



**Total Number of Employees as of December 31, 2011: 79**

**Gender:**

Females – 39

Males – 40

**Age:**

Under 40 – 30

40 + – 49

**Race:**

**Black/Non-Hispanic – 22**

Female – 14

Male - 8

**Caucasian – 53**

Female - 23

Male - 30

**Hispanic – 2**

Female - 2

Male - 0

**Other – 2**

Female - 0

Male - 2

**Arkansas Lottery Commission**  
**Instant Games**  
**December 2011**

Sales for the following instant games began December 6, 2011. No ending dates have been determined for these games.

\$1 Lucky Buck

\$2 Quick \$200

\$3 Betty Boop™ Crossword<sup>1</sup>

\$10 The Money Game

<sup>1</sup> Betty Boop™ Crossword is a licensed property game. There are no additional merchandise costs for this game.

Sales for the following Fast Play game began December 5, 2011. The ending date has not been determined for this game.

\$1 Holiday Cash

**Arkansas Lottery Commission – Internal Audit**  
**Arkansas Lottery Commission Legislative Oversight Committee Monthly Report**  
**January 9, 2012**

**Attachment A - Review of Findings and Recommendations from the Division of Legislative Audit's June 30, 2011 Audit Report.**

No other issues or problems have been reported to the Arkansas Lottery Commission since the previous report submitted to the Arkansas Lottery Commission Legislative Oversight Committee on December 7, 2011.

**Arkansas Lottery Commission – Internal Audit  
Review of Findings and Recommendations from the Division of Legislative Audit's  
June 30, 2011 Audit Report  
Status Report – January 9, 2012**

**Audit Report Finding 2011-1:**

Ark. Code Ann. § 23-115-205(a)(12) provides that the Commission has powers necessary to select and contract with vendors. Additionally, Ark. Code Ann. § 23-115-701(c)(2) requires the Commission to solicit competitive bids for major procurement contracts, which Ark. Code Ann. § 23-115-103(14)(A) defines as a contract for a gaming product or service costing more than \$75,000. The Commission awarded the comprehensive advertising, marketing, and media service contract to a vendor, for which JM Associates, Inc. was a subcontractor. Subsequently, without a contract, the Agency paid JM Associates, Inc. \$91,740 for producing commercials for broadcast, thus circumventing procurement law.

**Recommendation for Finding 2011-1:**

We recommend the Agency seek advice from the Arkansas Lottery Commission and the Attorney General as to the legality of this arrangement.

**Audit Objective #1**

Determine that expenditures for producing commercials for broadcast are being procured through The Communications Group.

**Status** - The Lottery is procuring projects from JM Associates, Inc. through its advertising, marketing, and media services vendor. Internal Audit did not note any payments to JM Associates, Inc. during September 2011, October 2011, or November 2011.

**This finding has been cleared by Internal Audit.**

**Arkansas Lottery Commission – Internal Audit  
Review of Findings and Recommendations from the Division of Legislative Audit's  
June 30, 2011 Audit Report  
Status Report – January 9, 2012**

**Audit Report Finding 2011-2:**

Questionable travel costs noted in the prior year audit resulted with an in-depth analysis of employee travel reimbursement (TR-1) forms and supporting documentation. This review disclosed the following:

- A.** Based on travel reimbursement credits received by the Agency from the instant ticket vendor, seven instant ticket planning sessions in Alpharetta, Georgia, appeared to have been attended by management. Because the Agency did not have adequate controls relating to vendor travel reimbursements, the vendor's Director of Security was contacted to verify the attendance of management at these planning sessions, each scheduled for three days. Information obtained indicated the following:
- For three of the seven instant ticket planning sessions, there was no record of any Agency representatives in attendance; however, the instant ticket vendor's Customer Service Team Leader confirmed attendance at one of these sessions.
  - For three of the seven instant ticket planning sessions, Agency representatives signed in for only one of the three days.
  - One instant ticket planning session coincided with the instant ticket vendor's annual security symposium in Atlanta, Georgia; therefore, no attendance information was available for this planning session.
- B.** Based on analysis of vendor reimbursed travel costs and the number of business trips that resulted in the Executive Director or Vice-President of Gaming flying home, we question whether some travel was reasonable and necessary. While the Agency's employee manual requires 80 hours to constitute a full pay period, it appears the Executive Director and Vice-President of Gaming worked alternate work schedules based on analysis of travel. However, a policy authorizing alternate work schedules did not exist, and a review of leave records was inconclusive as to whether proper leave time was recorded.
- The Executive Director traveled to South Carolina, where he maintains a residence, 61 of the 261 working days in fiscal year 2011. In addition, for 10 of 16 business trips the Executive Director flew to South Carolina on the last day of the trip. As a result, the Executive Director was in non-business travel status for all or part of 71 days, or 27% of work days.
  - The Vice-President of Gaming traveled to either South Carolina or Maine, where he maintains residences, 48 of the 261 working days in fiscal year 2011. In addition, for seven of 10 business trips, the Vice-President of Gaming flew to South Carolina on the last day of the trip. As a result, the Vice-President of Gaming was in non-business travel status for all or part of 55 days, or 21% of work days.

**Arkansas Lottery Commission – Internal Audit  
Review of Findings and Recommendations from the Division of Legislative Audit's  
June 30, 2011 Audit Report  
Status Report – January 9, 2012**

C. Department of Finance and Administration (DFA) travel regulations require that the administrative head of each agency ensure all supporting documentation is maintained in connection with business travel. However, examination of supporting documentation indicated the following:

- Several instances of redacted information, including portions of flight schedules, addresses, and payment methods, were found.
- Supporting documentation for numerous TR-1 forms contained conflicting information.

**Recommendation for Finding 2011-2:**

We recommend management review DFA travel regulations to ensure travel reimbursements are adequately explained and documented. The Commission should also review the matters discussed above and assist the Agency in implementing sound business practices that strengthen controls over travel, vendor travel reimbursements, and alternate work schedules.

**Audit Objective #2**

Determine that Lottery management has enhanced its travel policies and procedures to strengthen internal controls over employee and vendor travel reimbursements.

**Status** – The Lottery's Chief Fiscal Officer (CFO) has completed a draft copy of the revised travel policies. Lottery management is in the process of reviewing the document.

**Arkansas Lottery Commission – Internal Audit  
Review of Findings and Recommendations from the Division of Legislative Audit's  
June 30, 2011 Audit Report  
Status Report – January 9, 2012**

**Audit Report Finding 2011-3:**

The Control Objectives for Information and related Technology (COBIT) Deliver and Support 12 requires that physical access controls to Agency facilities be regularly reviewed to determine proper functioning. A review indicated the following deficiencies:

- Numerous vendors and auditors had physical access to Agency offices; however, Agency security did not periodically verify that these individuals still required access, creating the risk that unauthorized individuals may access Agency facilities.
- Although policy requires data retention for 5 years, the Agency maintained records of key card door access for only 30 days, which did not sufficiently allow for examination in the event of a security breach.

**Recommendation for Finding 2011-3:**

We recommend the Agency strengthen security controls and retain an electronic record of key card door access for 5 years to comply with the Agency's internal policy GS10010.

**Audit Objective #3**

Determine that Lottery management has established policies and procedures to periodically review the access rights to Lottery facilities for vendor employees and auditors.

**Status** – The Lottery's Security, via email, requests a monthly list of employees from Intralot, Scientific Games, and Legislative Audit that will require access to Lottery facilities and the Back Office System (BOS). Lottery Security will update access to Lottery facilities/BOS based on the responses received. Internal Audit noted that the lists were obtained and reviewed by Lottery Security personnel for the months of November 2011 and December 2011.

**Arkansas Lottery Commission – Internal Audit  
Review of Findings and Recommendations from the Division of Legislative Audit's  
June 30, 2011 Audit Report  
Status Report – January 9, 2012**

**Audit Objective #4**

Determine that Lottery management has established procedures to retain an electronic record of key card door access for 5 years to comply with the Lottery's internal policy.

**Status** – Internal Audit confirmed that key door card access records have been retained in accordance with the Lottery's Records Retention Policy since September 2011.

**This finding has been cleared by Internal Audit.**

**Audit Report Finding 2011-4:**

The Control Objectives for Information and related Technology (COBIT) Deliver and Support 5 - Ensure Systems Security requires logical access controls be in place to safeguard information against damage, loss, or unauthorized use, disclosure, or modification. A third party application manages day-to-day gaming functions and provides game-specific financial data. A review indicated the following security deficiencies that increased the risk of accidental or intentional errors, fraud, or disclosure of confidential and proprietary information:

- The Agency did not periodically review user access.
- The Agency allowed the use of user-ids not attributable to a single individual.
- Password rules were inadequate as defined in State of Arkansas policy 70-002 *Password Management*.
- Vendor access allowed for modification of the application and data without Agency monitoring.
- Agency and vendor users had access to transactions not necessary to complete their job duties.

Arkansas Lottery Commission – Internal Audit  
Review of Findings and Recommendations from the Division of Legislative Audit's  
June 30, 2011 Audit Report  
Status Report – January 9, 2012

Recommendation for Finding 2011-4:

We recommend the Agency strengthen security controls to ensure user access is commensurate with the individual's job requirements, vendor transactions are adequately monitored, and password rules meet State of Arkansas policy.

Audit Objective #5

Determine that the Lottery has reviewed user access roles in the Back Office System (BOS) to ensure they are commensurate with the individual's job requirements. Also, determine that the Lottery has established procedures to periodically review security role assignments.

**Status** – Internal Audit noted that the Security Department completed a review of user security role assignments in September 2011 and updated employee and vendor access rights. Lottery Security has assigned an employee to conduct quarterly reviews of the event log application and the user role report to ensure Lottery and vendor employees have access to BOS functions based on their job duties.

Audit Objective #6

Determine that Lottery management has eliminated the use of generic user-ids not attributable to an individual and has limited vendor administrative privileges in BOS.

**Status** – The generic user-ids are no longer utilized within BOS by the Lottery. The only exception is a user-id with administrative rights in which the password is stored in a sealed envelope at Intralot's facility for emergency use only. Lottery Security has established controls to monitor the usage/non-usage of the emergency user-id. A review of a BOS user role report did not reveal any other vendor users with administrative privileges.

**Arkansas Lottery Commission – Internal Audit  
Review of Findings and Recommendations from the Division of Legislative Audit's  
June 30, 2011 Audit Report  
Status Report – January 9, 2012**

**Audit Objective #7**

Determine that the BOS password configuration conforms to the State of Arkansas policy regarding password management.

**Status** – Lottery Security has made the following changes to the BOS password configuration to ensure compliance with the State Policy concerning password security:

1. BOS users must change their password at least once every 90 days.
2. The minimum length of the password must be 8 characters.
3. A password may not be re-used within 6 password changes.

**This finding has been cleared by Internal Audit.**