

**Arkansas Lottery Commission
2010 Internal Audit Plan
Status Report
December 9, 2010**

Audit	Description	Status	Comments
Educational Trust Account - November 2009	Review transactions, confirm balance, and ensure sufficient collateralization for the month of November 2009. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account transactions.	Report Issued	Report Issue Date: February 22, 2010 No findings or recommendations to report.
Educational Trust Account - December 2009	Review transactions, confirm balance, and ensure sufficient collateralization for the month of December 2009. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account transactions.	Report Issued	Report Issue Date: February 22, 2010 No findings or recommendations to report.
Educational Trust Account - January 2010	Review transactions, confirm balance, and ensure sufficient collateralization for the month of January 2010. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account transactions.	Report Issued	Report Issue Date: February 22, 2010 No findings or recommendations to report.
Educational Trust Account - February 2010	Review transactions, confirm balance, and ensure sufficient collateralization for the month of February 2010. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account transactions.	Report Issued	Report Issue Date: March 12, 2010 No findings or recommendations to report.
Educational Trust Account - March 2010	Review transactions, confirm balance, and ensure sufficient collateralization for the month of March 2010. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account transactions.	Report Issued	Report Issue Date: April 16, 2010 No findings or recommendations to report.
Educational Trust Account - April 2010	Review transactions, confirm balance, and ensure sufficient collateralization for the month of April 2010. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account transactions.	Report Issued	Report Issue Date: May 18, 2010 No findings or recommendations to report.
Educational Trust Account - May 2010	Review transactions, confirm balance, and ensure sufficient collateralization for the month of May 2010. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account transactions.	Report Issued	Report Issue Date: June 30, 2010 No findings or recommendations to report.

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Educational Trust Account - June 2010	Review transactions, confirm balance, and ensure sufficient collateralization for the month of June 2010. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account transactions.	Report Issued	Report Issue Date: September 28, 2010 No findings or recommendations to report.
Educational Trust Account - July 2010	Review transactions, confirm balance, and ensure sufficient collateralization for the month of July 2010. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account transactions.	Report Issued	Report Issue Date: September 28, 2010 No findings or recommendations to report.
Educational Trust & Scholarship Shortfall Reserve Trust Accounts - August 2010	Review transactions, confirm balance, and ensure sufficient collateralization for the month of August 2010. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account and Scholarship Shortfall Reserve Trust Account transactions.	Report Issued	Report Issue Date: September 28, 2010 No findings or recommendations to report.
Educational Trust & Scholarship Shortfall Reserve Trust Accounts - September 2010	Review transactions, confirm balance, and ensure sufficient collateralization for the month of September 2010. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account and Scholarship Shortfall Reserve Trust Account transactions.	Report Issued	Report Issue Date: October 27, 2010 No findings or recommendations to report.
Educational Trust & Scholarship Shortfall Reserve Trust Accounts - October 2010	Review transactions, confirm balance, and ensure sufficient collateralization for the month of October 2010. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account and Scholarship Reserve Trust Account transactions.	Report Issued	Report Issue Date: November 16, 2010 No findings or recommendations to report.
Educational Trust & Scholarship Shortfall Reserve Trust Accounts - November 2010	Review transactions, confirm balance, and ensure sufficient collateralization for the month of November 2010. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account and Scholarship Reserve Trust Account transactions.	Fieldwork in -Progress	Audit fieldwork in progress. Expected completion date mid-December 2010.

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Cash 3 Draw Review - 4th Quarter 2009	Review compliance with existing draw procedures and ensure Cash 3 sales are properly accounted for on the Lottery's monthly financial statements.	Report Issued	Report Issue Date: July 6, 2010 No findings or recommendations to report.
Cash 3 Draw Review - 1st Quarter 2010	Review compliance with existing draw procedures and ensure Cash 3 sales are properly accounted for on the Lottery's monthly financial statements.	Report Issued	Report Issue Date: July 6, 2010 No findings or recommendations to report.
Cash 3 Draw Review - 2nd Quarter 2010	Review compliance with existing draw procedures and ensure Cash 3 sales, prize expense, prizes payable, and unclaimed prizes are properly accounted for.	Report Issued	Report Issue Date: September 10, 2010 No findings or recommendations to report.
Cash 3 & Cash 4 Draw Review - 3rd Quarter 2010	Review compliance with existing draw procedures and ensure Cash 3 & Cash 4 sales, prize expense, prizes payable, and unclaimed prizes are properly accounted for.	Report Issued	Report Issue Date: October 27, 2010 No findings or recommendations to report.
ASL Powerball Procedures Review - 4th Quarter 2009	Review compliance with existing ASL procedures associated with MUSL's Powerball draws and ensure ASL Powerball sales are properly accounted for on the Lottery's monthly financial statements.	Report Issued	Report Issue Date: July 6, 2010 No findings or recommendations to report.
ASL Powerball & Mega Millions Procedures Review - 1st Quarter 2010	Review compliance with existing ASL procedures associated with Mega Millions and Powerball draws and ensure ASL Mega Millions and Powerball sales are properly accounted for on the Lottery's monthly financial statements.	Report Issued	Report Issue Date: July 6, 2010 No findings or recommendations to report.
ASL Powerball & Mega Millions Procedures Review - 2nd Quarter 2010	Review ASL procedures and independent auditor reports for Mega Millions and Powerball draws. Ensure Mega Millions and Powerball sales and unclaimed prizes are properly accounted for in ASL's general ledger.	Report Issued	Report Issue Date: September 14, 2010 No findings or recommendations to report.

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ASL Powerball & Mega Millions Procedures Review - 3rd Quarter 2010	Review ASL procedures and independent auditor reports for Mega Millions and Powerball draws. Ensure ASL Mega Millions and Powerball sales, payments to/from MUSL, prize expense, prizes payable, unclaimed prizes, and MUSL reserve balances are properly accounted for.	Planned	Audit fieldwork in progress. Work performed will be included as part of Multi-State Online Games FY 2011 review.
Prize Payment Compliance Review (High Tier Prize Payouts) - 4th Quarter 2009	Review the processing and supporting documentation of high tier prize payouts during the 4th Quarter 2009.	Fieldwork in Progress	Audit fieldwork in progress. Work performed to date will be included as part of Prize Validation and Prize Payment Review project included on 2011 Internal Audit Plan.
Prize Payment Compliance Review (High Tier Prize Payouts) - 1st Quarter 2010	Review the processing and supporting documentation of high tier prize payouts during the 1st quarter of 2010.	Fieldwork in Progress	Audit fieldwork in progress. Work performed to date will be included as part of Prize Validation and Prize Payment Review project included on 2011 Internal Audit Plan.
Prize Payment Compliance Review (High Tier Prize Payouts) - 2nd Quarter 2010	Review the processing and supporting documentation of high tier prize payouts during the 2nd quarter of 2010.	Fieldwork in Progress	Audit fieldwork in progress. Work performed to date will be included as part of Prize Validation and Prize Payment Review project included on 2011 Internal Audit Plan.
Prize Payment Compliance Review (High Tier Prize Payouts) - 3rd Quarter 2010	Review the processing and supporting documentation of high tier prize payouts during the 3rd quarter of 2010.	Planned	Audit fieldwork in progress. Work performed to date will be included as part of Prize Validation and Prize Payment Review project included on 2011 Internal Audit Plan.
Instant Tickets End of Game Review - 3rd Quarter 2010	Review of sales, payouts, ending inventory, etc at the completion of instant ticket games ended during the 3rd quarter of 2010	Fieldwork in Progress	Audit fieldwork in progress. 3rd quarter 2010 and 4th quarter 2010 instant ticket end of game reviews will be combined and included as part of the 2011 Internal Audit Plan.

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Instant Ticket Game Design & Game Programming	Review of the internal controls surrounding the instant ticket game design and game programming processes.	Report Issued	Report Issue Date: August 20, 2010 Internal Audit will follow-up on findings and recommendations included in report in FY 2011.
Instant Ticket Physical & Security Controls	Internal control review of the instant ticket physical controls and ASL security controls concerning instant tickets.	Report Issued	Report Issue Date: October 27, 2010 No findings or recommendations to report.
Scientific Games' Warehouse Operations	Internal control review of Scientific Games' warehouse operations including warehouse security and instant ticket receipts, inventories, order processing, and shipments.	Report Issued	Report Issue Date: March 17, 2010 No findings or recommendations to report.
Instant Ticket Games "Play It Again"	Review of the internal controls surrounding the "Play It Again" Process.	Remove from 2010 Audit Plan	Include as part of future Audit Universe/Risk Assessment.
Instant Ticket End of Game Processes	Review of the internal controls surrounding the instant ticket end of game processes	Remove from 2010 Audit Plan	Instant ticket end of game processes are being reviewed as part of the individual instant ticket end of game reviews above.

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Instant Game Management System (IGMS)	Review of the internal controls surrounding the IGMS, including access controls and instant ticket game loading, testing, and processing.	Remove from 2010 Audit Plan	Include as part of future Audit Universe/Risk Assessment.
Prize Validation & Payment Processes	Review of the internal controls surrounding high tier prize validations and payments.	Fieldwork in Progress	Audit fieldwork started. Due to time constraints unable to complete in 2010. Included as part of 2011 Internal Audit Plan.
Internal Control Review ASL Draws (Cash 3)	Review the internal controls ensuring the integrity of the on-line draw games conducted by ASL.	Remove from 2010 Audit Plan	Include as part of future Audit Universe/Risk Assessment.
Internal Control Review ASL Procedures Associated with the Powerball and Mega Millions Draws	Review the internal controls ensuring the integrity of the multi-state on-line draw games conducted by ASL.	Fieldwork Complete	Report Issue Date: TBD No findings or recommendations to report.
Lottery Game Revenue Collections (Retail Account Sweeps)	To assess the existence and effectiveness of the controls and processes established by management of the Arkansas Scholarship Lottery to ensure the proceeds from on-line and instant ticket lottery game sales are collected in full and in a timely manner.	Report Issued	Report Issue Date: March 17, 2010 No findings or recommendations to report.
Retailer Licensing	Review the internal controls surrounding the retailer licensing process.	Remove from 2010 Audit Plan	Retailer Licensing audit will be included as part of the 2011 Internal Audit Plan.

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Payments to Multi-State Lottery Association (MUSL) - Powerball and Mega Millions	Review of payments to/from MUSL for Powerball and Mega Millions prize funds and reserve accounts. Confirm balance of reserve funds held by MUSL. Audit Period November 2009 - June 2010.	Report Issued	Report Issue Date: September 28, 2010 Note - These procedures will be performed as part of the quarterly ASL Powerball & Mega Millions Procedures Review starting with the 3rd quarter of 2010. No findings or recommendations to report.
Payments to Intralot (Online Games and Gaming System)	Review payments to Intralot to ensure compliance with contract.	Remove from 2010 Audit Plan	Include as part of future Audit Universe/Risk Assessment. Also, area reviewed by external audit.
Payments to Scientific Games (Instant Ticket Games)	Review payments to Scientific Games to ensure compliance with contract.	Remove from 2010 Audit Plan	Payments to Scientific Games to be included as part of individual instant ticket games end-of-game audits. Also, area reviewed by external audit.

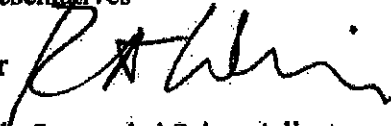


STATE OF ARKANSAS
**Department of Finance
and Administration**

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MEMORANDUM

TO: All State Agency Directors, Boards, Commissions, and
Personnel/Payroll Representatives

FROM: Richard Weiss, Director 

SUBJECT: Restoration of Previously Suspended Salary Adjustments

DATE: December 2, 2010

Today, the Governor has announced the restoration of salary adjustments that were previously suspended for Fiscal Year 2011. These increases will be effective the first pay period of 2011 (December 26, 2010 through January 8, 2011) and will be in paychecks received by state employees on January 14, 2011.

The Governor is restoring 2% of the 2.3% cost of living (COLA) increase for all state employees, excluding extra help.

Career service payments will be reinstated for eligible employees.

Merit increases may be awarded to eligible employees using the following percentages for each performance category.

Exceeds Standards:	2.25%
Above Average:	1.5%
Satisfactory	.75%

Kay Barnhill Terry, State Personnel Administrator, is issuing a follow up memorandum that will include procedural instructions for implementing these increases. If you have any questions, please contact your State Personnel Analyst in the Office of Personnel Management.

RAW:kt



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

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MEMORANDUM

TO: All State Agency Directors, Personnel Contacts, Boards, Commissions,
and Human Resource Representatives

FROM: Kay B. Terry, State Personnel Administrator *Kay B. Terry*
Department of Finance and Administration

DATE: December 2, 2010

SUBJECT: Procedural Instructions for the restoration of Salary Increases

As the Governor has announced today and as stated in Richard A. Weiss' December 2, 2010 memorandum, career service recognition payments, cost of living (COLA) and merit increases are being reinstated. The implementation procedures are as follows:

• **Cost of Living Adjustment (COLA)**

- The 2% COLA increase will be effective December 26, 2010 for all current employees excluding extra help.
- The 2% adjustment will be based on the employee's basic pay rate as of December 26th.
- Employees who are at or above the maximum rate of pay for their classification but do not have at least 15 years of service, will receive their COLA in the form of a lump sum at the end of the fiscal year. Those employees who at the career level of their classification will receive their COLA in the form of a lump sum at the end of the fiscal year.
- Increases **will not** be retroactive.
- No action will be required on the part of the agency as AASIS will generate the increase.

• **Merit Increase**

- Merit adjustments will be reinstated in the pay period beginning December 26, 2010 and awarded to current employees who are eligible based on their performance review.
- Those employees who are at or above the maximum rate of pay for their classification but do not have at least 15 years of service will receive their merit adjustment in the form of a lump sum at the end of the fiscal year. Those employees who at the career level of their classification will receive their merit adjustment in the form of a lump sum at the end of the

fiscal year. All Professional & Executive and unclassified employees will receive their adjustment in the form of a lump sum at the end of the fiscal year.

- Increases will not be retroactive.
- All performance review data must be updated in AASIS to insure employees receive their merit adjustment in a timely manner.


• **Career Service Recognition Payments**

- Payments will begin with the pay period beginning December 26, 2010.
- Payments will be awarded to currently active employees who are eligible for career service recognition payments.
- Career Service recognition payments amounts will be in accordance with Arkansas Code 21-5-106.
- Agencies will be provided a list for verification of all eligible employees.

Once your approval has been submitted, the career service recognition payment data will be loaded by the AASIS Service Center. If you do not make the December 30th deadline you will be responsible for the entry of your agency's data.

- Payments will be automatically generated in AASIS for those eligible employees who have a Career Service Date between July 1, 2010 and December 25, 2010 with the submitted agency approval. These payments will be on the January 14, 2011 paycheck.
- All career service recognition payments for dates after December 25th should be processed based on the established procedures.

Arkansas

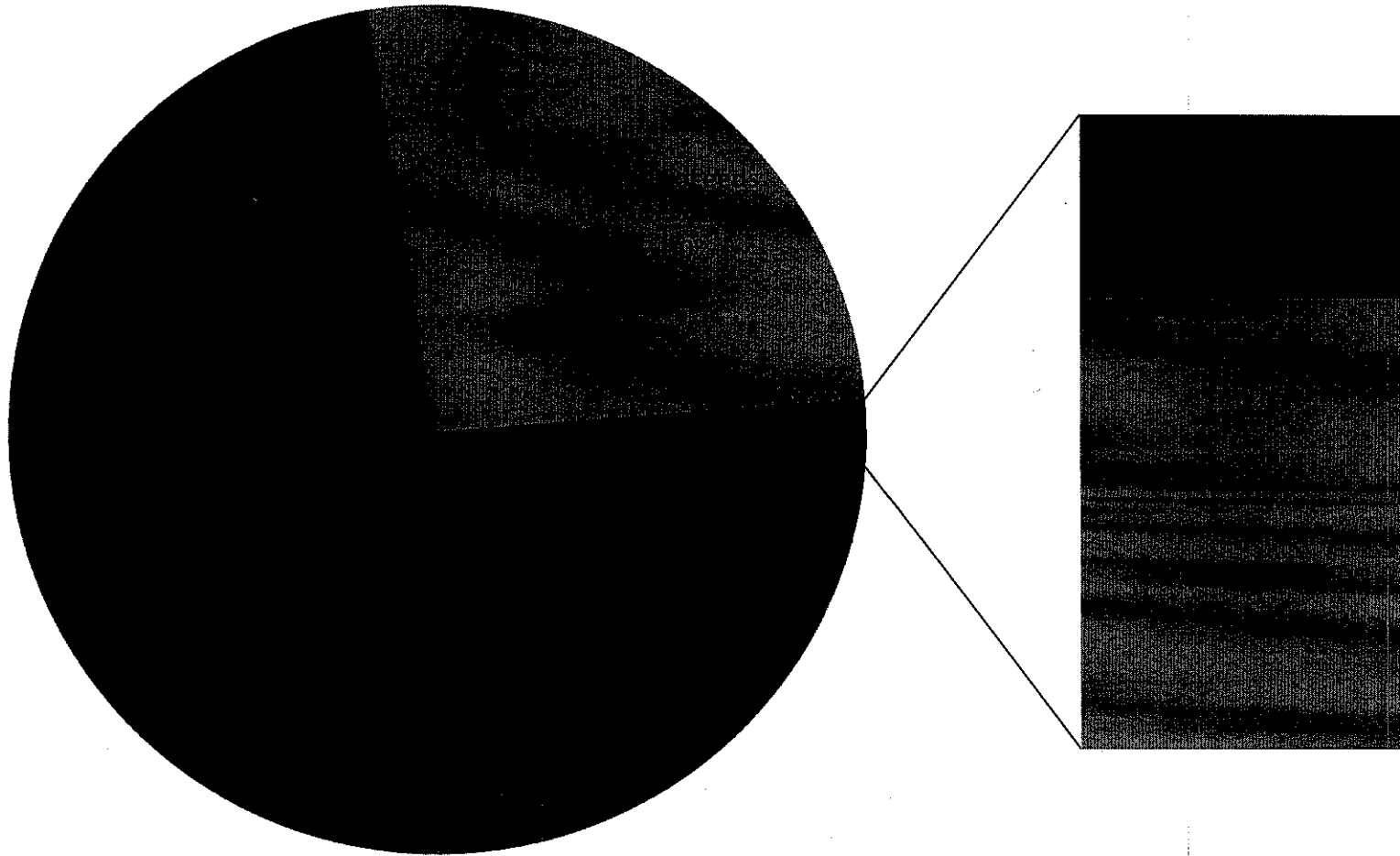


Scholarship Lottery

Commission Meeting
December 9, 2010

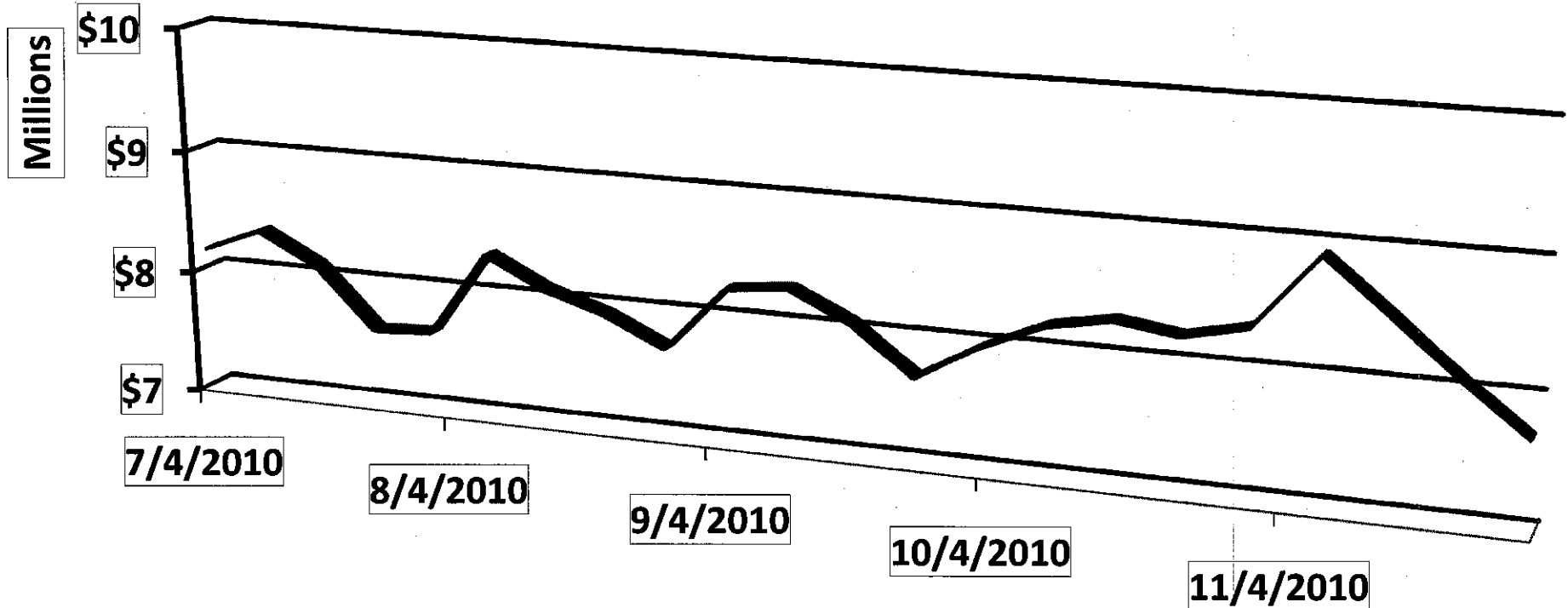
The Lottery Dollar
Five Months Ended November 30, 2010
(Unaudited)

Total Revenue \$176.9

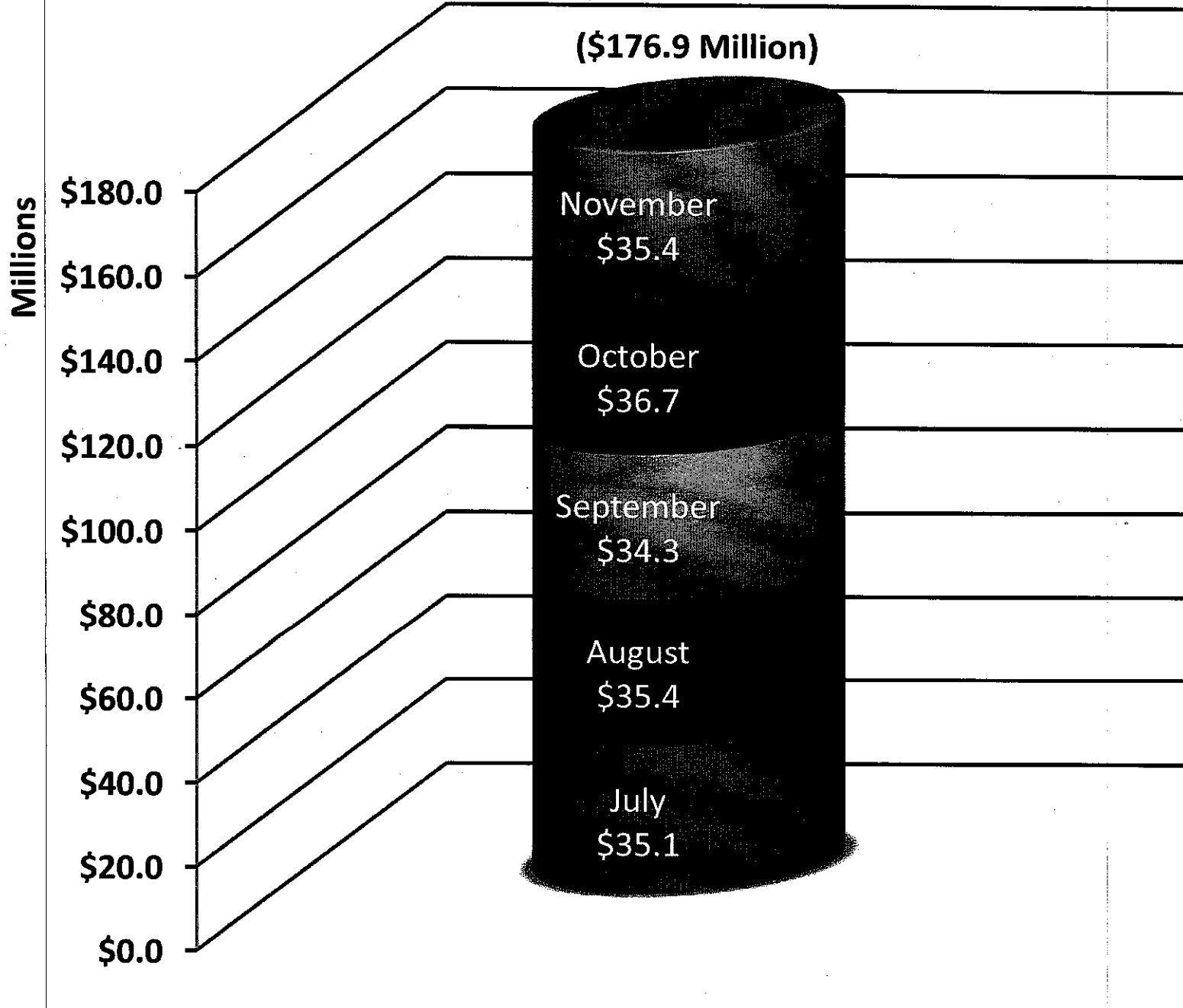


(Totals Expressed In Millions)

Weekly Sales Trend 7/01/10 – 11/28/10

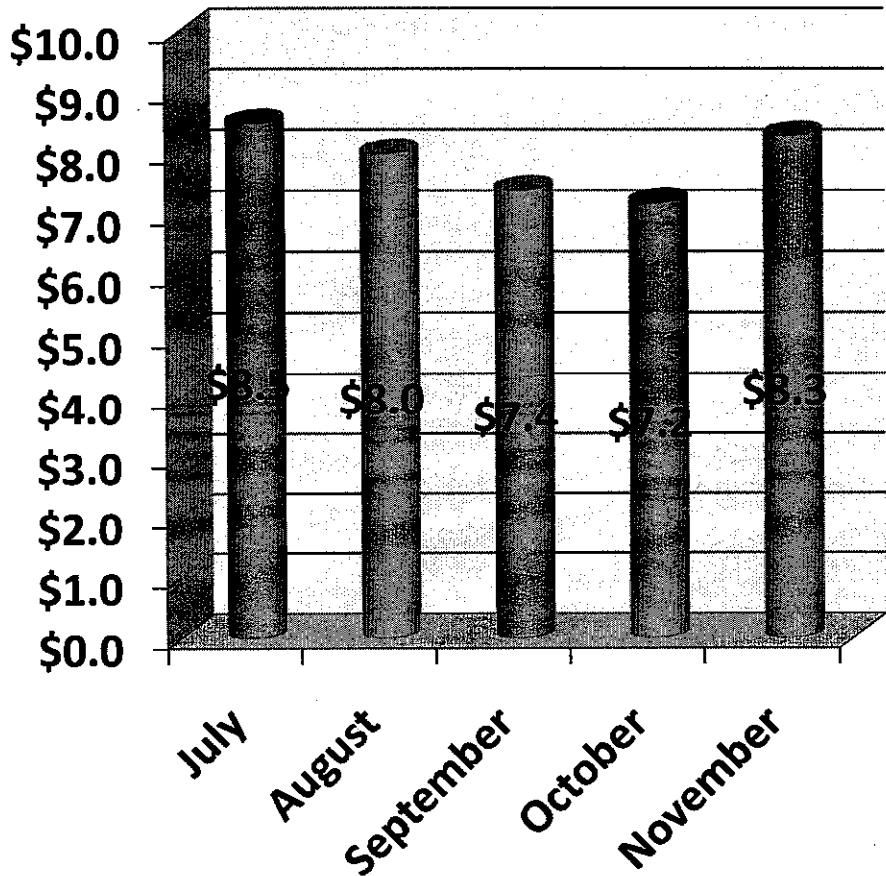


Monthly Revenue Trend



FY '11 Transfer Trend Analysis

(In Millions)



Transfers FY '11

