

AGENDA  
ARKANSAS LOTTERY COMMISSION  
Thursday, August 19, 2010  
2:15 p.m.  
Wyndham Riverfront Hotel  
Silver City V, VI, VII  
2 Riverfront Place  
North Little Rock, Arkansas

- I. Call to Order
- II. Approval of minutes of July 7, 2010
- III. Discussion of Operational Rules
- IV. Report from Director
- V. Marketing Presentation
- VI. Report from Internal Auditor
- VII. Report from Standing Committees
- VIII. Other Business
- IX. Executive Session

Adjourn

The Audit, Finance and Administration Committee will meet following the Commission meeting.

August 19, 2010



## FAMILY COUNCIL

414 S. Pulaski • Suite 2  
Little Rock, AR 72201  
(501) 375-7000

Dear Arkansas Lottery Commissioners:

I respectfully request that you voluntarily delay installation of any and all lottery machines until after the Lottery Oversight Committee and the Arkansas Legislature have had ample opportunity to consider concerns raised by members of the public and propose legislation regarding the machines and the rules that govern them at the next Arkansas General Assembly. There are four primary reasons I ask you to institute this delay.

First, there are serious deficiencies in the rules the Lottery Commission has proposed governing the lottery vending machines. Numerous statements have been made to the press by lottery representatives indicating that the vending machines will require players to swipe a driver's license in order to play, and that the machines will be under supervision by a store clerk or similar personnel, but neither of these requirements are explicitly stated in the rules the Commission is considering. Moreover, the rules use terms such as "continuous play" that are not defined in the rules, and may, therefore, open the door to future lottery vending machines that are no different than a slot machine. These rules and definitions rise to a level worthy of legislative attention, and should be clarified through amendments made to the Arkansas Lottery's enabling legislation rather than through rules and regulations handed down by the Lottery Commission.

Second, over 1,200 Arkansans sent comments to the Arkansas Lottery Commission requesting these machines not be installed. Because such a large number of citizens have engaged in the public discourse over the lottery vending machines, it is appropriate for the elected representatives of all Arkansans to have an opportunity to consider their constituents' concerns and wishes.

Third, many have voiced concerns that these machines will open the door to underage gambling in Arkansas. The Arkansas Legislature has a responsibility to ensure no action by Arkansas' government or its agencies harms its citizens. The Arkansas Legislature routinely studies the impact of legislation and government activity, and can better assess the impact lottery vending machines will have than any other group or agency.

Finally, no clearly articulated case has been made concerning the cost-benefit analysis of the machines and why they are necessary for Arkansas. Because it is important for all advantages and disadvantages to be weighed before moving ahead with a decision like this one, it is especially important that Arkansas' elected officials have ample opportunity to determine whether these machines do, in fact, represent the best interests of their constituents. Proponents and opponents of the machines will have equal opportunity to present their views to the Legislature, and the Legislature will be able to offer a clear decision on the matter.

If the Arkansas Lottery Commission genuinely believes that these machines represent the future of Arkansas' lottery and the best interest of Arkansans, then they should have nothing to fear from delaying installation of the machines until after the Arkansas Legislature has considered their proposal and offered a legislative decision on the machines and the rules that govern them.

I look forward to your response.

Sincerely,

  
Jerry Cox  
President

MINUTES  
ARKANSAS LOTTERY COMMISSION  
Wednesday, July 7, 2010  
8:30 a.m.  
ALC Conference Room  
Third Floor  
124 West Capitol Avenue  
Little Rock, Arkansas

The meeting was called to order by ALC Chair Dianne Lamberth. Commissioners Pickard, Campbell, Hammons, Malone, and White were present in person. Attending by teleconference were Commissioners Smith, Shipp, and Ward-Jones. Director Ernie Passailaigue represented the staff, along with David Barden, Ernestine Middleton, Julie Baldrige, Bishop Woosley, Lance Huey, and Patricia Vick. Internal Auditor Michael Hyde and Auditor Whitnie Hall also were present.

The minutes from the June 2, 2010, meeting were reviewed and unanimously approved.

Commissioner Lamberth recognized Commissioner Pickard, chair of the Higher Education Committee. Commissioner Pickard introduced Tara Smith and Dr. Jim Purcell of the Arkansas Department of Higher Education, who presented an informational program on the current status of the Lottery Scholarship program (Arkansas Academic Challenge Scholarships). Dr. Purcell stated that the lottery funding was making a difference. They reported 53,500 applications and went into detail about traditional and nontraditional students as well as current achievers, the number of college hours students must take and the grade point average that must be maintained in order to retain the scholarships, and other important information. The Commissioners asked for information about race, gender, and regional numbers; how students can apply if they do not have access to a computer; when students will be notified; whether there will be a breakdown by institution, county, and the like. Commissioners were told that there would be a full report in October.

Director Passailaigue then presented his report. The Lottery has raised \$29 million over the projected amount of anticipated gross revenue and has delivered almost \$83 million for scholarships during its first nine months. He discussed the financial specifics of different lottery products, unclaimed prizes, and the Ticket Vending Machines. He reported that talks are underway on a Southern Regional Lottery Game. He described the Raffle game to begin selling 500,000 \$10 tickets on July 14. Commissioner Smith inquired about sales projections and Director Passailaigue said he is comfortable with what has been projected for FY2011. Commissioner Malone asked for a presentation from the ASL Marketing team at a future meeting.

Commissioner Lamberth then recognized Commissioner Hammons, Chair of the Personnel Committee, for a report. He recommended approval of the ASL Employee Manual as amended, and moved to do so, seconded by Commissioner Ward-Jones and approved unanimously.

Commissioner Smith was recognized as Chair of the Legal Committee to give a report. He said the Committee met on June 24, elected him Chair, and discussed the TVMs

rules, specifications, and placement. A discussion was held regarding the types of businesses that the TVMs would be placed in, including airports, box stores, and larger stores that did not fit the traditional model of selling lottery tickets through check-out lines such as in most of the small businesses and convenience stores in Arkansas. He noted the changes to the Operational Rules and recommended approval, by motion made and seconded by Commissioner Ward-Jones and unanimously approved. The proposed amendments to the Operational Rules will be published to provide a period of public comment and forwarded to the Legislative Oversight Committee.

Internal Auditor Michael Hyde reported that 13 audits have been completed and thanked the officials at the Bank of the Ozarks and Chief Fiscal Officer Philip Miley for their help. He will be doing end of game audits on closed out games and said there are eight audits in progress.

Commissioner Pickard announced that the Higher Education Committee would meet immediately after adjournment. Commissioner White announced that the Retail Committee would meet immediately after adjournment. It was announced that the next meeting of the Legislative Oversight Committee was set for August 26 at 10 a.m.

Commissioner Lamberth set the next ALC meeting for August 19 at 1 p.m. There being no further business, the meeting was adjourned.

**ARKANSAS**

**Scholarship Lottery**

**Arkansas Lottery Commission**

**Meeting**

**August 19, 2010**

# July 2010 Lottery Dollar Revenue \$35.1 Million

Commissions  
\$1.9  
5.6%

Gaming  
Costs  
\$1.5  
4.2%

Net Proceeds  
\$7.5  
21.4%

Prizes  
\$23.3  
66.4%

Advertising/Marketing  
\$.3  
.7%

Admin  
\$.6  
1.7%

Other  
\$.9  
2.4%

(Amounts In Millions)

# Instant Games Unclaimed Prizes

(Amounts In Millions)

## Instant Ticket Analysis

09/28/09-07/31/10

Financial Statements	Actual Payouts
Sales	\$364.6
Prizes	\$248.1
% Payout	68.1%

Sales \$364.6  
 Prizes \$248.1  
 % Payout 68.1%

**Difference In % Payout Is 4.6%; Estimate Is 3.0% Attributable To Unclaimed Prizes.**

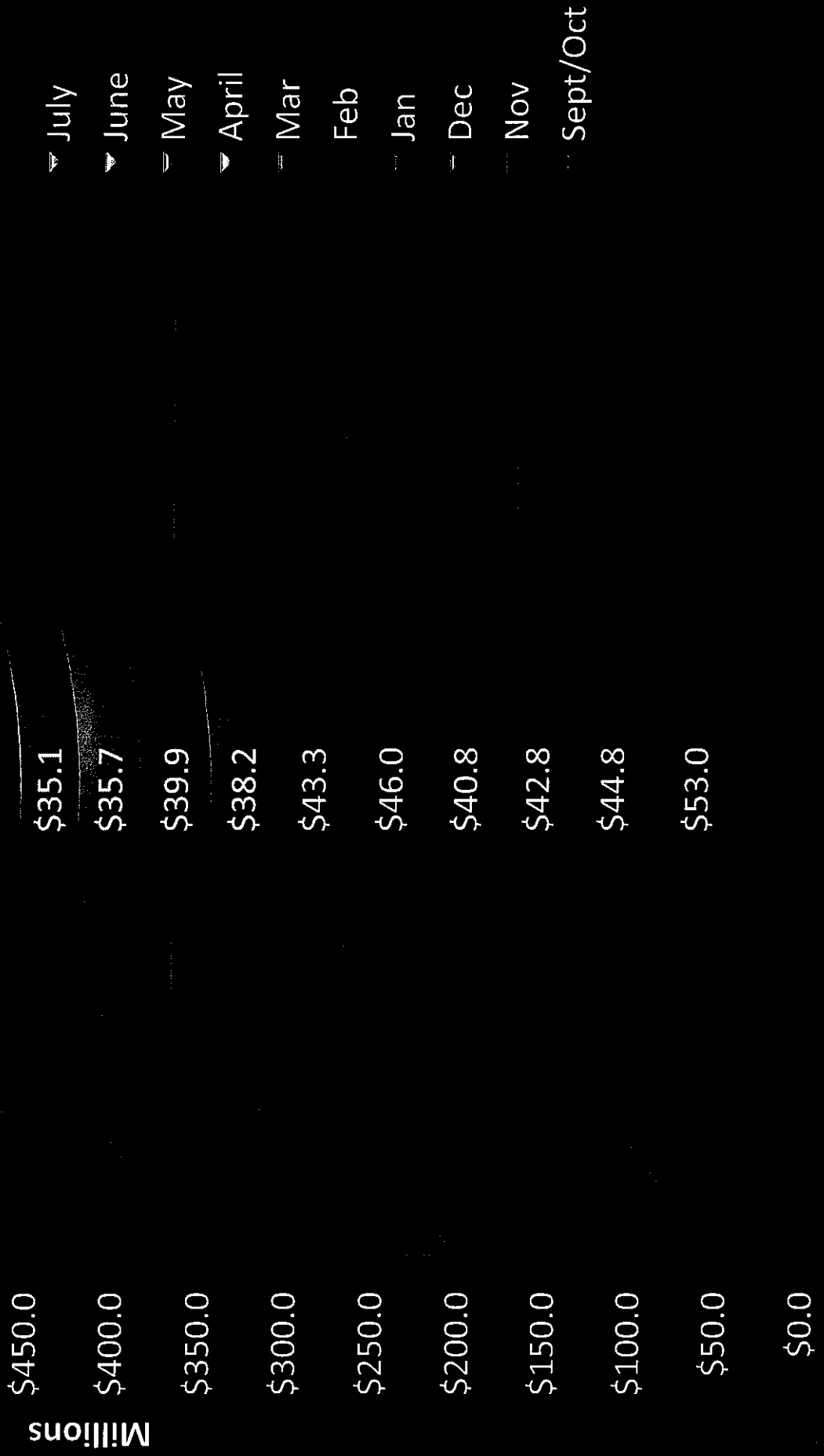
**3.0% of \$364.6 Million Equals \$10.9 Million.**

Note: The financial statements to date have zero credited for unclaimed instant ticket prizes.

## Unclaimed Prizes-Closed Games

Game	Estimated Unclaimed	% Unclaimed
Arkansas Riches	\$246,375	2.5%
Jumbo Bucks	\$546,029	2.9%
\$100,000 Cash Bonanza	\$310,101	1.6%
Super 7s	\$282,602	3.0%
Stocking Stuffer	\$ 50,194	2.1%
\$50,000 Holiday Cash	\$ 82,352	2.3%
Candy Cane Cash	\$102,642	4.1%
\$500,000 Jackpot	\$780,914	3.4%
Beat The Dealer	\$176,709	5.9%
Money Mania	\$321,586	3.4%
Lucky Loot	\$140,756	6.4%
High Stakes	\$ 81,646	5.8%
<b>Totals</b>	<b>\$3,121,906</b>	<b>3.0%</b>

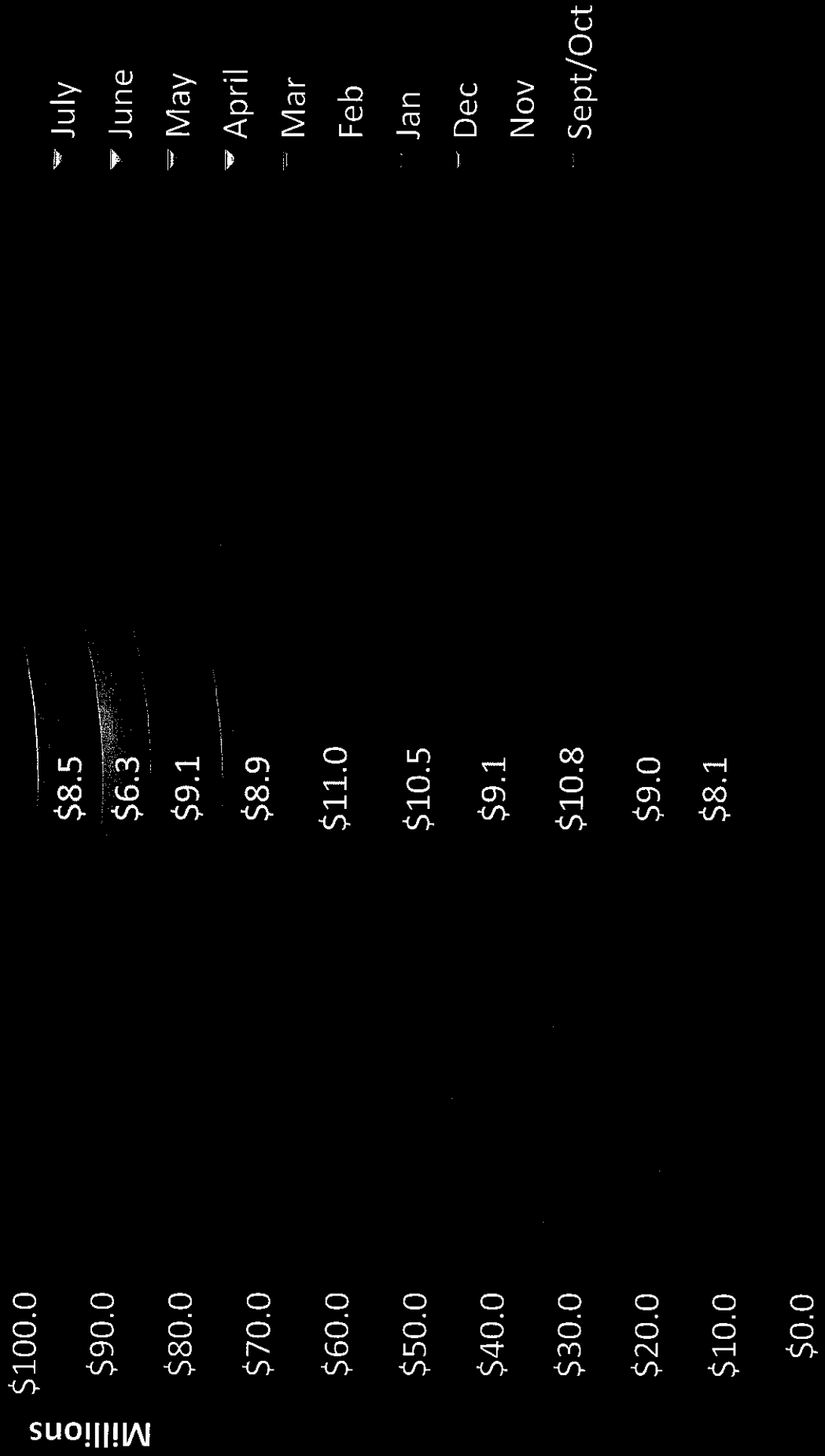
## Monthly Revenue Trend (Millions)



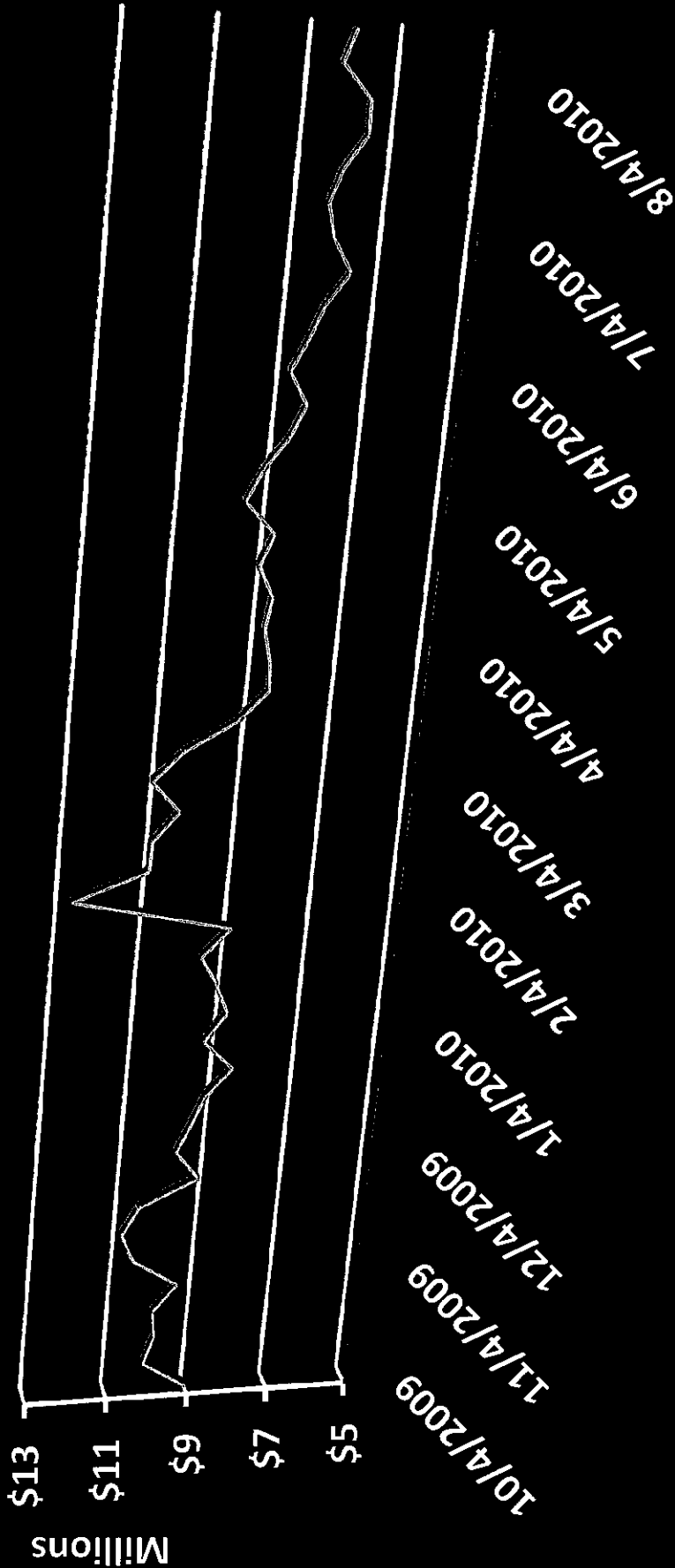


# Monthly Scholarship Transfers

## \$91.3 Million



# Weekly Sales Trend 9/28/09 - 8/15/10



# Percentages Or Dollars?

(Amounts in Millions)

State	Population	Revenues	Profits	Percentage
Arkansas (1)	2.89M	\$419.4	\$90.1	21.5%
Oklahoma (2)	3.69M	\$199.9	\$69.9	35.0%
Difference	.80M	\$219.5	\$20.2	13.5%
Estimate For Arkansas If 35% Profit Adopted		\$156.6	<b>\$54.8</b>	35.0%

(1) Period 9/28/09-07/31/10. Approximately 10 Months.

(2) Fiscal Year Ended June 30, 2010 – Source NASPL.

**Conclusion: Funding For Scholarships Would Be Cut In Half, To Approximately \$55 Million Annually.**

**Arkansas**



**Scholarship Lottery**

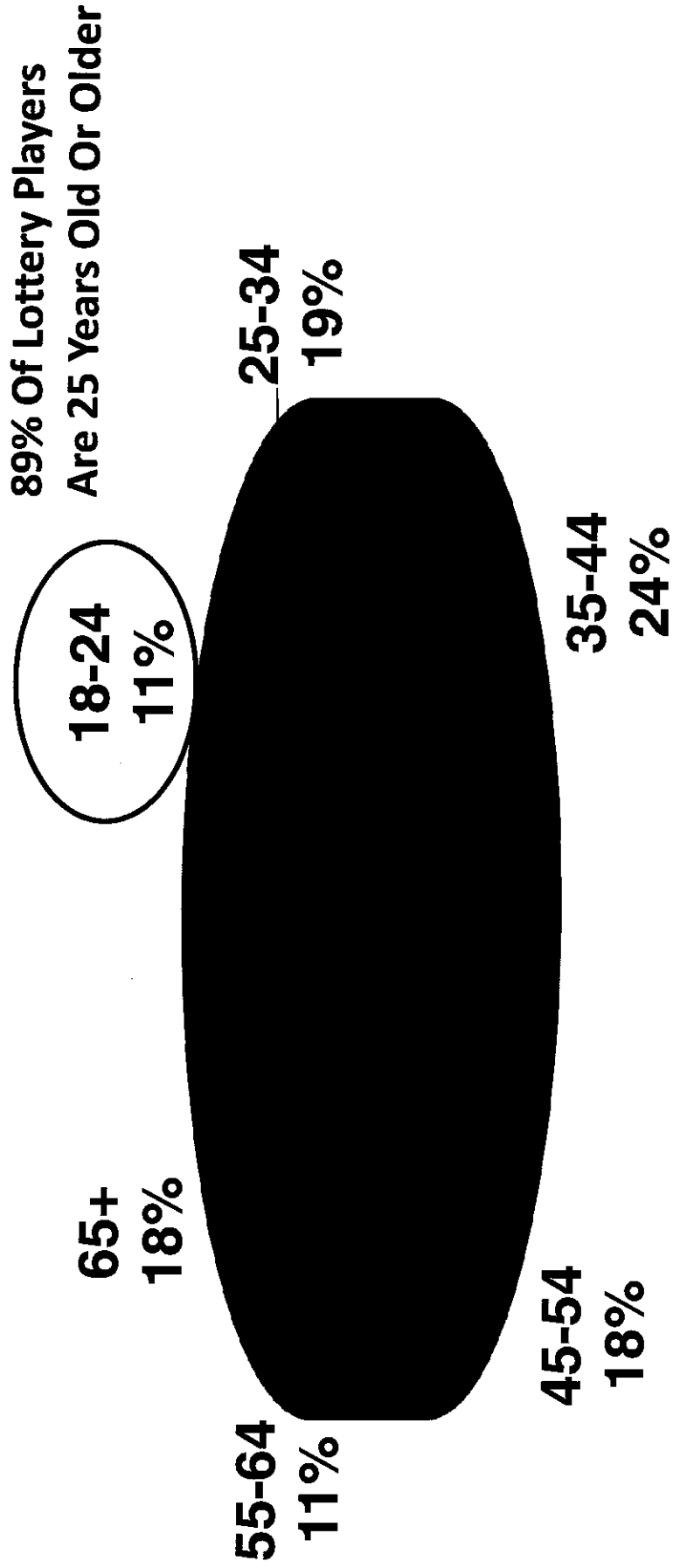
**Ticket Vending Machines**

**(TVM)**

# TVM Fact Sheet

- Nationally, the majority of lottery players are 25 years old or older (Maritz Study).
- The majority of United States lotteries (36 out of 45) have deployed or will deploy ticket vending machines (See list attached).
- Most US lotteries utilizing Ticket Vending Machines (TVM) have no age verification component built into the machine.
- The Arkansas Scholarship Lottery (ASL) signed an Online Gaming Procurement in August, 2009. This contract was signed after it was reviewed by the Legislative Oversight Committee (LOC).
- The Online Gaming Procurement with Intralot requires Intralot to deliver 100 TVM with an age verification component.
- The one hundred TVM are included in the approved base pricing agreement with Intralot, regardless of deployment.
- The Online Gaming Contract with Intralot requires the vendor to sell additional TVM for a fixed price per machine.
- The ASL Retailer Contract specifies that retailers cannot sell lottery tickets to people who have not reached the age of eighteen.
- The ASL Operational Rules further require the retailer to have an employee insight of the TVM with the ability to stop transactions, if the employee has reason to question the age of a prospective player; the retail employee would be able to then inspect the license or other public document that verifies the prospective player's age.
- The ASL believes the age verification feature built into the TVM makes the environment at least as secure, if not more secure, as the current retailer review of age of a public document (such as a driver's license), because the TVM would not be able to read a falsified identification document and hence, would not be able to activate the lottery product for sale.
- The ASL Security Department is aware of only one case prosecuted in the State of Arkansas for players under the age of eighteen attempting to purchase lottery tickets.
- Utilizing TVM allow the ASL the opportunity to broaden its retailer base to businesses that would not normally consider selling of lottery tickets. By using TVM, businesses could more efficiently sell lottery products by not only reducing high labor costs, but also transaction times at the point of check out. The majority of these prospective new retailers would be large, chain stores, such as Wal Mart, Target, Dollar General, Walgreen, etc.
- The lottery industry is transitioning to automated, vending operations similar to the transformation of banks to ATMs.
- The Arizona Office of the Auditor General, in a June 2002 Report, concluded the Arizona Lottery should make greater use of TVM (See Attached).
- The revised ASL budget passed by the Arkansas Lottery Commission (ALC) and reviewed by the LOC incorporates the deployment of one hundred TVM for Fiscal Year 2011.
- The ASL staff estimates these one hundred TVM will net five million dollars for scholarships in Fiscal Year 2011 and every subsequent (See computation attached).
- If TVM are not deployed, then the Fiscal Year 2011 budget for net scholarships would need to be reduced by five million dollars.
- If the TVM are not authorized, then the ASL staff would estimate no new revenue growth to fund scholarships in future years.

# Who Plays the Lottery - By Age A National Study By Maritz



# Lottery States That Deploy Ticket Vending Machines

(Data Supplied by Intralot)


State	State	State
Arizona	Indiana	Missouri
California	Iowa	Montana
Colorado	Kentucky	New Hampshire
Connecticut (Future Deployment)	Louisiana (Future Deployment)	New Jersey
District of Columbia	Maine	New Mexico
Florida	Maryland	New York
Georgia	Massachusetts	North Carolina
Idaho	Michigan	Ohio
Illinois	Minnesota	Oregon
		Pennsylvania
		Rhode Island
		Tennessee
		Texas
		Vermont (Future Deployment)
		Virginia
		Washington
		West Virginia
		Wisconsin

# Analysis Of Adding One Hundred Ticket Vending Machines

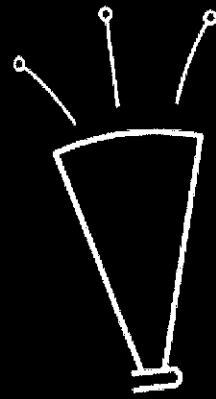
	09/28/09-06/30/10	Annualized
Lottery Sales	\$ 383,700,000	
Average Number of Retailers	1,850	
Average Sales Per Retailer	\$ 207,405	\$ 276,541
Less: Variable Costs		
Prizes		65.3%
Commissions		5.6%
Gaming Costs		<u>4.4%</u>
Total Variable Costs Percentage		<u>75.3%</u>
Variable Costs Expressed In Dollars		\$ <u>208,235</u>
Contribution Margin Per Retailer		\$ <u>68,306</u>
Annual Reduction In Scholarships: 100 Retailers		\$ <u>6,830,551</u>



# Arkansas



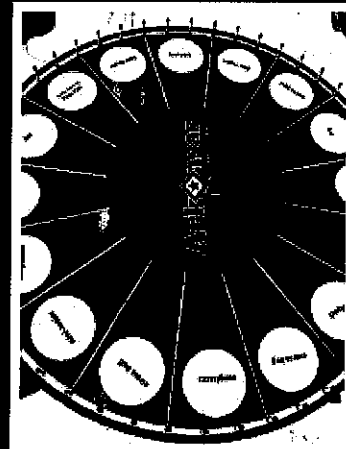
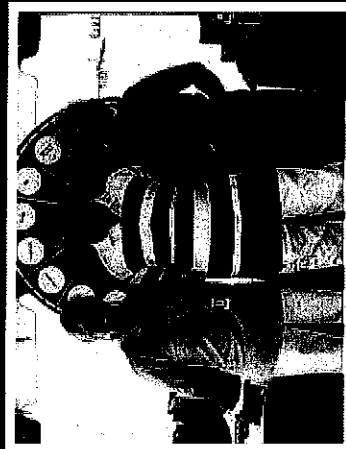
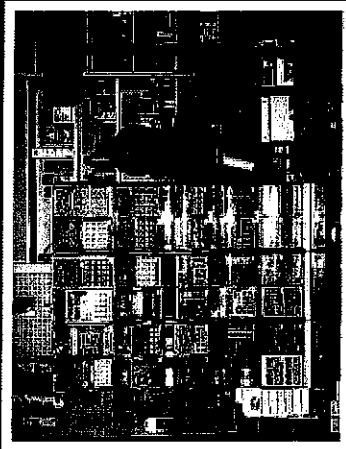
## Scholarship Lottery



PROMOTIONS  
& SPECIAL EVENTS



# RETAIL PROMOTIONS



ARIZONA  
Scholarship Lottery

ARIZONA  
Scholarship Lottery

ARIZONA  
Scholarship Lottery

ARIZONA  
Scholarship Lottery

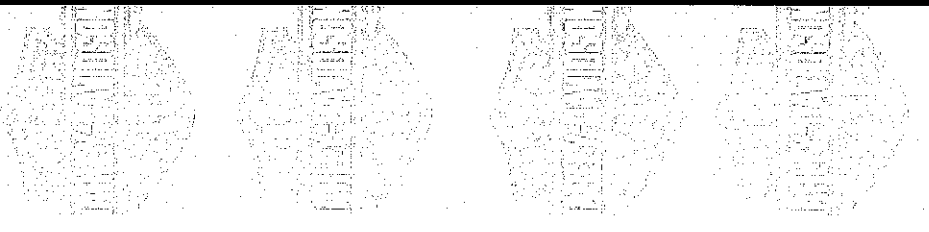
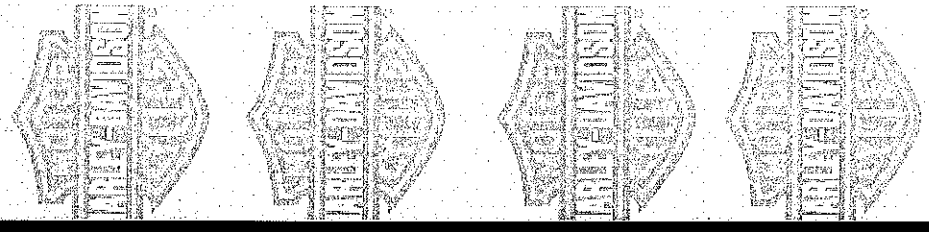
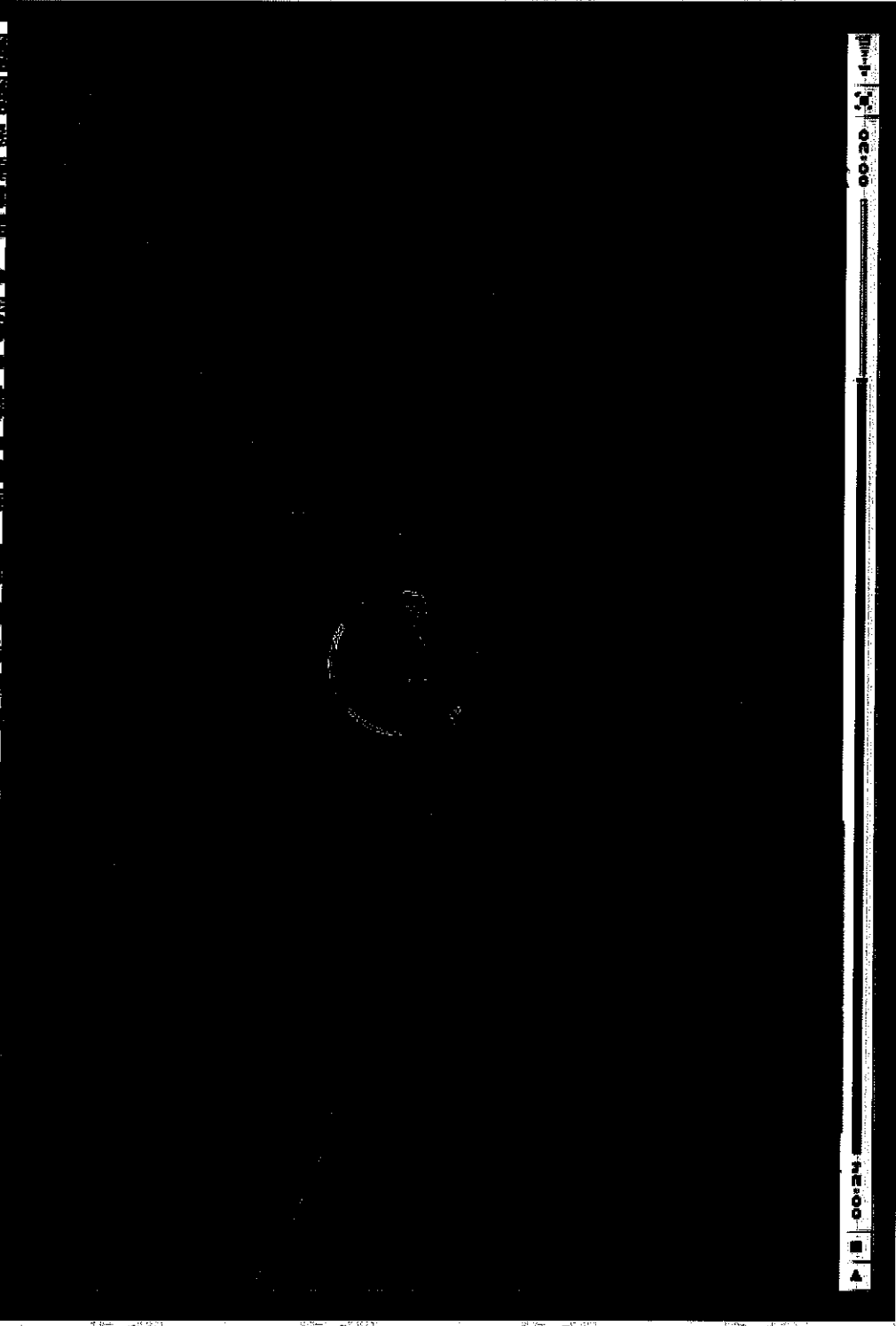
ARIZONA  
Scholarship Lottery

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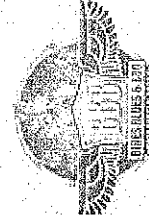
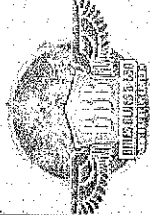
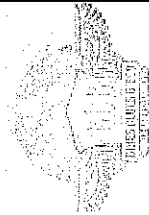
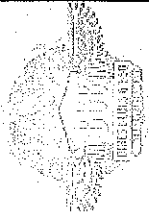
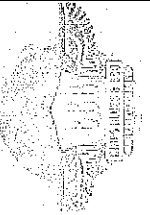
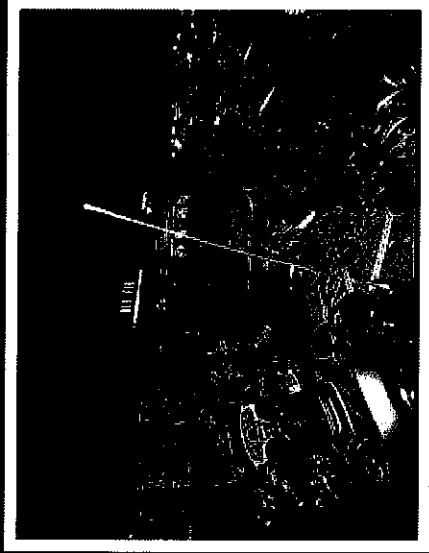
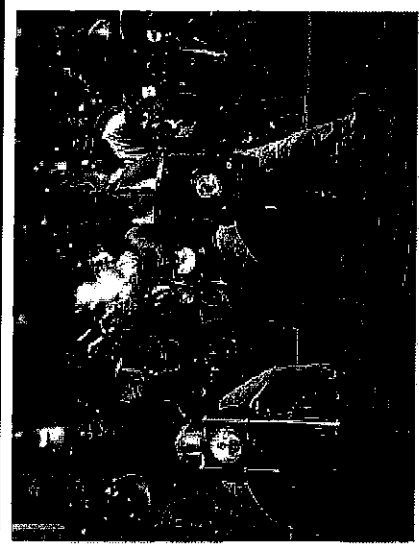
# ARKANSAS STATE H.O.G. RALLY



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R:00  
A

JULY 29 - 31

# BIKES, BLUES, & BBO

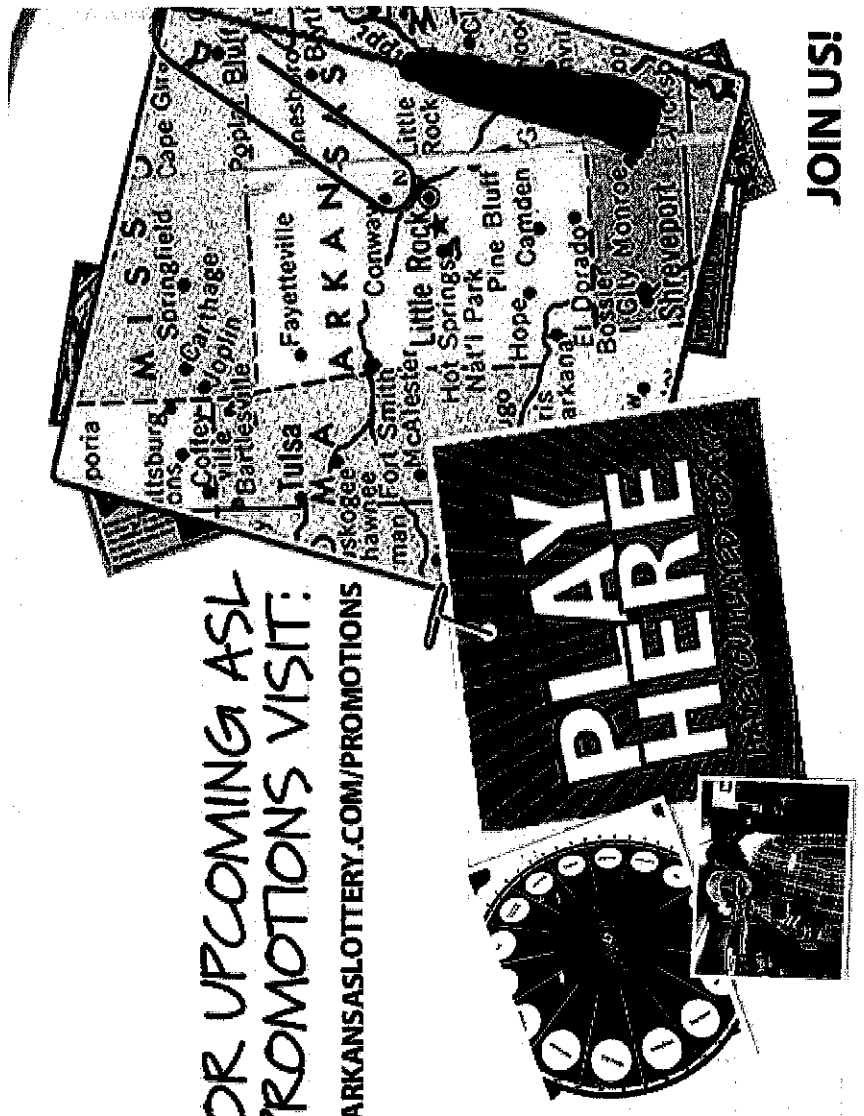


SEPTEMBER 29 - OCTOBER 2



FOR UPCOMING ASL  
PROMOTIONS VISIT:

MYARKANSASLOTTERY.COM/PROMOTIONS



JOIN US!

**Arkansas Lottery Commission  
2010 Internal Audit Plan  
Status Report  
August 19, 2010**

<b>Audit</b>	<b>Description</b>	<b>Status</b>	<b>Comments</b>
Monthly Reports			
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.

**Arkansas Lottery Commission  
2010 Internal Audit Plan  
Status Report  
August 19, 2010**

<b>Audit</b>		<b>Description</b>	<b>Status</b>	<b>Comments</b>
<b>Monthly Reports - Educational Trusts</b>				
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.	Fieldwork in Progress	Audit fieldwork substantially complete. Awaiting final fiscal year-end financial statements.	
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.	Fieldwork in Progress	Audit fieldwork substantially complete.	
Educational Trust Account - 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 transactions.	Planned	Begin early September 2010	
Educational Trust Account - 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 transactions.	Planned	Begin early October 2010	
Educational Trust Account - 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 transactions.	Planned	Begin early November 2010	
Educational Trust Account - 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 transactions.	Planned	Begin early December 2010.	

**Arkansas Lottery Commission  
2010 Internal Audit Plan  
Status Report  
August 19, 2010**

Audit Quarterly Reports	Description	Status	Comments
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.	Fieldwork Complete	In process of writing report.  No findings or recommendations to report.
Cash 3 Draw Review - 3rd Quarter 2010	Review compliance with existing draw procedures and ensure Cash 3 sales, prize expense, prizes payable, and unclaimed prizes are properly accounted for.	Planned	Perform review in October 2010.
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 compliance with existing ASL procedures associated with Mega Millions and Powerball draws and 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.	Fieldwork in Progress	Fieldwork near completion.



**Arkansas Lottery Commission  
2010 Internal Audit Plan  
Status Report  
August 19, 2010**

<b>Audit</b>		<b>Description</b>	<b>Status</b>	<b>Comments</b>
<b>Quarterly Reports completed</b>				
ASL Powerball & Mega Millions Procedures Review - 3rd Quarter 2010	Review compliance with existing ASL procedures associated with Mega Millions and Powerball draws and 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	Perform review in October 2010.	
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.	Planned		
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.	Planned		
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.	Planned		
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		

**Arkansas Lottery Commission**  
**2010 Internal Audit Plan**  
**Status Report**  
**August 19, 2010**

Audit	Description	Status	Comments
Instant Ticket End of Game Report - Game 009: Stocking Stuffer	Review of sales, payouts, ending inventory, etc at the completion of an instant ticket game.	Planned	Reviews will be scheduled upon the completion of instant ticket games determined by ASL management.
Instant Ticket End of Game Report - Game 010: \$50,000 Holiday Cash	Review of sales, payouts, ending inventory, etc at the completion of an instant ticket game.	Planned	Reviews will be scheduled upon the completion of instant ticket games determined by ASL management.
Instant Ticket End of Game Report - Game 011: Candy Cane Cash	Review of sales, payouts, ending inventory, etc at the completion of an instant ticket game.	Planned	Reviews will be scheduled upon the completion of instant ticket games determined by ASL management.
Instant Ticket End of Game Report - Game 002: Arkansas Riches	Review of sales, payouts, ending inventory, etc at the completion of an instant ticket game.	Planned	Reviews will be scheduled upon the completion of instant ticket games determined by ASL management.
Instant Ticket End of Game Report - Game 004: \$100,000 Cash Bonanza	Review of sales, payouts, ending inventory, etc at the completion of an instant ticket game.	Planned	Reviews will be scheduled upon the completion of instant ticket games determined by ASL management.
Instant Ticket End of Game Report - Game 008: Super 7's	Review of sales, payouts, ending inventory, etc at the completion of an instant ticket game.	Planned	Reviews will be scheduled upon the completion of instant ticket games determined by ASL management.
Instant Ticket End of Game Report - Game 012: \$500,000 Jackpot	Review of sales, payouts, ending inventory, etc at the completion of an instant ticket game.	Planned	Reviews will be scheduled upon the completion of instant ticket games determined by ASL management.
Instant Ticket End of Game Report - Game 021: Lucky Loot	Review of sales, payouts, ending inventory, etc at the completion of an instant ticket game.	Planned	Reviews will be scheduled upon the completion of instant ticket games determined by ASL management.

**Arkansas Lottery Commission  
2010 Internal Audit Plan  
Status Report  
August 19, 2010**

Audit	Description	Status	Comments
<b>Instant Ticket End of Game Audits Completed</b>			
Instant Ticket End of Game Report - Game 013: Beat The Dealer	Review of sales, payouts, ending inventory, etc at the completion of an instant ticket game.	Planned	Reviews will be scheduled upon the completion of instant ticket games determined by ASL management.
Instant Ticket End of Game Report - Game 033: High Stakes	Review of sales, payouts, ending inventory, etc at the completion of an instant ticket game.	Planned	Reviews will be scheduled upon the completion of instant ticket games determined by ASL management.
<b>Process Audit - Gaming Operations</b>			
Instant Ticket Game Design & Game Programming	Review of the internal controls surrounding the instant ticket game design and game programming processes.	Draft Report with Management Responses Issued	Five findings and recommendations included in report.
Instant Ticket Physical & Security Controls	Internal control review of the instant ticket physical controls and ASL security controls concerning instant tickets.	Fieldwork in Progress	Audit fieldwork ongoing. Three ASL instant ticket games were tested by an independent laboratory. All 3 games passed all of the durability and security tests performed.
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.	Fieldwork in Progress	Audit fieldwork in progress.
Instant Ticket End of Game Processes	Review of the internal controls surrounding the instant ticket end of game processes	Planned	
Instant Game Management System (IGMS)	Review of the internal controls surrounding the IGMS, including access controls and instant ticket game load, testing, and processing.	Preliminary Assessment	Awaiting Intralot's gaming system SAS 70 report to determine scope of internal audit.
Prize Validation & Payment Processes	Review of the internal controls surrounding high tier prize validations and payments.	Preliminary Assessment	

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<b>Audit</b>	<b>Description</b>	<b>Status</b>	<b>Comments</b>
<b>Process Audits (Gaming Operations Continued)</b>			
Internal Control Review - ASL Draws (Cash 3)	Review the internal controls ensuring the integrity of the on-line draw games conducted by ASL.	Fieldwork in Progress	Audit fieldwork started. Awaiting Intralot's gaming system SAS 70 report.
Internal Control Review - ASL Procedures Associated with the Powerball and Mega Millions Draws	Review the internal controls ensuring the integrity of the on-line draw games conducted by ASL.	Fieldwork in Progress	Audit fieldwork started. Awaiting Intralot's gaming system SAS 70 report.
<b>Process Audits (Admin/Strat)</b>			
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.	Planned	
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.	Fieldwork Complete	Audits conducted for the 4th quarter of 2009 and the 1st quarter of 2010. In process of writing reports.  Note - These procedures will be performed as part of the quarterly ASL Powerball & Mega Millions Procedures Review starting with the 2nd quarter of 2010.  No findings or recommendations to report.

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Audit	Description	Status	Comments
Payments to Intralot (Online Games and Gaming System)	Review payments to Intralot to ensure compliance with contract.	Planned	
Payments to Scientific Games (Instant Ticket Games)	Review payments to Scientific Games to ensure compliance with contract.	Planned	