

MINUTES
ARKANSAS LOTTERY COMMISSION
Wednesday, January 12, 2011
1:00 p.m.
ALC Conference Room
Third Floor
124 West Capitol Avenue
Little Rock, Arkansas

Chairman Lamberth called the meeting to order. In attendance also were Commissioners Smith, Pickard, Campbell, Hammons, Malone, White, and by teleconference Commissioners Shipp and Ward-Jones. The ASL was represented by Director Passailaigue, Internal Auditor Hyde, David Barden, Bishop Woosley, Julie Baldrige, Patricia Vick, Lance Huey, Whitnie Hall, Mary VanLeer, and Valerie Basham.

Chairman Lamberth requested approval of the minutes of the December 9, 2010, meeting, and after motion of Commissioner White, seconded by Commissioner Campbell, the minutes were approved unanimously.

Chairman Lamberth brought forth the matter of the annually required motion authorizing financial reimbursement for official business expenses. Commissioner Pickard offered the following motion: "I move to authorize expense reimbursement for the calendar year 2011 for each Arkansas Lottery Commissioner for performing official Commission duties, provided the expense reimbursement not exceeds the rate established for state employees by state travel regulations." With a second by Commissioner Smith, the motion was unanimously approved.

Director Passailaigue presented his report on Fiscal Year 2011, which PowerPoint presentation will be incorporated into the minutes. He noted that traditional seasonal trends for sales among United States lotteries witness an upswing during the fall and winter months. The Director cautioned that there are too many variables in the market to pinpoint scholarship forecasts this early in the cycle. Commissioner Malone noted that December's transfer figures looked low and the Director responded that there were no instant games closed and completed during December, thus no unclaimed instant game prizes. He further pointed out that a number of expenses increased, specifically auditing and marketing areas.

Commissioner Pickard asked about progress on a survey of Arkansas lottery players and was told that a study is under way, funded through the online gaming contract and conducted by the Crestwood firm.

Reporting for the Administrative, Finance and Audit Committee, which met at noon this day, Commissioner Malone stated that the Legislative Oversight Committee (LOC) has sent the ALC a letter (a copy is attached to the Minutes) which provides guidance on addressing the second finding in the Division of Audit (DOA) audit of ALC operations for the year ended June 30, 2010. He said that the Committee agrees with this approach and that the ALC staff already has begun following the process. He also reported that management will create a database for ALC employees and Commissioners to comply with the Legislative Audit management point regarding ineligible players. There then can be an electronic check of claims presented at the ALC Claim Center personnel will be provided a list of 'ineligible players' and that list will be reviewed for every claim presented to insure 'ineligible players' are barred from cashing winning tickets of more than \$500. He informed the Commission that Internal Auditor Hyde will be

conducting an audit of Scientific Games instant ticket program in conjunction with four other states. The audit will cost ALC approximately \$4,000 and he said that Internal Auditor Hyde recommends participation. By motion of Commissioner Malone, seconded by Commissioner Pickard, participation in the Scientific Games audit was approved unanimously. He then moved to allow Auditor Hyde to pursue obtaining one temporary accounting professional for a three-month period to assist in addressing the most recent DOA findings and management recommendations. The motion was seconded by Commissioner Campbell, and approval was unanimous. Commissioner Lamberth asked about bringing external audit functions in-house, which discussion Commissioner Malone said should take place later in the Fiscal Year. In response to a question of Commissioner Campbell, it was noted that the Legislative Auditors are paid \$80 an hour, with the most recent fiscal year audit approximately \$245,000.

Internal Auditor Hyde reported on the Corrective Action Worksheet, maintained by Lottery management and the Internal Audit report on objectives and status. He called the report a 'living' document and invited the Commissioners to suggest additions. He further stated that the report would be provided to Commissioners twice each month, at each Commission meeting and at the end of the calendar month, at the same time it is sent to the Legislative Oversight Committee with other ALC reports. He said that when an audit finding is cleared, it will be listed on the report and management will receive notification. Commissioner Pickard asked whether there had been any changes on the Corrective Action Worksheet, and Mr. Woosley replied that there was a change reflecting response to comply with Item Two. Commissioner Malone asked that the Worksheet also reflect the ineligible player database; Chairman Lamberth said that legislation may also change the status of some of the items.

Commissioner Hammons reported that the Personnel Committee met this day, with attendance in addition to himself of Commissioners Campbell, Pickard and Ward-Jones. He reported a discussion of the OPM Review of ALC Policies. Commissioner Pickard moved that Director Passailaigue direct the staff to work with OPM in developing policies and procedures that are germane to the OPM review and present their recommendations to the Personnel Committee; and that Commission employees be included in this and other processes, possibly through a Committee structure. Discussion followed. Commissioner Malone seconded the motion, and it was approved unanimously. Commissioner Hammons next addressed the Committee's discussion of the Vice Presidents' plans to 'reimburse' the ALC for compensatory time taken. The Committee requested that Director Passailaigue respond in writing to the plans, stating that the plans not include the use of compensatory time to reimburse compensatory time, and that the details of reimbursement should the individuals leave ALC employment. He also asked that each Commissioner receive a report of each ALC employee's COLA and merit pay increase. Commissioner Campbell noted that it was possible some ALC employees were being paid below the lowest amount in their pay grade and asked for a report on those employees, the range of pay within each of their grades, and their current salary. He said that, in order to comply fully with OPM policy and practices, these employees should be paid appropriately within their grades. Chairman Lamberth asked that the report be given to the Personnel Committee.

Commissioner Pickard, reporting in behalf of the Higher Education Committee, asked Ms. Baldrige for a report on the Arkansas Legislative Council Higher Education Subcommittee meeting. Ms. Baldrige reported the Subcommittee discussion of remediation issues.

Commissioner Malone raised the subject of the setting of scholarship amounts and said he had received a number of comments from individuals in his region. He asked whether this was a discussion the Commission needs to join. Commissioner Pickard said the most important

feature would be the ALC providing the Legislature with updated and accurate information available on scholarship funds as expeditiously as practical. Commissioner Lamberth agreed and said the Commission should make decisions that produce more scholarship dollars.

Chairman Lamberth reminded the Commissioners to submit Statements of Financial Interest by January 31. She scheduled the next ALC meeting on February 9, 2011, at 1 p.m.

Chairman Lamberth then announced that the Commission would go into Executive Session for the purpose of annual evaluation of the Director and the Internal Auditor. The executive session began at 2:20 p.m. The Commission returned to regular session at 5:45 p.m. The Chair announced that no action was taken in executive session, and the meeting was adjourned.