

MINUTES

ARKANSAS LOTTERY COMMISSION

Monday, May 20, 2013

10:00 a.m.

**124 West Capitol Avenue, Third Floor
Little Rock, Arkansas**

Call to Order

Chairman Ben Pickard called the meeting to order. Commissioners George Hammons, Steve Faris, Bruce Engstrom, Raymond Frazier, Dianne Lamberth, Smokey Campbell, and Mark Scott were also present. Commissioner Mike Malone joined the meeting via conference call. Staff members present included Director Bishop Woosley, Chief Legal Counsel Jean Block, Maria Craig, Patti Vick, Lance Huey, Jerry Fetzer, Robert Stebbins, Mike Smith, Jeremy Smith, and Terry Williams. Internal Auditor Matt Brown attended via conference call. Chairman Pickard welcomed and recognized newly appointed commissioner Mark Scott.

Approval of Minutes

The first order of business was the approval of the minutes of the meeting held on April 29, 2013. Commissioner Lamberth made a motion to approve, seconded by Commissioner Engstrom, and the minutes were approved unanimously.

Report from the Internal Auditor

Internal Auditor Brown presented his monthly internal audit update (included in file). Mr. Brown noted that there were several items on the FY 2013 audit plan that were trending ahead of schedule, and the remaining items were progressing according to schedule. Commissioner Engstrom asked Mr. Brown what was involved in the Instant Ticket Vendor Review (Internal Audit Plan Project No. 46). Mr. Brown said that this was done at SGI headquarters in Alpharetta. A third party firm, Delehanty Consulting, LLC, coordinated the ticket review with ALC and several other lotteries. It involved auditing of a specific instant ticket game in ALC's inventory, from the security surrounding the development of the game, the printing of the game, etc. He added that Delahanty Consulting had just sent him a link to the report via e-mail and that he would be reviewing the report to see if there was anything unexpected and if so, to follow up as necessary. Commissioner Engstrom asked if Mr. Brown would be reporting back to the Commission after the review of the report, and Mr. Brown answered in the affirmative. Commissioner Frazier asked Mr. Brown to explain Internal Audit Plan Project No. 37, Financial Planning/Budgeting. Mr. Brown explained that Internal Audit was reviewing the development of ALC's annual budget, beginning with all of the input that Jerry Fetzer, ALC CFO, uses to put the budget together, all the way up to the delivery of the budget to the LOC. Mr. Brown stated that the only other item of note on the Status Report was project number 14F, BOS Administration Follow-up Procedures, which he said was delayed somewhat so as not to interfere with Legislative Audit's annual review, but that ALC Internal Audit would be picking that up again soon.

Report from the Director

Director Woosley started with Comparative Income Statements, April 2013 versus April, 2012. He stated that the Lottery was beginning to make some progress with instant tickets, with sales normalizing. He noted that although April 2013 sales were \$1.2 Million under April of last year, net proceeds were actually up a little over \$1 Million. On actual spending versus budget for April 2013, the Lottery was performing as anticipated. More instant tickets were sold than expected, but online ticket sales were down. On the Year-to-Date Comparative Income Statement the Lottery was still \$36 Million down from the beginning of the fiscal year, most of that due to weak sales in the months of July, August and September 2012. He said that the numbers would reflect an upward tick in May due to large Powerball and Mega Millions jackpots (\$590 Million and \$190 Million, respectively), adding that the week of May 12-19 was the third highest week for sales since start-up. He presented graphs of the May Powerball sales, showing the 14-draw run culminating in the largest ever Powerball jackpot, with sales to the Lottery of \$9.7 Million, \$2.2 Million of which sold on the draw date of May 18 alone. Commissioner Scott noted that \$4.5 Million of the run went toward scholarships.

Commissioner Scott stated that he had a few questions about the April 2013 budget. He noted that the actual amount spent on advertising during that month appeared to be \$135K over budget. Director Woosley said that it was just an annualized number, that is, the number shown in April's budget was simply the total advertising dollar amount divided by 12. Commissioner Scott asked if the dollars spent for the FY 2013 advertising budget would match the budgeted amount. Director Woosley said that advertising would come in a little below the budgeted amount.

FY2014 Annual Budget

Commissioner Engstrom asked Director Woosley to explain the increase in compensation and benefits for the upcoming year. Director Woosley deferred to Mr. Fetzer, who said that the primary reason was because the Governor had approved a 2% employee cost of living increase, as well as merit bonuses of 3%. Commissioner Engstrom asked Mr. Fetzer to explain the *Services Provided by Other Agencies*, as reflected on the Budget Detail Schedules. Mr. Fetzer said that ADHE was the primary recipient and that in an LOC Meeting late last year, Mr. Shane Broadway requested \$1.3 Million for administrative costs for FY 2014. His agency spent only \$838 Thousand during FY 2013, but Mr. Broadway stated to the LOC that his agency anticipated spending \$1.3 to \$1.5 Million during the next fiscal year due to the legislative changes in scholarship funding.

Director Woosley summarized the FY 2014 budget as reflecting flat sales. He said the budget included the ALC-approved \$250 thousand promotional budget to try and boost sales. He stated that the budget was reflective of the trends observed during the past year and that the goal was to present a budget that was as conservative and accurate as possible.

Chairman Pickard asked how the Lottery was doing on promotions. Director Woosley said that the results have been very positive and that the Lottery has earned money on each promotion.

Director Woosley thanked Mike Smith, Robert Stebbins and Joanna Bunten for the work they have done on planning the promotions.

Commissioner Scott noted that under Vacant Positions, he did not see a line item for Julie Baldrige's replacement. He asked if there was a succession plan. Director Woosley stated that the position would be filled, but that the agency would probably have to go back to the LOC, breaking that position down. He added that there were three positions that would need to be filled. Chairman Pickard added that those changes would have to go through ALC's personnel committee.

Director Woosley asked for formal approval of the FY 2014 Annual Budget. Commissioner Frazier made a motion to approve the budget, Commissioner Engstrom seconded the motion, and the motion passed unanimously.

CAFR (Comprehensive Annual Financial Report) Award

Director Woosley congratulated Mr. Fetzer, Ms. Bunten and their teams for being awarded the *Certificate of Achievement in Excellence in Financial Reporting* for the FY2012 CAFR. This award is presented "to those in government units whose annual financial reports are judged to adhere to program standards and which represents the highest award in government financial reporting." Chairman Pickard added that the CAFR took an amazing amount of work and that it was a really nice product. He said that he had received several compliments from the colleges and that they were appreciative for including students so prominently.

Election of Officers

Chairman Pickard thanked Director Woosley, Matt Brown, Patti Vick, and the rest of the ALC staff, as well as Patrick Ralston (Bureau of Legislative Research), and stated that it was his pleasure to have served as ALC Chairman for a year. Commissioner Faris thanked Chairman Pickard for a job well done and this was echoed by the other commissioners. Director Woosley thanked Chairman Pickard on behalf of the staff. Commissioner Faris proposed that there be the normal order of succession, and that Commissioner George Hammons be elected Chairman by acclamation. This was seconded by Commissioner Lamberth, and the motion was unanimous. Commissioner Pickard stated that Commissioner Faris would become Vice Chair and he requested invitations for Secretary-Treasurer. Commissioner Faris nominated Commissioner Campbell, this was seconded by Mark Scott, and the motion was unanimously passed.

Commissioner Pickard officially turned the meeting over to Chairman Hammons.

Other Business

Director Woosley asked if committee appointments would be decided at today's meeting. Commissioner Faris asked if he could remain on his current committees. Commissioner Hammons asked that Commissioners provide him with an affirmative statement if they wished to remain on their current committees.

Meeting Date

Chairman Hammons stated that the commission would continue to meet on the third Monday of each month. Director Woosley said that he would be at the MUSL Directors Meeting on June 17, which was the 3rd Monday of June, and proposed either the week before or the week after that date. The commission agreed to meet at 10:00 on Monday, June 24.

There being no further business, the meeting was adjourned.