

MINUTES
ARKANSAS LOTTERY COMMISSION
Thursday, December 9, 2010
9:30 a.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, Shipp, White, and Ward-Jones. The ASL was represented by Director Passailaigue, Internal Auditor Hyde, David Barden, Ernestine Middleton, Bishop Woosley, Julie Baldrige, Patricia Vick, Philip Miley, Whitnie Hall, Mary VanLeer, and Valerie Basham.

Chairman Lamberth brought up the issue of the annual FY2010 audit of the Arkansas Lottery Commission (ALC) and said that the morning would be spent reviewing it, asking questions, and receiving responses from the auditors and the Commissioners. She introduced Andy Babbitt and Frank Arey, of the Division of Legislative Audit (DLA), to present an overview. Also present from the Division were Cliff Murchison and Jana Casson. Mr. Babbitt reviewed each of the findings and the management letter comments individually (a copy of the Audit is appended as an attachment to the Minutes). Commissioner Pickard, in following up on his extended meeting with Legislative Audit staff, brought forth a number of issues and documents, the latter of which were copied and distributed to Commissioners. A lengthy discussion followed on every aspect of the Audit, including every finding and management letter comment.

The time was near midday, and the Commissioners recessed for lunch, returning about one hour later.

Chairman Lamberth called attention to the 'audit corrective action worksheet' and proposed it be accepted. (A copy of the worksheet is appended to the Minutes) This document will keep the Commission and the Legislative Oversight Committee (LOC) apprised of the progress of the management team addressing the findings and management letter comments of the Audit. The Internal Auditor will report when an item is corrected and therefore cleared. Discussion followed and the Commission unanimously accepted the proposal.

Chairman Lamberth then requested approval of the minutes of the October 28, 2010, meeting, and after motion of Commissioner Smith, seconded by Commissioner Ward-Jones, the minutes were approved unanimously.

The Director presented his report, which is included with the minutes packet. He noted that the unclaimed prize amount had grown to \$1.9 million. He then introduced Toben Molica with Scientific Games, who presented a comprehensive PowerPoint presentation on the 'state of the state' of the Arkansas Scholarship Lottery (ASL).

Mr. Molica stated that the ASL in his opinion is the most successful startup ever and that the success of the *Properties Plus* program, which he attributed as a prime contributor for this significant achievement. His comprehensive PowerPoint is included with the packet.

The Chair next called for reports from Standing Committees. Commissioner Smith spoke for the Administrative, Finance and Audit Committee at the request of Commissioner Malone and recognized Internal Auditor Hyde, who reported current work and plans for upcoming audits. His presentation is included in the day's packet. He reported the near completion of the prize validation audit of the Claim Centers, the Multi-State Games Internal Control Review with no findings; the quarterly (soon to be annual) audit of Mega Millions and Powerball; and the scope and results of his monthly Education Trust Account report. Commissioner Smith requested a monthly report of all travel expenditures. Commissioner Smith brought forward the 2011 Audit Plan, as revised, based on the work of the DLA and asked for Commission approval. He noted that there was an added requirement for a monthly report of all travel by ASL employees. By motion of Commissioner Pickard, seconded by Commissioner White, the revised audit plan was unanimously approved. Commissioner Smith reported on the Internal Audit Charter, with approval recommended by the Administrative, Finance and Audit Committee. By motion of Commissioner Hammons, seconded by Commissioner Ward-Jones, the Charter was unanimously approved by the Commission. Commissioner Smith pointed out that the Internal Auditor has been assigned additional duties and may need a third position in Internal Audit in order to accomplish them all. It was agreed that the matter will be discussed in early 2011.

Commissioner Pickard reported on the ALC Higher Education Subcommittee meeting in November and noted that the next such meeting is December 16, to which he invited all Commissioners. Commissioner Smith said that there was no report from the Legal Committee.

Commissioner Hammons reported on the meeting of the Personnel Committee. First, on the development of an evaluation plan for the Director, he said that the purpose of the evaluation will be quality improvement; that nine commissioners and the Director will each complete a selected evaluation form, that the Personnel Committee will tabulate the results and that the entire Commission will share the results with the Director. In response to a question from Commissioner Lamberth, Commissioner Hammons said he had provided a copy of the form to Commissioner Malone as the Personnel Committee completes the evaluation of the Internal Auditor. The evaluation tool was distributed and reviewed. By motion of Commissioner Pickard, seconded by Commissioner Campbell the evaluation form was approved by the Commission unanimously. Commissioner Hammons next reported on the Committee recommendation on Cost of Living (COLA) and Merit salary increases for ASL staff, in light of the Governor's actions on the issue for other state employees. He recommended that management be allowed to move forward on the COLA immediately and Merit when all evaluations are completed. By motion of Commissioner Smith, seconded by Commissioner Ward-Jones, the Commission unanimously approved the implementation of the raises in conformity with the rest of state government. Last, Commissioner Hammons noted that the Office of Personnel Management review of the Lottery human resources operations was completed and noted that the Commissioners would review the report and take action in the future.

Commissioner Campbell, Chair of the Retail Committee, reported on the November 19 Retailer Advisory Board conference call meeting. A memorandum from Joe Dan Yee, Chair of the RAB, to Chairman Lamberth and Commissioner Campbell was distributed to the Commission and is included in the day's report. Mr. Barden briefly discussed the Retailer Portal under development for computer access of information for retailers. Commissioner Lamberth noted that five of the RAB members' terms will be ending soon.

Next, Chairman Lamberth asked Commissioner Smith to review the compensatory time matter. The Commission discussed the manner in which Director Passallaigue, and Vice Presidents

Barden and Middleton would reimburse the Lottery for compensatory time taken. Director Passailaigue said he had reimbursed his 16 hours with two of the legal holidays he had worked during start-up. Mr. Barden said he was in the process of reimbursing the 134.5 hours time at a rate of at least 4 hours per month, using earned leave time and working on holidays and weekends and had reduced his compensatory time balance to 86.5 hours. Ms. Middleton said she had used all her existing leave over several weeks of FMLA and would begin reimbursing the 178.5 hours from her leave time accumulated after the first of the year at a rate of four incoming hours per month.. Commissioner Pickard requested that each submit reimbursement plan specifics in writing for review.

Chairman Lamberth reminded the Commissioners to prepare Statements of Financial Interest for calendar year 2010 and submit them to the Secretary of State by January 31, 2011, in compliance with state ethics laws.

Chairman Lamberth raised the subject of the next meeting date and suggested a set regular meeting the second Wednesday of each month. With general agreement from the Commission, the next meeting was scheduled for January 12 at 1 p.m.

Commissioner White moved that the Commission go into Executive Session for the purpose of discussing personnel issues, seconded by Commissioner Pickard, which session began at 2:25 p.m. Upon emerging from Executive Session at 3 p.m., the Chairman reported that Commissioner Smith had made a substitute motion to go forward with the evaluation of Ernie Passailaigue and Michael Hyde, which motion passed 6 to 2, with Commissioners White and Pickard voting no, and Commissioner Malone no longer being present.

The meeting was adjourned.