

AGENDA
ARKANSAS LOTTERY COMMISSION
Thursday, December 9, 2010
9:30 a.m.
ALC Conference Room
Third Floor
124 West Capitol Avenue
Little Rock, Arkansas

- I. Call to Order
 - II. Legislative Audit Report Review and Discussion
 - III. Approval of minutes of meeting October 28, 2010
 - IV. Report from the Director
 - V. Report from Scientific Games
 - VI. Report from the Internal Auditor
 - VII. Report from Standing Committees
 - A. Retail Committee: Report on Retailer Advisory Board
 - B. Personnel Committee
 - C. Legal Committee
 - D. Higher Education Committee
 - E. Administrative, Finance and Audit Committee
 - VIII. Other business
- Adjourn

MINUTES
ARKANSAS LOTTERY COMMISSION
Thursday, October 28, 2010
10:30 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, Shipp, and White, and Commissioner Ward-Jones by conference call. The ASL was represented by Director Passailaigue, Internal Auditor Hyde, David Barden, Bishop Woosley, Julie Baldrige, Patricia Vick, Henry Gilmore, and Lance Huey.

Chairman Lamberth brought forward the minutes of the September 30, 2010, meeting, and after motion of Commissioner Shipp, seconded by Commissioner Hammons, the minutes were approved unanimously.

The Director reported on research regarding a \$2 price point for Powerball. He noted that there would be a conference call among the Cross-selling Committee of MUSL on October 28, and a meeting of the entire Powerball Group on October 29. His report on ticket sales and financials is attached to the day's packet. He stated that the Arkansas Million Dollar Raffle game was not performing as well as hoped, and that plans to create incentives were under way, using \$162,000 from the advertising budget. He noted that the new Fast Play instant online game had sold \$150,000 in its first three days. He said this emphasized the Arkansas player's appetite for instant tickets. He reported that the Decades of Dollars game which the Commission granted tentative approval in September was on hold due to the current Arkansas definition of unclaimed prizes as net proceeds. Therefore, Arkansas will have to wait for legislative changes to the unclaimed prizes definition in order to offer the Southern Regional game, which he estimated would produce \$3 Million annually for scholarships. Vice President for Gaming Barden said that he would come back to the Commission with a ticket giveaway program to move players toward the online games. The vast difference in net proceeds between instants and online tickets was discussed.

Chairman Lamberth recognized representatives from the Arkansas Department of Higher Education to present a report on scholarship statistics. Dr. Purcell and Tara Smith reported extensively on the scholarships that were awarded for Fall 2010, breaking down the information by institution, county, and other categories. Their report is included in the day's packet.

Chairman Lamberth recognized Internal Auditor Hyde, who reported current work and plans for upcoming audits. His presentation is included in the day's packet.

The Chair next called for reports from Standing Committees. Commissioner Malone reported as Chair of the Audit Committee that the Committee met today, with all members present, to plan the audits for the rest of the calendar year and review the overall audit plan. Internal Auditor Hyde will send a draft of the plan to all Commissioners. Commissioner Lamberth commented on bringing audits in-house rather than utilizing an external audit.

Commissioner Pickard referred to the day's report from ADHE and noted that report was requested from the Higher Education Committee, which he chairs.

Commissioner Smith reported as Chair that the Legal Committee had met on October 15, with all Committee members present. He said the Committee received a report on pending legal matters including a trademark issue; discussed possible legislative amendments in the upcoming session remarking that the changes proposed thus far do not impact lottery operation; noted that the only legislation the Lottery was actively supporting was the change in unclaimed prizes and the definitional change; and discussed the change in the job description for staff counsel to require Arkansas licensure and for chief fiscal officer to require active CPA status.

Commissioner Hammons reported as Chair that the Personnel Committee met on October 22 to address three items:

1) Kay Barnhill-Terry, Director of the Office of Personnel Management, had received the ALC request for a review and that OPM had agreed and the process is now in progress, with OPM keeping the Personnel Committee and the Commission informed of the progress.

2) A process for the annual evaluation of the Arkansas Scholarship Lottery Director is under development, with information gathered on the agency director evaluative processes of the Arkansas Highway and Transportation Department, the Arkansas Game and Fish Commission, and the Arkansas State Board of Election Commissioners. Commissioner Smith interjected the suggestion that the process for evaluation of the ASL Internal Auditor should also be developed, and was answered that the Audit Committee is looking at that and anticipates that the evaluation tool will be identical to that used for the Director's evaluation. The Chair suggested and Commissioner Hammons agreed that if any Commissioners had suggestions on the process they should pass those along within one week.

3) Regarding the issue of compensatory time for exempt employees, the Committee brought forth the suggestion to the Commission that, using the record of hours worked beyond 40 per week during startup, this group of employees should receive a cap of 80 hours of compensatory time or the number of hours submitted, whichever is smaller; that the time must be taken before the end of 2011 with approval by supervisors; that time already taken would be subtracted from the hours granted under this process; and that employees who had taken more than 80 hours be forgiven that additional time. Discussion followed. Commissioner Shipp moved, seconded by Commissioner Hammons, that the 80-hour plan described above should be implemented. By yes vote of Commissioners Lamberth, Hammons, Shipp, Campbell and Ward-Jones, the motion passed. Commissioners Pickard, White, Malone, and Smith voted no. The companion issue of whether employees who had taken more than 80 hours already should be required to pay back the time. A motion was by Commissioner Smith, seconded by Commissioner Ward-Jones, to forgive compensatory time taken by any single exempt employee beyond the newly-imposed 80-hour cap. Commissioner discussion confirmed that the employees covered by the motion to forgive compensatory time taken did not include the Director or the two Vice Presidents and did include all other exempt employees of the Commission. By yes vote of Commissioners Lamberth, Hammons, Shipp, Campbell, Ward Jones, Smith and Malone, the motion was approved. Commissioners White and Pickard voted no.

Chairman Lamberth set the next meeting for December 9 at 10:30 p.m. Commissioner White requested that the issue of the manner in which the Director and the two Vice Presidents would make up the compensatory time already taken be placed on the agenda of the next meeting, and the Chair agreed. Commissioner Pickard announced that there would be a brief meeting of the Higher Education Committee immediately following the Commission meeting. The meeting was adjourned.

Philip Miley

From: Philip Miley
Sent: Monday, November 01, 2010 4:55 PM
To: Patricia Vick
Cc: Bishop Woosley; Undrea Ellis; David Barden
Subject: RE: TR-1

I spent 2 nights away from Little Rock. One night in Springdale, the other in Jonesboro. Do we no longer pay meals for overnight travel? Has our policy changed?

I was out 3 days for CPE. One day in Springdale, two days in Jonesboro. I do not understand why the meals are not reimbursable. Please explain.

PM

10/27/10

10/28-29/10

From: Patricia Vick
Sent: Monday, November 01, 2010 3:16 PM
To: Philip Miley
Cc: Undrea Ellis
Subject: TR-1

Philip, we can't process your Springdale/Jonesboro travel claim until you return on Wednesday; the meals are not authorized as submitted. Undrea explained that you spent the night in Jonesboro, so that *would* qualify as an overnight trip. However, we will need an accompanying memo to clarify that.

Sorry for the inconvenience.

Patti

*Patricia Vick, Business Manager/Paralegal
Arkansas Scholarship Lottery
P.O. Box 3238
Little Rock, AR 72203-3238
(501) 683-1871*

MEMORANDUM

To: David Barden, Travel Supervisor
From: Patricia Vick, Business Manager PV
Date: November 4, 2010
RE: Philip Miley Travel Claim

Director Ernie Passailaigue verbally directed Philip to attend the subject CLE classes in an expeditious manner. Consequently, a TA-1 form, which would normally accompany the TR-1, was not submitted.

Philip spent the night of October 26 in Springdale in preparation for his class, *Fraud in the Government and Not for Profit Environment*, which was held on October 27. Consequently, he is authorized reimbursement for meals on October 26 in the amount of \$34.50 (75% of the standard per diem rate) and the reimbursement for meals on the 27th, for which he has claimed \$20.00, which is less than the per diem rate.

After attending the Springdale class, Philip drove directly from there to Jonesboro, where he attended the *Annual Accountants and Auditors Workshop* on October 28 and 29. He stayed in his private residence in Jonesboro and did not claim reimbursement for meals on October 28 and 29.

* There is a difference in my mileage computation and Philip's because I computed *actual* travel miles. Philip calculated his miles as two separate trips from Little Rock and return.

Arkansas Society of CPA's
CPE Courses

<u>Date</u>	<u>Course</u>	<u>CPE Credit</u>	<u>Location</u>	<u>Course Fee</u>
10/21-22/10	Annual Industry and Banking Conf	16	Little Rock	\$ 240
10/26/2010	Real World Ethics	8	Little Rock	\$ 225
10/27/2010	Fraud in Govt environment	8	Springdale	\$ 275
10/28-29/10	Annual Accounting and Auditors workshop	16	Jonesboro	\$ 485
11/1-2/10	14th Annual Technology Conference	16	Little Rock	\$ 435
11/16/2010	Advanced Controller and CFO skills	8	Little Rock	\$ 225
12/7/2010	AICPA Annual Business Law Update	8	Little Rock	\$ 245
12/9/2010	GAAP Refresher	8	Little Rock	\$ 345
12/10/2010	Payroll taxes and 1099 Issues	8	Little Rock	\$ 245
12/16/2010	Financial Officer for small companies	8	Little Rock	\$ 245
Total		<u>104</u>		<u>\$ 2,965</u>
* CPE needed for license to practice		120		
CPE to be obtained elsewhere		16		

(I recommend this course for all CPA's)

There will be NO LODGING costs for any of the above courses

ARKANSAS SCHOLARSHIP LOTTERY

Arkansas Society of CPA's

002649

Check Number: 002649
Check Date: Oct 19, 2010

Check Amount: \$2,965.00
Discount Taken
Amount Paid: 2,965.00

Item to be Paid - Description
CPE COURSES

DOCUMENT IS PRINTED ON CHEMICALLY REACTIVE PAPER - THE BACK OF THIS DOCUMENT INCLUDES A TAMPER EVIDENT CHEMICAL WASH WARNING BOX

9483



124 WEST CAPITOL AVENUE, SUITE 1400
LITTLE ROCK, AR 72201

BANK OF THE OZARKS
MEMBER FDIC
www.bankozarks.com
61-727/829
35

002649

DATE
Oct 19, 2010

AMOUNT
\$ 2865.00

Two Thousand Nine Hundred Sixty-Five and 00/100 Dollars

PAY TO THE ORDER OF:

Arkansas Society of CPA's
11300 Executive Center Drive
Little Rock, AR 72211-4352

VOID AFTER 120 DAYS

[Handwritten Signature]
AUTHORIZED SIGNATURE

Memo:



⑈002649⑈ ⑆082907273⑆

⑈2024002798⑈

ARKANSAS SCHOLARSHIP LOTTERY

Arkansas Society of CPA's

002649

Check Number: 002649
Check Date: Oct 19, 2010

Check Amount: \$2,965.00
Discount Taken
Amount Paid: 2,965.00

Item to be Paid - Description
CPE COURSES

ARKANSAS SCHOLARSHIP LOTTERY
TRAVEL EXPENSE REIMBURSEMENT FORM, TR-1

1119

NAME OF PAYEE Philip Miley

COST CENTER _____

OFFICIAL STATION LOCATION Little Rock, AR

PLACE OF RESIDENCE AND ADDRESS 2200 Riverfront, Little Rock, AR 72202
PRIVATE VEHICLE LICENSE NO. _____

DATE	DETAILED EXPENDITURES (OTHER THAN MILEAGE)						TRAVEL BY PRIVATELY OWNED VEHICLE						
	Mo.	Day	NAME OF TOWN VISITED	COMMON CARRIER	HOTEL ROOM	MEALS	INCIDENTALS*	TOTAL PER DAY	BETWEEN WHAT POINTS FROM	TO	MILEAGE DRIVEN	RATE PER MILE	AMOUNT CLAIMED
10	26		Springdale, AR			34.50	✓	34.50	Little Rock, AR	Springdale, AR	202	0.420	84.84
10	27		Springdale, AR			20.00	✓	20.00	Springdale, AR	Jonesboro, AR	299	0.420	125.58
10	28		Jonesboro, AR										
10	29		Jonesboro, AR and return to Little Rock						Jonesboro, AR	Little Rock	132	0.420	55.44
SUB-TOTALS										TOTALS FOR MILEAGE	633	0.420	\$265.86

RECAPITULATION

Approved _____
Travel Supervisor

Philip Miley
11/5/10

Date

SUB-TOTAL \$ 54.50

MILEAGE CLAIMED \$ 265.86

TOTAL CLAIMED \$ 320.36

Philip Miley
Employee signature

11/5/10

Date

Philip Miley

Check Number: ACH1119
Check Date: Nov 9, 2010

Duplicate

Check Amount: \$320.36

Item to be Paid - Description

Discount Taken Amount Paid

10/26/10 to

320.36

Nov 9, 2010

320.36

Three Hundred Twenty and 36/100 Dollars

Philip Miley
2200 Riverfront Dr
Little Rock, AR 72202

Duplicate

Memo:

Philip Miley

Check Number: ACH1119
Check Date: Nov 9, 2010

Duplicate

Check Amount: \$320.36

Item to be Paid - Description

Discount Taken Amount Paid

10/26/10 to

320.36

Arkansas Scholarship Lottery

U.S. 2.1
3/3
\$271.0
1/1/10

15/1/10

Mileage Log and Reimbursement Form

Employee Name	La'Tonyah White	Rate Per Mile	\$0.42
Cost Center	GS	For Period	From 6/7/10 to 6/11/10
Official Station Location	607 W. 33rd Ave.	Total Mileage	1038.83
Approved By	<i>[Signature]</i>	Total Reimbursement	\$436.30

Date	Starting Location	Destination	Description/Notes	Mileage	Reimbursement
6/7/2010	Official Station (Pine Bluff)	Magnolia	Retailer Calls	109.61	\$45.04
	Magnolia	Magnolia area retailers	Retailer Calls	11	\$4.62
	Magnolia	Emerson	Retailer Calls	12.4	\$5.21
	Emerson	Magnolia	Retailer Calls	12.4	\$5.21
	Magnolia	Magnolia area retailers	Retailer Calls	6	\$2.52
		Return to Official Station (Pine Bluff)		109.6	\$45.03
6/8/2010	Official Station (Pine Bluff)	Magnolia	Retailer Calls	109.61	\$45.04
	Magnolia	Welcome/Taylor	Retailer Calls	25.3	\$10.63
	Welcome/Taylor	Bradley	Retailer Calls	15.9	\$6.64
	Bradley	Stamps	Service Calls	23.62	\$9.92
	Stamps	Waldo	Service Calls	11.79	\$4.95
		Return to Official Station (Pine Bluff)		208.02	\$86.37
6/9/2010	Official Station (Pine Bluff)	Hope	Retailer Calls	126.23	\$52.02
	Hope	Hope area retailers	Retailer Calls	11	\$4.62
		Official Station (Pine Bluff)	Return to Official Station (Pine Bluff)	125.95	\$52.90
6/10/2010	Official Station (Pine Bluff)	Conference Call	9:00 am to 10:20 am	0	\$0.00
	Official Station (Pine Bluff)	Magnolia	Applicant Service Issues	109.61	\$45.04
	Magnolia	Magnolia area retailers	Applicant Issues w/bond (Customers have language constraint issues)	3	\$1.26
	Magnolia	Camden	Claim Center (Dispensers)	36.73	\$15.43
	Camden	Official Station (Pine Bluff)	Return to Official Station (Pine Bluff)	73.05	\$30.68
6/11/2010	Official Station (Pine Bluff)	Official Station (Pine Bluff)	Office Day/Compiling Weekly Reports	0	\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
1038.83 / \$436.30					

NOT DOCUMENTED
AS REQUIRED BY
AGENCY POLICY.
(U.S. 1.1, 3x4)

Based on additional review of policy issued by ACC in May 2010, this TR-1 appears to be within the policy requirement with the except license plate number.

I certify that the above mileage is an accurate reporting of mileage driven for the Arkansas Scholarship Lottery

La'Tonyah White 6/11/2010
(Name) (Date)

Arkansas Lottery Commission

MSR Travel Testing

FYE June 30, 2010

	Hire Date	Year Ended	{A}		{B}		{C}		{D}	{E}
			# Workdays Since Hired	Annual Leave Days Taken	Sick Leave Days Taken	# days Worked	# Miles Driven per Day			
Douglas Robinson	8/26/2009	6/30/2010	211	10	0	0	201	168		
La'tonyalyn White	8/31/2009	6/30/2010	208	6	4	4	198	227		
Linda Chambers	8/31/2009	6/30/2010	208	1.5	1	1	206	157		
Mark Hearn	8/7/2009	6/30/2010	224	3	0	0	221	86		
Rick Conrad	9/10/2009	6/30/2010	200	5	1	1	194	159		

{A} Networkdays formula in excel; adjusted for holidays
 {B} & {C} Annual and Sick leave taken per Agency records, listed in the O workpapers.
 {D} The calculation of {E} is Est. Mileage (Opp1) divided by {D}, number of days worked. Using 60 mph (Auditor used an average mph rate do to lack of information and supporting documentation provided with each TR-1, auditor realizes that highway speeds in Arkansas are 70 miles per hour but given the official station for these employees they seem to be maintaining a more rural area of Arkansas), the employees listed above are driving on average 3 hours per day. Although this seems to be a little unreasonable, Auditor is unable to verify do to lack of supporting documentation.
 Auditor tried to obtain mileage verification through DF&A, Office of Motor Vehicle, but the results were inconclusive. Auditor did note that the License Plate number being reported as a personal vehicle by La'Tonyalyn White is not a valid license number in the State of Arkansas and ~~Ms. White does not have vehicle registered in her name.~~

US.3 - email that details out the recommendations of MSR travel according to management.

U8.2
 8/30/2010
 2 of 2
 M. C. W. / C.

**Arkansas Lottery Commission
MSR Travel Testing
FYE June 30, 2010**

Name	Position	Peachtree (U8.2.2)	AASIS (U8.2.3)	Total	Rate	Est. Miles Driven - ①	License Numb
Douglas							
Robinson	MSR	12,335.40	1,818.28	14,153.68	0.42	33,699.24	664 MTS
La'tonyalyn White	MSR	16,296.59	2,561.18	18,857.77	0.42	44,899.45	208 OCB
Linda Chambers	MSR	11,675.06	1,878.24	13,553.30	0.42	32,269.76	374 LYY
Mark Hearn	Regional MSR Manager	5,220.73	2,737.79	7,958.52	0.42	18,948.86	496 KUJ
Rick Conrad	MSR	12,083.21	875.32	12,958.53	0.42	30,853.64	041 NKF
		<u>57,610.99</u>	<u>9,870.81</u>	<u>67,481.80</u>			

① Total mileage reimbursement divided by mileage rate.

Notes:

Auditor is unable to adequately test State and Agency travel policies/regulations list at U8.1, due to insufficient supporting documentation. Information provided on the employee's TR-1(s) is vague/incomplete and the Auditor is unable to verify miles traveled in order to recalculate mileage reimbursement for accuracy (examples of TR-1's reviewed are located at U8.2.1.)

U8.2
8/30/2010
1 of 2
8/19/10
OK 10/10/10

Auditor's presence
Source: as referenced.

Arkansas Lottery Commission
Internal Audit Charter (Draft)
(Effective January 1, 2011)

PURPOSE

The authority and responsibility of the Arkansas Lottery Commission's Internal Auditor is defined in this charter, which is reviewed and approved annually by the Arkansas Lottery Commission (ALC) Audit Committee.

Internal auditing is an independent, objective assurance and consulting service designed to add value to, and improve the organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

AUTHORITY

The Internal Auditor will report directly to the Arkansas Lottery Commission through the ALC Audit Committee. The Internal Auditor is authorized full, free, and unrestricted access to all Arkansas Scholarship Lottery (ASL) functions, records, property, and personnel relevant to the subject under review.

The Internal Auditor has neither direct responsibility for, nor authority over, any of the activities, functions, or tasks it reviews. Accordingly, the Internal Auditor is not authorized to:

- Perform operational duties for the ASL.
- Initiate or approve accounting transactions external to the internal audit function.
- Direct the activities of any ASL employee that does not report to the Internal Auditor.
- Develop or write ASL policies and procedures.

Arkansas Lottery Commission
Internal Audit Charter (Draft)
(Effective January 1, 2011)

RESPONSIBILITY

The Internal Auditor is responsible for developing and implementing a flexible annual audit plan that outlines the engagements to be performed using an appropriate risk-based methodology. The annual plan is reviewed and approved by the ALC Audit Committee. The Internal Audit performs three types of engagements.

1. **Audit Services** – Assurance services are objective examinations of evidence for the purpose of providing an independent assessment. This includes assessing and reporting on the adequacy and effectiveness of internal controls and the quality of performance in carrying out assigned responsibilities. The scope of the audit services can include reviewing and evaluating: internal controls established to ensure compliance with applicable policies, plans, procedures, laws, regulations and contracts, the safeguarding of assets, the reliability and integrity of financial and operating information, the economy, efficiency, and effectiveness with which resources are employed, and IT systems to determine if they are appropriately managed, controlled, and protected.

2. **Advisory Services** – Advisory services are defined as consulting services to mitigate risk, improve operations, and/or assist management in achieving its business objectives, in which the nature and scope of engagements are agreed upon with ASL management. Examples include informational resources counsel, advice, facilitation, process design, and training. Consulting services may include participation on various committees and task forces.

3. **Investigation Services** – Investigations evaluate allegations of unethical business practices and/or financial and operational misconduct to determine if allegations are substantiated and to prevent future occurrences.

Arkansas Lottery Commission
Internal Audit Charter (Draft)
(Effective January 1, 2011)

Additional responsibilities of the Internal Auditor:

- Issue periodic reports to the ALC summarizing the results of audit activities.
- Review all significant issues raised in audit reports, including ASL management's responses to internal audit recommendations, with the ALC Audit Committee.
- Consider the scope of work of the external auditors for the purpose of providing optimal audit coverage.

AUDIT REPORTS

At the conclusion of each audit, a draft report will be provided to ASL management for discussion and review. ASL management will respond, in writing, within 15 business days to all audit recommendations. Management's response will be incorporated into the final report. The response should include what actions were taken or are planned in regards to the specific recommendation(s) included in the draft report. Disagreements with recommendations or alternative solutions are acceptable when justified in writing.

Copies of completed reports will be provided to the Arkansas Lottery Commissioners and ASL management.

EXTERNAL AUDITORS

The Internal Auditor shall coordinate with auditors from the Arkansas Division of Legislative Audit and any other external auditors to:

- Coordinate all audit, review, and investigation activities related to the ASL.
- Foster a cooperative working relationship.
- Consider the scope of the work of the external auditors, as appropriate, for the purpose of providing optimal audit coverage to the ASL.
- Promote appropriate sharing of information.

Arkansas Lottery Commission
Internal Audit Charter (Draft)
(Effective January 1, 2011)

AUDIT STANDARDS AND ETHICS

The Internal Auditor will comply with the *Standards for the Professional Practice of Internal Auditing* and *Code of Ethics* promulgated by the Institute of Internal Auditors. The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. The Internal Auditor is expected to consistently demonstrate high standards of conduct and ethics, as well as, appropriate judgment, independence, and discretion. The Internal Auditor should maintain a professional image and protect confidential information.

Arkansas Lottery Commission
2011 Internal Audit Plan
December 9, 2010

Special Projects			
Project	Description	Status	Comments
Internal Audit Review of Legislative Audit 2010 Audit Report & Management Findings	Provide a monthly report on the Internal Audit work performed and the results concerning the issues noted in the fiscal year ending June 30, 2010 Legislative Audit report. The review will include a review of the format and notes of the Lottery's June 30, 2011 Financial Statements, employee background checks, compensated absences, employee travel reimbursements, cash receipts, procurement internal controls, Points for Prizes payments, and Marketing Sales Representative (MSR) Mileage Reimbursements.	Proposed	
Internal Controls			
Project	Description	Status	Comments
Prize Validation & Payment Review	Review of the internal controls surrounding high tier prize validations and payments.	Proposed	Audit fieldwork started in 2010.
Evaluation of Scientific Games Security Controls	Participate with other participating Lottery's in a security evaluation conducted by Delehanty Consulting LLC. The evaluation's overall objective is to perform an assessment of the procedures established by management to ensure the security, integrity, honesty, and fairness of the instant ticket/scratch-off games produced by Scientific Games at its Alpharetta, GA facility.	Proposed	
Retailer Licensing - Applications	Review the internal controls and processing of ASL retailer licensing applications.	Proposed	
Retailer Licensing - Renewals	Review the internal controls and processing of ASL retailer license renewals.	Proposed	
Retailer Licensing - Fidelity Fund	Review the internal controls and transactions of the Retailer Fidelity Reserve Fund.	Proposed	

**Arkansas Lottery Commission
2011 Internal Audit Plan
December 9, 2010**

Internal Control and Process Audits continued			
Project	Description	Status	Comments
Treasurer - Retailer Credits/Adjustments	Review the internal controls and processing of credits and adjustments to ASL retailer weekly invoices.	Proposed	
Treasurer - Retailer Accounts Receivable	Review the policies and procedures and internal controls concerning ASL retailer collections.	Proposed	
Periodic Reports			
Project	Frequency	Description	Comments
Instant Ticket Quality Control and Reconstruction Request (FY 2011)	Annual	Review independent quality control reports of ASL instant tickets and review compliance with the ASL Instant Ticket Reconstruction Policies and Procedures.	
Retailer Account Sweeps (FY 2011)	Annual	Verify that lottery games sales and fees less retailer prize payments, commissions, and returns are deposited into the Lottery's operations account in a timely manner and properly posted in ASL's general ledger.	
ASL Online Games Review (FY 2011)	Annual	Review compliance with existing draw procedures and ensure Cash 3 and Cash 4 sales, prize expense, prizes payable, and unclaimed prizes are properly accounted for.	
Multi-State Jackpot Games Review (FY 2011)	Annual	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.	
Prize Payment Compliance Review (High Tier Prize Payouts) (FY 2011)	Bi-Annual	Review of compliance with policies and procedures for high tier prize payouts processed by claims centers.	

Arkansas Lottery Commission
2011 Internal Audit Plan
December 9, 2010

Pending Reports continued				
Project	Frequency	Description	Status	Comments
Instant Ticket End of Game Review (FY 2011)	Quarterly	Review sales, prize expense, unclaimed prizes, ending inventories, and vendor payments for instant ticket games closed.	Proposed	Instant Ticket games closed during the 3rd quarter of 2010 will be included as part of the 4th quarter 2010 Instant Ticket End of Game Review.
Educational Trust & Scholarship Shortfall Reserve Trust Accounts	Monthly	Review transactions, confirm balance, and ensure sufficient collateralization each month. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account and Scholarship Shortfall Reserve Trust Account transactions.	Proposed	
Employee & Commission Travel	Monthly	Prepare a schedule of monthly in-state and out-of-state travel expenses for all ASL employees and commissioners.	Proposed	

**Arkansas Lotter Commission
Schedule of Travel Reimbursements**

Date	Employee	Amount
11/17/2010	Ernie Passailaigue	327.40
	Ernie Passailaigue	412.80
11/18/2010	David Barden	60.90
	David Barden	98.40
11/29/2010	David Barden	156.40
	Bishop Woosley	25.00
12/2/2010	Ernie Passailaigue	71.00
	Ernie Passailaigue	1.19
	Ernie Passailaigue	17.25
12/3/2010	Tyler Pate	12.32
	Tyler Pate	22.10
	Kenneth McCarthy	4.17
	Robert Stebbins	86.81
12/6/2010	Bishop Woosley	70.00
	Bishop Woosley	0.78
	Bishop Woosley	37.34
	David Barden	1.14
	David Barden	323.65
		<u>1,728.65</u>

Arkansas

Scholarship Lottery

Commission Meeting

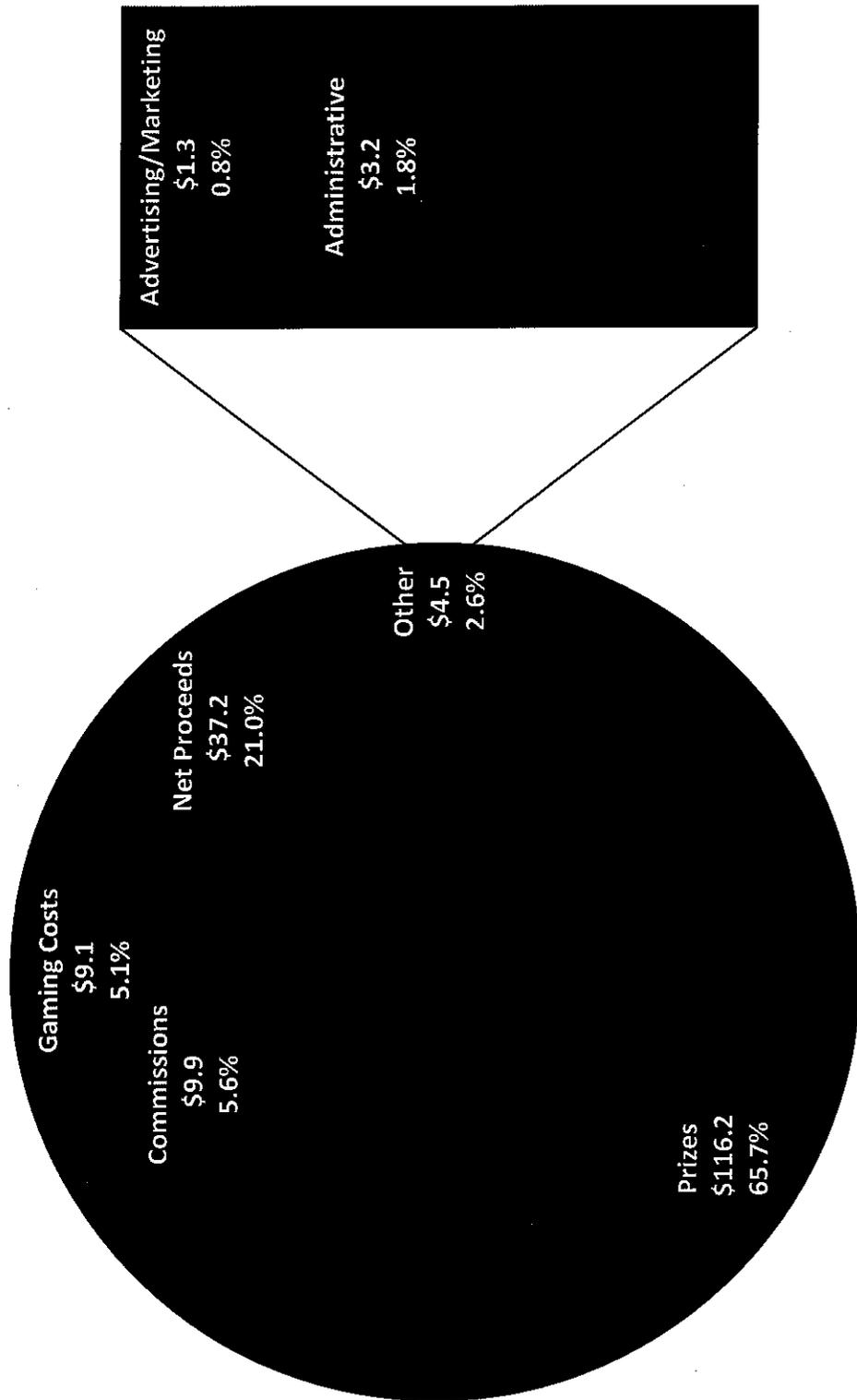
December 9, 2010

The Lottery Dollar

Five Months Ended November 30, 2010

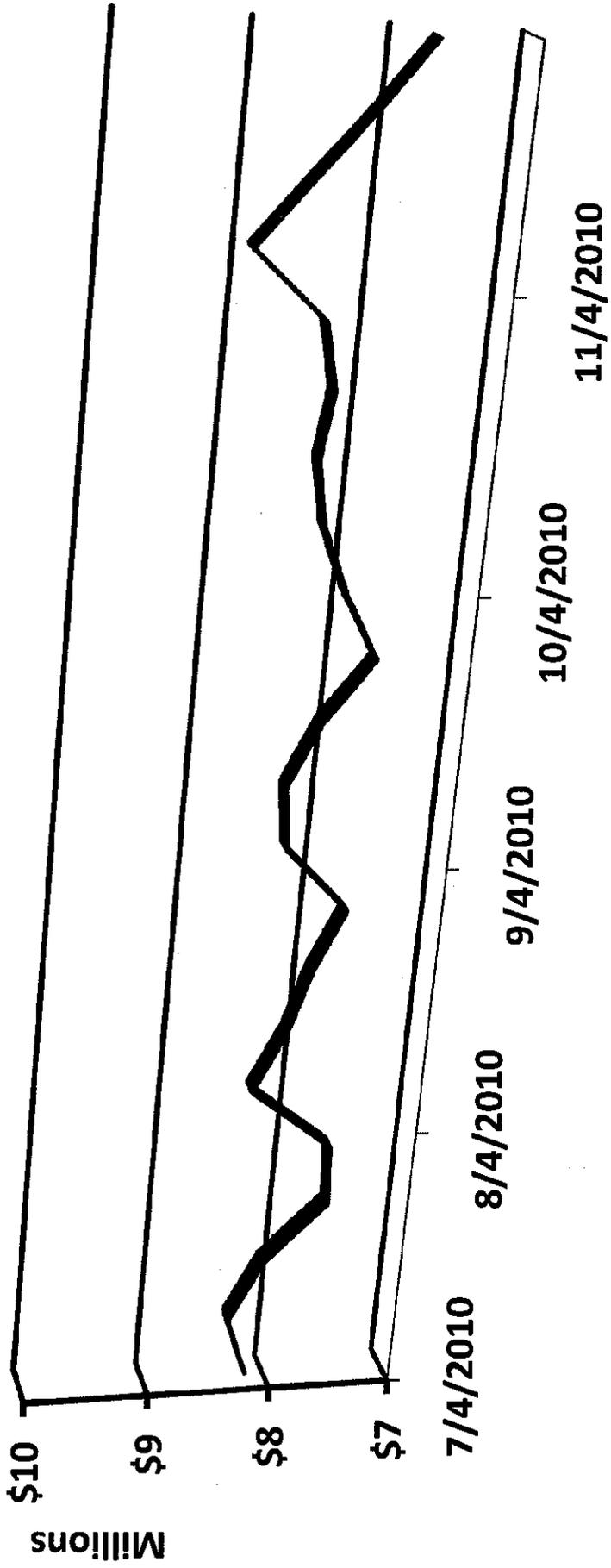
(Unaudited)

Total Revenue \$176.9



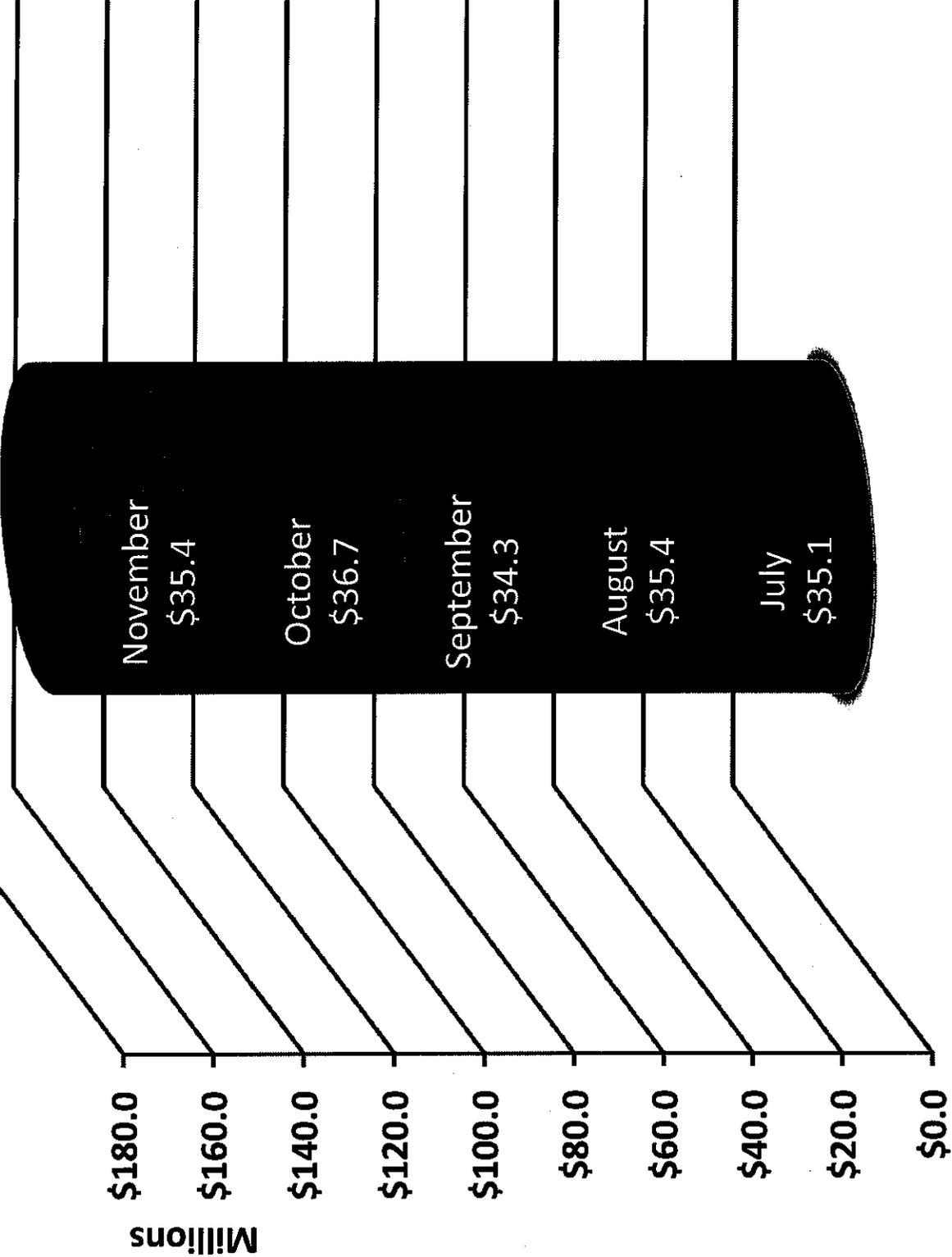
(Totals Expressed In Millions)

Weekly Sales Trend 7/01/10 – 11/28/10



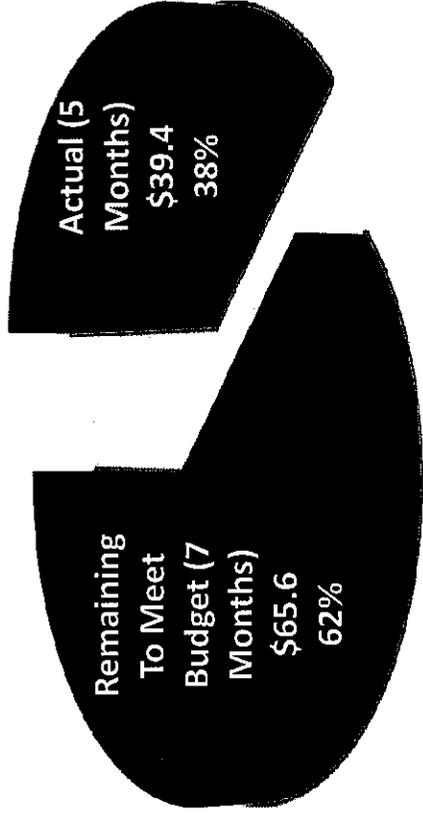
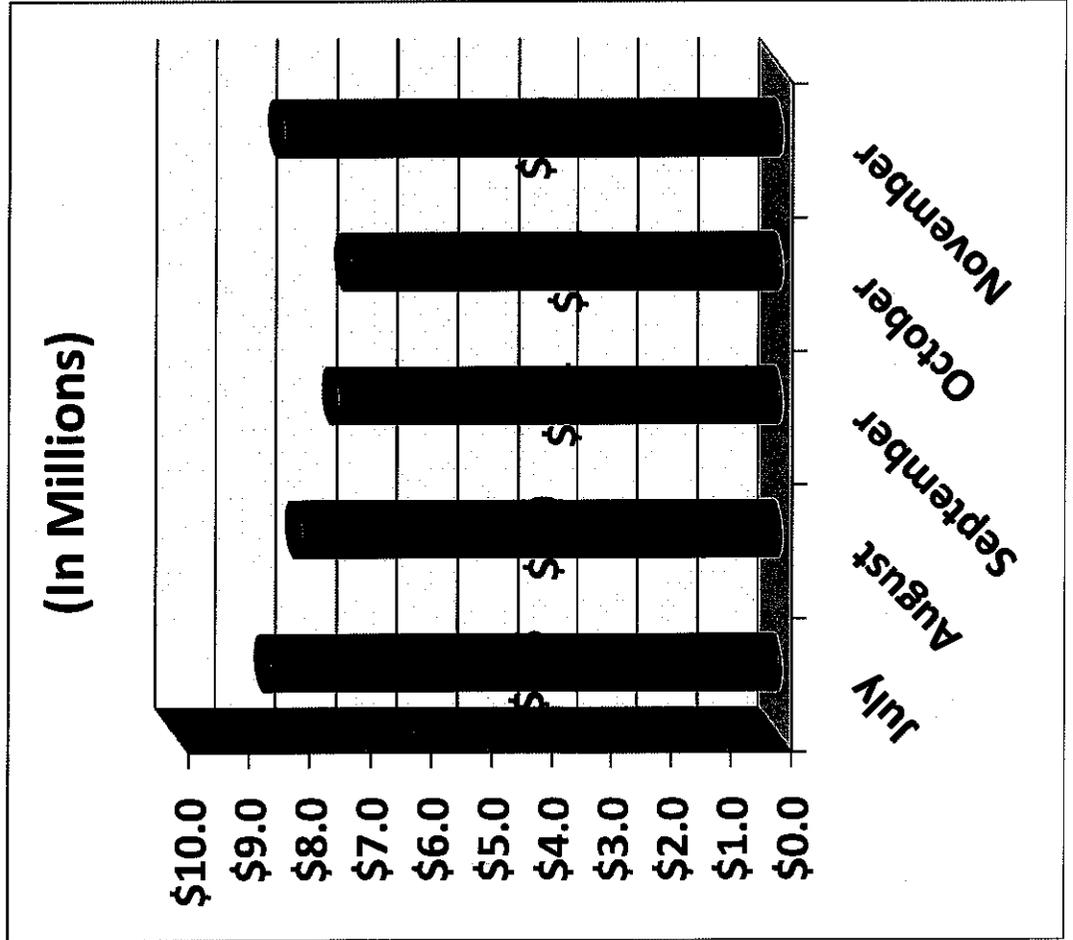
Monthly Revenue Trend

(\$176.9 Million)



FY '11 Transfer Trend Analysis

Transfers FY '11





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

OFFICE OF THE DIRECTOR
1509 West Seventh Street, Suite 401
Post Office Box 3278
Little Rock, Arkansas 72203-3278
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<http://www.state.ar.us/dfa>

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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Administrator's Office
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Little Rock, Arkansas 72203-3278
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<http://www.state.ar.us/dfa>

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.

ARIZONA

Scholarship Lottery

Commission Evaluation Form

GENERAL INFORMATION		TYPE REPORT: <input type="checkbox"/> ANNUAL <input type="checkbox"/> INTERIM	
EMPLOYEE NAME	EMPLOYEE NUMBER	AGENCY	
JOB TITLE	ORGANIZATION		
RATER NAME	RATING PERIOD FROM	TO	

LEADERSHIP *Measures commitment to excellence, development and implementation of strategic vision, ability to achieve results, and learning from successes and shortcomings.*

<input checked="" type="checkbox"/> Far Exceeds Expectations	<input type="checkbox"/> Exceeds Expectations	<input type="checkbox"/> Meets Expectations	<input type="checkbox"/> Needs Improvement	<input type="checkbox"/> Unsatisfactory	F	E	M	N	U	N/A
• Creates and communicates a shared vision, setting clear direction for the organization.					<input type="checkbox"/>					
• Establishes a commitment to excellence throughout the organization.					<input type="checkbox"/>					
• Leads by example and encourages professionalism, inspiration, competence, integrity, and ethics.					<input type="checkbox"/>					
• Demonstrates and encourages customer-focused work results.					<input type="checkbox"/>					
• Marshals necessary commitment and resources to achieve objectives.					<input type="checkbox"/>					
• Empowers others to act by emphasizing decision-making and requiring accountability.					<input type="checkbox"/>					
• Builds partnerships and strategic alliances with key stakeholders to carry-out the organization's mission.					<input type="checkbox"/>					
• Anticipates and plans for current and future internal and external influences on the organization.					<input type="checkbox"/>					
• Challenges the status quo and promotes beneficial change, resulting in improvements and efficiencies.					<input type="checkbox"/>					
• Fosters work environments that cultivate initiative, collaboration/teamwork, inclusiveness/diversity, and mutual respect.					<input type="checkbox"/>					
Significant Work Result and Comments to Support Ratings										
Opportunities for Development										

PLANNING *Measures excellence in strategic planning, change management, project planning, and maximization of resources.*

<input checked="" type="checkbox"/> Far Exceeds Expectations	<input type="checkbox"/> Exceeds Expectations	<input type="checkbox"/> Meets Expectations	<input type="checkbox"/> Needs Improvement	<input type="checkbox"/> Unsatisfactory	F	E	M	N	U	N/A
• Creates an adaptive planning climate that provides for necessary change and opportunities for improvement.					<input type="checkbox"/>					
• Aligns and maximizes resources to achieve desired outcomes.					<input type="checkbox"/>					
• Models and encourages supportive and inclusive planning efforts.					<input type="checkbox"/>					
• Scans the work environment; anticipates and assesses factors that contribute to success or failure, and acts accordingly.					<input type="checkbox"/>					
• Anticipates, plans, schedules, and organizes work to ensure alignment with agency and program vision.					<input type="checkbox"/>					
• Conceives, prepares for, stimulates, and sustains change to improve or streamline operations.					<input type="checkbox"/>					
• Utilizes effective change management techniques, challenging staff to embrace creativity and seek innovation.					<input type="checkbox"/>					
• Acts as a change agent, challenging and re-engineering processes, as necessary.					<input type="checkbox"/>					
• Cultivates future leaders through active human resource development and succession planning.					<input type="checkbox"/>					
• Prioritizes, delegates work, and plans accordingly, maximizing the use of available resources.					<input type="checkbox"/>					

Significant Work Results and Comments to Support Ratings

Opportunities for Development

MANAGEMENT Measures the effectiveness of managing programs, operations, and human, financial, and technological resources.

<input checked="" type="checkbox"/> Far Exceeds Expectations	<input type="checkbox"/> Exceeds Expectations	<input type="checkbox"/> Meets Expectations	<input type="checkbox"/> Needs Improvement	<input type="checkbox"/> Unsatisfactory	F E E	E E E	M E E	N I I	U N S	N / A
• Demonstrates organizational understanding, expertise to direct, encourage, and facilitate individual / team performance.					<input type="checkbox"/>					
• Exhibits skill in problem-solving, decision-making, and managing programs and staff.					<input type="checkbox"/>					
• Demonstrates sound judgment and flexibility in designing and applying adaptive approaches to demands and change.					<input type="checkbox"/>					
• Creates a workplace that ensures a diverse, harmonious, productive, safe, and non-discriminatory work environment.					<input type="checkbox"/>					
• Effectively delegates work, communicates expectations in a clear and constructive manner, and measures results.					<input type="checkbox"/>					
• Recognizes employee accomplishments and appropriately and swiftly manages unsatisfactory performance.					<input type="checkbox"/>					
• Creates a results- and service-oriented climate that contributes to organizational goals and objectives.					<input type="checkbox"/>					
• Judiciously manages assigned funds and resources within operating guidelines.					<input type="checkbox"/>					
• Encourages employees to excel through coaching, motivation, mentoring, and developmental opportunities.					<input type="checkbox"/>					
• Implements strategies that achieve priorities, objectives, and deadlines.					<input type="checkbox"/>					

Significant Work Results and Comments to Support Ratings

Opportunities for Development

INTERPERSONAL RELATIONS Measures the ability to establish and maintain interpersonal relationships, effectiveness of communications, and degree of positive engagement with others.

<input checked="" type="checkbox"/> Far Exceeds Expectations	<input type="checkbox"/> Exceeds Expectations	<input type="checkbox"/> Meets Expectations	<input type="checkbox"/> Needs Improvement	<input type="checkbox"/> Unsatisfactory	F E E	E E E	M E E	N I I	U N S	N / A
• Communicates personal commitment to agency vision, policies, and standards.					<input type="checkbox"/>					
• Directs with clear and persuasive communication.					<input type="checkbox"/>					
• Models and encourages open and interactive communication.					<input type="checkbox"/>					
• Discerns the sensitivity and confidentiality of information and acts appropriately.					<input type="checkbox"/>					
• Establishes trust, and is approachable by employees at all organizational levels.					<input type="checkbox"/>					
• Constructively manages conflict and differences of opinion, and fosters a positive resolution of issues.					<input type="checkbox"/>					
• Exhibits effective oral / written communication that is articulate, confident, well-organized, persuasive, and appropriate.					<input type="checkbox"/>					
• Demonstrates effective listening skills with comprehension and empathy.					<input type="checkbox"/>					
• Engages others in a tactful, courteous, respectful, and sensitive manner.					<input type="checkbox"/>					
• Balances concerns between individuals and productivity.					<input type="checkbox"/>					

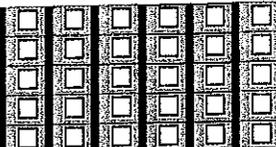
Significant Work Results and Comments to Support Ratings

Opportunities for Development

RESULTS Measures excellence in achievement and evaluation of organizational goals within established timeframes.

<input checked="" type="checkbox"/> Far Exceeds Expectations	<input type="checkbox"/> Exceeds Expectations	<input type="checkbox"/> Meets Expectations	<input type="checkbox"/> Needs Improvement	<input type="checkbox"/> Unsatisfactory	F E E	E E E	M E E	N I I	U N S	N / A
• Designs, develops, and implements organizational strategies and supporting policies.					<input type="checkbox"/>					
• Demonstrates and encourages excellence in results.					<input type="checkbox"/>					
• Allocates and adjusts available resources to accomplish desired work results.					<input type="checkbox"/>					
• Achieves assigned objectives within employee's span of control.					<input type="checkbox"/>					
• Achieves assigned objectives within established timeframes.					<input type="checkbox"/>					

- Performs with speed and sense of urgency, as necessary, while prioritizing tasks.
- Exercises discerning judgment in problem-solving and decision-making to ensure smooth operations and desired results.
- Applies measurements, assesses progress, and modifies course(s) of action, as necessary, to achieve strategic outcomes.
- Demonstrates and encourages responsiveness; provides accurate, constructive, appropriate, and timely input/feedback.
- Completes constructive and timely employee performance reviews as a rater and/or reviewing officer.



Significant Work Results and Comments to Support Ratings

A

Opportunities for Development

OVERALL RATING

<input checked="" type="checkbox"/> Far Exceeds Expectations	<input type="checkbox"/> Exceeds Expectations	<input type="checkbox"/> Meets Expectations	<input type="checkbox"/> Needs Improvement	<input type="checkbox"/> Unsatisfactory
---	--	--	---	--

RATER'S OVERALL COMMENTS:

SUMMARY OF EMPLOYEE'S STRENGTHS:

SUMMARY OF OPPORTUNITIES FOR EMPLOYEE DEVELOPMENT:

Rater's Signature: _____ **Date:** _____

REVIEWING OFFICER'S COMMENTS

Comments:

Reviewing Officer's Signature: _____ **Date:** _____

EMPLOYEE'S COMMENTS

- I agree with this rating.
- I disagree with this rating.
- I would like to discuss this rating with my Reviewing Officer. Discussion occurred on _____.
- I acknowledge that I have read this report and I have been given an opportunity to discuss it with the evaluator. My signature does not necessarily mean that I agree with the report.

Additional Comments:

Employee Signature: _____ **Date:** _____