

MINUTES
ARKANSAS LOTTERY COMMISSION
Monday, March 18, 2013
10 A.M.
Third Floor Conference Room
124 West Capitol Avenue
Little Rock, Arkansas

Chairman Ben Pickard called the meeting to order. Commissioners George Hammons, Smokey Campbell, Bruce Engstrom, Raymond Frazier, Mike Malone, Dianne Lamberth, and Patty Shipp were also present. Staff members present included Director Bishop Woosley and Internal Auditor Matt Brown as well as Maria Craig, Patricia Vick, Julie Baldrige, Jean Block, Valerie Basham, Jerry Fetzer, Robert Stebbins and Lance Huey.

The first order of business was approval of the January 28 draft minutes. By motion of Commissioner Shipp, seconded by Commissioner Engstrom, the minutes were approved without dissent.

Chairman Pickard introduced special guests of the Commission Mr. Carrold Ray, Jr., of the North Little Rock law firm of Hilburn, Calhoun, Harper, Pruniski and Calhoun, as well as his senior partner Sam Hilburn, and Yolanda Wallace. Mr. Ray, a tax attorney, volunteered to assist the Commission about 18 months ago when the IRS assessed penalties of about \$100,000 against the Commission for the timing of submission of payments. Chairman Pickard noted that the Commission was "grateful for Mr. Ray's generous sacrifice of his time and effort, and for his excellent work, pro bono, in behalf of the scholarship program."

Mr. Ray stood before the Commissioners to announce that news had arrived of an IRS refund of \$104,570.33, explaining his successful approach that led to the positive resolution. He said that although the process took over one year, it was simple. The IRS was imposing rule changes at the time, and IRS allows suspension of penalties during rule changes to allow entities to reach a learning curve. He stressed that no special favors had been given to the Commission and that the ALC was no different from any other taxpaying entity. He said that the conversation with the IRS had progressed normally and had ultimately reached a higher level, where the officials could make a judgment call on this amount of money, and they had agreed with his reasoning. He said that the effort had a special meaning for him, in part because of his daughters who had received the lottery-funded scholarships. Also, he said, 28 people in his law firm had benefited from receiving their educations from an Arkansas institution of higher learning, and more than 10 have family members with Lottery-funded scholarships.

Commissioner Engstrom was recognized, and told a story of getting a call from Mr. Ray when the IRS penalty had first come to light. He said Mr. Ray told him he hadn't slept well the night before thinking of the students who would lose their scholarships because of the penalty, and that he wanted to help so that the \$100,000 would go to Arkansas students. Commissioner Engstrom joked that he had to stop his car to avoid running off the road, because he realized this level of help would be needed if there was any hope of convincing the IRS to reverse their decision. On behalf of the entire Commission, he presented a plaque to Mr. Ray in appreciation for his efforts and his generosity. Mr. Ray received a standing ovation from the Commissioners and other attendees.

Chairman Pickard reported on a proposed vendor grant for educational projects. He said that in the fall of 2011, he had learned that lottery vendors in several other states had offered funding for local educational programs, and that he had considered such a possibility for Arkansas. He said that Director Woosley and Ms. Vick have put a great deal of effort into exploring different options, also receiving assistance from Emily Jordan-Cox of Governor Beebe's Office. He said he was most concerned about students who reach college less able to compete, and that he had asked the Director to look for a way to provide computer labs at high schools with a high remediation rate. He announced that Intralot had made a commitment to Director Woosley for \$20,000 a year for the project. He said Scientific Games was studying the proposal. He asked Commissioner Frazier to convene the Higher Education Committee to provide a framework for the program. Commissioner Frazier called it a "fantastic project, for which there is a great need" and said that he would convene the Committee.

Director Woosley presented a report to the Commissioners (included in file) on sales, scholarships, trends, and promotions. He said that although the scholarship return is down by \$3.7 Million from the previous year even with sales down \$30 Million overall, sales are up for March, and he is hopeful for the last quarter of FY2013. He said that instant tickets are growing again and their sales actually came in ahead of budget for February. He said that draw tickets are down somewhat but that individual offerings are a mixed bag, with success with Powerball and Natural State Jackpot, but that Mega Millions can't seem to get ahead. He noted that bills have been introduced in the legislature that could increase costs relating to the scholarships and that the team is watching those closely. He talked about other lotteries' histories showing that sales at the end of the first two or three years stagnated and dipped for a period of time, followed by a pattern of slow growth through following.

He said that the Lottery will introduce the Arkansas Progressive Jackpot fast play game on April 15, adding a new twist of a jackpot accumulated from a portion of the sales, which grows until it is hit. Thus, the game will have two different ways to win. He also introduced the Commissioners to a planned Sales Commission Incentive Program for lottery retailers. Retailers compete with their own previous year sales in instant tickets, and if their total instant sales go up significantly over the three-month promotional period, they can receive \$300 to \$1000. He said that retailers have shown interest in the promotion, and that he hopes it incentivizes retailers. He also previewed a new television ad pointing up the volume of prizes, currently airing. Commissioner Lamberth said that she liked the new ad and the current series of press releases. Commissioner Engstrom expressed interest in pursuing partnership opportunities with Arkansas Parks and Tourism, as well as continuing to use Arkansas products in promotions and in The Club store.

Commissioner Campbell reported that the Audit and Legal Committee met prior to the Commission meeting (Record in file). He said the Committee approved two motions, one to endorse the Internal Auditor performing follow-up audit procedures once observations or issues previously noted appear to have been resolved and prior to DLA audits; and one to approve a revised Internal Audit Charter presented by Auditor Brown. By motion of Commissioner Frazier, seconded by Commissioner Engstrom, the Commissioners approved both Committee-approved motions without dissent.

The Internal Auditor presented his report (included in file), noting that two audits have been completed since the previous Commission meeting, that one was nearly completed, and that two are up-to-date but will remain in progress and be regularly updated and completed at the end of Fiscal Year 2013. He said he and Accountant Maria Craig would be in Alpharetta, GA, next week working with other lotteries' internal auditors. He said they each would receive CPE

credit during the week and that the Georgia Lottery had invited the group to observe a Decades of Dollars drawing.

He called the Commissioners' attention to the Summary, noting that in the maintenance of vendor records, some had remained active for departed individuals, although no issues were found resulting from the above. He said the staff planned an annual review to resolve this issue in the future.

He noted a duplicated portion of a report to the LOC and that it had been sent out corrected and a review step added to resolve the issue in the future. He also noted that there had been an issue with instant game end-of-game dating and control of entry into the system, with dates changed resulting in continued activation of tickets. He noted that in prize end date changes had resulted in no payments. He recommended tightening the list of who can change dates. He noted that there is an end-of-game audit by the Security Division. Commissioner Engstrom asked him to look at what is considered an acceptable variance in that process

The next meeting was set for April 29 at 10 a.m., in Little Rock. There being no further business, the meeting was adjourned.

**Arkansas Lottery Commission
Monthly Internal Audit Update
April 29, 2013**

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**Arkansas Lottery Commission
FY 2013 Internal Audit Plan
Status Report
April 29, 2013**

Project Number ¹	Project Category	Project	Description	Status ²	Comments	Estimated Remaining Hours ³
14	Audit	Back Office System (BOS) Administration	Controls and procedures that ensure the Lottery's BOS system is secure and that access to it is controlled.	Complete	Status Update: Report issued on April 15, 2013. See Page 5 for additional details.	-
32	Audit	Education Trust Fund	Controls and procedures that ensure existence and proper handling of education trust and shortfall reserve funds.	In Progress	Status Update: Fieldwork for first 6 months of fiscal year 2013 began on February 27, 2013. Work for remainder of fiscal year is ongoing.	115
33	Audit	Employee Travel Reimbursements	Controls and procedures surrounding employee travel reimbursements, including travel documentation and accurate travel and expense reimbursement reporting.	In Progress	Status Update: Fieldwork for first 6 months of fiscal year 2013 began on January 25, 2013. Work for remainder of fiscal year is ongoing.	30
36	Audit	Financial Accounting & Reporting	Controls and procedures surrounding the accounting and reporting process, including development of the internal and external financial statements, related notes to the statements, and other items/schedules included in the CAFR.	In Progress	Status Update: Fieldwork began week of April 1, 2013 and is ongoing. See page 4 for requested change related to this project.	100
37	Audit	Financial Planning/Budgeting	Controls and procedures surrounding the planning and budgeting process, including management assumptions, budget compilation, and long-range planning.	Planning Stage	Status Update: Fieldwork scheduled to begin week of May 6, 2013.	314
46	Consulting Project	Instant Ticket Vendor Security Review (Biennially)	Coordinated security review of instant ticket vendor (Scientific Games) with outside firm.	Substantially Complete	Status Update: Fieldwork completed week of March 25, 2013. Additional wrap-up may be necessary upon finalization of report prepared by Delehanty Consulting.	16

Total Estimated Hours to Complete FY 2013 Plan

575

Notes

¹Project Number based on number of all projects within the project universe. See Page 8 for complete, numbered project universe.

²Definition of Project Status: Scheduled - Project has been scheduled and is included in the Internal Audit master schedule. Project timing subject to change based on a number of factors including business need, internal audit resources, etc.; Planning Stage - Project planning beyond scheduling has begun. Actual fieldwork may be several weeks away and finalization of all phases of the project may be several months away; In Progress - Fieldwork is underway. Project completion and finalization may still be several weeks away; Complete - Project is complete for the fiscal year unless otherwise noted (i.e. partially complete, substantially complete).

³Estimated hours to complete based on current knowledge of expected scope and complexity of the project. Actual hours needed to complete a project are subject to change based on the overall complexity of the project (including the nature and volume of any audit findings), the timing of the project, the availability of Internal Audit resources, and the discretion of the Internal Auditor and/or Audit Committee.

**Arkansas Lottery Commission
FY 2013 Follow-Up Procedures
Status Report
April 29, 2013**

Project Number ¹	Project Category	Project	Description	Status ²	Comments	Estimated Remaining Hours ³
28F	Audit Follow-Up	Accounts Payable / Purchasing / Expenditures Follow-Up Procedures	Follow-up procedures regarding observations from FY 2013 audit.	Complete	Status Update: Report issued on April 3, 2013. No observations or recommendations noted; previous observations cleared.	-
10F	Audit Follow-Up	IT Gaming Quality Assurance Follow-Up Procedures	Follow-up procedures regarding observations from FY 2013 audit.	Open		40
14F	Audit Follow-Up	Back Office System (BOS) Administration Follow-Up Procedures	Follow-up procedures regarding observations from FY 2013 audit.	Planning Stage	Status Update: First phase of follow-up procedures to begin this week.	150
Total Estimated Hours to Complete FY 2013 Follow-Up Procedures						190

Notes

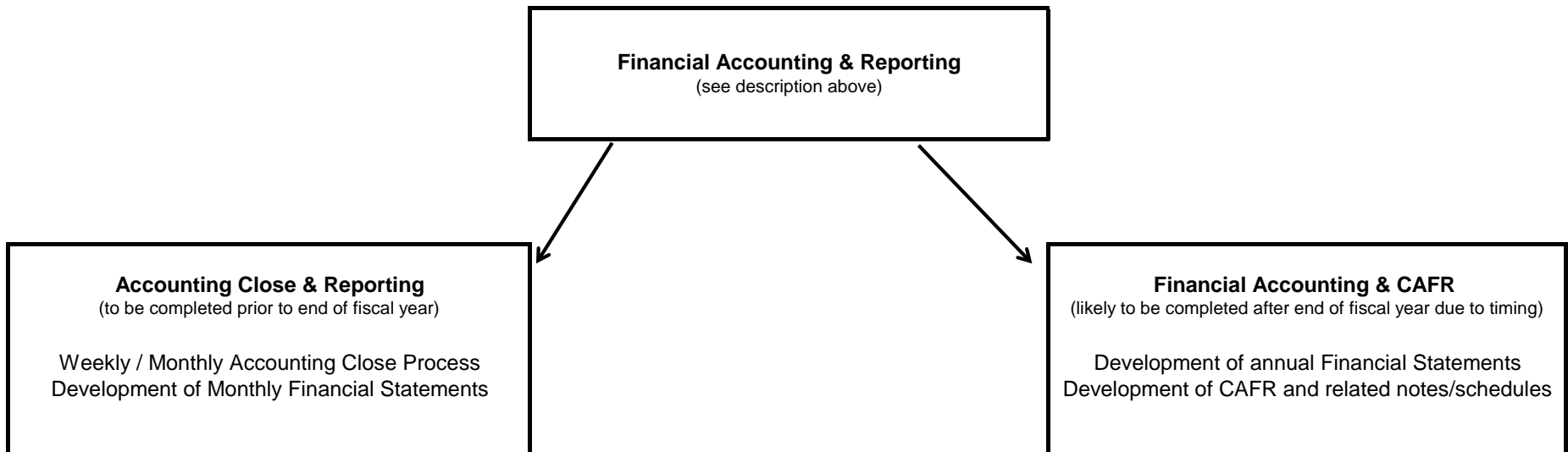
¹Project Number based on number of all projects within the project universe. "F" indicates follow-up procedures. Follow-up procedures for audits in a given fiscal year may be incorporated into the following fiscal year's audit plan depending on several factors, including the timing of any Management remediation activities and available Internal Audit resources. See Page 8 for complete, numbered project universe.

²Definition of Project Status: Open - Timing of project not yet determined; Scheduled - Project has been scheduled and is included in the Internal Audit master schedule. Project timing subject to change based on a number of factors including business need, internal audit resources, etc.; Planning Stage - Project planning beyond scheduling has begun. Actual fieldwork may be several weeks away and finalization of all phases of the project may be several months away; In Progress - Fieldwork is underway. Project completion and finalization may still be several weeks away; Complete - Project is complete for the fiscal year unless otherwise noted (i.e. partially complete, substantially complete).

³Estimated hours to complete based on current knowledge of expected scope and complexity of the project. Actual hours needed to complete a project are subject to change based on the overall complexity of the project (including the nature and volume of any audit findings), the timing of the project, the availability of Internal Audit resources, and the discretion of the Internal Auditor and/or Audit & Legal Committee.

**Arkansas Lottery Commission
Proposed Change
FY 2013 Audit Plan
April 29, 2013**

Project Number	Project	Description	Proposed Change
15	Financial Accounting & Reporting	Controls and procedures surrounding the accounting and reporting process, including development of the internal and external financial statements, related notes to the statements, and other items/schedules included in the CAFR.	Separate the objectives scheduled to be covered in this audit into two audits (see below).



Notes

- (1) Achieves coverage of same audit objectives as included in original plan
- (2) Allows for more timely reporting on each process given the length of the CAFR process

**Arkansas Lottery Commission
BOS Administration Audit
FY 2013
April 29, 2013**

General Information

- Audit centered on processes, controls, and procedures over access to the Arkansas Lottery Commission (ALC)'s Back Office System (BOS).
- Fieldwork included transactions from July 1, 2012 through January 15, 2013.

Summary of Observations

- Lack of written documentation outlining prospective BOS users' request for access.
 - Written documentation outlining requests for access provides an audit trail that outlines justification and approval for users' access.
 - Internal Audit (IA) recommended that that Management adopt a standard BOS Access Request form that outlines basic information for prospective users, and that these forms be retained. Further, the information contained therein can be utilized for quick security verification when resetting user passwords.
 - Management has responded stating that a standard access form for use when granting and updating access to BOS is currently under development and will be implemented. Once implemented, Management plans to require completion of a form for each current BOS user and all BOS users going forward.
 - Follow-up audit procedures, when appropriate, are required in order for IA to consider the observation cleared.
- Lack of documentation that specifies what applications within BOS are mapped to each of the 23 pre-defined user roles that are used to determine access levels granted to prospective users.
 - The Security Division (Security) assigns access to users by matching users' expected job function to one or more of the roles within BOS.
 - The roles within BOS selected for users are determined by the description of the role and users' expected needs within the system.
 - As a result, users may be granted roles within BOS that seems reasonable based on descriptions and expected job functions, but may not be necessary to complete their assigned work, without documentation outlining access by role.
 - IA recommended that Management develop a matrix that maps the roles within BOS to the specific applications users will be granted access when assigned each role. IA also recommended that this matrix be maintained by Security going forward.
 - Management has responded stating that a standard access form for use when granting and updating access to BOS is currently under development and will be implemented. This form will include selection of a role or appropriate access level for the user requesting access, which will be validated by Security prior to grant of access requested.
 - Follow-up audit procedures, when appropriate, are required in order for IA to consider the observation cleared.

**Arkansas Lottery Commission
BOS Administration Audit
FY 2013
April 29, 2013**

Summary of Observations (continued)

- Lack of written documentation outlining updates to BOS users' requests for new or updated access.
 - Written documentation outlining update requests for access provides an audit trail that outlines justification and approval for users' access.
 - IA recommended that that Management adopt a standard BOS Access Update Request form that outlines basic information for users requesting updates, and that these forms be retained to provide an audit trail that outlines justification and approval for users' access.
 - Management has responded stating that a standard access form for use when granting and updating access to BOS is currently under development and will be implemented. Once implemented, Management plans to require completion of a form for each current BOS user and all BOS users going forward.
 - Follow-up audit procedures, when appropriate, are required in order for IA to consider the observation cleared.
- Lack of detailed written documentation when users are deleted or inactivated, upon termination of employment from the ALC.
 - IA was able to verify using records of reviews performed by Security that terminated employees' access was removed within two months of the month in which they were terminated, but was not able to determine the exact date.
 - Lack of documentation establishing an audit trail of specific dates terminated users' access is removed could result in questions surrounding the possibility of users accessing BOS after termination or misuse of terminated users' access after termination.
 - IA recommended that upon notification of terminations from HR, Security retains documentation of the date/time actions were taken to delete or inactivate users' access to BOS.
 - Management has responded stating that the standard access form will be completed when an employee or vendor terminates employment, and that key information such as access termination date will be documented on the form.
 - Follow-up audit procedures, when appropriate, are required in order for IA to consider the observation cleared.
- For 4 of 7 months tested, user access lists were not retained in conjunction with Security's monthly BOS user review.
 - These lists show the active users in BOS at the point in time that Security confirms the appropriateness of all BOS users, including those from outside the ALC.
 - These lists cannot be reproduced as of the point in time Security completed their review, and as such, it cannot be confirmed if there were unauthorized users when Security completed its review.
 - IA recommended that Security creates a monthly packet that is retained evidencing review of the BOS user list and the positive confirmations of access obtained from outside organizations that employ BOS users. IA recommended that Security formalize this packet by requiring sign-off of those completing and reviewing the monthly user review.
 - Management has responded stating that steps have been taken to ensure that the packet currently maintained in Security captures all information recommended by IA.
 - Follow-up audit procedures, when appropriate, are required in order for IA to consider the observation cleared.

**Arkansas Lottery Commission
BOS Administration Audit
FY 2013
April 29, 2013**

Summary of Observations (continued)

- In reviewing specific application-level access for a sample of users, IA noted users with access that did not seem to be consistent with the job functions or duties the users have at the ALC or outside organizations by whom they are employed.
 - Without the appropriate access, users could alter key system data or perform unauthorized system functions that could result in negative outcomes for the ALC and its operations.
 - IA recommended that Management perform a comprehensive review of all BOS users and the appropriateness of the access granted to them. Based on the results of the review, IA recommended that Management update users' access, as appropriate.
 - Management has responded stating that as of April 15, 2013, all BOS access review/updates for employees and vendor employees were completed by Security, and that each user's permission correlates with the job duties on file for the employee.
 - Follow-up audit procedures, when appropriate, are required in order for IA to consider the observation cleared.

Arkansas Lottery Commission
Internal Audit
Audit Universe for FY2013 - FY2015 Audit Plan

Legal - Block

- 1 Online Games & Gaming System Contract Compliance FY14
- 2 Instant Ticket Lottery Game Services Contract Compliance
- 3 Banking Contract Compliance FY15
- 4 Advertising Contract Compliance FY15
- 5 Record Retention FY15
- 6 Legal Compliance & Monitoring FY15

Gaming & Product Development - Smith

- 7 Instant & Online Ticket Game Development FY14
- 8 Points for Prizes & Play It Again FY14
- 9 IT Gaming Operations FY14
- 10 IT Gaming Quality Assurance FY13
- 11 Instant Ticket Quality FY13 FY15

Security & Licensing - Huey

- 12 Lottery Facilities Security & Controls FY15
- 13 In-State Draw Security & Controls FY14
- 14 Back Office System (BOS) Administration FY13
- 15 Instant Ticket Warehouse Operations FY15
- 16 Licensing & Retailer Compliance
- 17 Security Investigations FY14

Human Resources - Basham

- 18 Background Checks FY15
- 19 Human Resource Processes (Hiring, Benefits, Terminations, etc.) FY15

Commission & Legislative Affairs - Baldrige

- 20 Public & Legislative Relations FY15

Sales - Stebbins

- 21 Sales Force Reporting FY15

Marketing - Bunten

- 22 Advertising & Marketing (excl Contract Compliance) FY15

Treasury - Fetzer/Parrish

- 23 Prize Validations & Payments FY14
- 24 Cash Receipts FY15
- 25 Retailer Sweeps/Commissions/Accts Receivable & Adjustments
- 26 Cash Management FY15

Financial Control - Fetzer/Williams

- 27 Fixed Assets FY15
- 28 Accounts Payable/Purchasing/Expenditures FY13
- 29 Payroll & Leave FY14
- 30 Federal & State Tax Withholding & Reporting FY14
- 31 Unclaimed Prize Fund FY15
- 32 Education Trust Fund FY13
- 33 Employee Travel Reimbursements FY13
- 34 Revenue/Prize Payments/Reserves - Online Games
- 35 Revenue/Prize Payments - Instant Ticket Games
- 36 Financial Accounting & Reporting FY13
- 37 Financial Planning/Budgeting FY13

Information Technology - Fetzer/Gilmore/Smith

- 38 IT General Controls FY14
- 39 Disaster Recovery/Business Continuity FY14
- 40 IT Help Desk & Desktop Support FY15

Internal Operations - Fetzer

- 41 Lottery Vehicles FY15
- 42 Building & Facility Maintenance FY15

Projects Not Included in Risk Assessment*

- 43 Facilitation/Review of Risk Assessment required by DFA (Biennially)
- 44 Gaming System SSAE 16 SOC1 Review (Annually) FY14
- 45 Financial Statements & CAFR Review (Annually)
- 46 Instant Ticket Vendor Security Review (Biennially) FY13 FY15

* These items are excluded from the risk assessment process due to their consultative nature; no official report will be issued for these projects, but the Audit & Legal Committee and the Arkansas Lottery Commission will be updated on project progress and completion.



Report from the Director
April 29, 2013

Comparative Income Statements

March 2013, 2012

GAAP Basis Income			Favorable/ (Unfavorable)	Percentage Variance
<u>Statement</u>	<u>March 2013</u>	<u>March 2012</u>		
Revenues				
Instant Tickets	\$ 38,726,262	\$ 37,738,565	\$ 987,697	2.6%
Online Tickets	8,282,577	13,647,407	(5,364,830)	-39.3%
Retailer App/Fidelity	50,494	46,660	3,834	8.2%
TOTAL Revenues	<u>47,059,333</u>	<u>51,432,632</u>	<u>(4,373,299)</u>	<u>-8.5%</u>
Operating Expense				
Instant Prizes Net	27,980,718	26,778,597	(1,202,121)	-4.5%
Online Prizes Net	3,942,513	6,857,018	2,914,505	42.5%
Retailer Commissions	2,637,908	2,847,610	209,702	7.4%
Gaming Contract Costs	2,324,415	2,423,185	98,770	4.1%
Advertising	398,053	396,506	(1,547)	-0.4%
General and Admin.	468,569	609,871	141,302	23.2%
Other Agency Services	110,000	109,440	(560)	-0.5%
TOTAL Operating Expenses	<u>37,862,176</u>	<u>40,022,227</u>	<u>2,160,051</u>	<u>5.4%</u>
Operating Income	9,197,157	11,410,405	(2,213,248)	-19.4%
Interest Income	<u>21,864</u>	<u>22,233</u>	<u>(369)</u>	<u>-1.7%</u>
Income Before Transfers	\$ <u>9,219,021</u>	\$ <u>11,432,638</u>	\$ <u>(2,213,617)</u>	<u>-19.4%</u>
Net Proceeds	\$ <u>9,775,273</u>	\$ <u>12,827,373</u>	\$ <u>(3,052,100)</u>	<u>-23.8%</u>

Note A – 2013 Net Proceeds excludes unclaimed prize expense of \$138,019 that will be recognized at year end June 30, 2013 and 2012 includes unclaimed prize expense.

Comparative Income Statements

Actual Versus Budget March 2013

GAAP Basis Income <u>Statement</u>	March 2013 <u>Actual</u>	March 2013 <u>Budget</u>	<u>Favorable/</u> <u>(Unfavorable)</u>	<u>Percentage</u> <u>Variance</u>
Revenues				
Instant tickets	\$ 38,726,262	\$ 38,340,100	\$ 386,162	1.0%
Online Tickets	8,282,577	9,306,500	(1,023,923)	-11.0%
Retailer App/Fidelity	<u>50,494</u>	<u>50,200</u>	<u>294</u>	<u>0.6%</u>
TOTAL Revenues	<u>47,059,333</u>	<u>47,696,800</u>	<u>(637,467)</u>	<u>-1.3%</u>
Operating Expense				
Instant Game Prizes	27,980,718	26,554,328	(1,426,390)	-5.4%
Online Game Prizes	3,942,513	4,699,372	756,859	16.1%
Retailer Commissions	2,637,908	2,694,000	56,092	2.1%
Gaming Contract Cost	2,324,415	2,557,700	233,285	9.1%
Advertising	398,053	598,190	200,137	33.5%
General and Admin.	468,569	602,864	134,295	22.3%
Other Agency Service	<u>110,000</u>	<u>129,200</u>	<u>19,200</u>	<u>14.9%</u>
TOTAL Operating Expenses	<u>37,862,176</u>	<u>37,835,654</u>	<u>(26,522)</u>	<u>-0.1%</u>
Operating Income	9,197,157	9,861,146	(663,989)	-6.7%
Interest Income	<u>21,864</u>	<u>26,700</u>	<u>(4,836)</u>	<u>-18.1%</u>
Income before transfers	\$ <u>9,219,021</u>	\$ <u>9,887,846</u>	\$ <u>(668,825)</u>	<u>-6.8%</u>
Net Proceeds	\$ <u>9,775,273</u>	\$ <u>9,887,846</u>	\$ <u>(112,573)</u>	<u>-1.1%</u>

Note A – 2013 Net Proceeds excludes unclaimed prize expense of \$138,019 that will be recognized at year end June 30, 2013 and 2013 Budget includes unclaimed prize expense.

Comparative Income Statements

YTD March 31, 2013 Compared to March 31, 2012

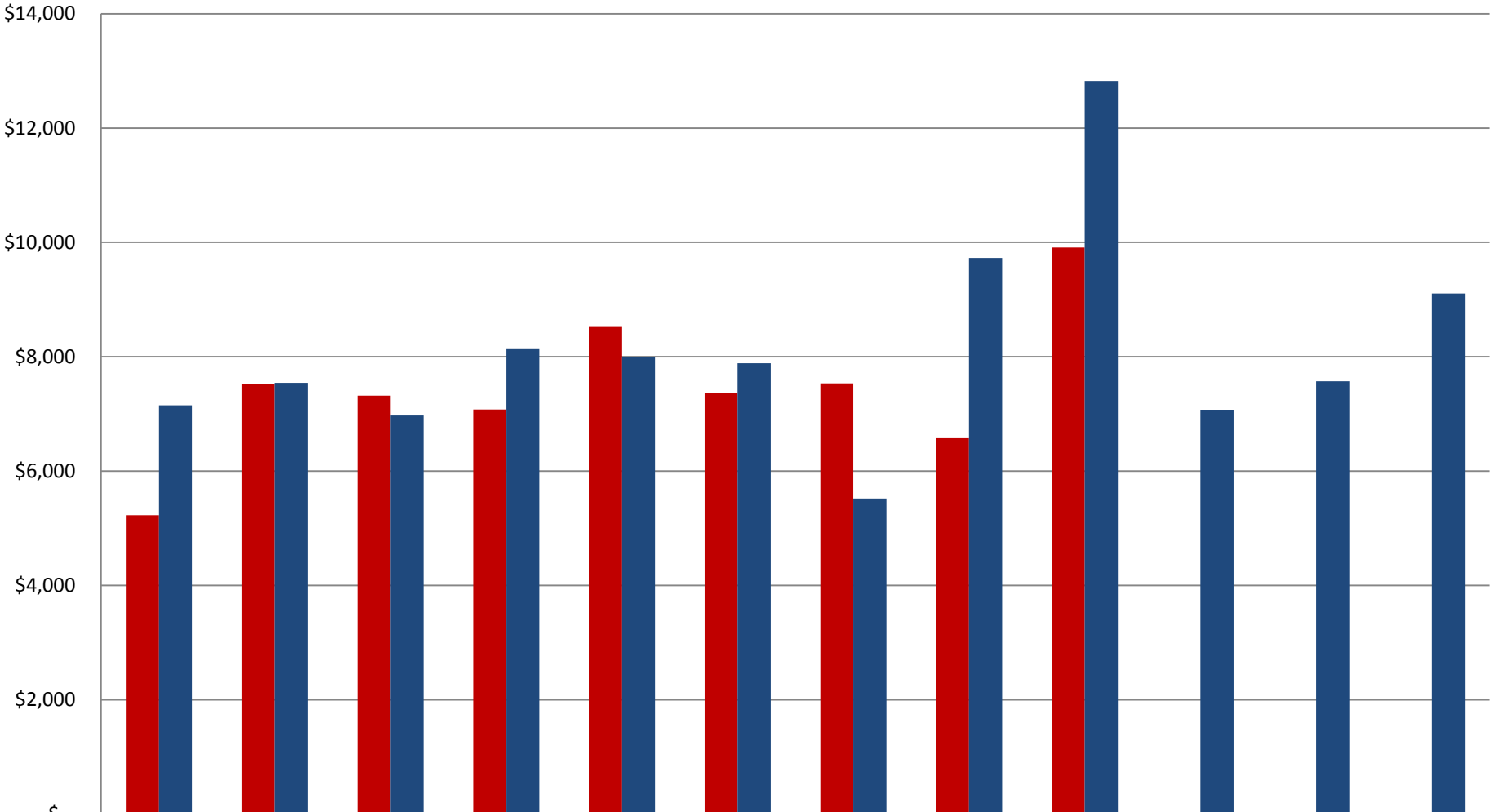
<u>Statement</u>	<u>Actual</u> <u>YTD 3/31/13</u>	<u>Actual</u> <u>YTD 3/31/12</u>	<u>Favorable/</u> <u>(Unfavorable)</u>	<u>Percentage</u> <u>Variance</u>
Revenues				
Instant tickets	\$ 266,963,160	\$ 298,527,930	\$ (31,564,770)	-10.6%
Online Tickets	60,250,889	63,816,943	(3,566,054)	-5.6%
Retailer app. fidelity	<u>427,334</u>	<u>466,036</u>	<u>(38,702)</u>	<u>-8.3%</u>
TOTAL Revenues	<u>327,641,383</u>	<u>362,810,909</u>	<u>(35,169,526)</u>	<u>-9.7%</u>
Operating Expense				
Instant Prizes Net	187,516,909	209,132,365	21,615,456	10.3%
Online Prizes Net	29,347,849	31,330,799	1,982,950	6.3%
Retailer Commissions	18,322,283	20,335,347	2,013,064	9.9%
Gaming Contract Costs	16,392,787	18,628,253	2,235,466	12.0%
Advertising	2,759,062	3,044,344	285,282	9.4%
General and Admin.	5,201,020	5,310,540	109,520	2.1%
Other Agency Services	<u>1,128,880</u>	<u>1,144,400</u>	<u>15,520</u>	<u>1.4%</u>
TOTAL Operating Expenses	<u>260,668,790</u>	<u>288,926,048</u>	<u>28,257,258</u>	<u>9.8%</u>
Operating Income	66,972,593	73,884,861	(6,912,268)	-9.4%
Interest Income	<u>249,505</u>	<u>257,986</u>	<u>(8,481)</u>	<u>-3.3%</u>
Income before transfers	\$ <u>67,222,098</u>	\$ <u>74,142,847</u>	\$ <u>(6,920,749)</u>	<u>-9.3%</u>
Net Proceeds	\$ <u>63,283,151</u>	\$ <u>73,765,461</u>	\$ <u>(10,482,310)</u>	<u>-14.2%</u>

Note A – 2013 Net Proceeds excludes unclaimed prize expense of \$3,789,018 that will be recognized at year end June 30, 2013 and 2012 includes unclaimed prize expense.

ADHE Transfer Analysis

<u>Month</u>	<u>2013 Transfers</u>	<u>2013 Unclaimed Prizes</u>	<u>2013 Budget</u>	<u>Over/Under Budget</u>	<u>Cumulative Balance</u>
July, 2012	\$4,752,502	475,984	\$ 7,522,865	-\$2,294,379	-\$2,294,379
August	7,193,286	339,013	7,451,392	80,907	-2,213,472
September	6,584,957	736,068	7,058,362	262,663	-1,950,809
October	6,632,866	445,361	7,756,011	-677,784	-2,628,593
November	8,443,936	80,425	7,473,772	1,050,589	-1,578,005
December	6,914,261	445,555	8,809,750	-1,449,934	-3,027,939
January, 2013	6,538,953	997,935	8,675,137	-1,138,249	-4,166,188
February	6,447,119	130,658	8,911,452	-2,333,675	-6,499,863
March	9,775,273	138,019	9,887,846	25,446	-6,474,417
April			7,986,661		
May			9,158,268		
June			<u>7,808,484</u>		
Totals	<u>\$63,283,152</u>	<u>\$3,789,018</u>	<u>\$98,500,000</u>		

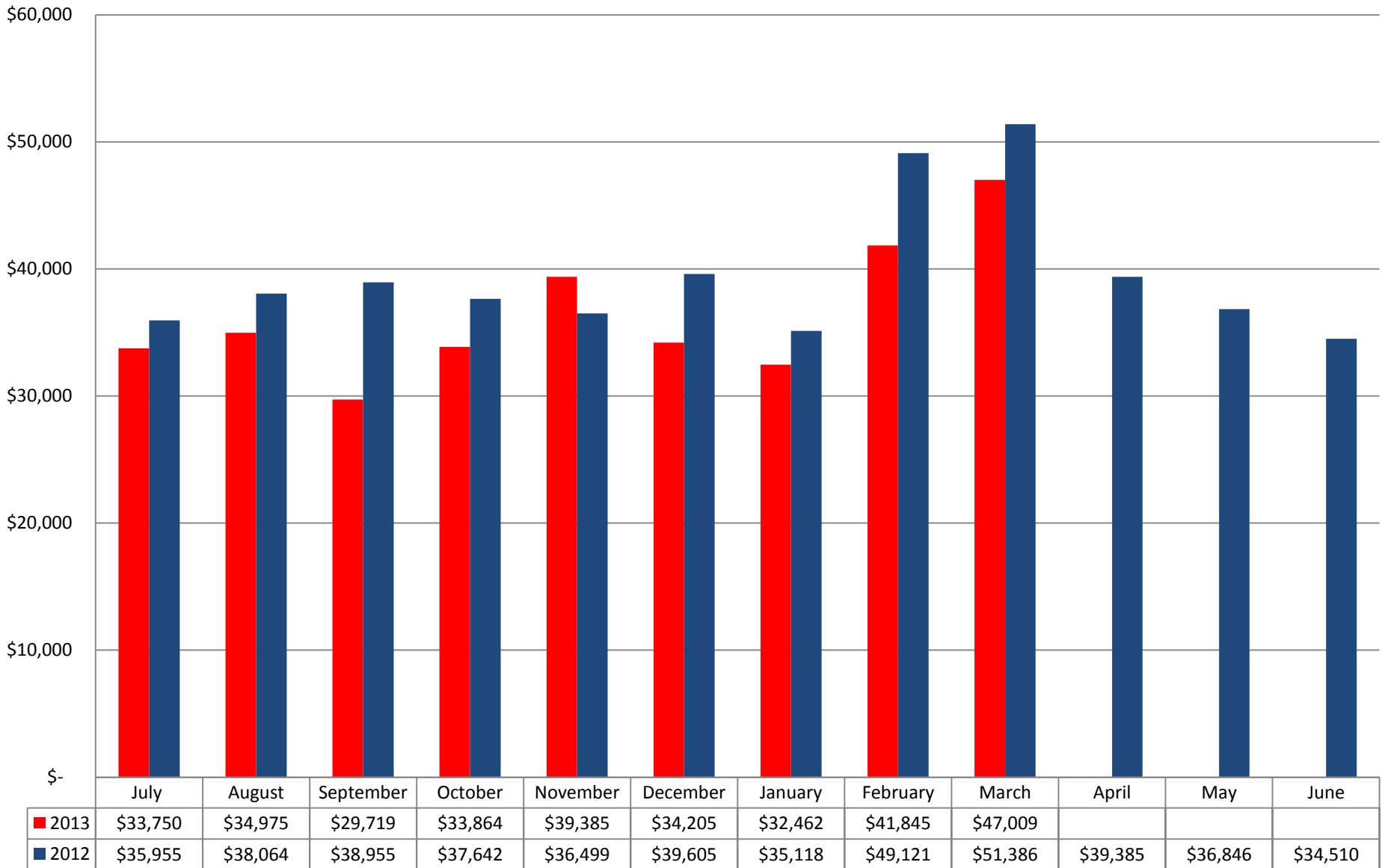
Arkansas Lottery Commission
Net Proceeds (000's)
(Including Unclaimed Prizes)



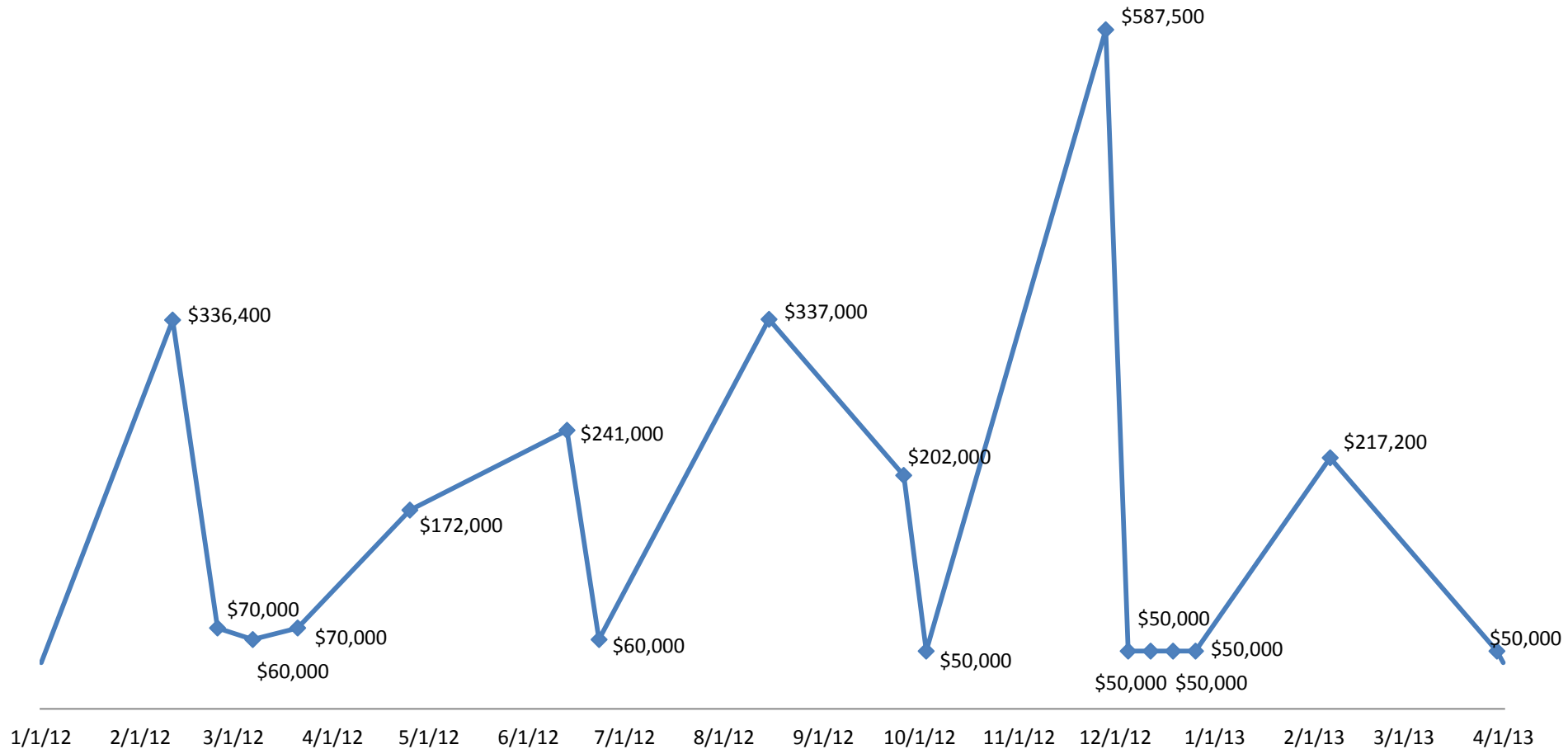
■ 2013	\$5,229	\$7,532	\$7,321	\$7,078	\$8,524	\$7,360	\$7,537	\$6,578	\$9,913			
■ 2012	\$7,153	\$7,544	\$6,973	\$8,134	\$7,994	\$7,888	\$5,523	\$9,729	\$12,827	\$7,066	\$7,572	\$9,107

Arkansas Lottery Commission

Sales (000's)



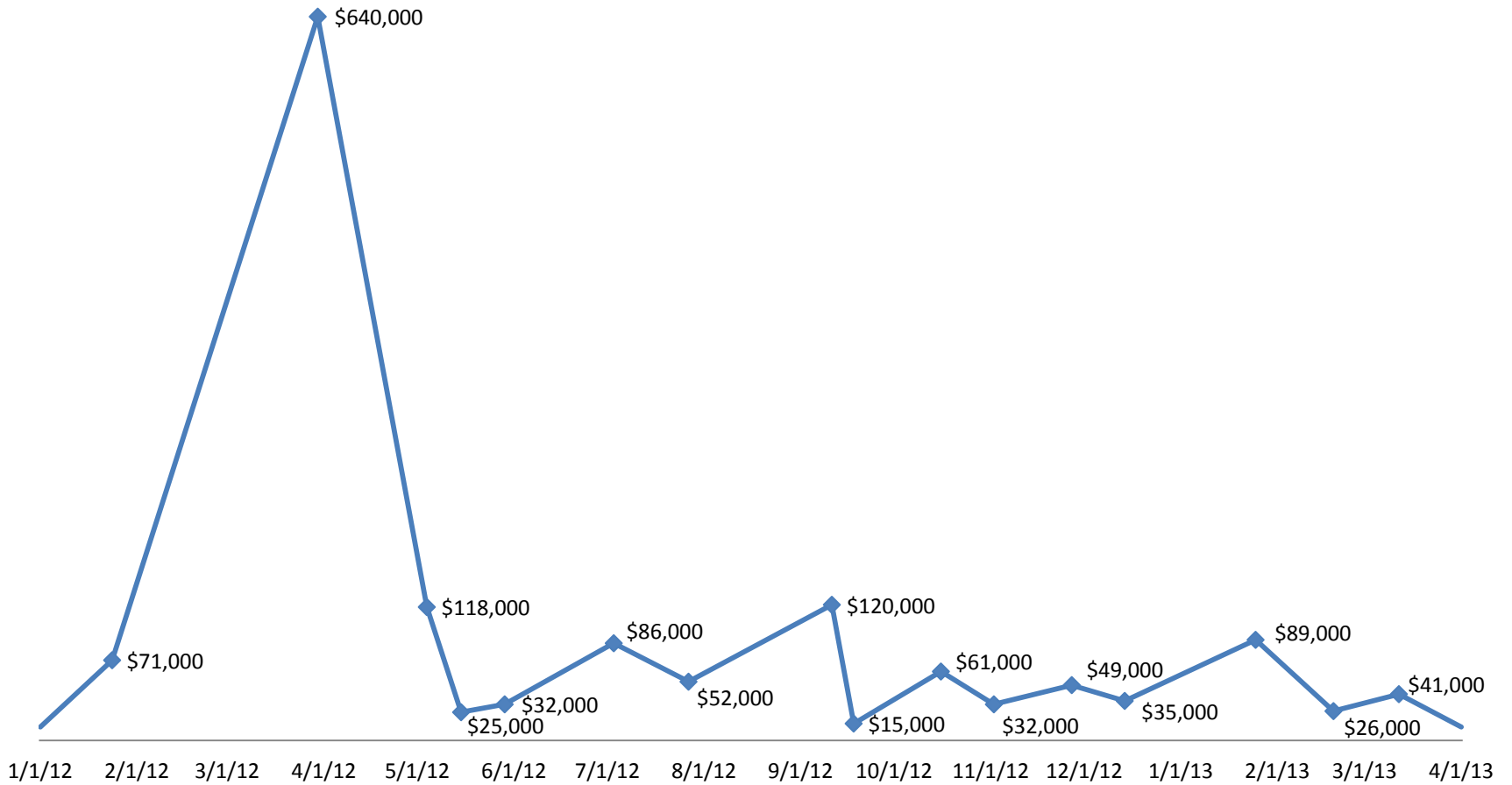
Arkansas Lottery Commission Powerball Grand Prize Winners (000's)



Arkansas Lottery Commission

Mega Million Grand Prizes

(000's)





- AR Progressive Jackpot is a new addition to the Fast Play family of terminal-generated games.
- Sales began Monday April 15, 2013.
- First 10 days of *AR Progressive* sales: \$154,376
- Total Fast Play sales for same period: \$182,367
- Total Fast Play sales for previous 10 days: \$ 34,732
- Fast Play sales increased nearly \$150,000 in the first 10 days.