

**Arkansas Lottery Commission Internal Auditor  
Three Year Audit Plan  
Fiscal Years 2012 - 2014**

**Fiscal Year 2012**

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**Special Projects**

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Facilitate Lottery Fraud Risk Assessment required by DFA (Biennially)  
Gaming System SSAE 16 Review (Annually)  
Financial Statements & Comprehensive Annual Financial Report (CAFR) Review (Annually)

**Periodic Reviews**

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Instant Ticket Quality Reports (Annually)  
Revenue/Prize Payments - Instant Ticket Games (Annually)  
Retailer Sweeps (Annually)  
Revenue/Prize Payments/Reserves - Online Games (Annually)  
High-Tier Prize Payments Documentation (Biannual)  
Education Trust Funds (Monthly)  
Employee Travel Reimbursements (Monthly)  
MSR Personal Vehicle Mileage Reimbursements (Monthly)

**Audits**

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Licensing - Applications  
Licensing - Renewals  
Prize Validations & Payments  
Instant Ticket Lottery Game Services Contract Compliance  
Back Office System (BOS) Administration (See Note 1)  
Instant Ticket Game Loads (See Note 1)

**Note 1** - The inclusion of this project as part of the Internal Audit Plan is dependent on the availability of qualified part-time auditor to assist Internal Audit.

## Arkansas Lottery Commission – Internal Audit

### Review of Findings and Recommendations from the Division of Legislative Audit's June 30, 2010 Audit Report and Management Letter

#### Status Report – June 6, 2011

#### **Audit Report Finding 2010-1:**

Ark. Code Ann. § 23-115-206 (a) (6) requires the Agency to "prepare the financial statements, including the related notes to the financial statements, of the commission in accordance with generally accepted accounting principles (GAAP) and in accordance with guidelines and timelines established by the Chief Fiscal Officer of the State to permit incorporation into the state's financial statements and to permit the audit of the state's financial statements and the commission's financial statements in a timely manner;". The Agency did not prepare the June 30, 2010 financial statements and related notes in accordance with GAAP. The failure to prepare the financial statements and related notes in accordance with GAAP resulted in errors and omissions that could adversely affect the inclusion of the Arkansas Lottery Commission Financial Statements and related notes in the State's Comprehensive Annual Financial Report.

#### **Recommendation for Finding 2010-1:**

We recommend the Agency strengthen internal control over financial reporting by ensuring appropriate employees are qualified and knowledgeable of all applicable Governmental Accounting Standards and prepare the financial statements and related notes in accordance with GAAP.

#### **Audit Objective #1**

Review the Arkansas Lottery Commission's June 30, 2011 financial statements and related notes prior to submission to the Division of Legislative Audit.

#### **Status as of June 6, 2011**

##### Audit fieldwork planned

- The finding relates to the Lottery's annual financial statements and related notes.
- Therefore, this finding cannot be addressed until the June 30, 2011 financial statements and notes are prepared.
- Internal Audit anticipates performing fieldwork associated with this objective in July 2011.

## Arkansas Lottery Commission – Internal Audit

### Review of Findings and Recommendations from the Division of Legislative Audit's June 30, 2010 Audit Report and Management Letter

Status Report – June 6, 2011

#### Audit Report Finding 2010-2:

Ark. Code Ann. § 23-115-205 (a) (20) states that the Commission may enter into contracts with the terms and conditions as necessary. In addition, Ark. Code Ann. § 23-115-701 (e) (1) states that each major procurement contract shall be filed with the Arkansas Lottery Commission Legislative Oversight Committee (LOC) for review before the execution date of the contract. The Commission approved and LOC reviewed the instant ticket lottery game service contract with a stated cost of 1.75% of net sales. Subsequent to this review, Management entered into a *Recital of Selected Options* with a cost of 1.92% of net sales plus an additional cost of 1.5% of the prize pool. The estimated cost of the *Recital of Selected Options* compared to the original reviewed price proposal is an additional \$3.9 million per year. In addition to the *Recital of Selected Options*, Management entered into three licensing agreements with the vendor with a total estimated cost of \$671,861. The subsequent *Recital of Selected Options* and three licensing agreements were not approved by the Commission or reviewed by LOC. Lack of appropriate review of contracts and modifications of contracts could lead to a lack of transparency to the LOC and public.

#### Recommendation for Finding 2010-2:

We recommend the Agency ensure compliance with State law by submitting appropriate documents for review by the Arkansas Lottery Commission Legislative Oversight Committee.

**NOTE – This finding was cleared by Internal Audit on March 8, 2011.**

#### Audit Objective #2

Determine that the Arkansas Lottery Commission Legislative Oversight Committee and Arkansas Lottery Commission have reached an agreement concerning the submission of appropriate contract documents for review by the Arkansas Lottery Commission Legislative Oversight Committee.

**No Findings or Recommendations.** Lottery management has agreed to provide immediate notice to the Arkansas Lottery Commission Legislative Oversight Committee of all agreements described in a letter from the Co-chairs of the Committee dated December 14, 2010.

**Arkansas Lottery Commission – Internal Audit**

**Review of Findings and Recommendations from the Division of Legislative Audit's  
June 30, 2010 Audit Report and Management Letter**

**Status Report – June 6, 2011**

**Audit Objective #3**

Determine that Lottery management is submitting appropriate contractual documents for review by the Arkansas Lottery Commission Legislative Oversight Committee.

**No Findings or Recommendations.** Lottery management has submitted to the Arkansas Lottery Commission Legislative Oversight Committee all licensed instant ticket game agreements (2) entered into from July 1, 2010 through February 28, 2011. The Arkansas Lottery Commission's legal counsel has indicated that the Lottery is in compliance with the contents of the letter from the Co-chairs of the Committee dated December 14, 2010.

## Arkansas Lottery Commission – Internal Audit

### Review of Findings and Recommendations from the Division of Legislative Audit's June 30, 2010 Audit Report and Management Letter

Status Report – June 6, 2011

#### **Management Letter Finding #1:**

Ark. Code Ann. § 23-115-403 (f) (1) prohibits the payment of lottery prizes to certain individuals who are members of the Commission, employees of the Commission, or member of the immediate family of a Commissioner or employee of the Commission. Currently, the Agency conducts prize payment reviews for Powerball and Mega Millions prize payments of \$10,000 or more and second chance drawings for instant games. The Agency does not review prize payments for instant ticket games nor prize payments below \$10,000 for on-line games. In a review of the database used to perform the prize payment review, it was noted that current information within the database required to comply with State law is incomplete. Management utilizes social security numbers to aid in compliance with State law, but 75% of the employees and relatives did not have a social security number listed including the Executive Director, Vice President of Gaming, and 12 other employees. An additional requirement for the database was the address of the prohibited player. In the review of the database, 15% of the employees and relatives had incomplete information including six employees. In addition, four employees were not included in the database. Failure to comply with State law could allow inappropriate lottery prize payments and loss of integrity for the Arkansas Lottery Commission.

#### **Recommendation for Management Letter Finding #1:**

We recommend the Agency obtain information from commission members, employees and others deemed necessary to complete the comprehensive database and conduct the prize payment reviews required by State law.

**NOTE – This finding was cleared by Internal Audit on June 6, 2011.**

#### **Audit Objective #4**

Determine that Lottery management has established procedures in which a winner claiming a prize in excess of \$500 affirms, by signature, that they are not an ineligible player as defined by State law.

**No Findings or Recommendations.** The Arkansas Scholarship Lottery Winner Claim Form has been updated to state the following:

*I further attest that I am not an ASL Commissioner or an ASL employee, nor am I a member of the immediate family of an ASL Commissioner or ASL employee.*

## Arkansas Lottery Commission – Internal Audit

### Review of Findings and Recommendations from the Division of Legislative Audit's June 30, 2010 Audit Report and Management Letter

#### Status Report – June 6, 2011

##### Audit Objective #5

Determine that Lottery management has established, to the extent possible, a database of ineligible players to ensure prize payments in excess of \$500 are not paid to an individual deemed ineligible to win a Lottery prize as defined by State law.

##### **No Findings or Recommendations.**

- Act 207 of 2011 changed the requirements regarding prohibited players to the following:

*The commission shall not pay a lottery prize that exceeds the amount of five hundred dollars (\$500) to any: (A) Member of the commission; (B) Employee of the commission; or (C) Member of the immediate family of a member of the commission or an employee of the commission living in the same household as the member of the commission or the employee.*

- Lottery management has developed a database of all ineligible players based on the criteria included in Act 207 of 2011.
- Internal Audit tested the ineligible player database for completeness as of May 5, 2011. No exceptions were noted.
- A module in the gaming system to automate the procedure of verifying the eligibility of a player in the validation process of high-tier prize payments was implemented on April 25, 2011.
- Internal Audit tested the Lottery's gaming system's ineligible player verification module to ensure that any player included in the ineligible player database that attempts to redeem a lottery prize in excess of \$500 is flagged by the system and payment of the prize is disallowed. No exceptions were noted.
- Lottery management has developed policies and procedures to establish rules and guidelines for maintaining an accurate and up-to-date database of ineligible players as outlined in Act 207 of 2011.

## Arkansas Lottery Commission – Internal Audit

### Review of Findings and Recommendations from the Division of Legislative Audit's June 30, 2010 Audit Report and Management Letter

Status Report – June 6, 2011

#### **Legislative Audit Management Letter Finding #2:**

Ark. Code Ann. § 23-115-303 (e) and (f) requires each person considered for employment by the Commission submit to a state and federal background check. Arkansas Code further states that the Commission cannot employ anyone who has been convicted or entered a plea agreement for certain criminal offenses. Nineteen individuals employed by the Commission were selected for review; of which, all background checks were completed subsequent to the first day of employment. The failure to complete the background checks prior to employment resulted in the employment and subsequent termination of two individuals with previous criminal offenses.

#### **Legislative Audit Recommendation for Management Letter Finding #2:**

We recommend the Agency develop policies and procedures to ensure criminal background checks are received prior to employment.

**NOTE – This finding was cleared by Internal Audit on January 7, 2011.**

#### **Audit Objective #6**

Determine that Lottery management has established written policies and procedures concerning employee background checks.

**No Findings or Recommendations.** Written policies and procedures have been developed for employee background checks.

#### **Audit Objective #7**

Determine that background checks are received and reviewed prior to the first day of employment.

**No Findings or Recommendations.** Audit fieldwork revealed that for all employees hired between the dates of April 19, 2010 through January 7, 2011, a background check was received and reviewed prior to the first day of employment.

## Arkansas Lottery Commission – Internal Audit

### Review of Findings and Recommendations from the Division of Legislative Audit's June 30, 2010 Audit Report and Management Letter

#### Status Report – June 6, 2011

#### **Legislative Audit Management Letter Finding #3:**

Ark. Code Ann. § 23-115-206 (a) (1) requires the Commission to establish effective internal controls. To effectively establish internal controls, management should communicate policy and procedures to all staff. Management did not communicate the policy and procedures for the accrual and use of compensatory time to exempt staff until August 3, 2010 for time purportedly earned between July 1 and November 30, 2009. Subsequent to the issuance of the formal policy, numerous changes were made by management including a suspension of compensatory time usage. In addition, management was unable to properly account for the potential compensatory time resulting in ten different versions of compensatory time being submitted for audit. Due to the numerous changes made to the compensatory time policy, at the end of audit fieldwork, it remains unclear what the Agency had established as policy. The failure to establish and communicate policy has led to confusion with the 23 affected employees and has created a potential liability for some staff, who may be required to reimburse the Agency for compensatory time already taken.

#### **Legislative Audit Recommendation for Management Letter Finding #3:**

We recommend the Agency strengthen internal controls by communicating applicable policies and procedures to staff in a timely manner. We further recommend the Agency obtain guidance from the Chief Fiscal Officer of the State regarding reimbursement of any overpayments that may be determined.

#### **Audit Objective #8**

Determine if any additional compensatory time has been granted to exempt employees since the audit report date of June 30, 2010.

#### **Status as of June 6, 2011**

Audit fieldwork complete – No findings or recommendations

Internal Audit reviewed leave records and inquired of applicable employees and determined that no additional compensatory time has been awarded to exempt employees.

**Arkansas Lottery Commission – Internal Audit**

**Review of Findings and Recommendations from the Division of Legislative Audit's  
June 30, 2010 Audit Report and Management Letter**

**Status Report – June 6, 2011**

**Audit Objective #9**

Determine if Lottery management has established written policies and procedures for the use of the 80 hours of compensatory time approved by the Arkansas Lottery Commission.

**Status as of June 6, 2011**

Audit fieldwork complete – No findings or recommendations

Lottery management has established a *Compensatory Time Policy*. In addition, an email written by the Lottery's Human Resources Director provided guidance to effected employees regarding usage of the compensatory time awarded.

**Audit Objective #10**

Determine that compensatory time usage is accounted for in accordance with policies and procedures, approved, and adequately supported.

**Status as of June 6, 2011**

Audit fieldwork complete – No findings or recommendations

Internal Audit performed a test of compensatory time usage records and determined that time is accounted for in accordance with policies and procedures, approved, and adequately supported.

## Arkansas Lottery Commission – Internal Audit

### Review of Findings and Recommendations from the Division of Legislative Audit's June 30, 2010 Audit Report and Management Letter

#### Status Report – June 6, 2011

##### Audit Objective #11

Determine that the Executive Director and Vice Presidents are repaying compensatory time in accordance with the methodology submitted and reviewed by the Arkansas Lottery Commission.

##### Status as of June 6, 2011

Audit fieldwork in progress

##### Executive Director

The Executive Director has repaid all 16 hours compensatory time used by reducing his annual leave balance.

##### Vice President of Gaming

The Vice President of Gaming has repaid all 134.5 hours compensatory time used by reducing his annual leave balance (52.5 hours) and compensation (82 hours).

##### Vice President of Administration

- The original balance of the compensatory time to be reimbursed by the Vice President of Administration was 178.5 hours. The Vice President of Administration submitted a plan on February 11, 2011 to reimburse her outstanding compensatory time balance in the following manner:
  1. Starting with the pay period ending February 19, 2011, reduce compensation by 4 hours per week (8 hours per pay period) until the pay period ending July 9, 2011, a total of 11 pay periods. This will result in a reduction of the compensatory time balance of 88 hours.
  2. Forfeit her cost of living and merit pay increase in the amount of \$8,922.24. At an hourly rate of \$108.49 per hour, this will result in a reduction of the compensatory time balance of approximately 82 hours.

**Arkansas Lottery Commission – Internal Audit**

**Review of Findings and Recommendations from the Division of Legislative Audit's  
June 30, 2010 Audit Report and Management Letter**

**Status Report – June 6, 2011**

3. The remainder of the compensatory time will be paid by the Vice President of Administration to bring the balance to zero by the end of July 2011.
- The Vice President of Administration has a balance of 113.97 hours as of June 6, 2011. The original balance of the compensatory time to be reimbursed of 178.5 hours has been reduced by a reduction in compensation of eight hours per check for eight pay periods (64 hours) and a payroll deduction overpayment of \$57.69 (.53 hours) not returned to the Vice President of Administration.

## Arkansas Lottery Commission – Internal Audit

### Review of Findings and Recommendations from the Division of Legislative Audit's June 30, 2010 Audit Report and Management Letter

Status Report – June 6, 2011

#### **Legislative Audit Management Letter Finding #4:**

Act 605 and 606 of 2009, as amended, known as the Arkansas Scholarship Lottery Act, set the executive director's salary at \$141,603 with multipliers of up to 2.5 times resulting in a maximum salary of \$354,007. Ark. Code Ann. § 23-115-304 (b) states, "A commission employee's salary for retirement purposes shall be the amount determined by the commission as authorized by the General Assembly and shall not include any multipliers used to increase a person's salary as authorized by the General Assembly." The Commission paid retirement contributions based on the Executive Director's salary including multipliers. Ark. Code Ann. § 23-115-304 (b) may be in conflict with general legislation applicable to the Arkansas Public Employees Retirement System (APERS) as related to the definition of compensation for retirement purposes, Ark. Code Ann. § 24-4-101, and calculations of benefits, Ark. Code Ann. § 24-4-601. Based on the advice of APERS, the Commission remitted an additional \$29,184 for retirement contributions based on the total amount of the Executive Director's salary of \$324,000.

#### **Legislative Audit Recommendation for Management Letter Finding #4:**

We recommend the Agency seek legal guidance as to the applicability of Ark. Code Ann. §§ 23-115-304(b), 24-4-101, and 24-4-601. In addition, the Agency should seek reimbursement for any overpayments that may be determined.

**NOTE – This finding was cleared by Internal Audit on April 8, 2011.**

#### **Audit Objective #12**

Determine that an Attorney General's opinion has been requested concerning the Arkansas Lottery Commission's Executive Director's retirement contributions (Ark. Code Ann. §§ 23-115-304(b), 24-4-101, and 24-4-601).

**No Findings or Recommendations.** The Legislative Joint Audit Committee requested an Attorney General's opinion regarding the Arkansas Lottery Commission's Executive Director's retirement contributions. Attorney General Opinion Number 2010-150 was issued on February 7, 2011. The opinion states that the specific language in the Arkansas Lottery Act holds precedent over the general statutes contained in Ark. Code Ann. 524-4-101 and 24-4-601. Therefore, contributions for retirement should be based on the Executive Director's salary without multipliers.

**Arkansas Lottery Commission – Internal Audit**

**Review of Findings and Recommendations from the Division of Legislative Audit's  
June 30, 2010 Audit Report and Management Letter**

**Status Report – June 6, 2011**

**Audit Objective #13**

Determine that the Arkansas Lottery Commission has been reimbursed from the Arkansas Public Employees Retirement System (APERS) any excess retirement contributions.

**No Findings or Recommendations.** The Arkansas Lottery Commission received a warrant in the amount of \$34,204.30 from the Arkansas Public Employees Retirement System on March 25, 2011. This payment represented the return of excess retirement contributions paid by the Lottery (employer matching) in regards to the Executive Director's salary.

## Arkansas Lottery Commission – Internal Audit

### Review of Findings and Recommendations from the Division of Legislative Audit's June 30, 2010 Audit Report and Management Letter

#### Status Report – June 6, 2011

#### Legislative Audit Management Letter Finding #5:

Review of travel reimbursements, Visa statements, and supporting documentation revealed the following:

- The Executive Director submitted ten requests for travel reimbursement totaling \$4,534 during the fiscal year; five of which, totaling \$3,470, lacked proper approval by a designated travel supervisor.
- Travel payments/reimbursements totaling \$16,189 were made that are in conflict with State laws and travel regulations.
  1. Hotel expenses were paid above the Federal per diem rate without prior authorization by the Agency's Executive Director. We noted 22 instances totaling \$9,616 that are in violation of R1-19-4-903 of the Financial Management Guide, which states "lodging costs exceeding the rates listed in the Federal Travel Directory may not be paid without a letter of authorization by the administrative head of the agency and must include a justification as to why it was in the best interest of the State to exceed the standard reimbursement rate".
  2. Five (5) charges totaling \$1,872 made to the Visa travel credit card were either not supported by adequate documentation, the documentation did not match the amount charged, or the documentation did not appear to be an original. This appears to be in violation of Ark. Code Ann. § 19-4-902(b) which states "the responsibility of the administrative head of any agency to keep on file in the place of business of the agency, subject to audit, copies of all supporting documents and required receipts for expenses incurred in connection with the travel authorizations and allowances for persons traveling on behalf of the agency".
  3. Documentation used to support Visa statements/TR-1 reimbursements for airline ticket purchases were screen prints from an airline/travel booking website that were printed prior to an actual flight confirmation. We noted seven (7) instances totaling \$2,814 that are in violation of Ark. Code Ann. § 19-4-902(b).
  4. The business purpose was not adequately documented for payments made on behalf of, or reimbursements to, the Vice-President of Gaming for travel expenses totaling \$1,423. Exceeding the conference room rate by \$103 per night, additional hotel charges totaling \$309 were incurred during a conference in New York. In addition, hotel costs and meals totaling \$1,114 were incurred beyond the dates of the conference.
  5. We also noted \$464 in other reimbursements that are in conflict with various State laws and travel regulations including: receipts not matching the dates listed on the travel reimbursement form, excess mileage reimbursement, exceeding the Federal per diem daily rate for meals incurred during overnight travel, reimbursement for meals without having overnight travel, and reimbursement for tips above the 15% allowance.

## Arkansas Lottery Commission – Internal Audit

### Review of Findings and Recommendations from the Division of Legislative Audit's June 30, 2010 Audit Report and Management Letter

Status Report – June 6, 2011

#### **Legislative Audit Recommendation for Management Letter Finding #5:**

We recommend the Agency strengthen internal controls related to travel expenditures by requiring all travel expenditures be adequately documented. Agency personnel that travel as part of their job duties should be trained on the various State travel regulations and management should establish procedures to ensure compliance with State law and regulations. Furthermore, we suggest that the Executive Director remit his requests for travel reimbursement to an appropriate travel supervisor for review and approval.

**NOTE – This finding was cleared by Internal Audit on March 8, 2011.**

#### **Audit Objective #14**

Determine that the Lottery has adequate written policies and procedures for employee travel expenditures.

**No Findings or Recommendations.** The Lottery has established adequate written policies and procedures to govern employee travel expenditures (*Travel Expense Reimbursement Policy*).

#### **Audit Objective #15**

Determine that all travel expenditures are reimbursed in accordance with the Lottery's policies and procedures, adequately supported, and approved by the appropriate personnel. Prepare a monthly schedule of travel expenditures.

**No Findings or Recommendations.** Internal Audit reviewed the Arkansas Scholarship Lottery travel expenditures for the months of December 2010, January 2011, February 2011, March 2011, and April 2011 for compliance with the Lottery's policies and procedures, adequate supporting documentation, and proper authorization. No reportable exceptions were noted. Internal Audit will continue to regularly review Lottery travel expenses and prepare monthly schedules of employee travel reimbursements as requested by the Arkansas Lottery Commission.

## Arkansas Lottery Commission – Internal Audit

### Review of Findings and Recommendations from the Division of Legislative Audit's June 30, 2010 Audit Report and Management Letter

Status Report – June 6, 2011

#### **Legislative Audit Management Letter Finding #6:**

Review of payroll and related records revealed the Agency made improper retroactive payments to two employees for periods 12/13/09 through 3/28/10 and 5/01/10 totaling \$6,296. Ark. Code Ann. § 19-4-1610 states "no increase in the rate of pay, either by paying the full amount of the maximum salary or by placing an employee in a position calling for a greater salary, shall be construed as authorizing the payment of any retroactive salary to the employee" except for "salary payments made to correct an administrative error". However, the retroactive pay was for time before the effective dates of the position reclassifications.

#### **Legislative Audit Recommendation for Management Letter Finding #6:**

We recommend that the Agency ensure that retroactive payments be supported by appropriate documentation and seek recovery of the amounts overpaid.

#### **Audit Objective #16**

Determine that the Lottery did not make any improper retroactive payroll payments to employees from July 1, 2010 through December 31, 2010.

#### **Status as of June 6, 2011**

##### **Audit fieldwork complete – No findings or recommendations**

Internal Audit reviewed payroll records for retroactive payments to employees involving position reclassifications. In addition, Internal Audit inquired of appropriate Lottery personnel regarding retroactive payments to Lottery employees. No instances of improper retroactive payments were noted.

## Arkansas Lottery Commission – Internal Audit

### Review of Findings and Recommendations from the Division of Legislative Audit's June 30, 2010 Audit Report and Management Letter

#### Status Report – June 6, 2011

##### Audit Objective #17

Determine if the Lottery management's amendment of the personnel action forms (administrative error correction) resolves Legislative Audit's finding and recommendation.

##### Status as of June 6, 2011

##### Audit fieldwork in progress

- Per Legislative Audit's recommendation, Lottery management submitted a memorandum to the Department of Finance and Administration – Office of Personnel Management dated February 15, 2011 requesting a review of the actions taken by the Lottery's Human Resources Division in regards to the granting retroactive pay to two employees.
- The Department of Finance and Administration – Office of Personnel Management responded in a letter dated February 17, 2011 indicating that there was not enough information provided to address the issue.
- Lottery management provided the Department of Finance and Administration – Office of Personnel Management additional information regarding the retroactive payments on June 3, 2011.
- Lottery management maintains that the two employees in question were legally entitled to the funds received.
- Internal Audit will continue to monitor this finding.

##### Audit Objective #18

If applicable, determine if improper retroactive payments have been recovered.

##### Status as of June 6, 2011

##### Audit fieldwork planned (if necessary)

Internal Audit will perform the audit fieldwork associated with this objective when a final resolution has been reached regarding the Lottery seeking recovery of the retroactive payments noted in the finding.

## Arkansas Lottery Commission – Internal Audit

### Review of Findings and Recommendations from the Division of Legislative Audit's June 30, 2010 Audit Report and Management Letter

#### Status Report – June 6, 2011

#### **Legislative Audit Management Letter Finding #7:**

The Control Objectives for Information and related Technology (COBIT) Delivery and Support Domain 11 outlines the best practices for ensuring financial data is complete, accurate and valid. Controls should be in place to ensure proper management review and/or approval of all financial transactions. Additionally, financial accounting software processing ability should be adequate to meet the control environment needs of the entity. The Agency's financial accounting software and related procedures contains the following deficiencies:

- The software allows a valid financial transaction to be deleted in a manner that completely erases the transaction from the original financial records. The only information about the deleted transaction is kept in an audit log file. There is no documentation to indicate that management is reviewing the audit log file to determine that transaction deletion was properly approved and appropriate for the circumstances.
- The software only has the capability to identify 7 payroll deductions on an employee's remuneration statement, however many employees have more than 7 deductions. Additionally, Agency staff must account for some payroll deductions outside the accounting software and adjust federal reporting forms accordingly.
- The software does not have adequate controls to prevent or detect a salary overpayment for a position's pay grade maximum in accordance with Ark. Code Ann. § 21-5-101. In addition, the software lacks the ability to limit the maximum number of employees authorized by §§ 23-115-305 and 307.

These situations could allow errors or fraud to occur and not be detected in a timely basis.

#### **Legislative Audit Recommendation for Management Letter Finding #7:**

We recommend that the Agency work with the application vendor to implement additional controls that will strengthen the control environment.

**Arkansas Lottery Commission – Internal Audit**

**Review of Findings and Recommendations from the Division of Legislative Audit's  
June 30, 2010 Audit Report and Management Letter**

**Status Report – June 6, 2011**

**Audit Objective #19**

Determine if the feature that allows the deletion of transactions in the current accounting period has been deactivated.

**Status as of June 6, 2011**

Audit fieldwork complete – No findings or recommendations

The administrator rights associated with the financial accounting software were assigned to an individual outside the Lottery's Finance Department. Therefore, the Lottery's Chief Financial Officer no longer has the capability to delete transactions entered into the accounting system or the ability to activate or deactivate the "delete" function for any user, including himself.

**Audit Objective #20**

Determine if Lottery management has upgraded current payroll software or implemented new payroll software to ensure that the capability exists to present all applicable deductions on an employee's remuneration statement.

**Audit Objective #21**

Determine if Lottery management has upgraded current payroll software or implemented new payroll software to prevent or detect a salary overpayment for a position's grade and to ensure that the maximum number of employees authorized is not exceeded.

**Status as of June 6, 2011**

Audit fieldwork planned

The Department of Finance and Administration (DFA) presented a proposal for integration of all of the Lottery's accounting functions into AASIS on May 27, 2011. Lottery management plans to present DFA's proposal and other options concerning accounting software to the Arkansas Lottery Commission.

## Arkansas Lottery Commission – Internal Audit

### Review of Findings and Recommendations from the Division of Legislative Audit's June 30, 2010 Audit Report and Management Letter

Status Report – June 6, 2011

#### **Legislative Audit Management Letter Finding #8:**

Review of internal controls over cash receipts for the collection of retailer fidelity fees totaling \$18,775 and retailer application fees totaling \$161,381, identified controls that were not operating as designed. All incoming mail is to be processed by the Security Division which includes entering all checks received into the mail check log which is maintained on SharePoint and approved by the Treasurer. The mail and checks are subsequently to be distributed to the appropriate departments for processing. During our test, we noted that checks were being deposited that had not been processed through the security division; all checks were not deposited timely; and, although the check log was being approved by the Treasurer, the Treasurer does not receive copies of the checks or other documents to ensure that the check log is complete.

#### **Legislative Audit Recommendation for Management Letter Finding #8:**

We recommend the Agency strengthen internal controls over cash receipts.

**NOTE – This finding was cleared by Internal Audit on March 8, 2011.**

#### **Audit Objective #22**

Determine that the Lottery has adequate written policies and procedures for the cash receipting process.

**No Findings or Recommendations.** The Lottery has established adequate written policies and procedures to govern cash receipts (*Check and Monetary Receipt Policy*).

#### **Audit Objective #23**

Determine that cash receipts are processed in accordance with policies and procedures, deposited in a timely manner, and properly recorded in the Lottery's general ledger.

**No Findings or Recommendations.** Based on a test of transactions conducted by Internal Audit, cash receipts are processed in accordance with the *Check and Monetary Receipt Policy*, deposited in a timely manner, and properly recorded in the Lottery's general ledger.

**Arkansas Lottery Commission – Internal Audit**

**Review of Findings and Recommendations from the Division of Legislative Audit's  
June 30, 2010 Audit Report and Management Letter**

**Status Report – June 6, 2011**

**Legislative Audit Management Letter Finding #9:**

Review of internal controls over disbursements revealed that controls over procurement are inadequate. The Agency's policy requires a Vice-President's approval for non-procurement card purchases over \$500. However, the Agency's policy also states that approval is considered to have occurred with the Vice-President's manual signature on the check. This control is ineffective since the check would not be signed until after the purchase had occurred and the item had been received. The Agency's controls appear to be minimal compared to best practices and have the potential to allow unauthorized or unallowable purchases and/or liabilities to be incurred by the Agency.

**Legislative Audit Recommendation for Management Letter Finding #9:**

We recommend the Agency ensure that proper controls are in place and operating effectively by adequately reviewing all supporting documentation for purchases prior to the disbursement of funds.

**NOTE – This finding was cleared by Internal Audit on February 8, 2011.**

**Audit Objective #24**

Determine that the Lottery has adequate written policies and procedures for disbursements.

**No Findings or Recommendations.** Lottery management has established adequate written policies and procedures to govern disbursements (*Purchasing and Invoice Payment Policy*).

**Audit Objective #25**

Determine that cash disbursements are processed in accordance with policies and procedures, adequately supported, reviewed and approved prior to the disbursement of funds, and properly recorded in the Lottery's general ledger.

**No Findings or Recommendations.** Based on a test of transactions conducted by Internal Audit, cash disbursements are processed in accordance with the *Purchasing and Invoice Payment Policy*, adequately supported, reviewed and approved prior to the disbursement of funds, and properly recorded in the Lottery's general ledger.

**Arkansas Lottery Commission – Internal Audit**

**Review of Findings and Recommendations from the Division of Legislative Audit's  
June 30, 2010 Audit Report and Management Letter**

**Status Report – June 6, 2011**

**Legislative Audit Management Letter Finding #10:**

The instant ticket lottery game service contract requires a fee paid to the vendor of 1.5% of the prize fund for the costs associated with the Points for Prizes™ program. The Agency paid the vendor \$3.3 million to operate the program during the year ended June 30, 2010. Agency personnel were unable to provide an adequate explanation as to calculation of the fee and specifically, how to determine the value of the prize fund. Agency personnel appeared to lack knowledge required to calculate the fee independent of the vendor. The Agency's inability to understand and recalculate the fee could cause vendor overpayments to occur thus reducing funds available for scholarships.

**Legislative Audit Recommendation for Management Letter Finding #10:**

We recommend the Agency strengthen internal controls surrounding the Points for Prizes™ program by ensuring Agency employees adequately review and understand the methodology for calculating payments to the instant ticket lottery game service vendor.

**NOTE – This finding was cleared by Internal Audit on April 8, 2011.**

**Audit Objective #26**

Determine that the Lottery and the instant ticket game vendor have clarified the calculation for the "Points for Prizes" fee.

**No Findings or Recommendations.** Scientific Games provided a formula for the calculation of the Points for Prizes in a document dated February 1, 2011. Lottery management concurs with the formula.

**Audit Objective #27**

Determine that the Lottery is remitting to the instant ticket game vendor the correct amount for the "Points for Prizes" fee.

**No Findings or Recommendations.** Based on a test of transactions conducted by Internal Audit, the billing amount for the Points for Prizes is being calculated in accordance with the formula agreed upon by Lottery management and Scientific Games.

## Arkansas Lottery Commission – Internal Audit

### Review of Findings and Recommendations from the Division of Legislative Audit's June 30, 2010 Audit Report and Management Letter

Status Report – June 6, 2011

#### **Legislative Audit Management Letter Finding #11:**

Travel regulation R1-19-4-903 states mileage shall be reimbursed and computed using map mileage. The auditor was unable to adequately test marketing sales representatives' travel due to insufficient documentation. Information provided on the employees' travel reimbursement forms was vague and/or incomplete limiting the Agency's ability to properly review the supporting documentation prior to payment. In addition, the auditor was unable to verify miles traveled in order to recalculate mileage reimbursement for accuracy. Travel reimbursements for marketing sales representatives totaled \$198,983, including one employee who was reimbursed \$18,858 for 44,900 miles driven during a 10 month period of time. Insufficient supporting documentation could allow errors or misappropriation of assets to occur and go undetected by the Agency, leading to overpayments made to Agency employees.

#### **Legislative Audit Recommendation for Management Letter Finding #11:**

We recommend the Agency implement procedures requiring adequate documentation of travel made by the Agency's marketing sales representatives to allow for a proper review of travel reimbursements.

**NOTE – This finding was cleared by Internal Audit on May 9, 2011.**

#### **Audit Objective #28**

Determine that the Lottery has adequate written policies and procedures concerning personal vehicle mileage reimbursements for Marketing Sales Representatives.

**No Findings or Recommendations.** The Reimbursement for Use of Privately Owned Vehicle section of the Lottery's *Travel Expense Reimbursement Policy* provides guidance for Marketing Sales Representatives in regards to personal vehicle mileage reimbursements.

**Arkansas Lottery Commission – Internal Audit**

**Review of Findings and Recommendations from the Division of Legislative Audit's  
June 30, 2010 Audit Report and Management Letter**

**Status Report – June 6, 2011**

**Audit Objective #29**

Determine that all Marketing Sales Representatives mileage reimbursements are in accordance with the Lottery's policies and procedures, adequately supported, and approved by the appropriate personnel. Prepare a monthly schedule of Marketing Sales Representatives mileage reimbursements.

**No Findings or Recommendations.**

- Lottery management held a training session on March 2, 2011 concerning the preparation of the Mileage Log and Reimbursement Form utilized by the Lottery's Marketing Sales Representatives to claim reimbursement for the use of privately owned vehicles.
- Monthly schedules detailing Lottery Marketing Sales Representatives privately owned vehicle reimbursements are prepared by Internal Audit and provided to the Arkansas Lottery Commission.
- Internal Audit conducted a review of Lottery Marketing Sales Representatives privately owned vehicle reimbursements paid during April 2011. Based on our review, the finding is being cleared as of May 9, 2011. Considerable improvements were noted. Internal Audit will continue to periodically review the Lottery Marketing Sales Representatives privately owned vehicle reimbursements.

**Arkansas Lottery Commission – Internal Audit**

**Review of Findings and Recommendations from the Division of Legislative Audit's  
June 30, 2010 Audit Report and Management Letter**

**Status Report – June 6, 2011**

**Audit Objective #30**

Determine that the Lottery is not reimbursing Marketing Sales Representatives for commuting from their personal residence to their assigned territory.

**No Findings or Recommendations.**

- Per consultation with the Department of Finance and Administration, Lottery Management has established a policy stating that all Marketing Sales Representatives whom reside outside their territory will be assigned an official station at the point they cross the county line entering their territory. Therefore, commuting mileage will not be reimbursed to Marketing Sales Representatives for travel to and from their personal residence outside of their assigned territories.
- Based on Internal Audit review of Lottery Marketing Sales Representatives privately owned vehicle reimbursements and consultation with appropriate Lottery staff, all Marketing Sales Representatives whom reside outside their territory have been assigned an official station at the point they cross the county line entering their territory.

Sen. Bill Pritchard  
Senate Chair  
Rep. Tim Summers  
House Chair  
Sen. David Wyatt  
Senate Vice Chair  
Rep. Toni Bradford  
House Vice Chair

# Arkansas



Roger A. Norman, JD, CPA, CFE  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

June 24, 2011

Senator Bill Pritchard, Chair  
Representative Tim Summers, Chair  
Legislative Joint Auditing Committee  
State Capitol Building, Room 172  
Little Rock, AR 72201

Dear Senator Pritchard and Representative Summers:

Pursuant to a request from Senator Jonathan Dismang and approved by the Legislative Joint Auditing Committee Chairs, the Division of Legislative Audit reviewed action taken by the Arkansas Lottery Commission requiring the establishment by the on-line gaming vendor of a software escrow account. Our review procedures included performing interviews and requesting contract and agreement documents. The methodology used in conducting this review was uniquely developed to address the request, and therefore, is more limited in scope than an audit or attestation engagement performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Based on our inquiry of the Arkansas Lottery Commission, we have established that as of June 13, 2011, the on-line gaming vendor has not fulfilled the escrow account requirements of the contract. Although the Commission had begun to negotiate with the on-line gaming vendor to establish a preliminary escrow account agreement, as of June 13 the preliminary agreement was set aside due to the physical location of the escrow agent.

Arkansas Lottery Commission staff has indicated that the on-line gaming vendor provides a back-up of data and programs stored at the Commission's headquarters. In discussions with the staff, we noted that the cabinet where the back-up media is stored is not accessible by the Arkansas Lottery Commission. Additionally, a restoration of the system from the back-up media has not been performed by the Commission.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in black ink, appearing to read "Roger A. Norman".

Roger A. Norman, JD, CPA, CFE  
Legislative Auditor

cc: Senator Jonathan Dismang

National  Software Escrow

June 29, 2011

Toula Argentis  
Intralot, Inc.  
11360 Technology Circle  
Duluth, GA 30097

Dear Toula:

Thank you for selecting NSE for your Software Escrow needs.

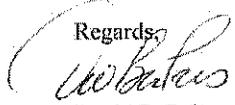
This letter is written to inform you that National Software Escrow, Inc. has received the Materials that are to be deposited into escrow for the fulfillment of Software Escrow #7022 by and between Intralot, Inc. and Arkansas Lottery Commission.

The Escrow Materials have been deposited into the offsite storage facility.

Please call me at (440) 546-9750 if you have any questions.

We appreciate both organizations' confidence in National Software Escrow, Inc.

Regards,



David P. Baka  
President

DB/dac

Cc: E. Passailaigue

When your most  
valuable asset  
is information

# National Software Escrow

## SOFTWARE ESCROW AGREEMENT

NUMBER 7022

This Escrow Agreement made and effective as of this 28 day of JUNE, 2011 ("Effective Date"), among NATIONAL SOFTWARE ESCROW, INC., an Ohio Corporation, ("The ESCROW AGENT") and INTRALOT, INC. ("The TECHNOLOGY VENDOR") and; ARKANSAS LOTTERY COMMISSION ("The BENEFICIARY").

A. The TECHNOLOGY VENDOR and the BENEFICIARY have entered into an Online Lottery Game Services and Lottery Gaming System and Services Request for Proposal attached hereto as Exhibit A, both of which are incorporated by reference (the "Online RFP").

B. By the Online RFP, the TECHNOLOGY VENDOR granted the BENEFICIARY for its use a license to use certain computer software program(s) and related documentation which are proprietary to the TECHNOLOGY VENDOR and access to which must be restricted to protect its business.

C. The TECHNOLOGY VENDOR has maintenance and upgrade obligations to BENEFICIARY as provided by the Online RFP.

D. The BENEFICIARY must have access to those materials identified in this Agreement if TECHNOLOGY VENDOR is unable to satisfy its obligations as set forth in the Online RFP

E. To address the respective needs of the TECHNOLOGY VENDOR and BENEFICIARY, the TECHNOLOGY VENDOR and BENEFICIARY in consideration of the promises and the mutual covenants contained herein, have agreed to escrow Deposit Materials with the ESCROW AGENT and ESCROW AGENT agrees to accept and to likewise be bound as follows:

### 1.0 DEFINITIONS

1.1 "Source Code" means a form suitable for reproduction by computer and/or photocopy equipment, and consists of a full source language

statement of the Program or Programs as initially installed by BENEFICIARY or as later revised, updated or improved comprising the product and any existing Program maintenance documentation, including all flow charts, schematics and annotations which comprise the precoding detailed design specifications and all other materials necessary to allow a reasonably skilled third-party programmer to maintain or enhance the product without the help of any other person or reference to any other material.

1.2 "Programs" means one of the computer software programs identified by TECHNOLOGY VENDOR to ESCROW AGENT as being a program for purposes of this Agreement. This includes any program so identified in Exhibit A attached hereto and any additional program that TECHNOLOGY VENDOR identifies in a deposit form (Form 2.1) that it submits to ESCROW AGENT as a deposit as hereinafter provided. A given Program includes all components thereof and all Updates therefore (as hereinafter defined). A given Program includes any different versions thereof for different users, user agents, and operating systems.

1.3 "Default" means one or more of the developments or events specified in 3.0 of this Agreement.

1.4 "Deposit Materials" includes, but is not limited to, the source code, control procedures for software change management and documentation, including updated service and operational manuals, written procedures and all updates to the source code and any other information deemed necessary for the operation of the online lottery system as included in the Online RFP attached hereto as Exhibit A, or otherwise identified on Form 2.1, as the case may be. Deposit Materials must be readable and useable in their current form or, if any portion is encrypted, the decryption tools and decryption keys must also be deposited and separately identified as such on Form 2.1 attached; and must include a current version of any Source Code for all software licensed under the Online RFP and all updates thereto, together with



all documentation necessary to enable a reasonably skilled programmer to maintain such licensed software, and descriptions of all compilers, assemblers and other computer programs and related documentation and other materials that are necessary or useful to use, modify and prepare derivative works of such Source Code.

1.5 "Notice of Default" means a written notice issued by BENEFICIARY to both TECHNOLOGY VENDOR and ESCROW AGENT, which complies with Section 8.15 and further, that identifies the Online RFP and this Escrow Agreement, specifies the Default with reasonable specificity under Section 3.1 A, B, or C, identifies the Deposit Materials and demands the delivery of a complete copy of the Deposit Materials to the BENEFICIARY.

1.6 "Updates" mean any release, improvement, revision, enhancement, update, or module generally made available by the TECHNOLOGY VENDOR for a Program.

1.7 "Online RFP" means the contract between BENEFICIARY and TECHNOLOGY VENDOR identified in Recital A above.

## 2.0 DEPOSIT OF DEPOSIT MATERIALS

2.1 Upon execution of this Agreement, the TECHNOLOGY VENDOR agrees to deposit as required by this Agreement and the ESCROW AGENT agrees to accept the Deposit Materials for the licensed Program(s) as listed in Form 2.1, attached hereto and made a part hereof. In addition, from time to time hereafter, the TECHNOLOGY VENDOR will deposit with the ESCROW AGENT all necessary and appropriate improvements, revisions, enhancements, or updates for the Deposit Materials so that, at all times, the Deposit Materials will correspond with the Programs actually distributed to BENEFICIARY.

2.2 TECHNOLOGY VENDOR represents and warrants that:

A. The items listed in Form 2.1 attached hereto complies with the definition of Deposit Materials as defined in 1.4 of this Agreement and constitutes the Deposit Materials and documentation of the licensed Program(s) subject to the Online RFP.

B. The Deposit Materials delivered to the ESCROW AGENT are in a form suitable for

reproduction by computer and/or photocopy equipment.

C. The Deposit Materials initially delivered to the ESCROW AGENT include all necessary materials to permit a reasonably skilled third party programmer to recreate executable version(s) of licensed Program(s) from the Source Code.

D. The Deposit Materials are not subject to any lien or other encumbrance, and any liens or encumbrances made after the execution of this Agreement will not prohibit, limit, or alter the rights and obligations of ESCROW AGENT under this Agreement.

2.3 The TECHNOLOGY VENDOR covenants that:

A. The TECHNOLOGY VENDOR shall provide written notification to the BENEFICIARY within ten (10) days of its intended deposits of updates, enhancements or other modifications to the Deposit Materials escrowed with the ESCROW AGENT

B. With regard to Deposit Materials, the TECHNOLOGY VENDOR will conspicuously label as "Source Code" both initial and subsequent deliveries of tangible media, which comprise Source Code as defined by this Agreement.

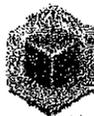
C. The TECHNOLOGY VENDOR will complete Form 2.1 and submit both it and the original, along with revised, updated or improved copies of the Deposit Materials to the ESCROW AGENT. Additionally, the TECHNOLOGY VENDOR will simultaneously send a copy of Form 2.1 to BENEFICIARY when the foregoing is sent to ESCROW AGENT.

D. The TECHNOLOGY VENDOR will promptly supplement the Deposit Materials with all revisions, corrections, enhancements, or other changes so that the Deposit Materials constitute a human readable program for the current release of the licensed Program to which this agreement relates.

E. The TECHNOLOGY VENDOR will both initially and in subsequent deliveries of Deposit Materials to the ESCROW AGENT deliver all necessary materials to permit a reasonably skilled third party programmer to recreate executable version(s) of licensed Program(s) from the Deposit Materials.

National Software Escrow, Inc.

8225 Brecksville Road, Building Three, Suite 105 • Brecksville, Ohio 44141  
(440) 546-9750 • Fax (440) 546-0207 • [www.nationalsoftwareescrow.com](http://www.nationalsoftwareescrow.com)



F. Upon request of the BENEFICIARY, the TECHNOLOGY VENDOR must verify and certify that the Deposit Materials deposited accurately and completely comprise the Source Code and related documentation needed to support the current version(s) of the Software.

G. The BENEFICIARY shall be entitled to observe and inspect the deposited materials.

2.4 The ESCROW AGENT covenants that:

A. The ESCROW AGENT will issue to the TECHNOLOGY VENDOR and BENEFICIARY a receipt for the initial Deposit Materials and for each subsequent deposit.

B. The ESCROW AGENT will use its best efforts for the storage, maintenance and safety of the Deposit Materials as used in the industry.

C. The Deposit Materials will be stored, maintained and preserved in a secure and climatized storage facility containing, at a minimum, the following:

- (i) Certified Halon fire suppression system;
- (ii) Computer-controlled humidity and temperature levels;
- (iii) Vault and building monitored by 24-hour surveillance and security systems;
- (iv) Key punch access restricting access throughout the vault; and
- (v) Air filtration system.

D. The ESCROW AGENT will hold the Deposit Materials free of access of any other person unless Section 3.0 Defaults and Release from Escrow, and Section 4.0 Disputes, have been satisfied.

2.5 The BENEFICIARY and TECHNOLOGY VENDOR both acknowledge and agree that:

A. The ESCROW AGENT has no duty to verify that TECHNOLOGY VENDOR has appropriately provided Deposit Materials as required by this Agreement to it.

B. This Agreement does not transfer TECHNOLOGY VENDOR's right, title or interest in the Deposit Materials or its related documentation to BENEFICIARY and TECHNOLOGY VENDOR may

at its sole discretion except as limited by the Online RFP, own, possess and secure the original Deposit Materials.

### 3.0 DEFAULTS AND RELEASE FROM ESCROW

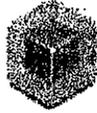
3.1 Any of the following will constitute a Default by the TECHNOLOGY VENDOR of its obligation and responsibilities to the BENEFICIARY.

A. The TECHNOLOGY VENDOR is unable to correct any operational defect in the Program which prevents it from functioning in accordance with the applicable specifications, documentation, performance criteria and other warranties and descriptions provided in the Online RFP within sixty (60) days, or such longer period of time as the Technology Vendor and Beneficiary may agree to based upon circumstances giving rise to the Operational Defect, after the BENEFICIARY has notified the TECHNOLOGY VENDOR of such failure, specifying in reasonable detail the respects in which the program fails to perform.

B. The TECHNOLOGY VENDOR is unable to discharge any of its maintenance obligations to the licensed Program in accordance with the warranties or other standards for such maintenance set forth in either the Online RFP or, if applicable, a written software maintenance agreement which may then be in effect between the TECHNOLOGY VENDOR and the BENEFICIARY within sixty (60) days, or such longer period of time as the Technology Vendor and Beneficiary may agree to based upon circumstances giving rise to the Operational Defect, after the BENEFICIARY'S notice to the TECHNOLOGY VENDOR specifying in reasonable detail the respects in which the program is not being properly maintained.

C. The BENEFICIARY has reasonable cause to believe that any one of the following events will cause the TECHNOLOGY VENDOR to fail to meet its warranty and maintenance obligations:

- (i) insolvency;
- (ii) general assignment for benefit of creditors;
- (iii) receiver appointment;
- (iv) assets become subject to insolvency proceeding;
- (v) wind-up or business liquidation.



3.2 On the happening of one or more Events of Default as described in the Online RFP, the BENEFICIARY shall give written Notice of Default as provided by this Agreement to both the ESCROW AGENT and the TECHNOLOGY VENDOR of that Default. The Notice of Default shall be labeled a "Notice of Default," shall identify the Online RFP and this Escrow Agreement, shall specify the nature of Default, shall identify the Deposit Materials with reasonable specificity, and shall demand the delivery of a complete copy of the Deposit Materials to the BENEFICIARY.

Upon receipt of the Notice of Default the ESCROW AGENT shall likewise send a copy of the Notice of Default to the TECHNOLOGY VENDOR by certified or registered mail, return receipt requested. If the TECHNOLOGY VENDOR desires to dispute the Notice of Default, the TECHNOLOGY VENDOR shall, within ten (10) days after receipt thereof, deliver to the ESCROW AGENT an affidavit or other sworn statement stating that in the TECHNOLOGY VENDOR'S view, no Default has occurred.

If the ESCROW AGENT does not receive an affidavit or other sworn written statement from the TECHNOLOGY VENDOR stating that the TECHNOLOGY VENDOR does not believe there has been a Default, within the time permitted by Section 3.2, the ESCROW AGENT is authorized and directed by TECHNOLOGY VENDOR to deliver the Deposit Materials to the BENEFICIARY. The ESCROW AGENT shall deliver the Deposit Materials to the BENEFICIARY in the same medium as delivered to the ESCROW AGENT by the TECHNOLOGY VENDOR. The ESCROW AGENT'S responsibility for the Deposit Materials ceases upon release of the Deposit Materials to the BENEFICIARY, and the ESCROW AGENT is not responsible for any inability by the BENEFICIARY to successfully utilize the Deposit Materials after release.

Unless otherwise provided in the Online RFP, upon release of the Deposit Materials, the BENEFICIARY shall have the right to use the Deposit Materials for the sole purpose of continuing the benefits afforded to the BENEFICIARY by the Online RFP. The BENEFICIARY shall be obligated to maintain the confidentiality of the released Deposit Materials and even though the Deposit Materials have been released or otherwise, this Agreement will not constitute a termination, renewal, or otherwise of the Online RFP.

3.3 In the event that the ESCROW AGENT becomes insolvent, makes a general assignment for

the benefit of creditors, or suffers or permits the appointment of a receiver for its business, where its assets become subject to any proceeding under any insolvency law, domestic or foreign, or has wound up or liquidated its business, the ESCROW AGENT shall notify both the BENEFICIARY and TECHNOLOGY VENDOR of the occurrence. The BENEFICIARY and TECHNOLOGY VENDOR will each use its best efforts to find another suitable party to serve as a replacement ESCROW AGENT.

In the event that the TECHNOLOGY VENDOR becomes insolvent, makes a general assignment for the benefit of creditors, or suffers or permits the appointment of a receiver for its business, where its assets become subject to any proceeding under any insolvency law, domestic or foreign, or has wound up or liquidated its business, the TECHNOLOGY VENDOR shall notify both the BENEFICIARY and ESCROW AGENT immediately of the occurrence. Should such an event occur, the BENEFICIARY and TECHNOLOGY VENDOR agree that the ESCROW AGENT shall provide the BENEFICIARY immediate access to the Deposited Materials from the ESCROW AGENT without prior notice or right to protest from the TECHNOLOGY VENDOR.

3.4 The ESCROW AGENT has no obligation to release the copy of the Deposit Materials to any third-party that is not a party to this Agreement except as required by law or court order.

3.5 The TECHNOLOGY VENDOR acknowledges that the ESCROW AGENT has the right to maintain the Deposit Materials in the ESCROW AGENT'S possession and to provide such Deposit Materials to the BENEFICIARY for the fulfillment of this Agreement between the TECHNOLOGY VENDOR and the BENEFICIARY.

#### 4.0 DISPUTES

4.1 If the TECHNOLOGY VENDOR provides to ESCROW AGENT and BENEFICIARY within the time permitted by Section 3.2 an affidavit or other sworn statement in response to the Notice of Default disputing the existence of any Default, the ESCROW AGENT will not release the Deposit Materials until it receives joint instructions from the TECHNOLOGY VENDOR and the BENEFICIARY requiring or authorizing such release.

Both parties agree that the ESCROW AGENT is directed to act in accordance with the above determination and to be entirely protected from



any adverse results of such actions even if a court should later determine their rights differently.

#### 5.0 PAYMENT AND INDEMNIFICATION OF THE ESCROW AGENT

5.1 The ESCROW AGENT must be paid for its services in accordance with Exhibit B, attached hereto and titled "PRICE SCHEDULE." The ESCROW AGENT shall not be required to perform any service, including release of any Deposit Materials, unless the payment for such service and any outstanding balances owed to the ESCROW AGENT have been paid in full. Initial fees are due upon receipt of a signed contract or receipt of the Deposit Materials whichever is earliest.

The "PRICE SCHEDULE" attached hereto as Exhibit B may be modified and updated at the discretion of the ESCROW AGENT. The ESCROW AGENT shall provide ninety (90) days notice to the TECHNOLOGY VENDOR and BENEFICIARY in the event the "PRICE SCHEDULE" is modified or updated.

If the TECHNOLOGY VENDOR fails to pay an invoice addressed to it for services under this Agreement within thirty (30) days of its issue, the ESCROW AGENT reserves the right to give the TECHNOLOGY VENDOR written notice to pay the outstanding invoice within 30 days. If the TECHNOLOGY VENDOR fails to pay the outstanding invoice upon the expiration of the 30 day cure period, the ESCROW AGENT will give the BENEFICIARY a period of fifteen (15) days to pay the TECHNOLOGY VENDOR'S outstanding invoice. If the TECHNOLOGY VENDOR'S invoice remains outstanding upon the expiration of the fifteen (15) day payment period offered to the BENEFICIARY, this Agreement will automatically and immediately terminate.

The ESCROW AGENT shall not be obligated or required to examine or inspect the Deposit Materials. The ESCROW AGENT'S obligation shall be limited to providing the same degree of care for the Deposit Materials as it maintains for its valuable documents and those of its customers lodged in the same location.

The ESCROW AGENT may rely upon and shall be protected by the BENEFICIARY and TECHNOLOGY VENDOR in acting upon any written notice, request, waiver, consent, receipt, or other paper or document furnished to it not only in assuming its due execution, but also as to the truth of any information contained therein.

#### 6.0 OWNERSHIP OF DEPOSIT MATERIALS

6.1 The ESCROW AGENT shall be the legal owner of the tangible medium comprising the escrowed Deposit Materials, but not the Deposit Materials itself nor the documentation and other information embodied in such tangible medium, upon receipt of such material and at all times until the Deposit Materials are returned to TECHNOLOGY VENDOR or otherwise released in accordance with the terms of this Agreement, subject only to the claims of TECHNOLOGY VENDOR and BENEFICIARY as described herein.

6.2 The ESCROW AGENT, the TECHNOLOGY VENDOR and the BENEFICIARY recognize and acknowledge that ownership of the Deposit Materials itself and any programmer documentation (together with all copyright rights and proprietary rights therein) shall continue as belonging to the TECHNOLOGY VENDOR at all times.

6.3 The ESCROW AGENT has the right to make copies or reproduce the Deposit Materials only as is reasonably necessary to perform or fulfill the terms of this Agreement.

#### 7.0 TERM AND TERMINATION

7.1 The initial term of this Agreement is for a period of one (1) year. Thereafter, this Agreement shall automatically renew from year-to-year for a period not to exceed seven (7) years unless (a) the TECHNOLOGY VENDOR and the BENEFICIARY jointly instruct the ESCROW AGENT in writing that the Agreement is terminated; (b) the ESCROW AGENT instructs the TECHNOLOGY VENDOR and the BENEFICIARY in writing that the Agreement is terminated for nonpayment in accordance with Section 5.1; or (c) the ESCROW AGENT reserves the right to terminate this Agreement, for any reason, other than nonpayment, by providing the TECHNOLOGY VENDOR and the BENEFICIARY ninety (90) days written notice of its intent to terminate this Agreement.

7.2 Upon termination of this Agreement or if a copy of the Deposit Materials is delivered to the BENEFICIARY pursuant to the Notice of Default procedures set forth herein, the ESCROW AGENT'S duties with respect to such Deposit Materials shall terminate on the date of such delivery.

7.3 Upon termination of this Agreement, the obligations of confidentiality with regards to the Deposit Materials, obligations of the TECHNOLOGY



VENDOR and BENEFICIARY to pay any fees and expenses due to the ESCROW AGENT, and all terms of Section 8.0 "GENERAL TERMS" of this Agreement survive and remain binding on the TECHNOLOGY VENDOR, BENEFICIARY, and ESCROW AGENT

#### 8.0 GENERAL

8.1 Except as provided in this Agreement, the ESCROW AGENT agrees that it shall not divulge or disclose or otherwise make available to any third person whatsoever, or make any use whatsoever of the Deposit Materials without the express prior written consent of the TECHNOLOGY VENDOR.

8.2 The ESCROW AGENT shall not, by reason of its execution of this Agreement, assume any responsibility or liability for any transactions between the TECHNOLOGY VENDOR and the BENEFICIARY other than for the performance of its obligations with respect to the Deposit Materials held by it in accordance with this Agreement.

8.3 THE ESCROW AGENT HEREBY DISCLAIMS THE UNIFORM COMMERCIAL CODE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE AND ANY AND ALL OTHER EXPRESS OR IMPLIED WARRANTIES OF ANY NATURE OR KIND.

8.4 The ESCROW AGENT'S liability to the TECHNOLOGY VENDOR and the BENEFICIARY shall be limited to the safe return of the Deposit Materials to whichever is entitled to it by agreement between them, or performing its obligations under Section 2.4 of this Escrow Agreement. IN NO EVENT SHALL THE ESCROW AGENT BE LIABLE FOR PUNITIVE, CONSEQUENTIAL OR OTHER DAMAGES TO EITHER THE TECHNOLOGY VENDOR OR THE BENEFICIARY. DAMAGES SHALL BE LIMITED TO THE SUM OF ALL ESCROW FEES PREVIOUSLY PAID BY THE TECHNOLOGY VENDOR AND THE BENEFICIARY UNDER THE TERMS OF THIS ESCROW AGREEMENT.

8.5 This Escrow Agreement shall not be waived, amended, or modified except by written agreement of all of the parties hereto. Any invalidity in whole or in part of any provision of this Escrow Agreement will not affect the validity of any of its other provisions.

8.6 All notices required to be given hereunder shall be in writing and shall be given by certified or registered mail, return receipt

requested, to the parties at their respective addresses as indicated in this agreement or to such other address that shall be specified in writing in a notice to all of the other parties.

8.7 All parties of this Agreement represent and warrant that the execution, delivery and performance of this Agreement have been duly authorized and signed by a person approved to sign on behalf of the respective party as named.

8.8 All disputes involving a State cause of action against BENEFICIARY or to which BENEFICIARY is a party which arise under this Agreement must be filed in the state court located in Pulaski County, Arkansas, which shall have exclusive jurisdiction over state law matters. All disputes involving a State cause of action between the ESCROW AGENT and the TECHNOLOGY VENDOR which arise under this Agreement must be filed in the state court located in Cuyahoga County, Ohio, which shall have exclusive jurisdiction over state law matters. Notwithstanding the foregoing and Section 8.9 below, jurisdiction, venue and forum (mediation, arbitration, litigation, administrative proceeding) etc. for any disputes solely as between TECHNOLOGY VENDOR and BENEFICIARY (and specifically excluding ESCROW AGENT) shall be construed and determined in accordance with the laws of the State of Arkansas and subject to the terms set forth in the Online RFP.

8.9 All disputes involving a Federal cause of action arising under this Agreement to which the BENEFICIARY is a party must be filed in the Eastern District of Arkansas, Western Division, which shall have exclusive jurisdiction over federal matters. All disputes involving a Federal cause of action arising under this Agreement between ESCROW AGENT and TECHNOLOGY VENDOR must be filed in the Northern District of Ohio, which shall have exclusive jurisdiction over federal matters. The TECHNOLOGY VENDOR and ESCROW AGENT expressly waive any and all objections to personal jurisdiction in this venue. The parties irrevocably submit to such federal court's jurisdiction hereby waiving any claim of inconvenient forum.

8.10 The ESCROW AGENT shall not be liable for any failure to perform its obligations in connection with this Agreement if such failure results from any act of God, riot, war, civil unrest, flood, earthquake, or other cause beyond such party's reasonable control including any mechanical, electronic, or communications failure.



but excluding failure caused by the ESCROW AGENT's financial condition or negligence.

8.11 This Agreement controls the parties' respective obligations concerning only the subject matter hereof. To the extent of a conflict between the Online RFP and this Agreement concerning the ESCROW AGENT's duties, this Agreement controls.

8.12 The validity and effect of this Agreement and the rights and obligations of the parties hereto shall be construed and determined in accordance with the laws of the State of Arkansas.

8.13 This Agreement shall be binding upon and shall inure to the benefit of the transferees, successors and assigns of the parties including, but not limited to, any company or corporation with which a party may merge or consolidate. The

ESCROW AGENT is an intended third party beneficiary of this Agreement.

8.14 Numbers and titles to paragraphs hereof are for information purposes only and, where inconsistent with the text, are to be disregarded.

8.15 All notices, affidavits, sworn statements or all other communications required or which may be given pursuant to this Agreement shall be in writing and shall be delivered personally, faxed with a copy sent contemporaneously by mail, or sent by certified, registered, or express mail, postage prepaid, to the appropriate address set forth below, or as later updated by a party in a manner complying with this Section 8.15.



ACKNOWLEDGED AND ACCEPTED

NATIONAL SOFTWARE ESCROW, INC      ("ESCROW AGENT")

Address: 8225 Brecksville Road, Building 3, Suite 105, Brecksville, Ohio 44141

To the Attention of:

By: [Signature]

Title: President

INTRALOT, INC.      ("TECHNOLOGY VENDOR")

Address: 11360 Technology Circle, Dunwoody, GA 30097

To the Attention of:

By: [Signature] TOULA ARGENTIS

Title: VP & CFO

ARKANSAS LOTTERY COMMISSION      ("BENEFICIARY")

Address: P.O. BOX 3238, Little Rock, AR 72203

To the Attention of: Ernie Passalunghi

By: [Signature]

Title: Director



**EXHIBIT "A"**

**Please attach a complete copy of the Online RFP for the system covered under Escrow Agreement Number 7022.**

**National Software Escrow, Inc.  
8225 Brecksville Road, Building Three, Suite 105 • Brecksville, Ohio 44141  
(440) 546-9750 • Fax (440) 546-0207 • [www.nationalsoftwareescrow.com](http://www.nationalsoftwareescrow.com)**



**DEPOSIT MATERIALS IDENTIFICATION AND CERTIFICATION**

**ESCROW FORM 2.1**

The undersigned "TECHNOLOGY VENDOR" hereby identifies the following Deposit Materials contained within the package to which this document is attached and certifies to its completeness and accuracy for Escrow Agreement Number 7022.

**Program**

**AR LOTOS Source Code**

**AR EQS Source Code**

**AR Terminal Source Code for Microdot and Ticket Vending Machine**

**DEPOSIT MATERIAL INFORMATION:**

Is the media or any of the files encrypted? Yes / No. If yes, please include any passwords and the decryption tools.

Encryption tool name \_\_\_\_\_  
Version \_\_\_\_\_  
Hardware required \_\_\_\_\_  
Software required \_\_\_\_\_  
Other required information \_\_\_\_\_

INTRALOT INC.  
("TECHNOLOGY VENDOR")

By: Toula Argenti's  
Title: VP - IT  
Date: 6/28/11

cc: ARKANSAS LOTTERY COMMISSION  
("BENEFICIARY")



**EXHIBIT B  
PRICE SCHEDULE**

**TECHNOLOGY VENDOR Fees:**

Annual Escrow Fee per Deposit Materials

1st Year	\$1300.00
Renewal Fee	\$1000.00

**Miscellaneous Fees:**

Update Fees per change  
(Includes notification to BENEFICIARY)

\$75.00



Arkansas Department of  
Finance and Administration



# Arkansas Lottery Commission Proposal for Integration into AASIS

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May 27, 2011

Arkansas Lottery Commission - Proposal for Integration into AASIS

**Terms and Abbreviations**

Term or Abbreviation	Description	Why is this important?
Company Code Co. Code	One of the options for representing an enterprise in SAP.	The cost and risks associated with integrating the Arkansas Lottery Commission vary depending on which of these options are chosen.
Business Area Bus Area BA	A second option for representing an enterprise in SAP.	
HR/PAY	Human Resources and Payroll	These functions are the ones required to hire and maintain personnel, record their time worked and generate paychecks
Finance FI	Finance Functions: General Ledger, Accounts Payable, Fixed Assets, Accounts Receivable	Not all of these functions are required to support ALC. Primarily General Ledger, Accounts Payable and Fixed Assets were identified as "in scope". Fixed Assets could be considered optional.
Procurement Materials Management MIM	Purchasing Functions	ALC uses a manual, paper-based process currently. This proposal does not address implementing purchasing for ALC
Project Scope	Project Scope for purposes of this discussion was used to define: <ul style="list-style-type: none"> <li>• What business processes would be supported by SAP</li> <li>• Who would use the system</li> <li>• What SAP modules would be used</li> <li>• What custom development would be done</li> <li>• How much Change Management would be required</li> </ul>	These dimensions of scope helped the team estimate the level of effort to implement each of the scenarios evaluated. For example, implementing more modules leads to a higher implementation cost, because more resources are required.

### Summary of Results

The following table summarizes the Scope, Risks and Costs of five different scenarios for integrating the Arkansas Lottery Commission into AASIS.

Description	Scenario					
	One	Two	Three	Four	Five	
	Finance & HR/Pay Separate Co. Code	Finance & HR/Pay Separate BA	HR/Payroll Only Separate Co. Code	Finance Only - Separate Bus Area	Finance Only - Separate Co. Code	
Functions Implemented	General Ledger	SAP	SAP	Peachtree & SAP	SAP	
	Accounts Payable	SAP	SAP	Peachtree & SAP	SAP	
	Fixed Assets	SAP	SAP	Manual	SAP	
	Human Resources	SAP	SAP	SAP	Outsourced	
	Time Entry	SAP	SAP	SAP	Outsourced	
	Payroll	SAP	SAP	SAP	Outsourced	
	Accounts Receivable	N/A	N/A	N/A	N/A	
	Purchasing	N/A	N/A	N/A	N/A	
Costs	Implementation Cost	\$1,090,000	\$976,000	\$1,090,000	\$515,000	\$751,000
	Yearly Support - year 1	\$183,000	\$183,000	\$183,000	\$183,000	\$183,000
	Yearly Support - year 2-5	\$51,000	\$25,000	\$51,000	\$20,000	\$51,000
	Five Year Support Cost	\$387,000	\$283,000	\$387,000	\$263,000	\$387,000
	Upgrade	\$67,000	\$17,000	\$67,000	\$6,000	\$67,000
<b>Total Cost - 1<sup>st</sup> 5 years</b>	<b>\$1,544,000</b>	<b>\$1,276,000</b>	<b>\$1,544,000</b>	<b>\$784,000</b>	<b>\$1,205,000</b>	
Risks	Development Effort Cost/Risk	High	Low	High	Low	High
	Custom Security Cost/Risk	Low	High	Low	Med	Low
	Ongoing Testing Cost/Risk	High	Low	High	Lowest	Low

## **Introduction**

At the request of the Arkansas Lottery Commission (ALC), the AASIS Support Team has prepared an estimate for integrating the ALC into AASIS. There were five scenarios evaluated:

Scenario One – Integrate ALC as a separate SAP Company Code for Finance, Human Resource and Payroll functions

Scenario Two – Integrate ALC as a separate SAP Business Area for Finance, Human Resource and Payroll functions

Scenario Three – Integrate ALC as a separate SAP Company Code for Human Resource and Payroll functions only

Scenario Four – Integrate ALC for Finance functions only as a separate SAP Business Area

Scenario Five – Integrate ALC for Finance functions only as a separate Company Code

To support this effort, the AASIS Support Team met with ALC staff and executives to define the scope of the effort, to confirm the timeline for implementation, and to propose estimates for each of the scenarios. The results of these discussions follow the summary of the evaluation and the discussion of Business Area vs. Company Code below.

## **Discussion of Business Area vs. Company Code**

The evaluation of using a separate Company Code or a Separate Business Area is complex, given the evolution of AASIS since an initial decision was made to have a single Company Code for the State of Arkansas and to use Business Areas to represent agencies. This approach was consistent with SAP published Best Practices (a copy of which has been provided to the AASIS team for review). However, this Best Practice primarily addressed the use of Company Code vs. Business Area to address Fund Accounting requirements. Since the Company Code is a natural “balancing” entity for accounting, some early SAP public sector clients adopted the company code to represent the Fund. In the same discussion, SAP recommended the use of Business Area rather than Company Code to represent organizational units, such as a State Agency. This was intended to avoid issues such as redundant Master Data entry for Vendors, Customers or GL Accounts. However, this discussion appears to assume that the policies and procedures that would relate to all implemented departments would be consistent. This assumption is not accurate in the situation being evaluated for the following reasons:

- The ALC is not subject to the same appropriation rules as other State Agencies
- The ALC has different HR/Payroll policies, with the exception of salary scales
- The ALC does not necessarily need to follow modified accrual accounting, as it is an enterprise fund
- The ALC does not use encumbrance accounting
- The ALC, under current practice, is only incorporated into the CAFR using reports or spreadsheets provided to the DFA Office of Accounting CAFR Group
- The ALC is a separate legal entity with a distinct tax id
- Neither existing AASIS agencies nor ALC can have visibility into each other's information

Since the configuration requirements are significantly different given these factors, the traditional response to use a Business Area rather than a Company Code is not necessarily the appropriate path to take. Each of these solutions was evaluated for supporting financial functions (although only

the separate company code was evaluated for the payroll only option). During the scoping exercise, two significant factors rose to the top of the considerations. The first was the level of customization that has been done in AASIS and the second was the security requirement.

There are over 1000 development objects, many of which have "hard-coded" a single company code, other customizations suppressed the Company Code. If a separate company code is implemented, there will be a significant development effort to help ensure that multiple company codes can be supported.

On the other hand, should ALC choose to implement itself as a separate Business Area, the level of customization is much less. However, Business Area is not a standard authorization object (an object upon which security rules can be built) in all transactions, unlike the Company Code. In order to help ensure that privacy of data is maintained within AASIS, custom authorization objects may need to be implemented for the functions supported.

### Definition of Scope

The following table discusses the various dimensions of scope that will be used to estimate the level of effort for each of the scenarios.

Scope Dimension	Discussion
Business Process	See Business Process Scope Matrices
Organizations and Locations	Primarily Headquarters, with some Employee Self Service and Time Approval pushed out to other Divisions. See Process to Organization Scope Matrix
Modules & Transactional Scope	See Module and Transaction Scope Matrix
Deployment Approach and Schedule	All functions implemented at once for a January 1 go-live (assuming a June 1 start date).  Please note that this results in a mid-year conversion for financials.
Business Process Redesign Approach	Redesign only existing processes to "fit" with off-the-shelf AASIS functionality.
Internal Controls (level of system support vs. manual)	Support for segregation of duties through role assignments. Other Internal Controls will follow AASIS Standard.
Manual vs. Automated Conversion	See Automated vs. Manual Conversions Matrix
Systems Interfaced and Replaced	<ul style="list-style-type: none"> <li>• Intralot interfaced</li> <li>• Peachtree replaced under four of the five scenarios</li> </ul>
Workflow	None identified at this time. To be confirmed through the fit-gap process during Business Blueprint.  Where practical, will use existing AASIS workflows and notifications
Other known development efforts	See Known Development Efforts matrix
Change Management and End User Training	Change Management impact is not high and will not affect scope: <ul style="list-style-type: none"> <li>• Users are primarily administrative staff currently performing functions.</li> <li>• Business Process Redesign is limited</li> <li>• Leadership Alignment is high</li> </ul>

Scope Dimension	Discussion
Testing Levels (especially for payroll)	Testing efforts will drive a significant amount of scope under the Separate Company Code scenarios, as initial implementation assumed a single company code. Significant security and integration testing will be needed. Regression testing will be required and timing of testing efforts will need to dovetail with Support Pack testing. At least three cycles of payroll parallel tests will be conducted to accomplish two goals: to reduce the risk of staff not being paid appropriately; and to serve as a knowledge transfer opportunity for Lottery Commission staff.
Production Support Service Levels	We are assuming significant support for the first month of production. Other production support costs will be included in the first year's support estimates

**Business Process Scope**

Business Process Scope describes the administrative functions that will either be system supported within AASIS, system supported in a separate system, or manually supported. The Business Process Scope for each of scenarios was defined as a result of conversations with Arkansas Lottery Commission administrative staff and confirmed with them in subsequent discussions. This scope is divided into two categories: Finance/Procurement and Human Resource/Payroll

**Finance and Procurement Business Process Scope**

The Finance and Procurement Business Process Scope definition was classified into nine groups of commonly supported ERP functionality that spans the business cycle for public sector entities:

- Planning and Budgeting
- Financial Accounting and Reporting
- Managing and Accounting for Grants
- Managing and Accounting for Projects
- Managing and Accounting for Fixed Assets
- Managing Liquid Assets
- Managing Revenues
- Managing Procurement of Goods and Services
- Managing Travel
- Managing Inventories

The analysis further sub-divided these functions into Process Categories, and in some cases process sub-categories. Discussion with ALC staff led to a determination not all functions were required and for those that were, that their implementation scenarios would support the function either:

- In SAP
- In a Separate System
- Through manual procedures

The following tables contain the results of these discussions

Arkansas Lottery Commission - Proposal for Integration into AASIS

Process Categories & Subcategories	Scenario One: Separate Co Code & Scenario Two: Separate Bus Area		Scenario Three: Separate Co Code - Payroll Only		Scenarios Four & Five Finance Only			
	In SAP	In Separate System	In SAP	In Separate System	In SAP	In Separate System	In SAP	In Separate System
Assess Program Needs								
Develop Strategic Plan					X			X
Develop Tactical Plans					X			X
Develop Operational Plans					X			X
Measure Performance					X			X
Develop Long Range Capital Plans					X			X
Develop Revenue Forecasts		Excel				Excel		
Develop Position Based Budget					X			X
Develop Appropriation Budgets					X			X
Develop Departmental Operating Budgets	X							
Load Appropriation Control Budgets	X							

Arkansas Lottery Commission - Proposal for Integration into AASIS

Process Categories & Subcategories	Scenario One: Separate Co Code & Scenario Two: Separate Bus Area		Scenario Three: Separate Co Code - Payroll Only		Scenarios Four & Five: Finance Only		
	In SAP	In Separate System	Manual	In SAP	In Separate System	Manual	
Maintain Financial Data Classification Structures	Maintain Accounts, Commitment Items and Cost Elements	X			Peachtree		X
	Maintain Funds	X			N/A		X
	Maintain Internal Orders	X					X
	Maintain WBS Elements	N/A			N/A		N/A
	Maintain Cost Centers and Funds Centers	X			X	Peachtree	X
	Maintain Functional Areas	N/A			N/A		N/A
	Maintain Sets and Hierarchies	X			X		X
	Update other Systems with Financial Structures	N/A			N/A		N/A
	Maintain Custom Report Layouts	X			X	Peachtree	X
	Enter Journals	X			X	Peachtree	X
Process Daily Activity	Define Recurring Transactions	X			Peachtree		X
	Process Recurring Transactions	X			Peachtree		X
	Enter Ear-Marked Funds	N/A			N/A		N/A
	Post Interfaces	X			N/A		X
	Process Bank Clearing	X			X	Peachtree	X
	Reconcile Balances to Other Systems			X			X
	Reconcile Bank Balances	X			X	Peachtree	X
	Process Accruals	X			X		X
	Process Operating Transfers	X via A/P				Peachtree	X via A/P
	Balance Other Interfund Activity	N/A			N/A		N/A
Close the Fiscal Period	Process Allocations	N/A			N/A		N/A
	Close Ledger(s) for posting	X			X	Peachtree	X
	Publish Year End Close Calendar						X
	Post Year End Close Journals	X			X	Peachtree	X
	Manage Sub-Ledger Closing	X			X	Peachtree	X
	Carry Forward General Ledger Balances	X			X	Peachtree	X
	Carry Forward Encumbrances	N/A			N/A		N/A
	Carry Forward Budget	N/A			N/A		N/A
	Lapse Remaining Budget	X				Peachtree	X
	Record Discretely Presented Component Units' Balances	N/A			N/A		N/A
Close the Fiscal Year	Record Constitutional and Legislative Agencies' Balances	N/A			N/A		N/A
	Prepare CAFR	N/A					N/A
	Support External Audit	X			X	Peachtree	X

Arkansas Lottery Commission - Proposal for Integration into AASIS

Process Categories & Subcategories	Scenario One: Separate Co Code & Scenario Two: Separate Bus Area		Scenario Three: Separate Co Code - Payroll Only		Scenario Four & Five: Finance Only	
	In SAP	In Separate System	In SAP	In Separate System	In SAP	In Separate System
Manage and Account for Incoming Grants	Define Grantor	N/A	N/A	N/A	N/A	N/A
	Define CFDA Number	N/A	N/A	N/A	N/A	N/A
	Define Grant (Project/WBS Element or Internal Order)	N/A	N/A	N/A	N/A	N/A
	Define Sub-Recipients	N/A	N/A	N/A	N/A	N/A
	Research Grant Opportunities	N/A	N/A	N/A	N/A	N/A
	Apply for Grants	N/A	N/A	N/A	N/A	N/A
	Record Grant Award	N/A	N/A	N/A	N/A	N/A
	Define Grant Budget	N/A	N/A	N/A	N/A	N/A
	Record Grant Advances	N/A	N/A	N/A	N/A	N/A
	Review Expenditures (from P/R, A/P and Procurement)	N/A	N/A	N/A	N/A	N/A
	Pass-Through Grant Funds	N/A	N/A	N/A	N/A	N/A
	Record Grant In-Kind and Match Funds	N/A	N/A	N/A	N/A	N/A
	Record Indirect Costs	N/A	N/A	N/A	N/A	N/A
	Bill Grantors	N/A	N/A	N/A	N/A	N/A
	Process Grant Draw Down	N/A	N/A	N/A	N/A	N/A
Prepare Grant Reports	N/A	N/A	N/A	N/A	N/A	
Close Out Grant	N/A	N/A	N/A	N/A	N/A	
Manage and Account for Projects	Define Project	N/A	N/A	N/A	N/A	N/A
	Define WBS Elements	N/A	N/A	N/A	N/A	N/A
	Define Settlement Rules	N/A	N/A	N/A	N/A	N/A
	Create Project Estimates	N/A	N/A	N/A	N/A	N/A
	Define Project Budget	N/A	N/A	N/A	N/A	N/A
	Manage Project Contracts	N/A	N/A	N/A	N/A	N/A
	Manage Project Work Efforts	N/A	N/A	N/A	N/A	N/A
	Review Expenditures (from P/R, A/P and Procurement)	N/A	N/A	N/A	N/A	N/A
	Allocate other Costs to Projects	N/A	N/A	N/A	N/A	N/A
	Record Project Funding	N/A	N/A	N/A	N/A	N/A
	Record Construction in Progress	N/A	N/A	N/A	N/A	N/A
	Prepare Project Reports	N/A	N/A	N/A	N/A	N/A
	Block Posting to Projects (Manage Status)	N/A	N/A	N/A	N/A	N/A
	Review Settlement Rules	N/A	N/A	N/A	N/A	N/A
	Process Settlements to Assets or other Objects	N/A	N/A	N/A	N/A	N/A

Arkansas Lottery Commission - Proposal for Integration into AASIS

Process Categories & Subcategories	Scenario One: Separate Co. Code & Scenario Two: Separate Bus. Area		Scenario Three: Separate Co. Code - Payroll Only		Scenarios Four & Five Finance Only	
	In SAP	In Separate System	In SAP	In Separate System	In SAP	In Separate System
Manage and Account for Fixed Assets	Define Asset Master Data	N/A			N/A	
	Create Investment Orders	X			X	
	Create Fixed Asset Master Record	N/A				
	Review Investment Order Balances	N/A				
	Settle Investment Orders	N/A				
	Review Capital Outlay for Direct Asset Acquisitions	X			X	
	Post Depreciation	X			X	
	Transfer Assets	X			X	
	Maintain Locations, Custodians and other descriptive information	X				
	Record Impairments and other extraordinary depreciation	X				
Manage Asset	Conduct Periodic Certifications	X				
	Retire Assets with Revenue	X				
	Transfer Asset to Surplus Property	X				
	Record Surplus Property Proceeds	X				
	Trade-In Assets	X				
	Scrap Asset	X				
	Process Thefts	X				
	Process Other Retirements	X				
	Forecast Liquidity Requirements					
	Manage Banking Relationships					
Manage Liquid Assets	Establish Banking Agreements					
	Create Banks	Config			Config	
	Create Bank Accounts	Config			Config	
	Manage Investments	N/A			N/A	
	Manage Short Term Debt	N/A			N/A	
	Manage Long Term Debt	N/A			N/A	

Arkansas Lottery Commission - Proposal for Integration into AASIS

Process Categories & Subcategories	Scenario One: Separate Co Code & Scenario Two: Separate Bus Area		Scenario Three: Separate Co Code - Payroll Only		Scenarios Four & Five: Finance Only	
	In SAP	In Separate System	In SAP	In Separate System	In SAP	In Separate System
Maintain Customers	N/A		N/A		N/A	
Manage Revenue Contracts	Maintain Items Sold		N/A		N/A	
	Enter Revenue Contracts		N/A		N/A	
	Enter Sales Orders		N/A		N/A	
	Enter Delivery of Goods and Services		N/A		N/A	
Bill Customers	Enter Contract Related Invoices		N/A		N/A	
	Enter Direct Invoices		N/A		N/A	
Process Payments	Process Lockbox Receipts		N/A		N/A	
	Process Invoice Related Payments		N/A		N/A	
	Process Unbilled Cash Receipts		N/A		N/A	
	Analyze Customer Account Aging		N/A		N/A	
Manage Collection Efforts	Dunn Customers		N/A		N/A	
	Contract for Collections		N/A		N/A	
	Write-Off Bad Debt		N/A		N/A	
	Enter Credit Memos		N/A		N/A	
Manage Customer Credits	Apply Credits		N/A		N/A	
	Clear Credits against other accounts		N/A		N/A	
Process Refunds of Revenue		N/A		N/A		

Arkansas Lottery Commission - Proposal for Integration into AASIS

Process Categories & Sub-categories	Scenario One: Separate Co Code & Scenario Two: Separate Bus Area			Scenario Three: Separate Co Code - Payroll Only			Scenarios Four & Five Finance Only		
	In SAP	In Separate System	Manual	In SAP	In Separate System	Manual	In SAP	In Separate System	Manual
Manage Master Data	X			X	Peachtree		X		
Request Goods or Services	N/A		X	N/A		X	N/A		X
Maintain Vendors									
Maintain Materials			X						
Enter Requisition Inventory									
Source Requisitions from PO (Create PO)	N/A		X	N/A		X			X
Source Requisition to Vendor via Formal Solicitation (Create RFP)			X			X			X
Source Requisition to Vendor via Informal Quotes (Create RFQ)			X			X			X
Source Requisition to Vendor via Release (Enter Release)			X			X			X
Open Bids			X			X			X
Enter Bids			X			X			X
Evaluate Proposals			X			X			X
Negotiate Contract			X			X			X
Award Contract to Vendor			X			X			X
Enter Direct PO			X			X			X
Create Change Orders			X			X			X
Receive Goods and Services			X			X			X
Inspect Goods and Services			X			X			X
Process Vendor Invoices - PO related			X			X			X
Process Direct Vendor Invoices			X			X			X
Process Vendor Credit Memos			X			X			X
Create Payments			X			X			X
Issue Procurement Cards			X			X			X
Purchase Goods and Services with Procurement Card			X			X			X
Post Expenditures Review and Approve Procurement Card Purchases	X via G/L		X			X			X via G/L
Reconcile Procurement Card Activity			X			X			X
Create Petty Cash	N/A			N/A					
Post Expenditures from Petty Cash	N/A			N/A					
Reimburse Petty Cash	N/A			N/A					



### **Human Resources/Payroll Business Process Scope**

The Human Resources/Payroll Business Process Scope definition was classified into four groups of commonly supported ERP functionality that spans the employment cycle:

- Maintaining Human Resource Master Data
- Hiring Employees
- Maintaining Employees
- Terminating Employees

The analysis further sub-divided these functions into Process Categories, and in some cases Process Sub-categories. Discussion with ALC staff led to a determination of how their implementation scenarios would support the function either:

- In SAP
- In a Separate System
- Through manual procedures

The following table contains the results of these discussions

Arkansas Lottery Commission - Proposal for Integration into AASIS

Process Categories		Scenarios One through Three - with HR/Pay		Scenarios Four & Five Finance Only		
		In SAP	In Separate System	In SAP	In Separate System	Manual
Maintain HR Master Data	Maintain Positions					
	Define Position					
	Define Funding for Position	X				
	Maintain Jobs	X				
	Assign Jobs and Positions	X				
	Maintain Reporting Relationships	X				
	Maintain Class and Compensation Structures	X				
	Define Benefits	X				
	Define Organization Structure	X				
	Hire Employees	X				
Hire Employees	Assign Benefits	X				
	Open Enrollment	X				
	Assign Benefits upon initial hire	X				
	Define Courses and Qualifications	X				
	Train Employees	X				
	Assign Courses and Quals to EE's	X				
	Enter Time	X				
	Approve Time	X				
	Transfer Time from CATS to HR/Pay	X				
	Capture Time and Attendance	X				
Maintain Employees	Run Time Evaluation	X				
	Calculate payroll	X				
	Post FI Expenditures	X				
	Post 3rd party remittance to AP	X				
	Post payroll payments	X				
	Pay Employees	X				
	Balance 3rd party payments to withholdings	X				
	Generate 3rd Party Vendor Reports	X				
	Manage Retirement Contributions	X				
	Process other employee changes	X				
Terminate Employment	Perform Employee Appraisals			X		
	Manage Promotions	X				
	Record Personnel Action	X				
	Calculate Final Pay	X				
	Record return of property	X				
	Transfer assets to new custodians	X				

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**Process to Organization Scope**

The following tables capture the results of discussions with the Arkansas Lottery Commission on who would use AASIS. The organizational scope of the implementation does not appear to materially impact the estimates for deployment, although it should be noted that under scenarios one through three, all employees (approximately 85-100) would need to be trained on ESS, and supervisors would need to be trained on time entry.

Process Categories		Organizational Scope - Arkansas Lottery Commission				Organizational Scope - Other Entities			
		Fiscal	Treasurer	Human Resources	Internal Audit	Office of Accounting	Office of State Procurement	Office of Personnel Management	AASIS Support
Planning and Budgeting	Develop Departmental Operating Budgets	X							
	Load Appropriation Control Budgets	X							
Financial Accounting and Reporting	Maintain Financial Data Classification Structures								X
									X
Financial Accounting and Reporting	Process Daily Activity								
Financial Accounting and Reporting	Close the Fiscal Period								
Financial Accounting and Reporting	Close the Fiscal Year								

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Process Categories		Organizational Scope - Arkansas Lottery Commission					Organizational Scope - Other Entities			
		Fiscal	Treasurer	Human Resources	Internal Audit	Office of Accounting	Office of State Procurement	Office of Personnel Management	AASIS Support	
Manage and Account for Fixed Assets	Define Asset Master Data	X								
	Review Capital Acquisitions	X								
	Post-Depreciation Management	X								
	Manage and Account for Fixed Assets	Transfer Assets	X							
		Maintain Locations, Custodians and other descriptive information	X							
		Record Impairments and other extraordinary depreciation	X							
		Conduct Periodic Certifications	X							
	Retire Assets	Retire Assets with Revenue	X							
		Transfer Asset to Surplus Property	X							
		Record Surplus Property Proceeds	X							
		Trade-in Assets	X							
		Scrap Asset	X							
		Process Thefts	X							
		Process Other Retirements	X							
Manage Banking Relationships	Create Banks								X	
	Create Bank Accounts								X	
Manage Procurement of Goods and Services	Manage Master Data								X	
	Process Direct Vendor Invoices	X								
	Process Vendor Credit Memos	X								
	Create Payments	X								
	Manage Procurement Card Activity	X								
Manage Travel	Create Travel Advances	X								
	Reimburse Employees	X								

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Process Categories		Organizational Scope - Arkansas Lottery Commission					Organizational Scope - Other Entities			
		Fiscal	Operating Departments	Human Resources	Internal Audit	Office of Accounting	Office of Personnel Management	AASIS Support		
Maintain HR Master Data	Maintain Positions									
	Define Position			X						
	Define Funding for Position			X						
	Maintain Jobs									X
	Assign Jobs and Positions			X						
	Maintain Reporting Relationships			X						
	Maintain Class and Compensation Structures			X						X
	Define Benefits									X
	Define Organization Structure			X						
	Maintain HR Master Data			X						
Hire Employees	Hire Employees			X						
	Assign Benefits			X						
	Assign Benefits upon initial hire			X						
	Open Enrollment			X						
	Define Courses and Qualifications			X						X
	Assign Courses and Quails to EE's			X						
	Enter Time					X				
	Approve Time						X			
	Transfer Time from CATS to HR/Pay			X						
	Run Time Evaluation			X						
Maintain Employees	Calculate payroll			X						
	Post FI Expenditures			X						
	Post 3rd party remittance to AP			X						
	Post payroll payments			X						
	Balance 3rd party payments to withholdings			X						
	Generate 3rd Party Vendor Reports					X				
	Manage Retirement Contributions					X				
	Process other employee changes						X			
	Perform Employee Appraisals									
	Manage Promotions							X		
Terminate Employment	Record Personnel Action									
	Calculate Final Pay					X				
	Record return of property									
	Transfer assets to new custodians					X				
	Employee Self Service					X	X	X	X	X

### Module and Transaction Scope

The following table summarizes the modules and key transactions that would be required under each of the scenarios. This list is representative of the key transactions and should not be interpreted as a scope limitation. Final transactional scope will need to be finalized as part of the Project Preparation exercise in collaboration with the ALC. Note that not all SAP modules are listed, only the ones that are used by AASIS.

Module	Key Transactions	Scenario			
		One	Two	Three	Four & Five
<b>Accounting – Financial Accounting</b>					
General Ledger	<ul style="list-style-type: none"> <li>• G/L Account Document (Park and Post)</li> <li>• Display Line Items and Balances</li> <li>• G/L Accounts</li> <li>• Periodic Processing –                             <ul style="list-style-type: none"> <li>○ Clearing</li> <li>○ Recurring Entries</li> <li>○ Closing</li> </ul> </li> </ul>	Used	Used	Used	Used
	<ul style="list-style-type: none"> <li>• Cash Journal</li> <li>• Cross-Company Code Transactions (will be managed through A/P and A/R)</li> </ul>	Not Used	Not Used	Not Used	Not Used
Accounts Receivable	<ul style="list-style-type: none"> <li>• A/R Invoices and Credit Memos</li> <li>• Incoming Payments</li> <li>• Down Payments</li> <li>• Display Line Items and Balance</li> <li>• Customers</li> <li>• Periodic Processing                             <ul style="list-style-type: none"> <li>○ Dunning</li> <li>○ Closing</li> </ul> </li> </ul>	Not Used	Not Used	Not Used	Not Used
Accounts Payable	<ul style="list-style-type: none"> <li>• A/P Invoices and Credit Memos</li> <li>• Outgoing Payments (Checks and ACH)</li> <li>• Display Line Items and Balance</li> <li>• Vendors (A/P View)</li> <li>• Periodic Processing                             <ul style="list-style-type: none"> <li>○ Closing</li> </ul> </li> </ul>	Used	Used	Used	Used

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Module	Key Transactions	Scenario			
		One	Two	Three	Four & Five
Banks	<ul style="list-style-type: none"> <li>• Bank Statements</li> <li>• Check Clearing</li> <li>• Lockbox</li> </ul>	Not Used	Not Used	Not Used	Not Used
Fixed Assets	<ul style="list-style-type: none"> <li>• Fixed Asset Master Records</li> <li>• Acquisitions</li> <li>• Transfers</li> <li>• Retirements</li> <li>• Periodic Processing                             <ul style="list-style-type: none"> <li>○ Depreciation</li> <li>○ Certification</li> <li>○ Closing</li> </ul> </li> </ul>	Used	Used	Used	Used
Funds Management	<ul style="list-style-type: none"> <li>• Maintain Master Data (Fund, Funds Center, Commitment Item, Functional Area, Funded Program, as needed)</li> <li>• Budget Workbench</li> <li>• FMDrive</li> <li>• Availability Control</li> </ul>	Used	Used	Used	Used
Special Purpose Ledger	<ul style="list-style-type: none"> <li>• Account Line Item and Balances Display</li> <li>• Periodic Processing                             <ul style="list-style-type: none"> <li>○ Closing</li> </ul> </li> </ul>	Used	Used	Used	Used
Treasury – Cash Management	<ul style="list-style-type: none"> <li>• Electronic Bank Statements</li> </ul>	Used	Used	Used	Used
Controlling	<ul style="list-style-type: none"> <li>• Maintain Master Data                             <ul style="list-style-type: none"> <li>○ Cost Elements</li> <li>○ Cost Centers</li> <li>○ Internal Orders</li> </ul> </li> </ul>	Used	Used	Used	Used
Project System	<ul style="list-style-type: none"> <li>• Project Definition</li> <li>• Project Planning</li> <li>• Project Settlements to Assets</li> </ul>	Not Used	Not Used	Not Used	Not Used
<b>SAP Logistics</b>					
Material Management	<ul style="list-style-type: none"> <li>• Requisitions</li> <li>• Purchase Orders</li> <li>• Outline Agreements</li> <li>• RFQ/Quotations</li> <li>• Material Master</li> <li>• Vendors (Purchasing View)</li> </ul>	Not Used	Not Used	Not Used	Not Used
Inventory Management	<ul style="list-style-type: none"> <li>• Goods Movements (Receipts, Issues, Transfers)</li> </ul>	Not Used	Not Used	Not Used	Not Used

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Module	Key Transactions	Scenario			
		One	Two	Three	Four & Five
	<ul style="list-style-type: none"> <li>Physical Inventory</li> <li>Replenishment</li> </ul>				
Invoice Verification	<ul style="list-style-type: none"> <li>Logistics Invoice Verification (3-way match invoices)</li> </ul>	Not Used	Not Used	Not Used	Not Used
<b>SAP Human Resources</b>					
Personnel Management	<ul style="list-style-type: none"> <li>Administration (HR Master Data)</li> <li>Personnel Actions</li> </ul>	Used	Used	Used	Not Used
Personnel Development	<ul style="list-style-type: none"> <li>Training Plans</li> <li>Qualifications</li> </ul>	Used	Used	Used	Not Used
	<ul style="list-style-type: none"> <li>Appraisals</li> </ul>	Not Used	Not Used	Not Used	Not Used
Benefits	<ul style="list-style-type: none"> <li>Administer Benefits</li> </ul>	Used	Used	Used	Not Used
Compensation Management	<ul style="list-style-type: none"> <li>Administer Compensation</li> </ul>	Used	Used	Used	Not Used
Time Management	<ul style="list-style-type: none"> <li>Shift Planning</li> <li>Administration</li> <li>CATS Time Sheet (entry and approval)</li> </ul>	Used	Used	Used	Not Used
Payroll	<ul style="list-style-type: none"> <li>Simulate Payroll</li> <li>Run Payroll</li> <li>Post Payroll</li> <li>Generate Payments and Remuneration Statements</li> <li>Process Off-Cycle Adjustments and Payments</li> <li>Manage Employee Overpayments/ Underpayments</li> <li>Process Third Party Remittances</li> <li>Process Garnishments</li> <li>Maintain Tax Tables</li> </ul>	Used	Used	Used	Not Used

### Automated vs. Manual Conversions

The following table lists typical conversion candidates for an ERP Implementation. In cases where the volume of transactions is large, or when the timing of a conversion is critical as a result of other factors like down-stream dependencies, the implementation effort might develop a custom conversion program to support bringing in the legacy data automatically. Other candidates may be converted manually. The following table defines which conversion candidates are likely for the ALC and outlines the recommended approach. This volume of conversions will not significantly increase the implementation effort.

Conversion Candidate	File Description	Source	Approximate Volume	Conversion Scope	Anticipated Conversion Method
General Ledger Accounts	The general ledger is the main accounting record of a business which uses double-entry bookkeeping. It includes accounts for current assets, fixed assets, liabilities, revenue and expense items, gains and losses.	PeachTree	100's	All chart of account values to support go-live	Spreadsheet Upload
Funds	Fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. [NCGA Statement 1]	AASIS	1	All active at the time of go-live	Manual
Cost Centers	Used to capture the organizational dimension of the financial data classification structure.	PeachTree	10-20	All active at the time of go-live	Manual
Functional Area	Used for Governmental Funds to capture the CAFR Function	DFA	1	N/A	Manual
General Ledger Trial Balance	A listing of all account balances	PeachTree	<1000	All balances per trial balance	Automated
General Ledger Current Year Postings	Transaction history for the current year	PeachTree	>1000	All journals for current year converted to be consistent with Invoice and Payment History	Automated
Current Year Invoices and	Invoices and Payments for Current Year	PeachTree	>1000	All current year vendor invoices	Automated

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Conversion Candidate	File Description	Source	Approximate Volume	Conversion Scope	Anticipated Conversion Method
Payments				and payments, cleared against each other	
Prior Fiscal Year History	At the request of the ALC, Transaction history will be converted into a custom table for research purposes. A custom form or ABAP List View (ALV) grid report will also be required.	PeachTree	>1000	All transaction line items	Automated
Fixed Asset Locations	The associated locations of the recorded fixed assets	Data Gathering	5-50 (depending on specificity)	As identified through BluePrint	Manually Configured
Fixed Assets	A listing of all recorded Fixed Assets with their associated value and accumulated depreciation	Data Gathering	>100	As reconciled to G/L at Cutover	Manual
Accounts Payable – Invoices	Listing of Accounts Payable Invoices	PeachTree	<100 (assuming Payment Run close to Cutover)	Open as of Cutover, as reconciled to G/L	Manual
Capital Projects	Used to capture the project and work phase for capital projects.	N/A	None	Not needed	N/A
Grantss	Used to capture the grant and work phase for federal and state grants.	N/A	None	Not needed	N/A
Customers	A listing of all active customers, individuals and entities for which the ALC provides a service or product	N/A	None	Not needed	N/A
Inventory Items	A listing of all active items carried in Inventory for agencies that will use Inventory.	N/A	None	Not needed	N/A
Inventory Balances	The value and quantity of items stored in inventories	N/A	None	Not needed	N/A
Inception to Date – Projects	Inception to date revenues and expenses associated with open Projects	N/A	None	Not needed	N/A
Inception to Date – Grants	Inception to date revenues and expenses associated with open Grants	N/A	None	Not needed	N/A

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Conversion Candidate	File Description	Source	Approximate Volume	Conversion Scope	Anticipated Conversion Method
Units of Measure	Units used by Purchasing and Inventory	N/A	None	Not needed	N/A
Sales Items	Commodities sold by the City and used on customer invoices	N/A	None	Not needed	N/A
Commodity Code	Items purchased and/or maintained in inventory	N/A	None	Not needed	N/A
Vendors	Listing of vendors				
Open Bids	Listing of Open Bids	N/A	None	Not needed	N/A
Requisitions	Listing of Open Requisitions	N/A	None	Not needed	N/A
Purchase Orders	Listing of Purchase Orders	N/A	None	Not needed	N/A
Contracts	Listing of Contracts	N/A	None	Not needed	N/A
Receipts	Listing of Open Goods Receipts	N/A	None	Not needed	N/A
Accounts Receivable - NSF Checks	Listing of Accounts Receivable for Insufficient Funds (NSF) Checks	N/A	None	Not needed	N/A
Accounts Receivable - Invoices	Listing of Accounts Receivable Invoices	N/A	None	Not needed	N/A
Outstanding Checks	Listing of uncleared checks from the reconciliation process	Peach Tree			
Petty Cash	Petty Cash Balances for each location	N/A	None	Not needed - Handled through General Ledger	N/A

### Known Development Efforts

The following table identifies the known development efforts. The most notable is the remediation effort for existing programs that would be required if a separate company code scenario is chosen. There are approximately 1700 custom development objects, of which approximately 450 reference an organization structure (Company Code, Controlling Area, FM Area, or others). The majority of these programs – approximately 370 – are related to Finance functionality and will need to be adjusted under any of the three company code scenarios.

Type	Descriptions	Complexity of Effort
Existing Programs	Remediate Existing Programs that reference ARK Enterprise Objects to allow or disallow ALC (as appropriate)  Notable high risk programs include: <ul style="list-style-type: none"> <li>• Cash edit</li> <li>• Integration with Vertex</li> <li>• Extended Withholding 3% Tax Requirements and Reporting (in process currently)</li> </ul>	Massive
Interface	Inbound Journal Entry from Intralot	Medium
Interface	Modify existing 3rd party payroll interfaces to segregate ALC from ARK	High
Interface	Modifications to ACH Outbound for Commercial Bank	Low
Interface	BAI Bank File to support Automated bank reconciliations	Medium
Transaction	Copy ZF110 and modify to allow ACH payments	Low
Conversion	General Ledger Transaction Detail for FY2012	Medium
Conversion	AP Invoice and Payment History for FY2012	Medium
Conversion	General Ledger Balances for FY2011 (post closing)	Low
Reports	Tax Reports	Low
Reports	Several Customized Financial Reports to support Commission and Legislative Oversight report formats	Low
Workflows	To be determined through fit-gap	TBD
Custom ABAP Grid Report	Custom FI History for transactions prior to conversion	Medium

**Estimates**

The following tables summarize the costs for each scenario

<b>Scenario One - Separate Company Codes</b>				
<b>Position</b>	<b>Source</b>	<b>Rate</b>	<b>Hours</b>	<b>Total</b>
Project Coordinator/PI Consultant	Consultant	195	870	169,650
HR/Pay Functional Consultant	Consultant	195	1,000	195,000
AP team member	ASC	70	800	56,000
GL/SPL team member	ASC	70	800	56,000
FM/CO team member	ASC	70	800	56,000
Org Management Team Member	ASC	70	630	44,100
Payroll Team Member	ASC	70	800	56,000
Time Team Member	ASC	70	800	56,000
Benefits team member	ASC	70	630	44,100
Personnel Admin Team member	ASC	70	800	56,000
Security Team Member	ASC	70	380	26,600
Programmer 1	ASC	70	750	52,500
Programmer 2	Consultant	125	750	93,750
Programmer 3	Consultant	125	330	41,250
Programmer 4	Consultant	125	330	41,250
Programmer 5	ASC	70	330	23,100
Programmer 6	ASC	70	330	23,100
<b>Total</b>		<b>11,134</b>	<b>11,130</b>	<b>1,090,400</b>
<b>Total Rounded (1000)</b>				<b>\$1,090,000</b>

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<b>Scenario Two - Separate Business Areas</b>				
Position	Source	Rate	Hours	Total
Project Coordinator/PI Consultant	Consultant	195	780	152,100
HR/Pay Functional Consultant	Consultant	195	840	163,800
AP team member	ASC	70	370	25,900
GL/SPL team member	ASC	70	370	25,900
FM/CO team member	ASC	70	370	25,900
Functional Consultant - Security Tes	Consultant	125	590	73,750
Org management team member	ASC	70	370	25,900
Payroll team member	ASC	70	370	25,900
Time Team Member	ASC	70	370	25,900
Benefits team member	ASC	70	370	25,900
Personnel Admin Team member	ASC	70	370	25,900
Functional Consultant - Security Tes	Consultant	125	670	83,750
Functional Consultant - Security Tes	Consultant	125	670	83,750
Security Team Member	ASC	70	380	26,600
Security Consultant	Consultant	175	500	87,500
Programmer 1	Consultant	125	500	62,500
Programmer 2	ASC	70	500	35,000
<b>Total</b>	<b>8,403</b>	<b>-</b>	<b>8,390</b>	<b>975,950</b>
<b>Total Rounded (1000)</b>				<b>\$ 976,000</b>

<b>Scenario Three - Separate Company Code - Payroll Only</b>				
Position	Source	Rate	Hours	Total
Project Coordinator/PI Consultant	Consultant	195	870	169,650
HR/Pay Functional Consultant	Consultant	195	1,000	195,000
AP team member	ASC	70	800	56,000
GL/SPL team member	ASC	70	800	56,000
FM/CO team member	ASC	70	800	56,000
Org management team member	ASC	70	630	44,100
Payroll team member	ASC	70	800	56,000
Time Team Member	ASC	70	800	56,000
Benefits team member	ASC	70	630	44,100
Personnel Admin Team member	ASC	70	800	56,000
Security Team Member	ASC	70	380	26,600
Programmer 1	ASC	70	750	52,500
Programmer 2	Consultant	125	750	93,750
Programmer 3	Consultant	125	330	41,250
Programmer 4	Consultant	125	330	41,250
Programmer 5	ASC	70	330	23,100
Programmer 6	ASC	70	330	23,100
<b>Total</b>	<b>11,134</b>	<b>-</b>	<b>11,130</b>	<b>1,090,400</b>
<b>Total Rounded (1000)</b>				<b>\$ 1,090,000</b>

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<b>Scenario Four - Finance Only - Separate Business Area</b>				
Position	Source	Rate	Hours	Total
Project Coordinator/FI Consultant	Consultant	195	780	152,100
AP team member	ASC	70	370	25,900
GL/SPL team member	ASC	70	370	25,900
FM/CO team member	ASC	70	370	25,900
Functional Consultant - Security Tes	Consultant	125	590	73,750
Security Team Member	ASC	70	380	26,600
Security Consultant	Consultant	175	500	87,500
Programmer 1	Consultant	125	500	62,500
Programmer 2	ASC	70	500	35,000
<b>Total</b>			<b>4,360</b>	<b>515,150</b>
<b>Total Rounded (1000)</b>				<b>\$ 515,000</b>

<b>Scenario Five - Finance Only - Separate Company Code</b>				
Position	Source	Rate	Hours	Total
Project Coordinator/FI Consultant	Consultant	195	780	152,100
AP team member	ASC	70	500	35,000
GL/SPL team member	ASC	70	500	35,000
FM/CO team member	ASC	70	500	35,000
Functional Consultant - Developme	Consultant	125	840	105,000
Security Team Member	ASC	70	380	26,600
Security Consultant	Consultant	175	500	87,500
Programmer 1	Consultant	125	750	93,750
Programmer 2	ASC	70	750	52,500
Programmer 3	Consultant	125	330	41,250
Programmer 4	Consultant	125	330	41,250
Programmer 5	ASC	70	330	23,100
Programmer 6	ASC	70	330	23,100
<b>Total</b>			<b>6,820</b>	<b>751,150</b>
<b>Total Rounded (1000)</b>				<b>\$ 751,000</b>

**Estimate of 1<sup>st</sup> year Support Costs**

Cost Component	Amount	Notes
DIS Costs	8,600	Prorated based on number of professional licenses
Licenses	117,000	10 professional and 100 employee
Maintenance	1,000	Prorated based on number of professional licenses
Support Estimate	56,000	Based on 200 calls at 4 hours each
<b>Total - 1st year support</b>	<b>182,600</b>	
<b>Rounded for presentation</b>	<b>\$ 183,000</b>	

**Estimate of Support Costs for years 2-5**

Constant Cost Component	Amount	Notes
DIS Costs	8,600	Prorated based on number of professional licenses
Licenses		10 professional and 100 employee
Maintenance	1,000	Prorated based on number of professional licenses
Support Estimate	7,000	Based on 100 calls at 1 hour each
Total Constant Costs - Years 2-4	16,600	
Rounded for presentation	\$ 17,000	

Five Year Support including Enhancement Pack and Upgrade Testing					
	Scenario				
	One	Two	Three	Four	Five
AP/GL/CO/FM Testing Effort	120	40	120	40	480
HR/PAY Testing Effort	360	80	360		
Total Testing Effort	480	120	480	40	480
Rate	\$ 70	\$ 70	\$ 70	\$ 70	\$ 70
Total Testing Cost	\$ 33,600	\$ 8,400	\$ 33,600	\$ 2,800	\$ 33,600
Rounded	\$ 34,000	\$ 8,000	\$ 34,000	\$ 3,000	\$ 34,000
Constant Support Costs	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
Total Support	\$ 51,000	\$ 25,000	\$ 51,000	\$ 20,000	\$ 51,000
Total Five Year Support Cost	\$ 387,000	\$ 283,000	\$ 387,000	\$ 263,000	\$ 387,000
Upgrade Testing (once in 5 years)	\$ 67,000	\$ 17,000	\$ 67,000	\$ 6,000	\$ 67,000
Total Five Year Cost	\$1,544,000	\$1,276,000	\$1,544,000	\$ 784,000	\$1,205,000

## Assumptions

The following assumptions are fundamental to this evaluation.

1	Lottery Commission will follow the standard AASIS business processes, unless there is a compelling legal or business reason to vary from it.
2	For transfers to Higher Education (currently done twice a year), Lottery Commission will write a check (coded as a transfer out) and Higher Ed will process a cash receipt (coded as a transfer in). Balancing of transfers out and in will be done manually. Verification and troubleshooting between these transfers will be coordinated by DFA.
3	Current manual paper-based processes for procurement functions will continue, including for the "major procurement" contracts.
4	Personnel Areas will be one-to-one for company code scenarios. This will simplify security authorizations.
5	Every attempt will be made to have a single Funds Management (FM Area) and Controlling (CO) Area. If we need to exclude the Lottery Commission from the same availability control (AVC) constraints, this can be supported by new Budget Control System (BCS) standard AVC configuration (Filter the ALC Funds Centers from passing through to the AVC ledger). Security Authorization will be supported by Cost Objects and Funds Centers.
6	Although they are not using them now, configuration for control budgets will be in scope.
7	All postings generated by Payroll will post through to GL or A/P. Under the Payroll Only scenario, 3rd Party Invoices will be cleared manually.
8	Under the Payroll Only scenario, since postings will be generated and posted to the GL, other financial balances for the Lottery Commission will be maintained in summary and reconciled back to Peachtree. If this assumption is not valid, configuration activities will still be complete enough to support it should this assumption change in the future.
9	Dual Data Entry for the Payroll Only scenario will be the responsibility of the Lottery Commission.
10	Posting Periods will be individually and separately maintained by ALC. ALC needs to post accruals backdated to prior periods. (We can explore alternatives to this such as authorization groups for ALC.)
11	For estimating purposes, Reimbursement rates will be fully loaded to cover all ancillary costs. Eventual billing will be based on standard rates for positions.
12	New Payroll Areas within existing Payroll Schema will be sufficient to support Payroll for ALC
13	Parallel Payroll Testing will be done for three or more payrolls to familiarize ALC Staff with the "Time Entry to Pay" processes. This will require a significant time commitment from ALC admin staff involved in Payroll.
14	Lottery Commission will adopt the AASIS chart of accounts, if a nominal number of new accounts are required, they will be provided.
15	All master data for FI (accounts, cost centers, funds) will be maintained centrally initially.
16	Inbound Interface from Intralot will be provided in the standard AASIS Interface format and will include all SAP Master Data.

Arkansas Lottery Commission - Proposal for Integration into AASIS

17	Internal Orders will be used to capture the various types of game revenue.
18	Custom Transaction ZF110 will be modified and deployed to generate A/P payments.
19	Testing for the Company Code Solution will require double the effort. This applies to initial testing during the implementation and to ongoing support pack testing.
20	Regression testing for all AASIS functions will be included as part of the implementation.
21	License Limits: 100 employee; 10 professionals.
22	The following training classes will be developed as part of this effort: Organization management; Payroll Processing
23	Other training courses will be provided "as-is" from existing materials
24	Prior Fiscal Year Balances will be loaded as of FY2011. Transactional history will not be loaded.
25	Since a mid fiscal year conversion is anticipated - we will convert (programmatically) general ledger transactional history for FY2012
26	All Security Roles will need to be evaluated to determine if they need modification
27	Remediation of development objects - Functional Specs can be modified by the developer working on the item if it is simply to adjust the assumption of a single company code.
28	Application of Support Packs will dovetail with Integration and Regression Tests.
29	Because of the low volume of employees (approximately 100). HR data will be converted manually by ALC staff. Several testing iterations for conversion will take place to work through any issues with master data structures or missing values.

**From:** Mindy Wirges  
**Sent:** Thursday, September 23, 2010 2:25 PM  
**To:** Valerie Basham  
**Cc:** Gwen Armbrust  
**Subject:** FW: HRIS/Payroll System

Okay, we have received our first response and it is from ADP. You can read more below but implementation ranges from \$5,300 - \$8,500 and annual processing ranges from \$17k - \$20k. This includes the three modules of HR+Benefits, Payroll, and Timekeeping. The HR module handles the requisitions and application records. So, basically, we would get all the functionality that we discussed. Additionally, if we purchased all three modules we would receive the first three months of processing for free (savings of roughly \$4,500 the first year).

Even using the high figures, we would still be under \$50k for the first year but I am not sure how annual fees play a role into the RFP process. I guess that would be a Bishop question.

Thanks!

*Mindy*

**Mindy Wirges**  
HR Generalist  
Arkansas Scholarship Lottery  
501.683.5334 (o)  
501.683.3811 (f)



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**From:** Murdock, Elizabeth [[mailto:Elizabeth\\_Murdock@ADP.com](mailto:Elizabeth_Murdock@ADP.com)]  
**Sent:** Thursday, September 23, 2010 2:03 PM  
**To:** Mindy Wirges  
**Subject:** RE: HRIS/Payroll System

Ok here goes...

For Implementation costs you are looking at anywhere between \$8,500 and \$5,300 and your annual processing fees to be anywhere between \$20,000 and \$17,000 with all three modules. We have a promo going on right now and since you guys are looking at 3 modules, you will get your first three months of processing for free. So with the promo, you can save anywhere between \$5,000 and \$4,200 in your first

year which will help out on your implementation fees significantly☺ This is great time of the year to be looking at ADP because of the promotions that we are running during our "busy season". Based on our conversations of a 1/1/2011 start date, we need to get going. I know these decisions take a great deal of research and conversations because it is such a significant investment into your organization.

I thought I would also set the stage for ADP and why we are the #1 provider in the industry. ADP is the only provider with a single-sign on with a single data base that is 100% hosted by ADP. I know that you have ADP experience; however, I'm not sure how familiar you might be with our new Workforce Now Technology. I have attached a press release from October of last year when we first launched our fully integrated product as well as our awards and recognitions over the past couple of years.

I could go on and on about how great ADP is, but I feel like the key is to be able to satisfy the needs of our clients which include service, technology, and our people. A lot of our competitors say "We are just like ADP, but cheaper". There is only one company in this industry that is still AAA rated (only three in the world remaining) and rated #1 by HRO magazine as the best HR outsourcer for HR and that is us! We are very competitive on price, and I have not lost a deal yet based on price. All of the things in your email are included in the pricing as well as many other bells and whistles that can be of advantage to your organization and I'm very excited to be able to show you different ways that other ADP clients have utilized our tools.

I hope you find this email to be informative and I look forward to exploring our partnership with the Arkansas Scholarship Lottery. Please let me know your thoughts and where we need to go from here. I can plan to be back in Little Rock next Thursday and completely open for the following week. I hope to hear from you soon!

Best Regards,

*Beth Murdock*

**ADP Major Accounts**

**elizabeth\_murdock@adp.com**

Direct Line: 901.684.2941

Cell: 901.606.8319

Toll Free: 800.430.8593

Fax: 901.763.2197

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It's here, Now.**

<http://www.adp.com/workforcenow/intro.html>

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**From:** Mindy Wirges [<mailto:Mindy.Wirges@arkansas.gov>]

**Sent:** Thursday, September 23, 2010 9:05 AM

**To:** Murdock, Elizabeth

**Subject:** RE: HRIS/Payroll System

Sounds great!!! They are paid bi-weekly.

*Mindy*

**Mindy Wirges**

HR Generalist

Arkansas Scholarship Lottery

501.683.5334 (o)

501.683.3811 (f)



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**From:** Murdock, Elizabeth [[mailto:Elizabeth\\_Murdock@ADP.com](mailto:Elizabeth_Murdock@ADP.com)]

**Sent:** Thursday, September 23, 2010 9:05 AM

**To:** Mindy Wirges

**Subject:** RE: HRIS/Payroll System

One more thing- how often are your employees paid (bi-weekly, semi-monthly, monthly). Thanks!

*Beth Murdock*

**ADP Major Accounts**

**[elizabeth\\_murdock@adp.com](mailto:elizabeth_murdock@adp.com)**

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**From:** Mindy Wirges [mailto:Mindy.Wirges@arkansas.gov]  
**Sent:** Wednesday, September 22, 2010 4:05 PM  
**To:** Murdock, Elizabeth  
**Subject:** HRIS/Payroll System

Hi Beth,

As a follow-up to the voicemail I left, please review the following information. We need a ballpark estimate of the cost of initial implementation in order for us to proceed with bringing vendors onsite for a more in-depth meeting. We do understand the cost can fluctuate based on the modules we select but a general gauge is all that is needed at this point.

Current employee count: 87  
Implementation target: 1/1/2011

## **Components**

### **Payroll System**

Must have minimum of 100 deduction fields  
Would like to feed to government agencies for reporting things such as workers comp and unemployment insurance

### **Employee Self-service**

W-2, leave balance, pay-stub, address change, etc.

### **HR System**

Manage active employee information  
Retain terminated employee information  
Performance management system (performance reviews)  
Tracking training courses

### **Timekeeping System**

### **Performance Management System**

Tracking Training Courses  
Develop annual performance reviews

### **Applicant Tracking System**

Manage job postings  
Manage resumes/applications  
Feed new-hire information to HRIS

Thank you!

*Mindy*

**Mindy Wirges**

HR Generalist

Arkansas Scholarship Lottery

501.683.5334 (o)

501.683.3811 (f)



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## **ADP DELIVERS BREAKTHROUGH INTEGRATED WORKFORCE MANAGEMENT SOLUTION**

*200 Mid-Sized Clients have already experienced the power of this HR, Benefits, Payroll and  
Time and Attendance solution*

**ROSELAND, N.J. – (Oct. 1, 2009)** -- ADP<sup>®</sup>, a leading provider of HR, payroll and benefits administration services, today announced the launch of ADP Workforce Now<sup>™</sup>. This new offering delivers a single-source, integrated experience for mid-market companies including a robust HR, benefits administration, payroll and time and attendance solution. The solution, specifically designed for mid-sized businesses (50-999 employees), helps companies focus on what matters most to their organizations – their business, their employees and their bottom line.

“Mid-sized organizations have the same business challenges as the world’s largest corporations; however, they typically lack the financial or technical access to world class solutions,” said Campbell Langdon, president of ADP Major Account Services. “Now companies of this size have an option. ADP Workforce Now delivers the single solution, single service experience and single point of accountability that the mid-market needs.”

More than 200 clients have successfully piloted Workforce Now.

“For a long time, I had a vision that someday there would be a robust, integrated and affordable HR solution available designed for companies my size. As an HR person, I strive for a single vendor relationship with a company that can do everything I need them to do. Buying an HR system here, a benefits system there and a payroll system somewhere else just creates more problems. I’m an HR professional, not a general contractor for technology,” said Deborah Knighton, vice president of human resources at Mane USA, a 250-employee company based in New Jersey. “ADP Workforce Now brings my vision for a better HR solution to life.”

A recent ADP study found that 66 percent of mid-sized companies still manage their HR and benefits administration processes manually. The majority of their time is spent entering data, remembering passwords for the various systems and platforms, and interceding between multiple vendors about challenges that arise. It is difficult to be effective, much less strategic, in that environment, but until now there were no comprehensive options to offer tangible relief.

“This market lacks full end-to-end workforce management solutions. ADP Workforce Now is strategically aligned with what mid-market companies want and need.” said Lisa Rowan, Program Director, HR, Learning and Talent Strategies, IDC.

Workforce Now brings HR, benefits administration, payroll and time and attendance together in a single, integrated client experience. Workforce Now also helps clients manage and navigate the pressing business issues and challenges facing the mid-market today, specifically:

- **Doing More with Less:** Without adding headcount, increase productivity for HR, benefits and payroll professionals while elevating manager effectiveness and improving service to employees.
- **Improving the Bottom Line:** Control labor costs with improved employee scheduling and time off management. Battle the rising cost of healthcare via more effective administration, communication and utilization of benefits.
- **Staying out of Trouble:** Simplify the compliance process and help avoid costly penalties, so you can concentrate on people, not paperwork.
- **Finding, Growing and Keeping Great People:** Quickly find top talent, track their skills, build development plans, align team members with strategic corporate initiatives and groom future leaders.

For more information on ADP Workforce Now, visit: <http://www.adp.com/workforcenow>.

ADP Major Account Services is a business unit of ADP's Employer Services division that provides HR, benefits and payroll services to organizations with between 50 and 999 employees.

#### **About ADP**

Automatic Data Processing, Inc. (Nasdaq: ADP), with nearly \$9 billion in revenue and 570,000 clients, is one of the world's largest providers of business outsourcing solutions. Leveraging 60 years of experience, ADP offers the widest range of HR, payroll, tax and benefits administration solutions from a single source. ADP's easy-to-use solutions for employers provide superior value to companies of all types and sizes. ADP is also a leading provider of integrated computing solutions to auto, truck, motorcycle, marine and recreational vehicle dealers throughout the world. For more information about ADP or to contact a local ADP sales office, reach us at 1.800.225.5237 or visit the company's Web site at [www.adp.com](http://www.adp.com).

#### **For more information, contact:**

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Naomi Adams Bata, Cohn & Wolfe for ADP  
(312) 596-3332  
[naomi.bata@cohnwolfe.com](mailto:naomi.bata@cohnwolfe.com)

###

Accuracy. Control. Results.

# Sage Peachtree



## Sage Peachtree 2009 – 2012 Product Overview

### New! Sage Peachtree 2012

Sage Peachtree is the accurate, easy-to-use accounting software that provides the insights and control you need. With the Sage Peachtree internal accounting checks, comprehensive audit trails, module- or screen-level security, and robust reporting, you get the accuracy, control, and information you need to make decisions that help increase profitability.\*

This release of the Sage Peachtree product line helps you **get to your information faster**, simplifies everyday tasks so you can **get the right work done**, and provides tools to help you **make informed business decisions**.

*\*Features vary by product. Please visit [www.peachtree.com](http://www.peachtree.com) for a list of specific product features.*

#### Copy Transactions

Quickly create a new transaction based on a previously saved one, allowing you to easily make modifications instead of manually recreating every line item. This feature is available on seven screens: Quotes, Sales Orders, Proposals, Sales Invoicing, Purchase Orders, Purchase Invoices, and General Journal Entries.

#### Sage Peachtree System Check

An early warning and monitoring tool to help identify potential Sage Peachtree application issues and offer advice on how to resolve them, thereby increasing peace of mind and preventing possible downtime or lost productivity.

#### Sage Peachtree Business Intelligence<sup>1</sup>

Sage Peachtree Business Intelligence is a reporting and analysis solution integrated with Sage Peachtree. Using the familiar interface of Excel, it enables more robust, custom reporting and easier access to Sage Peachtree data.

#### Vendor Management Center

Gain greater visibility into all the information you need for a specific vendor on one customizable dashboard.

#### Management Center Enhancements

User-friendly enhancements to how information is viewed and used within the customizable My Dashboard and Management Centers. Includes automatic totaling of columns from transaction lists, changing the number of lines displayed within each module in the customized view, and making it easier to find default and selected items in a scrolled down list when filtering for information.

#### Sage Advisor

Sage Advisor helps customers experience the full value of their software investment. Through personalized dashboards, engaging “show me how” videos, on-screen help and other business resources Sage Advisor helps customers learn more about their Sage

Peachtree product, discover new ways to simplify their processes, and obtain valuable business advice.

## **SAGE PEACHTREE 2012 (cont'd)**

### **Expanded Payroll Fields**

More fields on both the employee and employer/company payroll records allow for recording of additional benefits, deductions and liabilities, and help customers comply with legislative requirements, such as the Health Care Act of 2010. There are now a maximum of 40 fields available for each, up from 30 employee fields and 10 employer/company fields.

### **Easier Network Installation**

A more efficient installation option for multi-user versions of Sage Peachtree that allows you to run multiple workstation installs simultaneously while greatly reducing the number of steps required.

### **New My Dashboard Modules**

Eleven new modules for My Dashboard -- including General Journal Entries, Inventory Adjustments, Payroll, Assemblies, Purchases Received, Top Vendors, and Item Purchase History by Vendor -- push its value beyond the sales team and into the purchasing and operations groups, allowing more people in the organization to work better and faster.

### **Sage E-marketing for Peachtree<sup>2</sup>**

A low-cost and efficient way to help increase sales through a professional email marketing program powered by Swiftpage. Use existing Sage Peachtree customer contact information to run special marketing campaigns that let you track results and focus on your most popular products, services and customers.

### **Workflow Automation**

Establish default assignments for all of your Sage Peachtree transaction statuses to ensure that work is routed to the appropriate person at the right time. Easily view and add transaction tracking notes from the Customer Management Center.

## Summary of Results

The following table summarizes the Scope, Risks and Costs of eight different scenarios for integrating the Arkansas Lottery Commission into AASIS vs. other options. er alternatives

Description	Scenario							
	One	Two	Three	Four	Five	Six	Seven	Eight
Finance & HR/Pay Separate Co. Code	SAP	Finance & HR/Pay Separate BA	HR/Payroll Only Separate Co. Code	Finance Only - Separate Bus Area	Finance Only - Separate Co. Code	Stay with Peachtree Quantum	ADP for HR/Pay & Peachtree for Finance	Upgrade from Peachtree to MAS 90 (both Sage)
General Ledger	SAP	SAP	Peachtree® & SAP	SAP	SAP	Peachtree®	Peachtree®	Sage MAS 90
Accounts Payable	SAP	SAP	Peachtree® & SAP	SAP	SAP	Peachtree®	Peachtree®	Sage
Fixed Assets	SAP	SAP	Manual	SAP	SAP	Manual	Manual	Manual
Human Resources	SAP	SAP	SAP	Outsourced	Outsourced	Peachtree®	ADP	SOP
Time Entry	SAP	SAP	SAP	Outsourced	Outsourced	Peachtree®	ADP	SOP
Payroll	SAP	SAP	SAP	Outsourced	Outsourced	Peachtree®	ADP	SOP
Accounts Receivable	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Purchasing	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Functions Implemented</b>								
Implementation Cost	\$1,090,000	\$976,000	\$1,090,000	\$515,000	\$751,000	\$0	\$8,500	\$27,000
Yearly Support - year 1	\$183,000	\$183,000	\$183,000	\$183,000	\$183,000	\$4,000	\$22,000	\$3,000
Yearly Support - year 2-5	\$51,000	\$25,000	\$51,000	\$20,000	\$51,000	\$4,000	\$22,000	\$3,000
Five Year Support Cost	\$387,000	\$283,000	\$387,000	\$263,000	\$387,000	\$20,000	\$110,000	\$15,000
Upgrade	\$67,000	\$17,000	\$67,000	\$6,000	\$67,000	\$0	\$0	\$0
<b>Total Cost - 1<sup>st</sup> 5 years</b>	<b>\$1,544,000</b>	<b>\$1,276,000</b>	<b>\$1,544,000</b>	<b>\$784,000</b>	<b>\$1,205,000</b>	<b>\$20,000</b>	<b>\$118,500</b>	<b>\$42,000</b>
<b>Costs</b>								
Development Effort Cost/Risk	High	Low	High	Low	High	Low	Med	Med
Custom Security Cost/Risk	Low	High	Low	Med	Low	Low	Low	Low
Ongoing Testing Cost/Risk	High	Low	High	Lowest	Low	Low	Low	Low
<b>Risks</b>								

**Arkansas Lottery Commission  
Employee Pay Grade List**

Filter Criteria includes: 1) Active Employees. Report order is by Name.

	A	B	C	D	E
1	Employee ID	Annual Salary	Salary Max	Job Code	Job Title
2	Kinchen, Tawanda R	25,188.85	37,954	C110	Postal Courier
3	Brooks, Donna C	27,565.68	42,918	C112	Claims Assistant-Springdale
4	Chamberlain, Susan D	34,164.90	42,918	C112	Administrative Support Specialist
5	Coleman, Bob C	30,600.00	42,918	C112	Administrative Support Specialist
6	Hall, Whitrie L	41,718.00	42,918	C112	Auditor
7	Johnson, Matthew D	35,700.00	42,918	C112	Production Coordinator
8	Morehead, Felicia R	27,770.89	42,918	C112	Claims Assistant-Camden
9	O'Brien, Paula K	27,770.89	42,918	C112	Claims Assistant-Jonesboro
10	Roeben, Richard F	36,101.85	42,918	C112	Claims Assistant-Little Rock
11	Ross, Antwon D	32,000.00	42,918	C112	Computer Operator
12	Taylor, Michael J	37,740.00	42,918	C112	Animator
13	Thomas, Crystal D	27,770.89	42,918	C112	Claims Assistant-Little Rock
14	Dill, Rachel K	31,052.00	45,064	C113	Licensing Specialist
15	Huffstuller, Eric L	34,320.00	45,064	C113	Computer Operator
16	Pabin, Christopher M	29,159.22	45,064	C113	Computer Operator
17	Teague, Lindsey E	28,728.30	45,064	C113	Security Support Specialist
18	Solano, Rosibal	34,009.00	47,317	C114	Graphic Specialist
19	Tyler, Amber C Fiser	46,978.81	47,317	C114	Sr. Graphic Specialist
20	Bogard, Rosalynn R	32,148.14	49,683	C115	Licensing Specialist
21	Lee, James R	48,000.00	49,683	C115	Licensing Manager
22	Rodriguez, Ana M	31,810.59	49,683	C115	Administrative Analyst
23	Arnold, Elizabeth L	34,918.68	54,775	C117	Promotions & Special Events Coordinator
24	Koch, Stephen L	40,800.00	54,775	C117	Copy Editor
25	Rogers, Justin D	32,249.00	54,775	C117	System Support Specialist
26	Armbrust, Gwen N	41,333.15	62,616	C120	Payroll Specialist
27	Biernat, Andrew J	41,029.97	62,616	C120	Marketing Sales Representative
28	Carlock, Cindy L	41,029.97	62,616	C120	Marketing Sales Representative
29	Cassil, Donald R	40,726.80	62,616	C120	Marketing Sales Representative
30	Chambers, Linda G	41,029.97	62,616	C120	Marketing Sales Representative
31	Conrad, Rick G	41,029.97	62,616	C120	Marketing Sales Representative
32	Cotton, William W	41,029.97	62,616	C120	Marketing Sales Representative
33	Devecki, Susan D	41,029.97	62,616	C120	Marketing Sales Representative
34	Dunavant, Frederick	41,029.97	62,616	C120	Marketing Sales Representative
35	Fitch, Jeffery C	40,726.80	62,616	C120	Marketing Sales Representative
36	Forte, Merrill M	40,726.80	62,616	C120	Marketing Sales Representative
37	Freeman, Charles E	40,726.80	62,616	C120	Marketing Sales Representative
38	Harris, Molly K	40,726.80	62,616	C120	Marketing Sales Representative
39	Harris, Rhonda L	41,029.97	62,616	C120	Marketing Sales Representative
40	Heard, Dean E	40,423.62	62,616	C120	Marketing Sales Representative
41	Meredith-Parker, Angela	45,132.96	62,616	C120	Security Specialist
42	Mustafa, Ali K	41,029.97	62,616	C120	Marketing Sales Representative
43	Nix, Wendi R	44,901.11	62,616	C120	Claims Center Manager-Camden
44	Smith, Don S	41,029.97	62,616	C120	Marketing Sales Representative
45	Smith, Robert L	40,423.62	62,616	C120	Marketing Sales Representative
46	Stobaugh, Debbie M	41,029.97	62,616	C120	Marketing Sales Representative
47	Tatom, Samuel W	41,029.97	62,616	C120	Marketing Sales Representative
48	White, LaTonyaln K	41,029.97	62,616	C120	Marketing Sales Representative
49	Springer, James H	42,444.24	64,915	C121	Draw Manager
50	Ward, Gillis B	42,444.24	64,915	C121	Draw Manager
51	Burnett, Cynthia L	44,901.11	67,287	C122	Claims Center Manager-Springdale
52	Clark, Rebecca L	44,901.11	67,287	C122	Claims Center Manager-Jonesboro
53	Ellis, Undrea	49,694.40	67,287	C122	Accountant
54	Holloway, Teressa A	44,901.11	67,287	C122	Accountant
55	Hudson, Shaunta L	46,588.50	67,287	C122	Accountant
56	King-Roberts, Demetr	44,901.11	67,287	C122	Accountant
57	Lawson, William P	44,586.66	67,287	C122	Collections Manager
58	McCaskill, Audra L	45,235.36	67,287	C122	Claims Center Manager-Little Rock
59	Gilmore, Henry B	52,365.47	74,858	C125	Comm. & Application Support Specialist
60	Vick, Patricia D	54,883.75	77,539	C126	Business Manager
61	Junior, Anita J	62,118.00	83,145	C128	QA Systems Analyst
62	Pate, Tyler L	67,294.50	83,145	C128	IT Security Analyst
63	Rassmann, Clifton C	66,797.25	83,145	C128	QA Systems Analyst
64	Basham, Valerie N	65,845.08	89,085	C130	HR Manager
65	Burks, Samuel L	68,832.76	89,085	C130	Sr. Database Administrator
66	Smith, Jeremy K	68,329.80	89,085	C130	Network Engineer-IT Infrastructure
67	Hearn, Mark D	66,300.00	81,250	N901	Regional Sales Manager
68	Hudson, Ivan N	66,300.00	81,250	N901	Minority & Diversity Bus. Enterprise Mgr
69	Tater, Lisa	66,300.00	81,250	N901	Regional Sales Manager
70	Williams, Terry L	65,000.00	81,250	N901	Controller
71	Parrish, Timothy A	71,710.08	87,880	N903	Treasurer
72	Cabell, Carolyn A	78,500.00	91,395	N904	Product Director
73	Mazyck, Remmele E	78,500.00	91,395	N904	Security Deputy
74	McCarthy, Kenneth K	81,600.00	91,395	N904	Sales Training & Retailer Relations Mgr
75	Bunten, Joanna M	79,082.00	98,853	N906	Advertising & Marketing Director
76	Baldrige, Julie	107,100.00	111,188	N909	PR, Legislative & Commission Liaison Dir
77	Wright, T.	115,644.00	115,644	N910	Security Director
78	Miley, Philip W	80,673.84	115,644	N910	Chief Fiscal Officer
79	Stebbins, Robert B	94,365.30	115,644	N910	Sales Director
80	Wootley, William B	115,644.00	115,644	N910	Chief Legal Counsel
81	Smith, Michael C	153,000.00	174,262	N919	IT Director-Gaming Operations
82	Barten, David M	225,655.00	225,655	N922	Vice President-Gaming
83	McIntosh, Elizabeth	225,655.00	225,655	N922	Vice President-Administration
84	Passaligau, Ernest	330,480.00	354,007.50	Q145U	Executive Director
85	Hyde, Michael F	120,870.00	354,007.50	Q146U	Internal Auditor
86					
87					
88		within \$5,000 of reaching max			
89		reached max			
90					
91	Classes				
92	C Class	65			
93	N Class	17			
94	Q Class-Act	2			
95	Total employees	84.00			

	Estimated Hours			Extension	
	From	To	Rate	From	To
MAS 90 Installation	1	2	135	135	270
Forms Customization	1	1	135	135	135
Data Migration	8	16	135	1080	2160
General Ledger	6	10	135	810	1350
Accounts Payable	6	10	135	810	1350
Bank Reconciliation	1	2	135	135	270
Payroll	8	16	135	1080	2160
Direct Deposit	1	2	135	135	270
System Administration & Security	1	2	135	135	270
Business Insights / Crystal Reports	1	2	135	135	270
<b>Total Estimated Training &amp; Implementation</b>				<b>4,590</b>	<b>8,505</b>



Quote

2402 Wildwood Avenue, Suite 102  
 Sherwood, AR 72120  
 (501) 834-7722 or (877) 954-7171

Order Number: 0001827  
 Order Date: 05/12/2010  
 Expiration Date: 06/30/2010

Customer Number: ASL

**Sold To:**  
 Arkansas Scholarship Lottery  
 P. O. Box 3238  
 Little Rock, AR 72203-3239  
**Confirm To:**  
 Philip Miley, CPA

**Ship To:**  
 Arkansas Scholarship Lottery  
 P. O. Box 3238  
 Little Rock, AR 72203-3239

**Customer P.O.**                      **Ship VIA**                                      **Terms**  
 50% Deposit-Balance on Install

Product Description	Ordered	Shipped	Price	Amount
<b>YOUR MAS90 SYSTEM:</b>				
MAS90 Network License-15 users includes Custom Office and Paperless Office Modules	1.00	0.00	8,485.00	8,485.00
Library Master includes Crystal Reports Designer and Email Delivery	1.00	0.00	1,100.00	1,100.00
General Ledger w/ FRx Desktop	1.00	0.00	1,950.00	1,950.00
Accounts Payable	1.00	0.00	1,245.00	1,245.00
Bank Reconciliation	1.00	0.00	450.00	450.00
Payroll	1.00	0.00	1,230.00	1,230.00
Direct Deposit	1.00	0.00	950.00	950.00
Standard maintenance for modules listed. Basic Software Maintenance Plan with Sage for one year.	1.00	0.00	2,975.00	2,975.00
Promotional Discount - Sage In The Family Upgrade from Peachtree Quantum	1.00	0.00	5,000.00-	5,000.00-

**PROFESSIONAL SERVICES:**  
 Installation, training, support and other professional services have not been included in this quote and will be based upon the actual time spent at our standard hourly rates of \$135/hr and \$67.50/hr for travel time. The initial implementation costs for the system as listed above has been estimated to range from \$4,600 to \$8,500.

**TERMS:**  
 A deposit in the amount of \$7500 is required to place this order with the balance due upon installation and registration on the client's system or 30 days whichever comes first. Professional services will be billed semi-monthly on the 15th and the last day of the month for any services provided with payment due in 10 days from the date of invoice.

Net Order: 13,385.00  
 Shipping: 25.00  
 Sales Tax: 1,005.76  
**Order Total: 14,415.76**

Quote / Order Accepted by: \_\_\_\_\_

The Control Objectives for Information and Related Technology (COBIT) Delivery and Support Domain 11 outlines the best practices for ensuring financial data is complete, accurate and valid. Controls should be in place to ensure proper management review and/or approval of all financial transactions. Additionally, financial accounting software processing ability should be adequate to meet the control environment needs of the entity. The Agency's financial accounting software and related procedures contains the following deficiencies:

- The software allows a valid financial transaction to be deleted in a manner that completely erases the transaction from the original financial records. The only information about the deleted transaction is kept in an audit log file. There is no documentation to indicate that management is reviewing the audit log file to determine that transaction deletion was properly approved and appropriate for the circumstances.
  - A custom "Delete Transactions" report was developed to document anytime a delete transaction occurs. This report is reviewed several times during each work week and approved by the CFO each month.
  - The ability to delete general ledger transactions in Peachtree is called the "UnPost" feature. The "Unpost" feature in Peachtree has been deactivated for all users of the Peachtree system except for the Peachtree administrator. The role of Peachtree Administrator has been moved from Finance to the IT division. Once an entry has been posted to the general ledger, it can no longer be deleted by Finance division employees.
  - The Peachtree general ledger has been changed from "real time posting" to "batch posting". This allows finance employees to review entries for possible errors before posting to the general ledger.
  
- The software only has the capability to identify seven payroll deductions on an employee's remuneration statement, however many employees have more than seven deductions. Additionally, Agency staff must account for some payroll deductions outside the accounting software and adjust federal reporting forms accordingly.
  - The number of deduction fields in the Peachtree system is being increased in the 2012 upgrade version from the current 30 to 40 fields. This will allow enough data fields to itemize all voluntary deductions to be shown on an employees paystub. This will also enable the employer payroll tax liability to be accurately computed. This is expected to be implemented and completed by June 30, 2011.
  
- The software does not have adequate controls to prevent or detect a salary overpayment for a position's pay grade maximum in accordance with Ark. Code Ann. § 21-5-101. In addition, the software lacks the ability to limit the maximum number of employees authorized by §§ 23-115-305, -307.
  - A custom Peachtree HR report has been developed to monitor pay grade maximum amounts vs. current salary amounts. This report also shows the number of employees for each pay grade. This report is reviewed by HR staff after each payroll.

Accuracy. Control. Results.

# Sage Peachtree



## Sage Peachtree 2009 – 2012 Product Overview

### New! Sage Peachtree 2012

Sage Peachtree is the accurate, easy-to-use accounting software that provides the insights and control you need. With the Sage Peachtree internal accounting checks, comprehensive audit trails, module- or screen-level security, and robust reporting, you get the accuracy, control, and information you need to make decisions that help increase profitability.\*

This release of the Sage Peachtree product line helps you **get to your information faster**, simplifies everyday tasks so you can **get the right work done**, and provides tools to help you **make informed business decisions**.

*\*Features vary by product. Please visit [www.peachtree.com](http://www.peachtree.com) for a list of specific product features.*

#### Copy Transactions

Quickly create a new transaction based on a previously saved one, allowing you to easily make modifications instead of manually recreating every line item. This feature is available on seven screens: Quotes, Sales Orders, Proposals, Sales Invoicing, Purchase Orders, Purchase Invoices, and General Journal Entries.

#### Sage Peachtree System Check

An early warning and monitoring tool to help identify potential Sage Peachtree application issues and offer advice on how to resolve them, thereby increasing peace of mind and preventing possible downtime or lost productivity.

#### Sage Peachtree Business Intelligence<sup>1</sup>

Sage Peachtree Business Intelligence is a reporting and analysis solution integrated with Sage Peachtree. Using the familiar interface of Excel, it enables more robust, custom reporting and easier access to Sage Peachtree data.

#### Vendor Management Center

Gain greater visibility into all the information you need for a specific vendor on one customizable dashboard.

#### Management Center Enhancements

User-friendly enhancements to how information is viewed and used within the customizable My Dashboard and Management Centers. Includes automatic totaling of columns from transaction lists, changing the number of lines displayed within each module in the customized view, and making it easier to find default and selected items in a scrolled down list when filtering for information.

#### Sage Advisor

Sage Advisor helps customers experience the full value of their software investment. Through personalized dashboards, engaging “show me how” videos, on-screen help and other business resources Sage Advisor helps customers learn more about their Sage

Peachtree product, discover new ways to simplify their processes, and obtain valuable business advice.

## **SAGE PEACHTREE 2012 (cont'd)**

### **Expanded Payroll Fields**

More fields on both the employee and employer/company payroll records allow for recording of additional benefits, deductions and liabilities, and help customers comply with legislative requirements, such as the Health Care Act of 2010. There are now a maximum of 40 fields available for each, up from 30 employee fields and 10 employer/company fields.

### **Easier Network Installation**

A more efficient installation option for multi-user versions of Sage Peachtree that allows you to run multiple workstation installs simultaneously while greatly reducing the number of steps required.

### **New My Dashboard Modules**

Eleven new modules for My Dashboard -- including General Journal Entries, Inventory Adjustments, Payroll, Assemblies, Purchases Received, Top Vendors, and Item Purchase History by Vendor -- push its value beyond the sales team and into the purchasing and operations groups, allowing more people in the organization to work better and faster.

### **Sage E-marketing for Peachtree<sup>2</sup>**

A low-cost and efficient way to help increase sales through a professional email marketing program powered by Swiftpage. Use existing Sage Peachtree customer contact information to run special marketing campaigns that let you track results and focus on your most popular products, services and customers.

### **Workflow Automation**

Establish default assignments for all of your Sage Peachtree transaction statuses to ensure that work is routed to the appropriate person at the right time. Easily view and add transaction tracking notes from the Customer Management Center.

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## EXECUTIVE SUMMARY: PAYROLL SYSTEM OPTIONS

This summary and supporting documentation is presented to the Commission to assist in providing information pertinent to the review and evaluation of payroll software systems. As a result of the Legislative Audit Council's (LAC) 2010 audit of Peachtree, the software program used for accounting and payroll, the Director felt it prudent to review the Peachtree product for possible system upgrades to address audit issues while exploring the cost and related benefits of possibly using the Arkansas Administrative Statewide Information System (AASIS). The Department of Finance and Administration (DFA) worked closely with ALC to provide detailed cost analysis relating to cost associated with ALC utilizing the Arkansas Administrative Statewide Information System (AASIS).

The audit identified three (3) deficiencies with Peachtree and recommended that ALC work with the application vendor to implement additional controls. The following are the excerpts from the audit management letter and notes of ALC's follow-up corrective action:

1. The software only has the capability to identify seven payroll deductions on an employee's remuneration statement, however many employees have more than seven deductions. Additionally, Agency staff must account for some payroll deductions outside the accounting software and adjust federal reporting forms accordingly. *(NOTE: The number of deduction fields in the Peachtree 2012 upgrade will increase at no cost to ALC from the current 30 to 40 fields. This will allow enough data fields to itemize all voluntary deductions to be shown on an employee's paystub. This will also enable the employer payroll tax liability to be accurately computed. The upgrade is automatic and is expected to be implemented and completed by June 30, 2011.)*
2. The software does not have adequate controls to prevent or detect a salary overpayment for a position's pay grade maximum in accordance with Ark. Code Ann. § 21-5-101. *(NOTE: Internal limits have been set for each pay grade eliminating the possibility of exceeding the maximum)*
3. The software lacks the ability to limit the maximum number of employees authorized by §§ 23-115-305, -307. These situations could allow errors or fraud to occur and not be detected in a timely basis. *(NOTE: A customized Peachtree HR report has been developed to monitor pay grade maximum amounts vs. current salary amounts. This report also shows the number of employees for each pay grade. The report is reviewed and verified by the HR Director for each payroll.)*

Two options are presented below:

### OPTION A

AASIS is a highly integrated system based on the enterprise resource planning (ERP) system published by SAP (Systems, Applications and Products in Data Processing) a German software product. This system (SAP) is designed to consolidate several administrative business processes including human resources, finance, procurement, etc. for public and private entities.

DFA provided ALC with a detailed cost proposal, including pros and cons of the five (5) AASIS options. The cost is for the first five (5) years of operations. A Summary of Results spreadsheet is attached which outlines the functions, costs and risks of each option.

**AASIS Alternative 1- Cost \$1,544,000** - Complete integration into AASIS for financial accounting and payroll functions. A separate company code will be designated for ALC which limits access to our information to essential DFA personnel only (not visible or accessible to other users) and gives ALC maximum flexibility for things such as shift differential pay, off schedule pay, emergency check payment, etc.

**Alternative 2 – Cost \$1,276,000** - Revert to the original model (agency 085) under which ALC initially operated when we received a state appropriation. This option would be highly customized for ALC and handle payroll but would not have a separate company code. Due to the fact that ALC does not operate as most other agencies which operate with specific legislated appropriations, this option would be more complex and difficult to maintain.

**Alternative 3 – Cost \$1,544,000** - AASIS to handle payroll function only with a separate company code as outlined in Alternative 1. This option will cost more due to the level of customization required to implement and maintain.

**Alternative 4 – Cost \$784,000** - AASIS to handle finance only with a separate business area; human resources, payroll and time entry functions to be outsourced or continued by ALC

**Alternative 5 – Cost \$1,205,000** - AASIS to handle finance only with a separate company code; human resources, payroll and time entry functions to be outsourced or continued by ALC

Paul Louthian, Administrator, Office of Accounting, DFA has offered to meet with the Commission and/or executive management to address any concerns.

## **OPTION B**

ALC staff also reviewed three (3) other vendors including upgrades to the current provider's system.

**Peachtree Quantum Alternative 1 - \$20,000** - Retain *Peachtree Quantum* system for accounting and payroll activities. Internal controls and updates to Peachtree address the payroll audit concerns.

**ADP Alternative 2 - \$118,500** - Utilize *ADP* for payroll functions and *Peachtree* for finance/accounting functions.

**Sage/MAS 90 Alternative 3 - \$42,000** - Upgrade from Peachtree to the *Sage/MAS 90* product for finance/accounting and payroll functions.

Note: In the last legislative session, Senate Bill 714 requiring the use of AASIS did not become law. Deficiencies identified by the LAC on payroll issues have been addressed internally and submitted to the Internal Auditor for review and inclusion in the ALC Corrective Action Plan.