

MINUTES
ARKANSAS LOTTERY COMMISSION
Monday, December 3, 2012
1:00 P.M.
Arkansas Tech University
Rothwell Hall, Room 138
Russellville, Arkansas

Chairman Ben Pickard called the meeting to order. Commissioners George Hammons, Steve Faris, Smokey Campbell, Bruce Engstrom, Raymond Frazier, Dianne Lamberth, Mike Malone, and Patty Shipp were present. Staff present included Director Bishop Woosley, Internal Auditor Matt Brown, Julie Baldrige, Jean Block, Patti Vick, Maria Craig, Valerie Basham, Jerry Fetzer, and Robert Stebbins. Director Woosley affirmed that public notice had been made. The first order of business was consideration of the draft minutes of the October 15 and November 14 meetings. By motion of Commissioner Shipp, seconded by Commission Lamberth, the minutes of both meetings were approved without dissent.

Next, Chairman Pickard introduced Arkansas Tech President Robert Brown, who thanked the Commission for fulfilling the agency's scholarship mission, noting that 3,200 Tech students benefit from the scholarships to achieve their educational goals. He introduced Susie Nicholson, Vice President of Student Services, to recognize two of those Tech scholarship recipients: Lauren Reynolds of Searcy, a sophomore majoring in Music Education who also is part of the ATU Marching Band, and Clay Wyllia of Atkins, a junior Broadcast Journalism and Speech major who is on the Executive Board of the Student Government Association. The students spoke to the Commission about the benefits of their scholarships. (Remarks in file.)

The Chairman recognized ADHE Director Shane Broadway, who discussed the current status of the Arkansas Academic Challenge Scholarship program funded in large part by the Arkansas Scholarship Lottery proceeds. He presented a report on the scholarship distribution for the Academic Year 2012-13 by institution (included in file). He said they were beginning to analyze the previous academic year and that data would be available to the Commissioners. He presented documents on projected balances through 2018 for the education trust as well as a document laying out program variables such as retention rates, transfer rates, and growth. He noted that there was not yet enough information to adequately predict the number of students offered scholarships who will accept. There was discussion of the uncertainty of what the distribution method would be following the 2013 General Assembly. He noted that a serious likelihood of needing to use the reserves was for a time alleviated by the unexpected Powerball jackpot proceeds, pointing out that there are unpredictable factors impacting the funding. He also recalled that legislators during the early 2012 Fiscal Session had announced the awards would have to be looked at during the General Assembly next year. He also said that adding \$10 Million to the annual scholarship funding would not preclude dipping into the reserve in the near future under the current funding procedures.

Chairman Pickard commented that ADHE had done an excellent job of implementing a system to manage the scholarship program, and that those efforts along with the efforts of counselors, teachers and administrators in the public schools had resulted in a much larger applicant pool than expected. He thanked Director Broadway and Mr. Criswell for appearing. Commissioner Frazier expressed concern about the non-traditional scholarships. Commissioner Engstrom wondered how sensitive the number of total freshman applicants is to the amount of the award,

expressing concern that a lower award may prevent some students from beginning college. Director Broadway noted that changes to federal student loan and PELL grant programs currently under discussion or implementation in Washington could also have an impact. Commissioner Lamberth asked about the impact on changes in the award would be on two-year versus four-year institutions. Director Broadway said that contrary to discussion in 2009, the number of overall college students were divided pretty much as they are now before the Lottery-funded scholarships took effect. He said that Senator Key's incremental payment research was in part intended as a point to begin the discussion.

Director Woosley was recognized for his regular report (included in file). He welcomed the ALC's new Chief Legal Counsel Jean Block. Noting that it was good to be in Pope County, he reviewed scholarship statistics for Arkansas Tech and Pope County sales, prizes, retailer commissions. He announced that the amount of scholarship funding produced since ticket sales began Sept. 28, 2009, had surpassed the \$300,000,000 mark. He went through sales and revenues (which will be compiled by December 10), and noted that there had been a lowering of instant ticket sales. He said that while the October numbers were lower than had been hoped but that November was an excellent month and that it would be known December 10, but the net proceeds might very well meet or exceed expectations thanks to the Powerball run.

He presented information on when larger monthly transfers had been made and noted that February and March had historically been excellent months as well as months with larger jackpot runs. He also reviewed economic factors that impact sales. He said that a 42-cent per gallon drop in gasoline prices at the same time that lottery sales improved dramatically for those weeks. On the jackpot, he noted that Powerball-only sales for the October 4 to November 28 run exceeded \$10 Million for those weeks, with Powerball prizes in Arkansas exceeding \$1.2 Million and retailer profits escalating. He showed that three of the top ten retailers the last week of the Powerball run were in Lake Village, representing significant Mississippi border sales since that state currently has no lottery. He pointed out the \$8,000 in tickets per minute in the drive-time hours on the last day of the run.

He also reviewed instant and draw sales, prizes, and play-it-again prizes for the Commissioners. He complimented the Director of Sales for the 50-retailer increase since January 2012, only 30 less than the all-time high. He showed a report that Mississippi casinos were at a 15-year low in sales. He informed the Commissioners that the November promotion giving a free Hunting for Hundreds had worked out well, producing 50/50 sales more than 5 times higher than the figures from the previous two months. He complimented the sales and gaming teams for coming up with this promotion. He introduced the December promotion, wherein a player who buys \$5 in Cash 3 or Cash 4 receives a free Candy Cane Cash Fast Play ticket. He said the first two days pointed to great success for this promotion as well. Responding to a question from Commissioner Engstrom, the Director said the cost of the November promotion was \$15,853. Responding to Commissioner Malone, he said that 600 Player Advertising Displays (PADs) were set to be installed by January 16, 2013.

Internal Auditor Matt Brown was recognized for his report (in file). He said the Fiscal Year 2012 Audit Plan was very nearly complete, expected to be completed by the week of December 9. He provided information on out-of-state travel to give the Commissioners perspective, noting that the Lottery policy had proved to be more restrictive than the state's, causing unintended consequences. He said the policy was addressed to bring it in line with the state's policy, both for cost of flights and combining personal with business travel. He noted that in several of the cases, the entire cost had been reimbursed by Scientific Games as called for under the

contract. In response to a question from Commissioner Engstrom, he stated that there was no doubt these trips were business-related. Commissioner Malone thanked the Auditor for both his thoroughness in explaining these issues and the common-sense manner in which they had been resolved. In response to Commissioner Malone's question, Auditor Brown said that management had immediately made the suggested changes before the report was even issued to the Commission.

Chairman Pickard called on Personnel Committee Chair Patty Shipp for a report. She noted that the Personnel Committee had met on November 14 to formalize hiring guidelines for the agency. She distributed a written record of that meeting and said that all Commissioners had received the final draft the week before. She said that Committee approval of the draft constituted a motion for approval. The motion was seconded by Commissioner Faris and the Guidelines were approved as drafted without dissent. Commissioner Lamberth, Chair of the Vendor Committee, distributed a written record of and reported on the October 15 meeting of the Vendor Committee. She said that the only action was her election as Chair and the election of Commissioner Faris as Vice Chair.

Patrick Ralston, Bureau of Legislative Research and staff member to the Legislative Oversight Committee was recognized to report that the Co-Chairs of the Committee have written letters to the Arkansas Congressional delegation regarding the Reid-Kyl measure expected to be considered by the United States Senate during the lame duck session, to allow internet poker and limit states and their lotteries' operations, those letters mailed today. He noted that the next meeting of the LOC is on December 18 at 10 a.m. Commissioner Lamberth asked Mr. Ralston to convey thanks to the Chairs for acting on this important states' rights issue. Director Woosley also expressed appreciation to the LOC Chairs for this action and offered to write letters to the Arkansas Congressional delegation should the Commission wish. By motion of Commissioner Lamberth, seconded by Commissioner Shipp, without dissent the Commission approved the letter by the Director. Commissioner Shipp suggested the Congressmen and Senators be invited to visit Lottery headquarters to learn more about the endeavor, and Director Woosley said he would do so.

Commissioner Pickard noted that the Statement of Financial Interest form was at the seat of each Commissioner and asked that the forms be completed after January 1 and submitted before January 31, either through Ms. Baldrige or directly to the Secretary of State, keeping Ms. Baldrige posted.

Chairman Pickard again thanked Commissioner Shipp, as well as President Brown and the administration, faculty, and students at Arkansas Tech, for hosting the Commission meeting. He wished all present a happy holiday season. He announced that the next meeting of the Commission would be on January 28, 2013, at Arkansas State University in Jonesboro. There being no further business, the meeting was adjourned.

Arkansas



Scholarship Lottery

Report from the Director
January 28, 2013

Craighead County Scholarships

	2010-11	2011-12	2012-13
Craighead Co. Residents	1,049	1,192	1,201
ASU Jonesboro	2,790	3,274	3,551

Estimated Value of Scholarships

Craighead County	\$ 3,540,375	\$ 3,776,625	\$ 4,053,375
ASU Jonesboro	\$ 9,416,250	\$11,049,750	\$11,984,625

Craighead Co. Total Est. Value: \$11.4 Million

ASU Jonesboro Total Est. Value: \$32.5 Million



Craighead County Sales

Totals from September 28, 2009 to January 21, 2013

(first three fiscal years)

Craighead County Sales	\$51.2 Million
Craighead County Prizes	\$31.6 Million
Craighead Retailer Commissions	\$ 2.9 Million

There are 50 lottery retailers in Craighead County. Businesses in Jonesboro, Bono, Brookland, Monette and Lake City have earned \$2,868,419 since the first ticket was sold in September 2009. Top retailers are Kum & Go #393, #395 and #390 and Doublebee's 129 on Harrisburg in Jonesboro.

Comparative Income Statements

December 2012, 2011

GAAP Basis Income			Favorable/ <u>(Unfavorable)</u>	Percentage <u>Variance</u>
<u>Statement</u>	<u>December 2012</u>	<u>December 2011</u>		
Revenues				
Instant Tickets	\$ 28,730,841	\$ 32,994,592	\$ (4,263,751)	-12.9%
Online Tickets	5,474,079	6,610,862	(1,136,783)	-17.2%
Retailer App/Fidelity	<u>52,370</u>	<u>55,298</u>	<u>(2,928)</u>	<u>-5.3%</u>
TOTAL Revenues	<u>34,257,290</u>	<u>39,660,752</u>	<u>(5,403,462)</u>	<u>-13.6%</u>
Operating Expense				
Instant Prizes Net	19,992,624	22,073,920	2,081,296	9.4%
Online Prizes Net	2,851,674	3,230,488	378,814	11.7%
Retailer Commissions	1,930,595	2,216,970	286,375	12.9%
Gaming Contract Costs	1,697,161	2,026,088	328,927	16.2%
Advertising	213,809	656,000	442,191	67.4%
General and Admin.	565,366	608,843	43,477	7.1%
Other Agency Services	<u>123,880</u>	<u>137,540</u>	<u>13,660</u>	<u>9.9%</u>
TOTAL Operating Expenses	<u>27,375,109</u>	<u>30,949,849</u>	<u>3,574,740</u>	<u>11.6%</u>
Operating Income	6,882,181	8,710,903	(1,828,722)	-21.0%
Interest Income	<u>33,419</u>	<u>32,868</u>	<u>551</u>	<u>1.7%</u>
Income Before Transfers	\$ <u>6,915,600</u>	\$ <u>8,743,771</u>	\$ <u>(1,828,171)</u>	<u>-20.9%</u>
Net Proceeds	\$ <u>6,914,261</u>	\$ <u>7,888,279</u>	\$ <u>(974,018)</u>	<u>-12.3%</u>

Note A – 2012 Net Proceeds excludes unclaimed prize expense of \$445,362 that will be recognized at year end June 30, 2013 and 2011 includes unclaimed prize expense.

Comparative Income Statements

Actual Versus Budget December 2012

GAAP Basis Income Statement	December 2012 Actual	December 2012 Budget	Favorable/ <u>(Unfavorable)</u>	Percentage <u>Variance</u>
Revenues				
Instant tickets	\$ 28,730,841	\$ 33,757,300	\$ (5,026,459)	-14.9%
Online Tickets	5,474,079	7,900,900	(2,426,821)	-30.7%
Retailer App/Fidelity	<u>52,370</u>	<u>51,800</u>	<u>570</u>	<u>1.1%</u>
TOTAL Revenues	<u>34,257,290</u>	<u>41,710,000</u>	<u>(7,452,710)</u>	<u>-17.9%</u>
Operating Expense				
Instant Game Prizes	19,992,624	23,381,918	3,389,294	14.5%
Online Game Prizes	2,851,674	3,988,182	1,136,508	28.5%
Retailer Commissions	1,930,595	2,351,200	420,605	17.9%
Gaming Contract Cost	1,697,161	2,196,400	499,239	22.7%
Advertising	213,809	277,046	63,237	22.8%
General and Admin.	565,366	603,004	37,638	6.2%
Other Agency Service	<u>123,880</u>	<u>129,200</u>	<u>5,320</u>	<u>4.1%</u>
TOTAL Operating Expenses	<u>27,375,109</u>	<u>32,926,950</u>	<u>5,551,841</u>	<u>16.9%</u>
Operating Income	6,882,181	8,783,050	(1,900,869)	-21.6%
Interest Income	<u>33,419</u>	<u>26,700</u>	<u>6,719</u>	<u>25.2%</u>
Income before transfers	\$ <u>6,915,600</u>	\$ <u>8,809,750</u>	\$ <u>(1,894,150)</u>	<u>-21.5%</u>
Net Proceeds	\$ <u>6,914,261</u>	\$ <u>8,809,750</u>	\$ <u>(1,895,489)</u>	<u>-21.5%</u>

Note A – 2012 Net Proceeds excludes unclaimed prize expense of \$445,362 that will be recognized at year end June 30, 2013 and Budget includes unclaimed prize expense.

Comparative Income Statements

YTD December 31 2012 Compared to December 31, 2011

<u>Statement</u>	<u>Actual</u> <u>YTD 12/31/12</u>	<u>Actual</u> <u>YTD 12/31/11</u>	<u>Favorable/</u> <u>(Unfavorable)</u>	<u>Percentage</u> <u>Variance</u>
Revenues				
Instant tickets	\$ 165,148,734	\$ 190,844,206	\$ (25,695,472)	-13.5%
Online Tickets	40,749,283	35,876,083	4,873,200	13.6%
Retailer app. fidelity	<u>293,567</u>	<u>320,556</u>	<u>(26,989)</u>	<u>-8.4%</u>
TOTAL Revenues	<u>206,191,584</u>	<u>227,040,845</u>	<u>(20,849,261)</u>	<u>-9.2%</u>
Operating Expense				
Instant Prizes Net	114,917,750	133,198,255	18,280,505	13.7%
Online Prizes Net	20,026,836	17,715,159	(2,311,677)	-13.0%
Retailer Commissions	11,510,526	12,736,382	1,225,856	9.6%
Gaming Contract Costs	10,258,838	11,862,096	1,603,258	13.5%
Advertising	1,713,863	1,955,522	241,659	12.4%
General and Admin.	3,559,462	3,593,317	33,855	0.9%
Other Agency Services	<u>798,880</u>	<u>825,740</u>	<u>26,860</u>	<u>3.3%</u>
TOTAL Operating Expenses	<u>162,786,155</u>	<u>181,886,471</u>	<u>19,100,316</u>	<u>10.5%</u>
Operating Income	43,405,429	45,154,374	(1,748,945)	-3.9%
Interest Income	<u>176,027</u>	<u>181,726</u>	<u>(5,699)</u>	<u>-3.1%</u>
Income before transfers	\$ <u>43,581,456</u>	\$ <u>45,336,100</u>	\$ <u>(1,754,644)</u>	<u>-3.9%</u>
Net Proceeds	\$ <u>40,521,807</u>	\$ <u>45,685,748</u>	\$ <u>(5,163,941)</u>	<u>-11.3%</u>

Note A – 2012 Net Proceeds excludes unclaimed prize expense of \$2,522,406 that will recognized at year end June 30, 2013 and 2011 includes unclaimed prize expense.

ADHE Transfer Analysis

<u>Month</u>	<u>2013 Transfers</u>	<u>2013 Unclaimed Prizes</u>	<u>2013 Budget</u>	<u>Over/Under Budget</u>	<u>Cumulative Balance</u>
July, 2012	\$4,752,502	475,984	\$ 7,522,865	-\$2,294,379	-\$2,294,379
August	7,193,286	339,013	7,451,392	80,907	-2,213,472
September	6,584,957	736,068	7,058,362	262,663	-1,950,809
October	6,632,866	445,361	7,756,011	-677,784	-2,628,593
November	8,443,936	80,425	7,473,772	1,050,589	-1,578,005
December	6,914,261	445,555	8,809,750	-1,449,934	-3,027,939
January, 2013			8,675,137		
February			8,911,452		
March			9,887,846		
April			7,986,661		
May			9,158,268		
June			<u>7,808,484</u>		
Totals	<u>\$40,521,807</u>	<u>\$2,522,406</u>	<u>\$98,500,000</u>		

December 2012 Promotion Results

December Promotion: buy \$5.00 in Cash 3 or Cash 4 tickets and get a holiday-themed Fastplay ticket for free.

- Cash 3 sales increased by 6.8%
- Cash 4 sales increased by 16.1%
- Total increased sales: \$76,077, less promo cost of \$55,418.83, for a profit of \$20,658.17
- December cost per free ticket was 72.71%

January 2013 Promotion

LIMITED TIME PROMOTION!

**ASK FOR THE
JACKPOT
BUNDLE**



AVAILABLE JANUARY 1 THROUGH JANUARY 31

A \$3 Powerball with Powerplay ticket, a \$2 Mega Millions with Megaplier ticket and a \$1 Natural State Jackpot ticket will qualify for one free \$1 Natural State Jackpot ticket. All Powerball, Mega Millions and Natural State Jackpot tickets must be purchased using the Jackpot Bundle terminal key to receive a free Natural State Jackpot ticket. All Jackpot Bundle plays will be quick picks.

February 2013 Points for Prizes Promotion

- Total Prize Value: \$10,226.37
- Entries may be submitted from February 11 through March 17, 2013
- 75 Points per Entry
- One winner will receive a Bad Boy CTZ Elite 60" Cut Mower

Bad Boy Mower

*Your lawn will be the envy of the neighborhood.
Be on the cutting edge with your very own Bad Boy CTZ Elite Mower.
Mow with an attitude!*

Total Prize Value: \$10,226.37
Entries may be submitted between February 11, 2013 and March 17, 2013.
75 points per entry



One (1) winner will receive:
Bad Boy CTZ Elite 60" Cut Mower

Features:

- 7 gauge all steel deck
- 1/2" steel forks
- Large tires for better traction
- Electric blade start and electric adjustable deck height
- 11 gallon fuel tank and up to 10 MPH



Prize value includes \$6,499.00.00 MSRP, plus \$2,556.59 Federal withholding tax, \$715.85 State withholding tax, and \$454.93 State sales tax, paid by the Arkansas Lottery Commission agent. Winner is responsible for any additional Federal and State taxes or fees upon delivery of prize.

One (1) winner will be randomly drawn. The odds of winning depend on the number of entries purchased with Points for Prizes™ points from all players. The mower will be delivered to the Bad Boy dealer that is closest to the winner. The winner will be responsible for getting the mower to their home from that dealer's location.

Prize Terms and Conditions:
Applicable sales, 7% State and 25% Federal withholding taxes paid. Arkansas Lottery Commission agent will report the winnings to the appropriate agencies and issue the proper W-2G to the winner. It is the responsibility of the winner to file the W-2G when processing their taxes for the year the Bad Boy Mower Package was fulfilled/delivered. Winners are subject to set off of certain debts. If a winner fails to satisfy an outstanding debt within thirty (30) days of notification of the debt, the ALC may, in its sole discretion, disqualify the winner and the next alternate may become the winner. Winners may be required to sign a liability release waiver. Winner may not change any of the features of this package. ALC reserves the right, at its sole discretion, to substitute another prize of similar value. See Points for Prizes™ Rules for more information.

County Data

Facebook and Press Releases

ARKANSAS COUNTY


Number of
scholarships
awarded in county: **1,136**

Total lottery prize
payouts in county:

**\$12.9
MILLION**

FUN LOTTERY FACTS:

Top ASL retailer in county:

G&B LIQUOR



SCHOLARSHIPS TO

 **Phillips**
COMMUNITY COLLEGE : **345**
OF THE UNIVERSITY OF ARKANSAS

Winner Awareness - Banners

Arkansas Scholarship Lottery

WINNING TICKET SOLD HERE

\$2,000,000

Problem gambling helpline: 1-800-522-4700

This banner features a blue background with a sunburst pattern radiating from the center. The text is prominently displayed in bold, black, sans-serif fonts with white outlines. The top of the banner includes the Arkansas Scholarship Lottery logo, which consists of the word 'Arkansas' in red with a white star inside a blue diamond shape, and 'Scholarship Lottery' in smaller black text below it. The main message 'WINNING TICKET SOLD HERE' is in blue and red, and the winning amount '\$2,000,000' is the largest element. The banner is framed by red and white diagonal stripes on the left and right sides.

Arkansas Scholarship Lottery

WINNING TICKET SOLD HERE

\$5,000

Problem gambling helpline: 1-800-522-4700

This banner is identical in design to the one above, featuring a blue sunburst background and red and white striped borders. It displays the Arkansas Scholarship Lottery logo at the top, followed by the text 'WINNING TICKET SOLD HERE' in blue and red, and the winning amount '\$5,000' in large, bold, black font with a white outline. The helpline number '1-800-522-4700' is printed in small text at the bottom.

Winner Awareness - Stickers



Arkansas Scholarship Lottery's New \$20 Ticket

ARKANSAS SCHOLARSHIP LOTTERY

\$20

ARKANSAS

\$2,000,000

GOLD RUSH

WIN UP TO \$2,000,000!
OVER \$63,000,000 IN TOTAL PRIZES!

Match any of YOUR NUMBERS to any of the WINNING NUMBERS, win prize shown. Get a "🎰" symbol, win prize shown automatically.
Get a "🎰" symbol, win ALL 20 PRIZES!

WINNING NUMBERS
\$ \$ \$ \$ \$

YOUR NUMBERS

\$	\$	\$	\$	\$
\$	\$	\$	\$	\$
\$	\$	\$	\$	\$
\$	\$	\$	\$	\$

WIN UP TO 20 TIMES!

000

Visit myarkansaslottery.com to Play It Again!

TICKETS MAY CONTINUE TO BE SOLD AFTER ALL TOP PRIZES HAVE BEEN CLAIMED.

**Arkansas Lottery Commission
Monthly Internal Audit Update
January 28, 2013**

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**Arkansas Lottery Commission
FY 2012 Internal Audit Plan
Status Report
January 28, 2013**

Project Number ¹	Project Category	Project	Description	Status ²	Comments	Estimated Remaining Hours ³
25	Audit	Retailer Sweeps / Commissions / Accounts Receivable & Adjustments	Assessment of the existence and effectiveness of the controls and processes established by management of the Arkansas Lottery Commission to ensure the proceeds from on-line and instant ticket lottery game sales are collected in full and in a timely manner.	Complete	Status Update: Report issued on January 3, 2013. No observations or recommendations reported.	-

Total Estimated Hours to Complete FY 2012 Plan

0

Notes

¹Project Number based on number of all projects within the project universe. See Page 6 for complete, numbered project universe.

²Definition of Project Status:

Scheduled - Project has been scheduled and is included in the Internal Audit master schedule. Project timing subject to change based on a number of factors including business need, internal audit resources, etc.

Planning Stage - Project planning beyond scheduling has begun. Actual fieldwork may be several weeks away and finalization of all phases of the project may be several months away.

In Progress - Fieldwork is underway. Project completion and finalization may still be several weeks away.

Complete - Project is complete for the fiscal year unless otherwise noted (i.e. partially complete, substantially complete).

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

**Arkansas Lottery Commission
FY 2013 Internal Audit Plan
Status Report
January 28, 2013**

Project Number ¹	Project Category	Project	Description	Status ²	Comments	Estimated Remaining Hours ³
10	Audit	IT Gaming Quality Assurance	Controls and procedures surrounding the Instant Game Management System, including access, game loading, testing, and processing.	Planning Stage		160
11	Review	Instant Ticket Quality	Review of independent quality control reports for instant tickets.	Complete	Status Update: Report issued on January 4, 2013. No observations or recommendations reported.	-
14	Audit	Back Office System (BOS) Administration	Controls and procedures that ensure the Lottery's BOS system is secure and that access to it is controlled.	In Progress		115
28	Audit	Accounts Payable / Purchasing / Expenditures	Controls and procedures surrounding the accounts payable, purchasing, and expense processes, including procurement and payable authorization, compliance with ALC procurement rules/laws, and the minority-owned and female-owned business program.	Substantially Complete	Status Update: Audit is substantially complete, with finalization of reporting the primary open item. Final report expected to be issued within a week.	5
32	Audit	Education Trust Fund	Controls and procedures that ensure existence and proper handling of education trust and shortfall reserve funds.	Scheduled		160
33	Audit	Employee Travel Reimbursements	Controls and procedures surrounding employee travel reimbursements, including travel documentation and accurate travel and expense reimbursement reporting.	Scheduled		50
36	Audit	Financial Accounting & Reporting	Controls and procedures surrounding the accounting and reporting process, including development of the internal and external financial statements, related notes to the statements, and other items/schedules included in the CAFR.	Scheduled		200
37	Audit	Financial Planning/Budgeting	Controls and procedures surrounding the planning and budgeting process, including management assumptions, budget compilation, and long-range planning.	Scheduled		320
46	Consulting Project	Instant Ticket Vendor Security Review (Biennially)	Coordinated security review of instant ticket vendor (Scientific Games) with outside firm.	Planning Stage	Status Update: Security review is scheduled to take place March 25 - March 29 at Scientific Games facility in Alpharetta, GA. Internal Auditors from at least 10 other states are scheduled to be a part of the review in addition to Arkansas (NC, FL, VA, SC, LA, IA, KY, CA, NM, MT).	96

Total Estimated Hours to Complete FY 2013 Plan

1,106

**Arkansas Lottery Commission
 FY 2013 Internal Audit Plan
 Status Report
 January 28, 2013**

Project Number ¹	Project Category	Project	Description	Status ²	Comments	Estimated Remaining Hours ³
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Notes

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In Progress - Fieldwork is underway. Project completion and finalization may still be several weeks away.

Complete - Project is complete for the fiscal year unless otherwise noted (i.e. partially complete, substantially complete).

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

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

Legal - Block

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

Gaming & Product Development - Smith

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

Security & Licensing - Huey

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

Human Resources - Basham

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

Commission & Legislative Affairs - Baldrige

- 20 Public & Legislative Relations

Sales - Stebbins

- 21 Sales Force Reporting

Marketing - Bunten

- 22 Advertising & Marketing (excl Contract Compliance)

Treasury - Fetzer/Parrish

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

Financial Control - Fetzer/Williams

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

Information Technology - Fetzer/Gilmore/Smith

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

Internal Operations - Fetzer/Hudson

- 41 Lottery Vehicles
- 42 Building & Facility Maintenance

Projects Not Included in Risk Assessment*

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

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

Arkansas Scholarship Lottery Advertising Initiatives Spring 2013

Joanna Buntten

Director of Marketing & Advertising

Planning, Creative Development & Campaign Evaluation

Planning & Budgeting:

ASL Goals

- Goal #1: Increase Instant Games Sales
- Goal #2: Optimize Jackpot Sales for Powerball, Mega Millions & Natural State Jackpot Games
- Goal #3: Improve Winner & Beneficiary Awareness

Media Plan & Creative Development:

Market & Game Analysis Industry Best Practices

- Increase ad % spend on the instant product category, place instant game advertising during game launch weeks, use games specific messaging
- Maximize jackpot sales by advertising during key trigger points: \$100 million+ jackpot runs. Focus on draw games exclusively in the NWA region.
- Improve winner perceptions by showcasing winners at the retail and county/dma level
- Use advertising cost sharing to improve advertising efficiencies

Implementation & Evaluation:

Sales Lift & Tracking Studies

- Track advertising sales lift using controls when possible (retail PAD & pump video advertising)
- Monitor banner click-through rates, eblast open rates, website traffic, app downloads and social media results to measure successes .
- Implement a new quarterly survey study to measure and track advertising awareness, playership & lottery perceptions

Industry Analysis

\$4.5 M Advertising Budget by Media Type Type

Media Type	Arkansas	Lottery Avg.	Difference
TV	38%	32%	6%
Radio	21%	16%	5%
Print media	4%	3%	1%
Internet	5%	5%	0%
Production	6%	11%	-5%
Transit/billboard	14%	14%	0%
Consumer promos	2%	3%	-1%
Direct mail	0%	0%	0%
Point of sale	6%	4%	3%
Drawing events	0%	1%	-1%
Public relations	0%	0%	0%
Research	0%	0%	0%
Ad agency fee	4%	6%	-2%
Other	0%	5%	-5%

Arkansas % of Total Sales: .9%

Lottery Avg. % of Total Sales: 1%

Market Analysis

Advertising Spend by DMA

Market	% of Total Media Spend	% of Total Population	Difference
Ft. Smith/Fayetteville	26%	19%	7%
Greenwood - Greenville, MS	0%	0%	0%
Jonesboro	11%	8%	3%
Little Rock/Pine Bluff	48%	50%	-2%
Memphis, TN	4%	10%	-6%
Monroe - El Dorado, LA	2%	1%	1%
Shreveport, LA	8%	5%	3%
Springfield, MO	2%	6%	-4%
TOTAL	100%	100%	0%

Sales by Product

Product	Avg. Sales % to Total	NWA Sales % to total
Powerball	8%	11%
Mega Millions	5%	7%

Media Plan

Increase Instant Game Sales (Excluding NWA)

- TV
- :30 Radio
- :15 Radio
- PAD's
- Play Station Signage
- Video Pump Ads
- Eblasts
- Social Media

Improve Winner & Beneficiary Awareness

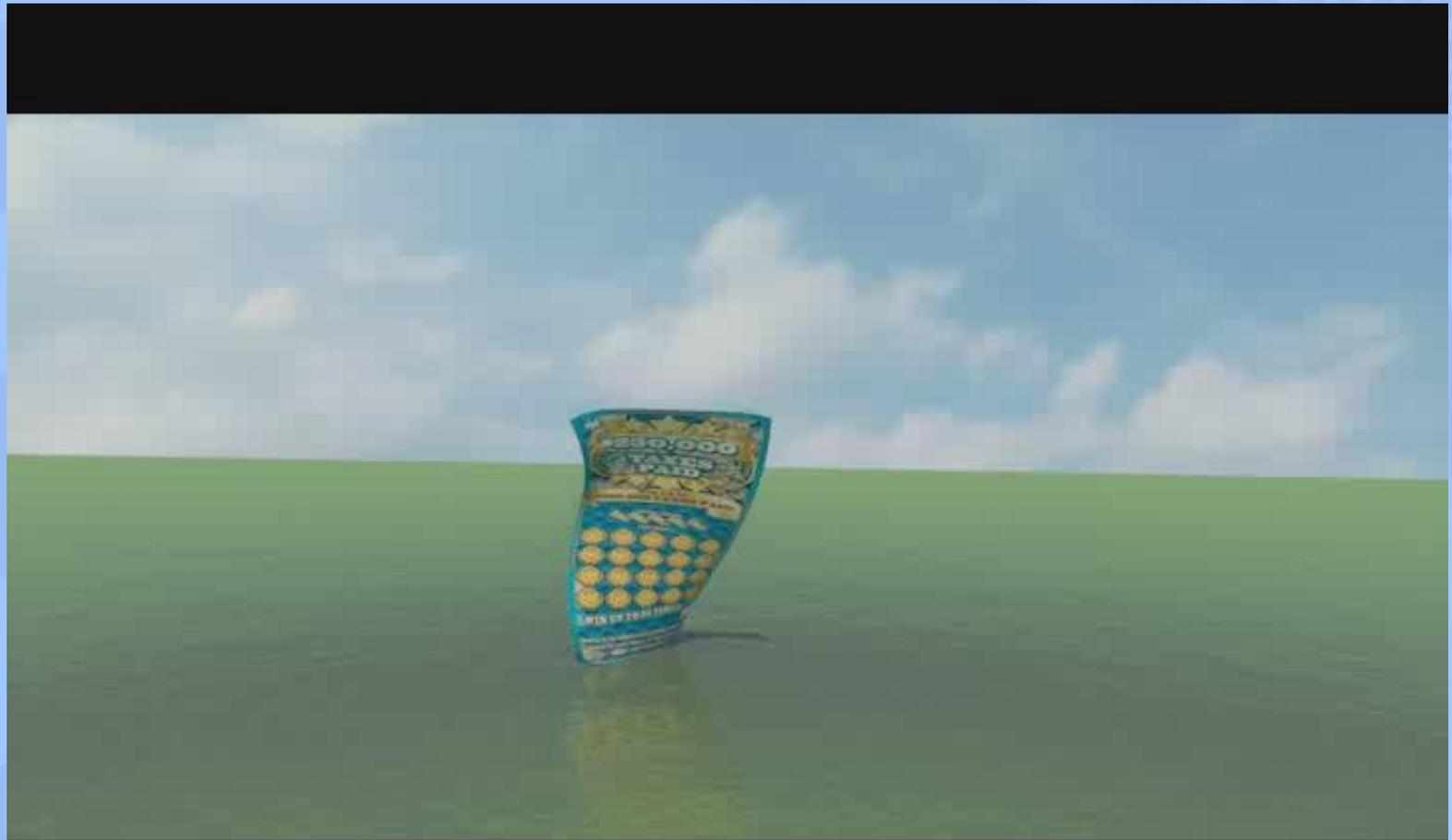
- TV
- :30 Radio
- Billboards
- Newspaper
- PAD's
- Play Station Signage
- Store Banners
- Video Pump Ads
- Eblasts
- Social Media

Optimize Jackpot Sales

- TV
- :15 Drive-Time Radio
- Billboards
- Online & Mobile Banner Ads
- PAD's
- Dynamic Jackpot Signs at retail locations
- Eblasts
- Social Media
- Mobile Apps

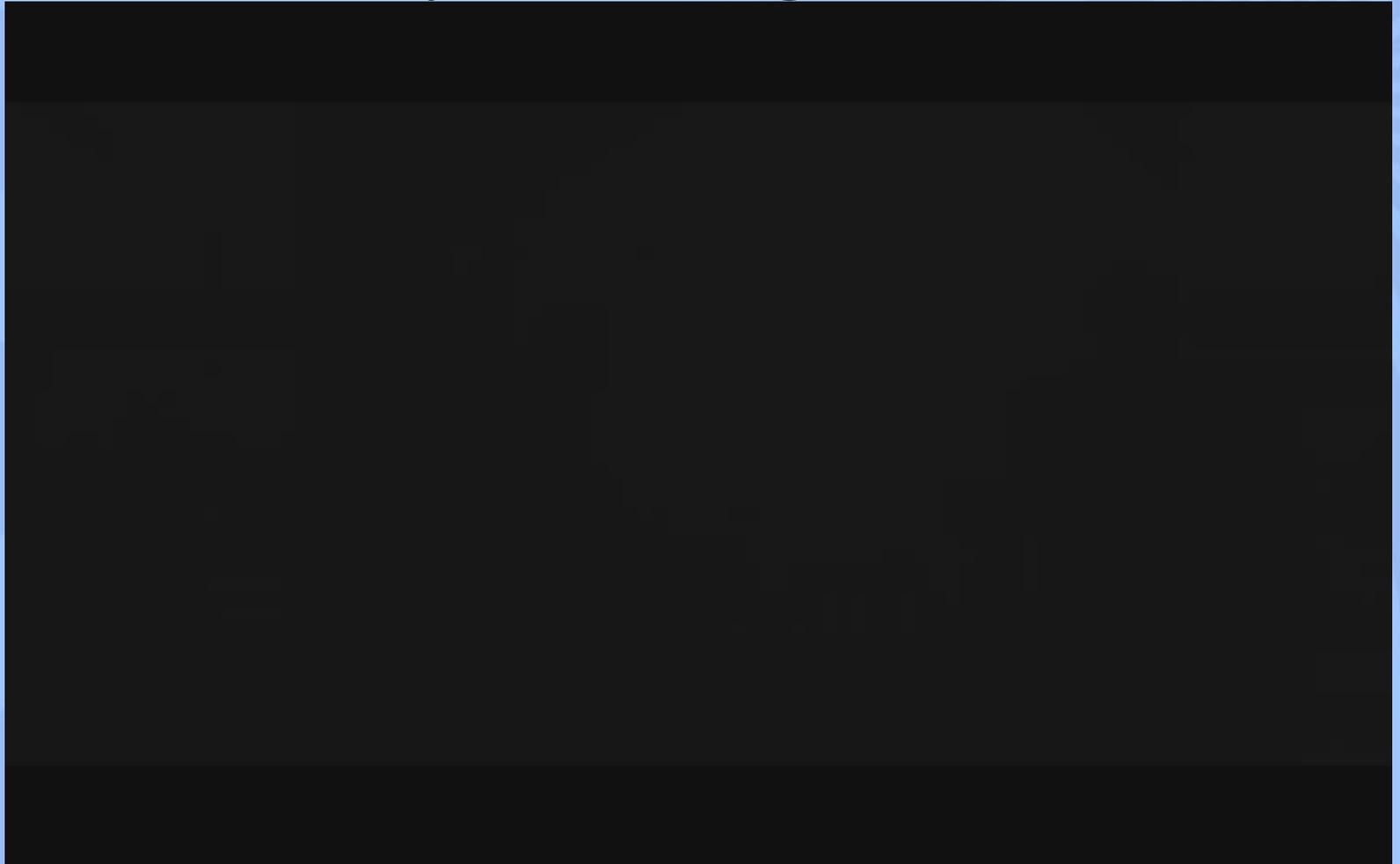
TV Advertising

Creative: Instant Games Markets: All (Exclude NWA)
On Air: First Two Weeks of Product Launch



TV Advertising

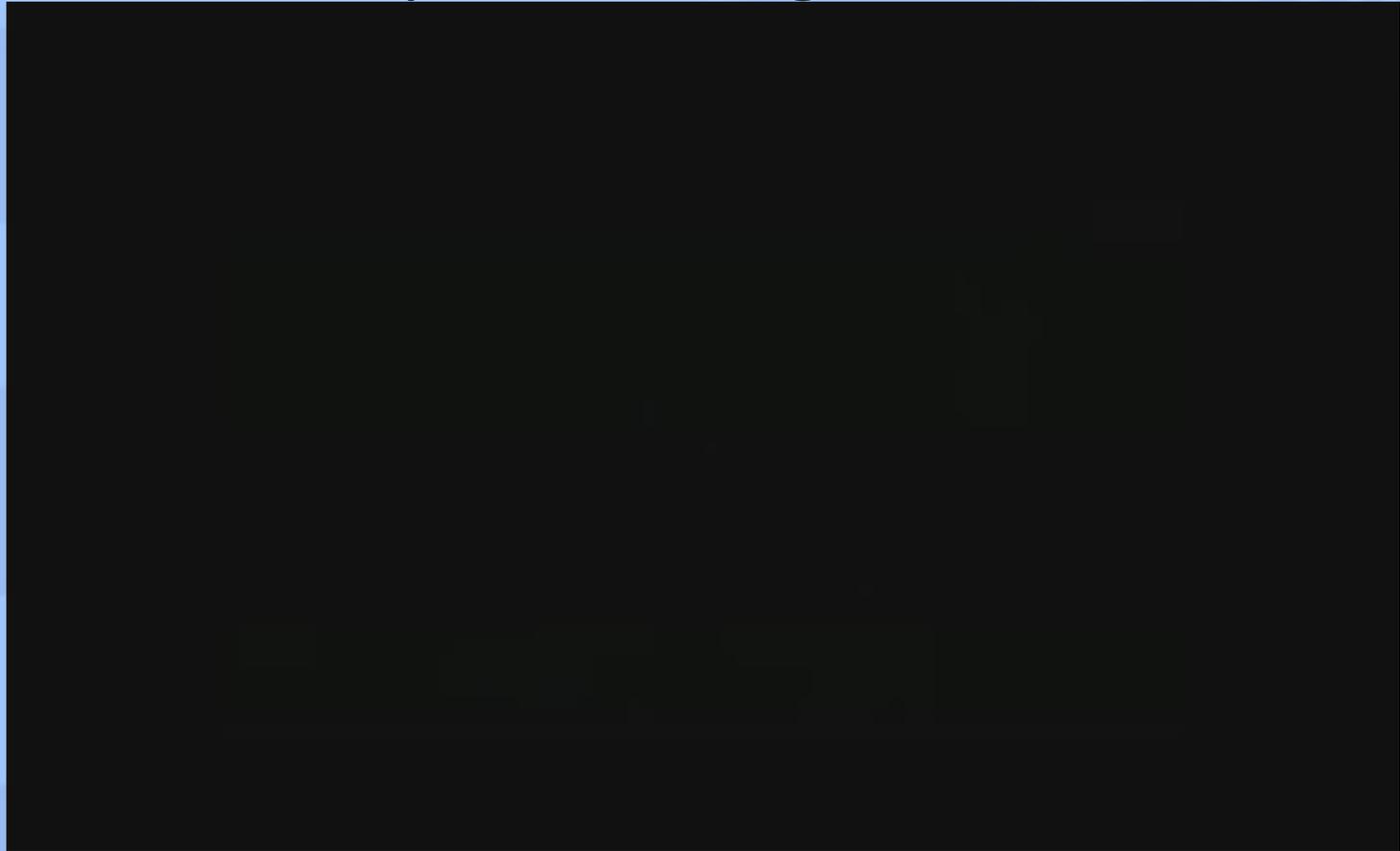
Creative: Mega Millions Markets: All
On Air: Jackpot reaching \$100 million+



TV Advertising

Creative: Powerball Markets: All

On Air: Jackpot reaching \$100 million+

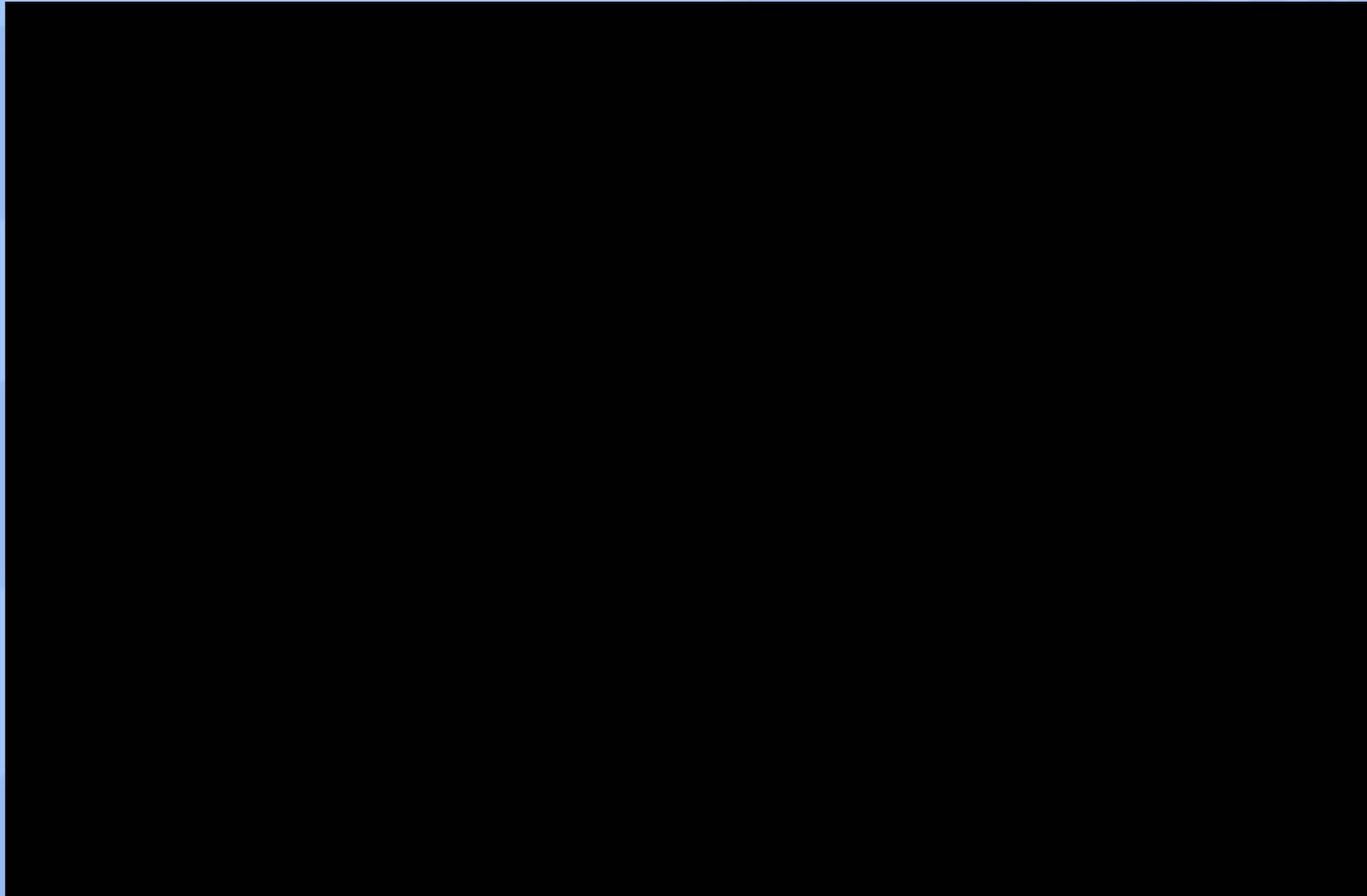


TV Advertising

Creative: Winner & Beneficiary Awareness

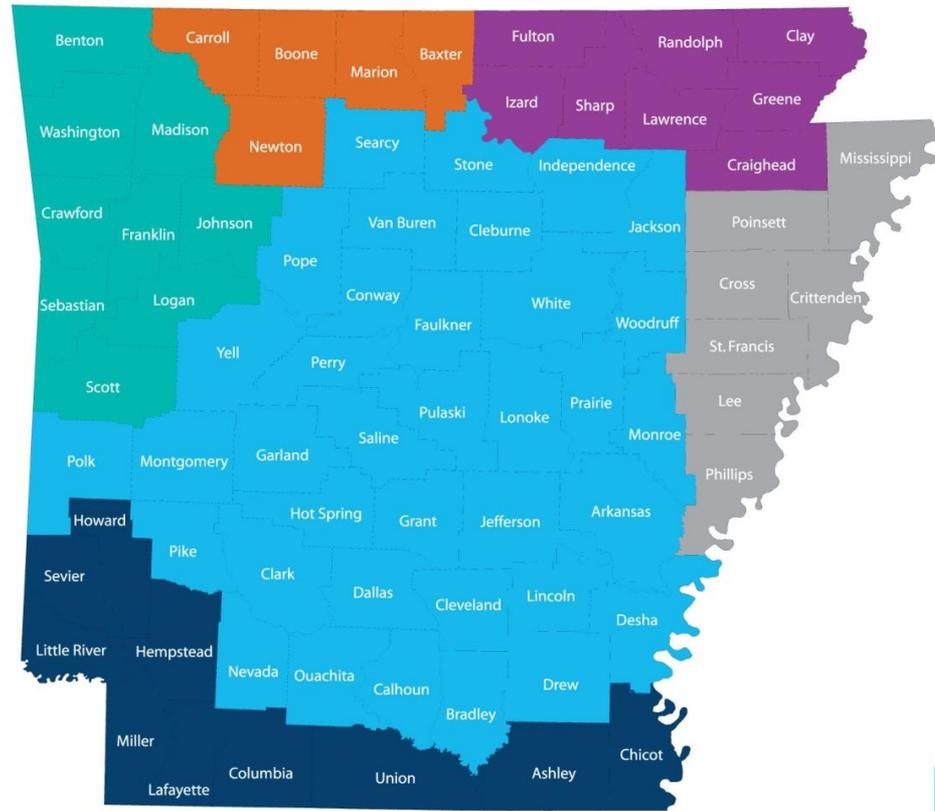
On Air: Feb-Jul

Markets: All



TV Advertising

Jan-Mar: 51,584 Spots
76% reach/19.4 frequency



KFSM - CBS
KHOG - ABC
NHBS - CW

Cox Cable

MISSOURI

Cox Cable

KAIT - ABC

Paragould Cable
Sudden Link Cable

MEMPHIS

Comcast Cable

KTEV - INDEPENDENT

Cable One
Sudden Link Cable

KATV - ABC
KTHV - CBS
KASN - CW

Comcast Cable
Sudden Link Cable

Radio Advertising

Instant Games

- :30/:15 spots: First two weeks of product launch

Powerball/Mega Millions

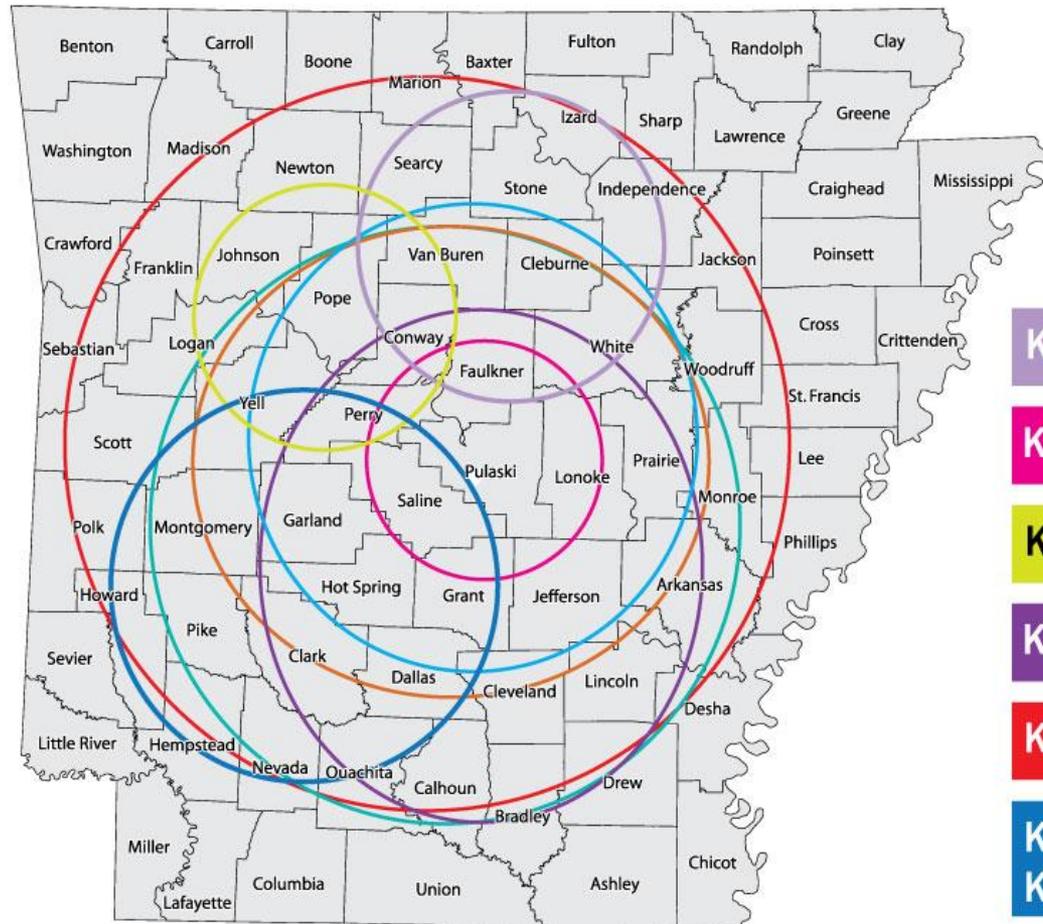
- :15 spots: Jackpot reaches \$100+

Winner Awareness

- :30 spots: Feb-Jul

Radio Advertising

Central Arkansas



KDJE 100.3
KARN 92 AM

KHKN 94.9
KKPT 94.1
KLAL 107.7

KSSN 96
KMJK 105.1
KURB 98.5

KFFB 106.1

KOKY 102.1

KCJC 102.3

KIPR 92.3

KABZ 103.7

KQUS 97.5
KLAZ 105.9

Radio Advertising

Northwest Arkansas

KMCK 105.7

KKEG 98.3

KKBD 95.9

KIGL 93.3

KISR 93.7

KEZA 107.9

KHOZ 102.9

KUOA 1290 AM

KTHS 1480 AM

KTHS 107.1



KQBK 104.7

KFPW 94.5

KTCS 99.9

KMAG 99.1

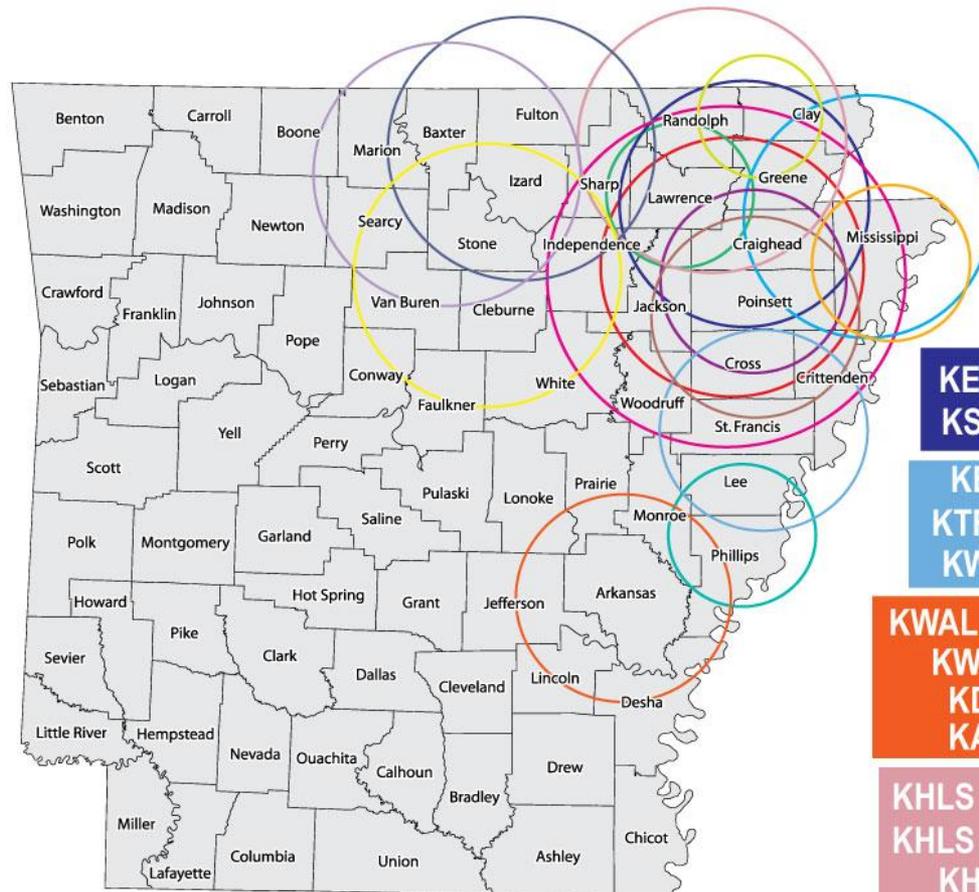
KILX 104.1

KENA 102.1

KQOR 105.3

Radio Advertising

Northeast Arkansas



KTLO 97.9

KIYS 106.3

KFIN 107.9

KAMJ 93.9

KHLS 96.3

KDXY 104.9

KWOZ 103.3

KCLT 104.9

KJBX 106.7

KBKG 93.5

KWYN 1400 AM

KEGI 100.5

KSAR 92.3

KBFC 93.5

KTRQ 102.3

KWYN 92.5

KWAL 1240 AM

KWAK 105.5

KDEW 97.3

KAPW 99.3

KHLS 1420 AM

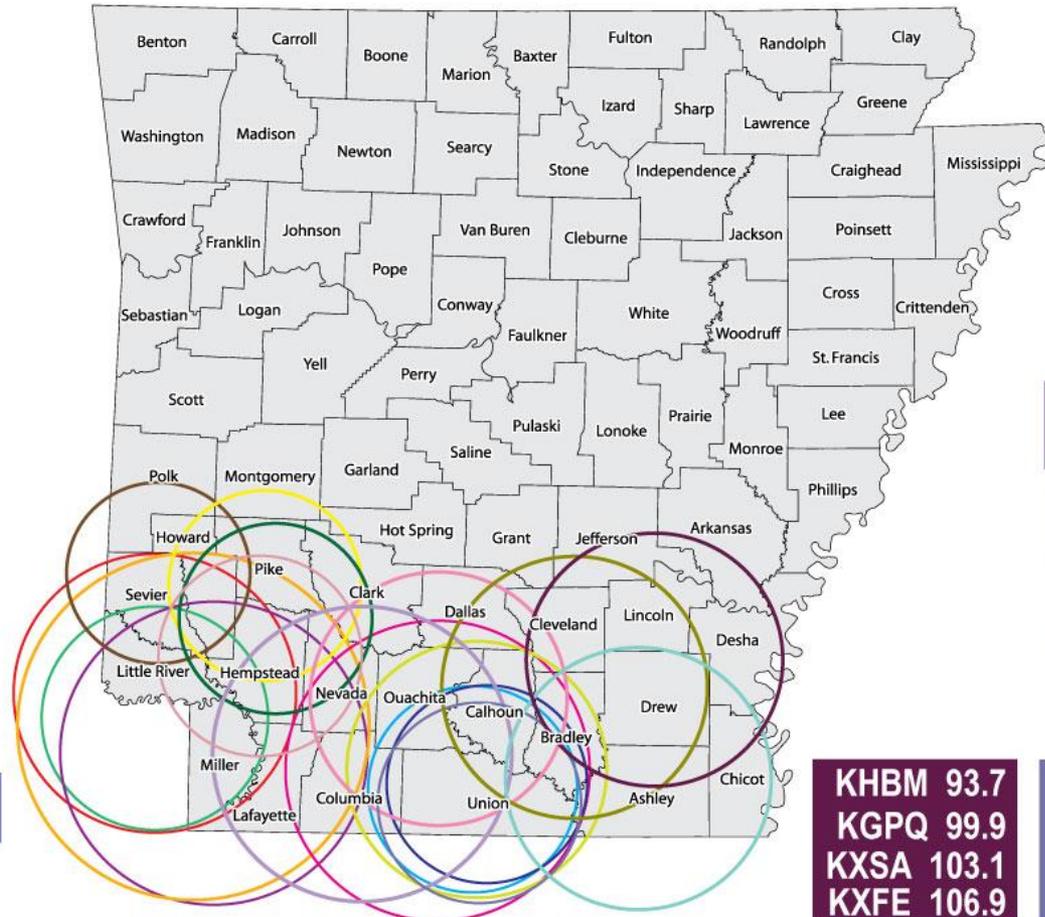
KHLS 1320 AM

KHLS 103.9

KRLW 106.3

Radio Advertising

South Arkansas



KPGG 103.9

KTOY 104.7

KYGL 106.3
KPWW 95.9

KKYR 102.5
KTFS 94 AM

KMLK 101.5

KIXB 103.3

KAGL 93.3

KELD 1400 AM

KMTB 99.5

KHPA 104.9

KNAS 105.5

KDQN 92.1

KCXY 95.3
KAMD 97.1
KMGC 104.5

KVMA 630 AM
KZHE 100.5

KWRF 105.5
KWRF 860 AM

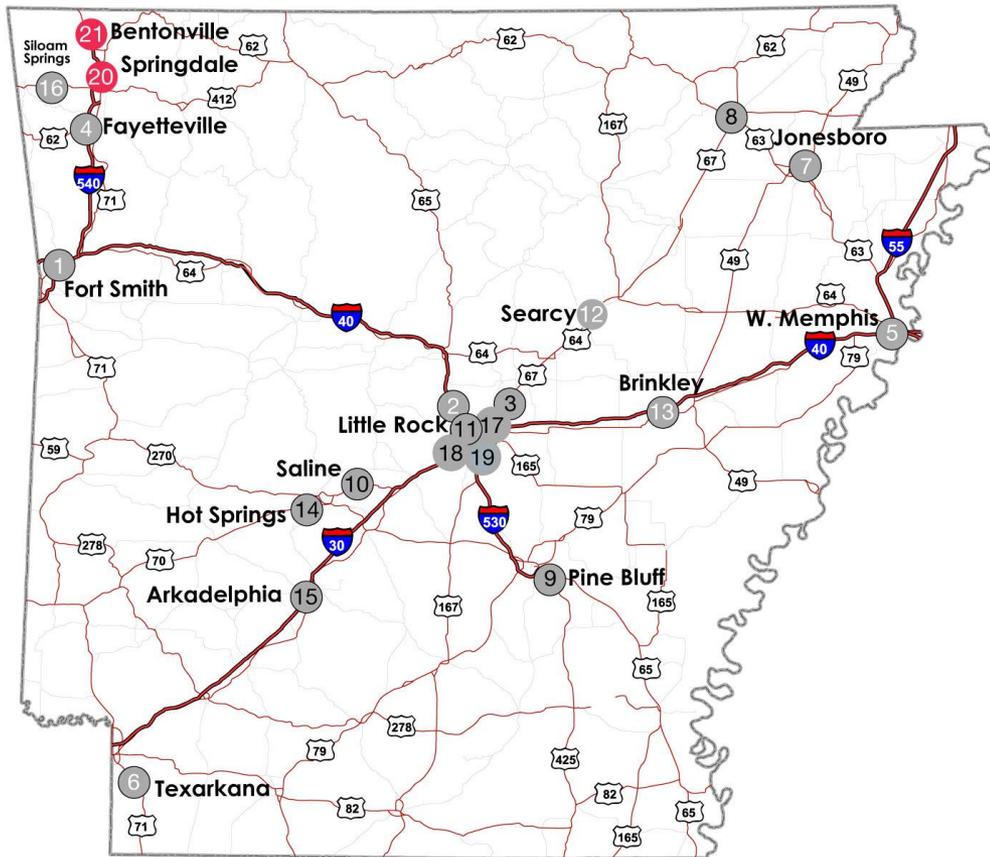
KAGH 104.9
KAGH 800 AM
KWLT 102.7
KAGH 99.5

KHBM 93.7
KGPQ 99.9
KXSA 103.1
KXFE 106.9

KAGL 93.3
KIXB 103.3
KMLK 101.5
KELD 1400 AM

Outdoor Billboard

21 Billboards Statewide



- 1) 10'6" x 40'
Ft. Smith (10 miles east of OK border) / Clear Channel
- 2) 12' x 42'
Between Conway & LR / Cuerden
- 3) 14' x 48'
Inbound from Jacksonville to LR / Cuerden
- 4) 12' x 40'
Inbound from Missouri between Bentonville & Fayetteville / Fowler
- 5) 28' x 46'
Near ARK/TN border (near W. Memphis) / Fowler
- 6) 10' x 40'
Stateline Blvd. in Texarkana / Lamar
- 7) 12' x 48'
Inbound to Jonesboro from Paragould & Missouri / Lamar
- 8) 14' x 48'
Jonesboro heading north towards N. Ark / Lamar
- 9) 14' x 48'
Heading into Pine Bluff from South AR / Lamar
- 10) 14' x 48'
Inbound from Saline County / Lamar
- 11) 14' x 48'
North on I-30, North Little Rock / Lamar
- 12) 12' x 40'
Searcy
- 13) 12' x 36'
Brinkley @ MM 217 Westbound Prime
- 14) 10' x 24'
Hot Springs / Impact
- 15) 10' x 40'
Gum Springs MM 68N towards Arkadelphia / Impact
- 16) 10' x 36'
Siloam Springs, coming in from Oklahoma / Fowler
- 17) 10'6" X 36'
McCain, North Little Rock 67/167 / Lamar
- 18) 10'6" X 36'
Bowman, Little Rock / Lamar
- 19) 11' X 23'6"
South Univerisity, Little Rock
- 20) 14' x 40'
Springdale: I540 / The Communications Group
- 21) 12' X 40'
Bentonville: I540 / The Communications Group

Outdoor: Billboards



Natural State JACKPOT

\$110,000

Current Jackpot

CALL 1-800-475-6767 FOR MORE INFORMATION

5 Electronic Billboards
(LR & NWA)

16 Static
Billboards



Arkansas Scholarship Lottery

\$250,000

CALL 1-800-475-6767 FOR MORE INFORMATION

HOMETOWN: WEST FORK



Arkansas Scholarship Lottery

WINNERS EVERY DAY

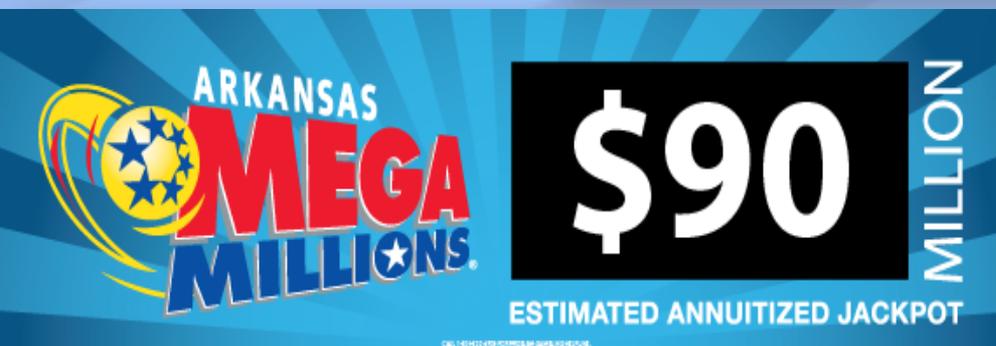


Arkansas POWERBALL

\$10,000

CALL 1-800-475-6767 FOR MORE INFORMATION

HOMETOWN: FAYETTEVILLE



ARKANSAS MEGA MILLIONS

\$90 MILLION

ESTIMATED ANNUITIZED JACKPOT

CALL 1-800-475-6767 FOR MORE INFORMATION



ARKANSAS POWERBALL

\$90 MILLION

ESTIMATED ANNUITIZED JACKPOT

CALL 1-800-475-6767 FOR MORE INFORMATION

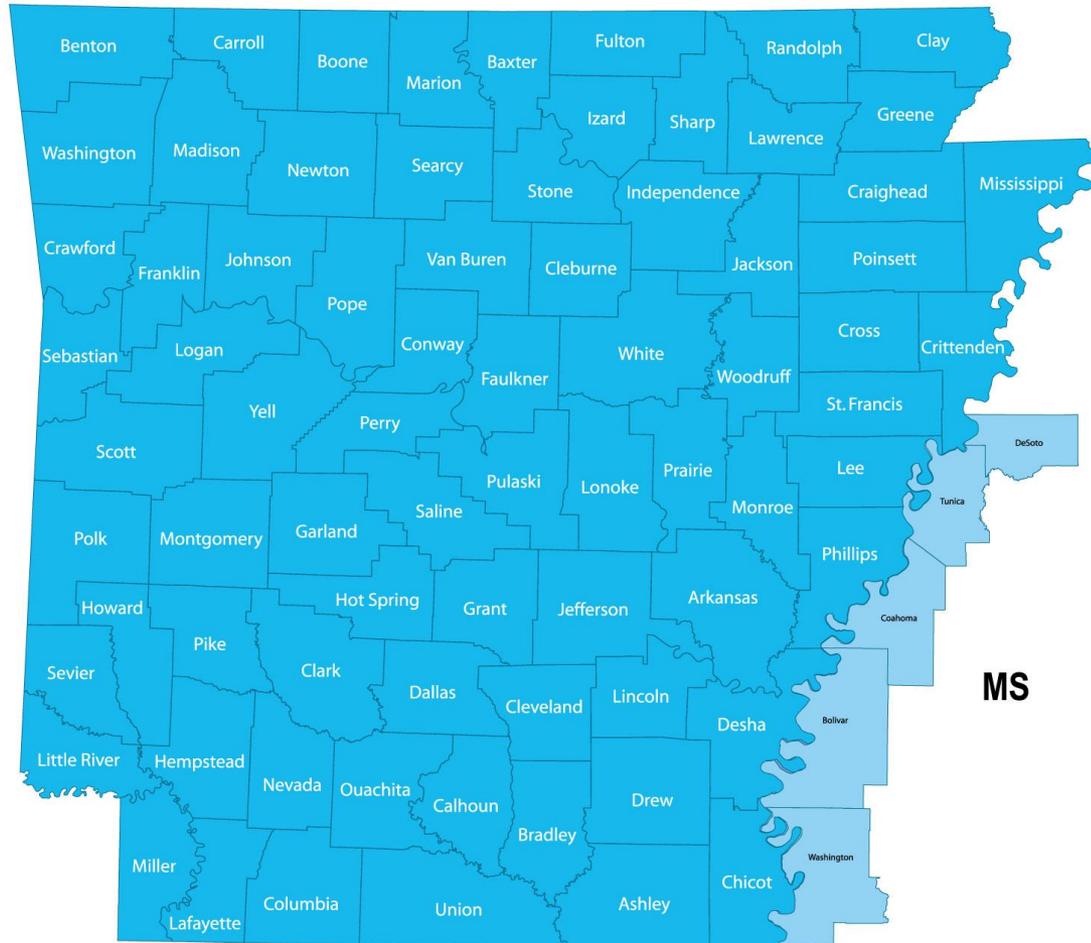
Website Banner Advertising

Creative: Mega Millions & Powerball Jackpots Reaching \$100 million+ & NSJ \$100,000+



Website Banner Advertising

Arkansas & West Mississippi



E-Mail Marketing

Instant Ticket Launches
\$100+ Powerball & Mega Millions Jackpots
Winners & Beneficiary by County



\$2,000,000
TOP PRIZE?
you got it!



LEADER WITH PRIZES



DID YOU KNOW?

Total Arkansas Scholarship Lottery prize payments in Miller County have reached \$9.4 million, and 515 residents have received scholarships. There are 40 ASL retailers in Miller County, with the top retailer being EZ Mart #545 on Stataline Avenue. But then, things in Miller County are twice as nice.

Facts About:



MILLER COUNTY

Total lottery prize payouts in county: **\$9.4 MILLION**

515 residents have received scholarships.

Number of ASL retailers in county: **40**

#545 Top ASL retailer in county.

Print Media

Newspaper Advertising: Winner & Beneficiary Awareness

Benton

- Slocum Springs Herald-Leader (Slocum Springs)
- Bentonville Benton Co. Daily Record (Lowell)
- Rogers Morning News (Rogers)
- Bella Vista Weekly Vista (Bella Vista)
- Gravette Westside Eagle Observer (Gravette)
- Pea Ridge Times (Pea Ridge)

Izard

- Horseshoe Bend Pacesetter Times (Franklin)
- Calico Rock White River Current
- Melbourne Times (Melbourne)

Lonoke

- Cabot Star-Herald (Cabot)
- Carlisle Independent (Carlisle)
- England Democrat (England)
- Lonoke Democrat (Lonoke)

Pulaski

- Jacksonville-Cabot, The Leader (Jacksonville)
- Jacksonville Patriot (Jacksonville)
- Arkansas Business (Little Rock)
- Arkansas Democrat-Gazette (Little Rock)
- Arkansas Times (Little Rock)
- Asian American Reporter (Little Rock)
- El Latino (Little Rock)
- Hotel Arkansas (Little Rock)
- Little Rock Record (Little Rock)
- Maumelle Monitor (Maumelle)
- North Little Rock Times (North Little Rock)
- STAND! News (North Little Rock)
- Sherwood Voice (Sherwood)

White

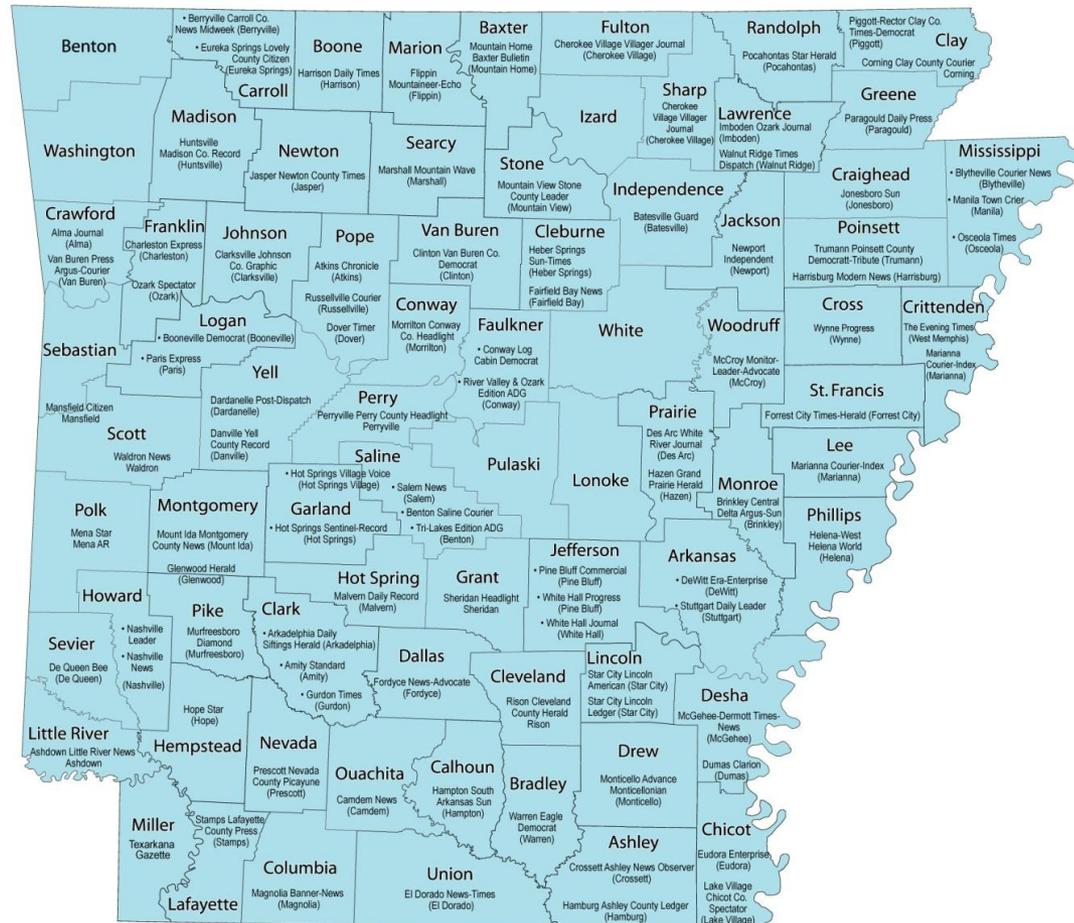
- Three Rivers Edition ADG (Searcy)
- Searcy Daily Citizen (Searcy)
- Augusta White River Delta Dispatch (Bald Knob)
- Bald Knob Banner (Bald Knob)
- Beebe News (Beebe)
- Searcy Sun-Judsonia White Co. Record (Searcy)

Sebastian

- Fort Smith Times Record (Fort Smith)
- Greenwood Democrat (Greenwood)
- Mansfield Citizen (Mansfield) — Scott & Sebastian County

Washington

- Fayetteville Northwest Arkansas Times (Fayetteville)
- Springdale Morning News (Springdale)
- The Free Weekly (Fayetteville)
- Washington County Enterprise-Leader (Farmington)
- West Fork Washington County Observer (West Fork)



Mobile Apps & Mobile Website

Mobile Website

- 28% of users access website from a mobile device.

iPhone App

- 53% of Mobile Users

Android App

- 42% of Mobile Users

1. Check winning numbers for draw games

2. Receive push notifications when winning numbers are drawn

3. Find the closest lottery retailer locations

4. Access our player's club

5. **New:** Customized jackpot alert push notifications for iPhone app



Social Media

The screenshot shows the Facebook page for the Arkansas Scholarship Lottery. The main content is a large advertisement for the 'ASK FOR THE JACKPOT BUNDLE' promotion, available from January 1 to January 31. The ad includes images of lottery tickets for Arkansas Power Ball, Arkansas Mega Millions, and Natural State Jackpot. A banner on the left says 'LIMITED TIME PROMOTION' and a ribbon across the tickets says 'BUY GET FREE'. The page header shows 'Arkansas Scholarship Lott..' and 'Timeline Now'. The right sidebar includes 'Settings Logout', 'Admin Panel', 'Ads Manager', and 'See Your Ad Here'. Below the ad, it says 'AVAILABLE JANUARY 1 THROUGH JANUARY 31' and 'Arkansas Scholarship Lottery' with '13,985 likes · 1,330 talking about this · 135 were here'. The bottom navigation bar includes 'About', 'Photos', 'Likes', 'Map', and 'Events'.

	Before Advertising	After Advertising
Avg. Daily Likes	6	110

Likes= The number of new people who have liked the ASL Page.

Social Media

Powerball, Mega Millions (\$100 million+) &
NSJ (\$100,000+ jackpots)

DO YOU "LIKE" \$140,000?

Natural State JACKPOT

**I PLAYED NSJ!
HAVE YOU PLAYED TODAY?**

Natural State JACKPOT **Natural State JACKPOT** **Natural State JACKPOT** **Natural State JACKPOT**

Arkansas Scholarship Lottery
December 18, 2012

Do you "like" \$140,000?

[Add Location](#) [Edit](#)

[Like](#) · [Comment](#) · [Share](#) · [Edit](#)

[James P. Waggle Jr.](#), [Daniel Jones](#), [Kenny Tubbs](#) and 59 others like this.

Gary Smith Yes I do
December 18, 2012 at 12:25am via mobile · [Like](#)

Jennifer Goodman Biggers I Love it!
December 18, 2012 at 12:52am · [Like](#)

Sharron Troutman Jennings Who wouldnt
December 18, 2012 at 2:54am · [Like](#)

[Timeline Photos](#) [Options](#) | [Share](#) [Like](#)

Social Media

Facebook/Twitter: Winner Awareness



Social Media

Facebook/Twitter: Beneficiary Awareness

Search for people, places and things

Arkansas Scholarship Lottery

Liked · January 14

Current net scholarship proceeds to date are \$315,061,243, thanks to you – and thanks for playing the Arkansas Scholarship Lottery.

Like · Comment · Share

27 people like this.

1 share

Write a comment...

\$315,061,243
Arkansas Scholarship Lottery Net Proceeds To Date.

Timeline Photos

Options | Share | Like

Elise Hampton | Conway University of Central Arkansas

"The Challenge has helped me finance my books and summer school. To me, the [Arkansas Academic Challenge Scholarship] means that Arkansans do care about the education of their residents."

Lacey West likes Zenspin Studio.

Zenspin Studio
Like

Store/POS Signage

800 Banners: Winner Awareness



Store/POS Signage

PADs: Instant Games, Jackpot Awareness & Winner/Beneficiary Awareness

"The Challenge has helped me finance my books and summer school. To me, the [Arkansas Academic Challenge Scholarship] means that Arkansans do care about the education of their residents."

Elise Hampton | Conway
University of Central Arkansas

\$315,061,243
Arkansas Scholarship Lottery Net Proceeds To Date.

Call 1-800-522-4700 for problem gambling helpline.

ARKANSAS POWER BALL
ARKANSAS MEGA MILLIONS
Natural State JACKPOT
ARKANSAS 50/50

ESTIMATED ANNUALIZED

Store/POS Signage

Video Pump Ads: Promotions & Jackpots



Promotion	Advertising Lift	
	LR Avg. % Increase	Video Store % Increase
Arkansas 50/50	532%	1012%
Cash3/Cash4	11%	14%



[Myarkansaslottery.com/advertising](https://myarkansaslottery.com/advertising)

Thank you!

Questions?