

MINUTES
ARKANSAS LOTTERY COMMISSION
Monday, September 17, 2012
1:30 P.M.
Willard Walker Hall, H. L. Hembree Room
University of Arkansas
Fayetteville, Arkansas

Chairman Ben Pickard called the meeting to order. Commissioners George Hammons, Bruce Engstrom, Raymond Frazier, Mike Malone, Dianne Lamberth, Smokey Campbell and Patty Shipp were also present. Staff members present included Director Bishop Woosley, Internal Auditor Matt Brown, Maria Craig, Julie Baldrige, Robert Stebbins, Mark Hearn, Ali Mustafa, and Jeff Fitch.

Prior to convening the meeting, present members of the Commission attended a luncheon with Chancellor David Gearhart and a number of University of Arkansas officials at the Chancellor's Residence.

The first order of business was consideration of the draft minutes of the August 20, which were approved without dissent. Chairman Pickard recognized Richard Hudson, University of Arkansas Vice Chancellor for Government and Community Relations, who welcomed the Commission and briefed the Commission on the University's goals in coming academic years. Vice Chancellor Hudson then introduced two students and current recipients of the Lottery-funded Arkansas Academic Challenge Scholarship. Colby Thompson of Bald Knob, a pre-nursing sophomore and a member of the Marching Razorbacks, and Grace Usiel, originally from Micronesia and for more than a decade a resident of Fayetteville, a biomedical engineering major, addressed the Commissioners about the effects of the scholarship on their educational goals (remarks in file).

Next, Chairman Pickard greeted Fayetteville Chamber of Commerce Director Steve Clark, who presented insight into the growth of Fayetteville and the broad financial impact of the scholarships on the Fayetteville economy.

Chairman Pickard recognized Director Woosley for his regular report (included in file). The Director recognized staff present, in particular the two Marketing and Sales Representatives and the Regional Sales Manager for the Northern District, and greeted Patrick Ralston, Bureau of Legislative Research and representing the Legislative Oversight Committee. He noted that while sales were down in instant tickets and up for draw tickets, falling short of total sales last August, the net proceeds were higher than net proceeds last year if calculated by the same method. He attributed the difference to the higher profitability of draw tickets. He also noted that the first \$20 ticket had just come out last year, driving sales of instants to a higher-than-normal level, and pointed out that it was interesting but not probative to compare a month last year with a month this year. He pointed out that unclaimed prizes since the beginning of FY2013 are listed separately from net proceeds and will be added back in at the end of June 2013. He said he was pleased to see that the strategy to emphasize draw games had resulted in protection of the scholarship dollars even as sales slipped slightly.

Director Woosley reported that the Natural State Jackpot had been a bright spot in the last month. He said sales were around \$600,000, much higher than expected. He said that they

had projected the average jackpot amount to be around \$158,000, and that the first jackpot had hit at \$100,000 by a Mountain Home player. He said that in 18 days of sales, the NSJ had resulted in \$246,000 in prizes and \$32,000 in retailer commissions. He said the staff was very hopeful for this game and happy with the launch. Commissioner Malone said that the marketing for NSJ had been great and asked if it would continue. The Director said that he wanted it to be one of the Lottery's core games so he will lean toward to pushing that in marketing. He said there had been a lot of positive feedback on the game. He showed the Commissioners the next \$20 game, \$1,000,000 Riches, and described the prize structure. He said that the Arkansas Millionaire's Club \$20 ticket introduced a number of months ago has one \$1 Million prize remaining and will likely be left open until that ticket is purchased. He went through the games that will be introduced over the next few months, and said he would present at the October meeting the contract amendment for the PAD displays for 600 retailers. He also reviewed promotions coming up and discussed the Points for Prizes drawings for merchandise. Commissioner Engstrom expressed his pleasure at the continued use of Arkansas products in these promotions; and the Director said he was making calls on Arkansas companies with products appropriate for drawings. It was discussed that the Lottery is looking at stays in Arkansas State Parks as well. Discussion of sales followed, touching on the higher price of Powerball tickets, the boost from Natural State Jackpot, the loss of interest in older games, and the like. Commissioner Engstrom asked about measurement of effectiveness of advertising, and the Director said that there were methods but their accuracy was in dispute. He mentioned the frequent focus groups and said that there had been some changes and that the process was being watched closely. Commissioner Engstrom said he would like to contact the head of marketing at UA to see if there is such a tool.

Internal Auditor Matt Brown was recognized. Commissioner Lamberth, representing the Audit and Legal Committee, informed the Commission of the Committee's approval of the Auditor's Three-Year Audit Plan, and distributed a copy of the record of that meeting (in file). He began a presentation (included in file) on the three-year audit plan by noting that the previous plan was approved in May of 2011, for 2012 to 2014, and said that it is time to add 2015 to the plan.

He reviewed how the previous three-year plan was developed, noting that it comprised several common audit projects that were completed each year, and then a universe of 33 processes that were assessed according to risk and then made part of plan in the form of rotating audits. He said that after studying the operations and discussions with management of the Lottery, he had developed an audit universe of 50 processes and a ranking of these areas to aid in deciding how often each should be audited. He said that he had reevaluated the risk assessment process used in the past—developed prior to recent audits and prior to Director Woosley's appointment—and that he believes reevaluations should continue at regular intervals in the future, as time passes and changes continue. He said that each plan must consider resources available, and noted that the Commission now has two CPA's in the Internal Audit section.

He noted that the audits for 2012 must be completed and pointed out that he had allotted the period ending December 31, 2012 for that work, leaving six months to complete the Fiscal Year 2013 audits as scheduled. He went through the considerations utilized in the risk assessment study he performed. He emphasized that identifying an area with risk does not mean that controls are not in place to control that risk.

He said that he had merged processes for efficiency and redefined some processes, resulting in the 33 previously-defined areas fitting now into a 25-process universe. He stated that 17 additional processes were either included in the risk assessment for the first time or added as part of the current risk assessment, to arrive at an audit universe consisting of 42 processes in

total. He said he had looked at other lotteries' audit plans in order to reach these conclusions. He described the end result of the process. He said he had retained three projects during each year of the plan, one of which is consultant-based, which is the instant-ticket audit that had been performed in the past, and described that as worthy of continuing. He said that Internal Audit, under this plan, would have coverage of the 42 process areas during the period 2012-2015, giving him a basis for evaluation of each of them for future audits. He said there also may be new areas that should be included down the road. Commissioner Malone asked if the plan was comfortable with Legislative Audit, and he and Commissioner Engstrom agreed that there might be a conflict with that. Patrick Ralston, LOC staff, said he would discuss the plan with the LOC attorney Cheryl Reinhart and get back with Auditor Brown. Commissioner Lamberth moved that the Plan be approved, pending review by the LOC, seconded by Commissioner Engstrom. It was adopted without dissent. Commissioner Lamberth commended Auditor Brown. The Auditor went through the reviews that are currently ongoing.

Personnel Committee Chair Patty Shipp presented a report following up on a November action by the Personnel Committee to allow overtime payment to night computer operators when a multi-state game issue forces that person to work beyond the end of his or her shift. The report shows that overtime has been paid only four times since November, and Commissioner Shipp said this showed that the overtime was being managed well. She also said work was underway on creating a written document on actions needed when there are vacant positions, promotions, new hires, or demotions..

Chairman Pickard announced the appointment to the new Vendor Committee of Commissioners Campbell, Engstrom, Faris, and Lamberth. He noted that the individuals also are all on the Audit Legal Committee and asked the group to meet as soon as possible, likely at the time of the next Audit and Legal Committee meeting, to elect a Chair and Vice Chair.

In other business, Commissioner Malone thanked the Chair for scheduling a meeting at the University of Arkansas and planning to visit other campuses around Arkansas. Commissioner Frazier asked whether the casino amendment, should it pass, would affect lotteries. Commissioner Engstrom said, and the Director agreed, that development of casinos in Arkansas would cut into Lottery net proceeds and sales. Chairman Pickard said that Intralot has agreed to his request that they cover the cost of the SOC-1 Audit this fiscal year. He thanked Intralot and their regional director Steve Beck for agreeing to shoulder the cost of this audit and thus saving the expense for the lottery and improving the proceeds to the scholarship fund. Commissioner Frazier inquired of the Director about the progress on hiring an in-house attorney, and the Director said interviews were underway.

Chairman Pickard announced the next meetings as October 15 in Little Rock at 10:30, with a meeting in November or December at Arkansas Tech University and at ASU in Jonesboro in January or February. There being no further business, the meeting was adjourned.

MINUTES
ARKANSAS LOTTERY COMMISSION
Monday, October 1, 2012
11:30 A.M.
Third Floor Conference Room
124 West Capitol Avenue
Little Rock, Arkansas

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

Chairman Pickard turned the meeting over to Commissioner Shipp, Chair of the Personnel Committee, for a report on this morning's Committee meeting. She noted that three members of the Committee and several other Commissioners were present. She said the meeting resulted in one action item to bring before the Commission: the approval of the Personnel Committee to hire as Chief Legal Counsel Jean Block at the annual salary of \$105,000. She said the Committee report constituted a motion, which was then seconded by Commissioner Engstrom. The motion was approved without dissent.

There being no further business, the meeting was adjourned.

Arkansas



Scholarship Lottery

Report from the Director
October 15, 2012

Comparative Income Statements

September 2012, 2011

GAAP Basis Income			Favorable/ <u>(Unfavorable)</u>	Percentage <u>Variance</u>
<u>Statement</u>	<u>September 2012</u>	<u>September 2011</u>		
Revenues				
Instant Tickets	\$ 23,656,653	\$ 33,467,656	\$ (9,811,003)	-29.3%
Online Tickets	6,062,771	5,487,403	575,368	10.5%
Retailer App/Fidelity	<u>54,954</u>	<u>48,886</u>	<u>6,068</u>	<u>12.4%</u>
TOTAL Revenues	<u>29,774,378</u>	<u>39,003,945</u>	<u>(9,229,567)</u>	<u>-23.7%</u>
Operating Expense				
Instant Prizes Net	16,512,157	23,205,884	6,693,727	28.8%
Online Prizes Net	2,632,946	2,867,877	234,931	8.2%
Retailer Commissions	1,642,506	2,199,199	556,693	25.3%
Gaming Contract Costs	1,549,027	2,127,325	578,298	27.2%
Advertising	384,190	297,211	(86,979)	-29.3%
General and Admin.	569,172	661,548	92,376	14.0%
Other Agency Services	<u>135,000</u>	<u>137,540</u>	<u>2,540</u>	<u>1.8%</u>
TOTAL Operating Expenses	<u>23,424,998</u>	<u>31,496,584</u>	<u>8,071,586</u>	<u>25.6%</u>
Operating Income	6,349,380	7,507,361	(1,157,981)	-15.4%
Interest Income	<u>22,161</u>	<u>25,769</u>	<u>(3,608)</u>	<u>-14.0%</u>
Income Before Transfers	\$ <u>6,371,541</u>	\$ <u>7,533,130</u>	\$ <u>(1,161,589)</u>	<u>-15.4%</u>
Net Proceeds	\$ <u>6,584,957</u>	\$ <u>6,973,180</u>	\$ <u>(388,223)</u>	<u>-5.6%</u>

Comparative Income Statements

Actual Versus Budget September 2012

GAAP Basis Income Statement	September 2012 Actual	September 2012 Budget	Favorable/ (Unfavorable)	Percentage Variance
Revenues				
Instant tickets	\$ 23,656,653	\$ 29,419,800	\$ (5,763,147)	-19.6%
Online Tickets	6,062,771	6,119,400	(56,629)	-0.9%
Retailer App/Fidelity	<u>54,954</u>	<u>41,800</u>	<u>13,154</u>	<u>31.5%</u>
TOTAL Revenues	<u>29,774,378</u>	<u>35,581,000</u>	<u>(5,806,622)</u>	<u>-16.3%</u>
Operating Expense				
Instant Game Prizes	16,512,157	20,378,903	3,866,746	19.0%
Online Game Prizes	2,632,946	3,063,097	430,151	14.0%
Retailer Commissions	1,642,506	2,006,400	363,894	18.1%
Gaming Contract Cost	1,549,027	1,803,300	254,273	14.1%
Advertising	384,190	582,080	197,890	34.0%
General and Admin.	569,172	586,358	17,186	2.9%
Other Agency Service	<u>135,000</u>	<u>129,200</u>	<u>(5,800)</u>	<u>-4.5%</u>
TOTAL Operating Expenses	<u>23,424,998</u>	<u>28,549,338</u>	<u>5,124,340</u>	<u>17.9%</u>
Operating Income	6,349,380	7,031,662	(682,282)	-9.7%
Interest Income	22,161	26,700	(4,539)	-17.0%
Income before transfers	\$ <u>6,371,541</u>	\$ <u>7,058,362</u>	\$ <u>(686,821)</u>	<u>-9.7%</u>
Net Proceeds	\$ <u>6,584,957</u>	\$ <u>7,058,362</u>	\$ <u>(473,405)</u>	<u>-6.7%</u>

Comparative Income Statements

YTD September Compared to September 30, 2011


<u>Statement</u>	Actual <u>YTD 9/30/12</u>	Actual <u>YTD 9/30/11</u>	Favorable/ <u>(Unfavorable)</u>	Percentage <u>Variance</u>
Revenues				
Instant tickets	\$ 79,569,063	\$ 95,684,594	\$ (16,115,531)	-16.8%
Online Tickets	18,875,164	17,289,089	1,586,075	9.2%
Retailer app. fidelity	<u>151,719</u>	<u>154,195</u>	<u>(2,476)</u>	<u>-1.6%</u>
TOTAL Revenues	<u>98,595,946</u>	<u>113,127,878</u>	<u>(14,531,932)</u>	<u>-12.8%</u>
Operating Expense				
Instant Prizes Net	54,800,084	67,173,184	12,373,100	18.4%
Online Prizes Net	9,050,373	8,813,060	(237,313)	-2.7%
Retailer Commissions	5,490,332	6,359,227	868,895	13.7%
Gaming Contract Costs	4,903,558	5,871,229	967,671	6.5%
Advertising	851,346	881,842	30,496	3.5%
General and Admin.	1,734,405	1,914,184	179,779	9.4%
Other Agency Services	<u>405,000</u>	<u>412,620</u>	<u>7,620</u>	<u>1.8%</u>
TOTAL Operating Expenses	<u>77,235,098</u>	<u>91,425,346</u>	<u>14,190,248</u>	<u>15.5%</u>
Operating Income	21,360,848	21,702,532	(341,684)	-1.6%
Interest Income	<u>88,072</u>	<u>93,767</u>	<u>(5,695)</u>	<u>-6.1%</u>
Income before transfers	\$ <u>21,448,920</u>	\$ <u>21,796,299</u>	\$ <u>(347,379)</u>	<u>-1.6%</u>
Net Proceeds	\$ <u>18,530,745</u>	\$ <u>21,669,636</u>	\$ <u>(3,138,891)</u>	<u>-14.5%</u>

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			7,756,011		
November			7,473,772		
December			8,809,750		
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>\$18,530,745</u>	<u>\$1,551,065</u>	<u>\$98,500,000</u>		

Happy Anniversary!

Arkansas



Scholarship Lottery

September 28, 2009 - September 28, 2012

- **Sales to Date (Cash): \$1,423,356,266**
- **Prizes Paid to Date: \$899,755,660**
- **Retailer Commissions/Bonuses to Date: \$80,459,218**
- **Scholarships Awarded: \$286,485,224**

Best Week Since May:
October 1 through October 7

\$8,035,420

Scholarships Awarded

(Fall 2010, Spring and Fall 2011)

- Conway: 592
- Garland: 592
- Hot Spring: 776
- Independence: 870
- Jefferson: 1,692
- Pulaski: 8,846
- Washington: 4,363
- White: 1,831

Claim Center Sales

July 2012 through October 12, 2012

Sales					Cash Prizes			
Date	Springdale	Jonesboro	Camden	Total	Springdale	Jonesboro	Camden	Total
July '12	\$465.50	-	-	\$465.50	\$712.00	-	-	\$712.00
Aug '12	\$481.00	\$1,375.00	\$19.00	\$1,875.00	\$533.00	\$452.00	\$34.00	1,019.00
Sep '12	\$320.00	\$1,217.00	\$761.00	\$2,298.00	\$483.00	\$253.00	\$347.00	\$1,083.00
Oct '12	\$188.00	\$546.00	\$226.00	\$960.00	\$126.00	\$215.00	\$202.00	\$543.00
Nov '12								
Dec '12								
Jan '13								
Total				\$5,598.50				\$3,357.00

Natural State Jackpot



- Game started Monday August 27th
- Gross cash sales \$1,209,250 (August 27 through October 7)
- Averaging over \$28,792 a day in sales
- \$514,761 awarded in prizes
- Prizes paid \$244,521

Natural State Jackpot Winner!



November Promotion

Arkansas
Scholarship Lottery

LIMITED TIME PROMOTION

BUY

GET

\$5 **ARKANSAS**
50/50
RAFFLE
TICKET

&

\$1 **HUNTING**
FOR
HUNDREDS
FAST PLAY

TICKET FREE

AVAILABLE NOVEMBER 1 THROUGH NOVEMBER 30.

A Natural State of Fun!

Problem gambling helpline: 1-800-522-4700

T-Bar Topper

LIMITED TIME PROMOTION

BUY
\$5 ARKANSAS
50/50
RAFFLE
TICKET

&

GET
\$1 HUNTING
FOR
HUNDREDS
FAST PLAY
TICKET FREE

Call 1-800-422-4708 for problem gambling help line. AVAILABLE NOVEMBER 1 THROUGH NOVEMBER 30.



DRAWING TONIGHT AT 10:00 PM

\$

MILLION

CURRENT ESTIMATED MEGA MILLIONS® JACKPOT

Watch for Winning Numbers on



&



Top prize odds are 1 in 175, 711, 536.

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

SECOND-CHANCE PROMOTION

Enter to win
a Mardi Gras trip
of a lifetime!

[VISIT MYARKANSASLOTTERY.COM](http://MYARKANSASLOTTERY.COM)

FOR MORE DETAILS



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AMBER ALERT

MISSING CHILD:



Age and/or DOB:
Missing Date:
Missing Time:
Missing from City:
Missing from County:
Sex:
Race:
Height:
Weight:
Hair:
Eyes:
Complexion is described as:



ASSOCIATED ADULT

Height:
Hair:
Eyes:
Complexion is described as:
Last seen wearing:
Missing infant/child/minor may be traveling in:

Anyone having information should contact:

FIRST AMENDMENT
TO
AGREEMENT FOR CONTRACTUAL SERVICES FOR ONLINE LOTTERY GAME SERVICES AND
LOTTERY GAMING SYSTEM AND SERVICES

THIS AGREEMENT dated effective as of August 1, 2012, by and between the Arkansas Lottery Commission ("Lottery"), P.O. Box 3238, Little Rock, AR 72203 and Intralot, Inc. ("Intralot"), 11360 Technology Circle, Duluth, Georgia 30097-1502 (collectively, the "Parties"), witnesses that the Parties have made the agreements set forth below:

RECITALS

WHEREAS, the State of Arkansas has, pursuant to Arkansas law, established the Lottery and authorized the Executive Director of the Lottery ("Director") to enter into contracts for the operation and promotion of the Lottery; and

WHEREAS, the Lottery issued a Request for Proposal for Online Lottery Game Services And Lottery Gaming System And Services dated June 19, 2009 with a proposal opening date of July 23, 2009 and subsequent addendums dated June 30, 2009 and July 15, 2009 ("RFP") for the implementation, operation and maintenance of a Lottery Gaming System including a communications network, associated gaming products and support services ("Gaming System"); and

WHEREAS, upon evaluation of the proposals submitted in response to the RFP, the Lottery determined that the Intralot proposal dated July 21, 2009, ("Proposal") met or exceeded each of the requirements of the RFP and was the Successful Vendor pursuant to the Lottery's competitive proposal process; and

WHEREAS, as a result of said evaluation Lottery entered into the AGREEMENT FOR CONTRACTUAL SERVICES FOR ONLINE LOTTERY GAME SERVICES AND LOTTERY GAMING SYSTEM AND SERVICES, and

WHEREAS, the Parties now desire to amend the Agreement to fulfill commitments to enhance marketing efforts and offer the Lottery the ability to enhance sales efforts, then

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

I. The Contract, as relates to the Proposal, those relevant parts thereof, and the Proposal's incorporation by reference, specifically in respect of 3.0.2 TERMINALS, PERIPHERALS, AND SUPPORT, shall be, and hereby is, amended, to conform to the following terms, conditions, and provisions;

- The Parties agree that the provisions requiring the four hundred (400) twenty-six (26) inch monitors shall be deleted and revised to require six hundred (600) seventeen (17") or nineteen (19") inch Player Advertising Displays (PADs) and the components of the Basic Horizon System, as set forth in the Proposal, that will allow the ALC to initially display content for Lottery Game Promotions and Advertisements, Game Jackpots, and Amber/Silver Alerts.
- For all six hundred (600) PADs, Intralot agrees to provide either the tall version of the PAD (on a tip proof telescoping pole stand), or the short version (on a rugged mini-pedestal) as set forth in the Proposal. The retailer where the PAD will be located will determine which version of the PAD is installed. Intralot further agrees

to cover all costs and services associated with the installation and maintenance of the PADs and all cabling necessary to properly install the PADs.

- The Parties further agree that, subject to their mutual agreement, the ALC may choose to upgrade the Horizon System in the future. An upgrade to the Horizon System may include, but will not be limited to, Promotional Messages, Player Alerts, Social Alerts, Public Service Announcements, Game Winning Numbers, Progressive Jackpot Updates, and PADvertising.
- The Parties further agree that the ALC may decide to purchase more PADS without exercising the PADvertising option at the RFP contract price of two hundred dollars (\$200.00) per PAD.
- The Parties further agree that the ALC may elect to implement the PADvertising option in the future. Under such circumstances, Intralot agrees to provide PADs for all existing ALC retailers. The Parties also agree that Intralot will be compensated for the PADvertising option in a mutually agreeable manner.
- The Parties further agree that the initial six hundred (600) PADs will be properly installed on or before January 14, 2013, and the content will be operational and displayed and all installed PADs on or before January 21, 2013.

II. This First Amendment shall be effective as of the day and year first written above. The Contract shall remain in full force and effect and is reaffirmed in all respects, except as specifically amended by this Second Amendment.

III. This First Amendment binds and benefits the Lottery and INTRALOT and their respective successors and assigns.

IV. This First Amendment may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall have the same legal effect as if the Parties had signed a single document.

IN WITNESS WHEREOF, the Lottery and INTRALOT have made and entered into this First Amendment as of the day and year first written above.

ARKANSAS LOTTERY COMMISSION

INTRALOT, INC.

By: _____

By: _____

Bishop Woosley
Director

Thomas F. Little
President & CEO

**Arkansas Lottery Commission
Monthly Internal Audit Update
October 15, 2012**

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**Arkansas Lottery Commission
FY 2012 Internal Audit Plan
Status Report
October 15, 2012**

Project Number ¹	Project Category	Project	Description	Status ²	Comments	Estimated Remaining Hours ³
16	Audit	Licensing & Retailer Compliance	Review the internal controls surrounding the retailer licensing process (application and renewals).	Complete		-
23	Audit	Prize Validations & Payments	Review of the internal controls surrounding high-tier prize validations and payments.	In Progress	Status Update: Fieldwork in progress. Action Items: IA will perform a complete audit since no report has been issued.	137
33	Periodic Review	Employee Travel Reimbursement	Review employee travel reimbursements. Ensure sufficient documentation is obtained and confirm reimbursement amounts. Provide Arkansas Lottery Commission with a quarterly schedule of employee out-of-state travel.	Substantially Complete	Status Update: Review of January 1 - June 30 travel has begun; quarterly schedule expected to be issued soon. Action Items: Complete reporting for quarterly reviews for remainder of fiscal year ended June 30, 2012 and publish travel schedule.	2
34	Periodic Review	Revenue/Prize Payments/Reserves - Online Games	Annual review of online game sales, prize expenses, prizes payable, reserve accounts, and unclaimed prizes.	Partially Complete	Status Update: Four of Five reports have been issued. Cash 3, Cash 4, Powerball, and Mega Millions reports were issued January 20, 2012 (No findings or recommendations). Decades of Dollars review scheduled to take place before end of calendar year. Action Items: Complete Decades of Dollars review; IA will perform a complete review since no report has been issued.	36
35	Periodic Review	Revenue/Prize Payments Instant Ticket Games	Annual review of instant ticket game sales, prize expenses, prizes payable, and unclaimed prizes.	Planning Stage	Status Update: Planning will continue, and review scheduled to take place before the end of the calendar year. Action Items: IA will perform a complete review since no report has been issued.	280
25	Periodic Review	Retailer Sweeps / Commissions / Accounts Receivable & Adjustments	Annual review to assess 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.	Planning Stage	Status Update: Planning will continue, and review scheduled to take place before the end of the calendar year. Action Items: IA will perform a complete review since no report has been issued.	111

Total Estimated Hours to Complete FY 2012 Plan

566

**Arkansas Lottery Commission
 FY 2012 Internal Audit Plan
 Status Report
 October 15, 2012**

Project Number ¹	Project Category	Project	Description	Status ²	Comments	Estimated Remaining Hours ³
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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
October 15, 2012**

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.	Scheduled		160
11	Audit	Instant Ticket Quality	Review of independent quality control reports for instant tickets.	Scheduled		16
14	Audit	Back Office System (BOS) Administration	Controls and procedures that ensure the Lottery's BOS system is secure and that access to is controlled.	Scheduled		160
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 small and minority business program.	Scheduled		140
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
44	Consulting Project	Gaming System SSAE 16 SOC1 Review (Annually)	Controls and procedures gaming system vendor (Intralot) has in place surrounding services provided to the ALC.	Complete	Status Update: Intralot SOC1 Report for fiscal year ended June 30, 2012 obtained and reviewed. Based on review procedures performed, no significant issues noted.	-
45	Consulting Project	Financial Statements & CAFR Review (Annually)	Compilation of financial statements and related notes, management discussion and analysis, and other aspects of the CAFR.	Scheduled		100
46	Consulting Project	Instant Ticket Vendor Security Review (Biennially)	Coordinated security review of instant ticket vendor (Scientific Games) with outside firm.	Scheduled		96

Total Estimated Hours to Complete FY 2013 Plan

1,402

**Arkansas Lottery Commission
 FY 2013 Internal Audit Plan
 Status Report
 October 15, 2012**

Project Number ¹	Project Category	Project	Description	Status ²	Comments	Estimated Remaining Hours ³
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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
Internal Audit
Audit Universe for FY2013 - FY2015 Audit Plan**

Legal - Chief Legal Counsel

- 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.*