

AGENDA
ARKANSAS LOTTERY COMMISSION
Wednesday, May 19, 2010
8:30 a.m.
ALC Conference Room
Third Floor
124 West Capitol Avenue
Little Rock, Arkansas

- I. Call to Order
- II. Approval of minutes of meeting April 7, 2010
- III. Report from the Director
- IV. Report from Standing Committees
- V. Other business

Adjourn

MINUTES
ARKANSAS LOTTERY COMMISSION
Wednesday, April 7, 2010
1:30 p.m.
ALC Conference Room
Third Floor
124 West Capitol Avenue
Little Rock, Arkansas

The meeting was called to order by Chairman Thornton. Commissioners Thornton, Lamberth, Smith, Pickard, and White were present in person, and Commissioners Ward-Jones, Malone, and Shipp by teleconference. Director Ernie Passailaigue represented the staff, along with David Barden, Ernestine Middleton, Julie Baldridge, Bishop Woosley, Lance Huey, Patricia Vick and Philip Miley. Internal Auditor Michael Hyde and Auditor Whitney Hall also were present.

The minutes from the January 20, 2010, meeting were reviewed and by motion of Commissioner Lamberth, seconded by Commissioner White, unanimously approved.

Director Passailaigue reported that, although a budget for Fiscal Year 2011 had been presented and passed at the March meeting, a change in the Lottery Act regarding unclaimed prizes, during the immediate past session of the Arkansas Legislature, necessitated a budget revision. He noted that in the previous budget, the forecasted lottery sales had depended upon the availability of the unclaimed prizes to accomplish the sales goals through such means as prize enhancements, marketing and promotions. The law change relative to unclaimed prizes now means the unclaimed prize fund will be transferred directly into the Lottery Educational Trust Fund and will not be available to the staff to use to generate incremental new sales dollars. He said that the Arkansas Scholarship Lottery staff remains resolute on providing scholarships in as large a number as possible, doing their best to manage the challenges presented by the change. He defined unclaimed prizes as winning prize amounts that are not validated 180 days after a winning draw ticket is sold, or 180 days after the notice to close the game is announced. He then reviewed the printed information presented to the Commissioners.

Commissioner Lamberth commented that this appeared to be a benign amendment with unanticipated ramifications and that she appreciated the comments from Legislative Lottery Oversight Committee Co-Chair Representative Barry Hyde that there may be a reversal of the change in early 2011. Other discussion followed. Mr. Passailaigue asked the Commissioners to approve the revised budget, and by motion of Commissioner White, seconded by Commissioner Pickard, the approval was unanimous.

Mr. Passailaigue then presented information on the issue of levying an add-on sales tax on lottery tickets. He reported that none of the 44 lottery jurisdictions in America impose an add-on sales tax on lottery tickets. He noted that a single experiment imposing a sales tax on lottery tickets by the Provincial Government of Saskatchewan in July 1989 resulted in an immediate decrease in sales of 13.7 per cent. The government of Saskatchewan repealed the sales tax four months later, in November. He said that the rules of both Powerball and Mega Millions require a fixed ticket price of one dollar. If Arkansas imposed such an add-on sales tax (adding the sales tax to the \$1) on multi-state jackpot lottery tickets, it would be banned from selling those two games. He estimated that a lottery sales tax would result in a minimum loss of \$37,500,000 every year in scholarships to Arkansas students.

Commissioner Lamberth reported for the Personnel Committee that the Employee Manual was sent to the Legislative Oversight Committee on March 28.

Chairman Thornton noted that the next meeting of the Commission was scheduled for 8:30 a.m. May 19, with a planning session gathering the evening before. There being no further business, the meeting was adjourned.

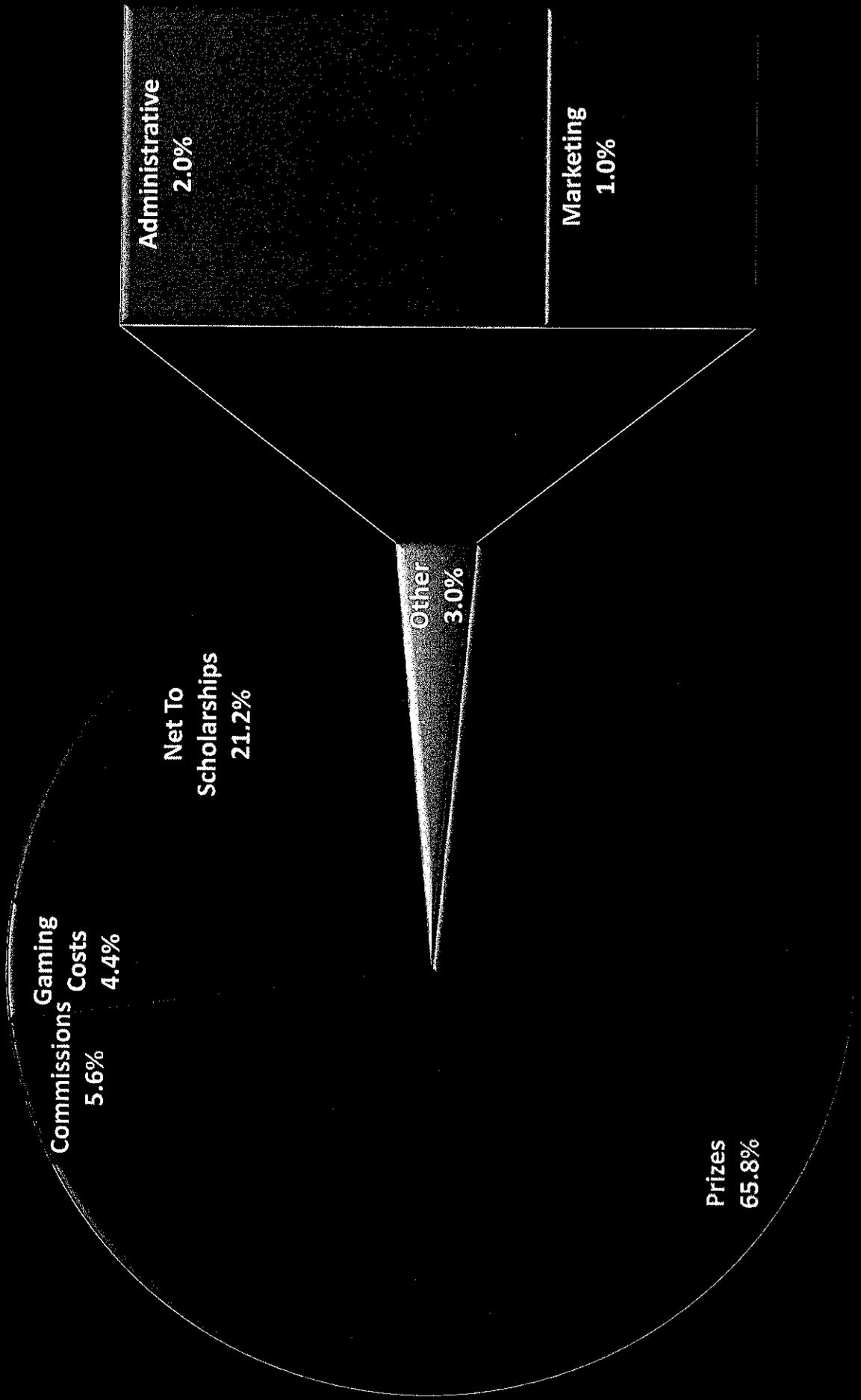
Arkansas

Scholarship Lottery

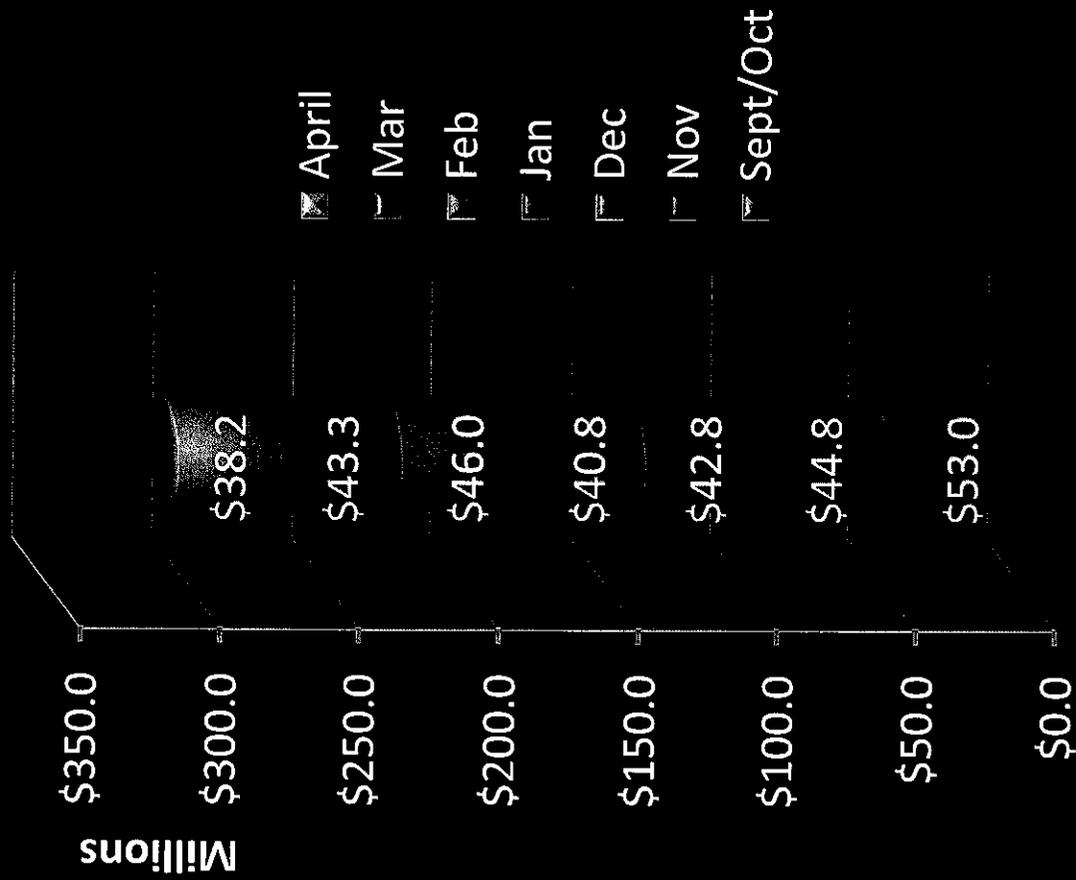
Arkansas Lottery Commission

Meeting May 19, 2010

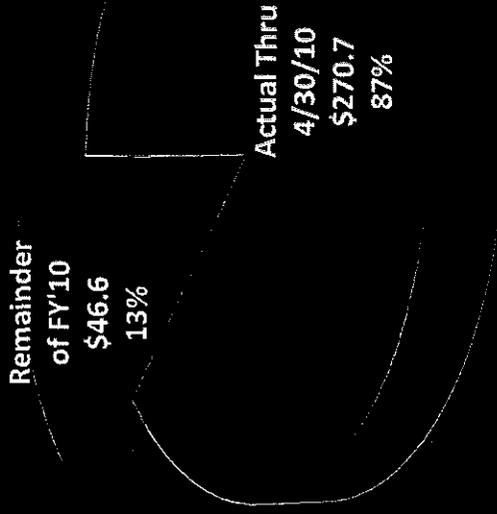
Lottery Revenues
9/28/09-4/30/10
\$308.8 Million



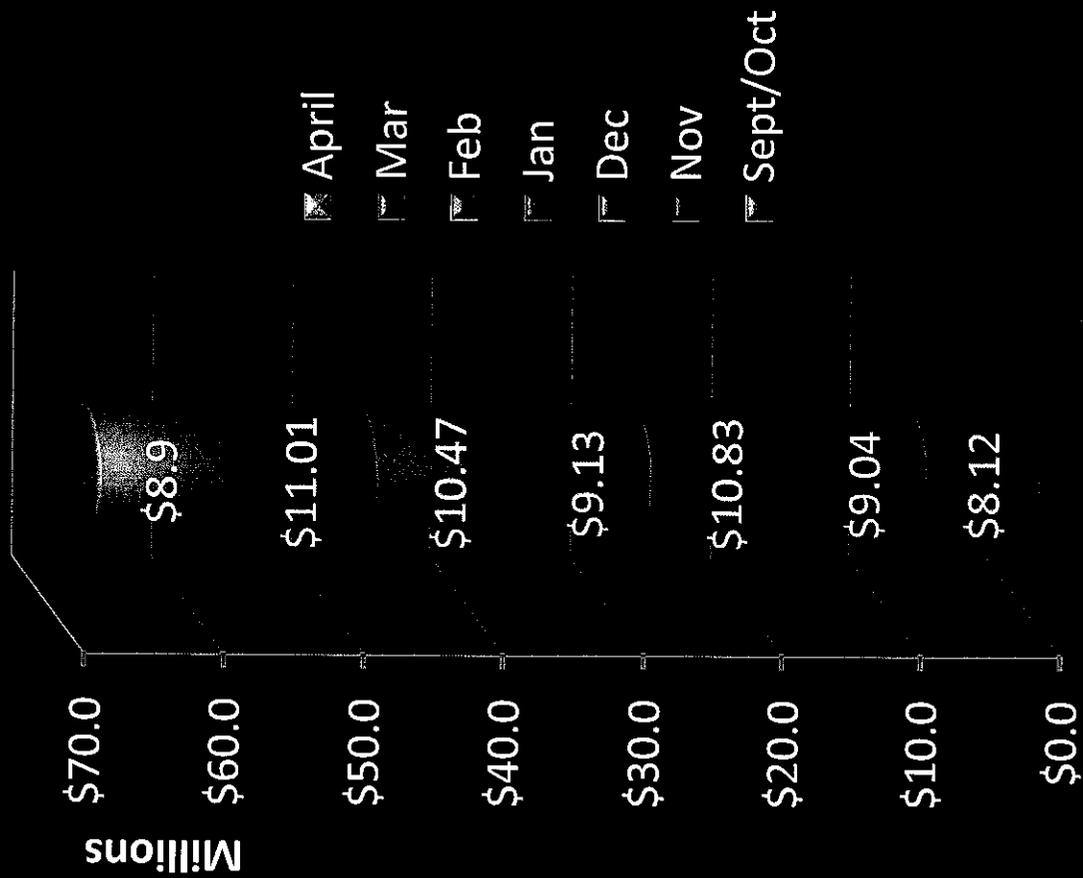
Monthly Revenue Trend \$308.8 Million



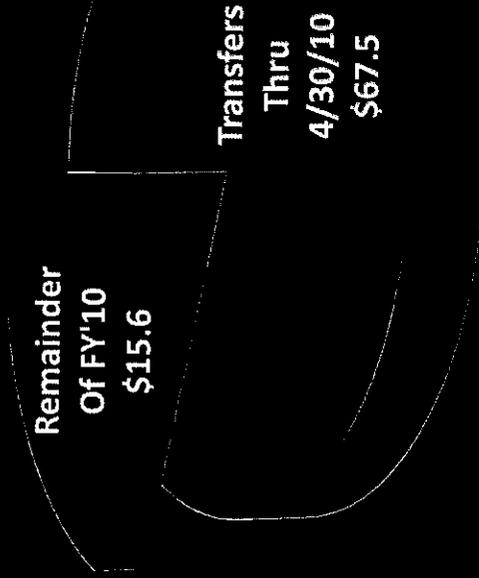
FY '10 Budgeted Revenues Versus Actual Revenues



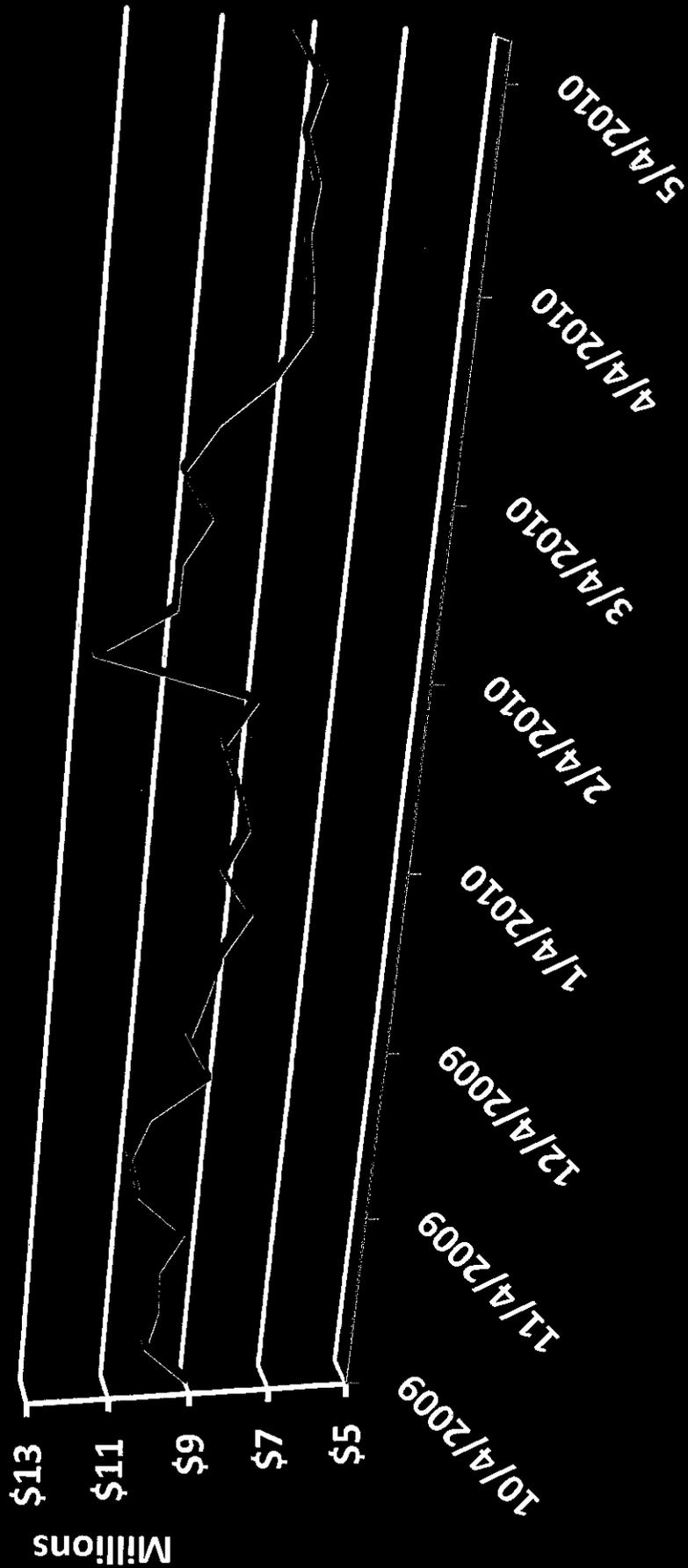
Monthly Scholarship Transfers \$67.5 Million



FY'10 Budgeted Transfers Versus Actual Transfers



Weekly Sales Trend 9/28/09 - 5/09/10



Daily Instant Ticket Sales Thru 4/30/10

\$1,266,595

Budgeted Daily Instant Ticket Sales

\$1,094,746

\$2,000,000
\$1,750,000
\$1,500,000
\$1,250,000
\$1,000,000
\$750,000
\$500,000
\$250,000
\$-

9/28/2009

10/28/2009

11/28/2009

12/28/2009

1/28/2010

2/28/2010

3/31/2010

4/30/2010

- To ensure that the Instant Product Management System is fully operational and installed on or prior to October 29, 2009 supporting all instant ticket game functions in all retail locations of retailers by the ALC two (2) weeks prior to start-up;
- To ensure that all aspects of online ticket operations are fully operational and installed in retail locations and that online tickets are available for sale to the public on or before December 14, 2009;
- To ensure meaningful minority and female representation and a commitment to nondiscrimination, in accordance with the Arkansas Scholarship Lottery Act;
- To provide for innovation and the ability to respond to changes in the industry and the demands of the marketplace;
- To obtain the highest quality goods and services at the most competitive price; and
- To start up and operate the ASL as one of the most successful lotteries in the world, while maintaining its security and integrity.

2.2 SUCCESSFUL VENDOR/ALC RELATIONSHIP

The nature of this RFP and the Contract that will result from this procurement will result in a relationship between the Successful Vendor and the ALC, which relationship must be founded in mutual trust and respect. The Successful Vendor must adopt the same attitudes and concerns towards integrity, security and quality of the Arkansas lottery's games, financial performance, and minority participation and commitment to nondiscrimination as are held by the ALC.

SECTION 3. ONLINE LOTTERY GAME SERVICES AND LOTTERY GAMING SYSTEM AND SERVICES

3.0 TECHNICAL SPECIFICATIONS

The objective of this RFP is to encourage Vendors to provide a solution for the challenges facing the ALC associated with the start-up and operation of the ASL. Vendors should be innovative in developing their Proposals. However, the ALC also believes that Vendors should be provided with guidelines as to the functionality desired by the ALC. For this reason, the ALC has provided the specifications, requirements and functional features in this Section 3 of this RFP. The portions of Proposals that address the functional requirements of this RFP will provide the ALC with the information necessary to conduct a fair evaluation of the proposed technical solutions from all Vendors. Any items that are not specifically mentioned in this RFP but which are integral to the smooth and efficient operation of the proposed services should be included in a Vendor's Proposal. Those items not specifically requested under this RFP shall be identified in the appropriate sections of the Proposal. All required supplies and materials necessary for the success of the overall operation of the ASL are to be included in the base Proposal price, even though those items may not be specifically requested under this RFP.

The ALC is interested in procuring solid, proven, cost-effective technology for both the retailer network and the data center sites. The Successful Vendor has the option to propose state-of-the-art technology if it is deemed more appropriate and cost-effective than that specified in Section 3 of this RFP. However, any technology not specified in this RFP proposed by the Successful Vendor must be either in use by another Lottery jurisdiction or come from a family of field-proven products.

3.0.1 GAMING SYSTEM

3.0.1.1 ONLINE LOTTERY GAMES AND OPERATING SYSTEM

A Vendor must describe and discuss in detail its proposed integrated solution for start-up and operation of the System and related services, including online lottery games. The Successful Vendor must procure, install, operate, and maintain the required equipment and software necessary to make functional all primary and back-up data centers, claim centers located throughout the state, the central prize claim operations, and back office applications necessary to manage the ALC operations. The hardware, software, terminals, game draw personal computers (PCs), monitors and communications equipment should be installed to operate efficiently and dependably and also to allow for future growth and ease of integration with third party applications and/or hardware. The Vendor must certify that the computing equipment, terminals, monitors, and PCs are new and unused and meet Underwriters Laboratories or equivalent certification. The primary data center site may be located at the ALC's headquarters or elsewhere in Pulaski County, Arkansas, or a contiguous county as approved by the ALC. The Vendor may be required to lease the space for the data center from the ALC at its cost. The location of the hot backup site has not been determined; that location shall be proposed by the Vendor and must be approved by the ALC. The Successful Vendor will be responsible for all of the gaming system related costs of developing, starting, maintaining, upgrading, and operating the data center and claim centers. The ALC will require the Successful Vendor to maintain and provide staffing for the primary and secondary central gaming system sites twenty-four (24) hours a day, seven (7) days a week. The primary and hot backup gaming systems must have a time-synchronizing mechanism to ensure that both locations are processing one hundred percent (100%) of the transaction data. A disaster recovery site, outside of Arkansas, must also be available and functional as required. The Successful Vendor must provide, and the System configuration must support, an anticipated load of two thousand five hundred (2,500) full service online retailer terminals at start-up, with growth capacity to support up to five thousand (5,000) full service online retailer terminals, up to three thousand two hundred (3,200) color monitors, up to three thousand two hundred (3,200) player activated ticket checkers (whereby players can scan a ticket to determine if it is a winner), and one hundred (100) Ticket Vending Machines (TVM), which is defined as a player self-service machine that can:

- Sell both online tickets and instant tickets;
- Report real-time sales of both online tickets and instant tickets, low and empty bins, a full cash box, jammed tickets, diagnostic and error messages, and low paper stock, to the central system;
- Check and validate online tickets and "2D" bar coded instant tickets;
- Provide for either the cashing of online tickets and instant tickets via a voucher provided to a player, which can be negotiated at the retail terminal or reused on the TVM for a continued lottery play;
- Utilize appropriate signage approved by the ALC; and
- Provide for age control play as specified in Arkansas Code Annotated § 23-115-402 (e)(1) and (2).

The terminal response time must not exceed three (3) seconds per wager measured from the time a wager is entered until the ticket is cut. Fail-safe operation is required at both the primary and hot backup sites. Fault tolerant hardware and software at each site will satisfy this requirement. The goals of this requirement are to minimize service interruptions, to prevent loss or corruption of data resulting from hardware or software failure, and to prevent loss of processing capability resulting from component failure. The System must permit instant switching to a backup processor and must permit sales and all other gaming transactions for a minimum of twenty (20) hours per day, seven (7) days per week. The System must record all transactions processed and that information must be available to the ALC upon request.

3.0.1.2 PRIZE VALIDATION AND PAYMENT REQUIREMENTS

The Vendor must ensure that all prizes are paid in accordance with the online game rules and regulations and the prize structure defined in the instant ticket working papers. For purposes of this RFP, "Working Papers" means the documents, including without limitation specifications for each instant ticket game, supplied by the Vendor and will include:

intralot

Our approach to developing the WINSTATION TVM was to first research current ITVM vendors' equipment, such as the EDS-Q from INTERLOTT now owned by GTECH. We also researched the combination on-line instant vending machines, such as GamePoint from GTECH, and the Play Station from SGI.

Simply put, INTRALOT analyzed the best features and functions, as well as areas for improvement from these vending machines. We combined this research with real world experience, focus group feedback, and performance results from current machines in the field and, taking these lessons learned created a new, single platform design that includes the best features of all machines along with innovative enhancements that were not previously available in the market.

Today, former INTERLOTT employees living in Ohio provide engineering and are currently building the highly successful WINSTATION machine for INTRALOT.

INTRALOT's WINSTATION TVM is engineered as a completely new product, not a remake of an existing product. Our new machine is able to not only merchandise all lottery products, including instant, on-line and monitor games, but also has full self-service validation capabilities for all lottery

products. This ground-breaking design will be welcomed by all retailers, even big box stores such as Home Depot, Wal-Mart, Sam's, Target, Costco and others. Even GTECH agrees that our design is superior, as they have copied the INTRALOT design and now present something called AUTO LOTTO, and while they try to copy our design, they forgot one very basic thing, and that was to make





a better burster, the heart of the machine. The INTRALOT burster is the latest generation of hardware and surpasses the capability of the other style bursters manufactured by GTECH because our burster is five bins wide, and when one bin stops working due to a jam or mechanical failure the other four bins continue selling. INTRALOT's WINSTATION is positioned to be the highest selling vending machine in the industry because of this simple reliability concept. In the older style quad bursters, when one bin jams all four bins are disabled from selling tickets.

The WINSTATIONS are currently installed in Idaho, New Mexico, and 2,000 are currently being installed in Ohio. Louisiana and New Hampshire have also decided to implement the WINSTATIONS for their Start-ups in 2010. The WINSTATIONS are also being discussed in Vermont, as well.

With the help and input of our customers we have designed a Lottery Ticket Vending Machine that is simple to play, and simple for the retailer to use. During the design process one concept was pervasive; **"Push a Button, Get a Ticket"**. The resulting WINSTATION provides the player with a machine that is exceptionally easy to use, no menus to navigate, and no complicated purchasing process. INTRALOT is the only vendor that provides this user-friendly self-service design to enable customers to purchase lottery products. We are confident the simplicity of our *push-a-button, get a ticket* approach will result in increased sales for the Lottery and actually already has in Idaho and New Mexico.

In order to attract the impulse purchase, INTRALOT'S WINSTATION TVMs have brightly lit LED ticket display windows to highlight and showcase the Lottery's instant ticket products. INTRALOT TVMs are equipped with the newest generation separating technology available only from our patent pending *EasyFive Perf-o-Cator*. This latest development in instant ticket dispensing accommodates five (5) ticket bins in each row for a total of 25 instant ticket game facings. This separating technology provides consistent, reliable ticket separation for each bin, which is capable of dispensing tickets up to 12 inches in length.

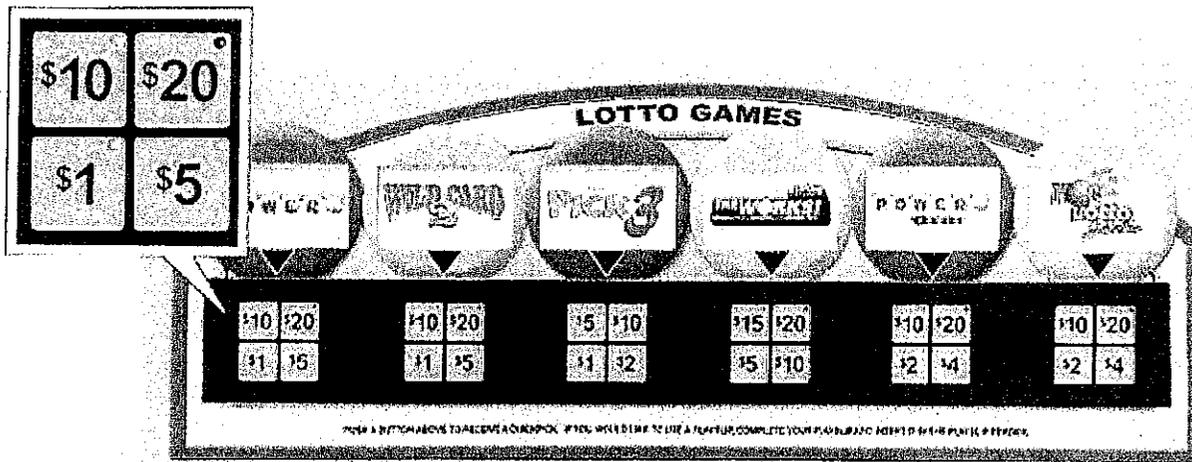
INTRALOT's new burster is the only separating technology that will allow all remaining bins to function in the event one bin should stop selling, keeping more tickets selling at all times. In the end, this positions the WINSTATION to be the highest sales performing vending machine in the market today.

INTRALOT understands the time and financial investments that lotteries make in the creation and development of their products. Our TVMs are designed to maximize the marketing and sales of these products and attract the attention of the Lottery's customers. Ticket Vending Machines are the largest self-service Point of Sale for the Lottery and INTRALOT has incorporated the most effective features in the WINSTATION to maximize the marketing of the Lottery's products. Just as the scratch ticket push button windows display the instant products and allow for ease of purchase...so does INTRALOT'S patent



pending *iPick Game Selection Panel*. This player activated on-line game panel allows players to select from up to six of the Lottery's on-line games. All on-line games are displayed with brightly lit dura-trans panels identifying each of the specific on-line games by their unique lottery logos. Below each of the on-line display windows are four corresponding price point/quick pick push buttons, available to be configured in any four denominations of the Lottery's choice. This functionality was designed specifically to allow customers to purchase their on-line quick picks by utilizing the same time proven industry standard for purchasing their instants... **"Push a Button, Get a Ticket"**.

The selection panel is especially designed to lead the player. Utilizing GREEN LED lights (Green means GO), the selection panel lights the Green LED light for each denomination of each game that can be sold. If a game is in draw break or on-line sales are not available for some reason, the green light does not come on.



Depending on how much money the player inserts into the machine, say for example the player inserts \$5 into the bill acceptor, the selection panel lights up the Green LED on the buttons with denominations of \$1, \$2, and \$5 tickets. If a player inserts a \$20 bill into the machine all quick pick selection LED lights turn Green, lets say then the customer buys a \$3 instant ticket which reduces the balance available to spend to \$17, the selection panel will turn off the green led lights of the \$20 denomination button because it is no longer available as a selection to purchase while it continues with Green LED lights for the denominations of \$1, \$2, \$5 and \$10.

Should a Lottery choose not to have the on-line game functionality, this game panel can be converted to sell even more instant tickets, allowing the WINSTATION to accommodate up to 30 instant games.

In addition, INTRALOT TVMs are equipped with a playslip reader providing on-line players the added option of choosing their own numbers when playing their



favorite on-line game(s). It is also possible to place the WINSTATION in bars and use it to play monitor games.

Experience

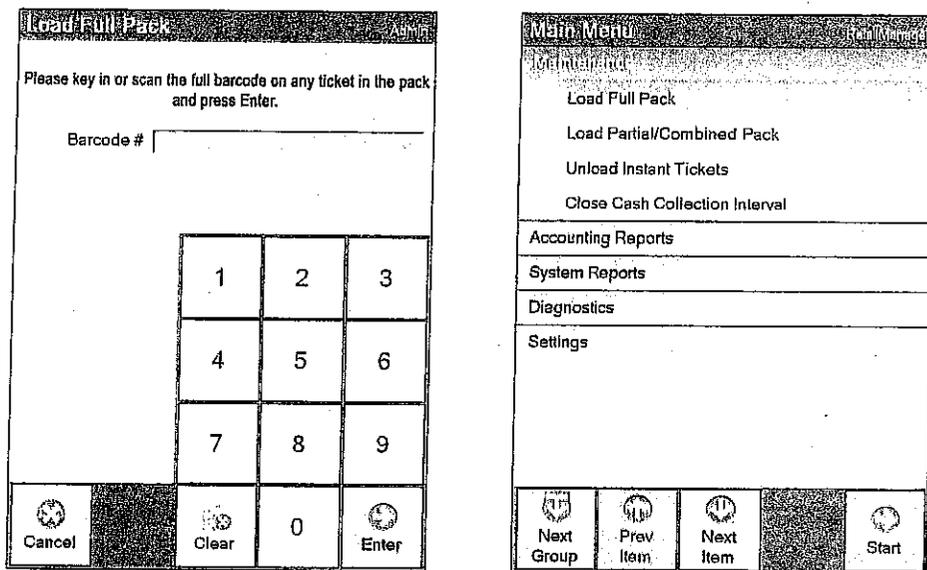
While INTRALOT's Full-Service Lottery Vending Machines are relatively new to the market place, INTRALOT's WINSTATION TVM team has the most experience in vending lottery products in the industry today with over 100 years combined experience in the Development, Production, Manufacturing, Installation, Service and Marketing of Ticket Vending Machines to over 32 lotteries at 30,000+ retail locations. INTRALOT recognized the value and importance of acquiring the most knowledgeable and experienced experts to head our vending program.

The INTRALOT Vending Division is headquartered in our new 27,000 square foot manufacturing facility (see photos below) in Mason, Ohio. In direct correlation with the scratch ticket vending experience, INTRALOT's vast global experience in developing, installing and supporting on-line systems has resulted in the most qualified Lottery Ticket Vending team in the industry. This combination of the industry's leading experts makes INTRALOT confident that we can exceed the full service Lottery Ticket Vending Machine needs of the Arkansas Lottery.

INTRALOT's WINSTATION is constructed of the highest quality materials taking into consideration safety, security, durability, ease of use for players and retailers. INTRALOT understands that for this self-service terminal to be successful it must meet the unique needs of three customers - the Player, the Retailer, and the Lottery. We have incorporated the features and functionality to best serve all three.



All player functions are ergonomically designed for ease of use; and functionality requirements are as simple as insert money, Push a Button, Get a Ticket. Keeping the retailer in mind, we specifically designed the operator interface on a GUI-based format as it is the most widely recognized user-friendly method, simple and intuitive. The consumer (Lottery Player) screen becomes a touchscreen when the door is opened. The retailer/Lottery/service personnel need only enter their unique password, touch the desired function and/or one of the navigation buttons (as shown).



Highlighted below are just some of the WINSTATION's unique characteristics that are making it the Lottery industry's TVM of choice (these are discussed later in more detail):

- Touchscreen for easy access to all functions (i.e. reports, ticket loading/unloading,).
- Dual function 2D Barcode Scanner: a) used by the retailer to scan scratch tickets for activating/settling packs and loading tickets, b) used by the player as Check-a-Ticket feature when in selling mode, c) used by the player to read barcoded VIP cards, and d) reads drivers license for proof of age.
- Dual function High Speed Thermal Printer: a) used by the retailer/lottery/service personnel to print reports, b) used by the player to print on-line tickets/receipts.
- Sales Reports Available to LSRs from their laptops!
- Built-in BetaBrite® – all lottery messaging can be quickly and easily changed with new messages downloaded from the Central System to all

TVMs simultaneously...no more visiting each machine with a handheld device to change messages!

- Full wrap graphic exterior customized to the Lottery's logos and marketing themes.
- Symmetrically designed cabinet to fit easily into retail locations, with no sharp edges or protruding side mount components.
- Optional PIN Debit Payment Terminal.
- Secure Internal Hinge Cabinet and Medeco Locks to prevent unlawful entry.
- Industry Standard Bill Acceptor, capable of accepting U.S. currency in \$1, \$5, \$10, \$20, \$50 and \$100 denominations, and accumulating credits up to \$100.
- Alarm for Tilt and Unauthorized Access.
- Remote Control Deactivation to Monitor Potential Underage Play.
- TCPIP Full-time Network Communication.
- Bin-low, Bin-out Auto Message Notification Alerts.
- Remote Diagnostics and Management.
- UPS for Continuous Electrical Power.

Connectivity

The WINSTATION is connected to the LOTOS™ Central Site System via TCPIP connections using the same retailer communications network to which all INTRALOT Lottery POS retailer terminals are connected. This can be accomplished via either a hardwired or wireless communication configuration.

Because our WINSTATION is connected on-line with the Central Site, all instant ticket game data such as price point, ticket length, and number of tickets in a pack, are downloaded to each machine, which eliminates operator errors and streamlines efficiency when loading new games and new packs of tickets. This eliminates manual data entry errors, so when the retailer scans the barcode to load instant games the information will automatically populate the appropriate fields for loading the selected bin, displaying the game number, ticket length, ticket price and total number of tickets per pack. As tickets are presented to our revolutionary ticket separating five game dispensing units, they will be automatically advanced and loaded, ready for dispensing.

Since all WINSTATIONS are connected to the Central Site, we are able to remotely monitor machine functionality. Therefore, when a bin reaches a

Ticket Vending Machines (TVM)
Listing of US Lotteries That Utilize TVM's

States TVM'S are currently deployed

Arizona
California
Colorado
District of Columbia
Florida
Georgia
Idaho
Illinois
Indiana
Iowa
Kentucky
Maine
Maryland
Massachusetts
Michigan
Minnesota
Missouri
Montana
New Hampshire
New Jersey
New Mexico
New York
North Carolina
Ohio
Oregon
Pennsylvania
Rhode Island
Tennessee
Texas
Virginia
Washington
West Virginia
Wisconsin

States about to deploy TVM'S

Arkansas
Connecticut
Louisiana
Vermont

Arkansas Scholarship Lottery
Estimated Scholarship Funding From Ticket Vending Machines

	<u>09/28/09-04/30/10</u>	<u>Annualized</u>
Lottery Sales	\$ 308,200,000	
Average Number of Retailers	1,800	
Average Sales Per Retailer	\$ 171,222	\$ 293,524
Less: Variable Costs		
Prizes	65.8%	
Commissions	5.6%	
Gaming Costs	4.4%	
Total Variable Costs Percentage	<u>75.8%</u>	
Variable Costs Expressed In Dollars		<u>\$ 222,491</u>
Contribution Margin Per Retailer		<u>\$ 71,033</u>
Annual Reduction In Scholarships:		
100 Retailers		<u>\$ 7,103,276</u>
200 Retailers		<u>\$ 14,206,552</u>
300 Retailers		<u>\$ 21,309,829</u>
400 Retailers		<u>\$ 28,413,105</u>

**Arkansas Lottery Commission
2010 Internal Audit Plan
Status Report
May 19, 2010**

Audit		Description	Status	Comments
Monthly Reports				
Educational Trust Account - November 2009	Review transactions, confirm balance, and ensure sufficient collateralization for the month of November 2009. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account transactions.	Report Issued	Report Issue Date: February 22, 2010 No findings or recommendations to report.	
Educational Trust Account - December 2009	Review transactions, confirm balance, and ensure sufficient collateralization for the month of December 2009. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account transactions.	Report Issued	Report Issue Date: February 22, 2010 No findings or recommendations to report.	
Educational Trust Account - January 2010	Review transactions, confirm balance, and ensure sufficient collateralization for the month of January 2010. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account transactions.	Report Issued	Report Issue Date: February 22, 2010 No findings or recommendations to report.	
Educational Trust Account - February 2010	Review transactions, confirm balance, and ensure sufficient collateralization for the month of February 2010. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account transactions.	Report Issued	Report Issue Date: March 12, 2010 No findings or recommendations to report.	
Educational Trust Account - March 2010	Review transactions, confirm balance, and ensure sufficient collateralization for the month of March 2010. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account transactions.	Report Issued	Report Issue Date: April 16, 2010 No findings or recommendations to report.	
Educational Trust Account - April 2010	Review transactions, confirm balance, and ensure sufficient collateralization for the month of April 2010. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account transactions.	Report Issued	Report Issue Date: May 18, 2010 No findings or recommendations to report.	
Educational Trust Account - May 2010	Review transactions, confirm balance, and ensure sufficient collateralization for the month of May 2010. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account transactions.	Planned	Begin early June 2010.	
Educational Trust Account - June 2010	Review transactions, confirm balance, and ensure sufficient collateralization for the month of June 2010. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account transactions.	Planned	Begin early July 2010.	

**Arkansas Lottery Commission
2010 Internal Audit Plan
Status Report
May 19, 2010**

Audit		Description	Status	Comments
Monthly Reports continued				
Educational Trust Account - July 2010	Review transactions, confirm balance, and ensure sufficient collateralization for the month of July 2010. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account transactions.	Planned	Begin early August 2010.	
Educational Trust Account - August 2010	Review transactions, confirm balance, and ensure sufficient collateralization for the month of August 2010. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account transactions.	Planned	Begin early September 2010	
Educational Trust Account - September 2010	Review transactions, confirm balance, and ensure sufficient collateralization for the month of September 2010. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account transactions.	Planned	Begin early October 2010	
Educational Trust Account - October 2010	Review transactions, confirm balance, and ensure sufficient collateralization for the month of October 2010. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account transactions.	Planned	Begin early November 2010	
Educational Trust Account - November 2010	Review transactions, confirm balance, and ensure sufficient collateralization for the month of November 2010. Provide Arkansas Lottery Commission with a schedule of Educational Trust Account transactions.	Planned	Begin early December 2010.	
Cash 3 Draw Review - 4th Quarter 2009	Review compliance with existing draw procedures and ensure Cash 3 sales are properly recorded on the Lottery's monthly financial statements.	Report Pending	No findings or recommendations to report. Report issuance is pending completion of schedules and exit conference with ASL management.	
ASL Powerball Procedures Review - 4th Quarter 2009	Review compliance with existing ASL procedures associated with MUSL's Powerball draws and ensure ASL Powerball sales are properly recorded on the Lottery's monthly financial statements.	Report Pending	No findings or recommendations to report. Report issuance is pending completion of schedules and exit conference with ASL management.	
Prize Payment Compliance Review (High Tier Prize Payouts) - 1st Quarter 2010	Review the processing and supporting documentation of high tier prize payouts during the 1st quarter of 2010.	Planned		

**Arkansas Lottery Commission
2010 Internal Audit Plan
Status Report
May 19, 2010**

Audit		Description		Status		Comments	
Quarterly Reports							
Cash 3 Draw Review - 1st Quarter 2010	Review compliance with existing draw procedures and ensure Cash 3 sales are properly recorded on the Lottery's monthly financial statements.	Fieldwork in Progress					
ASL Powerball Procedures Review - 1st Quarter 2010	Review compliance with existing ASL procedures associated with MUSL's Powerball draws and ensure ASL Powerball sales are properly recorded on the Lottery's monthly financial statements.	Report Pending		No findings or recommendations to report. Report issuance is pending completion of schedules and exit conference with ASL management.			
Prize Payment Compliance Review (High Tier Prize Payouts) - 2nd Quarter 2010	Review the processing and supporting documentation of high tier prize payouts during the 2nd quarter of 2010.	Planned					
Cash 3 Draw Review - 2nd Quarter 2010	Review compliance with existing draw procedures and ensure Cash 3 sales are properly recorded on the Lottery's monthly financial statements.	Planned		Perform review in July 2010.			
ASL Powerball Procedures Review - 2nd Quarter 2010	Review compliance with existing ASL procedures associated with MUSL's Powerball draws and ensure ASL Powerball sales are properly recorded on the Lottery's monthly financial statements.	Planned		Perform review in July 2010.			
Prize Payment Compliance Review (High Tier Prize Payouts) - 3rd Quarter 2010	Review the processing and supporting documentation of high tier prize payouts during the 3rd quarter of 2010.	Planned		Perform review in October 2010.			
Cash 3 Draw Review - 3rd Quarter 2010	Review compliance with existing draw procedures and ensure Cash 3 sales are properly recorded on the Lottery's monthly financial statements.	Planned		Perform review in October 2010.			
ASL Powerball Procedures Review - 2nd Quarter 2010	Review compliance with existing ASL procedures associated with MUSL's Powerball draws and ensure ASL Powerball sales are properly recorded on the Lottery's monthly financial statements.	Planned		Perform review in October 2010.			

**Arkansas Lottery Commission
2010 Internal Audit Plan
Status Report
May 19, 2010**

Audit	Description	Status	Comments
Periodic Reports			
Instant Ticket End of Game Reports	Review of sales, payouts, ending inventory, etc at the completion of an instant ticket game.	Planned	Reviews will be scheduled upon the completion of instant ticket games determined by ASL management.
Process Audits (Gaming Operations)			
Instant Ticket Game Design & Game Programming	Review of the internal controls surrounding the instant ticket game design and game programming processes.	Fieldwork Completed	Reporting process.
Instant Ticket Physical & Security Controls	Internal control review of the instant ticket physical controls and ASL security controls concerning instant tickets.	Fieldwork in Progress	Audit fieldwork ongoing. Three ASL instant ticket games were tested by an independent laboratory. All 3 games passed all of the durability and security tests performed.
Scientific Games' Warehouse Operations	Internal control review of Scientific Games' warehouse operations including warehouse security and instant ticket receipts, inventories, order processing, and shipments.	Report Issued	Report Issue Date: March 17, 2010 No findings or recommendations to report.
Instant Ticket Games "Play It Again"	Review of the internal controls surrounding the "Play It Again" Process.	Fieldwork in Progress	Audit fieldwork near completion.
Instant Ticket End of Game Processes	Review of the internal controls surrounding the instant ticket end of game processes	Planned	
Instant Game Management System (IGMS)	Review of the internal controls surrounding the iGMS, including access controls and instant ticket game load, testing, and processing.	Preliminary Assessment	Awaiting Intralot's gaming system SAS 70 report to determine scope of internal audit.
Prize Validation & Payment Processes	Review of the internal controls surrounding high tier prize validations and payments.	Preliminary Assessment	
Internal Control Review ASL Draws (Cash 3)	Review the internal controls ensuring the integrity of the on-line draw games conducted by ASL.	Fieldwork in Progress	Audit fieldwork started. Awaiting Intralot's gaming system SAS 70 report.

**Arkansas Lottery Commission
2010 Internal Audit Plan
Status Report
May 19, 2010**

Audit	Description	Status	Comments
Process Audits (Gaming Operations) continued.			
Internal Control Review - ASL Procedures Associated with the Powerball and Mega Millions Draws	Review the internal controls ensuring the integrity the on-line draw games conducted by ASL.	Fieldwork in Progress	Audit fieldwork started. Awaiting Intralot's gaming system SAS 70 report.
Process Audits (Administration)			
Lottery Game Revenue Collections (Retail Account Sweeps)	To assess the existence and effectiveness of the controls and processes established by management of the Arkansas Scholarship Lottery to ensure the proceeds from on-line and instant ticket lottery game sales are collected in full and in a timely manner.	Report Issued	Report Issue Date: March 17, 2010 No findings or recommendations to report.
Retailer Licensing	Review the internal controls surrounding the retailer licensing process.	Planned	
Payments to Multi-State Lottery Association (MUSL) - Powerball and Mega Millions	Review of invoices and payments from MUSL for Powerball and Mega Millions receipts.	Planned	
Contracts			
Payments to Intralot (Online Games and Gaming System)	Review payments to Intralot to ensure compliance with contract.	Planned	
Payments to Scientific Games (Instant Ticket Games)	Review payments to Scientific Games to ensure compliance with contract.	Planned	