

**Arkansas Lottery Commission
Performance Audit Analysis**

Part 1: Peer Identification

Lottery Jurisdiction	Est 2013 Population	Product Portfolio																				Region	First Year of Sales		
		Multi-State Offerings					Jurisdiction-Specific Offerings																	VLT	
		PB	MM	DD	HL	2B2	Instant/Pull-Tab					Online													
<\$1	\$1	\$2	\$3	\$5	\$7	\$10	\$20	>\$20	6-Digit	5-Digit	4-Digit	3-Digit	Fast Play	Keno	Raffle	Other									
Arkansas	2.96	x	x	x				x	x	x	x		x	x			x	x		x				South	2009
Iowa	3.09	x	x		x		x	x	x	x		x	x			x	x				x			Midwest	1985
Kansas	2.89	x	x		x	x		x	x		x	x										x		Midwest	1987
Kentucky	4.40	x	x	x				x	x	x	x		x	x	x					x		x		South	1989
Louisiana	4.63	x	x					x	x	x	x		x		x	x	x							South	1992
Missouri	6.04	x	x					x	x	x	x		x	x		x	x							Midwest	1986
New Mexico	2.09	x	x		x			x	x	x	x		x	x		x		x						West	1996
Oklahoma	3.85	x	x		x			x	x	x	x				x		x							South	2005
Tennessee	6.50	x	x		x			x	x	x	x		x	x		x	x							South	2004
Texas	26.45	x	x					x	x	x	x	x	x	x	x	x	x				x			South	1992

Population - U.S. Census Bureau Estimates as of June 30, 2013

Product Portfolio - Based on products listed on respective lottery's website on 04/11/14. Games marked as part of portfolio may not be currently offered or offered at all times of the year.

Multi-State Offerings - PB = Powerball, MM = Mega Millions, DD = Decades of Dollars, HL = Hot Lotto, 2B2 = 2 by 2

Region - U.S. Census Bureau Regions per U.S. Census Bureau website on 04/11/14.

First Year of Sales - Based on respective lottery's website on 04/11/14.

**Arkansas Lottery Commission
Performance Audit Analysis**

Part 2: Possible Areas of Focus

Note: The measures below are shown for the peer group identified in Part 1 and may not represent any or all measures relevant to the possible areas of focus presented. They are included for illustration purposes only. "All Lottery Avg" represents the average for all U.S. lotteries for which information is available for relevant benchmark.

Retail Network

Review of the performance of the ALC's retailer network, including retailer penetration, retailer education and communication methods and materials, point of sale (POS) materials, product placement, commissions structure, incentive practices, and recruiting methods.

Jurisdiction	Number of Retailers (in thousands)	Retailer Density per 10,000 People	Retailer Density per Square Mile	Average Weekly Sales per Retailer (in thousands)	
				FY 2013	FY 2012
Arkansas	1.89	6.4	0.036	4.5	4.8
Iowa	2.42	7.8	0.043	2.7	2.5
Kansas	1.80	6.2	0.022	2.6	2.7
Kentucky	2.84	6.5	0.072	5.7	5.6
Louisiana	2.95	6.4	0.068	2.9	2.8
Missouri	4.91	8.1	0.071	4.5	4.3
New Mexico	1.12	5.4	0.009	2.4	2.3
Oklahoma	1.91	5.0	0.028	2.0	2.0
Tennessee	5.00	7.7	0.121	5.3	5.0
Texas	17.06	6.5	0.065	4.9	4.7
All Lottery Avg	4.89	7.4	0.343	4.7	4.6

Product Portfolio

Review of the performance of the ALC's existing online and instant game portfolio, including launch schedules, price points, payouts, prize offerings, and analysis of per capita sales by product.

Jurisdiction	Total Sales per Capita		Instant Sales per Capita		Online Sales per Capita	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Arkansas	\$148.51	\$159.86	\$119.96	\$132.22	\$27.27	\$26.42
Iowa	\$109.77	\$100.59	\$70.71	\$66.74	\$39.07	\$33.84
Kansas	\$84.83	\$87.32	NA	\$48.13	NA	\$29.03
Kentucky	\$192.63	\$187.37	\$118.81	\$115.10	\$71.23	\$68.84
Louisiana	\$96.73	\$92.88	\$35.26	\$34.17	\$58.96	\$55.81
Missouri	\$188.81	\$181.58	\$125.56	\$122.85	\$51.72	\$47.25
New Mexico	\$67.98	\$64.16	\$33.52	\$32.96	\$34.05	\$30.98
Oklahoma	\$52.00	\$51.91	\$23.22	\$24.93	\$28.78	\$26.98
Tennessee	\$210.51	\$201.85	\$167.60	\$161.58	\$42.92	\$40.27
Texas	\$165.47	\$158.45	\$121.85	\$116.69	\$41.22	\$41.77
All Lottery Avg	\$188.62	\$182.97	\$127.93	\$119.38	\$73.51	\$71.46

**Arkansas Lottery Commission
Performance Audit Analysis**

Marketing, Advertising, & Promotion (MA&P)

Review of the performance of the ALC's marketing, advertising, and promotion efforts, including dollars allocated to these efforts, efficiency and effectiveness of advertising, winner awareness, use of social media, and promotional events.

Jurisdiction	MA&P Spend per Capita		MA&P Expense as % of Sales		MA&P Budget as % of Sales	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Arkansas	\$1.49	\$1.51	1.00%	0.94%	1.02%	0.94%
Iowa	NA	NA	NA	NA	NA	NA
Kansas	NA	NA	NA	NA	1.30%	0.99%
Kentucky	\$1.98	\$1.99	1.03%	1.06%	1.06%	0.99%
Louisiana	\$1.56	\$1.62	1.61%	1.74%	1.68%	1.74%
Missouri	\$1.75	\$1.21	0.93%	0.66%	1.05%	0.66%
New Mexico	\$1.30	\$1.28	1.91%	1.99%	1.62%	1.70%
Oklahoma	\$0.42	\$0.43	0.81%	0.83%	NA	NA
Tennessee	NA	\$1.28	NA	0.63%	NA	NA
Texas	\$1.35	\$1.28	0.81%	0.79%	0.73%	0.80%
All Lottery Avg	\$1.85	\$2.09	1.20%	1.22%	1.26%	1.36%

Organizational Structure

Review of the performance of the ALC's organizational structure, including departmentalization, reporting structure, headcount optimization by department, and headcount optimization as a whole.

Jurisdiction	Number of Employees	Sales per Employee		Profit (Contribution) per Employee		Salaries, Wages, & Benefits as % of Sales		Salaries, Wages, & Benefits as % of Profit (Contribution)	
		FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Arkansas	80	5.5	5.9	1.1	1.2	1.38%	1.26%	6.73%	6.11%
Iowa	108	3.1	2.9	0.8	0.7	NA	NA	NA	NA
Kansas	85	2.9	3.0	0.9	0.8	NA	NA	NA	NA
Kentucky	165	5.1	5.0	1.4	1.3	1.52%	1.56%	5.74%	5.93%
Louisiana	105	4.3	4.1	1.5	1.5	1.47%	1.55%	4.09%	4.23%
Missouri	153	7.5	7.2	1.9	1.8	0.82%	0.85%	3.25%	3.35%
New Mexico	55	2.6	2.4	0.8	0.8	2.55%	2.68%	8.27%	8.68%
Oklahoma	27	7.4	7.4	2.6	2.6	1.21%	1.33%	3.45%	3.80%
Tennessee	161	8.5	8.1	2.1	2.0	0.93%	0.90%	3.73%	3.63%
Texas	283	15.5	14.8	4.3	4.1	0.40%	0.42%	1.43%	1.51%
All Lottery Avg	166	8.6	8.4	2.5	2.4	1.23%	1.34%	4.32%	4.76%

**Arkansas Lottery Commission
Performance Audit Analysis**

Part 3: Possible Qualifications of Outside Firms

Purpose:

To outline possible qualifications for firms that might be engaged to perform a performance audit for the ALC.

- Successful firm holds lottery industry experience (as a firm and as individuals assigned to engagement team) and provides list of team members
- Successful firm provides list of any Subject Matter Experts (SMEs) to be utilized to perform the audit not employed by the successful firm
- Successful firm's team (including any SMEs) is composed of individuals in various disciplines (i.e. sales, gaming, advertising/marketing, management)
- Successful firm independently identifies and recommends peer lotteries for comparison to Arkansas, including the basis for how these are determined
- Successful firm provides a list of similar projects completed in the past with contact information for former clients
- Successful firm provides pricing options, allowing the ALC to accept part or all of the proposed services