



STATE OF ARKANSAS
**Department of Finance
and Administration**

OFFICE OF THE ARKANSAS LOTTERY

Post Office Box 3238
Little Rock, Arkansas 72203-3238
Phone: (501) 683-2000
Fax: (501) 683-1878
<http://myarkansaslottery.com>

June 10, 2021

The Honorable Asa Hutchinson
Governor of Arkansas
State Capitol
Little Rock, AR 72201

RE: Monthly Disclosure Reports

Dear Governor Hutchinson:

On behalf of the Arkansas Department of Finance and Administration and the Office of the Arkansas Lottery, pursuant to A.C.A. §§ 23-115-206 and 23-115-302, please accept the attached disclosure reports for the month of May 2021. The reports contain the following information:

1. Contracts Awarded
2. Debt Set-Off Collections
3. Retailer Losses
4. Breakdown of Lottery Sales per County
5. Total Number of Retailers
6. Total Lottery Revenue
7. Prize Disbursements
8. Operating Expenses
9. Net Assets
10. Administrative Expenses
11. Unclaimed Prize Report
12. DFA Office of the Arkansas Lottery Minority-and Female-owned Business Report
13. DFA Office of the Arkansas Lottery Demographics
14. Internal Auditor Reports
15. Instant Ticket Games New Releases

Please call me if you have any questions or need additional information.

Respectfully submitted,

J. Eric Hagler
Director

Enclosures

cc: Mr. Larry Walther, Secretary of the Department of Finance and Administration



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June 10, 2021

The Honorable Joyce Elliot, Co-Chair
The Honorable Laurie Rushing, Co-Chair
Arkansas Legislative Council Lottery Oversight Subcommittee
One Capitol Mall Room R-501
Little Rock, AR 72201

RE: Monthly Disclosure Reports

Dear Senator Elliot and Representative Rushing:

On behalf of the Arkansas Department of Finance and Administration and the Office of the Arkansas Lottery, pursuant to A.C.A. §§ 23-115-206 and 23-115-302, please accept the attached disclosure reports for the month of May 2021. The reports contain the following information:

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Respectfully submitted,

J. Eric Hagler
Director

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cc: Mr. Larry Walther, Secretary of the Department of Finance and Administration

**Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Term Contracts for Goods and Services
May 1 through May 31, 2021**

Please see the following Term Contracts for Goods and Services.

**AGREEMENT AND CONTRACT FOR
COMPREHENSIVE BANKING SERVICES**

THIS AGREEMENT dated effective as of September 2, 2021, by and between the Department of Finance and Administration Office of the Lottery (“OAL” or “the Lottery”), 124 West Capitol Avenue, Little Rock, AR 72201, and Bank OZK (“Bank OZK”), 18000 Cantrell Road, Little Rock, AR 72223, witnesses that the Parties have made the agreements set forth below:

RECITALS

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

WHEREAS, OAL sent out letters of inquiry (Requests for Quotes or “RFQ”) to different financial institutions and by letter of January 21, 2021, Bank OZK submitted a Banking Services Proposal in response to OAL’s required specifications concerning this small procurement no cost contractual agreement; and

NOW, THEREFORE, in consideration of the above premises, and the mutual promises set forth below, and subject to compliance with Arkansas Law, OAL and Bank OZK, with this agreement (the “Banking Services Agreement” or “Agreement”), hereby contract as follows:

AGREEMENTS

1. Term of Agreement: Two (2) years from the effective date of September 2, 2021, with the option of mutually agreeing to up to three (3) one (1) year extensions.
2. Terms of Compensation: Interest shall be paid at the Federal Funds Target Rate minus 0.09% (or 9 basis points) with a floor of .15% APY (or 15 basis points), and a ceiling of 1.00 APY (or 100 basis points). Treasury Management Services will be waived.

3. Public Funds Banking/Treasury Master Service Agreement; (attached as “Exhibit A” and incorporated herein by reference as though set out word for word)
4. Bank OZK Banking Services Proposal of January 21, 2021; (attached as “Exhibit B” and incorporated herein by reference as though set out word for word)
5. Exclusive Remedy: With regard to the services to be performed by Bank OZK (which term shall include its affiliates and its and their respective officers, directors, employees, agents and consultants in this Section) pursuant to the terms of this Agreement, the Parties agree to resolve all disputes as required by A.C.A. §19-11-246 (attached as “Exhibit C” and incorporated herein by reference as though set out word for word) and shall pursue a mutually agreeable dispute resolution process prior to any formal adjudication process. The Parties acknowledge that any claims, liability, costs, expenses, demands, settlements, or judgments against OAL arising from the negligence, acts or omissions of Bank OZK or its employees or agents in the performance of the services *must* be presented to the Arkansas State Claims Commission (“Claims Commission”). Bank OZK agrees that: (1) it will cooperate in the defense of any third-party claim brought to the Claims Commission against OAL seeking damages or relief; (2) it will cooperate in good faith should OAL present any claims to the Claims Commission; and (3) it will not take any action to frustrate or delay the prompt hearing on claims, although it reserves the right to assert all claims and defenses available to it.
6. Additional Covenants:
 - a. It shall be a breach of ethical standards for a person to be retained, or to retain a person, to solicit or secure a state contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, except for retention of bona fide employees or bona fide established commercial selling agencies maintained by the contractor for the purpose of securing business. Bank OZK hereby covenants and agrees that no person shall


- (i) be excluded from participation in, or be denied benefits of, this Agreement, or
 - (ii) be excluded from employment, denied any of the benefits of employment or otherwise subjected to discrimination on the grounds of handicap or disability, age, race, color, religion, sex, national origin or ancestry, or any other classification protected by federal, Arkansas state constitutional, or statutory law. Bank OZK agrees, upon request, to show proof of such nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.
- b. Bank OZK further agrees to maintain documentation for all changes against OAL under this Agreement or any modifications or amendments thereto. The books, documents, papers, accounting records, and other evidence pertaining to products and/or services to be provided or performed or money received under this Agreement:
- (i) Shall be maintained for a period of five (5) full years from the date of the final payment; and
 - (ii) shall be subject to audit or inspection at any reasonable time and upon reasonable notice by OAL or its duly appointed representatives. Bank OZK agrees to make such materials available at its offices, and copies thereof shall be furnished to OAL or its duly appointed representative by Bank OZK, at no cost to OAL or its duly appointed representative, if requested by OAL or its duly appointed representative. Such records shall be maintained in accordance with any applicable provisions of generally accepted accounting principles (or other applicable accounting principles or policies) and any other applicable procedures established by the Commission from time to time.
- c. Bank OZK and OAL shall be bound to confidentiality of any information that its employees may become aware of during the course of performance of contracted services. Consistent and/or uncorrected

breaches of confidentiality may constitute grounds for cancellation of this Agreement.

- d. Bank OZK represents and warrants that its performance under this Agreement will not knowingly infringe any patent, copyright, trademark, service mark, or other intellectual property rights of any other person or entity and that it will not constitute the unauthorized use or disclosure of any trade secret of any other person or entity.

IN WITNESS WHEREOF, the Parties have executed this Agreement for Contractual Services for Comprehensive Banking Services.

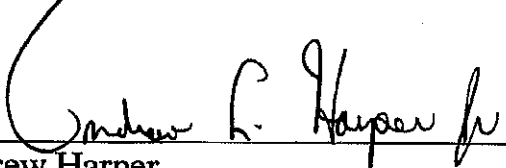
DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF THE ARKANSAS LOTTERY



J. Eric Hagler
Director, Office of the Arkansas Lottery

Date 05-03-21

BANK OZK



Drew Harper
Managing Director, Wholesale Deposits Group

Date 05.3.2021

**Division of Building Authority
DBA Lease Profile**

County#: Agency #: Lease Number:

Lease Information:

Lessee Name: <input type="text" value="DFA - Office of the Arkansas Lottery"/>	Lessor Name: <input type="text" value="Little Rock Union Plaza, L.L.C."/>
Lessee Contact: <input type="text" value="Jerry Fetzer"/>	Lessor Contact: <input type="text" value="Jennifer Lester"/>
Lessee Address: <input type="text" value="124 West Capitol Avenue, Suite 300"/> <input type="text" value="Little Rock"/> <input type="text" value="AR"/>	Lessor Address: <input type="text" value="124 West Capitol Avenue, Suite 70"/> <input type="text" value="Little Rock"/> <input type="text" value="AR"/>
	Principal: <input type="text" value="Pat Lopez"/>
	Agency Disclosure: <input type="checkbox"/>

Premises Information:

Property Name: **Premises Sq Ft:** **Unit/Suite #:**
Lease Address:
Service Code*:

Lease Terms:

Initial Rate/SF: **Original Term Commencement:**
Lease Type: **Term Start Date:**
Renewal Option? **Term End Date:**

Financial Information: **Rent Escalation?** Yes **Pymt Periods/Yr** **Pymt Amt:**

Annual Rent Yr 1	<input type="text" value="\$443,436.12"/>	Annual Rent Yr 4	<input type="text" value="\$456,398.16"/>
Annual Rent Yr 2	<input type="text" value="\$443,436.12"/>	Annual Rent Yr 5	<input type="text" value="\$469,858.80"/>
Annual Rent Yr 3	<input type="text" value="\$456,398.16"/>	Annual Rent Yr 6	<input type="text"/>

Comments:

* Service Code Legend: OF = Office, Full Service
 OP = Office, Partial Services
 ON = Office, No Services
 CR = Classroom
 CL = Clinic/Office
 ST = Storage
 WA = Warehouse
 LA = Land
 LQ = Living Quarters/Residential
 XX = Miscellaneous/Other

DBA Use Only

Transmit Date:

Division of Building Authority
STATE OF ARKANSAS
COUNTY OF PULASKI

Lease Term: 09/01/21 to 08/31/26
Annual Rent: \$443,436.12†
Square Feet: 24,927 / 846
Rate: \$17.45† / \$10.00
Type: Renewal
Worked By: Chris Bell
County: 60 Agency: 613
Lease #: P2702 JWL

**STATE OF ARKANSAS
THIRD LEASE AMENDMENT**

This Agreement is made and entered into as of the 7th day of May, 2021, by and between LITTLE ROCK UNION PLAZA, L.L.C., hereinafter referred to as "Lessor", and ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION – OFFICE OF THE ARKANSAS LOTTERY, hereinafter referred to as "Lessee".

WITNESSETH

Whereas, by Lease Agreement dated May 18, 2015, First Lease Amendment dated December 17, 2015, and Second Lease Amendment dated May 24, 2016, Lessor leased to Lessee approximately 25,773 rentable square feet of office space and eighty-five (85) parking spaces at the One Union National Plaza Building at 124 West Capitol Avenue; all situated in the City of Little Rock, County of Pulaski, Arkansas, (the "Lease"); and

Whereas, the parties hereto have hereby agreed to extend the term of the Lease and to amend and modify the Lease as hereinafter set out.

Now, therefore, for and in consideration of the Premises and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree that the term of the Lease is hereby extended for a period commencing on September 1, 2021 and continuing through August 31, 2026, upon the same terms and conditions as the original Lease Agreement, except the Lease shall be amended and modified as follows:

1. **Definitions.** Definitions of the Lease are hereby amended and modified to replace "Department of Finance and Administration" with "Department of Transformation and Shared Services". "DBA" means the Real Estate Services Section of Department of Transformation and Shared Services, Division of Building Authority. By law DBA is the leasing agency for LESSEE. Arkansas Code Annotated §22-2-114. DBA is not an additional LESSEE and therefore, shall not owe any rent; and
2. **Description of Premises.** Description of Premises is hereby amended and modified *from* approximately 25,773 rentable square feet of office space and eighty-five (85) parking spaces at the One Union National Plaza Building at 124 West Capitol Ave *to* approximately 24,927 rentable square feet of office space, 846 rentable square feet of storage space, and eleven (11) automobile parking spaces in the basement, ten (10) automobile parking spaces on the ground level, thirty-five (35) automobile parking spaces in the valet, and up to fifteen (15) automobile parking spaces in the valet deck, all located at the One Union National Plaza Building at 124 West Capitol Avenue; and
3. **Term.** The Lessee may elect to extend the term not more than ninety (90) days upon the same terms by written notice to Lessor no less than thirty (30) days before the end of the term stated in the above paragraph; and

4. Rent. Base rental for the renewal term is hereby amended and modified to provide that the basic rental under this Lease for the extended term shall commence on September 1, 2021 and continue through August 31, 2026. LESSEE shall pay LESSOR per the rent schedule as follows:

Term	Office Rate/SF	Rentable Office SF	Annual Office Rent	Annual Storage Rent	Total Monthly Rent	Annual Rent
09/01/21 to 08/31/22	\$17.45	24,927	\$434,976.12	\$8,460.00	\$36,953.01	\$443,436.12
09/01/22 to 08/31/23	\$17.45	24,927	\$434,976.12	\$8,460.00	\$36,953.01	\$443,436.12
09/01/23 to 08/31/24	\$17.97	24,927	\$447,938.16	\$8,460.00	\$38,033.18	\$456,398.16
09/01/24 to 08/31/25	\$17.97	24,927	\$447,938.16	\$8,460.00	\$38,033.18	\$456,398.16
09/01/25 to 08/31/26	\$18.51	24,927	\$461,398.80	\$8,460.00	\$39,154.90	\$469,858.80

LESSOR or LESSOR'S agent shall invoice LESSEE monthly for the actual number of paid parking spaces. Parking Rent Schedule as follows:

Location	Number of Spaces	Monthly Rate
Basement Parking	11	\$75.00 + tax
Ground Level Parking	10	\$75.00 + tax
Valet Parking	35	\$0.00
Valet Deck Parking	15	\$65.00 + tax

5. Special Provisions. Special Provisions 10(f) of the Lease is hereby restated as follows:

(f) The LESSOR, LESSEE and DBA agree that should the Lease and any applicable amendments expire prior to the execution of this amendment agreement, the parties agree that the Lease and any applicable previous amendments are hereby reinstated and ratified upon this Amendment Agreement being fully executed by the parties. The provisions, terms, and conditions of this Amendment Agreement shall govern in the event of conflict or inconsistencies, or both.

6. Special Provisions. Special Provisions 10 of the Lease is hereby amended and modified to add the following:

(s) LESSOR, at LESSOR'S sole expense and within one-hundred-eighty (180) days of Lease Execution, shall perform the following improvements:

- (1) New carpet installed on all floors; and
- (2) Repaint or touch up paint as necessary on all floors; and
- (3) Remove wall and enlarge office on the 14th floor; and
- (4) Install four (4) glass inserts for interior doors.

The Lease Agreement as hereby amended, modified and extended is hereby ratified and confirmed by the parties hereto as being in full force and effect.

This Agreement shall be binding on the parties hereto and their respective heirs, successors and assigns. Executed as of the date first hereinabove set out.

LESSOR:

LITTLE ROCK UNION PLAZA, L.L.C.

By: 
Pat Lopez, Managing Member

Date: 5/7/2021

DIVISION OF BUILDING AUTHORITY
As Agent for DFA - Office of the Arkansas Lottery

By: 
Wes Lacewell, Administrator of
Real Estate Services


Date: 5/11/21

LESSEE:

ARKANSAS DEPARTMENT OF FINANCE AND
ADMINISTRATION - OFFICE OF THE
ARKANSAS LOTTERY

By: 
J. Eric Hagler, Director

Date: 05/11/2021

By: 
Anne W. Laidlaw, Director

Date: 5/12/21

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Debt Set-Off and Retailer Losses
May 31, 2021

1. Debt Set-Off Collections:

a. Arkansas Department of Finance and Administration	\$ 3,804.50
b. Arkansas Office of Child Support Enforcement - Child Support	\$ 1,884.00
Total Debt Set-Off:	\$ 5,688.50

2. Retailer Losses: \$0.00

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF THE ARKANSAS LOTTERY
RETAIL SALES BY COUNTY
May 1 through May 31, 2021

COUNTY	CASH 3	CASH 4	FAST PLAY	INSTANT SETTLEMENTS	LUCKY FOR LIFE	MEGA MILLIONS	NATURAL STATE STATE	POWERBALL	TOTAL
ARKANSAS	\$22,799.50	\$11,596.50	\$16,157.00	\$612,473.00	\$2,130.00	\$17,605.00	\$4,349.00	\$16,299.00	\$703,409.00
ASHLEY	\$16,123.50	\$13,351.00	\$13,209.00	\$194,686.00	\$1,850.00	\$8,807.00	\$2,592.00	\$11,211.00	\$261,829.50
BAXTER	\$5,264.00	\$2,605.00	\$31,692.00	\$566,653.00	\$6,534.00	\$29,516.00	\$10,792.00	\$29,213.00	\$682,269.00
BENTON	\$10,599.50	\$4,528.00	\$28,587.00	\$1,727,427.00	\$14,302.00	\$152,216.00	\$25,819.00	\$133,706.00	\$2,097,184.50
BOONE	\$2,514.50	\$1,596.00	\$34,934.00	\$633,005.00	\$2,056.00	\$21,508.00	\$4,883.00	\$22,242.00	\$722,738.50
BRADLEY	\$3,522.50	\$5,718.50	\$3,786.00	\$245,034.00	\$1,074.00	\$6,049.00	\$1,667.00	\$5,925.00	\$272,776.00
CALHOUN	\$4,182.50	\$781.50	\$3,163.00	\$87,900.00	\$370.00	\$1,499.00	\$721.00	\$1,658.00	\$100,275.00
CARROLL	\$1,713.00	\$1,176.50	\$12,811.00	\$371,573.00	\$1,586.00	\$14,550.00	\$3,597.00	\$15,001.00	\$422,007.50
CHICOT	\$8,108.00	\$3,603.50	\$7,792.00	\$248,826.00	\$2,690.00	\$13,754.00	\$3,780.00	\$14,443.00	\$302,996.50
CLARK	\$5,543.50	\$1,132.50	\$34,472.00	\$521,375.00	\$1,696.00	\$18,241.00	\$5,141.00	\$16,051.00	\$603,652.00
CLAY	\$1,042.00	\$110.00	\$5,493.00	\$153,656.00	\$992.00	\$4,221.00	\$1,713.00	\$4,353.00	\$171,580.00
CLEBURNE	\$2,556.00	\$658.00	\$27,500.00	\$418,309.00	\$3,402.00	\$22,150.00	\$8,081.00	\$20,939.00	\$503,595.00
CLEVELAND	\$938.50	\$419.50	\$2,895.00	\$98,448.00	\$1,090.00	\$2,369.00	\$464.00	\$1,820.00	\$108,444.00
COLUMBIA	\$18,724.50	\$10,664.00	\$11,060.00	\$541,485.00	\$2,288.00	\$10,597.00	\$3,481.00	\$10,643.00	\$608,942.50
CONWAY	\$7,938.00	\$2,688.50	\$17,354.00	\$588,895.00	\$2,590.00	\$22,756.00	\$7,214.00	\$18,828.00	\$668,263.50
CRAIGHEAD	\$19,316.50	\$8,904.00	\$49,596.00	\$2,145,656.00	\$6,436.00	\$68,214.00	\$15,634.00	\$61,893.00	\$2,375,649.50
CRAWFORD	\$1,811.00	\$824.00	\$20,011.00	\$520,506.00	\$3,636.00	\$37,443.00	\$7,943.00	\$34,003.00	\$626,177.00
CRITTENDEN	\$26,390.50	\$16,013.50	\$10,461.00	\$974,486.00	\$5,000.00	\$49,889.00	\$8,393.00	\$51,023.00	\$1,141,656.00
CROSS	\$7,370.00	\$2,981.00	\$12,153.00	\$390,176.00	\$1,142.00	\$9,487.00	\$2,308.00	\$9,591.00	\$435,208.00
DALLAS	\$2,573.00	\$1,037.50	\$4,912.00	\$268,298.00	\$460.00	\$5,258.00	\$1,750.00	\$4,843.00	\$289,131.50
DESHA	\$3,622.00	\$1,519.00	\$14,350.00	\$287,291.00	\$1,224.00	\$12,498.00	\$3,425.00	\$11,739.00	\$335,668.00
DREW	\$6,388.00	\$2,383.50	\$10,839.00	\$409,622.00	\$2,068.00	\$13,625.00	\$3,362.00	\$13,333.00	\$461,620.50
FAULKNER	\$16,645.00	\$6,900.50	\$57,453.00	\$1,733,193.00	\$9,344.00	\$82,472.00	\$24,265.00	\$75,290.00	\$2,005,562.50
FRANKLIN	\$511.50	\$229.50	\$20,357.00	\$271,029.00	\$1,238.00	\$12,559.00	\$2,795.00	\$12,433.00	\$321,152.00
FULTON	\$643.50	\$772.00	\$5,342.00	\$77,051.00	\$866.00	\$3,131.00	\$1,013.00	\$3,577.00	\$92,395.50
GARLAND	\$20,852.00	\$12,272.00	\$48,555.00	\$1,552,578.00	\$11,834.00	\$101,969.00	\$37,405.00	\$89,253.00	\$1,874,718.00
GRANT	\$962.50	\$850.00	\$7,635.00	\$201,775.00	\$1,836.00	\$12,453.00	\$3,221.00	\$9,699.00	\$238,431.50
GREENE	\$805.00	\$497.00	\$21,148.00	\$902,562.00	\$2,842.00	\$26,282.00	\$6,323.00	\$26,933.00	\$987,392.00
HEMPSTEAD	\$93,400.50	\$26,686.50	\$10,220.00	\$515,118.00	\$1,324.00	\$13,173.00	\$3,038.00	\$11,138.00	\$674,098.00
HOT SPRING	\$1,566.00	\$584.50	\$20,947.00	\$525,659.00	\$1,894.00	\$21,492.00	\$5,431.00	\$18,518.00	\$596,091.50
HOWARD	\$64,292.50	\$18,573.50	\$19,293.00	\$381,557.00	\$1,546.00	\$8,457.00	\$2,271.00	\$8,058.00	\$504,048.00
INDEPENDENCE	\$6,781.00	\$2,044.50	\$61,649.00	\$783,576.00	\$1,922.00	\$23,632.00	\$6,597.00	\$22,194.00	\$908,395.50
IZARD	\$190.00	\$76.00	\$9,410.00	\$153,830.00	\$628.00	\$6,484.00	\$2,243.00	\$5,682.00	\$178,543.00
JACKSON	\$21,498.00	\$12,142.00	\$21,464.00	\$350,214.00	\$1,468.00	\$11,305.00	\$5,023.00	\$10,923.00	\$434,037.00
JEFFERSON	\$83,891.00	\$54,215.50	\$34,361.00	\$1,805,817.00	\$12,706.00	\$68,195.00	\$22,926.00	\$66,100.00	\$2,148,211.50
JOHNSON	\$1,275.00	\$1,770.00	\$8,084.00	\$365,799.00	\$1,486.00	\$13,864.00	\$4,191.00	\$13,479.00	\$409,948.00
LAFAYETTE	\$19,120.00	\$5,841.00	\$3,289.00	\$125,238.00	\$754.00	\$3,229.00	\$760.00	\$3,625.00	\$161,856.00
LAWRENCE	\$1,288.50	\$342.50	\$20,101.00	\$374,357.00	\$1,212.00	\$10,638.00	\$2,145.00	\$9,392.00	\$419,476.00

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF THE ARKANSAS LOTTERY
RETAIL SALES BY COUNTY
May 1 through May 31, 2021

COUNTY	CASH 3	CASH 4	FAST PLAY	INSTANT SETTLEMENTS	LUCKY FOR LIFE	MEGA MILLIONS	NATURAL STATE STATE	POWERBALL	TOTAL
LEE	\$6,837.50	\$12,619.00	\$2,157.00	\$117,900.00	\$376.00	\$3,698.00	\$865.00	\$3,512.00	\$147,964.50
LINCOLN	\$319.00	\$688.50	\$3,040.00	\$143,496.00	\$984.00	\$5,133.00	\$1,553.00	\$4,697.00	\$159,910.50
LITTLE RIVER	\$7,710.00	\$4,140.50	\$4,145.00	\$216,103.00	\$830.00	\$6,772.00	\$1,457.00	\$6,429.00	\$247,586.50
LOGAN	\$69.00	\$78.50	\$8,122.00	\$310,411.00	\$1,196.00	\$12,743.00	\$3,533.00	\$12,225.00	\$348,377.50
LONOKE	\$23,029.50	\$9,949.50	\$51,746.00	\$1,450,404.00	\$7,780.00	\$64,636.00	\$17,811.00	\$56,548.00	\$1,681,904.00
MADISON	\$37.00	\$15.00	\$2,730.00	\$118,489.00	\$744.00	\$8,175.00	\$1,696.00	\$7,700.00	\$139,586.00
MARION	\$14,133.50	\$3,342.50	\$9,750.00	\$224,793.00	\$1,696.00	\$9,700.00	\$4,030.00	\$10,967.00	\$278,412.00
MILLER	\$39,595.00	\$16,841.00	\$17,052.00	\$883,349.00	\$5,082.00	\$27,016.00	\$6,329.00	\$23,684.00	\$1,018,948.00
MISSISSIPPI	\$68,242.50	\$31,108.50	\$22,978.00	\$918,611.00	\$1,782.00	\$24,693.00	\$4,014.00	\$21,594.00	\$1,093,023.00
MONROE	\$20,135.50	\$14,878.00	\$22,219.00	\$216,704.00	\$1,362.00	\$10,454.00	\$2,812.00	\$9,951.00	\$298,515.50
MONTGOMERY	\$10.00	\$19.00	\$3,633.00	\$46,897.00	\$270.00	\$4,050.00	\$914.00	\$3,131.00	\$58,924.00
NEVADA	\$7,720.00	\$2,849.00	\$2,368.00	\$251,289.00	\$1,112.00	\$5,563.00	\$1,497.00	\$5,068.00	\$277,466.00
NEWTON	\$108.00	\$45.00	\$2,415.00	\$44,762.00	\$196.00	\$1,597.00	\$621.00	\$1,752.00	\$51,496.00
OUACHITA	\$20,503.00	\$9,576.50	\$28,931.00	\$861,914.00	\$2,568.00	\$16,905.00	\$5,671.00	\$18,018.00	\$964,086.50
PERRY	\$925.50	\$474.50	\$5,531.00	\$177,477.00	\$642.00	\$6,263.00	\$2,378.00	\$6,167.00	\$199,858.00
PHILLIPS	\$13,840.50	\$6,246.50	\$8,325.00	\$371,192.00	\$2,248.00	\$14,182.00	\$3,404.00	\$14,182.00	\$433,620.00
PIKE	\$401.50	\$111.50	\$16,290.00	\$199,657.00	\$1,088.00	\$8,565.00	\$3,016.00	\$7,095.00	\$236,224.00
POINSETT	\$7,696.00	\$1,240.50	\$36,309.00	\$778,865.00	\$1,220.00	\$16,183.00	\$3,394.00	\$14,750.00	\$859,657.50
POLK	\$1,594.50	\$179.50	\$4,130.00	\$223,153.00	\$1,686.00	\$11,420.00	\$4,004.00	\$12,091.00	\$258,258.00
POPE	\$5,056.00	\$1,776.50	\$28,538.00	\$1,075,784.00	\$5,536.00	\$54,936.00	\$13,302.00	\$45,831.00	\$1,230,759.50
PRAIRIE	\$3,789.50	\$2,231.00	\$5,208.00	\$255,348.00	\$588.00	\$7,312.00	\$1,672.00	\$6,454.00	\$282,602.50
PULASKI	\$200,944.50	\$150,217.50	\$310,977.00	\$8,767,774.00	\$93,114.00	\$539,424.00	\$159,760.00	\$464,844.00	\$10,687,055.00
RANDOLPH	\$105.50	\$73.00	\$8,232.00	\$223,800.00	\$1,240.00	\$12,543.00	\$2,084.00	\$11,027.00	\$259,104.50
SAINT FRANCIS	\$35,541.50	\$16,687.00	\$6,281.00	\$506,632.00	\$2,726.00	\$16,890.00	\$3,422.00	\$16,953.00	\$605,132.50
SALINE	\$31,165.50	\$7,719.50	\$70,765.00	\$1,562,111.00	\$11,912.00	\$89,354.00	\$25,127.00	\$76,307.00	\$1,874,461.00
SCOTT	\$93.50	\$63.50	\$3,764.00	\$121,314.00	\$678.00	\$6,376.00	\$1,313.00	\$6,261.00	\$139,863.00
SEARCY	\$266.50	\$506.00	\$4,214.00	\$100,162.00	\$744.00	\$4,436.00	\$1,929.00	\$4,576.00	\$116,833.50
SEBASTIAN	\$10,620.00	\$3,537.00	\$29,234.00	\$1,275,376.00	\$9,932.00	\$94,598.00	\$25,221.00	\$84,216.00	\$1,532,734.00
SEVIER	\$5,527.00	\$536.50	\$1,097.00	\$226,775.00	\$916.00	\$9,074.00	\$1,608.00	\$7,371.00	\$252,904.50
SHARP	\$1,071.00	\$413.00	\$20,200.00	\$395,337.00	\$1,966.00	\$15,496.00	\$5,174.00	\$15,586.00	\$455,243.00
STONE	\$851.00	\$215.50	\$7,657.00	\$129,140.00	\$780.00	\$7,109.00	\$3,503.00	\$6,411.00	\$155,666.50
UNION	\$105,155.00	\$50,898.00	\$53,530.00	\$1,245,103.00	\$4,518.00	\$29,314.00	\$7,727.00	\$29,873.00	\$1,526,118.00
VAN BUREN	\$1,489.50	\$975.50	\$12,811.00	\$269,325.00	\$1,166.00	\$11,421.00	\$4,640.00	\$10,134.00	\$311,962.00
WASHINGTON	\$22,244.50	\$8,520.50	\$42,684.00	\$2,049,136.00	\$14,636.00	\$141,028.00	\$30,737.00	\$129,466.00	\$2,438,452.00
WHITE	\$6,895.00	\$3,458.00	\$50,906.00	\$1,378,691.00	\$5,480.00	\$48,895.00	\$12,879.00	\$44,951.00	\$1,552,155.00
WOODRUFF	\$2,434.00	\$1,567.50	\$4,266.00	\$180,787.00	\$620.00	\$4,702.00	\$1,264.00	\$4,170.00	\$199,810.50
YELL	\$649.50	\$421.00	\$8,608.00	\$339,873.00	\$1,144.00	\$11,990.00	\$3,989.00	\$11,890.00	\$378,564.50

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF THE ARKANSAS LOTTERY
RETAIL SALES BY COUNTY
May 1 through May 31, 2021

COUNTY	CASH 3	CASH 4	FAST PLAY	INSTANT SETTLEMENTS	LUCKY FOR LIFE	MEGA MILLIONS	NATURAL STATE STATE	POWERBALL	TOTAL
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GRAND TOTALS	*Cash 3	*Cash 4	*Fast Play	*Instant Settlements	*Lucky for Life	*Mega Millions	*Natural State Jackpot	*Powerball	*Total Sales
	\$1,179,569.00	\$602,308.00	\$1,663,378.00	\$49,783,067.00	\$308,074.00	\$2,324,233.00	\$631,106.00	\$2,110,933.00	\$58,602,668.00

**Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Total Number of Active Retailers
May 2021**

There were 1966 active retailers as of May 31, 2021.

**Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Statement of Net Position
May 31, 2021**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 7,195,841.34
Restricted assets:	
Cash and cash equivalents	145,713,984.68
Accounts receivable	17,023,677.93
Prepaid items	395,408.28
Total current assets	<u>170,328,912.23</u>
Non-current assets:	
Restricted assets:	
Cash and cash equivalents	20,605,726.01
Deposits with Multi-State Lottery Association	2,114,209.50
Capital assets (Net of accumulated depreciation)	1,430,583.23
Total non-current assets	<u>24,150,518.74</u>
Total assets	<u>194,479,430.97</u>
Deferred outflows of resources:	
Related to pension	931,661.70
Related to OPEB	966,044.98
Total deferred outflows of resources	<u>1,897,706.68</u>
Total assets and deferred outflows of resources	<u>\$ 196,377,137.65</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 637,103.66
Prizes payable	24,901,173.34
Accrued and other liabilities	6,630,714.99
Due to other funds of the State	525,736.60
Due to Education Trust Account	54,746,907.75
Due to Workforce Challenge Trust Account	82,474,411.86
Compensated absences	427,442.59
OPEB Obligation	114,672.71
Unearned revenue	305,039.33
Total current liabilities	<u>170,763,202.83</u>
Long-Term liabilities:	
Net other post employment benefits	4,659,189.59
Net pension liability	4,646,795.00
Total long-term liabilities	<u>9,305,984.59</u>
Total liabilities	<u>180,069,187.42</u>
Deferred inflows of resources:	
Related to pension	338,626.00
Related to OPEB	388,016.43
Total deferred inflows of resources	<u>726,642.43</u>
Total liabilities and deferred inflows of resources	<u>180,795,829.85</u>

NET POSITION

Net position:	
Invested in capital assets	1,430,583.23
Restricted for:	
Scholarship shortfall reserve	20,000,000.00
Retailer bond reserve	604,844.02
Deposits with Multi-State Lottery Association	2,114,209.50
Unclaimed prizes reserve	8,492,665.07
Unrestricted (deficit)	<u>(17,060,994.02)</u>
Total net position	<u>15,581,307.80</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 196,377,137.65</u>

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Statement of Revenues, Expenses and Change in Net Position
For the Eleven Months Ended May 31, 2021

	Current month	Year to date
Operating revenues:		
Instant ticket sales	\$ 48,736,073.00	\$ 483,487,347.00
Online ticket sales	8,817,084.00	95,121,402.50
Retailer application, fidelity, bond and service fees	52,261.30	599,653.49
Other revenue	<u>0.37</u>	<u>1,374.54</u>
 Total operating revenues	 <u>57,605,418.67</u>	 <u>579,209,777.53</u>
 Operating expenses:		
Instant game prizes	35,431,684.68	350,504,467.59
Online game prizes	4,905,259.80	52,713,435.17
Retailer commissions	3,253,430.00	32,764,845.94
Gaming contract costs	5,158,090.38	29,630,214.55
Compensation and benefits	428,523.02	4,813,118.07
Marketing, advertising and promotions	583,043.89	6,686,723.90
General and administrative expenses	156,647.95	5,645,863.43
Services provided by Arkansas Department of Higher Education	42,000.00	462,000.00
Services provided by Arkansas Legislative Audit	0.00	164,800.00
Legal and professional services	0.00	675.05
Depreciation	<u>35,868.40</u>	<u>412,724.63</u>
 Total operating expenses	 <u>49,994,548.12</u>	 <u>483,798,868.33</u>
 Operating income (1)	 7,610,870.55	 95,410,909.20
 Non-operating revenue:		
Interest income	<u>70,292.09</u>	<u>747,317.17</u>
 Income before transfers	 7,681,162.64	 96,158,226.37
 Transfers to:		
Education Trust Account	<u>(7,588,364.37)</u>	<u>(91,508,710.43)</u>
 Change in net position	 <u>\$ 92,798.27</u>	 4,649,515.94
 Total net position - beginning		<u>10,931,791.86</u>
Total net position - ending		<u>\$ 15,581,307.80</u>

1) Includes all GAAP related accounting items including unclaimed prizes.

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Statement of Revenues and Expenses Budget Comparisons
For the Eleven Months Ended May 31, 2021

	CM Actual	%	CM Budget	%	CM Variance	YTD Actual	%	YTD Budget	%	YTD Variance
Operating revenues:										
Instant games	\$ 48,736,073.00	84.60	\$ 34,000,000.00	87.29	\$ 14,736,073.00	\$ 483,487,347.00	83.47	\$ 374,500,000.00	87.22	\$ 108,987,347.00
Online games	8,817,084.00	15.31	4,915,000.00	12.62	3,902,084.00	95,121,402.50	16.42	54,385,000.00	12.67	40,736,402.50
Retailer fees	52,261.30	0.09	37,000.00	0.09	15,261.30	599,653.49	0.10	461,000.00	0.11	138,653.49
Other revenue	0.37	0.00	500.00	0.00	(499.63)	1,374.54	0.00	5,500.00	0.00	(4,125.46)
				0.00%						
Total operating revenues	<u>57,605,418.67</u>	100.00	<u>38,952,500.00</u>	100.00	<u>18,652,918.67</u>	<u>579,209,777.53</u>	100.00	<u>429,351,500.00</u>	100.00	<u>149,858,277.53</u>
Operating expenses:										
Instant game prizes	35,431,684.68	61.51	24,423,000.00	62.70	11,008,684.68	350,504,467.59	60.51	269,023,000.00	62.66	81,481,467.59
Online game prizes	4,905,259.80	8.52	2,649,000.00	6.80	2,256,259.80	52,713,435.17	9.10	29,479,000.00	6.87	23,234,435.17
Retailer commissions	3,253,430.00	5.65	2,201,000.00	5.65	1,052,430.00	32,764,845.94	5.66	24,257,000.00	5.65	8,507,845.94
Gaming contract costs	5,158,090.38	8.95	2,042,000.00	5.24	3,116,090.38	29,630,214.55	5.12	20,199,000.00	4.70	9,431,214.55
Compensation & benefits	428,523.02	0.74	439,000.00	1.13	(10,476.98)	4,813,118.07	0.83	4,969,000.00	1.16	(155,881.93)
Marketing, advertising & promotions	583,043.89	1.01	659,000.00	1.69	(75,956.11)	6,686,723.90	1.15	6,898,000.00	1.61	(211,276.10)
General and administrative expenses	156,647.95	0.27	317,000.00	0.81	(160,352.05)	5,645,863.43	0.97	2,345,000.00	0.55	3,300,863.43
Services provided by other agencies	42,000.00	0.07	38,000.00	0.10	4,000.00	626,800.00	0.11	547,000.00	0.13	79,800.00
Legal and professional service	-	-	500.00	0.00	(500.00)	675.05	0.00	5,500.00	0.00	(4,824.95)
Depreciation	35,868.40	0.06	32,000.00	0.08	3,868.40	412,724.63	0.07	351,000.00	0.08	61,724.63
Total operating expenses	<u>49,994,548.12</u>	86.79	<u>32,800,500.00</u>	84.21	<u>17,194,048.12</u>	<u>483,798,868.33</u>	83.53	<u>358,073,500.00</u>	83.40	<u>125,725,368.33</u>
Operating income	7,610,870.55	13.21	6,152,000.00	15.79	1,458,870.55	95,410,909.20	16.47	71,278,000.00	16.60	24,132,909.20
Non-operating revenue:										
Interest income	<u>70,292.09</u>	0.12	<u>56,000.00</u>	0.14	<u>14,292.09</u>	<u>747,317.17</u>	0.13	<u>609,000.00</u>	0.14	<u>138,317.17</u>
Income before transfers	<u>\$ 7,681,162.64</u>	13.33	<u>\$ 6,208,000.00</u>	15.94	<u>\$ 1,473,162.64</u>	<u>\$ 96,158,226.37</u>	16.60	<u>\$ 71,887,000.00</u>	16.74	<u>\$ 24,271,226.37</u>

**Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Net Proceeds Transfer to Ed Trust Computation
Modified Cash Basis
For the Eleven Months Ended May 31, 2021**

	Year to date
Operating revenues:	
Instant ticket (Settlements)	\$ 483,912,782.00
Online ticket sales	95,121,402.50
Retailer application, fidelity and service fees	599,653.49
Other revenue	<u>1,374.54</u>
Total operating revenues	<u>579,635,212.53</u>
Operating expenses:	
Instant game prizes (Settlements)	348,967,109.01
Online game prizes	52,713,435.17
Retailer commissions	32,764,845.94
Gaming contract costs	29,630,214.55
Compensation and benefits	4,813,118.07
Marketing, advertising and promotions	6,686,723.90
General and administrative expenses	5,645,863.43
Services provided by ADHE	462,000.00
Services provided by Legislative Audit Agency	164,800.00
Legal and professional services	675.05
Current year capital asset cost	<u>60,868.77</u>
Total operating expenses	<u>481,909,653.89</u>
Change in net proceeds from operations	97,725,558.64
Non-operating revenue:	
Interest income	747,317.17
Other non-operating income	0.00
EDUCATION TRUST FUNDING-Current Year	(83,920,346.06)
Less Act 1180 Unclaimed Prizes	(7,492,665.07)
Less current year Bond Reserve Fees	(105,951.01) restricted reserves
Add Bond Funds in excess of \$500,000	see 23-115-603(a)(5)
Add back Write Off Retailer Bad Debt	1,106.99
Less current year MUSL Reserves	401,143.71 see 23-115-103(17) and (19)(A)&(B)
Add OPEB expense in Comp and Benefits	<u>232,200.00</u>
NET PROCEEDS EARNED-Current Month	<u>\$ 7,588,364.37</u>

	Transfer	Interest	Total
Academic Challenge Scholarship Trust			
	\$ 51,509,288.84	\$ 3,237,618.91	\$ 54,746,907.75
April 2020 funding - 5/15/20	\$ 8,312,074.87	\$ 6,237.77	\$ 8,318,312.64
May 2020 funding - 6/15/20	\$ 8,609,833.84	\$ 9,272.55	\$ 8,619,106.39
June 2020 funding - 7/15/20	\$ 14,969,860.90	\$ 14,602.28	\$ 14,984,463.18
June 2020 Final Adjustments funding - 10/22/20	\$ (185,527.29)	\$ -	\$ (185,527.29)
Transfer excess net proceeds to Workforce Trust Fund 10/22/20	\$ (16,265,393.95)	\$ -	\$ (16,265,393.95)
July 2020 funding - 8/15/20	\$ 8,573,004.11	\$ 19,569.82	\$ 8,592,573.93
August 2020 funding - 9/15/20	\$ 7,837,402.04	\$ 25,515.40	\$ 7,862,917.44
Transfer to ADHE for FY 2021 Fall Funding 9/24/20	\$ (38,000,000.00)	\$ -	\$ (38,000,000.00)
September 2020 funding - 10/15/20	\$ 7,667,415.02	\$ 24,161.97	\$ 7,691,576.99
October 2020 funding - 11/15/20	\$ 8,435,196.50	\$ 12,140.50	\$ 8,447,337.00
November 2020 funding - 12/15/20	\$ 8,196,802.93	\$ 10,795.95	\$ 8,207,598.88
December 2020 funding - 1/15/21	\$ 5,956,009.67	\$ 14,912.86	\$ 5,970,922.53
January 2021 funding - 2/15/21	\$ 10,896,695.24	\$ 16,497.08	\$ 10,913,192.32
Transfer to ADHE for FY2021 Spring Funding 2/17/20	\$ (30,000,000.00)	\$ -	\$ (30,000,000.00)
February 2021 funding - 3/15/21	\$ 5,577,047.59	\$ 15,323.36	\$ 5,592,370.95
March 2021 funding - 4/15/21	\$ 8,329,488.02	\$ 12,429.36	\$ 8,341,917.38
April 2021 funding - 5/15/21	\$ 12,285,184.74	\$ 14,753.90	\$ 12,299,938.64
May 2021 funding - 6/15/21	\$ 7,570,133.41	\$ 18,230.96	\$ 7,588,364.37
Workforce Challenge Scholarship Trust			
	\$ 82,474,411.86		\$ 82,474,411.86
FY 2017 Excess Net Proceeds transferred from Edu Trust 12/1/17	\$ 14,157,060.23		\$ 14,157,060.23
ADHE Refund from FY 2017 - 11/30/17	\$ 4,887,236.92		\$ 4,887,236.92
ADHE Refund from FY 2018 - 9/6/18	\$ 11,710,439.46		\$ 11,710,439.46
Transfer excess net proceeds to Workforce Trust Fund 10/16/18	\$ 8,344,929.36		\$ 8,344,929.36
Transfer to ADHE for FY 2019 fall funding 11/7/18 Workforce Challenge	\$ (1,000,000.00)		\$ (1,000,000.00)
FY 2019 Excess Net Proceeds transferred from Edu Trust 9/5/19	\$ 3,904,288.48		\$ 3,904,288.48
Transfer excess net proceeds to Workforce Trust Fund 11/08/19	\$ 23,639,040.28		\$ 23,639,040.28
Transfer to ADHE for FY 2020 fall funding 4/24/20 Concurrent Challenge	\$ (1,000,000.00)		\$ (1,000,000.00)
Transfer to ADHE for FY 2020 spring funding 7/24/20 Concurrent Challenge	\$ (400,000.00)		\$ (400,000.00)
ADHE Refund from FY 2020 / 8/14/20	\$ 4,466,023.18		\$ 4,466,023.18
Transfer excess net proceeds to Workforce Trust Fund 10/22/20	\$ 16,265,393.95		\$ 16,265,393.95
Transfer to ADHE for FY 2021 Fall funding 11/10/20 Concurrent Challenge	\$ (1,000,000.00)		\$ (1,000,000.00)
Transfer to ADHE for FY 2021 Spring funding 2/17/21 Concurrent Challenge	\$ (1,500,000.00)		\$ (1,500,000.00)

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Unclaimed Prizes
May 31, 2021

	Monthly	Year to Date
Reserve Balance July 1, 2020		\$1,000,000.00
1. Unclaimed lottery prize money:	\$ 757,609.81	7,492,665.07
2. Expenditures from unclaimed lottery prize money:		
3. Reserved for future prizes, promotions or reserves:	757,609.81	7,492,665.07
4. Less Deposits to net lottery proceeds from unclaimed Lottery prize money:		
Reserve Balance May 31, 2021		\$8,492,665.07

**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF THE ARKANSAS LOTTERY**

**OFFICE OF THE ARKANSAS LOTTERY MINORITY AND FEMALE OWNED DIVERSITY COMPLIANCE REPORT
May 1 through May 31, 2021**

Vendors	Goods or Services	Diversity Classification	May 2021	FY 2021 Total
Government Supply Services	Office Furniture/Supplies	CMBE	\$ 209.44	\$ 3,415.09
A-Absolute Moving & Hauling	Moving Office Furniture	CMBE	\$ -	\$ 1,753.63
Totals			\$ 209.44	\$ 5,168.72

**INTRALOT MINORITY AND FEMALE OWNED DIVERSITY COMPLIANCE REPORT
May 1 through May 31, 2021**

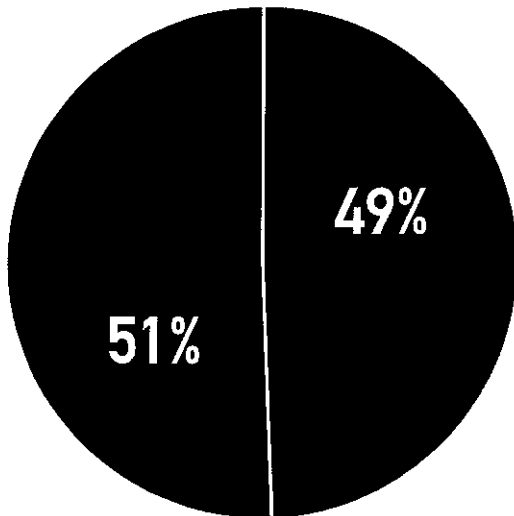
Vendors	Goods or Services	Diversity Classification	May 2021	FY 2021 Total
J Kelly Referrals and Informations Services	Call Center/Information Services	CMBE	\$ 14,000.00	\$ 161,000.00
Totals			\$ 14,000.00	\$ 161,000.00

**SCIENTIFIC GAMES MINORITY AND FEMALE OWNED DIVERSITY COMPLIANCE REPORT
May 1 through May 31, 2021**

Vendors	Goods or Services	Diversity Classification	May 2021	FY 2021 Total
Expedited Transportation Service	Transportation Services	DBE	\$ 1,323.50	\$ 18,169.44
Pure Cleaning Services	Janitorial Services	MBE	\$ 1,226.26	\$ 13,286.34
Ingage, LLC	Fulfillment Services and Prizes	WBE	\$ 117,309.96	\$ 604,792.11
Totals			\$ 119,859.72	\$ 636,247.89

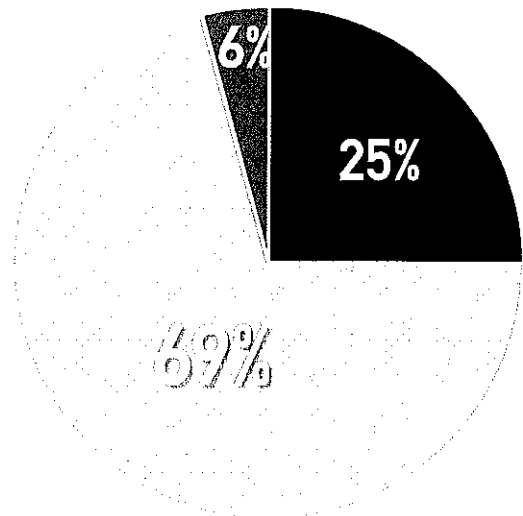
**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF THE ARKANSAS LOTTERY
MAY 2021**

GENDER



- FEMALE
- MALE

RACE



- BLACK
- CAUCASIAN
- OTHER MINORITIES

▼ **TOTAL NUMBER OF EMPLOYEES AS OF MAY 2021: 65** ▼

GENDER

Females - **32**

Males - **33**

RACE

Black - **16** ----- Female - **9** Male - **7**

Caucasian - **45** ----- Female - **22** Male - **23**

Other - **4** ----- Female - **1** Male - **3**



STATE OF ARKANSAS
Department of Finance and Administration

OFFICE OF THE ARKANSAS LOTTERY

Post Office Box 3238
Little Rock, Arkansas 72203-3238
Phone: (501) 683-2010

William C. Miller, CPA, CGMA
Internal Auditor

<u>Audit:</u>	2021-23 Retailer Settlement & Collection	<u>Report Date:</u> May 12, 2021
<u>Report Distribution:</u>	Larry Walther, Secretary Department of Finance and Administration	<u>For Fiscal Year:</u> June 30, 2021
	<u>Office of the Arkansas Lottery</u> Eric Hagler, OAL Director Jerry Fetzer, Chief Fiscal Office Brent Standridge, Chief Legal Counsel Timothy Parrish, Treasurer	

Introduction

A scheduled audit of the Retailer Settlement & Collection process for June 1, 2020 – December 31, 2020 has been completed by Internal Audit. The audit was conducted in conformance with the *International Standards of the Professional Practice of Internal Auditing*, upon which Office of the Arkansas Lottery (OAL) Internal Audit policies and procedures are based.

Background

The OAL network of approximately 1,900 retailers completes multiple sales and cashing transactions involving OAL products on a daily basis. These transactions are completed, recorded, and accumulated using systems provided under contract to the OAL by Intralot, Inc (Intralot). On a weekly basis, the OAL Treasury function utilizes information and reports from the Intralot system to determine the amount due from or due to each individual OAL retailer. Settlement occurs on a net basis, considering each retailer's sales (representing amounts due to the OAL) less commissions earned for sales and cashing activity (amounts due to the retailer), and any adjustments that are needed in the ordinary course of business.

The OAL requires retailers to establish a separate bank account for lottery-related transactions, and the net amount due from retailers are electronically swept from these accounts on a weekly basis. Also weekly, the OAL Treasury function is notified by the OAL's banking partner (Bank OZK) of any previous sweep attempts that were unsuccessful due to insufficient funds. The OAL Treasury function then determines the next course of action, whether it is another sweep attempt for the amount owed to the OAL, or whether alternate payment arrangements need to be made with a retailer. Additionally, a determination on whether the OAL should continue to do business with a retailer with insufficient funds for one or more weekly sweeps is made in order to manage potential exposure to the OAL.

Retailer settlement and collection efforts are managed by the OAL Treasurer, who is assisted by an accountant and a collection manager.

Purpose, Objectives, and Scope

The overall purpose, objectives, and scope of the audit were as follows:

Purpose

The purpose of this audit was to ensure that there are adequate controls and procedures in place to assure that the OAL collects amounts due from retailers completely, accurately, and timely, including the processing and approval of adjustments made to retailer account balances and the accounting for accounts receivable balances relative to retailers.

Objectives

- Ensure the OAL has processes and procedures in place to ensure the accuracy, completeness, and timeliness of scheduled sweeps of amounts owed to the OAL.
- Ensure the OAL has processes and procedures in place to ensure collection of amounts owed to the OAL.
- Ensure the OAL has processes and procedures in place to ensure retailer commissions are calculated accurately and in accordance with OAL Rules.
- Ensure the OAL has processes and procedures in place to adequately document the reason for adjustments and demonstrate adjustments are approved by authorized personnel.
- Ensure the OAL has processes and procedures in place to properly account for retailer accounts receivable, including credit balances.

Scope

Perform an audit of the Office of the Arkansas Lottery's Retailer Settlement and Collection Process, including assessment of accurate/complete/timely retailer account cash sweeps, collection of amounts owed, calculation of commissions, review and approval of adjustments made to retailer accounts, and accounting for related accounts receivable balances.

Observation

Internal audit observed several retailers, who were repeat offenders regarding ACH returns. There were 218 ACH returns during the scope period June 1, 2020 – December 31, 2020, and 42% of those returns were from only 10 retailers. One retailer, J&M Quick Stop had 20 ACH returns during this period. IA recommends a change in the statute or a rule change to implement a tiered fine structure, to further assist the agency in the collection process.

Management Response

Effective May 5, 2021, the following procedure will be implemented by OAL to mitigate recidivist retailers insufficient on weekly sweeps. The OAL Director has the authority to require a retailer to obtain a surety bond from an outside source if the retailer's or responsible party's payment history dictates. The determination of a retailer's default requiring outside bond is at the business discretion of the OAL Director, Treasurer, and Sales Director.

Management Response (Continued)

A retailer that has three consecutive weekly sweeps returned as insufficient, or a returned item is represented and subsequently returned three times, may be considered a default. The threshold for both triggers referenced, is \$1,000 or above.

First occurrence, a warning letter will be sent to the retailer advising their ability to participate in the OAL self-bond program is in jeopardy and may be revoked.

Second occurrence, temporary suspension until the retailer has obtained outside surety bond. The surety bond amount will be determined based on the average sweep amount for the most recent six (6) weeks and is at the discretion of the OAL Credit Committee. The OAL Credit Committee shall consist of the following senior managers: OAL Director, Treasurer and Sales Director, or their designees.

William C. Miller, CPA

William C Miller, Internal Auditor

STATE OF ARKANSAS
Department of Finance and Administration

OFFICE OF THE ARKANSAS LOTTERY

Post Office Box 3238
Little Rock, Arkansas 72203-3238
Phone: (501) 683-2010



William C. Miller, CPA, CGMA
Internal Auditor

Audit:	2021-45 Instant Ticket Reconstruction	Report Date: May 12, 2021
Report Distribution:	Larry Walther, Secretary Department of Finance and Administration	For Fiscal Year: June 30, 2021
	Office of the Arkansas Lottery Eric Hagler, Executive Director Jerry Fetzer, Chief Fiscal Office	

Introduction

A scheduled audit of the Instant Ticket Reconstructions process for fiscal year ending June 30, 2021 has been completed by Internal Audit (IA). The audit was conducted in conformance with the *International Standards of the Professional Practice of Internal Auditing*, upon which Office of the Arkansas Lottery (OAL) Internal Audit policies and procedures are based.

Background

From time to time, the OAL is presented with an instant ticket that a player believes to be a winner that the OAL claim center cannot validate through normal methods. Most often, this inability to validate results from some sort of damage to some or all of the instant ticket, and normally includes some level of damage to the barcodes used to scan instant tickets in the claim center to determine if the tickets are winners. Damage usually results from the player inadvertently getting a ticket wet, using tools for scratching the ticket that removes more than the top coatings that are intended to be removed, or other actions that damage or destroy critical portions of the instant ticket. When this occurs, claim center personnel refer the case to OAL Security for resolution. There are also occasions where OAL ticket reconstruction requests is initiated by IT Gaming. These requests occur to resolve a player complaint. In these cases, the ticket is researched in BOS because OAL will not have the hard copy of the ticket in question.

OAL Security normally collects information from the player about their ticket, in addition to obtaining the ticket or remains thereof, and then logs a request with Scientific Games (SGI), OAL's instant ticket vendor, to determine if the ticket is a winner or non-winner, so that a recommendation on whether or not the player should be paid can be made. This is done even when a ticket appears to be a winner and the play area of a ticket has not been damaged, but the barcode cannot be scanned, in order to confirm that no alteration of the ticket has taken place, so that pay out of a claim for a fraudulent ticket can be avoided. Reconstruction of a ticket involves SGI personnel accessing confidential game and ticket information that allows them to provide an image of the play area for a given ticket and confirmation to OAL Security that a specific instant ticket is indeed a winner or a non-winner. As such, SGI treats these requests with a high level of importance and exercises a number of control processes to ensure that only authorized individuals from lotteries like the OAL are able to request reconstructions, that only those tickets requested to be reconstructed are indeed reconstructed, that only authorized SGI employees are able to perform the reconstructions, and that the integrity of the games it produces for the OAL is protected by systematic requirement of certain information and details before reconstructions can take place.

Background information continued on the following page.

Background (continued)

This is primarily achieved through the Keyed Dual Security (KDS) II system, where the OAL makes reconstruction requests. Despite the level of checks and balances in place at SGI to protect the integrity of the OAL's instant games through the reconstruction process, it is also important for the OAL to have controls and procedures in place to ensure that only select employees have the ability to request instant ticket reconstructions, and that such requests are reasonable under the circumstances, given that requesting employees are able to ascertain if specific tickets are winners (if authorized to request such information from SGI), even if the tickets reconstructed are not in the physical custody of the requesting individual or if the play area and/or barcode have not been revealed through scratching.

Purpose, Objectives, and Scope

The overall purpose, objectives, and scope of the audit were as follows:

Purpose

The purpose of this audit was to ensure that there are adequate controls and procedures in place to assure that instant ticket reconstruction requests are authorized and reasonable given the circumstances that might give rise to a reconstruction request.

Objectives

To ensure that instant ticket reconstruction requests are authorized and reasonable.

Scope

The procedures performed included reviewing internal reconstruction logs, records per the KDS II System used to submit reconstruction requests to Scientific Games, hard copy files detailing actions taken, and monthly reconciliation / review documentation maintained by OAL Security. No ticket reconstruction was considered for testing after April 16, 2021, for the fiscal year ending June 30, 2021.

Observation

IA had no observations or recommendations to report.

William C. Miller, CPA

William C Miller, Internal Auditor

DFA/Office of the Arkansas Lottery
Instant & Fast Play Games
May 2021

Sales for the following instant games began May 4, 2021. No ending dates have been determined for these games.

\$1 Show Me \$5,000!

\$2 Show Me \$20,000!

\$5 Show Me \$100,000!

\$10 Show Me \$200,000!

Sales for the following Fast Play games began May 3, 2021. No ending dates have been determined for these games.

\$1 Find the 9's

\$3 Stars & Stripes

Sales for the following Fast Play games began May 31, 2021. No ending dates have been determined for these games.

\$1 Crazy 8's

\$2 Lucky Loot