



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>

May 10, 2022

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 April 2022. The reports contain the following information:

1. Contracts Awarded
2. Debt Set-Off Collections
3. Income Tax / Debt Set-Off / Retailer Losses
4. Lottery Sales (by County)
5. Total Number of Retailers / Total Number of Terminals
6. Total Lottery Revenue
7. Prize Disbursements
8. Operating Expenses
9. Net Assets
10. Administrative Expenses
11. Unclaimed Prize Report
12. Minority and Female Owned Business Report
13. Lottery Demographics
14. Internal Auditor Reports
15. Instant Ticket Games Released
16. ADHE

I am available to answer any questions or provide additional information.

Respectfully submitted,

J. Eric Hagler  
Executive Director

Enclosures

cc: Larry Walther, Secretary, Department of Finance and Administration



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May 10, 2022

The Honorable Ronald Caldwell, Co-Chair  
The Honorable Gary Deffenbaugh, Co-Chair  
Arkansas Legislative Council – Lottery Oversight Subcommittee  
One Capitol Mall, Room R-501  
Little Rock, AR 72201

RE: Monthly Disclosure Reports.

Dear Senator Caldwell and Representative Deffenbaugh:

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 April 2022. The reports contain the following information:

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Executive Director

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**Arkansas Department of Finance and Administration  
Office of the Arkansas Lottery  
Requests Received from ADHE  
April 1 through April 30, 2022**

No term contracts were entered into during the Reporting Period (April 2022).

**Department of Finance & Administration  
Office of the Arkansas Lottery  
Retailer Losses / Debt Set-Off / Income Tax  
(April 2022)**

Retailer losses: \$00.00

<b>Arkansas Debt Set-Off</b>	<b>Apr-22</b>	<b>Total Since Inception</b>
Department of Finance and Administration	\$ 2,800.00	\$ 1,569,544.75
Office of Child Support Enforcement	\$ 1,000.00	\$ 667,598.09
<b>Total Debt Set-Off</b>	<b>\$ 3,800.00</b>	<b>\$ 2,237,142.84</b>

<b>Income Taxes Withheld</b>	<b>Apr-22</b>	<b>Total Since Inception</b>
Federal	\$376,590.00	\$ 120,729,528.00
State	\$ 86,303.00	\$ 33,360,696.00
<b>Total Income Taxes Withheld</b>	<b>\$462,893.00</b>	<b>\$ 154,090,224.00</b>

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION  
OFFICE OF THE ARKANSAS LOTTERY  
RETAIL SALES BY COUNTY  
April 1 through April 30, 2022

COUNTY	CASH 3	CASH 4	FAST PLAY	INSTANT SETTLEMENTS	LUCKY FOR LIFE	MEGA MILLIONS	NATURAL STATE STATE	POWERBALL	TOTAL
ARKANSAS	\$20,945.50	\$11,994.50	\$17,539.00	\$541,233.00	\$3,014.00	\$7,102.00	\$3,248.00	\$18,418.00	\$623,494.00
ASHLEY	\$16,669.50	\$14,833.50	\$21,831.00	\$253,760.00	\$2,044.00	\$4,369.00	\$2,101.00	\$12,901.00	\$328,509.00
BAXTER	\$2,379.00	\$1,324.00	\$19,118.00	\$501,955.00	\$9,522.00	\$13,136.00	\$9,161.00	\$41,147.00	\$597,742.00
BENTON	\$8,517.50	\$3,787.50	\$33,867.00	\$1,673,009.00	\$23,160.00	\$56,967.00	\$21,548.00	\$199,284.00	\$2,020,142.00
BOONE	\$3,099.00	\$3,317.50	\$28,694.00	\$503,768.00	\$2,560.00	\$9,902.00	\$4,344.00	\$30,439.00	\$586,123.50
BRADLEY	\$1,897.00	\$6,178.00	\$4,662.00	\$196,824.00	\$1,648.00	\$2,244.00	\$1,381.00	\$7,607.00	\$222,441.00
CALHOUN	\$2,843.00	\$569.50	\$2,500.00	\$63,231.00	\$778.00	\$601.00	\$476.00	\$2,110.00	\$73,108.50
CARROLL	\$627.00	\$745.00	\$9,020.00	\$331,525.00	\$2,578.00	\$5,824.00	\$2,677.00	\$20,284.00	\$373,280.00
CHICOT	\$8,311.50	\$2,916.50	\$4,432.00	\$194,300.00	\$2,808.00	\$5,577.00	\$2,539.00	\$17,984.00	\$238,868.00
CLARK	\$1,537.00	\$918.50	\$29,130.00	\$422,687.00	\$3,624.00	\$6,884.00	\$4,828.00	\$21,900.00	\$491,508.50
CLAY	\$479.00	\$43.00	\$4,169.00	\$138,612.00	\$1,336.00	\$2,684.00	\$1,210.00	\$7,250.00	\$155,783.00
CLEBURNE	\$2,451.00	\$848.00	\$31,702.00	\$394,133.00	\$5,154.00	\$9,950.00	\$6,347.00	\$27,084.00	\$477,669.00
CLEVELAND	\$1,152.50	\$188.00	\$2,664.00	\$62,946.00	\$1,532.00	\$985.00	\$439.00	\$3,073.00	\$72,979.50
COLUMBIA	\$20,068.50	\$8,295.00	\$10,509.00	\$395,931.00	\$3,770.00	\$4,701.00	\$2,533.00	\$14,152.00	\$459,959.50
CONWAY	\$5,758.00	\$2,096.00	\$10,428.00	\$452,358.00	\$4,594.00	\$7,781.00	\$6,743.00	\$26,253.00	\$516,011.00
CRAIGHEAD	\$16,313.00	\$7,616.50	\$51,647.00	\$2,009,511.00	\$11,454.00	\$25,548.00	\$11,606.00	\$86,988.00	\$2,220,683.50
CRAWFORD	\$4,172.00	\$1,120.00	\$9,697.00	\$425,393.00	\$6,678.00	\$14,433.00	\$6,955.00	\$44,294.00	\$512,742.00
CRITTENDEN	\$42,901.00	\$18,164.50	\$24,677.00	\$834,626.00	\$7,950.00	\$21,771.00	\$7,524.00	\$43,598.00	\$1,031,211.50
CROSS	\$8,044.00	\$2,642.00	\$12,325.00	\$426,929.00	\$1,444.00	\$3,426.00	\$1,712.00	\$12,593.00	\$469,115.00
DALLAS	\$2,482.50	\$1,044.00	\$3,570.00	\$212,352.00	\$1,104.00	\$2,290.00	\$1,434.00	\$7,143.00	\$231,419.50
DESHA	\$3,871.00	\$2,827.00	\$3,964.00	\$271,295.00	\$1,296.00	\$4,758.00	\$2,432.00	\$12,318.00	\$302,761.00
DREW	\$5,495.50	\$2,166.50	\$8,168.00	\$432,194.00	\$3,412.00	\$6,140.00	\$17,468.00	\$17,468.00	\$477,792.00
FAULKNER	\$13,170.50	\$5,493.00	\$41,155.00	\$1,488,225.00	\$16,824.00	\$31,657.00	\$19,032.00	\$97,641.00	\$1,713,197.50
FRANKLIN	\$689.00	\$194.50	\$12,927.00	\$223,615.00	\$1,548.00	\$5,472.00	\$2,748.00	\$17,210.00	\$264,403.50
FULTON	\$395.00	\$686.00	\$4,437.00	\$85,245.00	\$530.00	\$1,485.00	\$685.00	\$4,719.00	\$98,182.00
GARLAND	\$12,538.50	\$6,090.50	\$41,419.00	\$1,302,877.00	\$27,338.00	\$42,050.00	\$28,462.00	\$119,419.00	\$1,580,194.00
GRANT	\$763.00	\$826.00	\$8,907.00	\$172,945.00	\$2,042.00	\$4,479.00	\$2,695.00	\$14,361.00	\$207,018.00
GREENE	\$625.00	\$847.00	\$22,775.00	\$738,414.00	\$4,424.00	\$10,801.00	\$5,704.00	\$36,593.00	\$820,183.00
HEMPSTEAD	\$72,927.50	\$24,370.50	\$13,098.00	\$426,852.00	\$3,070.00	\$5,162.00	\$2,012.00	\$17,271.00	\$564,763.00
HOT SPRING	\$901.00	\$473.50	\$18,124.00	\$427,504.00	\$3,840.00	\$8,207.00	\$4,426.00	\$24,813.00	\$488,288.50
HOWARD	\$57,426.00	\$13,367.00	\$14,102.00	\$291,522.00	\$2,256.00	\$4,118.00	\$2,316.00	\$11,409.00	\$396,516.00
INDEPENDENCE	\$4,440.50	\$2,267.00	\$66,863.00	\$705,372.00	\$4,792.00	\$10,064.00	\$5,071.00	\$31,053.00	\$829,922.50
IZARD	\$241.00	\$224.00	\$5,155.00	\$131,067.00	\$662.00	\$3,047.00	\$1,389.00	\$7,413.00	\$149,198.00
JACKSON	\$22,147.50	\$13,016.50	\$20,212.00	\$381,021.00	\$1,860.00	\$4,663.00	\$3,104.00	\$15,040.00	\$461,064.00
JEFFERSON	\$69,651.00	\$44,845.50	\$40,397.00	\$1,470,791.00	\$17,318.00	\$28,644.00	\$17,861.00	\$78,236.00	\$1,767,743.50
JOHNSON	\$1,348.50	\$1,409.50	\$5,802.00	\$316,932.00	\$2,232.00	\$5,763.00	\$3,647.00	\$16,993.00	\$354,127.00
LAFAYETTE	\$17,899.00	\$3,154.00	\$1,981.00	\$115,690.00	\$902.00	\$1,981.00	\$567.00	\$4,826.00	\$147,000.00
LAWRENCE	\$508.50	\$117.00	\$20,285.00	\$307,109.00	\$1,424.00	\$3,810.00	\$1,614.00	\$12,626.00	\$347,493.50
LEE	\$4,216.50	\$12,843.00	\$2,391.00	\$99,900.00	\$670.00	\$1,766.00	\$390.00	\$5,021.00	\$127,197.50
LINCOLN	\$391.50	\$632.00	\$2,212.00	\$107,570.00	\$1,590.00	\$2,300.00	\$1,324.00	\$6,394.00	\$122,413.50
LITTLE RIVER	\$7,178.50	\$3,882.50	\$3,679.00	\$143,749.00	\$632.00	\$2,900.00	\$1,145.00	\$8,066.00	\$171,232.00
LOGAN	\$223.50	\$10.50	\$11,677.00	\$258,223.00	\$1,812.00	\$5,338.00	\$2,921.00	\$15,700.00	\$295,905.00

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION  
OFFICE OF THE ARKANSAS LOTTERY  
RETAIL SALES BY COUNTY  
April 1 through April 30, 2022

COUNTY	CASH 3	CASH 4	FAST PLAY	INSTANT SETTLEMENTS	LUCKY FOR LIFE	MEGA MILLIONS	NATURAL STATE STATE	POWERBALL	TOTAL
LONOKE	\$13,795.00	\$6,222.00	\$55,995.00	\$1,223,009.00	\$12,152.00	\$26,162.00	\$15,369.00	\$75,278.00	\$1,427,982.00
MADISON	\$43.50	\$56.00	\$1,218.00	\$99,268.00	\$1,440.00	\$3,630.00	\$1,498.00	\$9,957.00	\$117,110.50
MARION	\$6,284.00	\$1,287.50	\$13,834.00	\$219,304.00	\$3,176.00	\$4,249.00	\$3,979.00	\$12,984.00	\$265,077.50
MILLER	\$37,287.00	\$13,239.50	\$14,929.00	\$703,963.00	\$8,986.00	\$12,484.00	\$6,156.00	\$32,384.00	\$829,428.50
MISSISSIPPI	\$62,173.50	\$27,878.50	\$18,858.00	\$886,659.00	\$2,380.00	\$10,299.00	\$3,003.00	\$33,385.00	\$1,044,636.50
MONROE	\$24,850.00	\$12,171.50	\$43,093.00	\$265,257.00	\$1,098.00	\$4,441.00	\$2,045.00	\$13,365.00	\$366,320.50
MONTGOMERY	\$5.00	\$0.00	\$2,656.00	\$33,314.00	\$248.00	\$1,286.00	\$626.00	\$4,661.00	\$42,796.00
NEVADA	\$5,674.50	\$2,774.50	\$2,144.00	\$196,840.00	\$1,626.00	\$2,321.00	\$770.00	\$6,223.00	\$217,373.00
NEWTON	\$14.00	\$26.00	\$2,432.00	\$41,017.00	\$282.00	\$893.00	\$588.00	\$2,449.00	\$47,701.00
OUACHITA	\$15,659.50	\$8,996.00	\$17,050.00	\$707,508.00	\$4,912.00	\$7,162.00	\$4,036.00	\$23,379.00	\$788,702.50
PERRY	\$1,056.00	\$734.50	\$5,607.00	\$134,668.00	\$1,494.00	\$2,768.00	\$1,866.00	\$7,928.00	\$156,121.50
PHILLIPS	\$17,318.50	\$5,534.50	\$5,373.00	\$262,695.00	\$2,674.00	\$5,172.00	\$2,608.00	\$16,304.00	\$317,679.00
PIKE	\$450.50	\$244.00	\$9,445.00	\$143,097.00	\$1,608.00	\$3,170.00	\$2,162.00	\$7,996.00	\$168,172.50
POINSETT	\$5,040.50	\$1,079.00	\$22,286.00	\$631,035.00	\$2,330.00	\$5,664.00	\$2,648.00	\$19,643.00	\$689,725.50
POPE	\$2,998.00	\$1,164.50	\$8,098.00	\$187,164.00	\$2,578.00	\$5,836.00	\$3,447.00	\$14,456.00	\$222,393.00
PRAIRIE	\$3,907.00	\$1,380.50	\$7,202.00	\$220,781.00	\$8,414.00	\$20,954.00	\$10,131.00	\$64,271.00	\$1,053,246.50
PULASKI	\$181,638.50	\$143,094.00	\$282,580.00	\$7,484,446.00	\$812.00	\$2,346.00	\$1,152.00	\$8,384.00	\$245,964.50
RANDOLPH	\$254.00	\$68.50	\$13,092.00	\$199,808.00	\$3,260.00	\$5,762.00	\$2,153.00	\$16,722.00	\$241,119.50
SAINT FRANCIS	\$33,416.00	\$15,114.50	\$5,009.00	\$423,655.00	\$2,992.00	\$6,759.00	\$2,412.00	\$24,020.00	\$513,377.50
SALINE	\$23,778.00	\$9,028.50	\$77,987.00	\$1,375,799.00	\$19,494.00	\$33,924.00	\$20,171.00	\$103,729.00	\$1,663,910.50
SCOTT	\$478.50	\$25.50	\$2,798.00	\$94,614.00	\$986.00	\$2,918.00	\$1,086.00	\$8,856.00	\$111,762.00
SEARCY	\$88.00	\$102.50	\$7,102.00	\$110,400.00	\$1,090.00	\$2,226.00	\$1,390.00	\$5,813.00	\$128,211.50
SEBASTIAN	\$13,142.00	\$3,992.00	\$24,677.00	\$1,066,392.00	\$17,920.00	\$36,700.00	\$20,170.00	\$116,563.00	\$1,289,556.00
SEVIER	\$3,638.50	\$365.00	\$1,772.00	\$210,241.00	\$856.00	\$3,886.00	\$1,531.00	\$10,796.00	\$233,085.50
SHARP	\$1,097.50	\$324.00	\$15,261.00	\$359,211.00	\$2,020.00	\$8,324.00	\$4,509.00	\$22,395.00	\$413,141.50
STONE	\$1,077.00	\$81.00	\$34,094.00	\$110,487.00	\$986.00	\$3,084.00	\$2,650.00	\$8,340.00	\$160,799.00
UNION	\$83,726.00	\$38,375.00	\$39,029.00	\$1,080,544.00	\$6,978.00	\$11,480.00	\$6,280.00	\$39,427.00	\$1,305,839.00
VAN BUREN	\$1,498.00	\$896.50	\$13,511.00	\$222,826.00	\$2,084.00	\$5,167.00	\$4,406.00	\$15,112.00	\$265,500.50
WASHINGTON	\$19,324.00	\$9,005.50	\$44,750.00	\$1,981,217.00	\$23,956.00	\$55,601.00	\$26,371.00	\$191,109.00	\$2,351,333.50
WHITE	\$13,656.50	\$3,080.50	\$56,930.00	\$1,178,450.00	\$8,494.00	\$18,445.00	\$10,579.00	\$60,538.00	\$1,350,173.00
WOODRUFF	\$1,944.00	\$1,505.00	\$4,157.00	\$145,758.00	\$872.00	\$2,182.00	\$1,131.00	\$5,777.00	\$163,326.00
YELL	\$453.00	\$464.00	\$6,411.00	\$281,972.00	\$1,994.00	\$4,700.00	\$3,131.00	\$15,493.00	\$314,618.00

GRAND TOTALS	*Cash 3	*Cash 4	*Fast Play	*Instant Settlements	*Lucky for Life	*Mega Millions	*Natural State Jackpot	*Powerball	*Total Sales
	\$1,044,090.50	\$536,760.00	\$1,589,924.00	\$43,100,375.00	\$502,366.00	\$947,545.00	\$515,809.00	\$2,917,840.00	\$51,154,709.50



5200 North Shore Dr., North Little Rock, AR 72118 USA

OFFICE OF THE ARKANSAS LOTTERY - ARKANSAS SCHOLARSHIP LOTTERY

<b>Active Retailers - (April 2022)</b>	<b>1,959</b>
<b>Photon Terminals (active):</b>	<b>2,061</b>
<b>Vending Machines:</b>	
<b>TVM</b>	<b>122</b>
<b><u>DreamTouchSmart</u></b>	<b><u>84</u></b>
<b><u>TOTAL:</u></b>	<b><u>2,271</u></b>

**Arkansas Department of Finance and Administration  
Office of the Arkansas Lottery  
Statement of Net Position  
April 30, 2022**

**ASSETS**

<b>Current assets:</b>	
Cash and cash equivalents	\$ 3,235,143.54
Restricted assets:	
Cash and cash equivalents	163,863,953.16
Accounts receivable	15,837,019.33
Prepaid items	125,201.96
Total current assets	<u>183,061,317.99</u>
<b>Non-current assets:</b>	
Restricted assets:	
Cash and cash equivalents	20,607,089.71
Deposits with Multi-State Lottery Association	2,073,719.07
Capital assets (Net of accumulated depreciation)	1,035,729.54
Total non-current assets	<u>23,716,538.32</u>
 Total assets	 <u>206,777,856.31</u>
<b>Deferred outflows of resources:</b>	
Related to pension	1,285,278.28
Related to OPEB	759,944.04
Total deferred outflows of resources	<u>2,045,222.32</u>
 Total assets and deferred outflows of resources	 <u>\$ 208,823,078.63</u>

**LIABILITIES**

<b>Current liabilities:</b>	
Accounts payable	\$ 309,240.90
Prizes payable	23,012,876.15
Accrued and other liabilities	2,004,254.78
Due to other funds of the State	492,418.81
Due to Lottery Scholarship Trust Account	155,516,802.88
Compensated absences	405,539.21
OPEB Obligation	123,791.78
Unearned revenue	202,010.50
Total current liabilities	<u>182,066,935.01</u>
<b>Long-Term liabilities:</b>	
Net other post employment benefits	4,712,957.34
Net pension liability	5,317,319.00
Total long-term liabilities	<u>10,030,276.34</u>
 Total liabilities	 <u>192,097,211.35</u>
<b>Deferred inflows of resources:</b>	
Related to pension	258,159.00
Related to OPEB	407,256.30
Total deferred inflows of resources	<u>665,415.30</u>
 Total liabilities and deferred inflows of resources	 <u>192,762,626.65</u>

**NET POSITION**

<b>Net position:</b>	
Invested in capital assets	1,035,729.54
Restricted for:	
Scholarship shortfall reserve	20,000,000.00
Retailer bond reserve	608,467.72
Deposits with Multi-State Lottery Association	2,073,719.07
Unclaimed prizes reserve	8,347,150.28
Unrestricted (deficit)	<u>(16,004,614.63)</u>
 Total net position	 <u>16,060,451.98</u>
 Total liabilities, deferred inflows of resources and net position	 <u>\$ 208,823,078.63</u>



**Arkansas Department of Finance and Administration  
Office of the Arkansas Lottery  
Statement of Revenues, Expenses and Change in Net Position  
For the Ten Months Ended April 30, 2022**

	Current month	Year to date
<b>Operating revenues:</b>		
Instant ticket sales	\$ 43,674,732.00	\$ 402,419,830.00
Online ticket sales	8,120,373.50	83,458,727.00
Retailer application, fidelity, bond and service fees	43,780.56	562,885.17
Other revenue	<u>0.00</u>	<u>840.89</u>
 Total operating revenues	 <u>51,838,886.06</u>	 <u>486,442,283.06</u>
 <b>Operating expenses:</b>		
Instant game prizes	31,462,100.11	291,286,751.95
Online game prizes	4,764,864.54	46,244,337.12
Retailer commissions	2,928,693.44	27,497,300.59
Gaming contract costs	2,379,770.97	23,316,544.13
Compensation and benefits	485,563.93	4,462,283.77
Marketing, advertising and promotions	514,159.25	5,393,073.20
General and administrative expenses	258,410.87	2,468,943.20
Services provided by Arkansas Department of Higher Education	44,300.00	443,000.00
Services provided by Arkansas Legislative Audit	0.00	156,000.00
Legal and professional services	50.00	50.00
Depreciation	<u>35,895.39</u>	<u>358,958.26</u>
 Total operating expenses	 <u>42,873,808.50</u>	 <u>401,627,242.22</u>
 Operating income (1)	 8,965,077.56	 84,815,040.84
 <b>Non-operating revenue:</b>		
Interest income	<u>59,448.96</u>	<u>425,116.72</u>
 Income before transfers	 9,024,526.52	 85,240,157.56
 <b>Transfers to:</b>		
Lottery Scholarship Trust Account	<u>(8,059,568.92)</u>	<u>(77,386,969.62)</u>
 Change in net position	 <u>\$ 964,957.60</u>	 7,853,187.94
 Total net position - beginning		<u>8,207,264.04</u>
Total net position - ending		<u>\$ 16,060,451.98</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 Ten Months Ended April 30, 2022

	CM Actual	%	CM Budget	%	CM Variance	YTD Actual	%	YTD Budget	%	YTD Variance
<b>Operating revenues:</b>										
Instant games	\$ 43,874,732.00	84.25	\$ 40,000,000.00	84.87	\$ 3,874,732.00	\$ 402,419,830.00	82.73	\$ 354,600,000.00	83.25	\$ 47,819,830.00
Online games	8,120,373.50	15.66	7,092,000.00	15.05	1,028,373.50	83,458,727.00	17.16	70,917,000.00	16.65	12,541,727.00
Retailer fees	43,780.56	0.08	41,000.00	0.09	2,780.56	582,885.17	0.12	418,000.00	0.10	144,885.17
Other revenue	-	-	500.00	0.00	(500.00)	840.89	0.00	5,000.00	0.00	(4,159.11)
				0.00%						
<b>Total operating revenues</b>	<b>51,838,886.06</b>	<b>100.00</b>	<b>47,133,500.00</b>	<b>100.00</b>	<b>4,705,386.06</b>	<b>486,442,283.06</b>	<b>100.00</b>	<b>425,940,000.00</b>	<b>100.00</b>	<b>60,502,283.06</b>
<b>Operating expenses:</b>										
Instant game prizes	31,482,100.11	60.69	28,880,000.00	61.27	2,582,100.11	291,286,751.95	59.88	255,456,000.00	59.97	35,830,751.95
Online game prizes	4,764,864.54	9.19	3,905,000.00	8.28	859,864.54	46,244,337.12	9.51	39,268,000.00	9.22	6,976,337.12
Retailer commissions	2,928,693.44	5.65	2,857,000.00	5.64	271,693.44	27,497,300.59	5.65	24,041,000.00	5.64	3,456,300.59
Gaming contract costs	2,379,770.97	4.59	2,134,000.00	4.53	245,770.97	23,316,544.13	4.79	19,286,000.00	4.53	4,030,544.13
Compensation & benefits	485,583.93	0.94	477,000.00	1.01	8,583.93	4,462,283.77	0.92	4,698,000.00	1.10	(235,716.23)
Marketing, advertising & promotions	514,159.25	0.99	509,000.00	1.08	5,159.25	5,393,073.20	1.11	5,578,000.00	1.31	(184,926.80)
General and administrative expenses	258,410.87	0.50	378,000.00	0.80	(119,589.13)	2,468,943.20	0.51	2,873,000.00	0.67	(404,056.80)
Services provided by other agencies	44,300.00	0.09	38,000.00	0.08	6,300.00	599,000.00	0.12	529,000.00	0.12	70,000.00
Legal and professional service	50.00	0.00	500.00	0.00	(450.00)	50.00	0.00	5,000.00	0.00	(4,950.00)
Depreciation	35,895.39	0.07	37,000.00	0.08	(1,104.61)	358,958.26	0.07	361,000.00	0.08	(2,041.74)
<b>Total operating expenses</b>	<b>42,873,808.50</b>	<b>82.71</b>	<b>39,015,500.00</b>	<b>82.78</b>	<b>3,858,308.50</b>	<b>401,627,242.22</b>	<b>82.56</b>	<b>352,095,000.00</b>	<b>82.66</b>	<b>49,532,242.22</b>
<b>Operating income</b>	<b>8,965,077.56</b>	<b>17.29</b>	<b>8,118,000.00</b>	<b>17.22</b>	<b>847,077.56</b>	<b>84,815,040.84</b>	<b>17.44</b>	<b>73,845,000.00</b>	<b>17.34</b>	<b>10,970,040.84</b>
<b>Non-operating revenue:</b>										
Interest income	59,448.96	0.11	25,000.00	0.05	34,448.96	425,116.72	0.09	272,000.00	0.06	153,116.72
<b>Income before transfers</b>	<b>\$ 9,024,526.52</b>	<b>17.41</b>	<b>\$ 8,143,000.00</b>	<b>17.28</b>	<b>\$ 881,526.52</b>	<b>\$ 85,240,157.56</b>	<b>17.52</b>	<b>\$ 74,117,000.00</b>	<b>17.40</b>	<b>\$ 11,123,157.56</b>

UNAUDITED PRELIMINARY DRAFT

**Arkansas Department of Finance and Administration  
Office of the Arkansas Lottery  
Net Proceeds Computation to Transfer to Lottery Scholarship Trust  
Modified Cash Basis  
For the Ten Months Ended April 30, 2022**

	Year to date
<b>Operating revenues:</b>	
Instant ticket (Settlements)	\$ 403,523,027.00
Online ticket sales	83,458,727.00
Retailer application, fidelity and service fees	562,885.17
Other revenue	840.89
 Total operating revenues	 487,545,480.06
 <b>Operating expenses:</b>	
Instant game prizes (Settlements)	293,423,734.00
Online game prizes	46,244,337.12
Retailer commissions	27,497,300.59
Gaming contract costs	23,316,544.13
Compensation and benefits	4,462,283.77
Marketing, advertising and promotions	5,393,073.20
General and administrative expenses	2,468,943.20
Services provided by ADHE	443,000.00
Services provided by Legislative Audit Agency	156,000.00
Legal and professional services	50.00
Current year capital asset cost	0.00
Total operating expenses	403,405,266.01
 Change in net proceeds from operations	 84,140,214.05
 <b>Non-operating revenue:</b>	
Interest income	425,116.72
Other non-operating income	0.00
EDUCATION TRUST FUNDING-Current Year	(69,327,400.70)
Less Act 1180 Unclaimed Prizes	(7,347,150.28)
Less current year Bond Reserve Fees	(108,467.72) restricted reserves
Add Bond Funds in excess of \$500,000	see 23-115-603(a)(5)
Add back Write Off Retailer Bad Debt	0.00
Less current year MUSL Reserves	57,256.85 see 23-115-103(17) and (19)(A)&(B)
Add OPEB expense in Comp and Benefits	220,000.00
 <b>NET PROCEEDS EARNED-Current Month</b>	 <b>\$ 8,059,568.92</b>
-Year to Date	<b>\$ 77,386,969.62</b>

	Transfer	Interest	Total
<b>Lottery Scholarship Trust Account</b>	<b>\$ 151,952,706.87</b>	<b>\$ 3,564,096.01</b>	<b>\$ 155,516,802.88</b>
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
June 2021 funding - 7/15/21	\$ 15,074,646.71	\$ 26,082.76	\$ 15,100,729.47
July 2021 funding - 8/15/21	\$ 8,309,715.00	\$ 28,849.13	\$ 8,338,564.13
Transfer Workforce Challenge Scholarship Trust Balance 9/1/21	\$ 82,474,411.86	\$ -	\$ 82,474,411.86
August 2021 funding - 9/15/21	\$ 6,712,874.53	\$ 73,729.22	\$ 6,786,603.75
Transfer to ADHE for FY 2022 Fall Funding 9/7/21	\$ (38,000,000.00)	\$ -	\$ (38,000,000.00)
September 2021 funding - 10/15/21	\$ 9,142,317.81	\$ 17,898.41	\$ 9,160,216.22
June 2021 adjustment to funding	\$ (192,215.82)	\$ -	\$ (192,215.82)
Transfers to ADHE for FY 2022 Concurrent & Workforce Funding 10/8/21	\$ (3,000,000.00)	\$ -	\$ (3,000,000.00)
October 2021 funding - 11/15/21	\$ 7,744,993.46	\$ 17,156.95	\$ 7,762,150.41
November 2021 funding - 12/15/21	\$ 7,209,024.86	\$ 19,752.98	\$ 7,228,777.84
December 2021 funding - 1/15/22	\$ 7,385,162.18	\$ 20,185.94	\$ 7,405,348.12
January 2022 funding - 2/15/22	\$ 7,741,727.84	\$ 21,088.96	\$ 7,762,816.80
February 2022 funding - 3/15/22	\$ 7,444,508.46	\$ 20,051.05	\$ 7,464,559.51
Transfer to ADHE for FY 2022 Spring Funding 3/4/22	\$ (33,000,000.00)	\$ -	\$ (33,000,000.00)
March 2022 funding - 4/15/22	\$ 7,384,136.30	\$ 34,227.62	\$ 7,418,363.92
April 2022 funding - 5/15/22	\$ 8,012,114.84	\$ 47,454.08	\$ 8,059,568.92

**Arkansas Department of Finance and Administration**  
**Office of the Arkansas Lottery**  
**Unclaimed Prizes**  
**April 30, 2022**

	Monthly	Year to Date
Reserve Balance July 1, 2021		\$1,000,000.00
1. Unclaimed lottery prize money:	\$ 1,055,738.08	7,347,150.28
2. Expenditures from unclaimed lottery prize money:		
3. Reserved for future prizes, promotion or reserves:	1,055,738.08	7,347,150.28
4. Less Deposits to net lottery proceeds from unclaimed Lottery prize money:		
Reserve Balance April 30, 2022		\$8,347,150.28

<b>Minority Report -April 2022</b>			
<b>OFFICE OF THE ARKANSAS LOTTERY</b>			
<b>VENDORS</b>		<b>April</b>	<b>FY to Date Total</b>
A-ABSOLUTE MOVING & HAULING	CMBE		\$3,264.77
ADVANTAGE COMMUNICATIONS	MBE		
AFRICAN AMERICAN PERSPECTIVES	MBE		
AJP FARM, LLC	MBE		
BEST BANNER AND SIGNS			
BSW ADVERTISING	FOB		
BUDS GRAPHICS SALES & SERVICE	MBE		
BYRD ENTERPRISE,INC	NAI		
CCI Of ARKANSAS	CMBE		
CHOICE PROMOTION	MBE		
CREATIVE GRAPICS, INC	MBE		
CRENSHAW SIGNS	MBE		
DE'LISA BALENTINE	WBE		
DR. B'S WINDSHIELD REPAIR COMPANY	MBE		
GATHRIGHT VAN AND STORAGE			
GODDESS PRODUCTS	CMBE		
GOVERNMENT SUPPLY SERVICES	CMBE	\$82.30	\$3,305.60
HOG WASH DETAIL DENT & TINT	MBE		
HOLA! ARKANSAS	MBE		
INCLUSION MAGAZINE	MBE		
LA DESIGNS	WBE		
LAF PRODUCTION, INC	MBE		
MICKEY'S SPECIAL AFFAIRS	MBE		
MR. B'S 2 MOBILE HAND WASH & WAX	MBE		
NORTHEAST ARKANSAS CLEANING SERVICE	WBE		
PARTY PRINTS	CMBE		
PREMIER STAFFING	WBE		
RIDE N SHINE DETAIL	MOB		
RU-MEL & ASSOCIATES, INC	MBE		
S & P SERVICES	MBE		
STAND NEWS	MBE		
THE AMERICAN BANNER PUBLISHING, LLC	MBE		
TRIVIA MARKETING	WBE		
<b>Total</b>		<b>\$82.30</b>	<b>\$6,570.37</b>
MBE = Minority Business Enterprise			
CMBE = Certified Minority Business Enterprise			



Vendors	Expedited Transportation	Pure Cleaning Services	Ingage	Actual Monthly Spending Total
	DBE	MBE - SERVICE DISABLED VETERAN	Woman owned / Unified DBE certified	
	active on website - requested copy of certification letter	active on website as Vet - no expiration listed	10/20/2022	
July	\$6,828.32	\$1,226.26	\$43,227.63	\$51,282.21
August	\$7,881.52	\$1,226.26	\$76,375.11	\$85,482.89
September	\$3,957.17	\$1,226.26	\$89,064.15	\$94,247.58
<b>1st Quarter</b>	<b>\$18,667.01</b>	<b>\$3,678.78</b>	<b>\$208,666.89</b>	<b>\$231,012.68</b>
October	\$3,962.64	\$1,226.26	\$26,632.29	\$31,821.19
November	\$1,981.32	\$2,452.52	\$22,468.48	\$26,902.32
December	\$3,948.58	\$0.00	\$46,977.01	\$50,925.59
<b>2nd Quarter</b>	<b>\$9,892.54</b>	<b>\$3,678.78</b>	<b>\$96,077.78</b>	<b>\$109,649.10</b>
January	\$7,770.62		\$68,276.62	\$76,047.24
February	\$3,900.00	\$2,452.00	\$96,628.00	\$102,980.00
March	\$3,948.58	\$1,853.02	\$84,721.67	\$90,523.27
<b>3rd Quarter</b>	<b>\$15,619.20</b>	<b>\$4,305.02</b>	<b>\$249,626.29</b>	<b>\$269,550.51</b>
April	\$3,806.40	\$1,226.26	\$126,213.51	\$131,246.17
May				\$0.00
June				\$0.00
<b>4th Quarter</b>	<b>\$ 3,806.40</b>	<b>\$ 1,226.26</b>	<b>\$ 126,213.51</b>	<b>\$131,246.17</b>
<b>Total to Date</b>	<b>\$ 47,985.15</b>	<b>\$ 12,888.84</b>	<b>\$ 680,584.47</b>	<b>\$741,458.46</b>



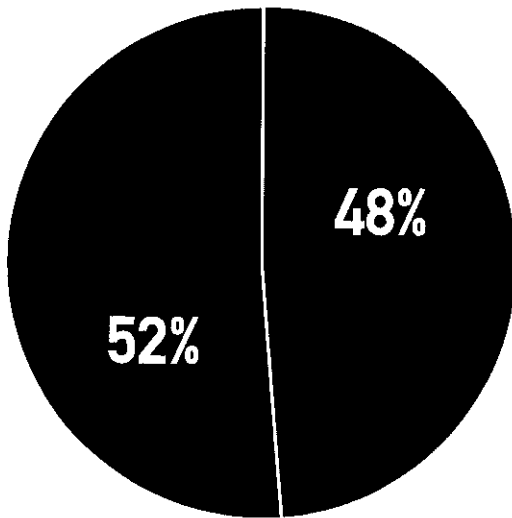
Contract Term: 08/2009 - 08/2026

**Arkansas Minority Firms**  
**Total Spent as of 4/30/22**  
 INTRALOT - ARKANSAS

	Prior Balance	APRIL Spending	Ending Balance
Goddess (00-GODDESS)	0.00	0.00	-
J Kelly (00-JKELLY)	427,835.31	50,731.68	478,566.99
Finders Keepers (00-FINDERS)	-	0.00	-
Turna Group/TG Incorporated	-	-	-
Landers (Cars)	-	-	-
<b>Total</b>	<b>427,835.31</b>	<b>50,731.68</b>	<b>478,566.99</b>

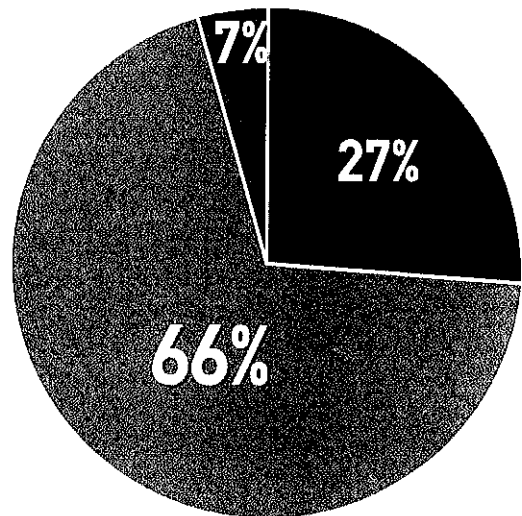
ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION  
 OFFICE OF THE ARKANSAS LOTTERY  
 MARCH 2022

**GENDER**



- FEMALE
- MALE

**RACE**



- BLACK
- CAUCASIAN
- OTHER MINORITIES

▼ TOTAL NUMBER OF EMPLOYEES AS OF MARCH 2022: 67 ▼

**GENDER**

Females - 32

Males - 35

**RACE**

Black - 18 ----- Female - 9 Male - 9

Caucasian - 44 ----- Female - 22 Male - 22

Other - 5 ----- Female - 1 Male - 4



**Department of Finance and Administration  
Office of the Arkansas Lottery  
Internal Audit Reports  
April 30, 2022**

The following Internal Audit Reports were received during the month of April, 2022. The Reports are followed by OAL management's response:

- 2022-21 Claim Center Operations Audit (Dtd: 04/26/22)
- 2022-11 Instant Ticket Quality (Dtd: 04/28/22)



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

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<b>Audit:</b>	2022-21 Claim Center Operations Audit	<b>Report Date:</b> April 26, 2022
<b>Report Distribution:</b>	Larry Walther, Secretary Department of Finance and Administration	<b>For Fiscal Year:</b> June 30, 2022

Office of the Arkansas Lottery  
Eric Hagler, OAL Executive Director  
Jerry Fetzer, Chief Financial Officer  
Brent Standridge, Chief Legal Counsel

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### **Introduction**

A scheduled audit of the Claim Center Operations process for fiscal year ending June 30, 2022, 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 (IA) policies and procedures are based.

### **Background**

The OAL operates a single claim center at 124 West Capitol Avenue in Little Rock. The claim center is responsible for processing all player claims in excess of \$500 (though players who win less may choose to make a claim at the claim center), whether a player makes a claim in person at the claim center office or chooses to mail the winning ticket and any associated claim form to the claim center for processing. The claim center is staffed by three (3) full-time employees, a Claims Manager and two (2) Claims Assistants. In addition to processing player claims, these employees also sell lottery products to the public at the claim center location.

Processing a player's claim may vary based on the size of the claim. A claim form is required for any claim in excess of \$500, and the form captures basic information about the player, that is needed in order to comply with provisions of Arkansas Law and the OAL's operational rules, such as player name, address, tax status, taxpayer identification number, and signature. For claims in excess of \$500, the OAL also requires valid photo identification. State of Arkansas debts, including back taxes and child support, are withheld from any claim in excess of \$500. In accordance with IRS and State of Arkansas regulations, income taxes are withheld from any claim of \$5,000 or more. Claims of \$1,000,000 or more require claimants to appear in person at the claim center for payment. Tickets are validated at the terminal in the claim center before the processing is able to start, and the system automatically determines if a claim has already been paid for the ticket presented, preventing the possibility of duplicate payment. Additionally, basic claimant information is compared to a list of Ineligible Players (IEP), and the claim processing system is designed to prevent payment of a claim to IEP, subject to provisions of Arkansas Law.

### **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, procedures, and safeguards in place at the OAL's claim center to assure prize claims are validated and paid in accordance with established laws, regulations, and internal policies. Further, lottery product sales and cash handling procedures at the claim center were evaluated as part of this audit.

#### **Objectives**

- Ensure prize validation and payment policies and procedures exist, are maintained, are followed, and are in accordance with the Arkansas Scholarship Lottery Act (The Act) and the Office of the Arkansas Lottery's Operational Rules for payment of prizes (OAL Rules).
- Ensure that no prizes over \$500 were paid to IEP, and that the IEP List is being properly maintained in accordance with The Act and OAL Rules.
- Ensure lottery game sales policies and cash handling procedures exist, are maintained, and are followed.

#### **Scope**

Transactions and documentation selected for testing included items generated from July 1, 2021, through September 30, 2021, for all tests other than maintenance of the IEP List and cash count. Date for IEP List testing was through January 14, 2022, and cash count occurred on February 1, 2022. Due to the fact that fiscal year 2022 had not yet been completed as of the date testing selections were made, only transactions or events that had occurred as of that time were considered within its scope. As such, no supporting documents generated after September 30, 2021, for Claim Center test work, and January 14, 2022, for IEP List test work and February 1, 2022, for cash count, were selected for testing.

### **Observations**

*Observation #: 1*

*Observation Title: Accuracy of IEP List*

*Internal Audit Observation: Three IEP records were inaccurate*

*Discussion and Background: Arkansas Code Annotated (ACA) § 23-115-403 (f)(1) (A) (B) and (C) dictates that the OAL "shall not pay a lottery prize that exceeds the amount of five hundred dollars (\$500)" to an OAL employee or a member of his or her immediate family, living in the same household of the employee. As such, the OAL maintains an IEP List which is integrated into the OAL system used to process lottery prize claims, thus designed to prevent unauthorized prize payments to OAL employees or their families. The*

*Discussion and Background Continued:*

Security function has now taken on primary responsibility for keeping the IEP List up to date and obtaining regular updates from OAL employees.

IA selected all new hired employees from July 1, 2021, through January 14, 2022, for testing. In addition to determining that each new employee was included on the IEP List maintained in the OAL system, the IEP Form was reviewed for each new employee to determine that the form was properly executed, and additional details on the IEP Form was included on the IEP List (i.e., birthdate, address). Out of the ten selected for further testing, one did not meet the attributes tested. In the one exception, the employee nor additional members of the household were located on the IEP List.

IA further selected four terminated employees during the same time frame for further testing as well as one updated IEP Form submitted in July of 2021 by an IA employee. Of the five selected for further testing, two did not meet the attributes tested. One had been removed from the IEP List as of August 6, 2021, though their termination date per Human Resources was recorded on August 20, 2021. The second exception to testing, the changes per the updated IEP Form submitted by the IA employee had not been recorded in the IEP List at the time of fieldwork.

As part of planned audit testing, IA ran a series of comparisons of player claims to the IEP List and noted no evidence that these inaccuracies in any way impacted payment of claims (i.e., IA noted no payments to IEP). Upon notification that these inaccuracies existed in the IEP List, the Security function immediately updated the IEP List, prior to the end of fieldwork for the audit.

*Cause:* Outdated and incomplete policies and procedures to confirm accuracy of updates or changes to the IEP List.

*Effect:* Inaccurate IEP records that could lead to inadvertent payment of a claim to IEP.

*Internal Audit Recommendations:* IA recommends:

(1)(a) Management add additional language to policies and procedures to include:

- Position that is designated and responsible for maintaining the IEP List
- Position that has been "cross trained," to "rotate" into performing the IEP List maintenance task
- Circumstances that a "rotation" would be appropriate
- Regular schedule for requesting updates from OAL staff and vendor employees
- Monitoring procedures that have been designed and implemented related to the TIFF function, which occurs once the updating into BOS function has been initiated (add to procedures 1 – 9)

*Internal Audit Recommendations Continued:*

(1)(b) Management design, document, and implement policies and procedures related to monitoring of the initiation of the IEP process. The two initiation points are at the time of hiring, and routine update requests from OAL staff and vendor employees. IA believes this could be accomplished by Management moving from a "negative" request from staff and vendor employees to a "positive" request that would allow for an audit trail to be established. This could further be accomplished through, but not limited to:

- A manual system utilizing email receipts, and an excel master listing where each response is recorded. Required updates would be recorded in an excel file, with completed IEP Forms as backup, then continue with preestablished procedures for entry into BOS which populates the IEP List.
- A database system, fed by an online form where link is emailed to new hires or during update request dates. Information captured in an established online portal would be stored in a database for further processing and reporting based upon preestablished procedures.

Each approach would allow for the following:

- Reporting through detailing OAL staff and vendor employees that had or had not responded and allow for follow up with non-respondents.
- Establishing an Audit Trail of receipt of documentation for entry
- Monitoring by appropriate levels of management from the initiation of the process through completion.

(2)(a) Management maintain a completed IEP Form for each employee as backup to the IEP List

(2)(b) Management alter definition of retention date for IEP Forms' from "dispose of after three years" to "dispose of three years after termination."

(2)(c) Management request an updated IEP Form for all current OAL staff and vendor employees that IEP Forms have been disposed of under retention date policies utilized through end of fieldwork, February 4, 2022.

*Management's Response:*

(See attached)

*William C. Miller, CPA*

William C Miller, Internal Auditor



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

**OFFICE OF THE ARKANSAS LOTTERY**

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April 22, 2022

Mr. Chad Miller  
Internal Auditor  
Department of Finance and Administration 1509 W. Seventh Street, 4th Floor  
Little Rock, AR 72201

**RE: Internal Audit re: Claims Center Operations.**

Dear Mr. Miller:

On behalf of the Office of the Arkansas Lottery, thank you for your report regarding the FY22 Claims Center audit. I have reviewed the report with Security Director Angela Springer. The agency's response is set forth herein below, as further evidenced by the attached policy. Your recommendations noted the following areas of concern; immediately following is Management's response.

**Internal Audit Recommendation:** IA recommends: (1)(a) Management designate a specific employee within the Security Department to be responsible for all updates to the IEP list.

**Management's Response:** Management concurs with the recommendation outlined in the Internal Audit Recommendation. OAL Security has designated the IT Security Analyst as the person primarily responsible for maintaining the IEP List. However, the Deputy Director of Security also has the authority to enter IEP information as well. Due to limited staffing, the Security Department engages in "cross training" which allows any security staff member to step in and fill any role/task when necessary. A copy of the OAL Policy is attached hereto and marked as Exhibit "A".

**Internal Audit Recommendation:** IA recommends: (1)(b) policies and procedures be updated to include a regular schedule for requesting updates from existing employees.

**Management's Response:** Management concurs with the recommendation outlined in the Internal Audit Recommendation. OAL will ensure that the IT Security Analyst sends quarterly emails requesting updates from existing employees. A copy of the OAL Policy is attached hereto and marked as Exhibit "A".

**Internal Audit Recommendation:** IA recommends: (1)(c) monitoring procedures be implemented to ensure updates are performed timely and accurately.

**Management's Response:** Management concurs with the recommendation. Please see attached Exhibit "A".

**Internal Audit Recommendation:** Because the IEP list is a "living document", IA further recommends: (2)(a) Management maintain a completed IEP Form for each employee as backup to the IEP list ...

**Management's Response:** Management concurs with the recommendation. Going forward, all IEP Forms are now stored in Laserfiche, which retains all copies of "living documents."

**Internal Audit Recommendation:** IA recommends: (2)(b) original IEP Forms only be removed from the backup file if they are being replaced by updated forms or at the record retention date of three (3) years after termination of employment.

**Management's Response:** Management concurs with this recommendation. OAL will ensure that all versions of each document are permanently retained and stored in Laserfiche and available for forensic review.

**Internal Audit Recommendation:** IA recommends: 2(c) that Management request an updated IEP Form for all current OAL staff and vendor employees that IEP Forms have been disposed of under retention date policies utilized through the end of fieldwork, February 4, 2022.

**Management's Response:** Management concurs. The record retention language in the OAL policy will be revised to read: "three years after termination/separation of employee/vendor."  
A copy of the revised OAL Policy is attached hereto and marked as Exhibit "A".

Please advise if you have any additional observations or guidance regarding OAL's resolution (set forth above) of the identified areas. We are appreciative of the opportunity to respond, as well as the clarifications set out in the amended report.

With kind regards,



J. Eric Hagler  
Executive Director

JEH:

Encl.

cc: Larry Walther, Cabinet Secretary (DFA)  
Alan McVey, Chief of Staff (DFA-Administration)  
Paul Louthian, Deputy Director (DFA-Accounting)  
Rickey Quattlebaum (Inspector General)  
Brent Standridge, Chief Legal Counsel(OAL-DFA)



## 17.0

### Ineligible Players

#### Policy

Refer to House Bill 1302 is now Act 207. This is the bill that redefined the Ineligible player limitations. The Ineligible Player database is a resource for checking all claims to make sure that the person is a legal winner.

SECTION 27. Arkansas Code § 23-115-403(f), concerning the eligibility of the Office of the Arkansas Lottery employee family members to purchase or receive prizes from lottery tickets, is amended to read as follows:

The Office of the Arkansas Lottery shall not pay a lottery prize that exceeds the amount of five hundred dollars (\$500) to any:

- (A) Member of the Office of the Arkansas Lottery;
- (B) Employee of the Office of the Arkansas Lottery; or
- (C) Member of the immediate family of a member of an employee of the Office of the Arkansas Lottery living in the same household as the employee.

The bill is online at

<http://www.arkleg.state.ar.us/assembly/2011/2011R/Bills/HB1302.pdf>

#### Procedure

1. Open the Ineligible Player Hire Date List.xlsx located in LaserFiche under Security Logs and Ineligible Players.
2. Select the appropriate tab at the bottom of the excel form as to where they Ineligible player is employed.
3. Insert a line at the bottom and enter the next IE number in sequence. If the Ineligible player has a spouse or other persons in their household, you will use the same IE Number for each. Make note of the IE Number on this excel form. See \*\*\*\*\*Ineligible Player Numbers\*\*\*\*\* below to ensure the correct number is assigned.
4. Security personnel: Log onto BOS.
5. Go to Claims Mgmt, then Ineligible Claimants.
6. This is the module to which to enter the Ineligible Claims information such as Employee Number, Claimant Name, birth date and zip code. The Employee number should be the same as the Employee number assigned automatically when you select the "Add New Ineligible Player" button.
7. In BOS enter the number assigned in step 3 into the field labeled Employee Number.
8. Make note on the IE Players form the auto generated number in BOS in the Ineligible Number field. This will help search for the entries if they ever need updated.
9. All claims information of Last Name and Birth date is checked against all claims.

If the claim is a positive match, then a "Contact Security" alert comes up and the claim is put on hold. When this alert occurs, security personnel will research the claim and release or deny the claim.





Security will send quarterly emails requesting updates from existing IEP employees/vendors. Security will also send an annual IEP form to be completed by OAL employees/vendors.

All completed IEP forms will be stored in Laserfiche until they meet record retention dates. Which is three years after termination/separation of employee/vendor.



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

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<b>Periodic Review:</b>	2022-11 Instant Ticket Quality	<b>Report Date:</b> April 28, 2022
<b>Report Distribution:</b>	Larry Walther, Secretary Department of Finance and Administration	<b>For Fiscal Year:</b> June 30, 2022
	<u>Office of the Arkansas Lottery</u> Eric Hagler, Executive Director Jerry Fetzer, Chief Fiscal Office Mike Smith, Director of Gaming	

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### **Introduction**

A scheduled periodic review of Instant Ticket Quality reports for fiscal year ended June 30, 2022, has been completed by Internal Audit. The periodic review was conducted in accordance with the Office of the Arkansas Lottery (OAL) Internal Audit Charter, which governs the types and objectives of engagements performed by the OAL Internal Audit function.

### **Background**

On an annual basis, Scientific Games International, Inc. (Scientific Games) selects three instant ticket games produced on behalf of the OAL for independent testing designed to assess the selected tickets' security and durability. Scientific Games compensates the independent lab, Evaluations, Inc. (EVAL), of Reynoldsburg, Ohio, for completing the security and durability tests. Evaluations, Inc. issues three individual reports to the OAL. Each report includes a summary report of its findings, detailed information, and exhibits regarding the selected instant ticket performed.

Evaluations, Inc. was formed as a C-Corp, incorporated in the State of Ohio, December 1994 and opened for business on February 13, 1995. Since opening, they have provided client independent security, integrity, and quality examinations of scratch-off and pull-tab products. Other areas in which they have provided services within the lottery industry include audits of "live" lottery drawings, examinations of all sets and drawing equipment, and quasi-statistical analysis of the randomly drawn numbers for lottery games.

EVAL uses four different subjective ratings for the quality, security, and protective coating characteristics when evaluating instant lottery tickets. The subjective ratings used by EVAL are good, relatively good, fair, and poor. The overall security rating is usually a "balance" of four subcategory ratings. The security subcategories are (1) surreptitious reading, (2) data removal or concealment and replacement alterations, (3) "cut and paste" alterations, and (4) color copier reproduction/alteration. Basic definitions/descriptions of ticket characteristics and test results which would result in the above ratings are provided below. *With respect to "acceptable" as provided for Quality in reports, that would be equivalent to either "good" or "relatively good" as described below.*

## **Background (Continued)**

### ***Good***

With respect to quality, a good rating implies that there are no consistent or readily noticeable flaws throughout the ticket submission.

A good overall security rating would imply that none of the evaluated compromise or alteration methods presented a threat to ticket security, and that all or most of the cover material/paper card stock compromise methods resulted in no data read out.

If the ticket components are not noticeably affected during the various water exposure evaluations (i/e. submersions and water puddling), then the protective coating integrity is usually given a good rating.

### ***Relatively Good***

A relatively good quality rating usually is given when minor, but easily noticeable, quality flaws are present which do not affect ticket security or integrity or data legibility.

With respect to overall security, a relatively good rating may be given if some minor threats are present with respect to ticket security.

Noticeable effects during the various water exposure evaluations, which do not result in the data becoming illegible, typically result in a relatively good rating for protective coating integrity.

### ***Fair***

With respect to quality, a fair rating may be given when numerous minor flaws are present, or when quality flows are present (i.e., in the overprinting) which adversely affect ticket security or integrity, but do not result in a serious threat to security or integrity. In addition, difficult cover removal, severe cover material dusting, and ticket-to-ticket variations in appearance or test results, may result in a fair quality rating.

An overall security rating of fair usually implies that several compromise/alteration methods were considered to present threats to ticket security. While these threats should be taken seriously and corrective action is usually recommended, these threats typically are not "serious." An overall security rating of fair may be assigned, even in the presence of a serious threat, depending on other test results (i.e. a serious threat is present with respect to color copier reproduction, but the surreptitious readout, data removal/concealment and replacement, and "cut and paste" subcategories have good or relatively good ratings).

A fair protective coating integrity rating typically implies that damage to the game data area inks and coatings occurred during the various water exposure evaluations, and some data may not fully legible. The damage may result in a perceived threat to ticket security, but the threat typically is not considered serious.

## **Background (Continued)**

### ***Poor***

A poor quality rating is indicated when quality flaws in the tickets result in some of the following effects: illegible data, cover removal which results in damage to the data, or overprinting flaws which disguise cover material compromise.

Poor ratings are rarely assigned to the overall security category, since this area is defined by four subcategories. However, in the event that a very simple compromise method (which may be accidentally discovered and requires little hands-on time) is highly successful with little or no noticeable ticket damage, the overall security rating may be reported as poor.

With respect to the protective coating integrity, a poor rating is usually assigned when various exposures to liquids result in complete (or nearly complete) loss of legible data and/or removal of the data links with no other noticeable damage, or when cover removal results in damage to the data which causes it to be illegible.

They do not provide a rating for the overall integrity of the tickets but do indicate in the report, and in the report conclusions, if possible, threats to the integrity of the tickets were noted during the evaluation.

## **Purpose, Objectives, and Scope**

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

### **Purpose**

The purpose of this periodic review was to ensure that independent forensic testing reports obtained by the OAL provide reasonable assurance that instant tickets sold by the OAL to the public are secure and durable.

### **Objectives**

Review independent laboratory reports to ensure OAL instant tickets subjected to testing passed all durability and security tests.

### **Scope**

The procedures included reviewing the reports issued by Evaluations, Inc. relative to three (3) instant ticket games submitted to Evaluations, Inc. for testing procedures to ensure they passed all durability and security tests performed. The three (3) instant ticket games tested by Evaluations, Inc. were "Show Me \$5,000" (Game #615), "Quick \$100!" (Game #624), "Black Ice" (Game #637). Given that the review was limited to the reports issued for these games, there were no other games selected, by Scientific Games International, Inc., for testing, after February 14, 2022 (the Evaluations, Inc. report dates).

**Observation and Recommendations**

*Observation #:* 1

*Observation Title:* Results of Evaluation, Inc. Test Procedures

*Internal Audit Observation:* Integrity of Game "Quick \$100!" Game #624 below Good or Relatively Good

**"Show Me \$5,000" Game #615**

The quality of these "Show Me \$5,000" tickets was judged to be acceptable. No quality flaws were identified which adversely affected ticket security or integrity.

The overall security of the "Show Me \$5,000" tickets was judged to be relatively good.

The integrity of the game data area protective coating was judged to be relatively good.

**"Quick \$100!" Game #624**

The quality of these "Quick \$100!" tickets was judged to be acceptable. No quality flaws were identified which adversely affected ticket security or integrity.

The overall security of the "Quick \$100!" tickets was judged to be relatively good.

The integrity of the game data area protective coating was **judged to be fair.**

**"Black Ice" Game #637**

The quality of these "Black Ice" tickets was judged to be acceptable. No quality flaws were identified which adversely affected ticket security or integrity.

The overall security of the "Black Ice" tickets was judged to be relatively good.

The integrity of the game data area protective coating was judged to be relatively good.

"Quick \$100!" Game #624 integrity of the game data area protective coating was judged to be fair. However, Evaluations, Inc. also reported that, "based on the tests performed, on our best judgement and experience and as explained in the enclosed report, these 'Quick \$100!' Game # 624 tickets should be considered acceptable to market to the general public."

Per inquiry of Evaluations, Inc personnel, results could have been the result of either weakened lamps or the speed of the printer during production.

**Observation and Recommendations Continued**

*Observation #: 2*

*Observation Title: Sample Selection*

*Internal Audit Observation: Sample selection process is being performed by Scientific Games, Inc.*

Per Scientific Games, Inc. contract, section 3.3.5, "Ticket Testing – Scientific Games understands that the ALC may arrange for quality, security and bar code testing by an independent laboratory selected by the ALC as deemed necessary. Scientific Games will be responsible for all cost for up to three such tests per year."

As stated in the first sentence of first paragraph under "Background" information in the report, Scientific Games has historically conducted the sampling process as it relates to the games to be independently tested. IA finds independence to be diminished due to the vendor performing the selection. Therefore, IA recommends policies and procedures be designed, documented, and implemented for OAL to perform the sample selection of current games in circulation for further testing. This could be performed within the Gaming Department, within the IA Department, or by both departments working together on the selection.

**Management's Response**

(See Attached)

*William C. Miller, CPA*

William C Miller, Internal Auditor



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

**OFFICE OF THE ARKANSAS LOTTERY**

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Little Rock, Arkansas 72203-3238  
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<http://myarkansaslottery.com>

April 27, 2022

Mr. William L. Miller  
Internal Auditor  
Department of Finance and Administration 1509 W. Seventh Street, 4th Floor  
Little Rock, AR 72201

**RE: Internal Audit re: 2022-11 Instant Ticket Quality.**

Dear Mr. Miller:

On behalf of the Office of the Arkansas Lottery, thank you for your report regarding the FY22 Instant Ticket Quality audit. I have reviewed the report with Gaming Director Mike Smith. The agency's response is set forth herein below, as further evidenced by the attached policy. Your recommendations noted the following areas of concern; immediately following is Management's response.

**Internal Audit Recommendation:** IA recommends: Scientific Games has historically conducted the sampling process as it relates to the games to be independently tested. IA finds independence to be diminished due to the vendor performing the selection of the games to be tested. Therefore, IA recommends policies and procedures be designed, documented, and implemented or OAL to perform the sample selection of current games in circulation for further testing. This could be performed within the Gaming Department, within the IA Department, or by both departments working together on the selection.

**Management's Response:** Management concurs with the recommendation outlined in the Internal Audit Recommendation. OAL Gaming has drafted a procedure designed to address the observation and recommendation outlined in the Internal Audit Report. A copy of the OAL Policy is incorporated herein by reference and attached hereto as Exhibit "A".

Please advise if you have any additional observations or guidance regarding OAL's resolution of the identified areas.

With kind regards,

J. Eric Hagler  
Executive Director

JEH:

Encl.

cc: Larry Walther (DFA)  
Alan McVey (DFA-Administration)  
Paul Louthian (DFA-Accounting)  
Rickey Quattlebaum (Inspector General)  
Mike Smith (OAL-DFA)



## *Process for Instant Ticket Quality Review*

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1. Every year the OAL commissions three instant games for testing to assess the security and integrity/durability. The review is conducted by an independent testing firm, (Currently Evaluations, Inc.). The internal goal for these evaluations is to receive "Relatively Good" or higher ratings on all tests performed.
2. The lottery shall arbitrarily pick the three games; however, the lottery may in certain cases pick one or more game(s) based on customer feedback (i.e. feedback from players: too hard or too easy to scratch, etc.).
3. After receiving the packs for testing from Scientific Games, the independent testing firm will perform all required testing and send testing result reports to the OAL Gaming Director and the OAL Internal Auditor. The OAL Gaming Director will review the reports with the OAL Product Manager that is over Instant game product development and discuss the results of the reports with the OAL Internal Auditor.
4. If all results are "Relatively Good" or better the reports will be archived, and no further action will be required.
5. If any results come back as less than "Relatively Good" and/or there are any concerns with any of the reports, the OAL Gaming Director will work with the Independent testing firm as necessary to get a better understand of the results. The OAL Gaming Director or an OAL Product Manager will bring less than "Relatively Good" test results to the attention of Scientific Games, to determine how this happened, how processes can be improved to ensure results are "Relatively Good" or better, including if any methods or practices need to be changed to ensure tickets printed are of the highest quality.



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**DFA/Office of the Arkansas Lottery**  
**Instant & Fast Play Games**  
**April 2022**

Sales for the following instant games began April 5, 2022. No ending dates have been determined for these games.

**\$1 Tic Tac Extra**

**\$2 Triple 333**

**\$3 Diamond 10X**

**\$5 Double Your Dollars**

**\$10 24K Gold**

Sales for the following instant game began April 19, 2021. No ending date has been determined for this game.

**\$10 Lucky Numbers**

Sales for the following Fast Play games began April 4, 2022. No ending dates have been determined for these games.

**\$1 Fish Finder**

**\$1 Hot Cash**

**Arkansas Department of Finance and Administration  
Office of the Arkansas Lottery  
Requests Received from ADHE  
April 1 through April 30, 2022**

On April 6, 2022, the Office of the Arkansas Lottery received correspondence (attached hereto) from Mr. Nicholas Fuller, Assistant Director for Finance, Arkansas Department of Higher Education ("ADHE) requesting the transfer of thirty-three-million-dollars. Per Mr. Fuller's correspondence, the amount requested is to be utilized to *"fund the first disbursement of scholarships awarded under A.C.A. § 6-85-201 et. seq. for the Spring 2022 semester."*



## Division of Higher Education

423 Main Street, Suite 400 • Little Rock, Arkansas • 72201-3818 • (501) 371-2000 • Fax (501) 371-2001

Johnny Key  
Secretary

Maria Markham, Ph.D.  
Director

April 6, 2022

Mr. Eric Hagler, Director  
Arkansas Scholarship Lottery Commission  
P.O. Box 3238  
Little Rock, AR 72203-3238

Dear Mr. Hagler:

I hereby certify to the Office of the Arkansas Lottery that an estimated thirty-three million (\$33,000,000) in net lottery proceeds will be required to fund the first disbursement of scholarships awarded under A.C.A. § 6-85-201 et. seq. for the spring 2022 semester.

Therefore, I am requesting the amount of thirty-three million (\$33,000,000) be transferred to the Arkansas Division of Higher Education's commercial bank account with First Security Bank by Thursday, March 3, 2022. We will monitor closely and advise if additional requests for net proceeds are needed based on the submissions of the universities and colleges enrollment verification rosters.

If you require additional information or have questions, please contact me at 501.371.2026.

Thank you for your consideration in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Nicholas Fuller', written over a horizontal line.

Nicholas Fuller  
Assistant Director for Finance

**Arkansas Department of Finance and Administration  
Office of the Arkansas Lottery  
ADHE Transfer Analysis**

Month	<u>2022 Transfers</u>	<u>2022 Unclaimed Prizes</u>	<u>Total Transfer</u>	<u>2022 Budget</u>	<u>Over/Under Budget</u>	<u>Cumulative Balance</u>
July, 2021	\$ 8,338,564	\$ 645,750	\$ 8,984,314	\$ 7,025,000	\$ 1,959,314	\$ 1,959,314
August	6,786,604	913,988	\$ 7,700,592	7,105,000	\$ 595,592	\$ 2,554,906
September	9,160,216	126,066	\$ 9,286,282	6,834,000	\$ 2,452,282	\$ 5,007,188
October	7,762,150	127,936	7,890,086	6,789,000	\$ 1,101,086	\$ 6,108,274
November	7,228,778	915,181	8,143,959	6,917,000	\$ 1,226,959	\$ 7,335,233
December	7,405,348	1,069,444	8,474,792	7,459,000	\$ 1,015,792	\$ 8,351,025
January, 2022	7,762,817	1,137,024	8,899,841	7,636,000	\$ 1,263,841	\$ 9,614,866
February	7,464,560	159,264	7,623,824	7,871,000	\$ (247,176)	\$ 9,367,690
March	7,418,364	1,196,759	8,615,123	8,338,000	\$ 277,123	\$ 9,644,813
April	8,059,569	1,055,738	9,115,307	8,143,000	\$ 972,307	\$ 10,617,120
May						
June						
Sub Total	\$ 77,386,970	\$ 7,347,150	\$ 84,734,120	\$ 74,117,000		
Reserve GPW						
Total	<u>\$ 77,386,970</u>	<u>\$ 7,347,150</u>	<u>\$ 84,734,120</u>	<u>\$ 74,117,000</u>		<u>\$ 10,617,120</u>