

**North Carolina Education Lottery
Commission Meeting**

Meeting Minutes
December 16, 2009

Commissioners in Attendance: Robert A. Farris Jr., Chairman
Carla N. Archie
Norwood G. Clark, Jr.
William F. Dowdy
Judge J. Marlene Hyatt
Lawrence M. Spears
Pamela M. Whitaker

Commissioners Participating by Phone: Max O. Cogburn
Bridget-Anne Hampden

Staff in Attendance: Tom Shaheen
Lou Ann Russell
Fenita Shepard
Bill Enlow

The North Carolina Education Lottery Commission meeting was held on Wednesday, December 16, 2009, in the Charles Sanders Conference Room of the NC Education Lottery located at 2100 Yonkers Road, Raleigh, NC.

I. Opening and Approval of Minutes

- Chairman Farris called the meeting to order and reminded everyone of the North Carolina Education Lottery (NCEL) Commission's firm commitment to serve the people of North Carolina by providing funds for education which should truly be additive and supplemental. Chairman Farris reminded Commission members they should notify the Chair of any changes in their statements of economic interest that could bring about potential conflicts of interest, and asked Commission members if any had a known conflict of interest with respect to any matter coming before the Commission at the meeting.

- The minutes of the September 23, 2009 and November 2, 2009 Commission meetings were presented for approval. Commissioner Cogburn moved to approve. Commissioner Whitaker seconded. The motion carried.

II. Audit Committee Report

- Chairman Cogburn reported the Audit Committee received the Financial Audit Executive Summary by Cherry Bekaert & Holland. The NCEL received an unqualified opinion in the audit of the NCEL financial statements, which is the highest opinion given in a financial audit. Cherry Bekaert & Holland found the NCEL to be in accordance with NC General Statutes and that the NCEL's financial statements can be relied upon by third parties. Chairman Cogburn moved to accept the Financial Audit. Commissioner Dowdy seconded. The motion carried.

- Chairman Cogburn presented the Multi-State Lottery Association (MUSL) audit. There were no NCEL risks identified in the report. Three low to medium risk comments in the report were resolved by GTECH as of December 15, 2009. Chairman Cogburn moved to accept the audit. Commissioner Archie seconded. The motion carried.
- Chairman Cogburn reviewed a recommendation from Internal Audit which would give North Carolina vendors a slight preference, similar to HUB vendors, to increase the business the NCEL does in North Carolina in order generate jobs and economic growth in the state. After discussion, no action was taken on the recommendation.
- Chairman Cogburn reported Internal Audit finalized the Instant Ticket Prize Validation, Instant Ticket Inventory, and Contract Compliance audits during the last quarter. The NCEL will not receive a security audit this year since the lottery statute was changed to require a security audit on alternate years from the performance audit. Internal Audit plans to amend the contract with Delehanty Consulting to allow for the SAS 70 audit only for this year.
- Chairman Cogburn presented the Biannual Audit Plan which includes audits proposed for the next two years.
- The Audit Committee conducted the annual review of the Committee Charter and recommended no changes to the current Charter. There being no objections to this, Chairman Farris received the Committee Report as stated by the Committee Chairman.
- The Audit Committee held a closed session to allow the Internal Audit Director a private discussion with the Audit Committee members as required annually by the Charter.

III. Finance Committee Report

- Chairwoman Hampden welcomed Bill Jourdain, the new NCEL Deputy Executive Director of Finance & Administration. Mr. Jourdain is from the New Jersey Lottery where he spent 32 years in finance as director, controller, and most recently as acting executive director.
- Chairwoman Hampden presented highlights from the October Financials. Overall sales increased in October from the previous month by 12 percent. Total revenues earned for the NC Education Fund year-to-date are \$148,285,038.
- Tom Shaheen, Executive Director, presented the FY 2010 Revised Budget. The original projected transfer to the Education Fund provided to the legislature was \$368,070,135. After review of sales through November and the more stabilized economy, the NCEL now projects a transfer of \$419,284,570 to the Education Fund for FY 2010. Chairwoman Hampden moved to adopt the revised budget for FY 2010. Commissioner Dowdy seconded the motion. The motion carried.
- Mr. Shaheen discussed the retailer incentive program and policy which will offer incentives for lottery retailers that meet eligibility requirements and are in good financial standing with the NCEL. The program would be implemented in January 2010. Chairwoman Hampden moved to approve the retailer incentive program. Commissioner Archie seconded the motion. The motion carried.

- Mr. Shaheen presented a recap of the previous Commission meeting where the Commissioners voted to entertain Requests for Proposals (RFP) for the NCEL Professional Advertising and Related Services contract. The RFP was issued 10/1/09 with proposals due to NCEL by 11/16/09. The NCEL received two proposals. The vendors who submitted proposals were Media Power Advertising/BRZoom and Trone Inc. An evaluation committee reviewed and scored the two proposals. The evaluation committee recommended that the executive director recommend Trone Inc. to the Commission as the apparent successful bidder. After discussion, Commissioner Spears moved to authorize the executive director to negotiate a contract with Trone, Inc. at 9 percent or less for NCEL advertising. Chairwoman Hampden seconded the motion. The motion carried.

IV. Operations/Personnel Committee Report

- Chairwoman Archie reviewed the request for an additional full-time Player Communications Representative in the Legislative/Corporate Communications Division to accommodate the additional call volume associated with the launch of Mega Millions. After discussion, Chairwoman Archie moved to approve the request for additional staff. Commissioner Dowdy seconded. The motion carried.
- Chairwoman Archie presented the No Purchase, No Play, No Win Policy. The policy broadens the NCEL's previous policy which prohibits NCEL employees, Commissioners and their households from playing and/or winning lottery in North Carolina. The No Purchase, No Play, No Win Policy restricts NCEL employees, Commissioners, and their immediate households from purchasing or winning any prizes associated with NCEL lottery tickets and any multi-jurisdictional lottery game tickets in other lottery jurisdictions where the NCEL is a participant or member. Chairwoman Archie moved to approve the policy. Commissioner Spears seconded. The motion carried.

V. Executive Director Report

- Mr. Shaheen reviewed the Key Performance Indicators.
- Mr. Shaheen introduced Eddie Burke, Cherry Bekaert & Holland, which has completed the first part of the ALE time and motion study of the services conducted by ALE on behalf of the NCEL. Cherry, Bekaert & Holland is collecting data and will furnish a written report to the NCEL.
- Fenita Shepard, Deputy Executive Director of Legal and Security, reviewed the agreed-upon procedures the NCEL and ALE have agreed to follow. Once NCEL gets the report from Cherry, Bekaert & Holland, a cost will be assigned to the raw data. The NCEL Director of Administration will analyze those numbers and produce a report that will be brought to the Commission.

There being no further business, Commissioner Archie moved to adjourn. Commissioner Spears seconded the motion. The motion carried.