

North Carolina Education Lottery Commission Meeting

Approved Meeting Minutes

Wednesday, March 23, 2011

Commissioners in attendance: Robert A. Farris, Jr, Chairman
William F. Dowdy
Lawrence M. Spears

Commissioners participating by phone: Carla N. Archie
Judge J. Marlene Hyatt

Commissioners not in attendance: Cullie M. Tarleton
Pamela M. Whitaker

Staff in attendance: Alice Garland
Bill Jourdain
Lou Ann Russell
Margaret Bode

The North Carolina Education Lottery Commission meeting was held Wednesday, March 23, 2011, at 1:45 p.m. at the Hilton Greenville Hotel located at 207 SW Greenville Boulevard, Greenville, NC 27883.

I. Opening and Approval of Minutes

- Chairman Farris called the meeting to order and asked the Reverend Father Justin Kerber, Pastor at St. Peter's Catholic Church in Greenville, to give the invocation.
- Chairman Farris 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 also reminded the Commissioners of the April 15 deadline to submit their ethics statement.
- Chairman Farris informed the Commission of a letter of thanks received from a grateful player regarding the recovery of her Cash 5 winnings which a retailer had tried to claim fraudulently. The NCEL Security staff was able to find the rightful winner and award the funds to her.
- Chairman Farris presented the minutes of the December 15, 2010 and February 16, 2011 Commission meetings for approval. Commissioner Dowdy moved to approve both sets of minutes. Commissioner Spears seconded. The minutes were approved.

II. Audit Committee Report

- Commissioner Archie informed the Commission that Internal Audit completed three audits during the quarter:
 - Promotions and Special Events – Inventory balances for promotional materials have increased yearly to meet operational needs. Internal Audit recommended that the Finance Department consider if those inventory balances should be recorded as part of the year-end financials.
 - Instant Ticket Inventory Controls – Relative to the number of tickets being shipped, controls were found to be adequate. Management agreed to some enhanced reporting to improve controls and to detect anomalies earlier.
 - Powerball/Mega Millions – This process is deemed to be adequately controlled due to independent recording and reconciling of transactions with the ICS system.
 - Commissioner Archie also reported Internal Audit is concluding an audit of Retailer Contracts and Tax Reporting. Preliminary planning is underway for audits of Purchasing and Accounts Payable, and Cash, Electronic Funds Transfer and Accounts Receivable.
 - Internal Audit participated with the Security Department in testing the Random Number Generator for the Lucke-Zone drawing and served as the draw auditor for the two drawings held March 16.

- Internal Audit will provide support as necessary for the contracted Security Audit provided bi-annually by Delehanty Consulting. NCEL employees will receive a questionnaire survey via email directly from Delehanty Consulting to be used as part of the risk assessment. Confidentiality in the process is assured and the results are shared with NCEL in summary form only.

III. Operations/Personnel Committee

- Margaret Bode, Senior Director of Human Resources, reported that at the recommendation of the payroll system audit completed in February 2009 and with the Commission's approval, NCEL staff researched payroll information systems that would be more compatible to NCEL operations.
- The NCEL issued a Request for Proposals (RFP) for a Human Resources Information System in January 2011, and received two proposals in early February from Automatic Data Processing, Inc. (ADP) and Kronos, Inc.
- An evaluation committee comprised of Tony Chung, Director of MIS; Hank Beaumont, Recruitment and Training Manager; and Michelle Lassiter, Director of Finance reviewed the proposals.
- In March, the evaluation committee concluded that ADP met the requirements of the RFP and achieved the highest total score in the evaluation process. The evaluation committee recommended that ADP become the NCEL's payroll and human resources system provider. The recommendation was subsequently approved by the Executive Director.

IV. Finance Committee Report

- Bill Jourdain, Deputy Executive Director, Finance, Administration and Security, presented the financials ending January 31, 2011.
- Fiscal year 2011 sales are approximately \$30.1 million ahead of the December 2010 revised budget revenue.
- Net revenue earned for the Education Lottery Fund for the seven months of fiscal year 2011 totals \$237.8 million.
- Mr. Jourdain presented a revised 2011 net revenue projection of \$418 million which is an increase of \$16.3 million above the December 2010 projection of \$402 million.
- Commissioner Spears reported that the Finance Committee approved an increase of \$500,000 in the advertising expenditure budget due to a projected increase in revenues. Based on revenue estimates, the adjusted advertising budget will remain in compliance with the statutory mandate of 1 percent spending level limit of anticipated revenue.

V. Executive Report

- Alice Garland, Executive Director, presented the Key Performance Indicators.
- Ms. Garland introduced Troy Nottingham, President of Bantam Group, Inc., who reviewed the results of the third annual market research among North Carolina Lottery players.
- Lou Ann Russell, Deputy Executive Director, Marketing, Advertising and Communications, presented the Quarterly Marketing/Advertising Update.
- Ms. Garland provided a legislative update on video lottery legislation; legislation to change the formula for disbursing the beneficiary dollars, including focusing the funds on scholarships and school construction; and the More at Four program/Smart Start discussion.
- Chairman Farris reminded the Commission of the May 4 budget meeting in Raleigh, and the upcoming NASPL conference October 25-28 in Indianapolis.

There being no further business, Commissioner Dowdy moved to adjourn. Commissioner Spears seconded the motion. The meeting adjourned.