

NORTH CAROLINA EDUCATION LOTTERY COMMISSION

Meeting Minutes
December 5, 2007

Commissioners in Attendance: John McArthur, Chairman
Secretary Bryan Beatty
Edwin Speas
Max Cogburn
Robert Appleton
Robert Farris
Bridget-Anne Hampton, by phone

Participating NCEL Staff: Tom Shaheen
Robin Diehl
Margaret Bode
Nikki Howard

The meeting was held on Wednesday, December 5, 2007 at 1:00 p.m. in the Dr. Charles Sanders Board Room of the North Carolina Education Lottery Headquarters located at 2100 Yonkers Road, Raleigh, NC.

I. Introduction and Approval of Minutes

Chairman McArthur called the meeting to order and presented the minutes of the September 12, 2007 NC Lottery Commission meeting for approval. There being no changes, Commissioner Appleton moved to approve the minutes. Commissioner Beatty seconded the motion. The minutes were approved.

II. Finance Committee Report

Robin Diehl, Deputy Executive Director, Finance and Administration, reported that Cherry Bekaert & Holland, L.L.P. performed the financial audit under contract with the Office of the State Auditor. Cherry Bekaert & Holland expressed an unqualified opinion on the NC Education Lottery (NCEL) financial statements, which is the highest opinion given in a financial audit. Ms. Diehl reported there were no significant deficiencies or material weaknesses noted during the audit.

Commissioner Hampden reviewed the first quarter 2008 financials. Transfers to the Education Fund for the quarter were over \$75.6 million. Commissioner Hampden reported the NCEL percentages are on target as outlined in the NCEL legislation.

Commissioner Hampden presented a request for two new staff positions that will be responsible for determining whether retailers' facilities are handicap accessible in accordance with the Americans with Disabilities Act. The Personnel Committee has approved the positions. Commissioner Appleton moved to approve the two positions. Commissioner Farris seconded the motion. After further discussion, the motion passed.

III. Audit Committee Report

Commissioner Appleton reported that Eddie Burke of Cherry Bekaert and Holland presented the results of the financial audit and 2007 Year End Financials to the Audit Committee.

Commissioner Appleton informed the Commission that the Internal Auditor has completed the Travel and Motor Fleet Audit and is in the preliminary phase of a fixed asset audit. The Internal Auditor has completed the game end testing for 11 recently ended games. Fifty-five of the 70 Security Audit findings have been closed and reviewed by Internal Audit. The Performance Audit Group from the Office of the State Auditor is no longer on-site and will schedule an exit report at a later date. The Audit Committee anticipates that the performance audit will satisfy the bi-annual performance audit requirement of the Lottery Act.

Commissioner Appleton reported the Audit Committee approved the 2008 Audit Plan, and performed a required annual review of the Audit Committee Charter. The Audit Committee approved the revised Audit Committee Charter with the revision that the Internal Auditor will review all suggestions or complaints relating to ethics, accounting or financial issues that need the attention of the Audit Committee, confer with legal counsel, and report immediately to the Audit Committee Chair. The resolution of the issue will be reported to the Audit Committee. Commissioner Farris moved to approve and adopt the revised Audit Committee Charter. Commissioner Hampden seconded the motion. After further discussion, the motion passed.

IV. Personnel Committee Report

Chairman McArthur invited Margaret Bode, Director of Human Resources, to review clarifications to the Attendance and Leave Policy. Ms. Bode reviewed the policy which was approved by the Personnel Committee, along with language that clarifies which NCEL staff are considered essential personnel and must be present when the NCEL is closed due to inclement weather.

Ms. Bode presented a Recruitment and Selection Policy which combines existing information from the web, the intranet, and the NCEL Policies and Procedures Manual into one document for internal and external job candidates. Commissioner Cogburn moved to approve the Recruitment and Selection Policy. Commissioner Beatty seconded the motion. After further discussion, the motion passed.

V. Executive Director Report

Mr. Shaheen reviewed the Key Performance Indicators. Strong December and January sales are expected to raise quarterly retail sales. Mr. Shaheen discussed the new incentive program for sales representatives to increase the retailer base.

Mr. Shaheen reported the NCEL is considering a mid-day Pick 3 drawing beginning in spring 2008. The mid-day drawing would be Monday through Saturday only.

VI. Other Business

Chairman McArthur recognized Executive Director Tom Shaheen on his two-year anniversary with the NCEL.

There being no further business, the meeting adjourned.