

**North Carolina Education Lottery
Commission Meeting**

Meeting Minutes

June 16, 2010

Commissioners in Attendance: Robert A. Farris Jr., Chairman
Carla N. Archie
William F. Dowdy

Commissioners Participating by Phone: Max O. Cogburn
Bridget-Anne Hampden
Judge J. Marlene Hyatt
Lawrence M. Spears
Pamela M. Whitaker

Commissioner not in Attendance: Norwood G. Clark, Jr.

Staff in Attendance: Tom Shaheen
Alice Garland
Lou Ann Russell
Bill Jourdain
Michelle Lassiter
Deb Doty
Tony Chung
Quan Kirk

The North Carolina Education Lottery Commission meeting was held on Wednesday, June 16, 2010, at 1:00 p.m. 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 requested a moment of silence to remember two NCEL staff members who recently passed away: Wiley Mingia, Compliance Representative, and Calvin Stephens, Charlotte Sales Representative.
- Chairman Farris reminded Commission members that they should notify him of any changes in their statements of economic interest that could bring about potential conflicts of interest, and asked Commission members if anyone had a known conflict of interest with respect to any matter coming before the Commission at the meeting. Hearing none, Chairman Farris proceeded with the Commission meeting.
- The minutes of the March 17, 2010 Commission meeting were presented for approval. Commissioner Dowdy moved to approve. Commissioner Archie seconded. The motion carried.

II. Audit Committee Report

- Commissioner Cogburn reported that the Committee received an update on the status of the Request for Proposals (RFP) for the NCEL financial audit services as conducted by the State Auditor's Office. Proposals are due by June 24 and the State Audit Procurement Team will select the audit firm by early July.

- The NCEL has received three (3) proposals in response to the Performance Audit Services RFP. The responses were from Delehanty Consulting LLC, Deloitte, and WhiteSand Gaming. An evaluation committee awarded points based on established criteria to each of the proposals. Based on the criteria scored, the evaluation committee recommends that the Performance Audit Services Contract be awarded to Delehanty Consulting LLC. After discussion, Commissioner Cogburn moved the Performance Audit Services Contract be awarded to Delehanty LLC. Commissioner Whitaker seconded. The motion passed.
- Internal Audit has finalized three (3) audits during the quarter: Fixed Assets; Travel and Motor Fleet; and Cash, Electronic Funds Transfer and Accounts Receivables. Current processes and controls in place were adequate; however, there were some observations that resulted in suggestions for improvements. Internal Audit is concluding audits of on-line and instant ticket validations and accounts payable. Preliminary planning is underway for an advertising audit.
- Commissioner Cogburn recognized Ms. Howard, Director, Internal Audit, for being selected by the North American Association of State and Provincial Lotteries (NASPL) as the lead auditor for this year's PEER Audit of the Tennessee Lottery.

III. Operations/Personnel Committee Report

- Commissioner Archie, Chair of the Operations/Personnel Committee, stated the Operations/Personnel Committee had no new item to report.

IV. Finance Committee

- Commissioner Hampden, Chair of the Finance Committee, was not available to give the Finance Committee Report. Chairman Farris invited Bill Jourdain, Deputy Executive Director, Finance & Administration, to give the financial report.
- Mr. Jourdain introduced Michelle Lassiter, Finance Director, to the Commission members. Ms. Lassiter was a member of the original NCEL start-up team, and returns to the NCEL from the Department of Health and Human Services.
- Mr. Jourdain submitted the Fiscal Year 2011 Budget for consideration. The budget projects net revenues of \$441 million to the Education Lottery Fund. After review and discussion, Commissioner Dowdy moved to approve the proposed Fiscal Year 2011 Budget. Commissioner Archie seconded. The motion passed.
- Deborah Doty, Deputy Executive Director, MIS and Gaming Systems, provided an overview of the current Wide Area Network contract with Time Warner which is for three (3) years with four (4) one-year extensions. Time Warner has proposed a one-year renewal pricing proposal, and a four-year extension pricing proposal at a savings of \$109,000 over the four (4) years as opposed to four (4) one-year extensions. Tony Chung, MIS Director, stated that it is very important that the NCEL has the ability to maintain uninterrupted operations 24/7. Time Warner Cable owns the entire fiber optic infrastructure. The NCEL is satisfied with Time Warner's service thus far. Commissioner Whitaker moved to extend the Time Warner Wide Area Network Contract Extension based upon the four-year pricing proposal. Commissioner Hyatt seconded. The motion passed.

V. Executive Director Report

- Mr. Shaheen reviewed the Key Performance Indicators.
- Alice Garland, Deputy Executive Director, Legislative and Corporate Communications, presented an update on legislative action of interest to the NCEL including the state budget. Ms. Garland provided an explanation on a procurement bill which could have adversely affected the NCEL's operation; however, changes to the procurement bill were made to fulfill the NCEL's operational needs. Ms. Garland also provided information on the video gaming issue.
- Quan Kirk, Senior Director of Legal, provided a legal update.

- In response to the Commission's request in a prior meeting, Lou Ann Russell, Deputy Executive Director, Marketing & Advertising, presented an action plan addressing five (5) key findings from the NCEL FY2010 consumer market research. Ms. Russell also provided a calendar of events and sports marketing sponsorships for the new fiscal year.

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