

**North Carolina Education Lottery
Commission Meeting**

Meeting Minutes

Thursday, September 22, 2011

Commissioners in Attendance: Robert A. Farris, Jr. Chairman
Carla N. Archie
Barry Z. Dodson
Judge J. Marlene Hyatt
Fern Shubert
Lawrence M. Spears
Cullie M. Tarleton
Pamela M. Whitaker

Commissioner not in Attendance: William F. Dowdy

Staff in Attendance: Alice Garland
Bill Jourdain
Lou Ann Russell
Quan Kirk
Van Denton

The North Carolina Education Lottery Commission meeting was held Thursday, September 22, 2011, at 8:30 a.m. in the Cape Fear Ballroom of the Hilton Riverside Hotel located at 301 North Water Street, Wilmington, NC 28401.

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 introduced Sister Catherine who gave an invocation, and welcomed new Commissioners Fern Shubert and Barry Dodson.

Chairman Farris presented the minutes of the June 22, 2011 and August 9, 2011 NCEL Commission meetings for approval. There being no changes to the minutes, Commissioner Tarleton moved to approve. Commissioner Hyatt seconded the motion. The minutes were approved.

II. Audit Committee Report

Commissioner Archie presented the GTECH SAS 70 Report performed by Cherry Bekaert & Holland. There were no relevant exceptions resulting from the testing of transactions from December 1, 2010 through May 31, 2011.

Commissioner Archie informed the Commissioners that:

- The bi-annual Security Audit resulted in 14 recommendations and 10 suggestions. Of the 14 recommendations, 9 are closed, 2 are partially closed, and 3 remain open. Three of the suggestions are currently open. Internal Audit will continue to follow up and report on the implementation of the remaining recommendations until they are all closed.
- Cherry Bekaert & Holland has been on-site to conduct the annual Financial Audit contracted through the Office of the State Auditor. The final report will be included in the December Audit Committee report.

- Internal Audit finalized two audits in the last quarter which include (i) Cash, Electronic Funds Transfer and Accounts Receivable and (ii) Purchasing P-Cards and Accounts Payable.
- End of game processing for 22 games which ended in June and August was completed.
- Internal Audit performed the monthly reconciliation of ticket reconstructions, participated with Security in random number generator drawings for the Lucke-Zone drawings and served as draw auditor for three drawings held during the last quarter.
- The Audit Committee Charter was revised to indicate the Audit Committee will be invited, but is not required, to attend audit exit conferences.

III. Operations/Personnel Committee Report

Commissioner Whitaker presented draft revisions to Policy 4.11 Paid Time Off for Non Directors.

The revisions include:

- Changing the calculation method for prorated paid time off (PTO) for newly hired employees to round up to the closest half-hour which will avoid small incremental PTO amounts that are impossible to use.
- Clarifying that separating employees below the Director level will be paid for their entire accrued PTO leave balance as of their last day of employment, provided they have completed one year of employment; and, that separating employees be allowed to accrue PTO leave for their last month worked if they physically work the last work day of the month.

Commissioner Whitaker moved to approve the revisions to Policy 4.11 Paid Time Off for Non Directors. Commissioner Archie seconded the motion. The motion passed.

IV. Finance Committee Report

Commissioner Spears presented the July 2011 Financials. Net revenue earned for the State for North Carolina in July 2011 totaled \$36.3 million, an increase of \$3.2 million over July 2010.

Commissioner Spears advised the Commissioners of the Player Reward Program evaluation and recommendation. Proposals were received from five vendors: MDI Entertainment; Alchemy3; BI MarketSmart; GTECH Corporation; and ePrize. An evaluation committee reviewed and assigned points to each proposal on areas of technical requirements/scope of service, background experience/capabilities, financial viability/ability to perform contract, minority participation, and cost/price. It is the unanimous assessment of the evaluation committee that MDI Entertainment offers the most comprehensive program meeting the RFP specifications. After discussion, Chairman Spears moved that MDI Entertainment be selected as the apparent successful contractor pending further negotiations with MDI on prize content. The negotiated terms will be presented to the Commission no later than the next quarterly meeting to determine Contract award. Commissioner Shubert seconded the motion. The motion passed.

V. Executive Report

Alice Garland, Executive Director, presented the Key Performance Indicators.

Bill Jourdain, Deputy Executive Director of Finance, Administration and Security, presented FY 2011 Unaudited Revenue Statements and History to Date Numbers from start-up to June 30, 2011.

Lou Ann Russell, Deputy Executive Director, Marketing, Advertising and Communications, presented the First Quarter Marketing and Advertising Update. Ms. Russell presented the new Wheel of Fortune game commercial, four new beneficiary commercials, and the advertising for the new Carolina Gold instant scratch-off ticket.

Quan Kirk, Senior Legal Director, presented changes to the Minority Business Outreach Plan. The changes bring the Plan in line with State definitions and requirements, and provide resources for minority-owned businesses to work with major vendors of the NCEL. After discussion,

Commissioner Dodson moved to amend the Minority Business Outreach Plan as presented. Commissioner Tarleton seconded the motion. The motion was approved.

Van Denton, Director of Corporate Communications, presented the NCEL's responsible gaming initiatives. The NCEL is participating in the World Lottery Association's Responsible Gaming Principles and Responsible Gaming Framework which facilitates responsible gaming.

Ms. Smith Worth from the Department of Health and Human Services presented the Annual Update on the North Carolina Problem Gambling Program.

Ms. Garland provided to the Commissioners the Action Items for the Commission in the NCEL Strategic Plan. Ms. Garland requested that the Commissioners review the Action Items and bring to the December Commission meeting any recommended changes.

Chairman Farris requested a motion to move into closed session according to NC Statute 143-318.11(a)(3) to consult with an attorney and preserve the attorney-client privilege. Commissioner Archie moved to go into closed session. Commissioner Hyatt seconded the motion. The motion passed and the meeting moved into closed session.

After returning to open session, there being no further business, Commissioner Tarleton moved to adjourn. Commissioner Whitaker seconded. The motion passed and the meeting adjourned.

Robert A. Farris, Jr., Chairman

Date