

**OKLAHOMA LOTTERY COMMISSION  
BOARD OF TRUSTEES**

**Minutes of Meeting  
August 29, 2005  
1:30 PM**

**Members present:**

Mr. Ron Norick  
Mr. Thomas Riley, Jr.  
Mr. Jim Orbison  
Mr. George R. Charlton, Jr.  
Ms. Cindy Ball

**Members Absent:**

Mr. William Paul  
Dr. Linda Dzialo

**Others attending:**

Jim Scroggins - Executive Director of Lottery Commission  
Rollo Redburn - Lottery Commission  
Beverly Hughes - Lottery Commission  
Jerry Havener - Lottery Commission  
Penny Nicholson - Lottery Commission  
Gay Tudor - Office of the Attorney  
Franklin Jay Kivel  
Pat Hall - Scientific Games  
Kevin Wright - S.A. & I.  
Steve Jones - Excell Products  
Mike Payne - Eide Bailly  
Rhonda Hooper - Jordan and Associates  
Houston Hamit - Jordan Associates  
Mike Wilkinson - Jordan Associates  
Philip Baker - Lotto Partners  
Chad Stalcup - Lotto Partners  
Brent McCutchen - Lotto Partners  
Armand Paliotta - Hartzog, Conger, Cason & Neville  
Charlie Scannella - Scientific Games  
Jake Reed – Scientific Games  
Allen Blankinship – Scientific Games  
Angie Atsmvich – GIT/Capitol Network News  
Bobby Stem – G-Tech  
Janice ?? – Journal Record

## **ITEM 1**

### **Call to Order: Roll Call and announcement of quorum.**

Roll Call: Mr. Orbison, Mr. Norick, Mr. Riley, Mr. Charlton and Ms. Ball were present. Dr. Dzialo and Mr. Paul were absent. A quorum was declared.

## **ITEM 2**

### **Announcement of filing of special meeting notice and posting of the agenda in accordance with the Open Meeting Act.**

Posting of Special Meeting Notice and Agenda were confirmed, in accordance with the Open Meeting Act.

## **ITEM 3**

### **Approval of Minutes of the August 9, 2005 Special Meeting.**

Mr. Norick moved for the approval of the minutes with any necessary amendments. Mr. Charlton seconded the motion. In discussion, Mr. Orbison requested one correction to the minutes of the August 9<sup>th</sup> special meeting. On page two, first full paragraph, the words “for legal services” were inserted between “contract” and “exceeding,” so the phrase reads “...for contracts for legal services exceeding \$20,000...”

Roll call: Mr. Norick, Mr. Charlton, Mr. Riley, and Mr. Orbison voted to approve. Ms. Ball abstained. Motion was carried.

## **ITEM 4**

### **Executive Director’s Report.**

Mr. Scroggins introduced meeting attendees Charlie Scannella, Jake Reed, and Allen Blankinship of Scientific Games and gave a brief summary of their activities and progress to date.

Mr. Scroggins updated the Board on the progress of the remodeling of the Lottery Commission offices.

Mr. Scroggins reported the Lottery Commission had hired Daryl Nash as Head of Retail Contracts and Bonding, Stan Van Ostran as Comptroller, Natalie Holloway as administrative assistant to Beverly Hughes, Mary Martha Hall as Corporate Accounts Manager, and Jay Finks as Advertising Promotions Manager. He stated that interviews for the position of Internal Auditor would be completed on Wednesday, August 31<sup>st</sup> and he hoped to fill the position of Security Director soon.

Mr. Scroggins reported the completion of the purchase of the Missouri Lottery equipment for \$10,000 plus \$2,163.05 for shipping. He stated the equipment should be delivered tomorrow (8/30) afternoon. He stated that the cost of purchasing new equipment would have been approximately \$150,000.

Mr. Scroggins stated he was continuing to work on the Rules, and that a draft had been sent to other staff and the members of the Board for their comments or suggestions. Ms. Ball stated she had noted some suggestions on her copy of the draft and would provide them to Mr. Scroggins after the meeting.

On other RFP's, Mr. Scroggins stated he expected to receive proposals for the draw studio and the draw auditor this Friday (9/2). He stated the proposals for internal controls would be discussed later in the agenda. He stated that plans for the façade of the Lottery Commission Offices should be available for the next Board meeting, and would be sent to the Board members if they were available sooner.

Mr. Norick asked Mr. Redburn if permits had been obtained, and Mr. Redburn stated that they had. Mr. Orbison thanked Mr. Norick for his assistance in obtaining permits.

#### **ITEM 5**

#### **Proposed Executive Session to discuss Requests for Proposals for advertising and marketing support services pursuant to 25 O.S. 307(B)(7), 51 O.S. 24A.10(B)(1) and OAC 580:15-2-7.**

Mr. Charlton made a motion to convene the Executive Session. Mr. Norick seconded the motion. In discussion, Mr. Norick asked Gay Tudor about the difficulties encountered announcing the contract award for online and instant games. Ms. Tudor explained that in order to comply with all the rules and statutes of DCS and the Open Meeting Act, the system of referring to vendors as "A" or "B" and waiting for official confirmation from DCS was necessary. Mr. Redburn stated the contract award information would be posted on the Lottery Commission website ([www.lottery.ok.gov](http://www.lottery.ok.gov)) as soon as possible, probably this afternoon.

Roll call: Mr. Norick, Mr. Charlton, Ms. Ball, Mr. Riley, and Mr. Orbison voted to approve. Executive Session was convened.

#### **ITEM 6**

#### **Discussion and Possible Action on Requests for Proposals for advertising and marketing support services discussed in Executive Session.**

Mr. Charlton made a motion that "Vendor C" be awarded the contract for advertising. Mr. Norick seconded the motion.

Roll call: Mr. Norick, Mr. Charlton, Ms. Ball, Mr. Riley, and Mr. Orbison voted to approve. Motion was carried.

#### **ITEM 7**

#### **Discussion and possible action on Requests for Proposals for financial and audit services.**

Mr. Scroggins explained that invitations were sent out to potential vendors to attend a bidder's conference during which the requirements of the Lottery Commission for internal procedures setup and annual audit were described. In response to the meeting, three proposals were submitted to the OLC.

Mr. Scroggins described the process used to evaluate the proposals, and stated that Cole and Reed was the firm the evaluation committee recommended to the Board. Mr. Charlton asked who would be the lead person from Cole and Reed, and was told it would be Mike Gibson.

Mr. Riley made a motion to approve the hiring of Cole and Reed to perform the annual audit for the Lottery Commission. Mr. Norick seconded the motion.

Roll call: Mr. Norick, Mr. Charlton, Ms. Ball, Mr. Riley, and Mr. Orbison voted to approve. Motion was carried.

#### **ITEM 8**

**Discussion and possible action on Requests for Proposals for development of internal controls.**

Mr. Scroggins stated that no proposals for the development of internal controls were submitted. He suggested the KPMG be hired to develop internal controls. Mr. Scroggins stated that KPMG had worked with lotteries in other states, which should assist them in timely development of procedures

Discussion was held on what procedure to follow when proposals had not been submitted. Ms. Tudor stated that since it was not a DCS controlled contract, it would be proper to follow whatever procedure the Lottery Commission and Board deemed fair and reasonable.

Mr. Norick made a motion to authorize Mr. Scroggins to obtain a signed letter from KPMG stating the cost and scope for setting up internal control procedures. Mr. Riley seconded the motion.

Roll call: Mr. Norick, Mr. Charlton, Ms. Ball, Mr. Riley, and Mr. Orbison voted to approve. Motion was carried.

**ITEM 9**

**Discussion and possible action on participation in multi-state lotteries.**

Mr. Scroggins reported that Megamillions was declining to add any more new states at this time. He stated that on August 23<sup>rd</sup> a letter was received approving the Oklahoma Lottery for participation in Powerball, subject to verification of proper security procedures being in place at the Oklahoma Lottery Commission. Ms. Ball asked about the time frame for start-up with Powerball, and Mr. Scroggins replied that Scientific Games would be ready for Online Game sales by November 10<sup>th</sup>, and would be ready to start Powerball right after the first of the year. Ms. Ball made a motion to approve the Oklahoma Lottery Commission to join Powerball. Mr. Norick seconded the motion.

Roll call: Mr. Norick, Mr. Charlton, Ms. Ball, Mr. Riley, and Mr. Orbison voted to approve. Motion was carried.

**ITEM 10**

**Discussion and possible approval of proposed operational budget to present to the Office of State Finance and the State Auditor and Inspector for informational purposes only to comply with Title 3A, Section 733, paragraph (6).**

Prior to discussion of this item, Mr. Scroggins made an announcement that DCS had approved Vendor "C" for the advertising contract, and that he was now free to reveal that vendor "C" was Jordan and Associates.

Mr. Redburn provided members of the Board and Mr. Scroggins with copies of the proposed FY 07 Lottery Commission Budget. Mr. Riley stated that projected budgets had to be submitted to the State by October 1<sup>st</sup>, and that income projections were required by lenders. Discussion was held regarding income and cost projections.

Mr. Norick made a motion to approve the operational budget. Mr. Charlton seconded the motion.

Roll call: Mr. Norick, Mr. Charlton, Ms. Ball, Mr. Riley, and Mr. Orbison voted to approve. Motion was carried.

## **ITEM 11**

### **Discussion and Possible Action Regarding Budget Projections, Expenditures and Approval of Budget.**

Mr. Scroggins reported that as of this morning (8/29) \$228,656 remained of the initial \$500,000 allotment made to the Lottery Commission.

Mr. Scroggins stated that at this time approximately 11 staff members had been hired, and that he estimated there would be 15 or 20 on staff by the time of the start of ticket sales on October 12<sup>th</sup>. He stated that Scientific Games anticipated 97 full-time staff members in Oklahoma City, the majority of which would be hired locally.

Mr. Riley asked where we stood with retailer applications. Mr. Scroggins replied they were somewhat slow coming in due to the fact that retailers were being asked to supply a lot of information. He stated that OLC and Scientific Games staff members were currently attempting to contact retailers and encourage them to submit their applications.

## **ITEM 12**

### **Scheduling of Next Special Meeting.**

The next special meeting of the Oklahoma Lottery Board of Trustees is scheduled for September 13<sup>th</sup> at 1:30 in the Governor's Conference Room. Mr. Scroggins stated that the September 13<sup>th</sup> meeting should conclude the RFP process. He stated that proposals for the online games drawing studio and online games drawing audit firm would be submitted by Friday (9/2) at 3:00 pm and he would forward the information to the Board members as soon as possible. Recommendations on these RFPs would be made to the Board at the 9/13 meeting.

## **ITEM 13**

### **Adjournment.**

Mr. Orbison made a motion to adjourn the meeting and Mr. Norick seconded the motion.

Roll call: Mr. Norick, Mr. Charlton, Ms. Ball, Mr. Riley, and Mr. Orbison voted to approve. Motion was carried and the meeting was adjourned.

Submitted by:

---

George Charlton, Acting Secretary

---

James Orbison, Chairman

