

Oklahoma Lottery Commission
Minutes of Regular Meeting
March 17, 2009 – 1:30 p.m.

Members Present:

Mr. William G. Paul, Chairman
Mr. George Charlton, Vice-Chairman
Ms. Charlotte Edwards, Treasurer
Ms. Cindy Ball, Trustee
Mr. James Orbison, Trustee

Members Absent:

Mr. Blake Virgin, Trustee

Others Present:

Jim Scroggins, OLC	Allen Blankinship, SGI
Rollo Redburn, OLC	Rhonda Hooper, Jordan Associates
Terri Jackson, OLC	Michael McNutt, The Oklahoman
Carl Selby, OLC	Kelly Bounds, eCapitol.net
Gay Tudor, AG's Office	

ITEM 1

Call to Order. Roll Call and Announcement of Quorum

Mr. Paul called the meeting to order at 1:34 p.m.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Ms. Charlotte Edwards, Mr. James Orbison, and Mr. William G. Paul were present. Mr. Blake Virgin was absent. Mr. Paul declared a quorum.

Mr. Paul announced that Mr. Thomas Riley has resigned from the Board. Mr. Paul stated that Mr. Riley made a huge contribution to the start up of the Oklahoma Lottery and his services will be greatly missed.

Mr. Paul stated he and Mr. Charlton have received their Order of Appointment as members of the Oklahoma Lottery Commission Board of Trustees for a five year term. No Senate confirmation has been received.

ITEM 2

Announcement of Filing of Regular Meeting Notice and Posting of the Agenda in Accordance With the Open Meeting Act

Posting of Regular Meeting Notice and Posting of the agenda were confirmed, in accordance with the Open Meeting Act.

ITEM 3

Approval of Minutes of the December 9, 2008 Regular Meeting

Ms. Ball made a motion to approve the minutes of the December 9, 2008 regular meeting. Ms. Edwards seconded the motion.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Ms. Charlotte Edwards, Mr. James Orbison and Mr. William G. Paul voted to approve the motion. The motion carried.

ITEM 4

Executive Director's Report

Mr. Scroggins stated sales and profit figures are on track with the figures provided to the Board of Equalization in December for FY09 of \$191 million in total sales and \$69.2 million in transfers to the Oklahoma Education Lottery Trust Fund (OELTF). Year to date transfers to OELTF are \$44.4 million, inception to date the total transferred is \$254.3 million.

Mr. Scroggins stated that the Arkansas lottery has a one hundred twenty (120) page bill currently in the Arkansas legislature. The bill has an emergency clause stating once the bill is signed by the Governor, a nine member commission is to be announced within thirty (30) days and the first meeting is to be scheduled within forty five (45) days from the date of signing, suggesting sales could start in January 2010.

ITEM 5

Report of Audit and Finance Committee

Mr. Paul stated that Mr. Riley held the Chair position of the Audit and Finance Committee with Mr. Orbison and Ms. Ball as members. The Board of Trustees By-laws state "appointment by the Chair of the members of each committee and the Chair thereof must be approved by the Board." Mr. Paul stated he has asked Mr. Orbison to serve as the chair of the Audit and Finance committee, and he has accepted, subject to a vote of the full Board at the next Board meeting. The Statutes state the Board must have one member engaged in the practice of accounting, so Mr. Riley's successor should be a CPA. Once the new member is appointed, Mr. Paul will appoint them to the Audit and Finance Committee.

Mr. Orbison stated the Audit and Finance Committee met today prior to the Board Meeting. Those in attendance were Carl Selby, OLC Comptroller, Lester LaPorte, OLC Internal Auditor, Mr. Redburn, OLC Director of Administration and Board members; Mr. Orbison, Ms. Ball and Mr. William Paul. The committee discussed the quarterly audit report and year to date financial statements. The committee reviewed the transfers made to the OELTF, which now totals over a quarter of a billion dollars. The staff is not aware of any problems or concerns. In the future, transfers to the OELTF will decrease as long as the 35% profit restriction is in place. Currently funds exist to meet all FY09 obligations.

Ms. Ball stated that sales were down approximately 2% year to date, which seems minimal with the current economic state.

ITEM 6

Discussion and Possible Action Regarding Plans to Address the 35% Profit Restriction in the Current Lottery Act

Mr. Scroggins stated the OLC staff sent letters, made calls and were unable to obtain any positive feedback from the legislature concerning the elimination of the profit restriction in the current Lottery Act. Mr. Paul urged Board members to speak with their district Senator and Representative to engage assistance. Mr. Paul said he would seek an appointment with Senator Halligan to discuss the issue.

Ms. Edwards stated that to date the legislature has appropriated lottery funds for salaries and other recurring expenses and those appropriations can not be made again if the lottery is unable to transfer as much to OELTF due to the profit restriction. With the current state budget shortages the legislature may have a difficult time funding these appropriations. If they are responsible they will see to it the profit restriction is removed.

ITEM 7a

Discussion and Possible Action Regarding Contract Renewals or Extensions Outside Legal Services (Andrews Davis)

Mr. Scroggins stated the Andrews Davis contract is currently up for renewal. The contract is for legal services in the event the Attorney General's office is unable to assist. To date the services of Andrews Davis have not been utilized. The OLC staff recommends the contract be renewed for another year.

A motion was made by Mr. Orbison to renew the contract with Andrews Davis for another year. The motion was seconded by Ms. Edwards.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Ms. Charlotte Edwards, Mr. James Orbison and Mr. William G. Paul voted to approve the motion. The motion carried.

ITEM 7b

Discussion and Possible Action Regarding Contract Renewals or Extensions Legal Services (Attorney General)

Mr. Scroggins stated the Attorney General's contract is currently up for renewal. Gay Tudor, from the Attorney General's office, continues to provide excellent service. Annual contract cost is \$28,000. Ms. Tudor has indicated that if there is an increase, it would be less than \$1,000 per year. The staff recommends renewing the contract for another year beginning July 1, 2009.

Ms. Tudor thanked the Board members and staff for their confidence in the Attorney General's office. Ms. Tudor said she has been impressed with the diligent work and focus of the Board and staff.

A motion was made by Ms. Ball to renew the contract with the Attorney General's office for another year. The motion was seconded by Mr. Charlton.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Ms. Charlotte Edwards, Mr. James Orbison and Mr. William G. Paul voted to approve the motion. The motion carried.

ITEM 7c

Discussion and Possible Action Regarding Contract Renewals or Extensions External Auditor (Cole & Reed)

Mr. Scroggins stated the contract for Cole & Reed, external financial auditors, is due for renewal. Cole & Reed continues to be extremely helpful and cooperative in preparing annual financial statements. Annual contract amount is \$35,000. The staff recommends the contract be renewed for another year beginning June 1, 2009.

A motion was made by Ms. Edwards to renew the contract with Cole & Reed for another year. The motion was seconded by Mr. Orbison.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Ms. Charlotte Edwards, Mr. James Orbison and Mr. William G. Paul voted to approve the motion. The motion carried.

ITEM 7d

Discussion and Possible Action Regarding Contract Renewals or Extensions HR and Payroll Processing Services (Office of State Finance)

Mr. Scroggins stated the contract for Office of State Finance (OSF) is up for renewal. Previously OSF handled Human Resources and payroll needs eliminating the need for an additional full-time employee. However, last year OSF reduced the services they provide which were absorbed by OLC staff. OSF will continue to provide payroll processing. The current contract amount is \$16,000 annually. The OLC staff recommends a one year renewal for the OSF contract beginning July 1, 2009.

A motion was made by Mr. Charlton to renew the contract with OSF for another year. The motion was seconded by Ms. Ball.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Ms. Charlotte Edwards, Mr. James Orbison and Mr. William G. Paul voted to approve the motion. The motion carried.

ITEM 7e

Discussion and Possible Action Regarding Contract Renewals or Extensions Draw Auditing Services (Wright, McAfee and Company)

Mr. Scroggins stated that Wright McAfee audits our online drawings for Pick 3 and Cash 5. The purpose for the auditor is to ensure the written procedures for executing each drawing are followed exactly. They are required to be at the studio seven evenings a week, 365 days a year. Annual contract amount is \$52,000. Mr. Scroggins and the lottery staff would like to recommend that the contract be renewed for an additional year beginning July 1, 2009.

A motion was made by Ms. Edwards to renew the contract with Wright, McAfee and Company for another year. The motion was seconded by Mr. Orbison.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Ms. Charlotte Edwards, Mr. James Orbison and Mr. William G. Paul voted to approve the motion. The motion carried.

ITEM 7f

Discussion and Possible Action Regarding Contract Renewals or Extensions Advertising Services (Jordan Associates)

Ms. Ball stated the current advertising commercials stating the use of lottery funds are very informative and positive.

Mr. Scroggins explained that Jordan Associates places our media, develops ads and point of sales materials, assists in public relations and strategic planning. Jordan Associates continues to be an excellent partner. The current contract expires August 28, 2009. The Department of Central Services has advised OLC that it is okay to extend through December 31 in order to get the contract on a calendar year basis. The staff would like to recommend the Board extend the current contract through December 31, 2009. A re-bid for advertising services will take place in the fall.

A motion was made by Mr. Charlton to extend the contract with Jordan Associates through December 31, 2009. The motion was seconded by Mr. Orbison.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Ms. Charlotte Edwards, Mr. James Orbison and Mr. William G. Paul voted to approve the motion. The motion carried.

ITEM 7g

Discussion and Possible Action Regarding Contract Renewals or Extensions Gaming Services (Scientific Games International)

Mr. Scroggins stated that Scientific Games International is the game system vendor for the Oklahoma Lottery and a great partner. Mr. Scroggins and the lottery staff would like to recommend that their contract be renewed for an additional year to begin August 9, 2009.

A motion was made by Mr. Orbison to renew the contract with Scientific Games for another year. The motion was seconded by Ms. Edwards.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Ms. Charlotte Edwards, Mr. James Orbison and Mr. William G. Paul voted to approve the motion. The motion carried.

ITEM 8

Discussion and Possible Action to Fill the Vacant Office of Secretary for the Lottery Commission Board of Trustees from the Membership

Mr. Paul stated the by-laws of the Board of Trustees states "in the event of a vacancy in the office of Vice Chair, Secretary or Treasurer, the Chair may appoint from among the Board of Trustees a person to serve as such officer in the vacant office until election of a successor to that office." Mr. Riley, who was currently serving as Secretary of the Board, has resigned and Mr. Paul recommends Mr. Blake Virgin to the office of Secretary.

A motion was made by Ms. Edwards to elect Mr. Blake Virgin as Secretary of the Board of Trustees. The motion was seconded by Mr. Orbison.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Ms. Charlotte Edwards, Mr. James Orbison and Mr. William G. Paul voted to approve the motion. The motion carried.

ITEM 9

Discussion and Possible Action Regarding Remaining Calendar Year 2009 Meeting Dates for the Lottery Commission Board of Trustees

Mr. Scroggins stated there is a conflict with the September 15, 2009 regularly scheduled meeting date.

A motion was made by Mr. Charlton to change the regularly scheduled meeting on September 15, 2009 to September 22, 2009. The motion was seconded by Mr. Orbison.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Ms. Charlotte Edwards, Mr. James Orbison and Mr. William G. Paul voted to approve the motion. The motion carried.

ITEM 10

New Business

Mr. Paul stated the Board has no new business at this time.

ITEM 11

Adjournment

With no additional business, Mr. Charlton made a motion to adjourn. The motion was seconded by Ms. Ball.

Roll Call: Ms. Cindy Ball, Mr. George Charlton, Ms. Charlotte Edwards, Mr. James Orbison and Mr. William G. Paul voted to approve the motion. The motion carried and the meeting adjourned at 2:46 p.m.

At the June 9, 2009 regular meeting Mr. Charlton made a motion to approve the March 17, 2009 meeting minutes. The motion was seconded by Mr. James Orbison. Ms. Cindy Ball, Mr. George Charlton, Ms Charlotte Edwards, Mr. James Orbison and Mr. William G. Paul voted to approve the minutes. Mr. Blake Virgin abstained.