

**Oklahoma Lottery Commission
Minutes of Meeting
Tuesday, January 17, 2006 – 1:30 p.m.**

Members Present:

Mr. Orbison, Chairman	Ms. Ball
Dr. Dzialo, Secretary	Mr. Charlton
Mr. Riley, Treasurer	Mr. Paul

Member(s) Absent:

Mr. Norick, Vice-Chairman

Others Present:

Bobby Stem, G-Tech	Tony Thornton, The Oklahoman
Allen Blankinship, SGI	Pat Hall, SGI
Gay Tudor, Attorney General's Office	Barbara Hoberoch, Tulsa World

ITEM 1

Call to Order. Roll Call and Announcement of Quorum

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

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 Agenda were confirmed, in accordance with the Open Meetings Act.

ITEM 3

Approval of Minutes of the December 13, 2005 Special Meeting

Dr. Dzialo made a motion to approve the minutes of the December 13, 2005 Special Meeting. Ms. Ball seconded the motion.

Roll Call: Mr. Orbison, Dr. Dzialo, Ms. Ball, Mr. Charlton and Mr. Paul voted to approve the minutes. Mr. Riley abstained. Motion was carried.

ITEM 4

Executive Director's Report

Mr. Scroggins stated that he had sent each Board member a copy of the press release regarding the first transfer of funds to the State lottery fund. He clarified that the transfer was made based upon *collected* sales, whereas sales figures were based on both funds collected for ticket sales and the uncollected funds from activated but unsettled ticket packs.

Mr. Scroggins told the Board members that the \$10,000 winning ticket had been sold at the Kum and Go store in Jenks, Oklahoma.

Mr. Scroggins distributed copies of the most recent Combined Sales Report, which showed \$4,468,573 in total sales for week fourteen. He pointed out that even with

the start-up of Powerball sales, Pick 3 showed an increase in sales from the previous week. He stated that Powerball sales were \$1,688,935, of which \$1,368,113 was for the drawing held Saturday night and the remainder for future draws. He noted that while 17.5% of Powerball players had opted for the Powerplay option, 22% of the winning tickets in Oklahoma had chosen the Powerplay option.

Mr. Scroggins reported that there are currently 1,925 retail locations that are fully installed and selling tickets. He added that there are 39 retailers in process from whom additional information is required, plus 75 new applications pending.

Copies of information on the four new instant games were distributed to each member of the Board. Mr. Scroggins told the Board members that these new games would go on sale on January 27th. Mr. Scroggins also passed out copies of an article from the January issue of *Lottery Insights* regarding the negative effect of high gasoline prices on lottery ticket sales.

Mr. Scroggins stated that the remodeling of the Board meeting room at the Lottery Commission office was completed, and that furniture had been ordered for the room. He said that it was possible that the February Board meeting could be held at the Lottery Commission office, but that certainly by March the meetings could take place there.

Mr. Charlton commented that he found the retailer ranking information interesting and that he had calculated sales by retailer and then sorted that information by county. He found that Okmulgee County had the highest sales per retailer. Dr. Dzialo speculated that this might be due to having fewer retailers to serve the population in some areas of the state.

Mr. Orbison commented that he had read an article in the paper that indicated that instant games were gaining popularity in Texas. Mr. Scroggins replied that he felt that instant games would be the biggest revenue producers in Oklahoma, although Powerball was the game most talked about. Dr. Dzialo speculated that the "intimidation factor" might account for the popularity of instant games as opposed to Powerball or Pick 3, and Mr. Scroggins agreed that might be part of the reason.

Mr. Riley commented that he had read that according to nationwide statistics, the highest percentage of winners had used easy pick rather than selecting their own numbers. Mr. Scroggins stated that the odds of winning were the same either way, whether numbers were selected by an individual or by a lottery terminal.

Mr. Orbison asked if the Powerball multiplier on Saturday night had been five (5), and Mr. Scroggins said that it was. Mr. Scroggins stated that approximately 22% of the players had selected the Powerplay option during the past week. He added that States who introduced Powerplay along with Powerball generally had a higher percentage of players who selected Powerplay than States who added Powerplay at a later time.

Mr. Orbison commented that he had heard that the Kansas lottery had drawn the same numbers three nights in a row. Mr. Scroggins stated that there had actually been a glitch in the Kansas Lottery computerized drawing system, so those numbers had turned out to be invalid. He explained that Oklahoma did not use a computerized drawing system, and he briefly described the steps used in Oklahoma to ensure the validity of the draws.

Mr. Charlton commented that he heard about a problem in South Carolina in which a lawsuit was filed because the Lottery had continued to sell tickets for a game after all the prizes had already been paid out. Mr. Scroggins pointed out that the Oklahoma Lottery website was constantly updated with information regarding the number of outstanding prizes in order to avoid the occurrence of that type of problem in Oklahoma.

Dr. Dzialo noted that the Lottery Commission staff had been commended by the Multi-State Lottery organization for its preparation for Powerball, which was successfully accomplished on time and without any glitches. Mr. Scroggins stated that the MUSL security standards were very high, and that if they said a state was ready, it was definitely ready. Mr. Orbison added his commendation to the staff for having everything ready for start-up of Powerball sales on the scheduled date.

ITEM 5

Report on Internal Controls (Mr. Riley)

As background, Mr. Riley reminded the Board that an outside CPA firm had been engaged to evaluate the internal control procedures of the Lottery Commission. He stated that the firm had completed their evaluation and that they were satisfied that the internal controls established by the Lottery Commission were adequate.

Mr. Riley added that he would have a presentation at the next Board meeting regarding the possible second phase of the evaluation, which would involve examining the internal controls of the lottery game vendor, Scientific Games.

ITEM 6

Report of Audit and Finance Committee (Mr. Paul)

Mr. Paul reported that the Audit and Finance Committee, comprised of himself, Mr. Riley, and Dr. Dzialo, had met at 11:30 that morning in the conference room at the lottery commission office. He commented that this was the first time he had been to the remodeled office and that it looked very nice, although the parking situation was somewhat inadequate. Mr. Scroggins stated that he planned to address the parking problem by having a member of the staff stationed at the parking lot before Board meetings to let visitors into the lot.

Mr. Paul stated that the meeting held that morning had been primarily an organizational meeting. In addition to the committee members, staff members Carl Selby, Internal Auditor, Stan Van Ostran, Comptroller, Jason Molenda, Budget Analyst, and Rollo Redburn, Associate Director, had attended the meeting. The committee decided to schedule regular quarterly meetings at 11:00 a.m. on March 21, June 20, September 19, and December 19, with outside auditors joining the committee meetings in June and September.

Mr. Paul stated that the Internal Auditor, Carl Selby, would provide a report at each committee meeting, and that the information would be supplied to the committee members about one week in advance of each meeting. Comptroller, Stan Van Ostran, is to review financials year-to-date and provide comparisons to the budget at each committee meeting.

Mr. Paul stated that the committee also reviewed the charter for the internal auditor and the audit plan and committee members made some suggestions for changes. The committee plans to consider those documents further in March and hopefully approve them at that time. The committee also discussed a charter for the Audit and Finance committee, although no work had taken place on that yet. He added that this charter would come before the Board for approval prior to implementation.

ITEM 7

Presentation of Financial Report

Mr. Riley stated that the net receipts had been transferred to the Lottery Trust account on Thursday (January 12th), and that schools should begin to receive

distributions of the funds soon. Mr. Riley added that all statutory requirements had been met, such as required reserve, etc.

ITEM 8

New Business

Mr. Scroggins informed the Board members that he would be hosting a meeting of MUSL in Oklahoma City on January 31st and February 1st. Dr. Dzialo asked how many people were attending, and Mr. Scroggins replied about 22-23 lottery directors were expected to attend.

ITEM 9

Adjournment

Mr. Paul made a motion to adjourn the meeting, and Ms. Ball seconded the motion.

Roll call: Mr. Orbison, Mr. Riley, Dr. Dzialo, Ms Ball, Mr. Charlton, and Mr. Paul voted yes, and the meeting was adjourned.

Submitted by:

Linda Dzialo, Secretary

James Orbison, Chairman