



THE OHIO LOTTERY COMMISSION

MEETING MINUTES

MAY 13, 2020

VIA TELECONFERENCE

Members of the Commission

Matthew Blair, Chairman
James Brady
Nita Gupta (confirmed present after meeting due to audio issues)
Jonathan Hughes
Angela M. Mingo
Mark Rickel
Martin Sweeney
Sean Whalen, Vice Chairman

Director and Staff of the Ohio Lottery Commission

Pat McDonald, Executive Director
Sean Webster, Assistant Director, Operations and Administration
Nicole Kostura, Assistant Director, Sales and Marketing
Nick Stadler, Executive Assistant to the Director
Terri Jones, Administrative Assistant, Executive Office
Charles LoPresti, Chief Legal Counsel, Office of Legal Counsel
Greg Beyer, Deputy Director, Office of Internal Audit
Ron Fornaro, Instant Ticket Product Manager, Office of Sales
Jonathan Dillinger, Deputy Director, Office of General Services
Danielle Frizzi Babb, Deputy Director, Office of Communications
Connie Miller, Deputy Director, Office of Operations
Karen Russo, Deputy Director, Office of Responsible Gambling
Michael Black, Deputy Director, Security
Greg Bowers, Deputy Director, Finance
Dan Carter, Deputy Director, Office of Legal Counsel
Nick Ciofani, Deputy Director, Office of Government & Community Affairs
Marty Morrow, Deputy Director, Office of Sales
Rick Perk, Deputy Director, Office of Sales

Additional Attendees

Debbie Pirone, Marcus Thomas LLC
Elizabeth Abate, Marcus Thomas LLC
Jim Nash, Marcus Thomas

Caller did not identify his/herself from the following numbers:

216-262-4270
216-287-8106
614-560-1695
614-779-0270

CALL TO ORDER

Chairman Blair called the meeting of the Ohio Lottery Commission to order at 12:00 p.m. The meeting was held via teleconferencing due to COVID-19 (coronavirus).

ROLL CALL

The following members of the Commission answered present to Roll Call: Matthew Blair, James Brady, Jonathan Hughes, Angela Mingo, Mark Rickel, Martin Sweeney and Sean Whalen.

* Commissioner Gupta was on the meeting but had trouble with audio. Commissioner Gupta was contacted after the meeting and confirmed attendance and approval of all Motions.

APPROVAL OF MINUTES OF APRIL 15, 2020

Chairman Blair presented to the Commission for approval the minutes from the April 15, 2020 meeting, Chairman Blair made a motion to approve the minutes, seconded by Commissioner Rickel. The Motion was affirmatively voted upon by all Commissioners present.

AUDIT COMMITTEE UPDATE – AUDIT COMMITTEE CHAIRMAN

Sean Whalen, Vice Chairman presented before the Commission an update on the OBM Internal Audit. Field work is on the way on an audit focused on vendor contract compliance. This will provide assurance of compliance terms and conditions that deliverables are being met and invoicing and payment processing controls are in place. OBM will begin annual assurance review of the Ohio Lottery Commission Internal Audit department. This was delayed due to the COVID-19 virus and expect it to be completed by the end of the fiscal year. This is important because we appreciate this as a committee because it is an outside review of the Internal Audit Department to ensure that we are effectively executing our mission.

The Audit Committee has reviewed and approved in draft form the Annual Internal Audit Governance Document. This is something that the Audit Committee performs on an annual basis. This includes Audit

Committee Charter, Internal Audit Charter and Internal Audit Policy Manual. These documents will be approved in final form at the June Audit Committee meeting in advance of the start of the new fiscal year.

An important component to establishing the audit plan for the new fiscal year is a completion of our Risk Assessment process. Each year the Internal Audit Department gathers information on changes to the business environment, new initiatives planned, and staff feedback on risks prioritization. This process includes meetings with each of the Ohio Lottery Commission Departments. Ohio Lottery Commissioners are provided input via surveys and the Internal Audit Committee meets with the agency leadership for its input as well. All those steps have been completed

The information received from the Risk assessment process will inform the Fiscal Year 2021 Audit Plan which will be presented and approved at the June Audit Committee meeting. I also have asked the Internal Audit Department to include a review of the impact of COVID-19 on the operations in the Fiscal Year 2021 Audit Plan.

The Committee is continuing work on the Fiscal Year 2020 Audit Plan as well as continuing efforts to implement recommendations made from prior year audits. Year to date, the Committee has completed five audits (three internal, one OBM, Auditor of State Audit) and five audits are still in process. The Committee also provided 23 new recommendations in the Fiscal Year 2020 and twenty open issues resolved in Fiscal Year 2020.

APPROVAL OF THREE (3) SCRATCH OFF GAMES IN PROPOSED AND FINAL FORM

Ron Fornaro, Instant Ticket Manager presented before the Commission Three (3) Scratch Off Game Rules in Proposed and Final Form.

- ✦ Rule 3770:1-9-593, *Three Stooges*® (\$2.00)
- ✦ Rule 3770:1-9-594, *Willy Wonks Golden Ticket*™ (\$5.00)
- ✦ Rule 3770:1-9-595, *Platinum Millionaire* (\$10.00)

Commissioner Blair moved to approve the Rules as presented in Proposed and Final Form, with Commissioner Mingo offering a second to the Motion. The Motion was affirmatively voted upon by the eight Commissioners present.

RESOLUTION TO APPROVE VIDEO LOTTERY GAME THEMES

Charles LoPresti, Chief Legal Counsel, presented a Resolution to approve eleven Video Lottery Game Themes.

Commissioner Blair moved to approve the Resolution, with Commissioner Mingo offering a second to the Motion. The Motion was affirmatively voted upon by the Commissioners present.

FINANCIAL REPORT

Greg Bowers, Deputy Director, Finance, provided to the Commissioners a financial update for the months of April and May 2020.

- Traditional Sales for the month of April were \$264.2 million.
- Draw-based game products (down \$32.8M) with the exception of the daily numbers' games.
- The daily Numbers games (P3, P4, P5) were up against last year by \$6.5 million, or 12.2%. This was offset by declines for in-state lotto style games by \$1.5M or 19%.
- Mega Million, Power Ball & Lottery 4 Life declined \$4.4 million or 24.5%
- Keno was down \$33.3 million or 59%. This is due to bars/restaurants have been limited or shut-down due to the stay at-home order and COVID 19.
- There were no revenues collected from VLTs during the month due to closures in March.
- Profit for the month was \$67.1 million, \$29.2 million less than our commitment, and \$29.5 million less than last year.
- Year to date through the first 10 months of the fiscal year – transfers to the Lottery Profits Education Fund are down by \$25.1 million from our commitment, and \$57.9 million less than last year.

NEW BUSINESS/EXECUTIVE DIRECTOR'S COMMENTS

Executive Director McDonald informed the Commissioners of the following:

The Governor plans to reopen businesses in Ohio by creating various working groups, aimed at establishing best practices and protocols for the safe reopening and operating of businesses. Heading the group is Director Lydia Mihalik, Director of the Department of Development. Active participants in the working group include casino/racino industry leaders, staff from the Governor's office, and Health Department officials. Director McDonald looks forward to additional dialogue on this topic as the Lottery works towards reopening the seven racino facilities across the state.

Ohio Lottery Employees have been productive working from home over the last several months. Employees will continue to do so until otherwise directed by Governor DeWine.

Executive Director McDonald recognized Deputy Director of Operations Jon Dillinger. Deputy Director Dillinger provided an update on the status of procuring personal protective equipment such as masks, both disposable and reusable, and disposable gloves for the Lottery staff. Additionally, the commission is working on purchasing individual hand sanitizer bottles and large bottles for wall mounted units.

Executive Director McDonald recognized Assistant Director of Operations and Administration Sean Webster. Assistant Director Webster gave an overview regarding the specific areas and amounts that the Lottery reduced in the budget for the remainder of the fiscal year. The agency would cut \$20.4 million, or roughly 20 percent of the budget. The budget reductions would include the following:

- Reduce encumbrances in major contracts including gaming system, instant ticket printing, marketing, game show production. The reduction amount is \$2.9 million.
- The Lottery has reduced and canceled various open purchase orders for personal services, maintenance, and supplies.
- An order placed for self-service lottery terminals on February was also reduced.
- A hiring freeze for non-essential positions will be implemented.
- Reduced appropriations for direct prize payments based on sales forecast due to the COVID-19 sales have taken place.
- The Lottery has also canceled, reduced or deferred purchases of services, supplies and equipment.

Executive McDonald also noted that Fiscal Year 2021 will be challenging for both the Lottery and the State of Ohio. The Director expects to receive additional instruction from OBM regarding additional budget restrictions.

Executive Director McDonald also discussed with the Commissioners the new mobile cashing application allowing players to transfer winning tickets to their personal bank accounts from their mobile devices. This is a program that has been beneficial now since the racinos and regional offices are closed due to the virus. The Lottery will continue to offer the app even after the cashing centers begin to reopen.

Executive Director McDonald also discussed the Cash Explosion Show. The goal was to add an interactive element to the game by announcing a unique "Cashword" at the end of each show. This promotion has been very successful. The Lottery plans to continue this promotion for the foreseeable future. The Lottery will also be debuting a new "Play at Home" version of the Game Show that will allow contestants to play remotely from the comfort of their own homes with a lottery -provided laptop and hotspot.

ADJOURNMENT

With no further business before the Ohio Lottery Commission, Chairman Blair complimented the Lottery staff on doing an incredible job. Commissioner Blair informed Commissioners that the next meeting will be held on Wednesday, June 10, 2020 at 12:00 p.m. via teleconferencing.

Respectfully Submitted,



Pat McDonald, Executive Director



Matthew Blair, Commission Chair