



**MINUTES OF THE MEETING OF
THE OHIO LOTTERY COMMISSION**

**HELD AT:
THE FRANK J. LAUSCHE BUILDING
FOURTH FLOOR CONFERENCE ROOM
615 WEST SUPERIOR AVENUE - CLEVELAND, OHIO 44113**

**MAY 16, 2016
12:00 P.M.**

Present at the meeting were the following:

Members of the Commission:

James Brady
Allan Krulak
John Lewis
Trevor A. McAleer
Patrick McDonald
Angela Mingo
William N. Morgan
Elizabeth Vaci
Sean Whalen

Executive Staff of the Commission:

Dennis Berg, Director
Greg Bowers, Deputy Director, Finance
Danielle Frizz-Babb, Deputy Director, Communications
Steve Kmiotek, Interim Deputy Director, General Services
Sandy Lesko, Deputy Director, Marketing Communications
Liz Popadiuk, Deputy Director, Human Resources
Patricia Vasil, Deputy Director, Sales Management
Jennifer Wilson, Deputy Director, Internal Audit
Traci Konesky, Assistant to the Director

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Also Present Were:

Ron Fornaro, Instant Ticket Product Manager
Maureen Hall, Office of Information Technology
Thomas Schervish, Office of Information Technology
Luigi DiRienzo, Office of Information Technology
Sharon Spencer, Office of Information Technology
Carla Reeves, Office of Internal Audit
Paul Sternberg, Spectrum Gaming Group
Bill Egan, Spectrum Gaming Group
Charlie Scannella, Scientific Games
Bruce Anderson, Intralot
Duane Miller, Hooven-Dayton
John Walker, Scioto Downs
Greg Kolocin, Hard Rock Rocksino
Mike Galle, Penn National, Hollywood Mahoning Valley
John Oberle, Ice Miller
Edward Dick, JACK Thistledown
Eric Sarmiento, Cavitch

CALL TO ORDER AND PLEDGE OF ALLEGIANCE

- The Ohio Lottery Commission (“OLC”) meeting of May 16, 2016, was called to order at 12:10 P.M. at the Frank J. Lausche Building, Fourth Floor Conference Room by Chairman Pat McDonald, followed by the Pledge of Allegiance.

ROLL CALL

- The following members of the Commission answered present to the Roll Call: James Brady, Allan Krulak, John Lewis, Trevor McAleer, Pat McDonald, Angela Mingo, William Morgan, Elizabeth Vaci and Sean Whalen.

INTRODUCTION OF FIRST TIME ATTENDEES

- Chairman McDonald recognized first time attendees Carla Reeves from the OLC’s Office of Internal Audit; and Paul Sternberg and Bill Egan from the Spectrum Gaming Group.

CHAIRMAN'S COMMENTS

- Chairman McDonald stated that Paul Sternberg and Bill Egan from the Spectrum Gaming Group will be giving a brief presentation at the beginning of the Meeting.
- Chairman McDonald stated that the July 18, 2016 Meeting will be moved to July 11, 2016 due to the Republican National Convention.
- Chairman McDonald stated that the August Commission Meeting will be in Columbus to coincide with the taping of the *Cash Explosion*® Show at Mills James. Tappings are scheduled for Tuesday, August 16, 2016 and Wednesday, August 12, 2016. The Commissioners were in agreeance to attend the taping on Tuesday, August 16, 2016. Chairman McDonald stated the intent would be to meet at Mills James at 9:00 a.m. to tour the facility, and then attend the 10:00 a.m. *Cash Explosion*® Show taping. The Commission Meeting would then be held at Mills James around 12:00 p.m.
- Chairman McDonald stated that prior to the June 20, 2016 Commission Meeting, Commissioners are invited to attend the midday drawing which is held at 12:29 p.m. With that being said, the June 20, 2016 Commission Meeting will begin at 1:00 p.m. as opposed to the normal 12:00 p.m. start time. Any Commissioners who are interested in attending should contact Ms. Konesky so that she can determine the logistics.
- Chairman McDonald stated that after the Chairman's comments, Commissioner Whalen will be giving an update on the Audit Committee, and as he had previously mentioned, the Spectrum Gaming Group will be giving a status update.
- Chairman McDonald stated that the one item he would like staff to touch upon is the OLC's financial position in terms of transferring \$1 billion to the Lottery Profits Education Fund ("LPEF"), and if the OLC is still on target to achieve that.

APPROVAL OF MINUTES OF APRIL 18, 2016

- Chairman McDonald requested a Motion to approve the April 18, 2016 Minutes. Commissioner Morgan made a Motion that was seconded by Commissioner Krulak. The Motion was affirmatively voted upon by all Commissioners present.

AUDIT COMMITTEE UPDATE, SEAN WHALEN, COMMISSIONER

- Commissioner Whalen reported that the Audit Committee held its quarterly Meeting on April 18, 2016. The Meeting was scheduled for March 21, 2016. However, due to some scheduling conflicts, the Meeting was moved to April.
- Commissioner Whalen stated that the main area he wants to update the Commission on is the review of the comprehensive annual risk assessment. This is a critical component to planning the upcoming Audit Plan for the new fiscal year. That plan will be completed in the next few weeks. Once completed, it will be reviewed by the Office of Budget and Management (“OBM”), the Audit Committee and Director Berg and then approved in June.
- Commissioner Whalen stated that the reason that this is important is because the OLC has a lot of moving parts and it is really important to understand all those parts and what needs to be audited, and at what priority. Statistically, there are over 130 auditable areas of the OLC. Each of those areas have sixteen (16) potential risk categories that they can fall into, and those categories each have varying levels of risk. With that being said, there are a lot of different variables to the matrix of the OLC’s audit universe.
- Commissioner Whalen stated that through a high level of collaboration of Senior Staff and the effort of the Internal Audit group, the Audit Committee was very pleased and impressed with the overall risk assessment. This is important because going into the new fiscal year, the Audit Committee has to confidently prioritize

exactly what should be audited in order to maintain the reputation and integrity of the OLC. This is achieved through good audits, good management reports and good responses from Senior Staff to resolve any identified issues. Overall, the Audit Committee is very pleased with the outcome of the Audit Plan, and is looking forward to its finalization and approval in June. In addition, the Charters for both the Internal Audit group and the Audit Committee, which are internal governing documents, are also in the process of being finalized, and they will be approved in June as well.

- Chairman McDonald inquired as to how the Audit Committee plans that internally. Commissioner Whalen responded that the Audit Committee likes to align its goals with Internal Audit, and audits are measured by fiscal year progress. Typically, there are more audits to do than there are resources to complete them. That is not uncommon, and OBM has acknowledged that. An aggressive audit schedule is always set with the intention of making sure there is always something to be audited. When auditing, high and medium priority categories need to be handled prior to low priority categories, and that is where quarterly audit monitoring comes into play.
- Commissioner Whalen stated that Internal Audit has created a detailed audit dashboard that shows how audits are progressing and any outstanding issues that need responses. These are things that are pressed hard on at Audit Committee Meetings in order to understand the status of audits, what the anticipated resolution is and when the audit is expected to be complete.
- Commissioner Whalen reported that for the fiscal year 2016 audit plan, they are going to be at approximately a 60% completion rate. The target completion rate is around 85%, which means that audits were over scheduled to make sure that there is a band of audits to work on throughout the year. With that being said, the audit plan

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is being reevaluated to see if perhaps the scheduling of audits was a little too aggressive. It is a challenge to make the audit plan perfect in the beginning as many plans change throughout the course of the year due to audits taking longer than anticipated, as well as issues with resource constraints.

- Chairman McDonald asked fellow Audit Committee members Commissioner Mingo and Commissioner McAleer if they had anything they would like to add.

- Commissioner McAleer stated that over the past couple of months, the Audit Committee has had conference calls with Ms. Wilson in between Audit Committee Meetings so that she can keep them updated on the current state of audits. Commissioner McAleer stated that the conference calls have been very beneficial.

- Commissioner Mingo stated she agrees that the conference calls have been beneficial in keeping the Audit Committee up-to-date in real time as opposed to just quarterly.

- Chairman McDonald acknowledged Ms. Wilson for not only her hard work in Internal Audit, but also the great job she is doing with the Audit Committee. He stated that in listening to the Audit Committee members, it is evident that your leadership is appreciated.

- Commissioner Whalen stated that the next Audit Committee Meeting will be held on June 20, 2016.

BUSINESS ASSESSMENT UPDATE, THE SPECTRUM GAMING GROUP

- Bill Egan and Paul Sternberg from the Spectrum Gaming Group, gave a high level status update on the Business Assessment.

DIRECTOR'S REPORT, DENNIS BERG, DIRECTOR

- Director Berg reported that April represented the tenth month of fiscal year 2016. Total sales of \$253.0 million were up \$15.0 million or 5.9% higher compared to last April.
- Pick 3, Pick 4 and Pick 5 sales were up \$1.4 million, or 2.8% from last April. *Keno* sales of \$33.6 million were \$3.6 million, or 12.2% higher than last April and broke an all-time monthly sales record the month of April.
- Director Berg reported that *EZPLAY*® sales of \$12.5 million were \$4.1 million, or 49.0% higher than last April and broke an all-time sales record for any given month. This can be partially attributed to the sale of the new *EZPLAY*® *Quick Spot* game. This is a progressive games that is sold at three (3) price points. The price points are \$1.00, \$5.00 and \$10.00, and the players win prizes based on the wagers that are made.
- Multi-state game sales of \$20.8 million were up \$7.8 million from last April, and this can be attributed to higher jackpot offerings. The average jackpot last April was \$56 million, and the average jackpot this April was \$213 million.
- Director Berg reported that instant ticket sales for the month of April were \$129.0 million. Sales were down slightly from last April by \$668,000 or 0.5%. VLT sales for April were \$79.9 million, of which \$26.5 million went to the OLC. This was an all-time record sales month for VLTS. All seven (7) racinos had higher sales results compared to last April.

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- Director Berg reported that transfers to the LPEF for the month of April were nearly \$90.0 million, which was \$4.1 million above projection and \$4.5 million above last April's transfer to the LPEF. Mr. Bowers will provide further financial details regarding the OLC's year-to-date performance during the Finance Report.
- Director Berg reported that the Auditor of State held its 16th Annual Emerging Trends in Fraud Investigation and Prevention Conference in Columbus on May 10, 2016 and May 11, 2016. On the first day of the Conference, the OLC's Security Department presented an overview of the OLC's retailer compliance program. Conference attendees are generally those involved with accounting, auditing, security and fraud prevention.
- Director Berg reported that all 1,000 MPQK machines are accounted for retailer commitment. Intralot will begin distribution of the machines in the field starting on approximately May 23, 2016, with a tentative go-live date on June 19, 2016.
- Chairman McDonald asked if there is a waiting list for retailers interested in receiving the MPQK machines above the 1,000 available. Ms. Vasil responded that Sales has started a waiting list. First, the OLC needs to see how successful they machines are before ordering more because this is currently a pilot. She stated that the OLC has signed applications for all 1,000 machines.
- Director Berg reported that the North American Association of State and Provincial Lotteries ("NASPL") Spring Director's Conference will be held in Cleveland June 13, 2016 through June 15, 2016. It was originally scheduled to be in Cleveland June 2017. However, due to a scheduling conflict, it was moved to Cleveland this year.

- Director Berg stated that there is a retiree present at today's Meeting. Sharon Spencer is a Business Process Analyst in the Office of Information Technology, who works primarily with the instant ticket gaming system. Mr. Schervish thanked Ms. Spencer for her contributions to the Agency and all her hard work through her entire tenure at the OLC. On behalf of the Commission, Chairman McDonald thanked Ms. Spencer for her hard work and wished her happiness in her retirement.

APPROVAL OF SIX (6) INSTANT GAME RULES IN PROPOSED FORM

- Mr. Fornaro brought before the Commission six (6) Instant Game Rules for approval in Proposed Form. The Rules are as follows:
 - Rule 3770:1-9-338, *Cashword Tripler* (\$3.00);
 - Rule 3770:1-9-340, *Gold Bar Bingo* (\$5.00);
 - Rule 3770:1-9-342, *Ohio Lottery Limited* (\$2.00);
 - Rule 3770:1-9-344, *Block-O* (\$3.00);
 - Rule 3770:1-9-345, *Double Sided Dollars* (\$5.00); and
 - Rule 3770:1-9-346, *\$5 Million Dollar Cash Showcase* (\$20.00).
- Chairman McDonald then requested a Motion to approve the six (6) Instant Game Rules in Proposed Form. Commissioner Brady made a Motion that was seconded by Commissioner Whalen. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

APPROVAL OF FIVE (5) INSTANT GAME RULES IN FINAL FORM

- Mr. Miltner brought before the Commission five (5) Instant Game Rules for approval in Final Form. The Rules are as follows:
 - Rule 3770:1-9-333, *Ohio's \$500,000 Money Club* (\$10.00);
 - Rule 3770:1-9-334, *\$5,000 Jackpot* (\$1.00);

- Rule 3770:1-9-335, *\$20,000 Jackpot* (\$2.00);
 - Rule 3770:1-9-336, *\$300,000 Jackpot* (\$5.00); and
 - Rule 3770:1-9-337, *\$1,000,000 Jackpot* (\$10.00).
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- Chairman McDonald then requested a Motion to approve the five (5) Instant Game Rules in Final Form. Commissioner Lewis made a Motion that was seconded by Commissioner Vaci. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

APPROVAL OF ONE (1) ONLINE GAME RULE IN PROPOSED AND FINAL FORM

- Mr. Miltner brought before the Commission one (1) Online Game Rule for approval in Proposed and Final Form. The Rule is as follows:
 - Rule 3770:1-9-949, *Ohio 50/50*.

- Chairman McDonald then requested a Motion to approve one (1) Online Game Rule for approval in Proposed and Final Form. Commissioner Morgan made a Motion that was seconded by Commissioner Brady. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

APPROVAL OF AMENDMENTS TO ONE (1) ONLINE GAME RULE IN PROPOSED AND FINAL FORM

- Mr. Miltner brought before the Commission Amendments to one (1) Online Game Rule for approval in Proposed and Final Form. The Rule is as follows:
 - Rule 3770:1-9-51, *Raffle Ticket Game*.

- Chairman McDonald then requested a Motion to approve Amendments to one (1) Online Game Rule for approval in Final Form. Commissioner Krulak made a Motion that was seconded by Commissioner Vaci. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

MANDATORY RULE REVIEW PURSUANT TO CHAPTER 119 IN PROPOSED FORM – AMENDMENTS

- Mr. Miltner brought before the Commission the approval of one Administrative Rule based on the Mandatory Rule Review Pursuant to Chapter 119, Amendments, in Proposed Form. The Rule is as follows:
 - Rule 3770:2-3-01, *Video lottery licenses; application.*
- Chairman McDonald then requested a Motion to approve one (1) Administrative Rule based on the Mandatory Rule Review Pursuant to Chapter 119, Amendments, in Proposed Form. Commissioner Brady made a Motion that was seconded by Commissioner Lewis. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

OFFICE OF LEGAL COUNSEL REPORT, LARRY MILTNER, CHIEF LEGAL COUNSEL

- Mr. Miltner reported that annual mandatory financial disclosure statements needed to be filed by today, May 16, 2016. He stated all OLC Management and Commissioners filed their financial disclosure statements on time.

RESOLUTION TO APPROVE EZPLAY® TAP GAME THEMES, MAUREEN HALL, PROJECT MANAGER, OFFICE OF INFORMATION TECHNOLOGY

- Ms. Hall brought before the Commission a Resolution to approve four (4) new EZPLAY® Tap Game Themes. These game themes have been internally reviewed for technical compliance, content and game matrix. The four (4) new EZPLAY® Tap Game Themes are as follows:
 - *Pumpkin Picks™*;
 - *Merry, Merry Money*;
 - *Thanksgiving Cash*; and
 - *New Year's Cash*.

- Chairman McDonald then requested a Motion to approve the Resolution to approve four (4) new EZPLAY® Tap Game Themes. Commissioner Morgan made a Motion that was seconded by Commissioner Mingo. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

RESOLUTION TO APPROVE VIDEO LOTTERY GAME THEMES, MAUREEN HALL, PROJECT MANAGER, OFFICE OF INFORMATION TECHNOLOGY

- Ms. Hall brought before the Commission a Resolution to approve thirty-three (33) Video Lottery Game Themes. These game themes have been internally reviewed for technical compliance, content and game matrix. The thirty-three (33) Game Themes are as follows: eight (8) game themes submitted by Aristocrat; five (5) game themes submitted by Bally; twelve (12) game themes submitted by Everi; one (1) game theme submitted by IGT; one (1) game theme submitted by Konami; and six (6) game themes submitted by WMS.

- Chairman McDonald then requested a Motion to approve the Resolution for thirty-three (33) Video Lottery Game Themes. Commissioner Vaci made a Motion that was seconded by Commissioner Lewis. With no further discussion, the Motion was affirmatively voted upon by the Commissioners present.

OFFICE OF FINANCE REPORT, GREG BOWERS, DEPUTY DIRECTOR

- Mr. Bowers reported that April added another \$15 million in positive sales variance to fiscal year 2016 year-to-date sales. Total year-to-date sales through April are \$2.56 billion. This is \$152.8 million, or 6.3% more than fiscal year 2015 year-to-date sales through April.
- Mr. Bowers reported that Multi-State games benefitted from high jackpots during the month of April. As a result, sales are now up \$77.7 million or 42% over sales last year through April. *Keno* sales continue double digit growth over last fiscal year. *Keno* sales are now up 11.5%, or \$31 million, while *EZ PLAY*® game sales are up 19% or \$15.2 million. Instant ticket sales are now \$14.1 million, or 1.1% higher than cumulative sales last year through April.
- Mr. Bowers stated that he would like to respond to Commissioner Brady's question last month regarding the proportion of sales coming from the \$10.00 point instant ticket games. The \$10.00 price point is roughly 22% of total sales, and is the OLC's highest price point game in terms of growth. However, the overall highest selling price point is the \$5.00 instant ticket games at 25%, followed by \$20.00 instant ticket games at 17.7%.
- Mr. Bowers stated that three (3) years ago, sales from \$1.00-\$5.00 price points generated roughly 55% of total instant ticket sales, while sales from the \$10.00-\$30.00 price points generated 45% of total instant ticket sales. Currently, the

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\$10.00-\$30.00 instant tickets generate 52% of total instant ticket sales, whereas the lower selling instant tickets contribute 48% of total instant ticket sales.

- Commissioner Whalen inquired as to what the overall trend has been for instant ticket sales. Mr. Bowers responded that overall, sales are up, and consumers are going more towards the higher price point instant ticket games.
- Mr. Bowers reported that net profit from VLTs through April is now \$29.3 million over last fiscal year through April.
- Mr. Bowers reported that through April, transfers to the LPEF equal \$891.6 million. This is \$72.6 million over the OLC's budgeted commitment, and \$64.4 million more than last fiscal year through April. At this pace, the OLC will transfer over \$1.05 billion to the LPEF for fiscal year 2016.

ADJOURNMENT

- Chairman McDonald stated that the next Meeting will be held on June 20, 2016 at 1:00 p.m. Chairman McDonald adjourned the May 16, 2016 Meeting at 1:10 p.m.


Dennis Berg, Director

Approved:



Patrick McDonald, Chairman