

**Regular Meeting of Board of Directors  
New Mexico Lottery Authority  
July 11, 2013  
MINUTES**

**Call to Order:** Vice Chair C. Stroud called the meeting to order at 2:06 p.m. C. Stroud asked for roll call. Present and constituting a quorum were; Mark Koson, Amy Bailey, John Kubiak, Clifford Stroud, Dan Salzwedel and Salvatore Baragiola.

**Introductions:** The following employees were present from NMLA: Tom Romero, Adriana Binns, Sylvia Jaramillo, Evelyn McKnight, Pam Poteat, Dave Ramirez, Vince Torrez, Wilma Atencio, Mary Stanford, Michael Boland, Scott Ward, Linda Hamlin, Karla Wilkinson, Jessica Quintana, Joby Elliott, Jessica Jinzo, and Gale Johnson. Also present were Randy Reeves, Matt Worley, Frank Duran, Karen McCallum, Colin Hunter, Bob Conklin, and Mary Smith, NM Attorney General's office.

**Introduction of New Board Member:** C. Stroud introduced and welcomed John Kubiak to the Board of Directors.

**Oath of Office:** C. Stroud administered the Oath of Office to J. Kubiak.

**Approve Proposed Agenda:** C. Stroud called for a motion to approve the proposed agenda. T. Romero requested changes; item 4, A-3 Harley Davidson RFB needs to be removed from agenda. No bids were received. S. Baragiola requested item 7 – Public Comment be moved to item 6 and item 6 Executive Closed session becomes item 7. S. Baragiola made the motion to accept the amended proposed agenda; second by D. Salzwedel. All in favor, 6-0.

**Approve Minutes of February 07, 2013 Board of Director's Meeting:** C. Stroud called for a motion to approve the minutes from the February 7, 2013 Board meeting. D. Salzwedel moved to approve the minutes; second by A. Bailey. All in favor, 6-0.

**Approve Minutes of April 10, 2013 Special Board of Director's Meeting:** C. Stroud called for a motion to approve the minutes from the April 10, 2013 Special Board meeting. D. Salzwedel moved to approve the minutes; second by A. Bailey. All in favor, 6-0.

**Approve Minutes of May 02, 2013 Budget Workshop and Board of Director's Meeting:** C. Stroud called for a motion to approve the minutes from the May 2, 2013 Budget Workshop and Board meeting. S. Baragiola moved to approve the minutes; second by D. Salzwedel. All in favor, 6-0.

**Executive Reports:**

**CEO:**

**Employee Recognition:** T. Romero and the Board recognized Jessica Jinzo and Joby Elliott for five years of service.

**General Update:** T. Romero gave a brief update on the lottery's online and instant ticket games and general overview of lottery operations, the lottery's participation in the "Silver Alert" for missing persons and upcoming changes to the Powerball game. T. Romero reported that the Powerball Group and MUSL association voted to make changes to the multiplier option; these changes will occur in January 2014.

**NMLA Rules for On-Line Game:** T. Romero reported that due to changes in the Mega Million game scheduled for October 19, 2013; it is necessary to update our Rules for On-Line Games. As previously discussed, the Mega Million coalition voted to make a few changes in prize levels (more prizes added to lower level), megaplier feature now includes the number five (5), the annuity went from 26 installments to 30 installments and the matrix changed from a 5/56 and 1/46 to a 5/75 and 1/15. This will provide better overall odds to players. T. Romero reported that many efforts are undertaken by the lottery and Intralot during this transition. The retailers and public are informed, a step down process takes place ten (10) days prior to the change, internal testing is completed and with the matrix changes, the Random Number Generator (RNG) is certified by an Independent review.

The Lottery is requesting Board consideration and approval to adopt this policy as amended effective October 19, 2013.

C. Stroud called for a motion to approve the NMLA Rules for On-Line Game. D. Salzwedel made a motion to approve the NM Lottery Rules for On Line Games as presented; second by M. Koson. All in favor, 6-0.

#### **FINANCE:**

**Financial Statements:** S. Jaramillo presented two items; a detailed review of the May 2013 financial statements and the Draft preliminary net sales for fiscal year 2013. With the transfer made at the end of June, the Lottery has returned \$569 million to the Legislative Lottery Scholarship Fund since inception of the lottery and for FY 2013, the lottery's net income return through May was nearly \$40.2 million dollars. The lottery has returned 30.49% of gross revenue to the state, exceeding the 30% mandate.

S. Baragiola inquired on the 32% return, was the 2% returned to the state. S. Jaramillo reported that after discussion with T. Romero, the \$600 thousand was returned.

J. Kubiak requested information on the earned interest income and how it is earned by the organization. S. Jaramillo reported that over the last several years, the earned interest income has been pretty low. What the lottery is invested in is repos. The lottery has had had internal discussion in investing in other areas, but continues to remain conservative. The lottery hasn't established a policy to invest in other areas. It is recommended that the lottery establish a policy and be presented at the next finance committee meeting by the executive team. T. Romero also requested assistance from the finance committee as it relates to upcoming contract renewals that have extension options.

#### **AUDIT:**

**Internal Audit Reports:** M. Boland presented several Audit Reports for acceptance by the Board.

**FY 2014 Internal Audit Plan:** M. Boland presented the Annual Audit Plan with complete details. This audit plan is required by the lottery act and is an essential tool used by organizations for risk assessment using qualitative and quantitative measures for every audit area within the organization. It assigns a risk rating to those audit areas, prioritizing them based on resources, managements desires and strategic goals of the lottery. M. Boland respectfully submits the internal audit plan for FY 2014 for acceptance to the board for approval.

J. Kubiak asked why accounts payable and purchasing are deemed a "High" risk area. M. Boland reported that these two areas have not been assessed for quite some time and that's why it's on the audit plan. M. Boland reported that 30% of the items on the audit plan are reoccurring audit items and are deemed high risk areas. There are currently six items (MUSL Security Game Standards, Financial Audit Services, Promotional Drawings, Drawing Services, operations and monitoring and Instant Game Reviews) on the plan that are audited every year and 3rd party - SAS 70 reviews) that are audited every other year.

C. Stroud called for a motion to approve the FY 2014 Internal Audit Plan. D. Salzwedel moved to accept the FY 2014 Internal Audit Plan; second by S. Baragiola. All in favor, 6-0.

**FY 2013 Financial Audit Services Vendor Contract Award:** M. Boland recommended the Independent Public Accountant firm to conduct the lottery's financial audit. The lottery received a letter from the State Auditor's office on March 1, 2013 to procure an Independent Auditor for financial audit. A Request for Proposal was sent out. Six proposals were received, one was disqualified. The proposals were evaluated by an evaluation committee. The evaluation committee consisted of two board members, D. Salzwedel, R. Jones, S. Jaramillo and Michael Boland.

Based on the evaluation process; Moss Adams was determined by the evaluation committee to be the most advantageous IPA to provide the services outlined in the RFP. A letter was sent to the State Auditor's office on June 1st; if a letter is not received by this deadline, the organization will receive an audit finding for not meeting its deadline. M. Boland is requesting approval from the Board to accept and award the financial audit services vendor contract award to Moss Adams.

C. Stroud called for a motion to approve the FY 2013 Financial Audit Services Vendor Contract Award. D. Salzwedel moved to accept the FY 2013 Financial Audit Services Contract Award; second by J. Kubiak. All in favor, 6-0.

C. Stroud asked T. Romero to have calendar items available for the committees at the next board meeting. As an addendum, D. Salzwedel recommends to the "calendar" appropriate personnel times and proposed board meetings dates.

**M. Boland presented the 13-010 – Think Pink Scratchers Sweepstakes Audit Report.** M. Boland reported that there were no observations noted. M. Boland submitted the report for acceptance by the board.

C. Stroud called for a motion to approve the Think Pink Scratchers Sweepstakes Audit report. M. Koson moved to accept the audit report; second by A. Bailey. All in favor, 5-0; 1 absent for vote.

**M. Boland presented the 13-011 – Think Pink Scratchers Second Chance Drawing Audit Report.** M. Boland reported that there were no observations noted. M. Boland submitted the report for acceptance by the board.

C. Stroud called for a motion to approve the Think Pink Scratchers Second Chance Drawing Audit report. A. Bailey moved to accept the audit report; second by S. Baragiola. All in favor, 5-0; 1 absent for vote.

**M. Boland presented the 13-012 – Think Pink Scratchers VIP Club Drawing Audit Report.** M. Boland reported that there were no observations noted. M. Boland submitted the report for acceptance by the board.

C. Stroud called for a motion to approve the Think Pink Scratchers VIP Club Drawing Audit report. S. Baragiola moved to accept the audit report; second by A. Bailey. All in favor, 5-0; 1 absent for vote.

## **BOARD CHAIR:**

### **Board Officer Elections:**

Acting Board Chair, C. Stroud entertained motions for the position of Board Chair. C. Stroud nominated D. Salzwedel for the position of Board Chair; second by A. Bailey. D. Salzwedel accepted the nomination. There were no other nominations for this position. Roll call vote taken; M. Koson, yes; A. Bailey, yes; J. Kubiak, yes; C. Stroud, yes; D. Salzwedel, yes; and S. Baragiola, yes. D. Salzwedel elected to Board Chair position.

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D. Salzwedel asked if all positions (Secretary, Treasurer) ended. T. Romero reported, yes all positions ended June 30, 2013, including Vice Chair.

D. Salzwedel entertained nominations for the position of Vice Chair. C. Stroud nominated M. Koson. There were no other nominations for this position. D. Salzwedel moved to approve by acclamation. C. Stroud made the motion to approve by acclamation; second by S. Baragiola. All in favor, 6-0. M. Koson was elected to the Vice Chair position.

D. Salzwedel opened nominations for the position of Secretary. C. Stroud nominated J. Kubiak for the position of Secretary; second by M. Koson. J. Kubiak accepted the nomination. Discussion took place among Board members to combine the Secretary and Treasurer position. The lottery Bylaws state that the secretary and treasurer positions can be combined. C. Stroud amends the motion that J. Kubiak be nominated for the position of Secretary/Treasurer. S. Baragiola made the motion to approve; second by A. Bailey. All in favor, 6-0. J. Kubiak was elected to the Secretary/Treasurer position.

D. Salzwedel opened nominations for the position of Assistant Secretary/Assistant Treasurer. D. Salzwedel nominated A. Bailey for the position of Assistant Secretary/Assistant Treasurer. A. Bailey accepted the nomination. Second by S. Baragiola. A. Bailey is elected to Assistant Secretary/Assistant Treasurer position.

#### **Committee Creation, Appointments and Committee Chair Appointments:**

D. Salzwedel advised with other Board members approval, the Board Chair will contact each Board Member individually to discuss committees and appointments to the committees, along with committee chair appointments and other issues, such as the lottery bylaws which have not been reviewed since 2005. Board committees, personnel committee creation, and appointments will be made at the next board meeting.

**Announcements:** D. Salzwedel reported that he will discuss with each board member and come up with a calendar of dates that will be provided to T. Romero. Possibly date for next board meeting will be October 2013.

**PUBLIC COMMENT:** There was no public comment.

#### **EXECUTIVE CLOSED SESSION:**

At 3:39 p.m., D. Salzwedel called for a motion to move into executive session for limited personnel matters. M. Koson moved to closed this meeting (executive closed meeting) pursuant to the open meetings act section 10-15-1, H7 to discuss the case of Joseph Harvey versus New Mexico Lottery Authority; second by A. Bailey. A roll call vote was taken to enter into executive closed session - litigation: M. Koson, yes; A. Bailey, yes; J. Kubiak, yes; C. Stroud, yes; D. Salzwedel, yes; and S. Baragiola, yes. All in favor, 6-0. There was no further discussion.

At 4:22 p.m., D. Salzwedel called for a motion to reconvene the open meeting and to exit the closed Executive Session for litigation. D. Salzwedel reported no action was taken and discussion related to client attorney privilege information. A motion was made by A. Bailey to exit the closed executive session and discussion was limited to those contained in the motion to close the session and no votes or action was taken; second by C. Stroud. All in favor, 6-0.

**ADJOURNMENT:** D. Salzwedel entertained a motion to adjourn the meeting. A. Bailey moved to adiourn the meeting. M. Koson second. All in favor. 6-0. The meeting was adiourned at 4:25 p.m.