

Security and Operations Committee Meeting
New Mexico Lottery Authority
March 20, 2018
MINUTES

Call to Order: S. Baragiola called the meeting to order at 11:00 a.m. and asked for a roll call. Present and constituting a quorum were Sal Baragiola, Aubrey McGowen and Paul Guerin.

Present from NMLA were; David Barden, Sylvia Jaramillo, Vince Torrez and Wilma Atencio. Adam Baker, lottery counsel joined meeting at 11:20 a.m. Thom Cole – Santa Fe New Mexican also joined meeting (time not recorded).

Approve Proposed Agenda: S. Baragiola entertained a motion to approve the proposed agenda. P. Guerin moved to approve the agenda as presented; second by A. McGowen. Carried; 3-0.

Public Comment: None.

OPERATIONS Committee Report – S. Baragiola, Committee Chair:

Security Update: S. Baragiola reported that the committee requested a security update several meetings ago and the committee believes security is an important and an integral part of the lottery organization not only in security and cyber security. V. Torrez, EVP of Security Division thanked the committee for his attendance in today's meeting.

V. Torrez reported that the security has developed a procedure for online drawing lockdowns called Alternative Lockdown Procedures. MUSL mandates all lotteries to have a lockdown procedure or alternative lockdown procedure and is governed under the MUSL Rule 2. V. Torrez reported that our system is comprised of a Computer Gaming System (CGS) administered by Intralot and the Internal Control System (ICS) which is controlled by the lottery using a 3rd party vendor – Elysm. Every sale/wager/transaction made for all games goes through these two systems and mirror each other. If there's an issue with a sale/wager or one of the systems goes down for some reason, this will cause an imbalance because both systems are not recording the same amount of sales/wagers/transactions. For an example the CGS system may have registered the wager, but the ICS system didn't so that will cause an imbalance. If an imbalance occurs, MUSL requires security respond to the drawing site and begin lockdown procedures where security personnel will sequester the individuals involved in the drawing not only at the lottery, but with the 3rd party vendor and Intralot. The current lockdown process is lengthy and includes taking cell phones, no communication is permitted between the individuals at all locations except for security and a slew of other procedures and only when the imbalance is rectified does the sequester end. During this time, the national drawing is delayed, and nothing occurs until a balancing occurs at the lottery that had the imbalance.

V. Torrez reported that MUSL allows lotteries to implement an Alternative Lockdown Procedure. This will allow security to receive pre-draw files from the two systems - CGS and ICS electronically to a secured FTP site prior to the drawing. If there is an imbalance, security has the pre-draw files that have been secured and have not been tampered with to ensure no manipulation has occurred. The pre-draw files are every sale/wager/transaction that has occurred for that particular game from the previous drawing. The pre-draw files are sent automatically, and the lottery requires an email notice be sent to security personnel to ensure the files have been sent prior to the drawings. If an imbalance occurs, security will review the files and find that wager that caused the imbalance. If there was a big winner – jackpot winner, security can go to that file and find that wager and compare the information with the actual ticket to ensure there were no issues.

V. Torrez reported that by having these procedures in place, security doesn't have to respond to the facility and initiate the lengthy lockdown procedures. The IT/Operations personnel still have to follow their process for the imbalance along with Intralot and Elysm until both systems have balanced. The Alternative Lockdown Procedure allows the drawing to proceed even if there's an imbalance. This process is for MUSL games only - Powerball, Lotto America and Mega Millions.

S. Baragiola asked does an imbalance occur at other lotteries and it's not unique to NM. V. Torrez reported yes, all the lotteries can experience an imbalance and the process varies from lottery to lottery. S. Baragiola asked that the imbalance doesn't necessarily have to be isolated to a penetration by a person, could it be caused by the software. V. Torrez reported yes, that is correct. V. Torrez reported that to his knowledge, the lottery has never gone into a lockdown due to a wager imbalance it's usually something to do with one of the systems, such as one of them going down. It has never been due to an attempt of fraud or a wager hadn't been registered.

P. Guerin asked if the imbalance is in dollars. D. Barden stated yes. The imbalance may be that one system may go down and the other hasn't caught up, but at the end of the day, both systems balance. The imbalances occur at each lottery and not at MUSL headquarters. All wagers/sales/transactions by each lottery are sent instantaneously to MUSL. Any imbalance by any lottery will delay/stop the drawing until the imbalance has been resolved.

V. Torrez also stated if there is a high tier winner (100K or more) the lottery no longer needs to send security personnel to the retailer/city and obtain necessary documents like the paper stock, sign on tickets and sample ticket due to this alternative lockdown procedure in which security has received the pre-draw files; all the necessary information is in the pre-draw files.

V. Torrez also reported that the lottery security is due for its MUSL Review audit. The MUSL review audit is on a 2-year cycle and it has been 2 years since the last audit and he will keep the committee updated on this audit.

Security will be upgrading part of its 22-year old security system by replacing a panel that is outdated and installing a newer camera in Idaho to oversee the online drawing for Roadrunner Cash and PICK 3. V. Torrez also advised that there has been a decrease in criminal cases, specifically stolen tickets in the past year.

Records Retention Management Policy & Procedures: D. Barden provided a brief summary of the Policy & Procedures. This Records Management Policy has not been revised since August 2005. The purpose of the policy is to establish and maintain an efficient records management program which will direct the storage of records in an organized manner, but provide a plan for destruction of records following a detailed schedule. D. Barden advised that a comprehensive review process was led by NMLA legal counsel with input from lottery management. D. Barden reported that the intent of the policy did not change, but editorial changes were made for efficiency and practicality.

Adam Baker, General Counsel advised that when the lottery presented this document for review three key elements were needed to come up with a revised policy and procedure. The first was to meet with department heads/directors to determine what documents do they need and how long do you need these documents to do your job. Second was to follow state law requirements. It should be noted that there are no set requirements for the NM Lottery since the lottery is not a state agency but an instrumentality of the state. And lastly was to review how documents were maintained paper documents versus electronic files and what liability issues may arise from everyone keeping the same paper documents instead of having just one individual keeping the original electronic/paper document on file. By having multiple documents, this may cause confusion and issues that maybe one document has been updated or one document is an old document that should've been destroyed and what documents are subject to Inspection

of Public Records Act (IPRA). D. Barden stated that is a comprehensive document even at the state level and has now become more practical for the lottery and its staff to follow and use. The changes were reviewed with the committee page by page.

Below are some of the changes:

On page 1 and 2, the definitional section has been clarified relating to the definition of “Non-Records” and “Record Destruction”. The major clarification is in the definition of “Non-Records which clarifies that extra copies of records may be disposed of at the discretion of the employee. Legal counsel also deleted unnecessary verbiage and more succinctly re-codified existing language without changing business protocols.

On page 3, item d. was added to reflect that the lottery has a detailed Records Retention Schedule.

Several other significant changes are found in “Section 2” (pages 5 & 6):

- language clarifying that records may be destroyed pursuant to schedule “unless protected by court order.”
- a definition of “Electronic Records” was added as item f. (page 6)
- item b. (page 5) was amended by allowing permanent records to be maintained in electronic format.

Page 7 (Section 2), items f.i is amended by updating/clarifying “Administrative Correspondence”.

Page 8 (Section 2), a new item m. is added to provide a definition of “Marketing Materials”.

Changes on pages 9 – 25, are a result of administrative reorganization (staffing or Division changes), archaic or obsolete documents, or the inclusion of new documents. Destruction Dates have also been modified to reflect the updated policy.

The document has been revised as necessary to reflect correct Section and item numbering.

S. Baragiola requested that the policy should be clearly defined who is the custodian of the document. D. Barden reported that this will be updated and will be placed in the job descriptions of the department heads/directors. S. Baragiola also requested the word “minimum” be added to page 9 at the top which states Records Retention Schedule by Division. A. Baker stated that the term “minimum” would best be suited in the definition section, specifically the Records Retention Period. The new definition would be Records Retention Schedule means the minimum period of time during which records must be maintained, etc. Everyone agreed to the addition and placement.

P. Guerin made a motion to accept the Records Retention Management Policy & Procedures as presented and with a minor change of adding the word “minimum” in the and internally designate who the custodian is; second by A. McGowen. Carried; 3-0.

Other – None.

ADJOURNMENT: S. Baragiola moved to adjourn the meeting; second by P. Guerin. Carried; 3-0.
The meeting adjourned at 11:56 a.m.



Sal Baragiola, Committee Chair

Date 6-11-18

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