

**Security and Operations Committee Meeting  
New Mexico Lottery Authority  
August 18, 2021**

**MINUTES**

**Call to Order:** Committee Chair Sal Baragiola called the meeting to order at 11:02 a.m. and asked for a roll call. Present and constituting a quorum were: Sal Baragiola, Nina Thayer, and David Keylon.

Present from NMLA were Carolyn Cabell, Michael Boland, and Wilma Atencio.

**Approve Proposed Agenda:** S. Baragiola entertained a motion. N. Thayer made a motion to approve the proposed agenda; second by D. Keylon. All ayes, no nays. Carried; 3-0.

**Public Comment:** None.

**REPORTS:** C. Cabell reported that the FY 2022 Audit Plan was approved by the Board, at which time the Board Chair requested that the audit plan be reviewed by the Finance and Audit Committee. Since there are new Board members in each committee, Lottery management recommend that Internal Audit present to both committees about how the plan works. C. Cabell stated that the audit plan is typically reviewed by the Finance and Audit Committee prior to the approval by the Board of Directors.

**FY 2022 Audit Plan:** M. Boland reported that the annual plan is a comprehensive assessment of lottery operations and that it is the Internal Auditor's responsibility to ensure the processes are being adhered to in an efficient manner. M. Boland reported that the Internal Audit Plan is presented annually to Lottery management, the Finance and Audit Committee, and the Board for review, discussion, and final approval.

M. Boland reported that the Internal Audit Plan Overview on pages 1-3 describes the entire process. M. Boland reported that he sends the 53 audit area descriptions (pages 10-36) to the process owners for review and update each year. The plan is developed and prepared after interviews and discussions with employees and Lottery management. M. Boland advised that each audit area can change year to year based on the internal control objectives that have been identified by the department and auditor. M. Boland advised that the Lottery uses a risk-based approach using the terms high, moderate, and low priority. Pages 8-9 show the priority factors with pre-determined weighted percentages. M. Boland reported that there may be instances where an audit area needs to rise to a higher priority, in which case Internal Audit will use the "audit consideration" probability factor to push one of the audit areas up based on his and management's concern. N. Thayer asked if M. Boland used this factor in the FY 2022 audit plan. M. Boland stated yes.

D. Keylon asked if M. Boland ensures each audit area is audited periodically. M. Boland responded that Internal Audit cycles through audit areas on a regular basis; however, there are some areas that have a low or negligible priority that will not have an audit but may be monitored through an informal process.

S. Baragiola stated each department would have a standard operating procedure. M. Boland stated that is correct. M. Boland stated he has professional skepticism during discussions with staff and department heads and he will address any concerns that with the department head and management for further follow up.

M. Boland reported that the audit plan is an evolving plan and is amenable to changes not only from Lottery management, but also from the Board who may request areas be reviewed at any time.

D. Keylon asked if M. Boland found any significant issues of concern during the past audit year. M. Boland stated there were no observations or findings. If there are findings, they are generally remediated immediately. M. Boland advised that there were several recommendations to enhance business processes.

S. Baragiola entertained a motion to accept the Internal Audit Plan for FY 2022. D. Keylon made a motion to accept the Internal Audit Plan for FY 2022; second by N. Thayer. All ayes, no nays. Carried; 3-0.

**Jackpocket:** C. Cabell stated that the next item is a follow-up to the June Board meeting discussion on lottery industry growth initiatives. C. Cabell reported that a company called Jackpocket reached out to the Lottery to describe their services. Jackpocket offers a third-party mobile app which allows players to order lottery tickets at their convenience. Jackpocket is an established organization based out of New York and founded in 2013, with 11 active states including Colorado and Texas. Jackpocket is a member of North American Association of State and Provincial Lotteries (NASPL) and currently has two million users. Jackpocket has retail locations in those 11 states that sell board games, playing cards, and other gift items in addition to selling lottery products. Jackpocket is projected to sell \$4 million this year.

C. Cabell reported that Jackpocket is considering applying for a retailer license or working with an existing retailer in New Mexico, as they have a business relationship with Circle K. There would be no costs or development fees to the Lottery for Jackpocket to operate in New Mexico. C. Cabell reported that a player would download the mobile phone app and place a draw game ticket order via the app. The Jackpocket retailer (a physical store) would receive and process the order on the lottery terminal. The printed ticket would be scanned and sent to the player's account on the app. Winnings would be added automatically to the account. Large prizes would need to be claimed in person at the Lottery and Jackpocket would arrange with the player to take possession of such a ticket.

C. Cabell reported that the Jackpocket processing center would either be a stand-alone storefront or attached to another retailer. There would be terminals to process orders, scanning stations, and employees buying, scanning, and uploading orders during normal business hours. The app would have disclosures stating that players must be 18 or older to play and Jackpocket is not affiliated with and is not an agent of any state lottery. Jackpocket would ensure that users are within the state using geo verification through GPS on the phone. There would be a service charge for users when they add funds to their accounts, though there is no fee when placing an order. Information provided by Jackpocket showed that their technology generates incremental sales. Jackpocket became the #1 retailer in Arkansas when it launched in that state.

Members had questions on violations, fines, and cost associated with this service. C. Cabell reported any retailer must adhere to the retailer contract and Lottery Act and would be eligible for retailer commissions. The Lottery has asked its outside counsel to review Jackpocket and its service. The Lottery has not made any determination on Jackpocket at this time; this is an information item only. The members liked the idea of Jackpocket.

**Other Items:** S. Baragiola requested that IT present information to the Committee on cyber security and infrastructure at the next Committee meeting. C. Cabell confirmed that IT would provide a memo and presentation at the next meeting.

**Adjournment:** S. Baragiola made a motion to adjourn the meeting; second by D. Keylon. All ayes, no nays. Carried; 3-0. The meeting adjourned at 11:53 a.m.

  
 S. Baragiola, Committee Chair  
 Date: 12/15/21