

**Finance and Audit Committee Meeting  
New Mexico Lottery Authority  
June 8, 2022**

**MINUTES**

**Call to Order:** Committee Chair Paul Guerin called the meeting to order at 10:32 a.m. and asked for a roll call. Present and constituting a quorum were: Leo Romero, Othiamba Umi, and Paul Guerin who joined meeting virtually.

Present from NMLA were David Barden, Carolyn Cabell, Sylvia Jaramillo, and Wilma Atencio.

**Approve Proposed Agenda:** P. Guerin entertained a motion. L. Romero made a motion to approve the proposed agenda; second by O. Umi. All ayes, no nays. Carried; 3-0.

**Public Comment:** None.

**REPORTS:**

**Claims Engagement Audit Report – Management Update:** D. Barden reported that at the March 23, 2022, Finance and Audit Committee meeting, Lottery management stated they would review the recommendations from Internal Audit’s Claims Engagement Audit Report and report back to the Committee. D. Barden reported that Internal Audit reviewed the Claims Center operations, processes, and procedures and identified seventeen recommendations to enhance the effectiveness and efficiency of operations. There were no findings or control issues. D. Barden presented management’s responses and resolutions to the recommendations.

D. Barden reported that the Claims Center’s primary purpose is to sell and redeem lottery tickets, similar to a lottery retailer, and there are overlapping duties within the Finance and Claim Center staffs in case there is a reduction in staffing due to unknown reasons.

Committee members agreed that the resolutions provided by Lottery management are adequate and stated that the initial recommendations were minor in nature and do not appear to require Board oversight.

**Operational Reserve Overview:** D. Barden provided information related to contingency reserves. D. Barden reported that the New Mexico Lottery Act section 6-24-24 (c) allows the Lottery to set up a contingency reserve and make transfers into the fund. However, there are no directions on how to manage the fund, such as the balance.

D. Barden reported the Lottery currently has a \$5.1 million total net position and \$2.1 million of that is cash. D. Barden reported that reserves are funds companies set aside for use in emergency situations to cover costs or expenses that are unplanned or unexpected. D. Barden will request this item be moved to the next Committee meeting for additional discussion, including reviewing the existing Board resolution established in 2014.

L. Romero asked if the funds transferred into the reserve fund is after the 30% mandate has been taken out. D. Barden responded that the 30% return is taken out first and sent to the State for the lottery tuition fund, and any remaining funds may then be transferred into the contingency reserve.

O. Umi asked how this impacts the unclaimed prize fund and whether they are separate funds. D. Barden responded that they are separate. The contingency reserve is used for any unplanned or unexpected expenses for Lottery operations.

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D. Barden requested that the Committee recommend to the full Board that this item be carried over to the next Finance and Audit Committee meeting for further discussion. The Committee concurred and O. Umi will make the recommendation at the regular Board meeting.

**FY 2023 Consolidated Original Annual Budget:** S. Jaramillo reported on the FY 2023 Consolidated Original Annual Budget and provided a summary sheet showing the changes from the FY 2022 Consolidated Original and Revised Annual Budgets. The major changes in sales from FY 2022 to FY 2023 are:

- Instant ticket sales decreased by \$3.5 million
- Powerball sales increased by \$3 million
- Mega Millions sales decreased by \$1.15 million
- Roadrunner Cash sales increased by \$1 million
- Lotto America, Pick 3 Plus, Pick 4 Plus, and Fast Play were adjusted by smaller amounts
- Net ticket sales increased by \$75 thousand
- Operating Expenses increased by \$577 thousand

S. Jaramillo reported that the Game Expense line items (prize expense, retailer commissions, on-line vendor fees, and ticket vendor fees) were adjusted due to the changes in sales but remained relatively close in percentage.

S. Jaramillo reported that the salaries, wages, and benefits was increased by \$317 thousand. The Lottery is adding a couple positions, bringing the number of full-time equivalents to 36. In addition, a salary/wage increase of 4% has been added to try to partially help employees with inflation.

The FY 2023 Annual Budget is projected to return \$40.9 million to the Legislative Lottery Scholarship Fund, an increase of \$26 thousand.

L. Romero asked for clarification on the budget recap sheet provide to the Board, and whether the comparison is to the FY 2022 Original Budget or to the FY 2022 Revised Budget. S. Jaramillo responded that the overview provided is the comparison between the Original Budgets for FY 2023 and FY 2022.

D. Barden reported on additional items in the budget:

- Shipping/Postage has significantly increased.
- Two new full-time positions were added for IT and Marketing.
- Building upgrades were included as capital projects and include optimizing office space, claim center upgrades, employee restroom upgrades, upgrading audio/visual equipment in the Board room, and adding external cameras to address vandalism and theft.
- A new server for IT and upgrading and certification of the random number generator for the Security Division are also capital items.
- Depreciation increased due to new machines being put into service at Walmart locations.

P. Guerin asked if the new IT position will provide the dedicated IT Security personnel needed to assist with cyber security. D. Barden stated yes.

P. Guerin entertained a motion to approve the FY 2023 Original Annual Budget. O. Umi made a motion to accept and approve the FY 2023 Consolidated Original Annual Budget; second by L. Romero. All ayes, no nays. Carried; 3-0.

**Moveable Chattels and Equipment Inventory:** S. Jaramillo reported that the inventory of moveable chattels and equipment costing more than \$5,000 must be approved by the Board per section 12-6-10 NMSA. A list of items was provided to the Committee. S. Jaramillo reported that a physical inventory of all items listed has occurred and all items are accounted for, including items used remotely.

L. Romero asked if the list is comprehensive, including date purchased and amount. S. Jaramillo responded that it is.

O. Umi inquired about the INTRALOT security equipment and who it belongs to. S. Jaramillo responded that the security equipment located at the INTRALOT centers in Montana and Idaho are used to monitor the drawings and are owned by the Lottery.

O. Umi asked what the vehicles are used for. D. Barden responded that the fleet inventory has been reduced over the years. We currently have three security agent vehicles, two staff vans for getting mail and other duties, and one promotional vehicle used at events.

L. Romero made a motion to approve the Certification of Moveable Chattels & Equipment Costing More than \$5,000; second by O. Umi. All ayes, no nays. Carried; 3-0.

**Disposable of Obsolete Inventory:** S. Jaramillo reported that the Disposal of Obsolete, Worn Out, or Unusable Tangible Inventory is an annual process, and a list of items was provided to the Committee that have a resale value of \$5,000 or less. If the Lottery is unable to dispose of property under the guidance of either state statute or the Lottery's Capital Asset Management Policy, then the property shall be destroyed and otherwise permanently disposed of in accordance with applicable laws.

P. Guerin made a motion to approve the Disposal of Obsolete, Worn Out, or Unusable Tangible Personal Property; second by L. Romero. All ayes, no nays. Carried; 3-0.

**Other Items:** None.

**Adjournment:** P. Guerin entertained a motion to adjourn. L. Romero made a motion to adjourn; second by O. Umi. All ayes, no nays. Carried; 3-0. The meeting adjourned at 11:05 a.m.

Pam Guerin  
P. Guerin, Committee Chair  
Date: 8/17/22