

**Regular Meeting of Board of Directors  
New Mexico Lottery Authority  
December 7, 2022**

**MINUTES**

**Call to Order:** Board Chair Reta Jones called the meeting to order at 11:07 a.m. and asked for a roll call. Present and constituting a quorum were: David Keylon, Othiamba Umi, Nina Thayer, Reta Jones, Leo Romero, Paul Guerin, and Sal Baragiola.

**Introductions:** Present from NMLA were Wilma Atencio, David Barden, Carolyn Cabell, Michael Boland, Sylvia Jaramillo, Darren Geffre, and Therle Smith. Also attending were Mary Stanford and Steve Beck with INTRALOT, and Corrine Zajac-Clarkson with Carr, Riggs & Ingram, LLC (CRI).

**Approve Proposed Agenda:** No changes or corrections were made. R. Jones entertained a motion. L. Romero moved to approve the proposed agenda; second by N. Thayer. All ayes, no nays. Carried; 7-0.

**Approve Minutes of August 17, 2022, Board of Directors Meeting:** No changes or corrections were made. R. Jones entertained a motion. L. Romero moved to approve the August 17, 2022, meeting minutes; second by N. Thayer. All ayes, no nays. Carried; 7-0.

**Public Comment:** None.

**REPORTS:**

**Finance and Audit Committee:**

**August 17, 2022, Committee Meeting Minutes:** P. Guerin reported that the Finance and Audit Committee meeting minutes from August 17, 2022, accurately reflect what occurred at that meeting. Minutes are accepted as information only.

**October 26, 2022, Committee Meeting Minutes:** P. Guerin reported that the Finance and Audit Committee meeting minutes from October 26, 2022, accurately reflect what occurred at that meeting. Minutes are accepted as information only.

**FY 2022 Financial Audit Report:** C. Zajac-Clarkson provided an overview of the FY 2022 Financial Audit Report for the period ending June 30, 2022. This report was reviewed with the Finance and Audit Committee in October at the exit conference. C. Zajac-Clarkson reported the audit was submitted to the State Auditors' Office on October 28, and the report was released by the State Auditors' Office on November 30, 2022, with a five-day waiting period waived. The audit was performed in accordance with generally accepted auditing standards, Government Auditing Standards, and the New Mexico State Audit Rule.

C. Zajac-Clarkson reported that CRI issued an unmodified (clean) opinion. The financial statements were presented fairly in accordance with the generally accepted accounting principles. There was one other matter finding that did not rise to the level of a significant deficiency or material weakness. C. Zajac-Clarkson reported that the Lottery made a prepayment for a purchase as part of an existing contract, though prepayment is not permissible under the Procurement Code except under certain conditions. Details and Management's response are included in the Financial Audit Report.

C. Zajac-Clarkson thanked Lottery Management and team members who were very helpful during the audit process and commended them on the great work they conduct.

S. Baragiola asked about the difference between significant deficiency and material weakness. C. Zajac-Clarkson responded that significant deficiency is not as severe as a material weakness, but it is significant enough to bring it to the attention of Management and those charged with governance. The other matter finding in this audit was neither a significant deficiency nor a material weakness.

L. Romero asked the amount of the prepayment and how far in advance the prepayment was made. C. Zajac-Clarkson responded that the value of the prepayment was \$250,000. The procurement code states that you cannot prepay, but it does allow for purchases not exceeding \$10,000 consisting of magazine subscriptions, web-based or electronic subscriptions, registration fees, and other similar non-recurring purchases where prepayments are required.

D. Barden stated that this occurrence was for the retailer equipment purchased for Walmart with the central system vendor, INTRALOT. After discussions with the vendor, the Lottery received a discount on the machines if a portion of the cost was paid prior to delivery. The Lottery was already making weekly payments for services to INTRALOT with the current contract and proceeded with the purchase. D. Barden reported that the Lottery made changes to our procedures so that a prepayment of this type would not occur in the future.

L. Romero inquired about the SOC report mentioned by CRI. C. Zajac-Clarkson responded that a SOC report is a service organization controls report which verifies that an organization is following specific best practices that will allow the Lottery to feel confident that the service provider is operating in an ethical and compliant manner. As a value-added comment, CRI recommended that INTRALOT provide such a report to the Lottery every year, instead of every other year.

R. Jones entertained a motion. N. Thayer made a motion to accept the FY 2022 Financial Audit Report as presented; second by D. Keylon. All ayes, no nays, Carried; 7-0.

**Internal Audit Report – Finance Processes: Month-End Close Engagement:** M. Boland provided an overview and stated the report is for information purposes and will be sent to Office of the State Auditor and Legislative Finance Committee (LFC) as required by the New Mexico Lottery Act.

M. Boland reported that Internal Audit performed an assessment on Finance Processes of Month-End Close with the CEO's approval and data provided by the Finance Division. Part of this engagement was to compare NMLA's month-end close timing to other similar lotteries based upon a recent North American Association of State and Provincial Lotteries (NASPL) survey. Internal Audit concluded that it appears Finance has reasonable opportunity to enhance the efficiency of their month-end close process to reduce the number of days needed to close the month's books and still provide complete and accurate monthly financial statements for Management's timely use in making business decisions and strategic planning.

M. Boland reported that this type of engagement does not have findings, but rather recommendations which are provided for Management's review and consideration. Internal Audit offered eight recommendations to help Finance shorten the month-end close process including reaching out to similar lotteries to examine and discuss and how they complete their month-end close process.

R. Jones asked if Internal Audit looked at the technology/software used by the other lotteries surveyed. M. Boland responded that technology/software was not part of the survey to other lotteries, but that they were all accrual based. The scope of the engagement focused on the Lottery's internal processes. R. Jones stated there are many factors that differ from one lottery to another that could affect close times other than processes, such as staffing, how fast they close and what they consider closed, and the technology/software used. D. Barden stated that it is always a good idea to look at internal processes in all departments and see what can be enhanced or automated for efficiencies.

**Financial Statements:** S. Jaramillo provided a memorandum with financial statement highlights. S. Jaramillo reported that the Lottery transferred \$4.4 million to the Lottery Tuition Fund for October and transferred \$16.8 million for FY 2023, \$2.85 million more than last year. The Lottery has transferred \$964.5 million since FY 1996, quickly approaching \$1 billion milestone. D. Barden reported that the Lottery will make plans to highlight this milestone.

S. Baragiola requested pie charts to show sales by game, in order to highlight the relative sales from games such as Powerball. D. Barden responded that the Lottery would add five-year comparison charts by game to the next Board Bulletin.

D. Keylon asked if the Lottery could provide a report that shows how much the \$20 ticket contributed to the lottery scholarship fund. D. Barden responded that it would be difficult to isolate a single game because there are many factors involved across all games.

R. Jones commented that she still does not like the presentation of the reserve fund in other operating expenses in the financial statements. R. Jones asked S. Jaramillo if the reserve fund is presented in the same way on the audit report. S. Jaramillo responded that it is not; it is presented as a change in net position. R. Jones recommended that it go into non-operating and stated that it is inappropriately reflected which may cause an issue to the casual reader. S. Jaramillo reported it is listed in that area due to what it states in the statutes. O. Umi asked if the statutes need to be changed. R. Jones stated no. S. Jaramillo requested to have a discussion and find a suitable solution on where it should be reflected. R. Jones agreed.

#### **CEO:**

**Advertising and Marketing Update:** D. Barden reported that the Lottery won the Buddy Roogow Innovation Award for Best Instant Ticket from NASPL for the HGTV's My Lottery Dream Home game. A video created by Wendy Ahlm, Director of Advertising and Marketing, summarizing the game and promotion was shown. D. Barden reported that W. Ahlm; Karla Wilkinson, Director of Gaming Products; and C. Cabell, Chief Operating Officer, were tasked with providing a new innovative instant game. D. Barden stated that R. Jones' suggestion to feature the *My Lottery Dream Home* television program on an instant game set the wheel in motion.

D. Barden stated that he was exceptionally proud of the team, and that we were able to win the award even with our limited resources compared to other lotteries. The second-chance drawing for the game's promotion will take place in February. Board members congratulated the Lottery on a job well done. R. Jones stated she is very proud of the Lottery and would like to have a celebration with staff for the outstanding work.

**CEO Update:** D. Barden provided updates on several topics:

- The Lottery recognized and thanked eight employees who have twenty plus years of service: Wendy Ahlm, Director of Advertising and Marketing; Wilma Atencio, Operations Coordinator; Gina Borrego, Systems Operations Manager; Sylvia Jaramillo, Director of Finance; Evelyn McKnight, Director of Human Resources; Pam Poteat, Director of Sales; Karla Wilkinson, Director of Gaming Products; and Vince Torrez, Executive Vice President for Security.
- V. Torrez received the NASPL Powers Award for outstanding service for his significant contribution to the Lottery through his exceptional job performance, and he announced his retirement from the Lottery, effective January 2023. Randy Bertram, the current Deputy Director of Security, has been designated as his successor. R. Jones presented V. Torrez with the trophy for the NASPL Powers Award. The Board thanked V. Torrez for his service.
- Mary Stanford with INTRAOT also received the Powers Award this year.

- Powerball jackpots now take longer to reach a big jackpot compared to several years ago, while sales have decreased.
- The Lottery will have a great year and anticipate a \$46-\$48 million in returns.
- Jackpocket, the courier service affiliated with Circle K, garnered \$1.08 million in sales during the recent Powerball run-up. Players are liking the convenience and accessibility of buying draw game tickets via the courier service.
- Powerball, Mega Millions, and Lotto America sales for all jurisdictions and for New Mexico were shown.
- The Lottery received national recognition by winning the Buddy Roogow Innovation Award for Best Instant Ticket from NASPL for the HGTV's My Lottery Dream Home instant game.
- The Multi-State Lottery Association (MUSL) will hold an Executive Conference in Santa Fe for several MUSL lottery directors in February 2023.
- D. Barden provided an update on the mobile app with INTRALOT.
- D. Barden reported he gave his annual presentation to the LFC. The analyst with the LFC inquired about increases in shipping costs.
- The next proposed Security and Operations Committee meeting will be in January.
- The next proposed Finance and Audit Committee meeting and Board of Directors Meeting will be in March 2023. Items on the agenda will be the Revised Annual Budget, Financial Audit Contract, and Open Meetings Resolution.
- The Oklahoma Lottery provided slides charting their sales and returns before and after their 35% return mandate was eliminated.

O. Umi requested a copy of the presentation.

### **Board Chair**

**Board Elections:** R. Jones reported that it is time to have Board elections for the three positions: Chair, Vice-Chair, and Secretary/Treasurer. The Board has the option to nominate/vote per position or collectively.

R. Jones entertained a motion at S. Baragiola's suggestion. S. Baragiola made a motion to continue with the current slate of officers: R. Jones, Chair; S. Baragiola, Vice-Chair; and P. Guerin, Secretary/Treasurer; second by L. Romero. R. Jones opened discussion. S. Baragiola asked if anyone is interested in any of the three positions. D. Keylon responded he is not interested in any of the positions. All ayes, no nays. Carried, 7-0.

R. Jones thanked members and stated she appreciates their support. R. Jones requested that any member wishing to make changes to Committee assignments contact her via email.

**Board Initiatives:** None.

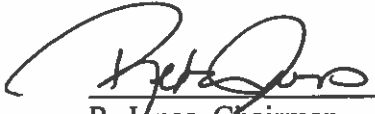
**Other:** R. Jones reported that the World Lottery Summit conference in Vancouver was very interesting, positive, and insightful, and that the quality of speakers was excellent and diverse. R. Jones recommended that all Board members try to attend a conference in the future to gain knowledge about the lottery industry.

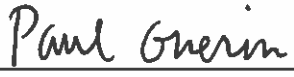
R. Jones would like to have an appreciation day for staff in the new year. The Lottery will update everyone in the new year of the date and time.

12/21/2022

**Other Items:** None.

**Adjournment:** R. Jones entertained a motion. S. Baragiola made a motion to adjourn the meeting; second by D. Keylon. All ayes, no nays. Carried; 7-0. The meeting adjourned at 1:02 p.m.

  
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R. Jones, Chairman  
Date: 3/23/23

  
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P. Guerin, Secretary/Treasurer  
Date: 3/23/23