

NEW JERSEY STATE LOTTERY COMMISSION

PUBLIC MEETING, OCTOBER 16, 2008

Chairman D'Anton called the Commission meeting into session at 11:00 AM in the Lottery Office located at One Lawrence Park Complex, Lawrenceville, New Jersey.

COMMISSION MEMBERS PRESENT

Robert D'Anton, Chairman
Robert Slater, Vice Chairman
Trina L. Glass, Commissioner
Munr Kazmir, Commissioner (by phone)
James McGuire, Commissioner
Robert Smartt, Treasurer Designee

William Jourdain, Acting Executive Director
Marc Krefetz, Dep. Attorney General
Maura Tully, Governor's Auth. Unit

VISITORS

STAFF

Regina Arcuri
Marilyn Blazovsky
Lou Cleary
Nancy Coccia
Denise Coleman
Dominick DeMarco
Yoke DiGiorgio
Robert Kersey
Karen Kokoll
Foster Krupa
Dolores Matos
Steve Palmieri
Mary Ann Rivell
Margaret Square
Nick Wiener

After the Pledge of Allegiance, Chairman D'Anton announced that the Lottery was in compliance with the provisions of the Open Public Meetings Act, and that adequate notice of the meeting had been provided in the manner prescribed by law.

Chairman D'Anton requested a motion to approve the minutes of the September 18, 2008 Commission Meeting. Vice Chairman Slater made the motion, which was seconded by Commissioner Glass. Chairman D'Anton asked if there were any comments. Acting Executive Director Jourdain stated that there was one correction to the last page under "Executive Session" the name should be changed from Deputy Attorney General Evert to Deputy Attorney General Krefetz. Chairman D'Anton asked if there were any other comments and there being none the motion carried.

DIRECTOR'S REPORT

Acting Executive Director Jourdain stated that the sales for the month of September totaled \$188.8 million, which is an increase of \$2.8 million compared to last year's total monthly sales.

Acting Executive Director Jourdain stated that we are 2.5% ahead of our budgeted target for FY'09.

Acting Executive Director Jourdain stated that we are right on target for the budgeted State contribution for FY'09.

Acting Executive Director Jourdain stated that the receipts and deposits that the Finance Unit received for the month of September totaled \$229 million.

Acting Executive Director Jourdain stated that the balance in the unclaimed prize reserve account is \$18.485 million.

Acting Executive Director Jourdain stated that the current balance in the annuity investment accounts totaled \$617 million.

Acting Executive Director Jourdain stated that the Marketing Unit has begun planning and preparing for the "Jersey Jackpot Raffle" game which will take place in early December. He stated that plans continue for the Pick 4 Red Ball Double Up promotion which has started this past week.

Acting Executive Director Jourdain stated that the advertising campaign to support the "Deal or No Deal" instant game began during the month of August and ran through the end of September.

Acting Executive Director Jourdain stated that the Sales unit reports that the retailers have been pleased to learn about the new Instant Inventory Summary Terminal Report.

Acting Executive Director Jourdain stated that the slowing economy and the high gasoline prices are affecting sales of the smaller retailers. He stated that the Retailer self terminations have been running ahead of last year.

Acting Executive Director Jourdain stated that 67 low volume retailers doing sales less than \$1,000 a week have been identified and are being evaluated. He stated that the sales staff will be sent out to help assist these retailers in improving performance and see whether the Lottery is a viable product in their retail location.

Acting Executive Director Jourdain stated that the Retailer/Customer Call Center handled 2,014 incoming calls during the month of September.

Acting Executive Director Jourdain stated that there were 110 security investigations conducted by the Security Unit.

Acting Executive Director Jourdain stated that there are 6,165 retailer licenses issued as of September 30, 2008.

Acting Executive Director Jourdain stated that the Public Information Office responded to press and public inquiries.

Acting Executive Director Jourdain gave the Commissioners the new bet slip holders which are now being distributed to the Retailers.

Acting Executive Director Jourdain stated that all drawings were held in accordance to established procedures. He stated that we conducted ten (10) Opt-In drawings for the month of September.

Acting Executive Director Jourdain stated that the Drawing Unit has begun preparing for the Pick-4 Double Up Promotion which is taking place during the month of October.

Acting Executive Director Jourdain stated that we had various special events during the month of September.

Acting Executive Director Jourdain stated that at the October Ocean County Columbus Day Parade and Festival which was held in Seaside Heights, we achieved the highest sales performance from a trailer event. He stated that we sold over \$11,000 in Lottery tickets.

Acting Executive Director Jourdain stated that the IMS staff has completed the 2009 license renewal and certification processing for the security and licensing unit.

Acting Executive Director Jourdain stated that IMS completed work with OIT on the automated process to update the Instant top tier prize game web pages. He stated that the instant game remaining prizes information will be updated on a daily basis.

Acting Executive Director Jourdain stated that we are in the process of revising the "frequently asked questions" portion on our website to expand the scope of this area to include a lot more answers of the regularly asked questions of the public.

Acting Executive Director Jourdain stated that the Lottery VIP club has increased its membership with 2,188 new registrants during the month of September. He stated that there are now 144,238 active members.

Acting Executive Director Jourdain stated that the Operations Unit had 19 social security number matches between the files from the Departments of Human Services and Community Affairs and the Higher Education Student Assistance Authority and Lottery winners.

Acting Executive Director Jourdain stated that the Validation staff received and sorted over 3,500 claims during the month of September.

Acting Executive Director Jourdain stated that all on-line game pools were closed according to procedures with no abnormalities.

Acting Executive Director Jourdain stated that the Instant Ticket Inventory Control Section processed 35 full packs and 139 partial packs from Collections and updated the status on 18,214 pack returns from the 28 instant games that ended during the month of September.

Acting Executive Director Jourdain stated that the administrative rules for Lottery, N.J.A.C.17:20 and the rule re-adoption with amendments were forwarded to the Office of Administrative Law for review and publication.

Acting Executive Director Jourdain stated that this concludes the Director's Report.

Commissioner Glass asked about the low sales retailers and whether the sales staff will be evaluating them in person or by phone.

Acting Executive Director Jourdain stated that they will initially be contacted by phone to set up an appointment to evaluate them in person. He stated that our first order of business is to provide assistance to these retailers to help them make Lottery a more viable alternative.

Chairman D'Anton stated that he agrees that we should try to help them out, but he stated that we also need to look at their history. He stated that there may be another business on the block that the sales people should look at who may want a Lottery machine.

Acting Executive Director Jourdain stated that is part of the process and we will be looking at the entire scope of what is going on with these retailers.

Chairman D'Anton asked if there were any other comments on the Director's Report and there being none asked for a motion to approve the Director's Report. The motion was made by Vice Chairman Slater and seconded by Commissioner McGuire. The motion carried.

NEW BUSINESS

Chairman D'Anton asked for a motion to approve the instant ticket game rules for "NJ Hold "Em Poker," "Lucky Hearts," "\$500 Flurry" and "Hearts Are Wild." Commissioner McGuire made the motion, which was seconded by Commissioner Glass. Chairman D'Anton asked if there were any comments and there being none the motion carried.

PUBLIC COMMENT

There was no public comment at this meeting.

MISCELLANEOUS

Acting Executive Director Jourdain gave each of the Commissioners a binder which contained all of the Lottery game rules, administrative codes, Lottery Law and a reference section on Executive Order #122.

Chairman D'Anton asked if there was any other business to be discussed in the open public meeting and there being none, asked for a motion to adjourn. Commissioner McGuire made the motion, which was seconded by Commissioner Glass. The motion carried.

Vice Chairman Slater requested that we go back into open session to discuss Executive Order #122,

Chairman D'Anton requested a motion to go back into the open meeting. Commissioner Slater made the motion which was seconded by Commissioner McGuire.

Deputy Attorney General Krefetz read into record the letter dated October 10, 2008 addressed to the Lottery Commissioners regarding Executive Order No. 122. He stated that the letter states that during last month's Lottery Commission Executive Session a question was raised concerning the Lottery Commission's responsibility for auditing the Division of State Lottery. He stated that the precise issue was previously reviewed by the Division of Law in February of 2007, at which time it was concluded that

Executive Order No. 122 (McGreevey 2004) does not apply to the New Jersey Lottery Commission and its members. He stated that a copy of the Division of Law's February 7, 2007 memorandum to Acting Director William T. Jourdain, which explains the reasoning for this conclusion, is attached to this letter, and is released as a government record. He stated that the memo is now an official record subject to public disclosure.

Vice Chairman Slater asked if this could be paraphrased as to what this really means.

Deputy Attorney General Krefetz stated that the State Lottery Law gives the Commission various duties in connection with choosing Lottery games and prizes. He stated that the statute also requires the Commission report monthly to the Governor and the Legislature the total lottery revenues, prize disbursements and other expenses for the preceding month and to make an annual report which shall include a full and complete statement of lottery revenues, prize disbursements and other expenses to the Governor and the Legislature. He stated that the Director of the Lottery Division is required to certify monthly to the State Treasurer and the commission a full and complete statement of the Lottery revenues, prize disbursements and other expenses for the preceding month. He stated that unlike many other independent commissions, duties are split when it comes to Lottery between the Commission and the Director. He stated that the Division of State Lottery uses an independent auditor hired by the Division of Purchase and Property in accordance with the statute to prepare the required annual report. He stated that the Auditing firm also assists with the monthly reports by preparing monthly interim audited statements. He stated that the Commission has no role in approving the contract with the Independent auditor. He stated that the Independent auditor's annual report is submitted to the State Auditor to include it in the State comprehensive annual financial report. He stated that Executive Order #122 was to require boards of public authorities, agencies and commissions to establish an audit committee and set standards with the composition of the committee. He stated that under the order the audit committee is to assist the authority board in retaining an independent auditor and the order outlines specific contract and procedures to be followed. He stated that Executive Order #122 also outlines the protocols and reporting lines to ensure the auditors independence from staff influence. He stated that the order lays out the duties of the audit committee in monitoring the independent auditor reviewing the annual report and responding to the auditors questions and recommendations. He stated that Executive Order #122 does not clearly define which public bodies are subject to the requirements. He stated that paragraph 10 states that this order shall apply to all state authorities, commissions, boards, councils that utilize external auditors to assist them in overseeing public funds. He stated that since the lottery already uses an external auditor and it is not the commission that uses the external auditor, but the director of the Lottery division that has the responsibility. He stated that because the Commission has no contracting power and no role in selecting the independent auditor, Executive Order #122 is clearly inapplicable to the situation of the Division of the State Lottery.

Vice Chairman Slater asked if they would go to the audit committee if there were any issues that had to do with the operation of the Lottery that needed to be discussed outside of the staff and director of the lottery.

Deputy Attorney General Krefetz asked if there was actually a separate audit committee.

Acting Executive Director Jourdain stated that there is an audit committee and someone from the Office of Management & Budget sits on that committee and the Treasurer's Office is in the process of assigning additional individuals to sit on the audit committee.

Vice Chairman Slater requested that they be advised of who the Chairman of the Audit Committee is and who the members are and how the commissioners could reach them if there was a matter that has to go to them that would not go through the channels of the Executive Director.

Chairman D'Anton asked if there were another other comments and there being none requested a motion to adjourn. Commissioner McGuire made the motion which was seconded by Commissioner Glass. The motion carried.

I HEREBY CERTIFY that the foregoing is a true and correct copy of the minutes of the New Jersey Lottery Commission meeting held on October 16, 2008.

IN WITNESS WHEREOF, I hereby set my hand on

the _____ day of _____, 2008.

William T. Jourdain
Acting Executive Director