

**MINUTES**  
**IOWA LOTTERY BOARD**  
**February 20, 2008**

The Iowa Lottery Board convened by teleconference at 9:37 a.m., Chairman Clausen presiding. Board members participating: Elaine Baxter, Timothy Clausen, Michael Klappholz, Michael Fitzgerald. Absent: Mary Junge, Thomas Rial

Staff present at Lottery Headquarters: Kenneth Brickman, Acting CEO; Harry Braafhart, Vice President for Security; Steven King, Chief Financial Officer; Joe Hrdlicka, Vice President for Marketing; Larry Loss, Vice President for Sales; Mary Neubauer, Vice President for External Affairs; Marci Tooman, Assistant Vice President for Legal Affairs; Evelyn Halterman, Chief Information Officer; Tina Potthoff, Public Affairs Manager; Barbara DeHeck, secretary.

Others present: William Petroski (Des Moines Register); Mitch Stone (Scientific Games).

Clausen called the meeting to order and noted that the Board members were participating by means of a conference call, with the provisions of Iowa Code section 21.8 governing the conduct of electronic meetings in effect. A meeting with all members in attendance in person was impractical due to Board members' personal scheduling conflicts. The meeting originated from the Lottery central offices in Des Moines and public notice of the meeting was given pursuant to Iowa Code section 21.4, with public access to the conversation of all participants provided by means of speakerphone for the benefit of all in attendance at the meeting site. Baxter moved to conduct the meeting by electronic means, pursuant to Code section 21.8. The motion was seconded by Klappholz and carried unanimously.

**Administrative Rules**

Neubauer reviewed information presented to the Board at an earlier meeting regarding situations in Canada in which winners' tickets had been stolen by retailer personnel, and the changes implemented by those lotteries in the wake of that situation. Board members had discussed those changes and their potential implications and were asked if they wished to retain a security consultant as Canada had done, to which they had responded that they did not believe there was any need to do so and stated that they were proud of the Iowa Lottery and the measures it had enacted to prevent such instances.

Neubauer indicated Lottery staff had also reported to the House and Senate State Government Oversight Committees, at their January meetings, about the Canadian situations and what the Iowa Lottery had done and continues to do to prevent anything similar from happening here. The Committees then directed the Lottery to institute a requirement that any lottery ticket be signed before it could be checked or validated, and reinstate the printing of receipts by lottery terminals. She noted that the issuing of receipts had been done for several years, but was discontinued when it was determined that the public did not want them, and they were being discarded in great numbers and creating a lot of waste. She indicated Lottery staff was working with Scientific Games to reinstate that feature, and a public information campaign would be conducted to inform retailers and public of the signature requirement and receipts.

Clausen asked if a receipt would be printed for every winning ticket. Neubauer replied that a receipt would be printed for any ticket checked by a retailer terminal. In the case of a winning ticket, the terminal would produce the customer receipt and also a retailer receipt which the retailer would need to retain for security purposes.

Clausen asked how much that would cost. Neubauer replied that the annual paper cost for the receipts was expected to be about \$500,000 and the public information campaign would cost about \$250,000 for the first year.

Baxter said she was concerned about proceeding without public notice and public hearings

Tooman indicated Board approval was being sought for amendments to administrative rules 11.1 and 11.4 to require all tickets to be signed before being checked or validated, and requiring retailers to verify there was a signature on any ticket submitted for checking or validation. The printing of ticket receipts would be included in the Lottery's contract with Scientific Games, Inc. (SGI); the additional cost would be for paper stock. The Oversight Committees had instructed the Lottery to proceed with these measures immediately, so the administrative rule amendment would be filed emergency, and a Notice of Intended Action would also be filed and a public hearing would be held. The rule could then be reconsidered, if necessary.

Clausen noted that the proposed rule amendments only provided for signatures on tickets; the Lottery would still have opportunity to back away from receipts if it was decided they were not cost effective, or if some more efficient means for addressing the situation were to become available.

Neubauer said the plan was to move forward with initiating receipts; the necessary programming change had been requested of Scientific Games. The Lottery would monitor how the program functioned at the retail level. If complaints were received, as in the past, and it was determined that customers did not want the receipts and they created a lost of waste, then the issue would need to be addressed.

Tooman indicated the rule change regarding signatures on tickets would need to be filed using the emergency filing procedures in order to comply with the timetable set by the Oversight Committees; to do so, the Board needed to make a finding that notice and public participation would be contrary to the public interest because of the need to protect the integrity and reliability of the lottery sale process.

Clausen noted that the Lottery had never had a problem in that area, or any complaints, and asked if the emergency filing was being done because Oversight Committee wanted it handled that way. Tooman affirmed that that was the case.

Baxter moved to approve the filing of the proposed amendments to administrative rules 11.1 and 11.4 on an emergency based because they conferred a benefit on the public by protecting the public and retailers from the possibility of fraud, thereby continuing to ensure the integrity of the Lottery would be maintained at the highest possible level.. The motion was seconded by Klappholz. Ayes: Baxter, Klappholz. Nays: Clausen. The motion carried 2-1.

Baxter noted that her vote was contingent upon public notice being provided as quickly as possible.

Tooman affirmed that Notice of Intended Action would be filed concurrent with the emergency filing, providing a specific time for a public hearing.

Baxter moved to file the Notice of Intended Action; Klappholz seconded the motion. Ayes: Baxter, Klappholz. Nays: Clausen. The motion carried 2-1.

### **Ticket Receipts**

Neubauer said the staff was seeking direction from the Board with regard to the receipt issue. She indicated a change to the Lottery's FY 2008 budget would not be necessary, but if the program was enacted a budget amendment for FY 2009 would probably be needed, and could be addressed at a later meeting.

Clausen said it was his understanding that SGI had made a proposal with regard to handling the cost of receipts. Brickman confirmed that the company had submitted a proposal for the Lottery's consideration. Clausen urged that the Board table the FY 2009 budget issue until the SGI proposal had been reviewed.

Klappholz moved that the Board authorize the Lottery to move forward with the process of investigating and ultimately implementing the printing of receipts from lottery terminals once the Lottery has had the opportunity to review all of the factors involved in this particular decision making process. Baxter seconded the motion. Ayes: Baxter, Klappholz. Nays: Clausen. The motion carried 2-1.

Adjournment having been moved and carried, the meeting adjourned at 10:15 a.m.