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Chester J. Culver • Governor  
Patty Judge • Lt. Governor

Terry Rich • Chief Executive Officer

April 15, 2009

Mr. William Angrick II  
Iowa Citizens' Aide/Ombudsman  
Ola Babcock Miller Building  
1112 E. Grand Ave.  
Des Moines, IA 50319

Dear Bill:

Thank you for providing us with a copy of your upcoming report. We know that your office spent a lot of time and effort to produce it and we are happy to review your work.

We are treating your agency's report in the same serious business manner and with the same open-minded reception that we give to an audit conducted at the Iowa Lottery, whether it be a financial audit or an audit of our information-technology systems.

The end result of your work is a report that admittedly "did not uncover a case of large-scale fraud" involving Iowa's lottery, supporting your original assessment that "the vast majority of Iowa retailers and clerks are honest, reputable and do not engage in fraud or theft." All citizens of Iowa and anyone beyond our state's borders who has ever played an Iowa Lottery game can be heartened by that news.

That finding makes sense when you consider that in calendar year 2008, the Lottery's Security Department handled 182 inquiries compared to the 148,136,301 transactions that year for the sale and cashing of Lottery tickets in our state. In other words, 99.99999877 percent of those transactions had no security-related inquiry associated with them.

There is nothing in your agency's report we have not already discussed, considered or implemented at the Iowa Lottery. However, the conclusions and opinions appear to be based upon idealistic possibilities, while our decisions must be based upon what is reasonable, practical and fiscally responsible. We also believe the process must involve input from Iowa citizens and lawmakers.

Because the primary focus in the report is your agency's opinions about the possibility of retailer fraud, it is important that these facts be very clear:

- No fraud or theft was committed or suspected by any state employee involved in the regulation of Iowa's lottery.
- No large-scale fraud was found or reported involving Iowa's lottery.
- Integrity is at the heart of our operations. We do not believe that your overall conclusions are a true representation of what you found at the Iowa Lottery.
- We believe that we are conforming with Iowa Code section 99G.2(3) that states in its entirety: "that lottery games shall be operated and managed in a manner that provides

continuing entertainment to the public, maximizes revenues, and ensures that the lottery is operated with integrity and dignity and free from political influence.”

- We have made enhancements to many facets of Iowa Lottery operations through the years, including the area of security, and strive for continuous improvement.

With those thoughts in mind, we agree with or have already implemented many of the concepts in principle outlined in your agency’s recommendations, although we reserve the right to question specific research background within the report. We disagree with the remainder due to concerns regarding undue governmental intrusion, red tape and impractical business application; game security concerns; personal security risks; and cost-benefit factors.

For example, your agency’s report mentions self-checkers. We’ve been looking at ticket checkers for years. As with any technology, products get better and less costly over time. We believe this will be a viable option in the very near future, but we’re not there yet.

We also do not agree that administrative rules or laws need to be revised to achieve an enhancement of lottery security in Iowa.

As someone new to state government, I want to express my hope that we can work together to elevate the positive tone of our discussions. I fear that the interactions of our offices thus far have left the public with the unfortunate impression of government quarreling and fingerpointing, not to mention the enormous resources that were involved. Producing this report involved the staff time of about two dozen state employees over two years’ time, when both our organizations desire the same result: to protect the citizens of Iowa. I believe that government should lead by example and when offices argue, it leaves a less-than-flattering impression of how government works. I look forward to working with you to renew our efforts toward a harmonious working relationship.

Lastly, we ask that the report be released to the public immediately so that in the spirit of true openness we can ensure the most open, timely and fair discussion possible of our differences of opinion.

Thank you again for your agency’s efforts. I truly believe we share the same goals.

Sincerely,

Terry Rich  
Chief Executive Officer