



13001 University Avenue
Clive Iowa 50325-8225
www.ialottery.com
515.725.7900

Kim Reynolds · Governor
Adam Gregg · Lt. Governor
Terry Rich · Chief Executive Officer

AGENDA

IOWA LOTTERY BOARD

September 20, 2018
10:30 am

Dial In: 1-866-685-1580
Code: 000 999 0332

- I. Call to Order
 - a. Approval of Agenda
 - b. Approval of Minutes – June 20, 2018
- II. Quarterly Reports
 - a. Financial
 - b. Marketing
 - c. Security
 - d. IT Systems
 - e. External Relations
 - f. Legal
- III. FY20 and FY21 Budget Approval
- IV. Background Check Policy
- V. Sports Wagering Update
- VI. CEO Update
- VII. Adjournment

If you require the assistance of auxiliary aids or services to participate in or attend the meeting because of a disability, please call our ADA coordinator at 515-725-7864, or if you are hearing impaired, call Relay TTY at 1-800-735-2942.

MINUTES

IOWA LOTTERY BOARD

June 20, 2018

10:30 a.m.

The Iowa Lottery Board convened at 10:30 a.m. at Lottery Headquarters in Clive; Board Chairperson Connor Flynn presiding.

Board Members Present:

Connor Flynn; Mary Rathje; Mary Junge; Sherrae Hanson; John Quinn; Mike Fitzgerald (phone).

Board Members Absent:

None.

Lottery Staff Participating:

Terry Rich, CEO; Larry Loss, COO; Brenda Nye, VP, Finance; Cam Coppess, VP, Security; Hale Strasser, VP, Systems Operations; Rob Porter, VP, Legal Counsel; Mary Neubauer, VP, External Relations; David Ranscht, Assistant AG; Deb Bassett, Board Secretary.

Others Present:

Mike Loss, Iowa Lottery; Brad Carter, Iowa Lottery; Michael Conroy, Iowa Lottery; Deirdre Demmerly, Iowa Lottery; O.K. Henderson, Radio Iowa; Tom Grady, Bucket Media; Karlyn Nosbusch, Bucket Media; David Berger, Scientific Games; Michelle Hurd, IGIA; Colleen Rowan, IGT; Karen Harris, IGT; Angel Banks-Adams, Legislative Services Agency; Scott Stewart, AP (phone).

CALL TO ORDER

Chairperson Flynn called the meeting to order at 10:30 a.m. and roll was taken. There was a quorum. Flynn announced the meeting would be held via teleconference in accordance with Iowa Code section 21.8.

Junge moved to conduct the meeting via teleconference. Rathje seconded. Motion carried unanimously.

APPROVAL OF AGENDA

Rathje moved to approve the agenda for the meeting. Hanson seconded. Motion carried unanimously.

APPROVAL OF MINUTES

Junge moved to approve the May 15, 2018, board meeting minutes. Rathje seconded. Motion carried unanimously.

QUARTERLY REPORTS

Financial:

Nye gave a financial report. Through May, sales were ahead of budget by 11% and ahead of the 5-year average by 9.5%. Proceeds through May were ahead of budget by 23% and ahead of the 5-year average by 6.75%. Sales are on track to be the highest in Iowa Lottery history. Proceeds are on track to be in the second highest in Iowa Lottery history. Nye also discussed a new Governmental Accounting Standards Board standard, GASB #75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This GASB is required to be implemented this year; the dollar amount that this standard requires

to be reported on the financials represents the liability for allowing retirees to stay on the State's health insurance plan.

Marketing:

Loss gave a report on behalf of Wood and provided an update on several promotions including Lotto Surprise, Powerball Power Cruise, Tiny Homes Big Wins, and Jackpot Party.

Security:

Coppess provided a security report for April – June 15th.

IT Systems:

Strasser gave a report on the replacement of firewalls that protect internal systems and data, and IT's part in current lottery promotions.

External Relations:

Neubauer spoke about a large unclaimed Powerball prize. A lucky player purchased a ticket at the Casey's in Nevada and won \$1 million in the April 11, 2018 Powerball drawing. The Lottery continues to spread the word about the unclaimed prize in the hopes that the winner(s) will come forward. Players have one year from the date of the drawing to claim Powerball prizes in Iowa.

Legal:

Porter gave an update on the media buy RFP. The contract with Bucket Media has been executed and the contract with Strategic America is in progress.

Junge moved to approve the Quarterly Reports. Hanson seconded. Motion carried unanimously.

INSTANT TICKET PRINTING RFP

Loss discussed the Instant Ticket Printing RFP. Loss gave an instant ticket overview for background purposes. The current instant ticket printing contract expires December 31, 2018 and all contract extensions have been utilized. RFP IL 18-04 Instant Ticket Printing and Related Services was released on February 7, 2018. Bids for the RFP were received from IGT, Pollard and SGI. The evaluation committee reviewed written proposals from the vendors and conducted site visits. All 3 vendors successfully passed the technical and security evaluations. At the conclusion of the technical and security evaluation, the pricing was opened and evaluated. Each vendor is capable of securely producing tickets in the sizes and quantities required by the Lottery.

Porter stated there are 3 major instant ticket printers in the Lottery industry, IGT, Pollard and Scientific Games. The Lottery presently has contracts with all 3 vendors and each submitted a bid for the current RFP. The Lottery would like to grant a new contract to all 3 vendors in order to allow the Lottery to make individual game decisions based on the business needs of the Lottery. Porter stated that the evaluation committee requests that the board permit the Iowa Lottery to issue a Notice of Intent to Award for RFP 18-04 to the following vendors: IGT Global Solutions Corporation, Pollard Banknote Limited and Scientific Games International. The committee also requests that the Lottery be allowed to enter into agreements with all 3 vendors under contract terms consistent with those already included in the RFP, contingent upon successful completion of any required background checks.

Rathje moved to approve the requests from the evaluation committee. Hanson seconded. There was some discussion about the RFP. Motion carried unanimously.

Board member John Quinn joined the meeting by conference call at 11:05 am.

GAMBLING COMPLIANCE - 2018 AWARD FOR OUTSTANDING ACHIEVEMENT IN COMPLIANCE

Neubauer shared that the Iowa Lottery had recently won an international global gambling compliance award from GamblingCompliance. The Lottery was nominated for the award for its work in the long running lottery jackpot investigation.

SUPREME COURT DECISION IN MURPHY VS NCAA AND THE FUTURE OF SPORTS BETTING IN THE U.S.

Porter and Neubauer gave a presentation on the Professional and Amateur Sports Protection Act of 1992 (PASPA) and the May 2018 Supreme Court ruling (Murphy vs. National Collegiate Athletic Association) which overturned PASPA. As a result of the ruling, many states are moving to go live with sports-betting. Several lottery retailers have voiced their desire to offer sports-betting at their locations if lawmakers legalize sports-betting in Iowa. Neubauer provided an overview of what a state-regulated sports lottery might look like and factors to consider. With so many different approaches to sports-betting, it will be important to continue to learn about the topic so that, as discussions continue, the Lottery can help ensure Iowa is best positioned and informed on the matter.

There was discussion on the issue.

Board member, John Quinn, arrived at the meeting at 11:30 am.

Junge moved to direct the Iowa Lottery to continue to explore sports lottery and its feasibility in Iowa with vendors and lawmakers. Quinn seconded. Motion carried unanimously.

The board took a brief break for lunch at 11:50 am. The board reconvened at 12:00 pm.

FY19 BUDGET

Nye stated the preliminary FY19 budget was approved by the board last September. Adjustments were made to that budget. Nye asked the Board to approve the FY19 proposed budget.

Rathje moved to approve the budget. Junge seconded. Motion carried unanimously.

FISCAL POLICY UPDATES

Nye asked the board to approve changes to two fiscal policies. Policy 210.305, Travel – Out-of-State – Subsistence Allowance, was updated to allow for the purchase of travel insurance when deemed necessary. Policy 240.102, Purchasing Policies and Services Contracting, had changes to update titles, signature authority and purchasing levels. The change in purchasing levels is consistent with DAS policy.

Hanson moved to approve the fiscal policy updates. Quinn seconded. Motion carried unanimously.

PERSONNEL – VP OF FINANCE CANDIDATE RECOMMENDATION

Rich stated that Brenda Nye, VP of Finance, is retiring at the end of June. Rich recommended Lottery employee, Michael Conroy to succeed Nye as the VP of Finance and CFO.

Hanson moved to approve Michael Conroy as the VP of Finance. Rathje seconded. Motion carried unanimously.

FY19 KEY EMPLOYEE PAY PLAN/COMPENSATION

Rich asked the board to authorize compensation for Lottery key employees consistent with the increases authorized by the State for other employees. This includes a 1% across-the-board increase with the pay period that includes July 1, 2018 and the authority to grant with-in grade merit increases for eligible key

employees up to the maximum level allowed, 3%, based upon performance; with the increase being available on the employee's increase eligibility date.

Quinn moved to approve the key employee compensation. Rathje seconded. Motion carried unanimously.

SUCCESSION PLANNING

Rich presented the succession plan; the plan dictates who is in charge short term when the CEO is unavailable. Rich asked the board to approve the plan.

Hanson moved to approve the succession plan. Junge seconded. Motion carried unanimously.

CLOSED SESSION

Flynn stated: "The Chair is advised that the Board's legal counsel has a matter to discuss with the Board within the parameters of Iowa Code section 21.5(1)(c), which provides for closed session to discuss strategy with counsel in matters presently in litigation or where litigation is imminent where its disclosure would be likely to prejudice or disadvantage the position of the governmental body in that litigation.

Junge moved for the board to go into closed session. Quinn seconded. A roll call vote was taken. Flynn – aye; Rathje – aye; Junge – aye; Hanson – aye; Quinn – aye. Motion carried unanimously.

The board entered into closed session at 12:15 pm.

No action was taken during the closed session.

Open session resumed at 12:50 pm.

CEO UPDATE

Rich talked about "facings" – the number of different tickets on the counter for sale at a retailer outlet – and the push to increase facings. Rich also talked about ticket courier services.

Rich recognized Brenda Nye for her years of service to the Iowa Lottery and the State of Iowa.

ELECTION OF OFFICERS

Flynn nominated Mary Rathje as board chair and Mary Junge as vice chair.

Quinn moved to approve the nominations. Hanson seconded. Motion carried unanimously.

Rich thanked Flynn for his year of service as the board chair.

ADJOURNMENT

Quinn moved to adjourn. Rathje seconded. Motion carried unanimously.

Meeting adjourned at 1:02pm.

IOWA LOTTERY
PERFORMANCE MEASURES
FY 2018
June 30, 2018

| MONTH | | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN |
|--------------------|----------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Gross Sales | Budget FY 2018 | 25,040,187 | 26,514,716 | 25,199,976 | 26,063,594 | 27,126,655 | 27,334,007 | 32,204,745 | 29,923,071 | 30,850,681 | 28,329,991 | 29,995,886 | 25,836,491 |
| | Actual '18 | 28,206,485 | 38,467,880 | 26,630,836 | 26,964,621 | 27,665,819 | 32,578,758 | 34,433,194 | 28,608,687 | 36,925,652 | 31,327,694 | 31,186,583 | 27,960,678 |
| Prize Expense | Budget FY 2018 | 14,858,996 | 15,742,543 | 14,954,742 | 15,472,229 | 16,254,469 | 16,378,716 | 19,297,294 | 17,930,100 | 18,485,931 | 16,891,189 | 17,891,887 | 15,399,545 |
| | Actual '18 | 17,143,244 | 22,941,217 | 16,472,093 | 16,851,231 | 16,580,357 | 20,151,447 | 20,974,949 | 17,423,782 | 23,619,771 | 19,700,548 | 18,613,035 | 17,019,400 |
| Operating Expenses | Budget FY 2018 | 1,221,802 | 1,311,871 | 1,222,236 | 1,291,537 | 1,273,991 | 1,224,256 | 1,316,795 | 1,174,968 | 1,259,991 | 1,221,196 | 1,322,765 | 1,428,719 |
| | Actual '18 | 1,106,067 | 1,200,084 | 1,034,238 | 1,190,849 | 1,157,260 | 1,083,851 | 1,129,592 | 1,020,082 | 1,032,280 | 1,103,192 | 1,207,401 | 1,482,951 |
| Total Proceeds | Budget FY 2018 | 5,183,039 | 5,469,502 | 5,223,408 | 5,374,638 | 5,663,645 | 5,766,329 | 6,917,570 | 6,476,754 | 6,628,603 | 6,023,721 | 6,347,551 | 5,179,461 |
| | Actual '18 | 6,524,204 | 9,995,533 | 6,097,014 | 5,957,452 | 6,396,948 | 7,579,571 | 8,030,538 | 6,883,474 | 8,149,621 | 6,784,524 | 7,657,874 | 7,039,447 |

YEAR TO DATE

| | | | | | | | | | | | | | |
|--------------------|----------------|------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Gross Sales | Budget FY 2018 | 25,040,187 | 51,554,903 | 76,754,879 | 102,818,473 | 129,945,128 | 157,279,135 | 189,483,880 | 219,406,951 | 250,257,632 | 278,587,623 | 308,583,509 | 334,420,000 |
| | Actual '18 | 28,206,485 | 66,674,365 | 93,305,201 | 120,269,822 | 147,935,641 | 180,514,399 | 214,947,593 | 243,556,280 | 280,481,932 | 311,809,626 | 342,996,209 | 370,956,887 |
| Prize Expense | Budget FY 2018 | 14,858,996 | 30,601,539 | 45,556,281 | 61,028,510 | 77,282,979 | 93,661,695 | 112,958,989 | 130,889,089 | 149,375,020 | 166,266,209 | 184,158,096 | 199,557,641 |
| | Actual '18 | 17,143,244 | 40,084,461 | 56,556,554 | 73,407,785 | 89,988,142 | 110,139,589 | 131,114,538 | 148,538,320 | 172,158,091 | 191,858,639 | 210,471,674 | 227,491,074 |
| Operating Expenses | Budget FY 2018 | 1,221,802 | 2,533,673 | 3,755,909 | 5,047,446 | 6,321,437 | 7,545,693 | 8,862,488 | 10,037,456 | 11,297,447 | 12,518,643 | 13,841,408 | 15,270,127 |
| | Actual '18 | 1,106,067 | 2,306,151 | 3,340,389 | 4,531,238 | 5,688,498 | 6,772,349 | 7,901,941 | 8,922,023 | 9,954,303 | 11,057,495 | 12,264,896 | 13,747,847 |
| Total Proceeds | Budget FY 2018 | 5,183,039 | 10,652,541 | 15,875,949 | 21,250,587 | 26,914,232 | 32,680,561 | 39,598,131 | 46,074,885 | 52,703,488 | 58,727,209 | 65,074,760 | 70,254,221 |
| | Actual '18 | 6,524,204 | 16,519,737 | 22,616,751 | 28,574,203 | 34,971,151 | 42,550,722 | 50,581,260 | 57,464,734 | 65,614,355 | 72,398,879 | 80,056,753 | 87,096,200 |

Current Month Year to Date

| | | |
|--|--------|--------|
| Prize Payout - Budget | 59.60% | 59.67% |
| Prize Payout - Actual | 60.87% | 61.33% |
| Sales - Actual increase (decrease) vs. Budget | | 10.93% |
| Proceeds - Actual increase (decrease) vs. Budget | | 23.97% |

Sales: \$ 370,956,877
Proceeds: \$ 87,055,463

| | Net* | Sales | Proceeds |
|--------------|-------------|----------------|-----------------|
| Scratch | 34% | \$ 244M | \$ 47M |
| Lotto | 49% | \$ 106M | \$ 36M |
| Pull-tab | 37% | \$ 11M | \$ 2M |
| InstaPlay | 35% | \$ 10M | \$ 2M |
| TOTAL | | \$ 371M | \$ 87M |

*After prize payout, before other expenses

IOWA LOTTERY AUTHORITY

Statement of Net Position

Saturday, June 30, 2018

FINAL

| | Year-to-date 6/30/2018 | Year-to-date 6/30/2017 |
|---|--------------------------------|--------------------------------|
| Assets | | |
| Current assets: | | |
| Cash | 26,817,941.99 | 27,216,862.12 |
| Cash on hand | 600.00 | 600.00 |
| Restricted assets - cash | 641,674.56 | 612,511.56 |
| Prepaid expense | 60,983.41 | 48,209.15 |
| Interest receivable | 56,567.42 | 41,823.55 |
| Accounts receivable, net | 3,438,534.16 | 3,013,564.69 |
| Ticket inventories | 2,394,435.82 | 2,301,613.21 |
| Investment in prize annuities | 26,373.89 | 716,052.34 |
| Total current assets | <u>33,437,111.25</u> | <u>33,951,236.62</u> |
| Noncurrent assets: | | |
| Prize reserve | 5,395,324.25 | 5,058,601.90 |
| Investment in prize annuities | 457,480.46 | 487,094.99 |
| Capital assets, net | 7,824,065.04 | 8,164,730.64 |
| Total noncurrent assets | <u>13,676,869.75</u> | <u>13,710,427.53</u> |
| Total assets | <u>47,113,981.00</u> | <u>47,661,664.15</u> |
| Deferred Outflows of Resources | <u>1,966,339.28</u> | <u>1,682,026.30</u> |
| Liabilities | | |
| Current liabilities: | | |
| Multi-State Prize Payable | 2,350,927.00 | 1,169,807.00 |
| Mega Millions Prize Payable | 542,564.46 | 399,325.02 |
| Hot Lotto Prize Payable | 48,658.00 | 252,811.00 |
| All or Nothing Prize Payable | 89.00 | 60,776.62 |
| Pick 4 Prize Payable | 242,801.20 | 51,204.40 |
| Pick 3 Prize Payable | 190,545.80 | 139,638.00 |
| Lucky for Life Prize Payable | 1,065,715.08 | 931,098.64 |
| Lotto America Prize Payable | 197,543.50 | - |
| InstaPlay Prize Payable | 58,542.00 | 37,494.00 |
| Retailer/Other Deposits | 15,000.00 | 17,500.00 |
| Current Obligation/Annuities | 1,400.00 | 1,400.00 |
| Annuity Prizes Payable | 26,373.89 | 716,052.34 |
| Accounts payable and accruals | 1,597,314.47 | 1,124,308.27 |
| Unearned revenue | 195,999.44 | 394,971.94 |
| Salary and benefits payable | 497,042.79 | 527,279.26 |
| Compensated absences | 889,910.23 | 897,237.13 |
| State withholding payable | 38,651.27 | 69,840.45 |
| Federal withholding payable | 30,651.40 | 98,750.00 |
| Due to State General Fund | 21,481,844.19 | 22,537,210.30 |
| Total current liabilities | <u>29,471,573.72</u> | <u>29,426,704.37</u> |
| Long-term liabilities: | | |
| Accounts payable and accruals | 68,685.00 | - |
| Net pension liability | 6,546,767.00 | 6,157,225.00 |
| Prize reserve | 5,395,324.25 | 5,058,601.90 |
| Compensated absences and OPEB | 1,958,142.15 | 1,629,307.48 |
| Annuity prizes payable | 457,480.46 | 487,094.99 |
| Total long-term liabilities | <u>14,426,398.86</u> | <u>13,332,229.37</u> |
| Total liabilities | <u>43,897,972.58</u> | <u>42,758,933.74</u> |
| Deferred Inflows of Resources | <u>232,154.00</u> | <u>227,227.00</u> |
| Net Position | | |
| Net investment in capital assets | 7,824,065.04 | 8,164,730.64 |
| Unrestricted | (2,873,871.34) | (1,807,200.93) |
| Total net position | <u>4,950,193.70</u> | <u>6,357,529.71</u> |

IOWA LOTTERY AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Twelve Months Ending Saturday, June 30, 2018

| | Month ended 6/30/2018 | Month ended 6/30/2017 | Year-to-date 6/30/2018 | Year-to-date 6/30/2017 |
|---|--------------------------|--------------------------|---------------------------|---------------------------|
| Operating revenues: | | | | |
| Instant-scratch ticket sales | 19,117,950.73 | 19,635,274.00 | 244,260,963.73 | 237,617,703.00 |
| InstaPlay sales | 1,008,695.00 | 608,480.00 | 9,733,769.00 | 5,820,274.00 |
| Pick 3 sales | 623,516.00 | 628,003.50 | 7,705,163.00 | 7,318,686.00 |
| Powerball sales | 3,104,500.00 | 5,139,655.00 | 58,471,047.50 | 54,292,902.00 |
| Mega Millions Sales | 1,738,381.00 | 1,272,065.00 | 21,293,740.00 | 14,957,109.00 |
| Hot Lotto sales | - | 743,419.00 | 3,761,425.00 | 8,210,714.00 |
| Pick 4 sales | 336,042.00 | 337,338.50 | 4,341,103.00 | 3,946,272.50 |
| All or Nothing sales | - | 246,581.00 | - | 3,186,443.00 |
| Lucky for Life sales | 420,326.00 | 436,098.00 | 5,600,490.00 | 5,599,966.00 |
| Lotto America sales | 653,810.00 | | 4,872,494.00 | - |
| Pull-tab sales | 957,457.51 | 838,935.29 | 10,916,691.67 | 11,292,740.27 |
| Application fees | 250.00 | 100.00 | 3,725.00 | 3,600.00 |
| Other | 444.29 | 620.10 | 8,135.30 | 18,841.41 |
| Total operating revenues | 27,961,372.53 | 29,886,569.39 | 370,968,747.20 | 352,265,251.18 |
| Operating expenses: | | | | |
| Scratch ticket prizes | 12,169,661.00 | 12,099,487.00 | 160,144,267.81 | 155,043,946.65 |
| InstaPlay prizes | 652,426.17 | 406,040.41 | 6,351,026.09 | 3,781,705.83 |
| Pick 3 prizes | 368,309.60 | 372,582.10 | 4,567,777.80 | 4,261,970.20 |
| Powerball prizes | 1,551,190.29 | 2,521,186.71 | 28,512,041.42 | 25,876,219.71 |
| Mega Millions prizes | 892,691.52 | 598,885.50 | 10,764,359.06 | 7,351,574.63 |
| Hot Lotto prizes | (8,883.00) | 364,255.50 | 1,782,452.18 | 4,000,053.00 |
| Pick 4 prizes | 200,190.20 | 238,120.10 | 2,519,311.80 | 2,367,035.50 |
| All or Nothing prizes | (1,843.09) | 144,702.63 | (31,061.09) | 1,882,219.97 |
| Lucky for Life prizes | 230,113.88 | 185,160.08 | 3,305,690.74 | 3,521,939.77 |
| Lotto America prizes | 326,905.00 | - | 2,436,247.00 | - |
| Pull-tab prizes | 600,751.34 | 523,804.18 | 6,826,208.15 | 7,056,493.93 |
| VIP Club prize expense | 32,552.62 | 14,894.75 | 197,001.06 | 252,465.45 |
| Promotional prize expense | 5,334.32 | 13,167.38 | 115,749.86 | 224,942.73 |
| Advertising/publicity | 515,603.83 | 555,441.56 | 7,162,017.78 | 6,592,551.64 |
| Retailer compensation expense | 1,811,526.35 | 1,966,339.43 | 24,213,812.03 | 22,914,755.08 |
| Ticket expense | 215,455.64 | 272,948.55 | 3,170,681.81 | 3,264,974.90 |
| Vendor compensation expense | 625,248.85 | 622,629.10 | 8,227,402.92 | 7,183,035.12 |
| Salary and benefits | 1,197,678.10 | 1,148,124.60 | 10,936,612.42 | 10,714,712.56 |
| Travel | 23,811.83 | 19,477.01 | 256,766.19 | 278,278.77 |
| Supplies | 61,377.61 | 15,175.68 | 157,977.57 | 109,650.58 |
| Printing | - | - | 10,087.74 | 3,201.90 |
| Postage | 237.48 | 247.50 | 5,560.85 | 5,817.18 |
| Communications | 18,453.41 | 114,922.06 | 170,146.00 | 253,908.18 |
| Rentals | 25,239.17 | 25,414.24 | 305,224.78 | 304,713.92 |
| Utilities | 12,612.84 | 12,156.48 | 95,756.58 | 90,824.36 |
| Professional fees | 11,838.62 | 45,182.18 | 157,930.02 | 191,333.99 |
| Vending machine maintenance | 19,922.00 | 37,045.59 | 294,907.33 | 526,285.21 |
| Outside services and repairs | 85,773.00 | 71,462.46 | 827,274.28 | 791,219.47 |
| Data processing | 9,927.01 | 8,245.21 | 94,977.05 | 117,020.94 |
| Equipment | 67,542.69 | 91,057.03 | 610,776.45 | 1,071,249.44 |
| Reimbursement to other state agencies | 50,558.53 | 30,042.99 | 440,448.68 | 427,884.20 |
| Depreciation | 45,031.68 | 45,884.70 | 546,260.22 | 460,967.26 |
| Other | (27,598.49) | 6,189.39 | 57,646.94 | 68,936.24 |
| MUSL/Lotto administrative expense | 758.57 | 12,862.30 | 8,055.58 | 154,543.33 |
| Total operating expenses | 21,790,398.57 | 22,583,134.40 | 285,241,395.10 | 271,146,431.64 |
| Operating income | 6,170,973.96 | 7,303,434.99 | 85,727,352.10 | 81,118,819.54 |
| Non-operating revenue (expenses): | | | | |
| Proceeds provided to State General Fund | (7,039,446.82) | (7,523,811.46) | (84,596,199.72) | (78,274,726.75) |
| Proceeds provided to Veteran's Trust Fund | - | - | (2,500,000.00) | (2,500,000.00) |
| Interest income | 108,846.18 | 48,682.21 | 313,693.60 | 182,107.48 |
| Gain (Loss) on disposal of capital assets | - | 3,252.02 | (139,571.99) | (722,748.04) |
| Net non-operating revenues (expenses) | (6,930,600.64) | (7,471,877.23) | (86,922,078.11) | (81,315,367.31) |
| Change in net position | (759,626.68) | (168,442.24) | (1,194,726.01) | (196,547.77) |
| Net position beginning of period, as restated | 5,709,820.38 | 6,525,971.95 | 6,144,919.71 | 6,554,077.48 |
| Net position end of period | 4,950,193.70 | 6,357,529.71 | 4,950,193.70 | 6,357,529.71 |

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEARS 2014 THROUGH 2018
FINAL

| | Fiscal Year 2018 | Fiscal Year 2017 | Fiscal Year 2016 | Fiscal Year 2015 | Fiscal Year 2014 |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| OPERATING REVENUES | | | | | |
| Instant-scratch ticket sales | 244,260,964 | 237,617,703 | 233,681,884 | 211,986,968 | 188,754,111 |
| Instaplay sales | 9,733,769 | 5,820,274 | - | - | - |
| Pick 3 sales | 7,705,163 | 7,318,686 | 7,376,766 | 7,046,335 | 6,948,165 |
| Powerball sales | 58,471,047 | 54,292,902 | 74,851,133 | 52,231,108 | 61,153,876 |
| Mega Millions sales | 21,293,740 | 14,957,109 | 16,401,018 | 17,980,367 | 21,835,102 |
| Hot Lotto sales | 3,761,425 | 8,210,714 | 8,827,600 | 11,111,717 | 10,434,227 |
| Raffle sales | - | - | - | - | 242,960 |
| Pick 4 sales | 4,341,103 | 3,946,273 | 3,554,719 | 3,231,397 | 3,224,892 |
| All or Nothing sales | - | 3,186,443 | 3,989,479 | 4,542,846 | 3,196,195 |
| \$100,000 Cash Game sales | - | - | - | - | 2,530,984 |
| Monopoly Millionaires' Club sales | - | - | - | 591,605 | - |
| Lucky for Life sales | 5,600,490 | 5,599,966 | 3,154,994 | - | - |
| Lotto America sales | 4,872,494 | - | - | - | - |
| Pull-tab sales | 10,916,692 | 11,292,740 | 15,073,332 | 16,045,073 | 15,734,917 |
| Application fees | 3,725 | 3,600 | 4,175 | 3,800 | 4,375 |
| Other revenue | 8,135 | 18,841 | 33,065 | 6,220 | 99,932 |
| Total operating revenues | 370,968,747 | 352,265,251 | 366,948,164 | 324,777,436 | 314,159,736 |
| OPERATING EXPENSES | | | | | |
| Scratch ticket prize expense | 160,144,268 | 155,043,947 | 151,760,771 | 137,660,011 | 121,968,549 |
| Instaplay prize expense | 6,351,026 | 3,781,706 | - | - | - |
| Pick 3 prize expense | 4,567,778 | 4,261,970 | 4,369,699 | 4,164,551 | 4,101,291 |
| Powerball prize expense | 28,512,041 | 25,876,220 | 36,729,336 | 25,386,810 | 29,583,455 |
| Mega Millions prize expense | 10,764,359 | 7,351,575 | 7,975,529 | 8,593,263 | 10,946,296 |
| Hot Lotto prize expense | 1,782,452 | 4,000,053 | 4,223,018 | 5,351,407 | 5,042,963 |
| Raffle prize expense | - | - | - | - | 101,536 |
| Pick 4 prize expense | 2,519,312 | 2,367,036 | 2,082,846 | 1,993,339 | 1,905,110 |
| All or Nothing prize expense | (31,061) | 1,882,220 | 2,363,459 | 2,684,292 | 2,134,024 |
| \$100,000 Cash Game prize expense | - | - | - | - | 610,955 |
| Monopoly Millionaires' Club prize expense | - | - | (21,052) | 626,847 | - |
| Lucky for Life prize expense | 3,305,691 | 3,521,940 | 2,525,899 | - | - |
| Loto America prize expense | 2,436,247 | - | - | - | - |
| Pull-tab prize expense | 6,826,208 | 7,056,494 | 9,422,428 | 10,028,418 | 9,851,090 |
| VIP Club prize expense | 197,001 | 252,465 | 168,607 | 264,651 | 519,101 |
| Promotional prize expense | 115,750 | 224,943 | 166,862 | 128,699 | 184,615 |
| Advertising/Publicity | 7,162,018 | 6,592,552 | 6,822,152 | 6,766,994 | 6,942,677 |
| Retailer compensation expense | 24,213,812 | 22,914,755 | 24,560,885 | 20,977,399 | 20,131,428 |
| Ticket expense | 3,170,682 | 3,264,975 | 3,242,036 | 3,255,589 | 3,447,828 |
| Vendor compensation expense | 8,227,403 | 7,183,035 | 7,597,516 | 6,626,139 | 6,378,256 |
| Online game expense | - | - | - | 6,563 | - |
| Salary and benefits | 10,936,612 | 10,714,712 | 9,977,828 | 9,565,122 | 9,419,070 |
| Travel | 256,766 | 278,279 | 281,549 | 417,200 | 419,444 |
| Supplies | 157,977 | 109,650 | 133,164 | 130,723 | 111,765 |
| Printing | 10,088 | 3,202 | 8,390 | 6,291 | 20,915 |
| Postage | 5,561 | 5,817 | 6,636 | 6,118 | 6,993 |
| Communications | 170,146 | 253,908 | 263,414 | 227,509 | 179,250 |
| Rentals | 305,225 | 304,714 | 309,412 | 308,922 | 307,062 |
| Utilities | 95,756 | 90,824 | 87,942 | 126,902 | 122,461 |
| Professional fees | 157,930 | 191,334 | 183,403 | 162,782 | 126,332 |
| Vending machine maintenance | 294,907 | 526,285 | 598,962 | 579,061 | 567,775 |
| Outside services & repairs | 827,274 | 791,219 | 825,169 | 873,809 | 605,983 |
| Data processing | 94,977 | 117,021 | 122,421 | 105,400 | 89,573 |
| Equipment | 610,777 | 1,071,249 | 655,521 | 506,016 | 306,901 |
| Reimbursement to other state agencies | 440,449 | 427,884 | 430,088 | 418,625 | 426,958 |
| Depreciation | 546,260 | 460,967 | 333,223 | 278,004 | 287,356 |
| Other | 57,647 | 68,936 | 56,016 | 79,976 | 81,906 |
| MUSL administrative expense | 8,056 | 154,543 | 127,705 | 100,803 | 75,173 |
| Total operating expenses | 285,241,395 | 271,146,430 | 278,390,834 | 248,408,235 | 237,004,091 |
| Operating income (loss) | 85,727,352 | 81,118,821 | 88,557,330 | 76,369,201 | 77,155,645 |

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEARS 2014 THROUGH 2018
FINAL

| | Fiscal Year 2018 | Fiscal Year 2017 | Fiscal Year 2016 | Fiscal Year 2015 | Fiscal Year 2014 |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Non-operating revenues (expenses) | | | | | |
| State General Fund | (84,596,200) | (78,274,727) | (85,524,619) | (72,365,900) | (72,167,680) |
| Veterans Trust Fund | (2,500,000) | (2,500,000) | (2,500,000) | (2,151,167) | (1,804,434) |
| Interest income | 313,694 | 182,107 | 194,873 | 76,038 | 58,768 |
| Interest expense | - | - | - | (8,046) | (12,622) |
| Gain (Loss) on disposal of capital assets | (139,572) | (722,748) | 28,156 | (364,252) | - |
| Net non-operating revenues(expenses) | (86,922,078) | (81,315,368) | (87,801,590) | (74,813,328) | (73,925,968) |
| Change in net position | (1,194,726) | (196,547) | 755,740 | 1,555,873 | 3,229,677 |
| Net position, beginning of period, as restated* | 6,144,920 | 6,554,077 | 5,798,338 | 4,242,465 | 6,284,179 |
| Net position, end of period | 4,950,194 | 6,357,530 | 6,554,077 | 5,798,338 | 9,513,856 |

* beginning Net Position was restated in FY 2015 due to implementation of GASB 68, Accounting and Financial Reporting for Pensions;
beginning Net Position was restated in FY 2018 due to implementation of GASB 75, Accounting and Financial Reporting for Postemployment
Benefits Other Than Pensions

**IOWA LOTTERY AUTHORITY
CONFERENCE AND TRAINING OUT-OF-STATE TRAVEL
FY 2018**

| EMPLOYEE | DATE | CONFERENCE/TRAINING EVENT | DESTINATION | COST |
|-----------------|-------------|---|--------------------|-------------|
| Brad Wells | Aug 2017 | Pollard - Ticket Print | Winnipeg, Canada | \$ 1,348.59 |
| Brenda Nye | Jul 2017 | NASPL Professional Development Seminar | Nashville, TN | \$ 2,307.74 |
| Cam Coppess | Jul 2017 | NASPL Professional Development Seminar | Nashville, TN | \$ 2,282.89 |
| Hale Strasser | Jul 2017 | NASPL Professional Development Seminar | Nashville, TN | \$ 2,752.07 |
| Holly Glenn | Jul 2017 | Sci Games - Ticket Print | Alpharetta, GA | \$ 1,666.16 |
| Tom Warner | Jul 2017 | Kwik Star Corporate Account Meeting | LaCrosse, WI | \$ 126.30 |
| Tom Warner | Aug 2017 | Minnesota Lottery | Minneapolis, MN | \$ 188.04 |
| Larry Loss | Sep 2017 | NASPL 2017 | Portland, OR | \$ 1,634.70 |
| Mary Neubauer | Jul 2017 | NASPL Professional Development Seminar | Nashville, TN | \$ 2,773.33 |
| Teri TeBockhors | Jul 2017 | NASPL Professional Development Seminar | Nashville, TN | \$ 2,746.89 |
| Tom Warner | Oct 2017 | Kwik Star Corporate Account Meeting | LaCrosse, WI | \$ 126.79 |
| Tom Warner | Jan 2018 | Kwik Star Corporate Account Meeting | LaCrosse, WI | \$ 115.94 |
| Larry Loss | Jan 2018 | Global Xchange Conference | San Antonio, TX | \$ 1,378.53 |
| Martha Scanlan | Jan 2018 | IGT - Ticket Print | Lakeland, FL | \$ 806.55 |
| Rob Porter | Jan 2018 | NCLGS Winter Meeting | Miami, FL | \$ 1,953.08 |
| Larry Loss | Mar 2018 | Smart-Tech 2018 | Miami, FL | \$ 1,179.87 |
| Karen Steck | Apr 2018 | MGIR Spring 2018 Training Conference | Black Hawk, CO | \$ 629.72 |
| Tom Warner | Apr 2018 | Upper Midwest Convenience Store & Energy Convention | St. Paul, MN | \$ 453.14 |
| Roger Pauly | Apr 2018 | Upper Midwest Convenience Store & Energy Convention | St. Paul, MN | \$ 415.54 |
| Mary Neubauer | Apr 2018 | 2018 Global Regulatory Awards & Summit | London, UK | \$ 3,935.88 |

**IOWA LOTTERY AUTHORITY
CONFERENCE AND TRAINING OUT-OF-STATE TRAVEL
FY 2018**

| EMPLOYEE | DATE | CONFERENCE/TRAINING EVENT | DESTINATION | COST |
|-----------------|--------------|---|--------------------|-------------|
| Rob Porter | Apr 2018 | 2018 Global Regulatory Awards & Summit | London, UK | \$ 3,992.33 |
| Michael Conroy | Apr 2018 | Comprehensive Evaluation of Security Controls | Atlanta, GA | \$ 941.51 |
| Brad Carter | Apr/May 2018 | RFP 18-04 Vendor Site Visitations | Canada; FL; GA | \$ 1,699.21 |
| Cam Coppess | Apr/May 2018 | RFP 18-04 Vendor Site Visitations | Canada; FL; GA | \$ 2,259.41 |
| Deirdre Demmer | Apr/May 2018 | RFP 18-04 Vendor Site Visitations | Canada; FL; GA | \$ 1,700.72 |
| Larry Loss | Apr/May 2018 | RFP 18-04 Vendor Site Visitations | Canada; FL; GA | \$ 1,849.81 |
| Brenda Nye | Apr/May 2018 | RFP 18-04 Vendor Site Visitations | Canada; FL; GA | \$ 1,728.77 |
| Charles Alloway | May 2018 | 2018 Scientific Games Security Symposium | Atlanta, GA | \$ 464.77 |
| Rob Porter | May 2018 | Delehanty Deposition | Madison, WI | \$ 416.66 |
| Terry Rich | May 2018 | 2018 Scientific Games Security Symposium | Atlanta, GA | \$ 487.80 |
| Rob Porter | June 2018 | Fritschie Deposition | Washington, DC | \$ 1,690.63 |
| Tom Warner | June 2018 | Kwik Star Corporate Account Meeting | LaCrosse, WI | \$ 120.84 |
| Sally Robson | June 2018 | New Mexico Lottery Marketing Team | Albuquerque, NM | \$ 648.02 |

IOWA LOTTERY
PERFORMANCE MEASURES
FY 2018
August 31, 2018

| MONTH | | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN |
|---------------------------|----------------|------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Gross Sales | Budget FY 2019 | 26,907,680 | 26,646,774 | 25,665,624 | 25,790,341 | 27,867,514 | 27,718,136 | 32,669,568 | 29,969,493 | 30,324,545 | 28,192,020 | 30,399,422 | 26,148,883 |
| | Actual '19 | 29,622,964 | 28,137,578 | - | - | - | - | - | - | - | - | - | - |
| Prize Expense | Budget FY 2019 | 14,819,287 | 15,718,890 | 14,916,775 | 15,443,662 | 16,549,800 | 16,676,303 | 19,647,909 | 18,255,876 | 18,821,805 | 18,125,368 | 19,116,971 | 16,579,354 |
| | Actual '19 | 18,466,693 | 17,856,707 | - | - | - | - | - | - | - | - | - | - |
| Operating Expenses | Budget FY 2019 | 1,276,128 | 1,321,713 | 1,186,388 | 1,346,163 | 1,283,532 | 1,233,496 | 1,326,637 | 1,183,908 | 1,224,446 | 1,275,522 | 1,332,607 | 1,376,768 |
| | Actual '19 | 1,094,102 | 1,047,192 | - | - | - | - | - | - | - | - | - | - |
| Total Proceeds | Budget FY 2019 | 5,603,220 | 5,491,034 | 5,375,901 | 5,247,963 | 5,840,833 | 5,852,737 | 7,023,546 | 6,477,028 | 6,527,124 | 5,931,679 | 6,438,077 | 5,308,881 |
| | Actual '19 | 7,025,446 | 5,608,787 | - | - | - | - | - | - | - | - | - | - |
| YEAR TO DATE | | | | | | | | | | | | | |
| Gross Sales | Budget FY 2019 | 26,907,680 | 53,554,454 | 79,220,078 | 105,010,419 | 132,877,933 | 160,596,069 | 193,265,637 | 223,235,130 | 253,559,675 | 281,751,695 | 312,151,117 | 338,300,000 |
| | Actual '19 | 29,622,964 | 57,760,542 | - | - | - | - | - | - | - | - | - | - |
| Prize Expense | Budget FY 2019 | 14,819,287 | 30,538,177 | 45,454,952 | 60,898,614 | 77,448,414 | 94,124,717 | 113,772,626 | 132,028,502 | 150,850,307 | 168,975,675 | 188,092,646 | 204,672,000 |
| | Actual '19 | 18,466,693 | 36,323,400 | - | - | - | - | - | - | - | - | - | - |
| Operating Expenses | Budget FY 2019 | 1,276,128 | 2,597,841 | 3,784,229 | 5,130,392 | 6,413,924 | 7,647,420 | 8,974,057 | 10,157,965 | 11,382,411 | 12,657,933 | 13,990,540 | 15,367,308 |
| | Actual '19 | 1,094,102 | 2,141,294 | - | - | - | - | - | - | - | - | - | - |
| Total Proceeds | Budget FY 2019 | 5,603,220 | 11,094,254 | 16,470,155 | 21,718,118 | 27,558,951 | 33,411,688 | 40,435,234 | 46,912,262 | 53,439,386 | 59,371,065 | 65,809,142 | 71,118,023 |
| | Actual '19 | 7,025,446 | 12,634,233 | - | - | - | - | - | - | - | - | - | - |

| | Current Month | Year to Date |
|--|---------------|--------------|
| Prize Payout - Budget | 58.99% | 57.02% |
| Prize Payout - Actual | 63.46% | 62.89% |
| Sales - Actual increase (decrease) vs. Budget | | 7.85% |
| Proceeds - Actual increase (decrease) vs. Budget | | 13.88% |

IOWA LOTTERY AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the One Month Ending Tuesday, July 31, 2018

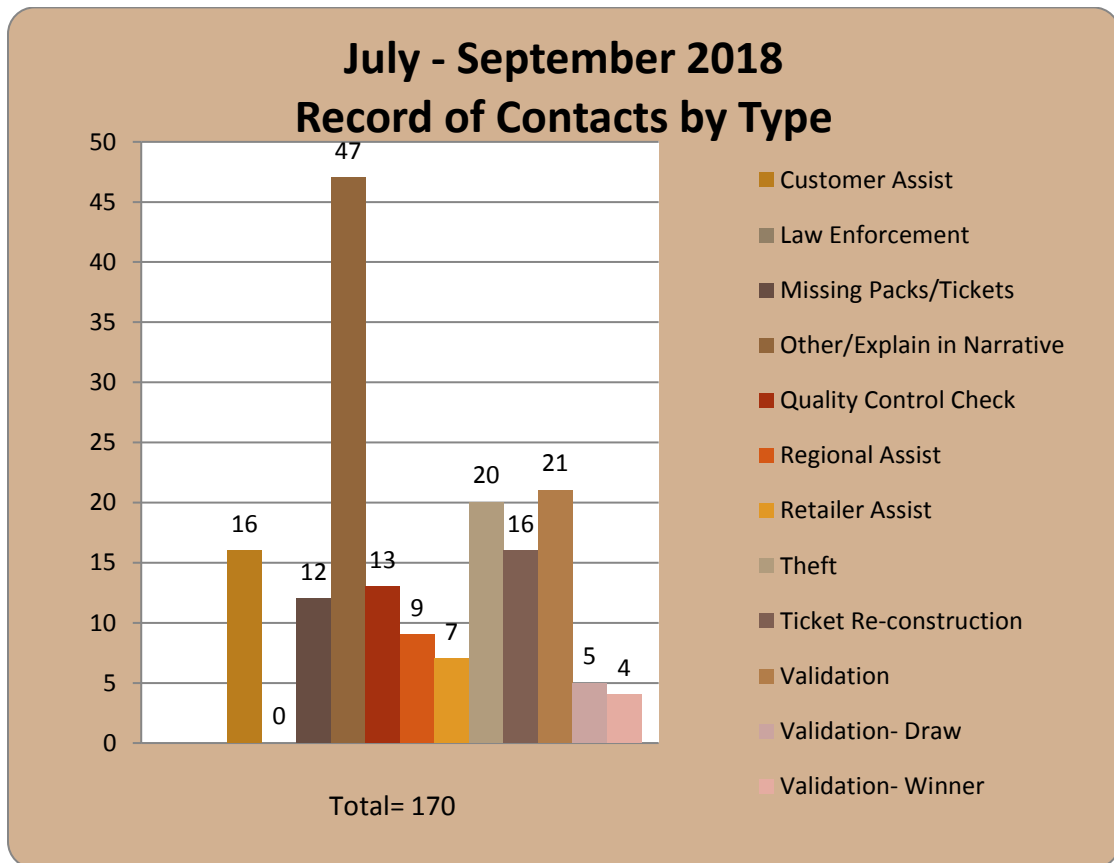
| | Month ended 7/31/2018 | Month ended 7/31/2017 |
|---|----------------------------|----------------------------|
| Operating revenues: | | |
| Instant-scratch ticket sales | 18,490,242.00 | 18,732,024.00 |
| InstaPlay sales | 1,995,455.00 | 861,768.00 |
| Pick 3 sales | 625,233.50 | 642,877.00 |
| Powerball sales | 2,859,437.00 | 3,891,489.00 |
| Mega Millions Sales | 3,329,257.00 | 1,635,967.00 |
| Hot Lotto sales | - | 859,303.00 |
| Pick 4 sales | 333,530.00 | 370,564.00 |
| Lucky for Life sales | 457,380.00 | 443,622.00 |
| Lotto America sales | 576,246.00 | - |
| Pull-tab sales | 956,183.53 | 768,870.56 |
| Application fees | 450.00 | 175.00 |
| Other | 367.59 | 634.80 |
| Total operating revenues | <u>29,623,781.62</u> | <u>28,207,294.36</u> |
| Operating expenses: | | |
| Scratch ticket prizes | 12,523,030.00 | 12,209,292.50 |
| InstaPlay prizes | 1,457,527.91 | 575,347.25 |
| Pick 3 prizes | 367,780.10 | 378,296.20 |
| Powerball prizes | 1,380,139.00 | 1,817,243.50 |
| Mega Millions prizes | 1,709,030.88 | 758,778.50 |
| Hot Lotto prizes | (9,172.00) | 419,501.50 |
| Pick 4 prizes | 198,963.00 | 220,028.40 |
| All or Nothing prizes | (354,534.99) | (2,266.00) |
| Lucky for Life prizes | 271,838.92 | 263,659.24 |
| Lotto America prizes | 288,123.00 | - |
| Pull-tab prizes | 595,958.64 | 479,308.35 |
| VIP Club prize expense | 27,715.44 | 12,165.35 |
| Promotional prize expense | 10,293.08 | 11,888.83 |
| Advertising/publicity | 430,506.58 | 696,110.73 |
| Retailer compensation expense | 1,923,088.34 | 1,838,084.54 |
| Ticket expense | 268,163.38 | 241,997.41 |
| Vendor compensation expense | 491,746.71 | 640,378.60 |
| Salary and benefits | 870,481.73 | 876,912.52 |
| Travel | 28,416.02 | 24,723.87 |
| Supplies | 14,619.17 | 23,912.63 |
| Printing | 343.00 | 4,800.00 |
| Postage | 242.19 | 250.36 |
| Communications | 10,946.19 | 12,364.71 |
| Rentals | 25,408.94 | 25,617.45 |
| Utilities | 9,754.52 | 9,378.78 |
| Professional fees | 10,756.95 | 8,900.72 |
| Vending machine maintenance | 20,557.00 | 37,045.59 |
| Outside services and repairs | 75,524.04 | 51,127.91 |
| Data processing | 7,352.49 | 6,829.24 |
| Equipment | 15,516.20 | 25,999.21 |
| Reimbursement to other state agencies | 32,368.04 | 29,718.38 |
| Depreciation | 45,472.25 | 45,910.38 |
| Other | 4,392.77 | 4,553.07 |
| MUSL/Lotto administrative expense | 5,452.47 | 6,302.10 |
| Total operating expenses | <u>22,757,801.96</u> | <u>21,754,161.82</u> |
| Operating income | <u>6,865,979.66</u> | <u>6,453,132.54</u> |
| Non-operating revenue (expenses): | | |
| Proceeds provided to State General Fund | (4,525,445.64) | (4,024,204.45) |
| Proceeds provided to Veteran's Trust Fund | (2,500,000.00) | (2,500,000.00) |
| Gain (Loss) on disposal of capital assets | - | 5,350.00 |
| Net non-operating revenues (expenses) | <u>(7,025,445.64)</u> | <u>(6,518,854.45)</u> |
| Change in net position | (159,465.98) | (65,721.91) |
| Net position beginning of period | <u>4,937,795.22</u> | <u>6,357,529.71</u> |
| Net position end of period | <u><u>4,778,329.24</u></u> | <u><u>6,291,807.80</u></u> |

IOWA LOTTERY AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Two Months Ending Friday, August 31, 2018

| | Month ended 8/31/2018 | Month ended 8/31/2017 | Year-to-date 8/31/2018 | Year-to-date 8/31/2017 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| Operating revenues: | | | | |
| Instant-scratch ticket sales | \$19,332,664.00 | \$19,004,394.00 | \$37,822,906.00 | \$37,736,418.00 |
| InstaPlay sales | 906,198.00 | 751,273.00 | 2,901,653.00 | 1,613,041.00 |
| Pick 3 sales | 667,930.50 | 643,007.50 | 1,293,164.00 | 1,285,884.50 |
| Powerball sales | 3,330,562.00 | 12,981,062.00 | 6,189,999.00 | 16,872,551.00 |
| Mega Millions Sales | 1,453,973.00 | 2,316,987.00 | 4,783,230.00 | 3,952,954.00 |
| Hot Lotto sales | - | 994,281.00 | - | 1,853,584.00 |
| Pick 4 sales | 356,650.50 | 364,271.00 | 690,180.50 | 734,835.00 |
| Lucky for Life sales | 456,752.00 | 454,424.00 | 914,132.00 | 898,046.00 |
| Lotto America sales | 666,849.00 | - | 1,243,095.00 | - |
| Pull-tab sales | 965,999.01 | 958,180.79 | 1,922,182.54 | 1,727,051.35 |
| Application fees | 300.00 | 350.00 | 750.00 | 525.00 |
| Other | 344.88 | 511.50 | 712.47 | 1,146.30 |
| Total operating revenues | <u>28,138,222.89</u> | <u>38,468,741.79</u> | <u>57,762,004.51</u> | <u>66,676,036.15</u> |
| Operating expenses: | | | | |
| Scratch ticket prizes | 13,268,712.00 | 12,880,831.00 | 25,791,742.00 | 25,090,123.50 |
| InstaPlay prizes | 607,334.81 | 501,554.87 | 2,064,862.72 | 1,076,902.12 |
| Pick 3 prizes | 395,528.30 | 380,424.50 | 763,308.40 | 758,720.70 |
| Powerball prizes | 1,364,942.50 | 6,460,723.50 | 2,745,081.50 | 8,277,967.00 |
| Mega Millions prizes | 716,175.56 | 1,142,649.50 | 2,425,206.44 | 1,901,428.00 |
| Hot Lotto prizes | (13,491.00) | 486,410.50 | (22,663.00) | 905,912.00 |
| Pick 4 prizes | 211,615.30 | 213,502.60 | 410,578.30 | 433,531.00 |
| All or Nothing prizes | - | (4,208.00) | (354,534.99) | (6,474.00) |
| Lucky for Life prizes | 262,193.94 | 259,876.73 | 534,032.86 | 523,535.97 |
| Lotto America prizes | 333,424.50 | - | 621,547.50 | - |
| Pull-tab prizes | 604,066.05 | 598,001.38 | 1,200,024.69 | 1,077,309.73 |
| VIP Club prize expense | 95,414.84 | 15,112.04 | 123,130.28 | 27,277.39 |
| Promotional prize expense | 10,790.16 | 6,337.88 | 21,083.24 | 18,226.71 |
| Advertising/publicity | 703,041.55 | 502,724.18 | 1,133,548.13 | 1,198,834.91 |
| Retailer compensation expense | 1,824,887.35 | 2,459,281.54 | 3,747,975.69 | 4,297,366.08 |
| Ticket expense | 267,572.29 | 253,617.83 | 535,735.67 | 495,615.24 |
| Vendor compensation expense | 463,969.55 | 734,799.21 | 955,716.26 | 1,375,177.81 |
| Salary and benefits | 824,625.45 | 949,955.10 | 1,695,107.18 | 1,826,867.62 |
| Travel | 21,722.82 | 25,098.79 | 50,138.84 | 49,822.66 |
| Supplies | 4,427.29 | 5,940.92 | 19,046.46 | 29,853.55 |
| Printing | (60.00) | - | 283.00 | 4,800.00 |
| Postage | 249.61 | 283.41 | 491.80 | 533.77 |
| Communications | 17,437.18 | 10,879.75 | 28,383.37 | 23,244.46 |
| Rentals | 25,655.44 | 25,671.82 | 51,064.38 | 51,289.27 |
| Utilities | 8,360.18 | 9,365.65 | 18,114.70 | 18,744.43 |
| Professional fees | 12,055.04 | 9,973.78 | 22,811.99 | 18,874.50 |
| Vending machine maintenance | 20,557.00 | 37,045.59 | 41,114.00 | 74,091.18 |
| Outside services and repairs | 38,339.99 | 80,705.07 | 113,864.03 | 131,832.98 |
| Data processing | 7,518.25 | 7,560.84 | 14,870.74 | 14,390.08 |
| Equipment | 49,467.13 | 67,629.30 | 64,983.33 | 93,628.51 |
| Reimbursement to other state agencies | 32,955.87 | 29,240.78 | 65,323.91 | 58,959.16 |
| Depreciation | 45,628.76 | 46,393.06 | 91,101.01 | 92,303.44 |
| Other | 4,610.31 | 14,839.01 | 9,003.08 | 19,392.08 |
| MUSL/Lotto administrative expense | 5,452.46 | 6,316.43 | 10,904.93 | 12,618.53 |
| Total operating expenses | <u>22,235,180.48</u> | <u>28,218,538.56</u> | <u>44,992,982.44</u> | <u>49,972,700.38</u> |
| Operating income | <u>5,903,042.41</u> | <u>10,250,203.23</u> | <u>12,769,022.07</u> | <u>16,703,335.77</u> |
| Non-operating revenue (expenses): | | | | |
| Proceeds provided to State General Fund | (5,608,786.69) | (9,995,532.87) | (10,134,232.33) | (14,019,737.32) |
| Proceeds provided to Veteran's Trust Fund | - | - | (2,500,000.00) | (2,500,000.00) |
| Gain (Loss) on disposal of capital assets | - | - | - | 5,350.00 |
| Net non-operating revenues (expenses) | <u>(5,608,786.69)</u> | <u>(9,995,532.87)</u> | <u>(12,634,232.33)</u> | <u>(16,514,387.32)</u> |
| Change in net position | <u>294,255.72</u> | <u>254,670.36</u> | <u>134,789.74</u> | <u>188,948.45</u> |
| Net position beginning of period | <u>4,790,727.72</u> | <u>6,291,807.80</u> | <u>4,950,193.70</u> | <u>6,357,529.71</u> |
| Net position end of period | <u><u>5,084,983.44</u></u> | <u><u>6,546,478.16</u></u> | <u><u>5,084,983.44</u></u> | <u><u>6,546,478.16</u></u> |

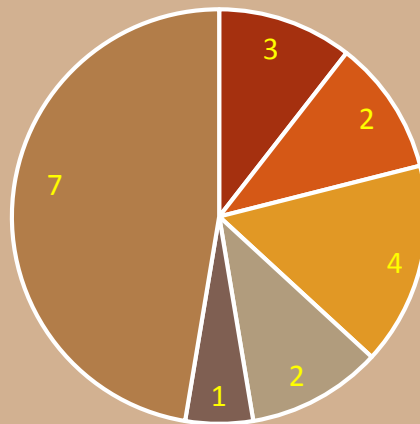


July – September 2018 Security Report



Other: (41) Review of Multiple Winner Records, (4) Ticket Re-construction Audits, (1) Signature Verification, (1) System Administrator Audit, (1) Ticket Quality Control Review.

July - September 2018 Cases by Type



- Burglary of a Retail Outlet
- Customer Inquiries
- Retailer Employee Theft
- Fraud/Forgery on a Retail Outlet
- Missing Pack Shipping
- Theft from a Retailer

Total: 19

Other Duties and Activities;

- Drawing and Winner Validation for (2) Tiny Homes/Big Win promotional drawing
- Drawing and Winner Validation for (3) Jackpot Party promotional drawing
- Conducted **187** compliance/inspection checks on retail outlets, sent follow up letters to all retailers to provide results of the compliance check at their store

Budget for Lottery Fund

| | FY 2018 ACTUAL | FY 2019 BOARD APPROVED FINAL BUDGET | FY 2020 PROPOSED BUDGET | FY 2021 PROPOSED BUDGET |
|--|--------------------|---|-------------------------------|-------------------------------|
| <hr/> | | | | |
| <u>Resources</u> | | | | |
| Lottery sales | 370,956,887 | 338,300,000 | 346,500,000 | 354,650,000 |
| Interest income | 313,694 | 500,000 | 500,000 | 500,000 |
| Application fees | 3,725 | 5,000 | 5,000 | 5,000 |
| Other | 8,135 | 5,000 | 5,000 | 5,000 |
| Total Resources | 371,282,441 | 338,810,000 | 347,010,000 | 355,160,000 |
| <hr/> | | | | |
| <u>Expenses and Change in Net Assets</u> | | | | |
| Prizes | 227,491,072 | 204,672,000 | 209,944,600 | 215,185,050 |
| Retailer compensation | 24,213,812 | 22,667,100 | 23,216,500 | 23,762,550 |
| Advertising production and media purchases | 7,162,018 | 13,532,000 | 13,860,000 | 14,186,000 |
| Retailer Lottery system/Terminal Communications | 8,290,135 | 6,521,491 | 7,800,085 | 9,131,645 |
| Instant/Pull-tab ticket expense | 3,198,940 | 3,977,250 | 4,120,750 | 4,263,375 |
| Vending machines & maintenance/Ticket dispensers | 525,394 | 531,928 | 531,928 | 531,928 |
| Courier delivery of instant tickets | 612,121 | 660,000 | 660,000 | 660,000 |
| Interest expense | - | - | - | - |
| Lottery operating expense | 13,747,904 | 15,367,308 | 15,351,608 | 15,251,608 |
| Increase (decrease) in net assets | (262,764) | (237,100) | (482,600) | (512,600) |
| Total Expenses and Change in Net Assets | 284,978,631 | 267,691,977 | 275,002,871 | 282,459,556 |
| <hr/> | | | | |
| <u>Proceeds</u> | | | | |
| Proceeds Transfer to General Fund | 84,596,200 | 68,618,023 | 69,507,129 | 70,200,444 |
| Proceeds Transfer to Veterans Trust Fund | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 |
| Total Proceeds Transfers | 87,096,200 | 71,118,023 | 72,007,129 | 72,700,444 |
| <hr/> | | | | |
| Total Expenses and Proceeds | 372,074,831 | 338,810,000 | 347,010,000 | 355,160,000 |
| <hr/> | | | | |

Lottery Operations - Budget Detail

| | FY 2018 ACTUAL | FY 2019 BOARD APPROVED FINAL BUDGET | FY 2020 PROPOSED BUDGET | FY 2021 PROPOSED BUDGET |
|---------------------------------|----------------------|---|-------------------------------|-------------------------------|
| Administrative payroll* | 10,936,612 | 11,637,508 | 11,637,508 | 11,637,508 |
| Travel | 252,945 | 410,000 | 417,800 | 417,800 |
| Supplies | 122,963 | 105,000 | 105,000 | 105,000 |
| Printing | 5,288 | 20,000 | 20,000 | 20,000 |
| Postage | 5,561 | 7,000 | 7,000 | 7,000 |
| Communications | 147,069 | 186,000 | 186,000 | 186,000 |
| Rentals | 305,225 | 320,000 | 320,000 | 320,000 |
| Utilities | 95,757 | 101,000 | 101,000 | 101,000 |
| Professional fees | 150,430 | 259,500 | 259,500 | 259,500 |
| Outside services and repair | 224,823 | 419,000 | 379,000 | 279,000 |
| Data processing | 94,977 | 125,000 | 125,000 | 125,000 |
| Equipment | 364,117 | 494,200 | 494,200 | 494,200 |
| Reimbursement to state agencies | 440,449 | 506,000 | 506,000 | 506,000 |
| Depreciation | 546,260 | 691,100 | 707,600 | 707,600 |
| Other expenses | 55,428 | 86,000 | 86,000 | 86,000 |
| Total operating expenses | \$ 13,747,904 | \$ 15,367,308 | \$ 15,351,608 | \$ 15,251,608 |

* 2020 and 2021 Proposed Budgets for "Administrative Payroll" do not include salary and benefit cost increases



13001 University Avenue
Clive Iowa 50325-8225
www.ialottery.com
515.725.7900

Kim Reynolds · Governor
Adam Gregg · Lt. Governor
Terry Rich · Chief Executive Officer

Date: September 20, 2018

TO: Iowa Lottery Board
FR: Cam Coppess, VP Security
RE: Lottery Sensitive Position Background Checks

Iowa Code 99G.10(8) and 531 Iowa Administrative Code 1.29(2) requires the Lottery Board to identify sensitive positions that require full background investigations. Previously, the Board has taken individual or collective action on Lottery employees in accordance with these provisions.

Lottery management has reviewed staff and identified positions that meet the criteria that require full background investigations. We are bringing the Lottery Background Investigation policy, with position names to you for your review and designation as sensitive positions. Upon your designation, the policy will be implemented by the Lottery.

The Lottery positions identified for sensitive designation are:

- Chief Executive Officer
- Executive Vice President & Chief Operating Officer
- Vice President, General Counsel
- Vice president, Security
- Vice President, Systems
- Vice President, Finance & Chief Financial Officer
- Vice President, External Relations
- Vice President, Sales & Marketing
- Director of Retail Services
- Public Service Manager 2 (Finance)
- Public Service Manager 1 (Finance)
- Investigator 3 (Security)
- Information Technology Specialist 5
- Information Technology Specialist 4

Iowa Lottery Authority—Policy

| Section | Policy Name | Page No. | Last Revised |
|---|--------------------------|----------|--------------|
| Security | Background Investigation | 1 of 9 | April 2018 |
| Subject Vendor/Retailer/Employee – Background Investigation - Policies and Procedures | | | |

State law mandates that the Iowa Lottery shall facilitate the background check process for major procurement vendors, for retailers, for Lottery key employees, and for other Lottery applicants for employment. [Iowa Code 99G.35\(i\)](#) requires the Iowa Lottery Authority Security Division to coordinate employee and retailer background investigations conducted by the Department of Public Safety Division of Criminal Investigation.

At the Lottery's discretion, when consistent with the requirements of Iowa law, the Lottery may [accept the background investigation findings of another state or law enforcement entity](#) in lieu of performing its own background investigation in accordance with this policy.

Further, at the Lottery's discretion, a [recent prior employee background investigation](#), [vendor background investigation](#), or other law enforcement background investigation may satisfy the Lottery's own process, provided that the prior background investigation was conducted within the past five years.

This policy sets forth both the procedures that the Lottery follows and the mechanisms utilized to ensure secure transmission and retention of background investigation information.

I. Lottery Vendor- Procurement.

A. Legal Authority.

Iowa Code 99G.22, [Vendor background review](#), requires the Iowa Lottery Authority (ILA) to investigate the financial responsibility, security, and integrity of any lottery system vendor who is a finalist in submitting a bid, proposal, or offer as part of a major procurement contract. Before a major procurement contract is awarded, the Division of Criminal Investigation (DCI) of the Department of Public Safety shall conduct a background investigation of the vendor to whom the contract is to be awarded.

At the time of submitting a bid, proposal, or offer to the ILA on a major procurement contract, the ILA shall require that each vendor submit to the DCI appropriate investigation authorization to facilitate this investigation, together with an advance of funds to meet the anticipated investigation costs.

A major procurement contract shall not be entered into with any vendor who has been found guilty of a felony related to the security or integrity of the lottery in this or any other jurisdiction.

The Lottery reserves the right to perform background investigations on vendors whom may not be involved in a major procurement contract, but where by the nature or location of the work performed the Lottery's security may be impacted.

B. Process-Vendors.

When a Request for Proposal, RFP, is issued for a major procurement by the Iowa Lottery Authority, the Iowa Lottery Authority is required to investigate the financial responsibility, security, and integrity of any lottery system vendor who is a finalist in submitting a bid, proposal, or offer as part of that major procurement contract. To meet this legal requirement the Lottery takes the following steps:

Iowa Lottery Authority—Policy

| Section | Policy Name | Page No. | Last Revised |
|---|--------------------------|----------|--------------|
| Security | Background Investigation | 2 of 9 | April 2018 |
| Subject Vendor/Retailer/Employee – Background Investigation - Policies and Procedures | | | |

1. Requires language in the RFP notifying bidders of this background requirement, and directing potential bidders to the link on the Lottery website where the DCI Class L Business Entity form, DCI Class L-1 Bidder Key Personnel form, and DCI Class O Lottery Background form may be obtained.

a. The DCI Class L Business Entity form refers to the business entity, not any individual.

b. The DCI Class L-1 Key Personnel form is utilized by individuals identified as key personnel of the bidder. The Lottery has final determination on any such designation.

c. The DCI Class O form is for employees of the bidder on a major procurement who are not identified as key personnel but are still required to submit information to complete a background investigation.

Alternatively, the DCI Class O form is also used for vendors who are not participating in major procurements but whom the Lottery determined must undergo a background investigation due to the location or nature of the work to be performed.

2. For a major procurement, the bidder is required to submit a check to the Lottery, made payable to the Iowa DCI, in the amount of \$10,000.00 prior to the background being started. If the costs are more, the vendor is required to pay the additional costs and if the costs are less the DCI either refunds the unused portion or keeps it on account for the vendor.

3. In addition to the background form and fees, the bidder must submit two (2) completed “FBI Applicant” fingerprint cards for each individual who completes a Class L-1 Key Personnel form or Class O form.

4. The bidder must submit the completed respective form and required completed fingerprint cards to the Lottery Administrative Assistant for the Security Division.

5. The completed application form and fingerprint cards are delivered to the Department of Public Safety, Division of Criminal Investigation, (DCI) via a secured method (personal delivery).

6. A comprehensive background is conducted on the corporation and key personnel by the DCI.

7. The DCI verbally presents their findings to the VP of Security, Lottery CEO, Lottery General Counsel and Lottery Executive Vice President. The DCI may also report findings to the Iowa Lottery Authority Board in closed session when required by statute.

Iowa Lottery Authority—Policy

| Section | Policy Name | Page No. | Last Revised |
|---|--------------------------|----------|--------------|
| Security | Background Investigation | 3 of 9 | April 2018 |
| Subject Vendor/Retailer/Employee – Background Investigation - Policies and Procedures | | | |

8. The hard copy report, if relevant and necessary for the DCI's delivery of findings, is stored in a secured filing cabinet within the Iowa Lottery Security Division's work area.

9. Criminal history reports stored by the Lottery may only be viewed by Lottery personnel with a need to know, specifically designated as:

- VP of Security
- Lottery CEO
- Lottery General Counsel
- Lottery Executive Vice President/Chief Operating Officer
- Administrative Assistant to the Security Division

C. Process-Vendor Key Employee/Sensitive Position Employees.

1. When a vendor is conditionally awarded a contract for services with the Iowa Lottery Authority, the Lottery is required to have the Department of Public Safety Division of Criminal Investigation (DCI) conduct a comprehensive background investigation.

2. Lottery personnel shall notify the vendor of the Lottery background requirement and direct them to the Iowa Lottery website to obtain the appropriate form.

a. The DCI Class L-1 form is to be completed by the vendor employee who is defined as a key personnel, and is required to submit information to complete a background investigation.

b. The vendor is required to submit a check to the Lottery, made payable to the Iowa DCI, in the amount of \$4,000.00 for an in-state background or \$6,000.00 for an out of state background prior to the background investigation being started for each vendor employee background application submitted. If the costs are more the vendor is required to pay the additional costs and if the costs are less the DCI either refunds the unused portion or keeps it on account for the vendor.

3. In addition to the background form, the vendor employee must submit two (2) completed "FBI Applicant" fingerprint cards.

4. The vendor must submit the completed respective form and required completed fingerprint cards to the Lottery Administrative Assistant for the Security Division.

5. The completed application form and fingerprint cards are delivered to the Department of Public Safety, Division of Criminal Investigation, (DCI) via a secured method (personal delivery) by Lottery personnel.

Iowa Lottery Authority—Policy

| Section | Policy Name | Page No. | Last Revised |
|---|--------------------------|----------|--------------|
| Security | Background Investigation | 4 of 9 | April 2018 |
| Subject Vendor/Retailer/Employee – Background Investigation - Policies and Procedures | | | |

6. This background includes a national criminal history, intelligence review, credit bureau review, tax record review, and is assigned to a Special Agent to conduct interviews and conduct additional investigation into the person's background.

7. The DCI verbally presents their findings to the VP of Security, Lottery CEO, Lottery General Counsel and Lottery Executive Vice President. The DCI may also report findings to the Iowa Lottery Authority Board in closed when required by statute.

8. The hard copy report, if relevant and necessary for the DCI's delivery of findings, is stored in a secured filing cabinet within the Iowa Lottery Security Division's work area.

9. Criminal history reports stored by the Lottery may only be viewed by Lottery personnel with a need to know, specifically designated as:

- VP of Security
- Lottery CEO
- Lottery General Counsel
- Lottery Executive Vice President/Chief Operating Officer
- Administrative Assistant to the Security Division

D. Process-Vendor Non-Sensitive Position Employees.

1. When a vendor is awarded a contract for services with the Iowa Lottery and their employee(s) are required to either physically work at a Lottery property or remotely connect with the Lottery computer systems, a DCI Class O background investigation shall be performed.

2. Lottery personnel shall notify the vendor of the Lottery background requirement and direct them to the Iowa Lottery website to obtain the appropriate form.

a. The DCI Class O form is to be completed by the vendor employee who is not defined as key personnel, but is still required to submit information to complete a background investigation.

b. At the Lottery's discretion, the vendor may be required to submit a check to the Lottery, made payable to the Iowa DCI, in the amount of \$250.00 for each vendor employee background application submitted to cover the costs to conduct this background investigation.

3. In addition to the background form the vendor employee must submit two (2) completed "FBI Applicant" fingerprint cards.

4. The vendor must submit the completed respective form and required completed fingerprint cards to the Lottery Administrative Assistant for the Security Division.

Iowa Lottery Authority—Policy

| Section | Policy Name | Page No. | Last Revised |
|---|--------------------------|----------|--------------|
| Security | Background Investigation | 5 of 9 | April 2018 |
| Subject Vendor/Retailer/Employee – Background Investigation - Policies and Procedures | | | |

5. The completed application form and fingerprint cards are delivered to the Department of Public Safety, Division of Criminal Investigation, (DCI) via a secured method (personal delivery) by Lottery personnel.
6. This background includes a national criminal history, intelligence check, and credit bureau check completed by the DCI.
7. The results are returned to the Lottery via a secured method (personal delivery or secure communication).
8. The hard copy report, if relevant and necessary for the DCI's delivery of findings, is stored in a secured filing cabinet within the Iowa Lottery Security Division's work area.
9. Criminal history reports stored by the Lottery may only be viewed by Lottery personnel with a need to know, specifically designated as:
 - VP of Security
 - Lottery CEO
 - Lottery General Counsel
 - Lottery Executive Vice President/Chief Operating Officer
 - Administrative Assistant to the Security Division

II. Lottery Retailer.

A. Legal Authority.

[Iowa Code 99G.24\(7\)\(a\)\(b\)](#) prohibits the Iowa Lottery Authority (ILA) from issuing a retail license if the individual or entity meets any of the following conditions:

- Has been convicted of a criminal offense related to the security or integrity of the lottery in this or any other jurisdiction.
- Has been convicted of any illegal gambling activity, false statements, perjury, fraud, or a felony in this or any other jurisdiction.

Iowa Administrative Code, rule 531—2.16 (99G) [Background and informational statements](#) further articulate how the Iowa Lottery Authority conducts such checks.

B. Process-Retailer Licensing.

1. When a lottery license application packet is completed by a person or entity, a personal data sheet is included in the packet for the individual who has fiduciary authority.
2. An interested party or entity requests a lottery license application packet from the Lottery.

Iowa Lottery Authority—Policy

| Section | Policy Name | Page No. | Last Revised |
|---|--------------------------|----------|--------------|
| Security | Background Investigation | 6 of 9 | April 2018 |
| Subject Vendor/Retailer/Employee – Background Investigation - Policies and Procedures | | | |

3. The completed application form and personal data sheet are submitted by the interested party or entity to the Lottery Administrative Assistant for the Security Division.
4. The completed application form and personal data sheet are delivered to the Department of Public Safety Division of Criminal Investigation, (DCI) via a secured method (personal delivery or secure communication), and a state criminal history check, in addition to a review for wants and warrants, are completed by the DCI on the individual listed as having fiduciary authority.
5. The results are returned to the Lottery via a secured method (personal delivery or secure fax).
6. The hard copy report is stored in a secured filing cabinet within the Iowa Lottery Security Division's work area.
7. Access to this report is limited to Iowa Lottery personnel who have a need to see it to complete the licensing process;
 - Licensing Review Committee Members (Presently, the VP of Security, VP of Finance, and Director of Retail Services)
 - Administrative Assistant, Security Division
 - Iowa Lottery License Finance Administrator
 - Iowa Lottery General Counsel
 - Lottery Executive Vice President/Chief Operating Officer
 - Lottery CEO
8. Review Committee members other than the VP of Security only have access when there are extra stipulations that may relate to the licensing process and they must provide a ruling.
9. The cost for this background process is included in the compensation as part of the annual contract for services between the DCI and the Lottery.

III. Lottery Key Employee & Sensitive Position

A. Legal Authority.

[Iowa Code 99G.10\(8\)\(9\)](#) require background investigations to be performed by the Department of Public Safety, Division of Criminal Investigation (DCI) on each applicant who has reached the final selection process to employment by the Iowa Lottery Authority (ILA).

The board shall identify those sensitive positions of the ILA which require full background investigations, which shall include, at a minimum, any officer of the authority, and any employee with operational management responsibilities, security duties, or system maintenance or programming responsibilities

Iowa Lottery Authority—Policy

| Section | Policy Name | Page No. | Last Revised |
|---|--------------------------|----------|--------------|
| Security | Background Investigation | 7 of 9 | April 2018 |
| Subject Vendor/Retailer/Employee – Background Investigation - Policies and Procedures | | | |

related to the authority's data processing or network hardware, software, communication, or related systems.

List of Key Employees and Sensitive Positions approved by the ILOT Board of Directors (2018);

- Chief Executive Officer
- Executive Vice President & Chief Operating Officer
- Vice President, General Counsel
- Vice president, Security
- Vice President, Systems
- Vice President, Finance & Chief Financial Officer
- Vice President, External Relations
- Vice President, Sales & Marketing
- Director of Retail Services
- Public Service Manager 2 (Finance)
- Public Service Manager 1 (Finance)
- Investigator 3 (Security)
- Info Tech Specialist 5
- Info Tech Specialist 4

In addition to a work history and financial review, a full background investigation may include a national criminal history check through the Federal Bureau of Investigation (FBI). The screening of employees through the FBI shall be conducted by submission of fingerprints through the state criminal history repository to the FBI.

A person who has been convicted of a felony or bookmaking or other form of illegal gambling or of a crime involving moral turpitude shall not be employed by the ILA.

B. Process.

1. When an applicant/employee is conditionally offered employment with the Iowa Lottery in a position defined as a sensitive position by the Board of Directors, the applicant must successfully complete a DCI Class L-1 background investigation. This comprehensive background is conducted by the Department of Public Safety Division of Criminal Investigation (DCI).
2. Lottery personnel shall notify the applicant/employee of the Lottery background requirement and direct them to the Iowa Lottery website to obtain the appropriate form.
 - a. The DCI Class L-1 form is to be completed by the applicant/employee who is defined as a key personnel, and is required to submit information to complete a Class L-1 background investigation.

Iowa Lottery Authority—Policy

| Section | Policy Name | Page No. | Last Revised |
|---|--------------------------|----------|--------------|
| Security | Background Investigation | 8 of 9 | April 2018 |
| Subject Vendor/Retailer/Employee – Background Investigation - Policies and Procedures | | | |

b. The cost for this background process is included in the compensation as part of the annual contract for services between the DCI and the Lottery. If the DCI incurs some additional costs with this type of background, that are above and beyond part of the compensation included in the annual letter of agreement between the DCI and the Lottery, the Lottery may fund the additional cost.

3. In addition to the background form, the applicant/employee must submit two (2) completed “FBI Applicant” fingerprint cards.

4. The applicant/employee must submit the completed respective form and required completed fingerprint cards to the Lottery Administrative Assistant for the Security Division.

5. The completed application form and fingerprint cards are delivered to the Division of Criminal Investigation (DCI) via a secured method (personal delivery) by Lottery personnel.

6. This background includes a national criminal history, intelligence check, credit bureau check, tax record check, and is assigned to a Special Agent to conduct interviews and conduct additional investigation into the person’s background.

7. The results are returned to the Lottery via a secured method.

8. The hard copy criminal history report, if relevant and necessary for the DCI’s delivery of findings, is stored in a secured filing cabinet within the Iowa Lottery Human Resources work area.

9. Criminal history reports stored by the Lottery may only be viewed by Lottery personnel with a need to know, specifically designated as:

- VP of Security
- Lottery CEO
- Lottery General Counsel
- Lottery Executive Vice President/Chief Operating Officer
- Administrative Assistant to the Security Division
- Human Resources Associate

IV. Other Applicants for Lottery Employment.

A. Legal Authority.

[Iowa Code 99G.10\(8\)\(9\)](#) require background investigations to be performed by the Department of Public Safety, Division of Criminal Investigation (DCI) on each applicant who has reached the final selection process to employment by the Iowa Lottery Authority (ILA).

Iowa Lottery Authority—Policy

| Section | Policy Name | Page No. | Last Revised |
|---|--------------------------|----------|--------------|
| Security | Background Investigation | 9 of 9 | April 2018 |
| Subject Vendor/Retailer/Employee – Background Investigation - Policies and Procedures | | | |

For positions not designated as sensitive by the board, the investigation may consist of a state criminal history background investigation, work history, and financial review.

A person who has been convicted of a felony or bookmaking or other form of illegal gambling or of a crime involving moral turpitude shall not be employed by the ILA.

B. Process.

1. When an applicant/employee is conditionally offered employment with the Iowa Lottery in a position defined as a non-sensitive position a DCI Class O background investigation shall be performed.

2. Lottery personnel shall notify the applicant/employee of the Lottery background requirement and direct them to the Iowa Lottery website to obtain the appropriate form.

a. The DCI Class O form is to be completed by the applicant/employee who is not defined as key personnel, but is still required to submit information to complete a background investigation.

b. The cost for this background process is included in the compensation as part of the annual contract for services between the DCI and the Lottery. If the DCI incurs some additional costs with this type of background, that are above and beyond part of the compensation included in the annual letter of agreement between the DCI and the Lottery, the Lottery may fund the additional cost.

3. In addition to the background form the applicant/employee must submit two (2) completed “FBI Applicant” fingerprint cards.

4. The applicant/employee must submit the completed respective form and required completed fingerprint cards to the Lottery Administrative Assistant for the Security Division.

5. The completed application form and fingerprint cards are delivered to the Division of Criminal Investigation (DCI) via a secured method (personal delivery) by Lottery personnel.

6. This background includes a national criminal history, intelligence check, and credit bureau check completed by the DCI.

7. The results are returned to the Lottery via a secured method (personal delivery or secure fax).

8. The hard copy criminal history report, if relevant and necessary for the DCI’s delivery of findings, is stored in a secured filing cabinet within the Iowa Lottery Human Resources work area.

Iowa Lottery Authority—Policy

| Section | Policy Name | Page No. | Last Revised |
|---|--------------------------|----------|--------------|
| Security | Background Investigation | 10 of 9 | April 2018 |
| Subject Vendor/Retailer/Employee – Background Investigation - Policies and Procedures | | | |

9. Criminal history reports stored by the Lottery may only be viewed by Lottery personnel with a need to know, specifically designated as:

- VP of Security
- Lottery CEO
- Lottery General Counsel
- Lottery Executive Vice President/Chief Operating Officer
- Administrative Assistant to the Security Division
- Human Resources Associate

V. Applicant Notification and Record Challenge

A. All applicants and vendors whose fingerprints will be used to check the criminal history records of the Federal Bureau of Investigations must be notified in writing, acknowledge receipt of an adequate Privacy Act statement and be advised of their opportunity to complete, or challenge the accuracy of, the information, contained in the FBI identification record.

1. Applicants must submit a signed DCI Written Agreement and Statement with their background application packet. This form is available from the Iowa Lottery Website.

B. The Iowa Lottery Authority will allow applicants that do not pass the background investigation because of FBI information reasonable time to correct, or complete the record or decline to do so.

1. Prospective licensee, employee, vendor or volunteer may obtain a copy of the criminal history records, if any, contained in the report, to challenge the accuracy and completeness of any information contained in any such report, and to obtain a determination as to the validity of such challenge before final determination regarding the person is made by the Iowa Lottery Authority.
2. Individuals may obtain criminal history record information by contacting the FBI at <http://www.fbi.gov/about-us/cjis/background-checks>. If challenging a record, a written request must be sent to the FBI, at FBI CJIS Division, Attn: Correspondence Group, 1000 Custer Hollow Road, Clarksburg West Virginia 26306, 304-625-3878. The fee charged by the FBI to obtain the criminal history record information will be the responsibility of the individual requesting the information.

Iowa Lottery Authority—Policy

| Section | Policy Name | Page No. | Last Revised |
|---|--------------------------|-----------------|---------------------|
| Security | Background Investigation | 11 of 9 | April 2018 |
| Subject Vendor/Retailer/Employee – Background Investigation - Policies and Procedures | | | |