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Kim Reynolds · Governor
Adam Gregg · Lt. Governor
Matthew N. Strawn · Chief Executive Officer

AGENDA

IOWA LOTTERY BOARD

June 25, 2019
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 – March 26, 2019
- II. Quarterly Reports
 - a. Financial
 - b. Sales and Marketing
 - c. Security
 - d. IT Systems
 - e. External Relations
 - f. Legal
- III. FY20 Budget
- IV. Fiscal Policy Update
- V. Administrative Rule
- VI. FY20 Key Employee Pay Plan/Compensation
- VII. CEO Update
- VIII. Election of Officers
- IX. 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

March 26, 2019

10:30 a.m.

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

Board Members Present:

Mary Rathje; Sherrae Hanson; John Quinn; Connor Flynn

Board Members Present on Teleconference:

Mary Junge; Hon. Michael Fitzgerald.

Board Members Absent:

None.

Lottery Staff Participating:

Matt Strawn, CEO; Larry Loss, COO; Teri Wood, VP, Sales and Marketing; Michael Conroy, VP, Finance; Cam Coppess, VP, Security; Hale Strasser, VP, Systems; Rob Porter, VP, Legal Counsel; Mary Neubauer, VP, External Relations; David Ranscht, Assistant AG; John Lundquist, Assistant AG; Deb Bassett, Board Secretary.

Others Present:

David Berger, Scientific Games; Colleen Rowan, IGT.

CALL TO ORDER

Chairperson Rathje called the meeting to order at 10:32 a.m. and roll was taken. There was a quorum. Rathje announced the meeting would be held via teleconference in accordance with Iowa Code section 21.8.

Flynn moved to conduct the meeting via teleconference. Hanson seconded. Motion carried unanimously.

APPROVAL OF AGENDA

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

APPROVAL OF MINUTES

Flynn moved to approve the December 11, 2018 board meeting minutes. Junge seconded. Motion carried unanimously.

QUARTERLY REPORTS

Financial:

Conroy gave a financial report. The Performance Measures show that sales for December 2018 - February 2019 have been strong. Through February 2019, the lottery is ahead of budget nearly 15% and ahead of the 5 year average 12.16%. December 2018 and January 2019 both broke the \$30 million benchmark for high sales and each made the top 30 months of sales in the history of the lottery. Proceeds to the State were \$13.7 million ahead of budget as of February 2019.

Sales and Marketing:

Wood stated that lotto and instant category sales continue to be very strong. The instant ticket category is setting new records in the first quarter of the calendar year. In January, scratch ticket sales set an all-time record of \$24.53 million and was an increase of 12.5% over sales in January 2018. February also saw a new record in year-over-year growth of 3.9% in instant ticket sales. The average ticket price grew by 6.7% to \$4.64.

Wood also gave an update on several promotions. This year's holiday promotion, Fa La La Loot, far exceeded goals and outpaced the last 3 holiday promotions. The Suite Seats promotion was a 6 week promotion, featuring 3 instant tickets. The promotion garnered over \$5 million in sales of the 3 tickets featured, had 22,242 entries and gained 760 new VIP Club members. This year's upcoming summer promotion, Summer of Silverado, will launch on May 6, 2019. VIP Club members can enter their non-winning \$5 Silverado ticket to win one of 4 Chevy Silverado trucks or one-of-20 \$5,000 cash prizes. At the same time as the Summer of Silverado campaign, the lottery will also be running a special 21-day promotion to giveaway \$1 million in cash. And a 1-month promotion called New Years Rockin Eve will launch in September in conjunction with the Powerball game group. Powerball players will have a chance to win one of 4 trips to attend Dick Clark's New Years Rockin' Eve in New York City where one lucky winner will become the first Powerball millionaire of 2020.

Security:

Coppess provided a security report for January - March 2019. Coppess discussed the Record of Contacts categories and how information collected is evaluated to determine the significance of the information.

IT Systems:

Strasser stated that the central gaming system RFP committee is continuing its review of the RFP to ensure that language is modernized and the RFP fits the future needs of the lottery.

External Relations:

Neubauer stated March is National Problem Gambling Awareness month and the lottery partnered again this year with the Iowa Department of Public Health to spread the word about help that is available in Iowa for people who struggle with problem gambling.

Neubauer also played a video reminding players to double-check their tickets for an unclaimed \$1 million Powerball prize that is set to expire on April 11, 2019. The money from unclaimed prizes in Iowa goes into the lottery's prize pools for future games and promotions. The lottery will plan a promotion to give players another chance to win the money if the prize expires without being claimed.

Neubauer gave a legislative update. Several legislative bills have been introduced regarding sports-wagering and the lottery has testified at a committee hearing on the subject. Neubauer also shared that the lottery's modernization bill has been paused due to the U.S. Department of Justice's recent reinterpretation of the Wire Act.

There was discussion on sports-wagering and how the lottery might fit into the expansion of sports-wagering in Iowa. Neubauer stated that in general, the lawmakers are taking a conservative approach to the issue with only casino locations involved if sports-wagering is approved. Neubauer indicated that the conversation on sport-wagering is likely to continue in future years.

Legal:

Porter provided an update on the federal government's reinterpretation of the Wire Act. In 2011, the U.S. Department of Justice concluded the Kennedy-era Wire Act only applied to sports-betting. Based on that interpretation, several states moved forward with on-line gaming of a variety of different types. The U.S. recently reversed itself on the ruling and concluded the Wire Act is not limited to sports-betting. The lottery continues to monitor developments related to the issue.

Porter also gave an update on litigation related to the Larry Dawson lawsuit and the Dale Culler class action lawsuit. Porter stated in the Culler class action lawsuit, filed against the Multi State Lottery Association, the class certifications previously granted is being appealed and as a result, the trial which was set to begin in March 2019 is being postponed. The lottery is not a party to the lawsuit, but will continue to monitor developments in the case.

In the Larry Dawson case, the lottery is waiting for a ruling on the motions for summary judgment. In the meantime, the trial is set to begin on May 20, 2019 and discovery is ongoing.

There was discussion on the Dawson lawsuit and whether the ruling will be appealed no matter the outcome. Porter stated that the stakes are large enough that the ruling, regardless of the outcome, will likely to be appealed. A decision to appeal by the State would be made by the Attorney General, per statute, in conjunction with the lottery. The lawsuit could be settled out of court, but the State has not pursued that option; the lottery believes that Mr. Dawson was paid the appropriate prize and doesn't want to set a precedent. Porter stated Iowa Code is also clear that when there is an indication of fraud, the prize cannot be paid. The statute states that the prize be treated as an unclaimed prize and that is exactly what the lottery did. It will be important for the lottery to have clarity on the issue.

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

MEMBERSHIP DUES

Loss requested the approval of membership dues for Iowa Grocery Industry Association (IGIA), FUELlowa (formerly known as Petroleum Marketers and Convenience Stores of Iowa/PMCI), and the World Lottery Association (WLA). Loss noted that NASPL has changed their billing cycle so no action was needed on NASPL membership dues at this time.

Flynn moved to approve the membership dues. Junge seconded. Motion carried unanimously.

FISCAL POLICY UPDATES

Conroy requested the approval of fiscal policy updates related to travel and relocation expense reimbursements. These updates match the updates DAS has recently made to its fiscal policies. The updates include a requirement that travel reimbursements be submitted within 30 days of the travel; an increase in the meal reimbursement rates for travel in and out of Iowa; and updates to the relocation reimbursement policy.

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

CEO UPDATE

Strawn shared a few thoughts as the new CEO. He talked about the lottery's greatest asset in its mission to serve the people of Iowa – Integrity. Integrity is at the core of the lottery's financial operations and the security of its product offerings. Strawn stated that this message of integrity was the foundation of his recent testimony before the Iowa House Government Oversight Committee.

Strawn stated he is honored and humbled to lead an organization that is exceeding its revenue projections; is operating in an incredibly responsible manner on behalf of Iowans; and working to identify consumer trends that will allow the lottery to continue to meet its mission in the future.

Strawn ended his remarks by stating that he looks forward to working with the board.

ADJOURNMENT

Hanson moved to adjourn. Flynn seconded. Motion carried unanimously.

Meeting adjourned at 11:46 a.m.

IOWA LOTTERY
PERFORMANCE MEASURES
FY 2019
May 31, 2019

| 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 | 27,038,517 | 48,165,957 | 29,214,539 | 31,481,092 | 33,502,349 | 29,545,718 | 39,302,500 | 31,017,140 | 34,353,518 | - |
| 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 | 17,053,365 | 28,218,927 | 18,178,870 | 21,800,772 | 19,598,399 | 17,729,028 | 24,822,998 | 18,135,995 | 20,597,271 | - |
| 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 | 1,037,029 | 1,160,083 | 1,163,937 | 1,045,381 | 1,170,765 | 994,582 | 988,280 | 1,085,706 | 1,175,001 | - |
| 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 | 5,986,711 | 13,960,288 | 6,543,459 | 5,394,227 | 8,923,800 | 7,249,429 | 8,705,706 | 8,571,762 | 9,060,887 | - |
| 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 | 84,799,059 | 132,965,016 | 162,179,555 | 193,660,647 | 227,162,996 | 256,708,714 | 296,011,214 | 327,028,354 | 361,381,872 | - |
| 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 | 53,376,765 | 81,595,692 | 99,774,562 | 121,575,334 | 141,173,733 | 158,902,761 | 183,725,759 | 201,861,754 | 222,459,025 | - |
| 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 | 3,178,323 | 4,338,406 | 5,502,343 | 6,547,724 | 7,718,489 | 8,713,071 | 9,701,351 | 10,787,057 | 11,962,058 | - |
| 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 | 18,620,944 | 32,581,232 | 39,124,691 | 44,518,918 | 53,442,718 | 60,692,147 | 69,397,853 | 77,969,615 | 87,030,502 | - |

| | Current Month | Year to Date |
|--|---------------|--------------|
| Prize Payout - Budget | 62.89% | 60.26% |
| Prize Payout - Actual | 59.96% | 61.56% |
| Sales - Actual increase (decrease) vs. Budget | | 15.77% |
| Proceeds - Actual increase (decrease) vs. Budget | | 32.25% |

IOWA LOTTERY
PERFORMANCE MEASURES
FY 2019
May 31, 2019

| 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 |
| | 5-year av. | 27,515,199 | 28,583,429 | 25,975,331 | 26,174,391 | 26,595,898 | 29,433,228 | 34,583,052 | 30,023,819 | 31,193,731 | 29,102,327 | 29,610,248 | 26,996,042 |
| | 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 | 27,960,668 |
| | Actual '19 | 29,622,964 | 28,137,578 | 27,038,517 | 48,165,957 | 29,214,539 | 31,481,092 | 33,502,349 | 29,545,718 | 39,302,500 | 31,017,140 | 34,353,518 | - |
| 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 |
| | 5-year av. | 16,613,679 | 17,345,925 | 15,659,342 | 16,046,051 | 15,729,600 | 18,483,335 | 20,662,922 | 17,701,023 | 19,978,821 | 17,491,927 | 17,719,856 | 16,309,582 |
| | 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 |
| | Actual '19 | 18,466,693 | 17,856,707 | 17,053,365 | 28,218,927 | 18,178,870 | 21,800,772 | 19,598,399 | 17,729,028 | 24,822,998 | 18,135,995 | 20,597,271 | - |
| 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 |
| | 3-year av. | 1,082,579 | 1,093,710 | 1,019,626 | 1,068,131 | 1,092,387 | 1,100,392 | 1,073,865 | 1,016,547 | 1,060,720 | 1,030,676 | 1,191,636 | 1,423,101 |
| | 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 | 1,508,137 |
| | Actual '19 | 1,094,102 | 1,047,192 | 1,037,029 | 1,160,083 | 1,163,937 | 1,045,381 | 1,170,765 | 994,582 | 988,280 | 1,085,706 | 1,175,001 | - |
| 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 |
| | 5-year av. | 6,571,827 | 6,316,523 | 6,590,716 | 5,968,373 | 6,392,547 | 6,154,345 | 8,692,842 | 7,792,031 | 6,352,943 | 6,887,978 | 7,197,506 | 5,959,314 |
| | 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 | 6,998,710 |
| | Actual '19 | 7,025,446 | 5,608,787 | 5,986,711 | 13,960,288 | 6,543,459 | 5,394,227 | 8,923,800 | 7,249,429 | 8,705,706 | 8,571,762 | 9,060,887 | - |

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 |
| | 5-year av. | 27,515,199 | 56,098,628 | 82,073,959 | 108,248,350 | 134,844,248 | 164,277,476 | 198,860,528 | 228,884,347 | 260,078,078 | 289,180,405 | 318,790,653 | 345,786,695 |
| | 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 | 370,956,877 |
| | Actual '19 | 29,622,964 | 57,760,542 | 84,799,059 | 132,965,016 | 162,179,555 | 193,660,647 | 227,162,996 | 256,708,714 | 296,011,214 | 327,028,354 | 361,381,872 | - |
| 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 |
| | 5-year av. | 16,613,679 | 33,959,604 | 49,618,946 | 65,664,997 | 81,394,597 | 99,877,932 | 120,540,854 | 138,241,877 | 158,220,699 | 175,712,625 | 193,432,481 | 209,742,063 |
| | 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 |
| | Actual '19 | 18,466,693 | 36,323,400 | 53,376,765 | 81,595,692 | 99,774,562 | 121,575,334 | 141,173,733 | 158,902,761 | 183,725,759 | 201,861,754 | 222,459,025 | - |
| 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 |
| | 3-year av. | 1,082,579 | 2,176,289 | 3,195,915 | 4,264,046 | 5,356,433 | 6,456,825 | 7,530,690 | 8,547,237 | 9,607,957 | 10,638,633 | 11,830,269 | 13,253,370 |
| | 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 | 13,773,033 |
| | Actual '19 | 1,094,102 | 2,141,294 | 3,178,323 | 4,338,406 | 5,502,343 | 6,547,724 | 7,718,489 | 8,713,071 | 9,701,351 | 10,787,057 | 11,962,058 | - |
| 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 |
| | 5-year av. | 6,571,827 | 12,888,350 | 19,479,066 | 25,447,439 | 31,839,986 | 37,994,331 | 46,687,173 | 54,479,204 | 60,832,147 | 67,720,125 | 74,917,631 | 80,876,945 |
| | 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 | 87,055,463 |
| | Actual '19 | 7,025,446 | 12,634,233 | 18,620,944 | 32,581,232 | 39,124,691 | 44,518,918 | 53,442,718 | 60,692,147 | 69,397,853 | 77,969,615 | 87,030,502 | - |

| | Current Month | Year to Date |
|--|---------------|--------------|
| Prize Payout - Budget | 62.89% | 60.26% |
| Prize Payout - 5-Year Average | 59.84% | 60.68% |
| Prize Payout - Actual | 59.96% | 61.56% |
| Sales - Actual increase (decrease) vs. 5-Year Average | | 13.36% |
| Proceeds - Actual increase (decrease) vs. 5-Year Average | | 16.17% |
| Sales - Actual increase (decrease) vs. Budget | | 15.77% |
| Proceeds - Actual increase (decrease) vs. Budget | | 32.25% |

IOWA LOTTERY AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Eleven Months Ending Friday, May 31, 2019

| | Month ended 5/31/2019 | Month ended 5/31/2018 | Year-to-date 5/31/2019 | Year-to-date 5/31/2018 |
|---|--------------------------|--------------------------|---------------------------|---------------------------|
| Operating revenues: | | | | |
| Instant-scratch ticket sales | \$22,861,081.00 | \$21,574,813.00 | \$230,704,659.00 | \$225,143,013.00 |
| InstaPlay sales | 1,083,382.00 | 793,620.00 | 11,182,790.00 | 8,725,074.00 |
| Pick 3 sales | 702,627.50 | 644,874.50 | 7,220,509.00 | 7,081,647.00 |
| Powerball sales | 4,235,314.00 | 4,061,965.00 | 51,123,996.00 | 55,366,547.50 |
| Mega Millions Sales | 2,763,536.00 | 1,368,487.00 | 34,326,807.00 | 19,555,359.00 |
| Hot Lotto sales | - | - | - | 3,761,425.00 |
| Pick 4 sales | 394,291.50 | 349,554.00 | 3,923,549.50 | 4,005,061.00 |
| Lucky for Life sales | 463,764.00 | 505,158.00 | 5,026,400.00 | 5,180,164.00 |
| Lotto America sales | 831,457.00 | 718,678.00 | 7,931,539.00 | 4,218,684.00 |
| Pull-tab sales | 1,018,064.72 | 1,169,433.29 | 9,941,622.59 | 9,959,234.16 |
| Application fees | 325.00 | 375.00 | 3,650.00 | 3,475.00 |
| Other | 439.56 | 1,017.59 | 55,042.44 | 7,691.01 |
| Total operating revenues | <u>\$34,354,282.28</u> | <u>\$31,187,975.38</u> | <u>\$361,440,564.53</u> | <u>\$343,007,374.67</u> |
| Operating expenses: | | | | |
| Scratch ticket prizes | 14,403,648.00 | 13,127,928.67 | 153,893,345.22 | 147,974,606.81 |
| InstaPlay prizes | 798,998.47 | 518,512.09 | 7,812,919.59 | 5,698,599.92 |
| Pick 3 prizes | 417,536.50 | 384,344.70 | 4,280,105.40 | 4,199,468.20 |
| Powerball prizes | 2,065,334.50 | 2,089,009.63 | 23,645,670.59 | 26,960,851.13 |
| Mega Millions prizes | 1,370,358.00 | 702,854.64 | 17,475,230.19 | 9,871,667.54 |
| Hot Lotto prizes | - | 207,057.68 | (46,872.00) | 1,791,335.18 |
| Pick 4 prizes | 234,294.90 | 146,017.40 | 2,332,339.70 | 2,319,121.60 |
| All or Nothing prizes | - | 60,941.82 | (354,534.99) | (29,218.00) |
| Lucky for Life prizes | 265,263.10 | 291,940.91 | 2,887,435.86 | 3,075,576.86 |
| Lotto America prizes | 392,363.50 | 359,339.00 | 3,889,553.50 | 2,109,342.00 |
| Pull-tab prizes | 637,562.49 | 731,547.38 | 6,218,198.48 | 6,225,456.81 |
| VIP Club prize expense | - | 6,500.00 | 315,879.79 | 164,448.44 |
| Promotional prize expense | 11,911.13 | (12,958.90) | 109,753.11 | 110,415.54 |
| Advertising/publicity | 639,716.25 | 748,812.78 | 6,606,563.77 | 6,646,413.95 |
| Retailer compensation expense | 2,238,702.80 | 2,054,844.11 | 23,540,599.32 | 22,402,285.68 |
| Ticket expense | 306,826.70 | 235,771.04 | 3,014,495.73 | 2,955,226.17 |
| Vendor compensation expense | 567,613.83 | 722,707.33 | 5,895,832.36 | 7,602,154.07 |
| Salary and benefits | 920,425.84 | 941,462.53 | 9,433,450.73 | 9,738,934.32 |
| Travel | 22,985.95 | 32,455.89 | 240,433.70 | 232,954.36 |
| Supplies | 31,731.97 | 18,087.05 | 100,124.14 | 96,599.96 |
| Printing | 108.15 | - | 3,354.94 | 10,087.74 |
| Postage | 246.93 | 255.26 | 5,224.45 | 5,323.37 |
| Communications | 14,431.03 | 11,923.92 | 160,384.52 | 151,692.59 |
| Rentals | 26,072.70 | 25,254.28 | 284,133.16 | 279,985.61 |
| Utilities | 5,526.00 | 4,533.16 | 85,109.50 | 83,143.74 |
| Professional fees | 19,214.71 | 12,526.64 | 149,366.92 | 146,091.40 |
| Vending machine maintenance | 21,105.00 | 21,192.00 | 232,247.77 | 274,985.33 |
| Outside services and repairs | 85,254.76 | 80,983.08 | 756,712.15 | 741,501.28 |
| Data processing | 8,438.87 | 9,468.70 | 98,606.98 | 85,050.04 |
| Equipment | 33,345.19 | 75,469.47 | 468,146.17 | 543,233.76 |
| Reimbursement to other state agencies | 45,810.98 | 40,363.80 | 410,124.26 | 389,890.15 |
| Depreciation | 43,634.74 | 44,258.05 | 498,335.64 | 501,228.54 |
| Other | 4,774.80 | 5,080.60 | 57,724.26 | 85,245.43 |
| MUSL/Lotto administrative expense | 5,516.54 | 659.11 | 65,974.75 | 7,297.01 |
| Total operating expenses | <u>25,638,754.33</u> | <u>23,699,143.82</u> | <u>274,565,969.66</u> | <u>263,450,996.53</u> |
| Operating income | <u>8,715,527.95</u> | <u>7,488,831.56</u> | <u>86,874,594.87</u> | <u>79,556,378.14</u> |
| Non-operating revenue (expenses): | | | | |
| Proceeds provided to State General Fund | (9,060,886.68) | (7,657,873.84) | (84,530,500.58) | (77,556,752.90) |
| Proceeds provided to Veteran's Trust Fund | - | - | (2,500,000.00) | (2,500,000.00) |
| Interest income | 18,057.44 | 23,067.76 | 399,602.93 | 204,847.42 |
| Gain (Loss) on disposal of capital assets | 6,350.00 | - | 11,364.08 | (139,571.99) |
| Net non-operating revenues (expenses) | <u>(9,036,479.24)</u> | <u>(7,634,806.08)</u> | <u>(86,619,533.57)</u> | <u>(79,991,477.47)</u> |
| Change in net position | <u>(320,951.29)</u> | <u>(145,974.52)</u> | <u>255,061.30</u> | <u>(435,099.33)</u> |
| Net position beginning of period | 5,526,206.29 | 6,068,404.90 | 4,950,193.70 | 6,357,529.71 |
| Net position end of period | <u>5,205,255.00</u> | <u>5,922,430.38</u> | <u>5,205,255.00</u> | <u>5,922,430.38</u> |

IOWA LOTTERY AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Ten Months Ending Tuesday, April 30, 2019

| | Month ended 4/30/2019 | Month ended 4/30/2018 | Year-to-date 4/30/2019 | Year-to-date 4/30/2018 |
|---|--------------------------|--------------------------|---------------------------|---------------------------|
| Operating revenues: | | | | |
| Instant-scratch ticket sales | \$ 21,945,477.00 | \$ 22,598,572.00 | \$ 207,843,578.00 | \$ 203,568,200.00 |
| InstaPlay sales | 864,388.00 | 1,008,735.00 | 10,099,408.00 | 7,931,454.00 |
| Pick 3 sales | 687,632.50 | 650,662.00 | 6,517,881.50 | 6,436,772.50 |
| Powerball sales | 3,093,275.00 | 3,143,434.00 | 46,888,682.00 | 51,304,582.50 |
| Mega Millions Sales | 1,864,162.00 | 1,280,959.00 | 31,563,271.00 | 18,186,872.00 |
| Hot Lotto sales | - | - | - | 3,761,425.00 |
| Pick 4 sales | 388,276.00 | 359,029.00 | 3,529,258.00 | 3,655,507.00 |
| Lucky for Life sales | 487,876.00 | 497,288.00 | 4,562,636.00 | 4,675,006.00 |
| Lotto America sales | 758,877.00 | 496,237.00 | 7,100,082.00 | 3,500,006.00 |
| Pull-tab sales | 927,176.76 | 1,292,777.76 | 8,923,557.87 | 8,789,800.87 |
| Application fees | 250.00 | 250.00 | 3,325.00 | 3,100.00 |
| Other | 405.80 | 602.55 | 54,602.88 | 6,673.42 |
| Total operating revenues | 31,017,796.06 | 31,328,546.31 | 327,086,282.25 | 311,819,399.29 |
| Operating expenses: | | | | |
| Scratch ticket prizes | 14,223,654.00 | 14,840,506.00 | 139,489,697.22 | 134,846,678.14 |
| InstaPlay prizes | 631,183.96 | 692,087.73 | 7,013,921.12 | 5,180,087.83 |
| Pick 3 prizes | 407,329.50 | 387,267.20 | 3,862,568.90 | 3,815,123.50 |
| Powerball prizes | 502,735.50 | 1,533,609.50 | 21,580,336.09 | 24,871,841.50 |
| Mega Millions prizes | 904,787.19 | 654,453.76 | 16,104,872.19 | 9,168,812.90 |
| Hot Lotto prizes | - | (8,663.00) | (46,872.00) | 1,584,277.50 |
| Pick 4 prizes | 230,215.60 | 213,922.40 | 2,098,044.80 | 2,173,104.20 |
| All or Nothing prizes | - | (2,850.00) | (354,534.99) | (90,159.82) |
| Lucky for Life prizes | 278,514.95 | 285,754.34 | 2,622,172.76 | 2,783,635.95 |
| Lotto America prizes | 368,895.50 | 248,118.50 | 3,497,190.00 | 1,750,003.00 |
| Pull-tab prizes | 581,909.98 | 810,695.05 | 5,580,635.99 | 5,493,909.43 |
| VIP Club prize expense | - | 10,000.00 | 315,879.79 | 157,948.44 |
| Promotional prize expense | 6,768.78 | 35,646.03 | 97,841.98 | 123,374.44 |
| Advertising/publicity | 575,629.33 | 476,077.13 | 5,966,847.52 | 5,897,601.17 |
| Retailer compensation expense | 2,033,659.73 | 2,063,847.31 | 21,301,896.52 | 20,347,441.57 |
| Ticket expense | 258,715.49 | 297,543.17 | 2,707,669.03 | 2,719,455.13 |
| Vendor compensation expense | 511,856.44 | 725,292.72 | 5,328,218.53 | 6,879,446.74 |
| Salary and benefits | 878,214.65 | 857,787.56 | 8,513,024.89 | 8,797,471.79 |
| Travel | 22,799.26 | 26,514.98 | 217,447.75 | 200,498.47 |
| Supplies | 7,806.96 | 7,261.58 | 68,392.17 | 78,512.91 |
| Printing | 703.50 | 1,276.00 | 3,246.79 | 10,087.74 |
| Postage | 412.84 | 239.15 | 4,977.52 | 5,068.11 |
| Communications | 13,620.23 | 34,646.44 | 145,953.49 | 139,768.67 |
| Rentals | 26,072.50 | 24,644.30 | 258,060.46 | 254,731.33 |
| Utilities | 6,436.77 | 7,664.18 | 79,583.50 | 78,610.58 |
| Professional fees | 12,320.00 | 14,312.05 | 130,152.21 | 133,564.76 |
| Vending machine maintenance | 21,231.00 | 20,557.00 | 211,142.77 | 253,793.33 |
| Outside services and repairs | 56,119.68 | 63,516.21 | 671,457.39 | 660,518.20 |
| Data processing | 10,892.14 | 11,697.64 | 90,168.11 | 75,581.34 |
| Equipment | 30,263.22 | 24,401.25 | 434,800.98 | 467,764.29 |
| Reimbursement to other state agencies | 29,331.45 | 31,069.89 | 364,313.28 | 349,526.35 |
| Depreciation | 44,679.62 | 44,258.13 | 454,700.90 | 456,970.49 |
| Other | 5,078.91 | 4,672.18 | 52,949.46 | 80,164.83 |
| MUSL/Lotto administrative expense | 5,449.91 | 538.75 | 60,458.21 | 6,637.90 |
| Total operating expenses | 22,687,288.59 | 24,438,365.13 | 248,927,215.33 | 239,751,852.71 |
| Operating income | 8,330,507.47 | 6,890,181.18 | 78,159,066.92 | 72,067,546.58 |
| Non-operating revenue (expenses): | | | | |
| Proceeds provided to State General Fund | (8,571,761.85) | (6,784,523.53) | (75,469,613.90) | (69,898,879.06) |
| Proceeds provided to Veteran's Trust Fund | - | - | (2,500,000.00) | (2,500,000.00) |
| Interest income | 79,592.05 | 27,033.52 | 381,545.49 | 181,779.66 |
| Gain (Loss) on disposal of capital assets | 664.08 | 1,650.00 | 5,014.08 | (139,571.99) |
| Net non-operating revenues (expenses) | (8,491,505.72) | (6,755,840.01) | (77,583,054.33) | (72,356,671.39) |
| Change in net position | (160,998.25) | 134,341.17 | 576,012.59 | (289,124.81) |
| Net position beginning of period | 5,687,204.54 | 5,934,063.73 | 4,950,193.70 | 6,357,529.71 |
| Net position end of period | 5,526,206.29 | 6,068,404.90 | 5,526,206.29 | 6,068,404.90 |

IOWA LOTTERY AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Nine Months Ending Sunday, March 31, 2019

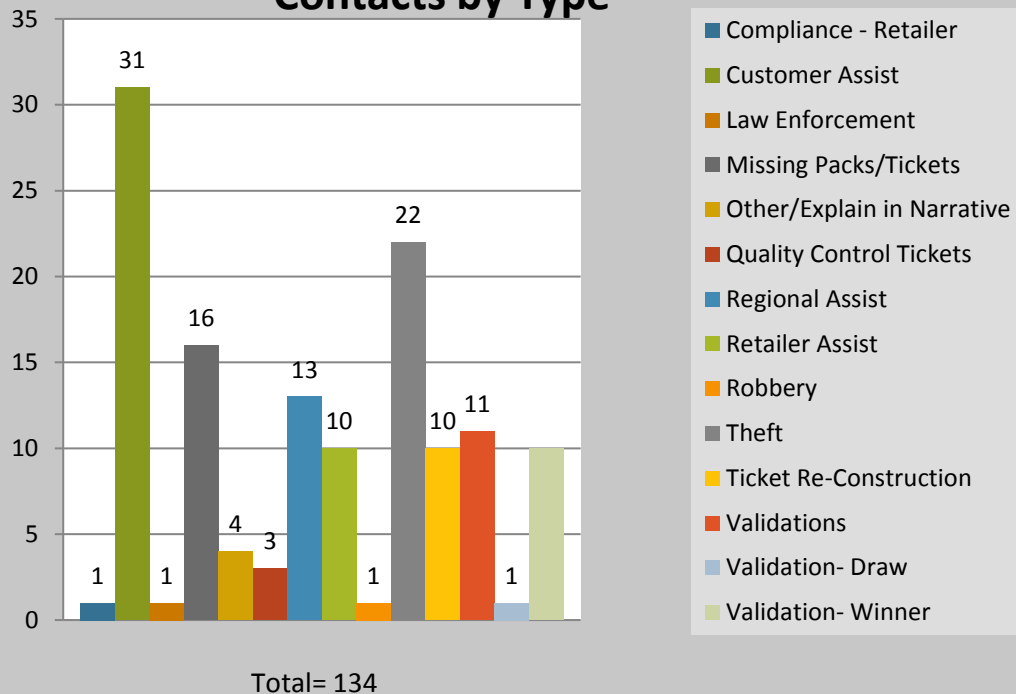
| | Month ended 3/31/2019 | Month ended 3/31/2018 | Year-to-date 3/31/2019 | Year-to-date 3/31/2018 |
|---|--------------------------|--------------------------|---------------------------|---------------------------|
| Operating revenues: | | | | |
| Instant-scratch ticket sales | \$21,950,208.00 | \$23,962,178.00 | \$185,898,101.00 | \$180,969,628.00 |
| InstaPlay sales | 1,405,236.00 | 658,808.00 | 9,235,020.00 | 6,922,719.00 |
| Pick 3 sales | 726,903.50 | 703,107.00 | 5,830,249.00 | 5,786,110.50 |
| Powerball sales | 11,031,484.00 | 5,377,327.00 | 43,795,407.00 | 48,161,148.50 |
| Mega Millions Sales | 1,624,984.00 | 3,773,138.00 | 29,699,109.00 | 16,905,913.00 |
| Hot Lotto sales | - | - | - | 3,761,425.00 |
| Pick 4 sales | 405,200.50 | 387,275.50 | 3,140,982.00 | 3,296,478.00 |
| Lucky for Life sales | 429,724.00 | 489,664.00 | 4,074,760.00 | 4,177,718.00 |
| Lotto America sales | 832,525.00 | 662,443.00 | 6,341,205.00 | 3,003,769.00 |
| Pull-tab sales | 896,234.79 | 911,711.75 | 7,996,381.11 | 7,497,023.11 |
| Application fees | 150.00 | 550.00 | 3,075.00 | 2,850.00 |
| Other | 1,761.99 | 516.32 | 54,197.08 | 6,070.87 |
| Total operating revenues | 39,304,411.78 | 36,926,718.57 | 296,068,486.19 | 280,490,852.98 |
| Operating expenses: | | | | |
| Scratch ticket prizes | 15,720,588.00 | 16,755,744.00 | 125,266,043.22 | 120,006,172.14 |
| InstaPlay prizes | 955,299.77 | 430,938.09 | 6,382,737.16 | 4,488,000.10 |
| Pick 3 prizes | 430,562.10 | 416,914.20 | 3,455,239.40 | 3,427,856.30 |
| Powerball prizes | 5,449,232.00 | 2,640,679.00 | 21,077,600.59 | 23,338,232.00 |
| Mega Millions prizes | 794,290.02 | 1,949,242.92 | 15,200,085.00 | 8,514,359.14 |
| Hot Lotto prizes | - | (7,949.00) | (46,872.00) | 1,592,940.50 |
| Pick 4 prizes | 242,715.30 | 230,810.30 | 1,867,829.20 | 1,959,181.80 |
| All or Nothing prizes | - | (2,823.00) | (354,534.99) | (87,309.82) |
| Lucky for Life prizes | 247,142.17 | 282,276.62 | 2,343,657.81 | 2,497,881.61 |
| Lotto America prizes | 408,434.50 | 331,221.50 | 3,128,294.50 | 1,501,884.50 |
| Pull-tab prizes | 559,457.20 | 570,287.31 | 4,998,726.01 | 4,683,214.38 |
| VIP Club prize expense | 1,523.54 | 10,000.00 | 315,879.79 | 147,948.44 |
| Promotional prize expense | 13,753.68 | 12,428.94 | 91,073.20 | 87,728.41 |
| Advertising/publicity | 627,827.96 | 596,280.13 | 5,391,218.19 | 5,421,524.04 |
| Retailer compensation expense | 2,553,074.23 | 2,411,963.83 | 19,268,236.79 | 18,283,594.26 |
| Ticket expense | 253,715.92 | 260,091.05 | 2,448,953.54 | 2,421,911.96 |
| Vendor compensation expense | 629,396.46 | 835,132.58 | 4,816,362.09 | 6,154,154.02 |
| Salary and benefits | 763,926.46 | 810,283.34 | 7,634,810.24 | 7,939,684.23 |
| Travel | 24,194.82 | 19,920.00 | 194,648.49 | 173,983.49 |
| Supplies | 4,906.90 | 5,853.08 | 60,585.21 | 71,251.33 |
| Printing | 56.00 | 822.43 | 2,543.29 | 8,811.74 |
| Postage | 240.83 | 296.73 | 4,564.68 | 4,828.96 |
| Communications | 15,664.09 | 11,545.49 | 132,333.26 | 105,122.23 |
| Rentals | 26,060.40 | 25,728.83 | 231,987.96 | 230,087.03 |
| Utilities | 6,742.12 | 6,486.97 | 73,146.73 | 70,946.40 |
| Professional fees | 12,284.37 | 14,989.12 | 117,832.21 | 119,252.71 |
| Vending machine maintenance | 21,231.00 | 20,557.00 | 189,911.77 | 233,236.33 |
| Outside services and repairs | 67,333.75 | 61,531.83 | 615,337.71 | 597,001.99 |
| Data processing | 16,787.99 | 7,062.11 | 79,275.97 | 63,883.70 |
| Equipment | 59,493.94 | 114,798.69 | 404,537.76 | 443,363.04 |
| Reimbursement to other state agencies | 30,004.24 | 31,842.56 | 334,981.83 | 318,456.46 |
| Depreciation | 44,610.06 | 44,805.23 | 410,021.28 | 412,712.36 |
| Other | 5,116.12 | 4,646.61 | 47,870.55 | 75,492.65 |
| MUSL/Lotto administrative expense | 5,449.91 | 699.24 | 55,008.30 | 6,099.15 |
| Total operating expenses | 29,991,115.85 | 28,905,107.73 | 226,239,926.74 | 215,313,487.58 |
| Operating income | 9,313,295.93 | 8,021,610.84 | 69,828,559.45 | 65,177,365.40 |
| Non-operating revenue (expenses): | | | | |
| Proceeds provided to State General Fund | (8,705,706.48) | (8,149,621.35) | (66,897,852.05) | (63,114,355.53) |
| Proceeds provided to Veteran's Trust Fund | - | - | (2,500,000.00) | (2,500,000.00) |
| Interest income | 66,258.56 | 29,535.70 | 301,953.44 | 154,746.14 |
| Gain (Loss) on disposal of capital assets | - | - | 4,350.00 | (141,221.99) |
| Net non-operating revenues (expenses) | (8,639,447.92) | (8,120,085.65) | (69,091,548.61) | (65,600,831.38) |
| Change in net position | 673,848.01 | (98,474.81) | 737,010.84 | (423,465.98) |
| Net position beginning of period | 5,013,356.53 | 6,032,538.54 | 4,950,193.70 | 6,357,529.71 |
| Net position end of period | 5,687,204.54 | 5,934,063.73 | 5,687,204.54 | 5,934,063.73 |



June 2019 Lottery Security Report

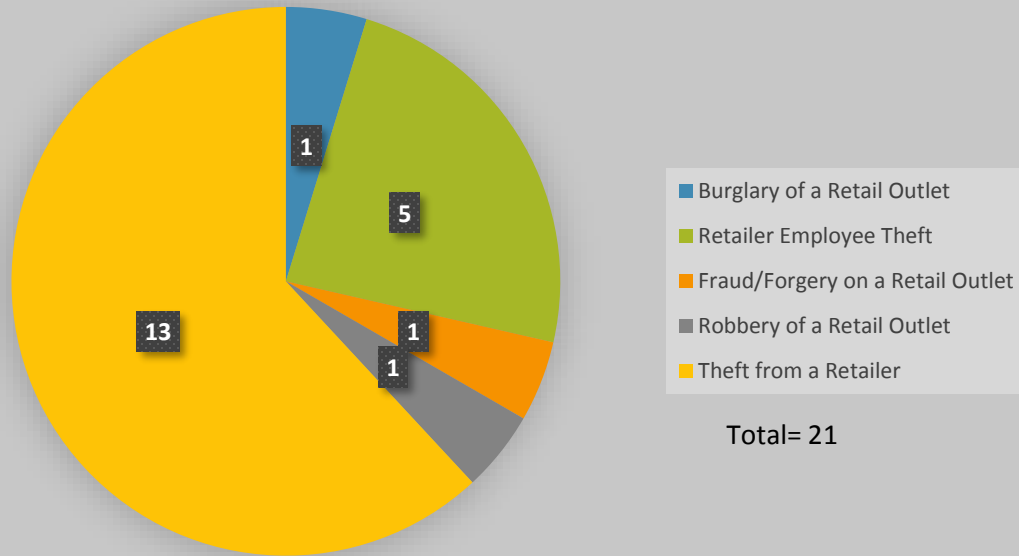


March 16 - June 14, 2019 Record of Contacts by Type



Other: (1) Quarterly Inspection of Game Management System (GMS) Vendor, (Urbandale Site), (3) Monthly Information Technology Security Audit of Super User Accounts

March 16- June 14, 2019 Cases by Type



Other Duties and Activities;

- Drawing and Winner Validation for (1) promotional drawings, Summer of Silverado
- Conducted **233** compliance/inspection checks on retail outlets, sent follow up letters to all retailers to provide results of the compliance check at their store
- Preparation for Summer Promotional Draws

Budget For Lottery Fund

| | FY 2018 ACTUAL | FY 2019 BOARD APPROVED FINAL BUDGET | FY 2020 FALL BOARD APPROVED BUDGET | FY 2020 PROPOSED BUDGET |
|--|--------------------|---|--|-------------------------------|
| <u>Resources</u> | | | | |
| Lottery sales | 370,956,887 | 338,300,000 | 346,500,000 | 346,500,000 |
| 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 | 347,010,000 |
| <u>Expenses and Change in Net Assets</u> | | | | |
| Prizes | 227,491,072 | 204,672,000 | 209,944,600 | 209,944,600 |
| Retailer compensation | 24,213,812 | 22,667,100 | 23,216,500 | 23,216,500 |
| Advertising production and media purchases | 7,162,018 | 13,532,000 | 13,860,000 | 13,860,000 |
| Retailer Lottery system/Terminal Communications | 8,290,135 | 6,521,491 | 7,800,085 | 7,800,085 |
| Instant/Pull-tab ticket expense | 3,198,940 | 3,977,250 | 4,120,750 | 4,120,750 |
| 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 | 15,351,608 |
| Increase (decrease) in net assets | (262,764) | (237,100) | (482,600) | (482,600) |
| Total Expenses and Change in Net Assets | 284,978,631 | 267,691,977 | 275,002,871 | 275,002,871 |
| <u>Proceeds</u> | | | | |
| Proceeds Transfer to General Fund | 84,596,200 | 68,618,023 | 69,507,129 | 69,407,129 |
| Peace Officer Survivor Benefit Fund | - | - | - | 100,000 |
| 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 | 72,007,129 |
| Total Expenses and Proceeds | 372,074,831 | 338,810,000 | 347,010,000 | 347,010,000 |

Iowa Lottery Authority—Financial Management

| Section | Procedure No. | Page No. | Effective Date |
|--|---------------|----------|----------------|
| Pre-Audit | 240.102 | 1 of 14 | June 20, 2018 |
| Subject Purchasing Policies and Services Contracting | | | |

Purchasing Policies

Master Agreements

Prior to purchasing any goods or services, the ILA associate shall review the Department of Administrative Services (DAS) website and/or State Accounting System (I/3) for any available master agreement. Goods or services of general use available on a master agreement may be purchased from a different vendor if the quantity required makes it cost-effective to purchase from a non-master agreement vendor or if there is an immediate or emergency need for an item and the ILA determines that its best interests will be served by exemption from the bidding process.

Competitive Procurement

Above \$50,000

1. A formal (sealed) competitive selection process is required in connection with any “major procurement” except in cases where a single vendor has an exclusive right to offer a product or service. A “major procurement” is defined as any consulting agreement or any contract for the printing of tickets or the purchase or lease of equipment or services essential to the operation of a lottery game. Invitations-to-bid or Requests for Proposal (RFP) must be posted to the DAS bid opportunities website and the Targeted Small Business (TSB) website. Award of bid or RFP requires CEO and Lottery Board approval.
2. A formal (sealed) competitive selection process is required in connection with the purchase of goods or services when COST IS NOT the main criterion for selection and the goods or services are expected to cost in the aggregate of \$50,000 or more. Invitations-to-bid or RFPs must be posted to the DAS bid opportunities website and the TSB website. Award of bid or RFP requires CEO approval and Lottery Board approval for services only.
3. A formal or informal competitive selection process (which includes electronic or fax submissions) is required for the purchase of goods that are not essential to the operation of a lottery game, when COST IS the main criterion for selection and the goods are expected to cost in the aggregate of \$50,000 or more. Bids must be posted to the DAS bid opportunities website and the TSB website. Award of bid requires CEO approval.
4. The use of other state or public entity current agreements for goods or services may be utilized to purchase the goods and services by the Lottery instead of issuing a competitive bid or RFP.

Above \$5,000 to \$50,000

1. GOODS - An informal or formal competitive selection process for goods may be used when cost is the main criterion and the goods are expected to cost greater than \$5,000 and less than \$50,000. The following guidelines shall apply:
 - a. The informal or formal invitation-to-bid may be issued electronically to selected vendors known to offer the goods and may be posted to the DAS bid opportunities website and the TSB website.
 - b. Award may require CEO approval depending upon total cost.
 - c. Informal bids shall be documented in writing. If informal bids are obtained via telephone, notes taken by the ILA associate during the telephone call qualify as appropriate documentation; e-mail or fax bids or quotes also qualify as responses. All documentation shall be attached to the purchase file.
 - d. If the goods are expected to cost over \$5,000 but the contract will be awarded to a vendor based on special circumstances or criteria other than cost, the CEO or COO may grant a waiver of the bidding requirement. The ILA associate requesting the waiver shall do so in writing.
 - e. If the ILA has a list of vendors that provide the goods, all applicable vendors on the list shall be contacted or provided an invitation-to-bid.
 - f. If there is no vendor list for the goods, but the ILA associate requesting the informal bid knows of three or more vendors who provide the goods, at least three informal bids shall be obtained. If the ILA associate does not know of at least three vendors who provide the goods, then as many bids as possible should be obtained and the ILA associate should document in writing why fewer than three bids were taken.
 - g. If the lowest bidder is not awarded the contract, the reason should be documented in writing,

Iowa Lottery Authority—Financial Management

| | | | |
|--|---------------------------------|----------------------------|--|
| Section Pre-Audit | Procedure No. 240.102 | Page No. 2 of 14 | Effective Date June 20, 2018 |
| Subject Purchasing Policies and Services Contracting | | | |

attached to the purchase file and approved by authorized person signing the purchase order or contract.

h. If an outside entity (ad agency or other vendors) conducts a competitive bidding process on behalf of the ILA, the policies stated above shall also apply.

i. Any goods of \$10,000 and below may be purchased from a DIA certified TSB vendor without any informal quote/bid obtained. The purchase file should contain a screen-print showing the vendor is an authorized company and appears on the TSB website at time of purchase.

j. If the goods being purchased are known by the ILA associate to result in possible re-orders during fiscal year and cost in the aggregate over \$5,000, a written contract is required.

k. If the goods are a single purchase and cost in the aggregate over \$5,000, a written contract is required.

2. SERVICES - An informal or formal competitive selection process for services may be used when cost is NOT the main criterion and the services are expected to cost greater than \$5,000 but less than \$50,000 annually and or no more than \$150,000 for a multi-year service. The following guidelines shall apply:

- a. The informal or formal competitive selection may be issued electronically to selected vendors known to offer the services and may be posted to the DAS bid opportunities website and the TSB website.

- b. Award requires CEO approval over \$20,000 and Lottery Board approval over \$25,000.

- c. Informal bids shall be documented in writing. If informal bids are obtained via telephone, notes taken by the ILA associate during the telephone call qualify as appropriate documentation; e-mail bids or quotes also qualify as responses. All documentation shall be attached to the purchase file.

- d. If the services are expected to cost over \$5,000 but the contract will be awarded to a vendor based on special circumstances or criteria other than cost, the CEO or COO may grant a waiver of the bidding requirement. The ILA associate requesting the waiver shall do so in writing.

- e. If the ILA has a list of vendors that provide the service, all applicable vendors on the list shall be contacted or provided an invitation-to-bid.

- f. If there is no vendor list for the service, but the ILA associate requesting the informal bid knows of three or more vendors who provide the service, at least three informal bids shall be obtained. If the ILA associate does not know of at least three vendors who provide the service, then as many bids as possible should be obtained and the ILA associate should document in writing why fewer than three bids were taken.

- g. If the lowest bidder is not awarded the contract, the reason should be documented in writing, attached to the purchase file and approved by authorized person signing the purchase order or contract.

- h. Any services of \$10,000 and below may be purchased from a DIA certified TSB vendor without any informal quote/bid obtained. The purchase file should contain a screen-print showing the vendor is an authorized company and appears on the TSB website at time of purchase.

- i. If the service being purchased is known by the ILA associate to result in additional services at a later time during the fiscal year and cost in the aggregate over \$5,000, a written contract is required.

- j. Refer to services contract section below for additional requirements.

\$1,501- \$5,000 –

1. SERVICES – For services costing less than \$5,000 annually or less than \$15,000 for multi-year service, no competitive bids are required. A written contract is required for services above \$1,500. Refer to services contract section below for additional requirements.
2. GOODS - Goods costing less than \$5,000 may be obtained by informal telephone bids/quotes or price comparisons. The following guidelines shall apply:
 - a. Bids from three sources are to be obtained for all items in aggregate at time of order placement.
 - b. Informal bids shall be documented in writing. If informal bids are obtained via telephone, notes taken by the ILA associate during the telephone call qualify as appropriate documentation. Internet screen shots, faxes and e-mail bids or quotes also qualify as responses. All documentation shall be attached to the purchase file.

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c. If the ILA has a list of vendors that provide the service, all applicable vendors on the list shall be contacted or provided an invitation-to-bid

d. If there is no vendor list for the goods, but the ILA associate requesting the informal bids knows of three or more vendors who provide the goods, at least three informal bids shall be obtained. If the ILA associate does not know of at least three vendors who provide the goods, then as many bids as possible should be obtained and the ILA associate should document in writing why fewer than three bids were taken.

e. P-card may be used for purchases if direct billing is not feasible or for internet purchases, otherwise a purchase order should be issued. Purchases made via P-card should document price paid using a screen shot or e-mail receipt for the purchase file. Approval must be obtained prior to order placement for all purchases above \$1,500.

\$1 - \$1,500

1. Up to \$1,500 – Informal quotes/bids are not required for single item purchases only, not aggregate purchases. If goods purchased are greater than \$1,500 in aggregate see above requirements. Any documentation regarding purchase to be attached to purchase file or P-card file.
2. P-card may be used for purchases if direct billing is not feasible or for internet purchases, otherwise a purchase order should be issued. Purchases made via P-card should document price paid using a screen shot or e-mail receipt for the purchase file.
3. Goods AND Services - Less than \$1,500, no written contract is required.

SPECIAL REQUIREMENTS:

Legal Review - All written contracts shall be submitted to the Vice President of General Counsel for review prior to contract execution.

Sole Source - The CEO or COO must approve the use of all sole-source purchases by approving the sole-source document before any contract is awarded. If a written justification from requesting department is provided it should be attached to the sole-source document. The sole-source document and justification must be submitted to the CEO or COO; once approved, the request must be posted on the State of Iowa bid opportunities website for five (5) calendar days before an agreement or contract for the goods or services is granted. If no vendor responds to the sole-source posting, purchase may proceed with all documentation to be placed with the purchase or contract file. Exception to the website posting shall be for a sole source that is restricted by licensing or trademark agreements and no other source could respond to the posting.

Emergency Purchases – The ILA associate shall attempt to acquire goods and services of general use with as much competition as practicable under the circumstances and should try to obtain the best value for the funds spent under the circumstances. Justification for the emergency purchase shall be documented on the sole source/emergency documentation form and submitted to the CEO or COO for approval.

Purchase Order Approval Levels (not required over \$5,000)

1. All purchases
 - a. Purchasing Agent – up to \$1,500
 - b. CEO & COO – up to \$5,000
2. Approval exceptions
CFO shall be the authorized backup during absences by the CEO and/or COO for purchase order approvals.

Contract Approval Levels

1. All non-sole source contracts

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- a. CEO or COO – up to \$20,000
 - b. CEO – up to \$25,000 for services; no limit on goods
 - c. Board approval – over \$25,000 (for services only)
2. All sole source purchase approvals
 - a. CEO or COO
3. Approval exceptions
CFO shall be the authorized backup during absences by the CEO and/or COO for contract approvals.

Instant Ticket Working Paper Approvals

Instant Ticket Working Papers are developed from Instant Ticket Printing Contracts and contain game specifications, pricing, etc. Authorized approvers for Instant Ticket Working Papers are: CEO, COO, VP of Security or CFO.

Receipt of Goods

ILA associates must inspect and/or determine the goods received meet the specifications of the order placed and that the appropriate quantities have been received. Packing slips or receipts describing the item received shall be attached to the purchase order and/or scanned and attached in the general ledger system before payment is made. In the absence of a packing slip or receipt, an e-mail from the receiving location shall be an acceptable form.

Advertising Media Placement

1. All advertising media placements require a purchase order or written contract. For placements exceeding, or expected to exceed, \$5,000 in aggregate per fiscal year, a written contract is required prior to the placement of the advertising.
2. For advertising media placement of \$5,000 or less in aggregate per fiscal year may be placed on a pre-approved Lottery template. If the pre-approved Lottery template is used for the agreement, no legal review is required prior to approval and signature. Any advertising media placement agreements written on any other form require Lottery legal department review before signing.
3. Approval levels for advertising media placement agreements are:
 - a. \$1 to \$1,500 in aggregate for fiscal year may be approved by the Advertising Manager/Promotions Manager.
 - b. \$1,501 to \$5,000 in aggregate for the fiscal year may be approved by the Vice President of Sales and Marketing.
 - c. \$5,000 and above in aggregate for the fiscal year must be approved by the COO or other authorized signature.
4. Sole Source
Placement of media advertising is inherently a sole source item. No other identical venue exists for any particular media advertising placement. Therefore, this policy will serve to justify all advertising as sole source.

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Services Contracting

1. Defined.

Services contracts are contracts entered into by ILA to aid in carrying out its programs and to provide specialized services through an independent contractor qualified by education, experience and/or technical ability. Services contracts may be with individuals, partnerships, firms, corporations or other business entities.

“Service or services” means work performed for the ILA by a service provider and includes, but is not limited to:

- Professional or technical expertise provided by a consultant, advisor or other technical or service provider to accomplish a specific study, review, project, task, or other work as described in the scope of work. By way of example and not by limitation, these services may include the following: accounting services; aerial surveys; aerial mapping and seeding; appraisal services; land surveying services; construction manager services; analysis and assessment of processes, programs, fiscal impact, compliance, systems and the like, auditing services, communications services; services of peer reviewers, attorneys, financial advisors, and expert witnesses for litigation, architectural services, information technology consulting services; services of investment advisors and managers; marketing services; policy development and recommendations; program development; public involvement services and strategies; research services; scientific and related technical services; software development and system design; and services of underwriters, physicians, pharmacists, engineers, and architects; or
- Services provided by a vendor to accomplish routine functions. These services contribute to the day-to-day operations of the ILA. By way of example and not by limitation, these services may include the following: ambulance service; charter service; boiler testing; bookkeeping service; building alarm systems service and repair; commercial laundry service; communications systems installations servicing and repair; court reporting and transcription services; engraving service; equipment or machine installation; preventive maintenance, inspection, calibration and repair; heating ventilation and air conditioning (HVAC) system maintenance service; janitorial service; painting inside and outside; pest weed control service; grounds maintenance, mowing, parking lot sweeping and snow removal service; towing service; translation services; and travel service.
- "Service contract" means a contract for a service or services where the predominant factor and purpose of the contract as reasonably stated is for the provision or rendering of services. When there is a mixed contract for both goods and services and the predominant factor and purpose of the contract as reasonably stated is for the provision or rendering of services with goods incidentally involved, a service contract exists and these rules apply.

2. Policy Statement and Purpose.

- a. It is the policy of the ILA that the expenditure of lottery funds for service contractors shall, insofar as practicable, be done through an open, competitive process.
- b. This policy is to be used when determining the Employer/Employee Relationships, and working with the PCQ, SS-8 and payment processes.
- c. Contracts with state agencies, political subdivisions of the state of Iowa, federal government agencies, another state government or a political subdivision thereof are exempt from the competitive selection process (see 11 IAC 118.4(8A)).
- d. Contracts under \$1,000.00 (plus allowable expenses) are exempt from the PCQ process.
- e. Contracts with a Corporation, with a signed W9 attached to the claim, are exempt from the PCQ process.

3. Determination of Employer/Employee Relationship, PCQ, SS-8

- a. Prior to signing a contract, DAS-SAE-Daily Processing personnel must make a determination as to whether or not the contractor has an employer/employee relationship with the ILA. Contracts that create an

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employer/employee relationship are not allowed. See section 3(g), if an employer/employee relationship exists.

Prior to signing a contract, the ILA must review the VCUST (Vendor Customer Table) that is a part of the Iowa statewide accounting system (I/3). When DAS-SAE has reviewed and determined that no employer/employee relationship with the state exists, SAE will enter the SAE CONTROL # in the SAE Control # field on the VCUST table.

If an individual (using a social security number or a tax identification number) or a company has the SAE Control # field populated, enter the SAE Control # on the Pre-Contract Questionnaire and complete other department actions on the contract.

- b. If the individual or company does not have an SAE Control #, then PRIOR to signing the contract the ILA MUST prepare and submit the original Pre- Contract Questionnaire (see attached sample form), the completed Internal Revenue Service (IRS) form SS-8, if not contracting with a corporation (see sample form), and the proposed, unsigned contract to DAS-SAE-Daily Processing.
- c. When contracting with a corporation, ILA may send to DAS-SAE the PCQ to obtain the SAE Control #, OR, in place of the PCQ attach an original signed W9 to the claim and send the document to DAS-SAE, attention PCQ coordinator, to add the SAE Control # to the VCUST table and write the SAE Control # on the payment claim, OR, to save time, attach the original signed W9 to the claim, and send a photocopy of the claim and W9 to DAS-SAE-attention PCQ coordinator to add the SAE Control # to the VCUST table. For future payments to this vendor, ILA will need to look at the VCUST table to get the SAE Control # to write on future claims for payment.
- d. If contracting with a group of individuals who will perform essentially the same function for the State and who will have essentially the same working relationship with the State, only one form SS-8 need be prepared. In preparing a "generic" SS-8, a statement must be attached outlining the estimated number of individuals per contract period. If the generic SS-8 must be later modified, then a new generic SS-8 must be processed through DAS-SAE-Daily Processing for approval.
- e. If the contract is between the ILA and an individual, and the service is to be performed in three (3) days or less and sufficient evidence can be presented as part of the Pre-Contract Questionnaire or attachments so that DAS-SAE-Daily Processing can ascertain that no employer/employee relationship exists, no SS-8 need be completed.
- f. In addition to the SS-8, a recap of the Twenty Common Law Factors used by the IRS to determine the presence of an employer/employee relationship is attached for guidance below.
- g. If the ILA has not pre-determined the existence of an employer/employee relationship and the contractor does not have the SAE Control #, then the completed SS-8 if not contracting with a corporation, along with the proposed, unsigned contract, must be attached to the Pre-Contract Questionnaire when it is submitted to DAS-SAE-Daily Processing. In certain instances, the contractor may be required to complete IRS form W-9, Request for Taxpayer Identification Number Certification.

DAS-SAE-Daily Processing will review the proposed, unsigned contract to determine if an employee/employer relationship will exist. If, after review of the Pre-Contract Questionnaire and supporting documents, DAS-SAE-Daily Processing concludes that an employer/employee relationship will exist, the ILA must either select another contractor that will meet the independent contractor test or use the State's third party contract with Temporary Staffing Services to pay the contractor.

- h. After DAS-SAE review, the Pre-Contract Questionnaire and supporting materials will be returned.

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l. Contracted services are not to be performed until all signatures are obtained and distribution of contract copies is made to the parties.

j. The contract should specify a starting and ending date. ILA should not enter into a service contract for a period of longer than six years (including extensions) unless ILA gets a waiver of the duration limitation from the COO or Lottery CEO.

k. Contracts should include a termination clause including a non-appropriation clause. Service contracts may cross biennial and fiscal year lines, and, when they do the contract should specifically include a non-appropriation provision.

l. Create a sufficient number of copies of the contract so that the ILA maintains a copy for its file, a copy can be sent to the DAS-SAE-Daily Processing when the first invoice is remitted for payment, and a copy for the contractor.

m. Procedures noted in Item #3 shall be followed as deadlines allow. Any exceptions to the procedure timelines shall be noted and documented in the purchase file.

4. Contract Payments:

a. The payment voucher (GAX or PRC) or the first payment in a series requires:

- a copy of the original contract signed by both parties
- a copy of the completed signed Pre-Contract Questionnaire (PCQ) with the SAE Control #.
- a copy of the Report of Sole Source Procurement if applicable (DAS-GSE form)
- a copy of the Report of Emergency Procurement if applicable (DAS-GSE form)
- the original invoice or original claimant signature.

b. Subsequent payments shall include the following information on the voucher:

- The document number and date the initial claim of this contract series was processed through I/3. (The initial claim of the series will have the contract attached.)
- Original invoice or claimant signature.

c. Amended contract payment vouchers:

- Attach a copy of the signed amendment.
- Amended PCQ, only if the Employer/Employee relationship changed.
- Make a reference to the document number and paid date of the first payment voucher.
- On any subsequent payments reference the document number and paid date where the amendments are attached.

5. Object Codes:

Proper object codes shall be used. When paying attorneys use: 2462 Legal Fees, 2553 Adult Contract Legal Fees, 2554 Juvenile Contract Legal Fees. For other contractual services use the proper object code found on I/3 on the OBJ table.

6. Expense Reimbursements:

When part of the contract includes specifically reimbursing individuals for expenses, the reimbursement shall not exceed the limits established for board members (see ILA Procedures #210.245 (3) and 210.305). It is the ILA's responsibility to ensure the appropriate rates are written into the contracts.

7. Payment vouchers for contracts with individuals must contain the Taxpayer Identification Number (TIN).

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8. When payment is made on a PRC where a DAS-GSE contract is referenced, the ILA is responsible for the PCQ and the ILA should attach the Pre-Contract Questionnaire referencing the SAE Control #.

9. Contracts in which the dollar amount is unknown, such as when payment is based on a percent of recoveries, certain generic contracts, etc., MUST have the Pre-Contract Questionnaire and the contract signed by the ILA CEO, or designee.

10. Advance Payments:

See ILA procedure 230.550 #2.g. (1)

11. Twenty Common Law Factors

- A. Indicators of control by employer
 - 1. Set hours of work
 - 2. Full-time work requirement
 - 3. Set order or sequence of work
 - 4. Oral or written reports required
- B. Other indicators of employer/employee relationship
 - 5. Personal service required
 - 6. Hiring, supervising, and paying helpers
 - 7. Payment of business or travel expense
 - 8. Work performed on employer's premises
 - 9. Furnishing of tools and materials
- C. Indicators common to independent contractors
 - 10. Significant investment
 - 11. Realization of profit or risk of loss
 - 12. Work performed for more than one firm
 - 13. Services made available to the public
- D. Strong indicator of employer/employee relationship
 - 14. Continuing work relationship
 - 15. Paid by hour, week, month, or piece-work
 - 16. Right to discharge
 - 17. Right to terminate
- E. Indicators of control by employer
 - 18. Training provided
 - 19. Instructions given
 - 20. Integration

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SERVICES PRE-CONTRACT QUESTIONNAIRE

Prepare and submit this form prior to entering into a Services Contract. If the Contractor is listed on the VCUST with the SAE Control Number under Organization, enter the SAE Control Number from VCUST in the space below and submit this form with the first invoice for payment.

1. Department _____
Contact _____ Phone _____ Fax _____
2. Contractor _____
Federal Tax ID or Social Security Number _____
Address _____

3. Contracted Service/Product _____
4. Contract Period From _____ To _____
5. Contract Cost: \$ _____
Source of Funds: State ____% Fed ____% Other ____% Explanation _____
Account Codes: Fund ____ Dept ____ Unit ____ Sub-Unit ____ Object ____
6. ☐ New Contract ☐ Amended Contract ☐ Previous Contract Date _____

.....

For Department Use

(Attach form SS-8 if not contracting with a corporation)

Generic Contract Number _____

Sole Source? ☐ Yes ☐ No

SAE Control Number _____

Employer/Employee Relationship? ☐ Yes ☐ No

If Yes, attach PCQ and signed contract, & forward to DAS-SAE

Signature of Department Director or Designee

For Department of Administrative Services Use

Typed Name

Employer/Employee Relationship? ☐ Yes ☐ No

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Title

DAS-SAE Signature

Date

Date

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| | | |
|--|---|---|
| Form SS-8 (Rev. May 2014) | Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding ▶ Information about Form SS-8 and its separate instructions is at www.irs.gov/irmss8 . | OMB No. 1545-0004 For IRS Use Only: Case Number: Earliest Receipt Date: |
| Department of the Treasury Internal Revenue Service | | |
| Name of firm (or person) for whom the worker performed services | | Worker's name |
| Firm's mailing address (include street address, apt. or suite no., city, state, and ZIP code) | | Worker's mailing address (include street address, apt. or suite no., city, state, and ZIP code) |
| Trade name | Firm's email address | Worker's daytime telephone number |
| | | Worker's email address |
| Firm's tax number | Firm's website | Worker's alternate telephone number |
| | | Worker's fax number |
| Firm's telephone number (include area code) | Firm's employer identification number | Worker's social security number |
| | | Worker's employer identification number (if any) |
| Note. If the worker is paid for these services by a firm other than the one listed on this form, enter the name, address, and employer identification number of the payer. ▶ | | |
| Disclosure of Information | | |
| The information provided on Form SS-8 may be disclosed to the firm, worker, or payer named above to assist the IRS in the determination process. For example, if you are a worker, we may disclose the information you provide on Form SS-8 to the firm or payer named above. The information can only be disclosed to assist with the determination process. If you provide incomplete information, we may not be able to process your request. See <i>Privacy Act and Paperwork Reduction Act Notice</i> in the separate instructions for more information. If you do not want this information disclosed to other parties, do not file Form SS-8. | | |
| Parts I–V. All filers of Form SS-8 must complete all questions in Parts I–IV. Part V must be completed if the worker provides a service directly to customers or is a salesperson. If you cannot answer a question, enter "Unknown" or "Does not apply." If you need more space for a question, attach another sheet with the part and question number clearly identified. Write your firm's name (or worker's name) and employer identification number (or social security number) at the top of each additional sheet attached to this form. | | |
| Part I General Information | | |
| 1 | This form is being completed by: <input type="checkbox"/> Firm <input type="checkbox"/> Worker; for services performed _____ to _____. (beginning date) (ending date) | |
| 2 | Explain your reason(s) for filing this form (for example, you received a bill from the IRS, you believe you erroneously received a Form 1099 or Form W-2, you are unable to get workers' compensation benefits, or you were audited or are being audited by the IRS). _____ _____ | |
| 3 | Total number of workers who performed or are performing the same or similar services: _____ | |
| 4 | How did the worker obtain the job? <input type="checkbox"/> Application <input type="checkbox"/> Bid <input type="checkbox"/> Employment Agency <input type="checkbox"/> Other (specify) _____ | |
| 5 | Attach copies of all supporting documentation (for example, contracts, invoices, memos, Forms W-2 or Forms 1099-MISC issued or received, IRS closing agreements or IRS rulings). In addition, please inform us of any current or past litigation concerning the worker's status. If no income reporting forms (Form 1099-MISC or W-2) were furnished to the worker, enter the amount of income earned for the year(s) at issue \$ _____. If both Form W-2 and Form 1099-MISC were issued or received, explain why: _____ | |
| 6 | Describe the firm's business. _____ _____ | |

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Part I General Information (continued)

- 7 If the worker received pay from more than one entity because of an event such as the sale, merger, acquisition, or reorganization of the firm for whom the services are performed, provide the following: Name of the firm's previous owner: _____
 Previous owner's taxpayer identification number: _____ Change was a: ☐ Sale ☐ Merger ☐ Acquisition ☐ Reorganization
☐ Other (specify) _____
 Description of above change: _____
 Date of change (MM/DD/YY): _____
- 8 Describe the work done by the worker and provide the worker's job title. _____
- 9 Explain why you believe the worker is an employee or an independent contractor. _____
- 10 Did the worker perform services for the firm in any capacity before providing the services that are the subject of this determination request?
☐ Yes ☐ No ☐ N/A
 If "Yes," what were the dates of the prior service? _____
 If "Yes," explain the differences, if any, between the current and prior service. _____
- 11 If the work is done under a written agreement between the firm and the worker, attach a copy (preferably signed by both parties). Describe the terms and conditions of the work arrangement. _____

Part II Behavioral Control (Provide names and titles of specific individuals, if applicable.)

- 1 What specific training and/or instruction is the worker given by the firm? _____
- 2 How does the worker receive work assignments? _____
- 3 Who determines the methods by which the assignments are performed? _____
- 4 Who is the worker required to contact if problems or complaints arise and who is responsible for their resolution? _____
- 5 What types of reports are required from the worker? Attach examples. _____
- 6 Describe the worker's daily routine such as his or her schedule or hours. _____
- 7 At what location(s) does the worker perform services (for example, firm's premises, own shop or office, home, customer's location)? Indicate the appropriate percentage of time the worker spends in each location, if more than one. _____
- 8 Describe any meetings the worker is required to attend and any penalties for not attending (for example, sales meetings, monthly meetings, staff meetings). _____
- 9 Is the worker required to provide the services personally? ☐ Yes ☐ No
- 10 If substitutes or helpers are needed, who hires them? _____
- 11 If the worker hires the substitutes or helpers, is approval required? ☐ Yes ☐ No
 If "Yes," by whom? _____
- 12 Who pays the substitutes or helpers? _____
- 13 Is the worker reimbursed if the worker pays the substitutes or helpers? ☐ Yes ☐ No
 If "Yes," by whom? _____

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Part III Financial Control (Provide names and titles of specific individuals, if applicable.)

- 1 List the supplies, equipment, materials, and property provided by each party:
The firm: _____
The worker: _____
Other party: _____
- 2 Does the worker lease equipment, space, or a facility? ☐ Yes ☐ No
If "Yes," what are the terms of the lease? (Attach a copy or explanatory statement.) _____
- 3 What expenses are incurred by the worker in the performance of services for the firm? _____
- 4 Specify which, if any, expenses are reimbursed by:
The firm: _____
Other party: _____
- 5 Type of pay the worker receives: ☐ Salary ☐ Commission ☐ Hourly Wage ☐ Piece Work
☐ Lump Sum ☐ Other (specify) _____
If type of pay is commission, and the firm guarantees a minimum amount of pay, specify amount. \$ _____
- 6 Is the worker allowed a drawing account for advances? ☐ Yes ☐ No
If "Yes," how often? _____
Specify any restrictions. _____
- 7 Whom does the customer pay? ☐ Firm ☐ Worker
If worker, does the worker pay the total amount to the firm? ☐ Yes ☐ No If "No," explain. _____
- 8 Does the firm carry workers' compensation insurance on the worker? ☐ Yes ☐ No
- 9 What economic loss or financial risk, if any, can the worker incur beyond the normal loss of salary (for example, loss or damage of equipment, material)? _____
- 10 Does the worker establish the level of payment for the services provided or the products sold? ☐ Yes ☐ No
If "No," who does? _____

Part IV Relationship of the Worker and Firm

- 1 Please check the benefits available to the worker: ☐ Paid vacations ☐ Sick pay ☐ Paid holidays
☐ Personal days ☐ Pensions ☐ Insurance benefits ☐ Bonuses
☐ Other (specify) _____
- 2 Can the relationship be terminated by either party without incurring liability or penalty? ☐ Yes ☐ No
If "No," explain your answer. _____
- 3 Did the worker perform similar services for others during the time period entered in Part I, line 1? ☐ Yes ☐ No
If "Yes," is the worker required to get approval from the firm? ☐ Yes ☐ No
- 4 Describe any agreements prohibiting competition between the worker and the firm while the worker is performing services or during any later period. Attach any available documentation. _____
- 5 Is the worker a member of a union? ☐ Yes ☐ No
- 6 What type of advertising, if any, does the worker do (for example, a business listing in a directory or business cards)? Provide copies, if applicable. _____
- 7 If the worker assembles or processes a product at home, who provides the materials and instructions or pattern? _____
- 8 What does the worker do with the finished product (for example, return it to the firm, provide it to another party, or sell it)? _____
- 9 How does the firm represent the worker to its customers (for example, employee, partner, representative, or contractor), and under whose business name does the worker perform these services? _____
- 10 If the worker no longer performs services for the firm, how did the relationship end (for example, worker quit or was fired, job completed, contract ended, firm or worker went out of business)? _____

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Part V For Service Providers or Salespersons. Complete this part if the worker provided a service directly to customers or is a salesperson.

- 1 What are the worker's responsibilities in soliciting new customers? _____
- 2 Who provides the worker with leads to prospective customers? _____
- 3 Describe any reporting requirements pertaining to the leads. _____
- 4 What terms and conditions of sale, if any, are required by the firm? _____
- 5 Are orders submitted to and subject to approval by the firm? ☐ Yes ☐ No
- 6 Who determines the worker's territory? _____
- 7 Did the worker pay for the privilege of serving customers on the route or in the territory? ☐ Yes ☐ No
- 8 If "Yes," whom did the worker pay? _____
- 9 If "Yes," how much did the worker pay? \$ _____
- 10 Where does the worker sell the product (for example, in a home, retail establishment)? _____
- 11 List the product and/or services distributed by the worker (for example, meat, vegetables, fruit, bakery products, beverages, or laundry or dry cleaning services). If more than one type of product and/or service is distributed, specify the principal one. _____
- 12 Does the worker sell life insurance full time? ☐ Yes ☐ No
- 13 Does the worker sell other types of insurance for the firm? ☐ Yes ☐ No
- 14 If "Yes," enter the percentage of the worker's total working time spent in selling other types of insurance %
- 15 If the worker solicits orders from wholesalers, retailers, contractors, or operators of hotels, restaurants, or other similar establishments, enter the percentage of the worker's time spent in the solicitation %
- 16 Is the merchandise purchased by the customers for resale or use in their business operations? ☐ Yes ☐ No
- 17 Describe the merchandise and state whether it is equipment installed on the customers' premises. _____

Sign Here

Under penalty of perjury, I declare that I have examined this request, including accompanying documents, and to the best of my knowledge and belief, the facts presented are true, correct, and complete.

_____ Title ► _____ Date ► _____

Type or print name below signature.

Form SS-8 (Rev. 5-2014)

References

Guidelines for purchasing procedures are located in the 99G(21) and 531 Iowa Administrative Code, Chapter 2 Purchasing.

This policy supersedes all other policies previously issued regarding purchasing.

LOTTERY AUTHORITY, IOWA[531]

Notice of Intended Action

Twenty-five interested persons, a governmental subdivision, an agency or association of 25 or more persons may demand an oral presentation hereon as provided in Iowa Code section 17A.4(1)“b.”

Notice is also given to the public that the Administrative Rules Review Committee may, on its own motion or on written request by any individual or group, review this proposed action under section 17A.8(6) at a regular or special meeting where the public or interested persons may be heard.

Pursuant to the authority granted in Iowa Code section 99G.9(3), the Board of Directors of the Iowa Lottery Authority hereby gives Notice of Intended Action to amend Chapter 2 (Purchasing) and Chapter 5 (Contested Cases) in Lottery’s section of the Iowa Administrative Code to update the Lottery’s processes on the receipt and review of administrative appeals. These modifications provide structure for vendor appeals and remove the concept of the Lottery “hearing board” appointed by various Lottery officials from licensing appeals. Rather, for both types of appeals, the Lottery’s chief executive officer will appoint a presiding officer that considers the matter and issues a proposed ruling. The Lottery could choose to appoint an administrative law judge from the Department of Inspections and Appeals to serve as the presiding officer relating to a Lottery appeal. All appeals from proposed decisions are submitted to the Lottery’s chief executive officer, who issues the final decision on behalf of the agency.

Interested persons may submit comments on these proposed rule changes orally or in writing by 4:30 p.m. on August 20, 2019, to Rob Porter, Vice President/General Counsel, Iowa Lottery Authority, through the following methods:

- Via mail to 13001 University Avenue, Clive, Iowa 50325-8225;
- Via e-mail to rkporter@ialottery.com; or
- Via telephone to (515)725-7851.

The Lottery identified these proposed changes through a routine review of its rules. After analysis and review of this rule making, the Board finds that there is no adverse fiscal impact or impact on jobs from the adoption of these amendments. The Board does not intend to grant waivers under the

provisions of these rules.

These amendments are intended to implement Iowa Code chapter 99G.

The following amendments are proposed.

ITEM 1. Rescind and replace **531—2.17** with the following content:

2.17(1) Filing Vendor Appeal. Any vendor whose bid or proposal has been timely filed and who is aggrieved by the award of the lottery may file a written notice of appeal of the procurement decision with the Iowa Lottery, 13001 University Avenue, Clive, Iowa 50325-8225, within five (5) business days of the date of the award. The notice of appeal must actually be received at this address within the time frame specified to be considered timely. The notice of appeal shall state the grounds upon which the vendor challenges the lottery's award.

2.17(2) Presiding Officer. Upon receipt of a notice of a vendor appeal, the chief executive officer shall appoint a presiding officer to hear and render a ruling on the vendor appeal. At the election of the chief executive officer, the appeal may be heard by an administrative law judge with the department of inspections and appeals.

2.17(3) Hearing. Where feasible, vendor appeals shall be conducted in accordance with 531 Iowa Administrative Code Chapter 5. In the case of conflict, the rules and procedures set forth in this Chapter 2 control for vendor appeals submitted to the Lottery. The presiding officer shall send a written notice of the date, time and location of the appeal hearing to the aggrieved vendor or vendors. The presiding officer shall hold a hearing on the vendor appeal within sixty (60) days of the date the notice of appeal was received by the lottery.

2.17(4) Discovery. The parties shall serve any discovery requests upon the other parties at least thirty (30) days prior to the date set for hearing. The parties must serve responses to discovery at least twenty (20) days prior to the date set for the hearing.

2.17(5) Witnesses and exhibits. The parties shall contact each other regarding witnesses and exhibits at least ten (10) days prior to the time set for the hearing. The parties must meet prior to the hearing

regarding the evidence to be presented in order to avoid duplication or the submission of extraneous materials.

2.17(6) Contents of decision. The administrative law judge shall issue and serve upon all parties a written proposed decision that includes findings of fact and conclusions of law stated separately. The decision shall be based on the record of the appeal and shall conform with the requirements of Iowa Code chapters 17A and 99G.

2.17(7) Status of ruling. If the chief executive officer presides over the entry of evidence in the vendor appeal, the decision is the final decision of the Lottery 17A.15(1) and may be further appealed in accordance with Iowa Code 17A.19. The ruling of any other presiding officer constitutes a proposed ruling which may be appealed to the Lottery's chief executive officer. The written decision of the chief executive officer on a vendor appeal constitutes a final decision of the lottery which may be further appealed in accordance with Iowa Code 17A.19.

2.17(10) Stay of agency action for vendor appeal.

a. When available.

(1) Any party appealing the issuance of a notice of intent to award a contract may petition the presiding officer for a stay of the award pending its review. The petition for stay shall be filed with the notice of appeal and shall state the reasons justifying a stay. Any decision issued by a presiding officer regarding a stay may be appealed to the chief executive officer.

(2) Any party adversely affected by a final decision and order may petition the chief executive officer for a stay of the agency decision and order pending judicial review. The petition for stay shall be filed with the chief executive officer within ten days of receipt of the final decision and order and shall state the reasons justifying a stay.

3) The presiding officer or chief executive officer may grant a stay upon a conclusion that the movant has satisfied the standards for the grant of a stay included in 531-5.29 and Iowa Code 17A.19(5).

ITEM 2. Amend **531—5.2** as follows:

531—5.2(17A) Definitions. Except where otherwise specifically defined by law:

“*Contested case*” means a proceeding defined by Iowa Code subsection 17A.2(5) and includes any matter defined as a no factual dispute contested case under Iowa Code section 17A.10A.

~~“*Hearing board*” means the board designated to resolve license disputes pursuant to Iowa Code Supplement section 99G.27(3) and these rules.~~

“*Issuance*” means the date of mailing or otherwise electronically providing a copy of a decision or order or date of delivery if service is by other means unless another date is specified in the order.

“*Party*” means each person or agency named or admitted as a party or properly seeking and entitled as of right to be admitted as a party.

“*Presiding officer*” means the administrative law judge , the Lottery chief executive officer, or other party appointed by the Lottery chief executive officer.

“*Proposed decision*” means the presiding officer’s recommended findings of fact, conclusions of law, decision, and order in a contested case in which the ~~hearing board~~ Lottery chief executive officer did not preside.

ITEM 3. Rescind and reserve **531—5.3**.

ITEM 4. Amend **531—5.6** as follows.

531—5.6(17A) Notice of hearing.

5.6(1) Delivery. Delivery of the notice of hearing constitutes the commencement of the contested case proceeding. Delivery may be executed by:

a. Personal or electronic service as ~~provided~~ permitted in the Iowa Rules of Civil Procedure; or

- b. Certified mail, return receipt requested; or
- c. First-class mail; or
- d. Publication, as provided in the Iowa Rules of Civil Procedure.

5.6(2) Contents. The notice of hearing shall contain the following information:

- a. A statement of the time, place, and nature of the hearing;
- b. A statement of the legal authority and jurisdiction under which the hearing is to be held;
- c. A reference to the particular sections of the statutes and rules involved;
- d. A short and plain statement of the matters asserted. If the lottery or other party is unable to state the matters in detail at the time the notice is served, the initial notice may be limited to a statement of the issues involved. Thereafter, upon application, a more definite and detailed statement shall be furnished;

e. Identification of all parties including the name, address and telephone number of the person who will act as advocate for the lottery or the state and of parties' counsel where known;

f. Reference to the procedural rules governing conduct of the contested case proceeding;

~~g. Reference to the procedural rules governing informal settlement;~~

~~h. Identification of the presiding officer, if known. If not known, a description of who will serve as presiding officer (e.g., the hearing board, the chief executive officer of the lottery, members of the lottery authority board, administrative law judge from the department of inspections and appeals); and~~

~~i. Notification of the time period in which a party may request, pursuant to Iowa Code section 17A.11(1) and rule 531—5.6(17A), that the presiding officer be an administrative law judge.~~

ITEM 5. Rescind **531—5.7(2)(h)**.

ITEM 6. Amend **531—5.7(5)** as follows.

5.7(5) Unless otherwise provided by law, the chief executive officer or a designee, ~~and members~~

~~of the lottery authority board,~~ when reviewing a proposed decision upon appeal to the lottery, shall have the powers of and shall comply with the provisions of this chapter which apply to presiding officers.

ITEM 7. Amend **531—5.12(2)** as follows.

5.12(2) Service—how made. Service upon a party represented by an attorney shall be made upon the attorney unless otherwise ordered. Service is made by delivery or by mailing a copy to the person's last-known address or by electronic service as permitted by the presiding officer and the Iowa Rules of Civil Procedure. Service by paper or electronic mail is complete upon mailing, except where otherwise specifically provided by statute, rule or order.

ITEM 8. Amend **531—5.12(3)** as follows.

5.12(3) Filing—when required. After the notice of hearing, all pleadings, motions, documents or other papers in a contested case proceeding shall be filed with the ~~Office of the Chief Executive Officer, Iowa Lottery Authority, 13001 University Avenue, Clive, Iowa 50325-8225~~ presiding officer. All pleadings, motions, documents or other papers that are required to be served upon a party shall be filed simultaneously ~~in the office of the chief executive officer and~~ with the presiding officer.

ITEM 9. Amend **531—5.12(4)** as follows.

5.12(4) Filing—when made. Except where otherwise provided by law, a document is deemed filed at the time it is delivered to the chief executive officer's office presiding officer, delivered to an established courier service for immediate delivery to that office, delivered via electronic mail or fax, or mailed by first-class mail or state interoffice mail to that office, so long as there is proof of mailing.

ITEM 10. Amend **531—5.25** as follows.

531—5.25(17A) Interlocutory appeals. Upon written request of a party or ~~sua sponte on its own motion~~, the ~~hearing board~~ chief executive officer may review an interlocutory order of the presiding officer. In determining whether to do so, the ~~hearing board~~ chief executive officer shall weigh the extent to which its granting the interlocutory appeal would expedite final resolution of the case and the extent to which review of that interlocutory order by the agency at the time it reviews the proposed decision of the presiding officer would provide an adequate remedy. Any request for interlocutory review must be filed within 14 days of issuance of the challenged order, but no later than the time for compliance with the order or the date of hearing, whichever is first.

ITEM 11. Amend **531—5.26** as follows.

531—5.26(17A) Final decision.

5.26(1) When the ~~hearing board~~ lottery chief executive officer presides over the reception of evidence at the hearing, its decision is a final decision.

5.26(2) When the ~~hearing board~~ lottery chief executive officer does not preside at the reception of evidence, the presiding officer shall make a proposed decision. The proposed decision becomes the final decision of the agency without further proceedings unless there is an appeal to, or review on motion of, the lottery chief executive officer ~~hearing board~~ within the time provided in rule 531—5.27(17A).

ITEM 12. Amend **531—5.27** as follows.

531—5.27(17A) Appeals and review.

5.27(1) Appeal by party. Any adversely affected party may appeal a proposed decision to the lottery chief executive officer ~~hearing board~~ within 30 days after issuance of the proposed decision.

5.27(2) Review. The ~~hearing board~~ lottery chief executive officer may initiate review of a proposed decision on the CEO's ~~its own~~ motion at any time within 30 days following the issuance of

such a decision.

5.27(3) *Notice of appeal.* An appeal of a proposed decision is initiated by filing a timely notice of appeal with the Iowa lottery. The notice of appeal must be signed by the appealing party or a representative of that party and contain a certificate of service. The notice shall specify:

- a.* The parties initiating the appeal;
- b.* The proposed decision or order appealed from;
- c.* The specific findings or conclusions to which exception is taken and any other exceptions to the decision or order;
- d.* The relief sought;
- e.* The grounds for relief.

5.27(4) *Requests to present additional evidence.* A party may request the taking of additional evidence only by establishing that the evidence is material, that good cause existed for the failure to present the evidence at the hearing, and that the party has not waived the right to present the evidence. A written request to present additional evidence must be filed with the notice of appeal or, by a non-appealing party, within 14 days of service of the notice of appeal. The hearing board may remand a case to the presiding officer for further hearing or may itself preside at the taking of additional evidence.

5.27(5) *Scheduling.* The ~~presiding officer~~ lottery chief executive officer shall issue a schedule for consideration of the appeal.

5.27(6) *Briefs and arguments.* Unless otherwise ordered, within 20 days of the notice of appeal or order for review, each appealing party may file exceptions and briefs. Within 20 days thereafter any party may file a responsive brief. Briefs shall cite any applicable legal authority and specify relevant portions of the record in that proceeding. Written requests to present oral argument shall be filed with the briefs.

The ~~hearing board~~ chief executive officer may resolve the appeal on the briefs or provide an

opportunity for oral argument. The ~~hearing board~~ chief executive officer may shorten or extend the briefing period as appropriate.

ITEM 13. Amend **531—5.29** as follows.

531—5.29(17A) Stays of agency actions.

5.29(1) *When available.*

a. Any party to a contested case proceeding may petition the lottery for a stay of an order issued in that proceeding or for other temporary remedies, pending review by the agency. The petition shall be filed with the notice of appeal and shall state the reasons justifying a stay or other temporary remedy. The ~~hearing board~~ Lottery chief executive officer may rule on the stay or authorize the presiding officer to do so.

b. Any party to a contested case proceeding may petition the lottery for a stay or other temporary remedies pending judicial review of all or part of that proceeding. The petition shall state the reasons justifying a stay or other temporary remedy.

5.29(2) *When granted.* In determining whether to grant a stay, the Lottery chief executive officer or presiding officer or ~~hearing board~~ shall consider the factors listed in Iowa Code section 17A.19(5).

5.29(3) *Vacation.* A stay may be vacated by the issuing authority upon application of the lottery or any other party.

FY20 Pay Plans - Lottery Key Employee

| Pay Grade | | CURRENT | | 2.1 % ATB | |
|--------------|----------|---------------|---------------|---------------|---------------|
| | | Minimum | Maximum | Minimum | Maximum |
| 0 | Hourly | \$ 28.95 | \$ 44.75 | \$ 29.56 | \$ 45.69 |
| | Biweekly | \$ 2,316.00 | \$ 3,580.00 | \$ 2,364.80 | \$ 3,655.20 |
| | Annually | \$ 60,216.00 | \$ 93,080.00 | \$ 61,484.00 | \$ 95,035.20 |
| 1 | Hourly | \$ 32.22 | \$ 49.55 | \$ 32.90 | \$ 50.59 |
| | Biweekly | \$ 2,577.60 | \$ 3,964.00 | \$ 2,632.00 | \$ 4,047.20 |
| | Annually | \$ 67,017.60 | \$ 103,064.00 | \$ 68,432.00 | \$ 105,227.20 |
| 2 | Hourly | \$ 41.44 | \$ 64.99 | \$ 42.31 | \$ 66.35 |
| | Biweekly | \$ 3,315.20 | \$ 5,199.20 | \$ 3,384.80 | \$ 5,308.00 |
| | Annually | \$ 86,195.20 | \$ 135,179.20 | \$ 88,004.80 | \$ 138,008.00 |
| 3 | Hourly | \$ 45.77 | \$ 71.77 | \$ 46.73 | \$ 73.28 |
| | Biweekly | \$ 3,661.60 | \$ 5,741.60 | \$ 3,738.40 | \$ 5,862.40 |
| | Annually | \$ 95,201.60 | \$ 149,281.60 | \$ 97,198.40 | \$ 152,422.40 |
| 4 | Hourly | \$ 50.61 | \$ 79.36 | \$ 51.67 | \$ 81.03 |
| | Biweekly | \$ 4,048.80 | \$ 6,348.80 | \$ 4,133.60 | \$ 6,482.40 |
| | Annually | \$ 105,268.80 | \$ 165,068.80 | \$ 107,473.60 | \$ 168,542.40 |
| 5 | Hourly | \$ 90.97 | \$ 148.47 | \$ 92.88 | \$ 151.59 |
| | Biweekly | \$ 7,277.60 | \$ 11,877.60 | \$ 7,430.40 | \$ 12,127.20 |
| | Annually | \$ 189,217.60 | \$ 308,817.60 | \$ 193,190.40 | \$ 315,307.20 |