



## **DRAFT MEETING TRANSCRIPTION**

### **Audit Committee**

### **Special Meeting**

October 6, 2020 at 10:30 a.m.

via teleconference

Committee Members: Michael Thompson, Chair of the Audit Committee; Wilfred Blanchette, Jr.; John Flores; and Patti Maroney (all via teleconference).

Staff Members Present: Greg Smith, President & CEO; Matthew Stone; and Annmarie Daigle.

#### I. Welcome:

(M. Thompson): Welcome everyone. I'd like to call to order our Special Meeting of the Audit Committee on Tuesday, October 6, 2020 at 10:31 a.m. Before we begin I'll turn it over to General Counsel, Matt Stone, to go over our meeting procedures.

(M. Stone): Thank you. This is Matt Stone, General Counsel for the Lottery. Just a reminder that we are operating under Governor Lamont's Executive Order regarding public access to meetings. There is no in-person attendance at these meetings so the public is listening in on their own phone line, and that phone line will be taken out of the room for Executive Session. That line will be kept open and active and then brought back into the room after Executive Session. A reminder for speakers to identify themselves by name each time they speak, this is particularly important for Board members when making motions, seconding motions, voting no or abstaining from a vote, so that we have the record clearly reflect who took what actions. And finally, the audio of this meeting is being recorded, and we will post the recording transcript on our website after the meeting, which will serve as the meeting minutes. That is all I have, and thank you, Mr. Chairman.

(M. Thompson): Thank you Mr. Stone, we appreciate that.

#### II. Approval of July 21, 2020 Audit Committee Special Meeting Minutes:

(M. Thompson): The first item on the agenda is the approval of the July 21, 2020 Audit Committee Special Meeting Minutes, do I have a motion?

(J. Flores): John Flores, so moved.

(W. Blanchette): Blanchette, second.

(M. Thompson): Thank you very much John and Will. Is there any discussion on the minutes? Hearing none, all in favor?

(All): Aye.

(M. Thompson): Any opposed? Any abstentions? Minutes are passed, thanks everyone.

### III. State Compliance Audit Update:

(M. Thompson): Our next item is the State Compliance Audit Update. Mr. Smith, that is yours?

(G. Smith): Yes, I am going to take you through the next three items. First the state compliance audit. The field work is complete and we undergo these audits to cover two-year periods and this is for fiscal 2018 and fiscal 2019. The draft report is not complete and has not been provided to the lottery yet. Pretty much as usual we were asked a few questions about the existing legal matters and any Board appointments or departures. Those have been common themes in each audit.

(M. Thompson): Thank you Greg. Are there any questions on that? Is there any anticipated completion date for the draft report?

(G. Smith): Not that I could speak to now. This October through November time period seems normal so we were optimistic to provide an update at this meeting but certainly expect it to be ready for the December Board meeting in that we have no other clues otherwise.

(M. Thompson): Thank you very much Greg.

### IV. Discussion of IT Network Test and Vulnerability Scan:

(M. Thompson): The next agenda item is the Discussion of IT Network Test and Vulnerability Scan.

(G. Smith): As a reminder for the Committee, we put out an RFP at the end of last year, late 2019, to hire an outside firm with skills in doing a scan of our network and some vulnerability testing. We selected a company and have them currently undergoing the process to get DCP occupational licensing; certainly an important factor in that they will be provided permissions to test our system and we want to be sure that the licensing meets DCP requirements. A little background on this related to the work; we have multiple layers of system security and want to improve some of them and certainly at least one of them. DCP is aware of this and has recommended the improvements also. Prior to going into this system scan and vulnerability test, we chose to replace a number of our servers beforehand so that we are up-to-date with more modern equipment in place and that the improvement of these layers of security is an outcome that we are expecting from the work of this vendor. They will give us some recommendations and provide us with some standards to achieve for our system and any kind of vulnerability they may come across.

(M. Thompson): And how long will the licensing process go?

(G. Smith): It's been a couple of months already that they're in a back and forth on either requests for additional information or actually getting the licensing, the licensing has not been awarded yet or established yet, we are hopeful that that will be done soon but it is in DCP's hands right now. We are teed up and ready, so assuming they are licensed we are ready to get right into the work so that we can get this completed and start making any improvements that may come out of their recommendations.

(M. Thompson): Anyone have any questions for Greg on this?

(J. Flores): Yes, this is John Flores. Greg, just a quick question, does DCP have the responsibility for background checks as part of the licensing process for all of these people? I always think of worst case scenarios – have these employees had their backgrounds checked because we are giving them carte blanche in a sense, of going through our systems, do we have a comfort level that they are clean? Assuming yes but, being a lawyer I feel like I have to ask the question.

(G. Smith): Yes, the requirements for licensing and the volume and the stature of companies who responded are high level. Yes, there is a background check done by the occupational licensing by DCP and without saying a certain amount of time is appropriate or without speculating on the length of time, because of the work that a vendor like this does we absolutely want that satisfaction to exist before they start going in and looking. They are not doing the system scan of the gaming system, they are doing a scan of the lottery systems. There is a separate requirement, not part of this RFP, that our gaming system has security features addressed on an annual basis. That is not what is being done by this vendor, just to make sure that everyone understands that.

(J. Flores): Thank you.

(M. Thompson): Thanks John. Any further questions? Thank you Greg. We look forward to hearing how that licensing process goes. Hopefully we can get that rolling.

V. RFP Update:

(M. Thompson): Our next item is an RFP Update.

(G. Smith): This RFP that we are speaking of now, and will be ongoing, is for a replacement to our gaming system. Our gaming system contract comes to an end in April 2023, so certainly we are more than a couple years in advance of that but that kind of time is needed. We just completed the writing of the Gaming System RFP and actually posted it on our procurement site yesterday. The RFP has a lot of content in it and a couple of the key milestones are that the proposals from any responding companies of interest are due late December of this year and then our recommendation for a successful vendor is expected by the middle of April and that would leave us with a few months of contract negotiations anticipated to be completed by next summer, summer of 2021. The gaming system contract is one of the contracts that the Board must approve. So we're giving the Committee a heads up on that timeline. We will certainly keep the Board up to speed as we move along but there will not be a whole lot to report while we are in this review and evaluation period so that we are not disclosing features or factors during Committee or Board meetings.

A couple of key points about the RFP itself, we were much more clear on expectations whether it's about system operation, about collaborating with the lottery, performance levels – just much more precise as we have been in prior years and we used the time to look at other states' gaming system RFPs from very recent years so we could pick up some of the better features and factors that we saw and roll them into ours. We have stronger communications and partnering requirements with the CLC, there will be some new system options that will be brought forward for us to consider, some of those were requirements

and some of those were options for the proposals. We put in much greater clarity on services, responsibilities and expectations so we should get good responsiveness. I think whoever we select and whatever system comes out of this we'll have a better handle and a tighter control on the operation performance, which is very important to us whether it's on a daily basis or certainly on a weekly basis.

(M. Thompson): Thanks Greg. Does anyone have any comments or questions on this point?

(W. Blanchette): Yes, this is Will Blanchette. Is that up on the website so that anyone can pull it up and read it?

(G. Smith): Yes. On the Connecticut Lottery website up at the top sub menu, About Us, when you click on that one of the menu items is for Procurement. So that RFP document is there along with some other information about procurement. I believe we are also on the state procurement website as well, and we make it a point to do outreach to the primary vendors in the industry so that they are aware.

(W. Blanchette): Thank you.

(M. Thompson): Anyone else? Thanks for the update Greg. Good luck with that process.

Next on our agenda is Executive Session to discuss pending claims and litigation and to discuss a draft plan to address a contractual matter. Before we make a motion, Greg, who will be joining us during Executive Session?

(G. Smith): That will be myself and our General Counsel, Matt Stone.

(M. Thompson): Ok. Do we have a motion?

(W. Blanchette): Blanchette, moved.

(J. Flores): John Flores, second.

(M. Thompson): All in favor?

(All): Aye.

(M. Thompson): Any opposed? Great, into Executive Session at 10:45 a.m.

#### VI. Executive Session:

- a. Pending Claims and Litigation: Marcum and Vendor Contract
- b. Discussion of draft plan to address contractual matter

[Executive Session]

#### VII. Discussion and action, if any, on items discussed during Executive Session:

(M. Thompson): This is Michael Thompson and we are out of Executive Session at 11.30 a.m. and I would note for the record that no votes or other actions were taken during Executive Session.

VIII. Adjournment:

(M. Thompson): If there is nothing else, I'll ask for a motion to adjourn?

(W. Blanchette): Blanchette, so moved.

(J. Flores): Second, John Flores.

(M. Thompson): Thank you. Any discussion? Hearing none, all in favor to adjourn say 'aye'.

(All): Aye.

(M. Thompson): Any opposed? Ok, we adjourn at 11:31 a.m. Thank you everyone.

Respectfully submitted,

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Matthew Stone  
Corporate Secretary  
Connecticut Lottery Corporation