



CT Lottery

MEETING TRANSCRIPTION

Audit Committee

Regular Meeting

April 27, 2021 at 9:00 a.m.

via teleconference

Committee Members: Andrew Meehan, Chair of the Audit Committee; Wilfred Blanchette, Jr.; and John Flores (all via teleconference).

Staff Members: Greg Smith, President & CEO; Matthew Stone; and Bryan Figueroa.

I. Welcome:

(A. Meehan): Good morning and welcome. This is a regular meeting of the Audit Committee of the Connecticut Lottery Corporation on Tuesday, April 27, 2021. My name is Andrew Meehan, Audit Committee Chair and I'm calling the meeting to order at 9:00 a.m. Before we get started I'd like to ask General Counsel, Matt Stone, to go through the meeting protocol under which we are operating per the Governor's Executive Order.

(M. Stone): Thank you Mr. Chairman. This is Matt Stone, General Counsel for the Lottery. Just a reminder that we do continue to operate under Governor Lamont's Executive Order regarding public access to meetings. The primary thing that I want to remind members of is the need to identify yourself before speaking each time. I know this can be awkward in a conversation but it is a requirement of the Executive Order, so please do your best. That is all, back to you Mr. Chair.

II. Approval of January 26, 2021 Audit Committee Meeting Minutes:

(A. Meehan): Thank you Matt. This is Andrew Meehan again and we are going to start with the approval of a couple of different meeting minutes. First we have the January 26, 2021 Audit Committee Meeting Minutes, may I have a motion to approve?

(W. Blanchette): Blanchette, so moved.

(J. Flores): Second, John Flores.

(A. Meehan): Thank you. Any discussion on these? All those in favor?

(All, except for Mr. Meehan): Aye.

(A. Meehan): Any opposed? I will abstain as I was not in attendance at the meeting. The motion carries with one abstention.

III. Approval of February 11, 2021 Audit Committee Meeting Minutes:

(A. Meehan): Now for the approval of the February 11, 2021 meeting minutes, may I get a motion to approve those as well?

(W. Blanchette): Blanchette, so moved.

(J. Flores): Flores, second.

(A. Meehan): Thank you. All those in favor?

(All, except for Mr. Meehan): Aye.

(A. Meehan): Any opposed? And one abstention with me abstaining again, the motion carries.

IV. Quarterly Update on Liquidated Damages:

(A. Meehan): On to our next topic, we have our Quarterly Update on Liquidated Damages. Greg will be providing an update on that, so I'll turn it over to you.

(G. Smith): Thank you, this is Greg Smith from CLC. Each quarter we report to the Audit Committee what our experience has been in terms of liquidated damages, or service level penalties for our gaming system vendor. We started that a few years ago knowing that with generally routine balances or not significant system issues we would do this reporting on a quarterly basis. But would there be any significant system issues or concerns of the operation, we would bring those forward faster than quarterly. The dollar amount of service level work charges back to the vendor in the October through December time period were just over \$100,000 and while that dollar amount is to a level of concern, it was all driven by field service work and not actually needing the stipulated speed of addressing issues -- whether one of the retailers terminals is not operating at all, or whether it is in a degraded state and also the speed at which the tech arrives at the location are all factors there. The primary basis for these charges has been that the staffing level at the vendor has been lower than normal and causing them to not be able to get to the different retailers as quickly as they should be and as they have been able to when they are fully staffed. We have been in discussions with them throughout this time and wanted to make sure that they recognize that while we still recognize there are some issues that could be related to pandemic and getting around to retailers, they are less applicable from the standpoint of either getting there in time or having sufficient staff. Anything other than that would be about could you get into the business because they were either closed or there were too many people in there for their comfort zone -- these are really all about responding to the call. We've talked to SG about this and I can say that for the quarter of January through March that the charges will be in excess of \$30,000 for the same reasons but we have not finished calculating all of those yet, so we are not in a final state but I wanted to let you know I believe it will be lower than the \$100,000 from the prior quarter but I have not gotten the totals on that yet. Our new Senior

Director of Operations is working closely with SG and her staff to get that tightened up so we can have better answers as we move forward into the upcoming quarters. That is the extent of the reporting, I am happy to answer any questions that you may have related to that. I think that I can confidently say that once the staffing is up and trained well that we should be back to normal, insignificant quantities on a quarterly basis.

(J. Flores): This is John Flores. Greg, what is the average then, in a normal time period?

(G. Smith): Usually something around \$1,000 - \$2,000 per week or \$13,000 - \$26,000 per quarter would be considered relatively routine. So this is certainly higher but it's not that the skill set is low, it's the quantity of people applying that skill set that is low. We continue to monitor and interact on this topic each week and wanted to let you know and will catch you up on the final totals once they are ready. That completes that topic, Mr. Chair.

V. State Compliance Audit Final Report:

(A. Meehan): This is Andrew Meehan again. Next we have the State Compliance Audit Final Report, and Greg again will be providing an update on that.

(G. Smith): Yes, Greg Smith here again. At the end of each audit period the CLC reports to the Audit Committee the results of the compliance audit report. This year's report was good compared to the prior, where we had just two findings. I'll describe what those were and let you know what the remedies we applied to it were but wanted to make sure we could do that from a final report even though we have mentioned it a few times since we saw the draft reports at the end of last year. Finding number one was related to the timely reporting of our Affirmative Action Report and Policy Statement. The cause of this was due to some significant turnover in our human resources department a few years ago so we adjusted doing our affirmative action report from a fiscal basis to a calendar year basis, which is a bit more reflective of what HR reporting is like as it relates to payroll and items of that nature. So due to a lighter staffing level in the management ranks in HR, and then doing that adjustment by time period we were delayed in getting that reported as we had done in prior years. We are going to maintain that annual calendar reporting moving forward but that was the basis of the delay in getting that report in timely compared to prior reporting. That was identified and we responded with those reasons and we are on target with that and will be bringing that affirmative action report to the Personnel Committee very soon for calendar year 2020. We are right back on what we would consider a compliant schedule frequency. The other finding was twice a year we conduct departmental payroll audits and it's to make sure that the time and attendance system and all of the policies for attending to peoples' reporting and compensation are adhered to. In one of those audits we identified that two employees had adjustments to their payroll that reflected twenty-four total dollars of overpayment and the finding was that that had not been collected back and the audit remedied through the payroll system. So there was a loose connection there and we caught that, reinstated some review policies and procedures to make sure that once those departmental payroll audit findings are identified they are corrected on a timely basis and that the matter is reported on and finished. Again, we

adjusted some procedures to make sure that oversight is there and those are necessary whether the finding was for \$1,000s or for \$24, but we attended to this and corrected the matter and I would say to the satisfaction of what we normally hear back from the State Auditors. Those were our two findings, accepted, acknowledged and resolved. Continuing on with the audit report, the four findings in the prior compliance period were addressed and resolved and no repeats of those of any kind so what I'll call a successful report where you resolve the prior years' and have a small number of current year findings. Any questions from anyone on those or on the report itself?

(A. Meehan): Sounds like no questions.

VI. Project Manager Office Hiring:

(A. Meehan): This is Andrew Meehan again. Next on our agenda is the discussion of the project manager office hiring for the gaming system conversion project and Greg will again be providing that update.

(G. Smith): This is Greg Smith again. This project manager office is for the gaming system conversion that we've been talking about for a year now, it's coming closer at hand. We went through one of our standard procurement processes for soliciting consultants who have experience with these major system conversions. These are not a lightly attended to matter it involves every single piece, software and communications feature of our gaming system so we wanted to be sure that we have people helping us who have experience in these matters, going through something of this magnitude is not something that the normal state agency or quasi-public agency keeps on their staff on a full time basis. This is a specialized skill and experience that we are looking for and we have some good responses, we are still in the procurement process right now so I cannot speak to the companies and other information until we complete that but there are some aspects where I can elaborate more fully when we discuss the gaming system procurement in Executive Session. Just letting you know that we are in this process and will keep you up to speed on it. This contract for this service, even though it is related to the gaming system, does not require approval by the Audit Committee or the Board as an attending service of that, but we will keep you informed as we move along and provide you with all the details that you need. Any questions on that, or we can also discuss it further in Executive Session as it relates to the gaming system?

(A. Meehan): Why don't we do that then. Next on the agenda is the Executive Session to discuss two topics, first of which is the Gaming System Procurement Draft Timeline and then the Lucky for Life Draw Change Draft Timeline for the draw schedule change. Both documents we received prior to the meeting. Greg we'll ask you to join us for Executive Session and may I have a motion to enter Executive Session?

(G. Smith): I'd like to have Matt Stone join us as well.

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

(W. Blanchette): Blanchette, second.

(A. Meehan): All those in favor?

(All): Aye.

(A. Meehan): Any opposed? Ok, so we'll move into Executive Session at 9:17 a.m.

VII. Executive Session:

[Executive Session]

VIII. Discussion and Action, if any, on Items Discussed During Executive Session:

(A. Meehan): This is Andrew Meehan and we are back in public session at 9:50 a.m. with the public line back in the room. I'd like to note that no votes or actions were taken during Executive Session.

IX. Adjournment:

(A. Meehan): I think all we have left is adjournment. The next regular meeting is on the schedule for July 27, 2021. If there is no further discussion, I'll ask for a motion to adjourn the meeting?

(W. Blanchette): Blanchette, so moved.

(J. Flores): Second, John Flores.

(A. Meehan): Thank you. All in favor of adjourning?

(All): Aye.

(A. Meehan): Any opposed? Ok, we are adjourned at 9:50 a.m. Thank you everyone.

Respectfully submitted,

Matthew Stone
Corporate Secretary
Connecticut Lottery Corporation