



**Special Joint Meeting of the
Audit and Executive Committees of the
Connecticut Lottery Corporation**

Held on
Friday, October 4, 2019 at 8:30 a.m.
at the
Connecticut Lottery Corporation
777 Brook Street
Rocky Hill, Connecticut 06067

Committee Members: Patrick Birney, Vice Chair of the Board (via teleconference); Dawna Capps (via teleconference); John Flores; Patti Maroney, Chair of the Finance Committee (via teleconference); Margaret Morton, Chair of the Legislative and Games Committee; and Michael Thompson, Chair of the Audit Committee (via teleconference).

Staff Members: Gregory Smith, President and CEO; Matthew Stone; and Annmarie Daigle.

Guests: Lynda Brandt, Audit Supervisor, Gaming Division, Department of Consumer Protection; Viola Pietrandrea, Lottery Supervisor, Gaming Division, Department of Consumer Protection.

I. Call to Order:

Ms. Morton called the Executive Committee meeting to order at 8:33 a.m., and Mr. Thompson called the Audit Committee meeting to order at the same time.

II. Approval of August 15, 2019 Audit Committee Special Meeting Minutes:

On a motion by Ms. Maroney and seconded by Mr. Birney, the minutes from the August 15, 2019 Audit Committee Meeting were approved with Mr. Flores abstaining.

III. Approval of August 5, 2019 Executive Committee Special Meeting Minutes:

On a motion by Mr. Birney and seconded by Mr. Thompson, the minutes from the August 5, 2019 Executive Committee Meeting were approved with Ms. Maroney abstaining.

IV. Approval of September 6, 2019 Executive Committee Special Meeting Minutes:

On a motion by Mr. Birney and seconded by Ms. Maroney, the minutes from the September 6, 2019 Executive Committee Meeting were approved with Ms. Morton and Mr. Thompson abstaining.

V. Sales Update through September 30, 2019:

Mr. Smith discussed the total sales and general fund transfers as of September 30, 2019. Total sales are currently \$0.8 million over last year and \$10 million under budget, primarily due to the lower Powerball and Mega Millions jackpots compared to last year at this time. General fund transfers are \$3.7 million ahead of last year and \$3.4 million ahead of budget, attributable in part to lower prize expense for the period. In response to a question from Mr. Birney regarding somewhat flat instant-ticket sales, Mr. Smith stated that the CLC has five instant-ticket launches scheduled for October that should help sales performance.

VI. Quarterly Update on Liquidated Damages with SGI:

Mr. Smith reported on liquidated damages for the April through June time period which were of a routine nature. During the July through September period there was one charge of \$24,000, which was a total of daily charges stemming from the delay of the test environment for the website mobile application. Ms. Morton asked why SGI was not prepared for the application testing environment. Mr. Birney requested, for the benefit of new Board members, that Mr. Smith give a recap of why these quarterly updates occur.

VII. Compliance Audit for FY2016-FY2017:

Mr. Smith led a discussion of the compliance audit, which should wrap up in the second quarter and will be shared with the Board.

VIII. Data Privacy & Security Update:

Mr. Stone reported on the efforts of a recently established in-house data privacy and security committee. The committee is comprised of CLC employees from each department and is tasked with being a resource for the CLC regarding data privacy and security issues. Among the committee's initial tasks are inventorying the CLC's sensitive data and establishing a data breach response plan. Mr. Flores inquired as to whether the CLC was including its vendors in the committee's scope.

IX. Disaster Recovery Update

Mr. Smith discussed the continuing development of a disaster recovery plan for occurrences when CLC facilities are not available. Recently, the CLC utilized its Alumni Road facility as a backup office to perform day-to-day operations.

X. Task Force Update:

Mr. Smith informed the Committee that the Task Force, based on approval of the full Board, recently hired a firm to develop a plan and scope for a complete investigation of events occurring two to five years ago, which surfaced during a recent CHRO hearing. The Task Force meets each week and the firm has started interviews and their review of electronic communication. Mr. Smith expects the firm to have a report completed during the second half of October.

Mr. Thompson stated that the Board had acted immediately and engaged with a firm when ethical concerns were raised regarding the former Board Chair. Mr. Birney, acknowledging and agreeing with this statement, asked for copies of Board material relating to the engagement with that firm, as well as correspondence between the CLC and the State Auditors, in addition to a copy of the CHRO transcript.

XI. Executive Session:

At 9:15 a.m., on a motion made by Mr. Birney and seconded by Mr. Flores, the Committees moved to Executive Session to discuss:

a. Pending Claims and Litigation: CHRO Matters, Civil Suits and Administrative Proceeding

Mr. Smith and Mr. Stone were invited to stay for the Executive Session.

At 9:35 a.m., the Committees reconvened in regular session, with Ms. Morton noting that no votes or actions took place during Executive Session.

XII. Adjournment:

On a motion made by Mr. Flores and seconded by Mr. Thompson, the Committees adjourned at 9:36 a.m.

Respectfully Submitted:

Matthew Stone
Corporate Secretary
Connecticut Lottery Corporation