

CT LOTTERY
BOARD OF DIRECTORS
AUGUST 13, 2019 TASK FORCE

**REPORT OF
INVESTIGATION**

Conducted By:

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I. INTRODUCTION

On September 5, 2019, Halloran & Sage, LLP was retained by the Connecticut Lottery Corporation (“CTLottery”) to conduct an investigation. The investigation was prompted by testimony of Chelsea Turner, vice president CTLottery, at a hearing held on July 9, 2019 at the offices of the State of Connecticut Commission on Human Rights and Opportunities in the matter of Alfred DuPuis v. CTLottery Corporation, Case No 2018379. During her testimony, Ms. Turner stated that she did not trust Mr. Frank Farricker. Mr. Farricker was the Chairman of CTLottery from May 2011 until May 2017 when he resigned. He also discharged the duties of President of CTLottery from September 2016 until his resignation. During her testimony Ms. Turner articulated six specific instances of conduct which formed the basis of her distrust of Mr. Farricker, and which she testified made her uncomfortable, and some of which she believed were ethically concerning.

Ms. Turner also revealed at the hearing that she made a complaint to the Federal Bureau of Investigation (“FBI”) about Mr. Farricker. Ms. Turner’s complaint to the FBI occurred after Keno legislation was first enacted in 2013. Ms. Turner testified at the CHRO hearing that she never informed any CTLottery board members that she made a complaint to the FBI nor did she inform the Director of Security of CTLottery. In an effort to explain why she did not report these concerns to the Director of Security, she testified *“the concerns were more ethical concerns, they were not criminal concerns”*.

The six particular actions of Mr. Farricker which Ms. Turner articulated were:

1. Mr. Farricker seeking state financial support for the development of a theater project in Norwalk, CT.
2. Directing Ms. Turner to cease governmental affairs activity with the state legislature regarding pending Keno legislation.
3. Directing CTLottery to enter into a renewal of a sponsorship agreement with the Mohegan Sun Casino.
4. Directing CTLottery to enter into a business arrangement with eMerchantbroker (also known as US Processing).
5. Directing CTLottery to enter into contract with GuardX.
6. Directing Ms. Turner to engage in governmental affairs activity regarding possible action by the state legislature to permit Mr. Farricker to serve as the president of CTLottery despite a “one-year ban” imposed by state statute.

II. INVESTIGATION

We were retained to determine whether current and former employees and board members of CTLottery were aware of the concerns raised by Ms. Turner. And, if so, how and when they learned about them and whether they reported those concerns to other people or any state agency.

Our investigation commenced on September 5, 2019 and remained open until the finalization of this report. We interviewed management and administrative employees, each of whom worked closely with Ms. Turner, or whom would have been involved or aware of the matters at issue. We also interviewed current and former members of the board of directors. We also attempted to reach other former board members who served between 2014 and 2017.

We requested an interview with Mr. Farricker. Mr. Farricker is no longer associated with CTLottery in any capacity. He declined to be interviewed.

We requested an interview with Ms. Anne Noble. Ms. Noble was president of CTLottery from 2008 until she resigned in September 2016 and is no longer associated with CTLottery in any capacity. She declined to be interviewed.

We requested an interview with Ms. Turner. At the time of our investigation, Ms. Turner was vice president of CTLottery, but on medical leave of absence. We contacted her through her legal counsel. Ms. Turner agreed to provide written responses to written questions. We submitted fifteen, multi-part questions to her and she submitted responses to those questions.

As part of our investigation we requested a number of documents from CTLottery. CTLottery promptly complied with all such requests. We also requested and were provided with the CTLottery email files of Mr. Farricker, Ms. Noble and Ms. Turner. Those files contained 274,960 emails, many with attachments, and additional documents.

The scope of our investigation did not include whether or not Mr. Farricker engaged in the conduct as alleged by Ms. Turner, whether such conduct violated the CTLottery Ethical Conduct Policy inclusive of the Connecticut Codes of Ethics, or whether any disciplinary steps should have been taken regarding Mr. Farricker, Ms. Noble or Ms. Turner.

III. APPLICABLE LAW AND POLICIES

The CTLottery Corporation is a *“body politic and corporate constituting a public instrumentality and political subdivision of the State created for the performance of an essential governmental revenue raising function...”* C.G.S. §12-802. The corporation is governed by a board of thirteen directors. The board appoints a president, who acts as

the chief executive officer of the corporation. The board also appoints a secretary of the corporation and such other officers as it may approve.

We note that CT Lottery has an Ethical Conduct Policy which supplements the Connecticut Code of Ethics for Public Officials (C.G.S. §1-79 et. seq.). C.G.S. §1-101pp, which is adopted by reference in the CT Lottery Ethical Conduct Policy (“ECP”), states:

“Any commissioner, deputy commissioner, state agency, or quasi-public agency head or deputy, or person in charge of state agency procurement, contracting or human resources, who has reasonable cause to believe that a person has violated the provisions of the Code of Ethics for Public Officials set forth in Part 1 of this chapter or any law or regulation concerning ethics in state contracting shall report such belief to the Office of State Ethics, which may further report such information to the Auditors of Public Accounts, the Chief State’s Attorney or the Attorney General”.

Without exception, every person we interviewed confirmed that they were aware of the CT Lottery and State of Connecticut policies regarding ethical conduct. Ms. Turner stated in her written submission, *“I have received ethics training from the CLC and the state, and signed the CLC’s Ethics/Conduct Policy”.* We note that the CT Lottery Ethical Conduct Policy and Connecticut Codes of Ethics existed and was in force at all times relevant to this investigation.

The CT Lottery ECP and the Connecticut Code of Ethics both mandate that certain individuals report suspected ethical violations to the Office of State Ethics. The CT Lottery ECP requires that:

*“the President and CEO, Vice Presidents, and anyone who in the President’s absence has been designated to sign contracts are **required** (emphasis in original) to notify the Office of State Ethics if there is reason to believe that a person (including but not limited to state contractors) has violated any law or regulations related to ethics”.*

This requirement to report is different from the Code of Ethics for Public Officials C.G.S. §1-101pp which mandates that:

“any commissioner, deputy commissioner, state agency or quasi-public agency head or deputy, or person in charge of state agency procurement, contracting or human resources, who has reason to believe that a person has violated the provisions of the Code of Ethics for Public Officials...shall report such belief to the Office of State Ethics”.

IV. THE SIX CONCERNS RAISED BY MS. TURNER AT THE CHRO HEARING

As discussed earlier in this report, Ms. Turner raised six issues of concern regarding conduct by Mr. Farricker during her testimony at the CHRO hearing. Based

on our investigation, we find the following facts and circumstances relative to each issue.

1. Governmental affairs activity regarding the Wall Street Theater in Norwalk

Mr. Farricker is a real estate developer, affiliated with a company named Lockwood and Mead. Lockwood and Mead was involved in a project to develop the Wall Street Theater in Norwalk, Connecticut. And, Mr. Farricker was the principal of Lockwood and Mead involved in the project. While chairman of CT Lottery, as part of the development process, Mr. Farricker sought, and the State of Connecticut provided, a \$1.5M grant for the theater project.

While Ms. Turner cited Mr. Farricker's *"lobbying for money for his theater project"* as one of the six concerns raised at the CHRO hearing, in her written response to questions in this investigation she stated *"this is not necessarily unethical, but it made me uncomfortable"* and *"this had nothing to do with the lottery"*.

Ms. Turner stated in her written submission that she discussed her concern about this issue with Ms. Noble, "possibly board members", and "possibly CLC staff". None of the staff or board members we interviewed recalled Ms. Turner raising this issue with them and they were not independently aware of the matter.

2. Governmental affairs regarding Keno

During the January 2013 Session of the State of Connecticut General Assembly, as part of the *"budget bill"* the General Assembly authorized CT Lottery to offer Keno as an additional lottery product.

Ms. Turner, who at the time was Director of Governmental, Regulatory and Operational Affairs, was directed by Mr. Farricker, who was at that time Chairman of CT Lottery, to cease governmental relations activity on the Keno legislation which was pending during 2013. During her testimony at the CHRO hearing Ms. Turner cited this directive as one example of conduct by Mr. Farricker that led to her complaints to the FBI. In her written response to questions as part of this investigation she stated that his directive was "strange" and made her feel "uncomfortable". She did not file a complaint about this conduct with the Connecticut Office of State Ethics or raise this issue with the CT Lottery Ethics Liaison Officer.

Ms. Turner states in her written response that she discussed this concern with Ms. Noble, "CLC Board Members" and "possibly others". None of the staff or board members we interviewed recall Ms. Turner discussing this issue with them.

3. Mohegan Sun Casino Sponsorship Agreement

CT Lottery and the Mohegan Sun Casino have a longstanding business relationship. The Mohegan Sun Casino has been a retailer of CT Lottery products. And CT Lottery has entered into sponsorship agreements with the Mohegan Sun Casino to

promote and advertise the lottery. The two entities are essentially competitors in the gambling industry but also have a cooperative business relationship.

Ms. Turner, in her written submission in this investigation, stated that Mr. Farricker “*pressured*” Ms. Noble to enter into a sponsorship agreement with the Mohegan Sun Casino that was too favorable to the Mohegan Sun Casino. Ms. Noble did not enter into any such contract, and Ms. Turner admits that she was aware that Ms. Noble did not do so. After becoming interim president, Ms. Turner was actively involved in negotiating a new sponsorship agreement with the Mohegan Sun Casino which was executed on August 4, 2017.

Ms. Turner claims she raised this issue with CLC Counsel, who handled the legal work on the Mohegan Sun Casino agreements. Counsel denies Ms. Turner ever raised any ethical concerns about the agreements. Ms. Turner also claims that she raised this issue with CLC General Counsel. CLC General Counsel recalls Ms. Turner mentioned that she thought the agreement proposed in 2015 by the Mohegan Sun Casino was a “*bad deal*” but never raised any ethical issues or improper involvement or conduct by Mr. Farricker.

Ms. Turner also stated in her written submission that she raised this issue with two CTLottery employees who worked in the advertising department. Those individuals confirmed that they were involved in the contractual process with the Mohegan Sun Casino. But, they stated that they never had any ethical concerns about the contractual process and that Ms. Turner never expressed any ethical concerns to them. They worked with Ms. Turner in negotiating the 2017’s sponsorship agreement.

Ms. Turner stated in her written submission that she discussed this concern with Ms. Noble, CLC General Counsel, CLC counsel, two members of the marketing staff and “possibly others”. CLC General Counsel and CLC counsel both worked on the subject contract, and discussed same with Ms. Turner but neither recall Ms. Turner ever raising any concerns that the contract negotiations or Mr. Farricker involvement in the contract process was in any way improper or unethical. The two staff members of the marketing department provided the same information.

Other staff and board members were generally aware of the business relationship between CTLottery and Mohegan Sun Casino, but none that we interviewed were aware of any suggestion of improper or unethical conducted related to that business relationship.

4. eMerchantbroker, LLC. (also known as “US Processing”)

CTLottery retailers cannot accept credit card payments for the purchase of lottery products, but can accept debit cards for payment. eMerchantbroker, LLC (“EMB”) is in the business of providing debit card processing terminals and services to a wide variety of retailers. On March 7, 2014, Mr. Farricker, as CTLottery chairman, introduced EMB to Ms. Noble, president of CTLottery. At that time, in an email to Ms. Noble, he stated, after introducing the company and the benefits of having retailers using such services:

“also for what it is worth, I have been friends with Bruce (Rosenblum) for ages, so I would greatly appreciate at some time to have him come up to you and discuss his proposal. As usual, leave me out of it but know I have great faith and trust in him and he has not in any way tried to stress our friendship (as others have done in the past)”.

Mr. Farricker copied Ms. Diane Patterson, a former vice-president and director of sales and marketing of CTLottery on that email.

It is not clear from the available evidence how Ms. Noble handled the EMB proposal from that date forward until October 2016. In October 2016, Mr. Farricker entered into a letter of understanding between CTLottery and EMB. It is clear is that Mr. Farricker disclosed his friendship with Mr. Rosenblum of EMB to Ms. Noble and Ms. Patterson. And, it is also clear based on Ms. Turner’s testimony at the CHRO hearing and from her written submission as part of this investigation, that she was also aware of that friendship. In fact, she cites that friendship as a factor for her discomfort with the business arrangement. Yet, she never raised any ethical concerns when Mr. Farricker entered into the letter agreement, nor did she do so at the time she terminated the arrangement in May 2017. Rather, her publicly stated reasons for terminating the arrangement was that it improperly diverted CTLottery sales personnel from promoting CTLottery products.

Ms. Turner stated in her written submission that she raised concerns about this issue with “CLC VP of Sales and Marketing”, “CLC General Counsel”, “CLC Counsel”, “CLC Board” and “possibly others”.

Our investigation discovered that the eMerchantbroker initiative was broadly known by staff and board members, and, that while many were aware that Mr. Farricker was friendly with a principal of eMerchantbroker (as disclosed in his initial email to Ms. Noble and Ms. Patterson), no one considered the relationship to be unethical and no one recalled Ms. Turner raising any ethical concerns at the time the relationship was formed or terminated.

5. GuardX Contract

GuardX is a Connecticut based technology product and services company, founded in 2015.

During Ms. Turner’s July 9, 2019 testimony she expressed concerns that Mr. Farricker proposed GuardX as a vendor based on a personal relationship with a principal of GuardX. When Mr. Farricker first proposed entering into a contract with GuardX, Ms. Turner, in her capacity as director of purchasing, informed him that any such contract would require an RFP and a bidding process.

Our investigation found that an RFP process was conducted, multiple bids were submitted and that GuardX was awarded the contract. GuardX submitted its bid on February 28, 2017. The contract was awarded on March 28, 2017. Final payment was made on July 14, 2017. Further, that GuardX competently performed the work. Ms.

Turner did not raise any complaints of ethical concerns with anyone at CTLottery, including any board members of the State Office of Ethics. In her written submission, Ms. Turner claims she raised concerns about the GuardX contract with CTLottery General Counsel. He denies that she did so. She also stated in her written submission that she discussed her concerns with CLC Counsel. He denies that she did so. CLC Counsel was involved in the contracting process with GuardX, and worked with Mr. Farricker in that process. None of the board members we contacted recalled Ms. Turner raising any issues regarding GuardX.

The GuardX contract and the services provided by GuardX were limited in scope and were not broadly known by staff or board members.

6. Governmental affairs regarding “one-year ban”

Mr. Farricker was a member and chairman of CTLottery’s board of directors since 2011. When Anne Noble resigned as president in September 2016, Mr. Farricker assumed the duties of president, but did not become employed as president. And, state statute prohibited him from becoming employed as president until one year after he ceased service on the board of directors.

Without approval from the board of directors, Mr. Farricker requested that Ms. Turner approach legislators to determine whether they would be amenable to legislative action which would provide an exception to the “one year” prohibition to permit Mr. Farricker to become president of CTLottery.

Ms. Turner, along with CLC Counsel made one such approach to some legislators. That same day, they informed CLC General Counsel of Mr. Farricker’s directive and their implementation of that directive earlier in the day. They told CLC General Counsel that they were “*uncomfortable*” with this directive. CLC General Counsel told them to cease any such activity. We understand that Ms. Turner complied with CTL General Counsel’s instructions to cease any such activity.

We also understand, based on interviews with members of the board of directors, that Mr. Farricker sought approval from the search committee of the board of directors to engage in such “*lobbying*” and his request was soundly rejected.

Ms. Turner stated in her written submission that she raised this issue with “CLC General Counsel, “CLC Counsel”, “CLC Board”, “CLC HR Director”. As discussed above we confirmed that she raised the issue with CLC General Counsel, CLC Counsel. She also raised this issue with one board member after Mr. Farricker left CTLottery. This issue was not broadly known to staff members or board members.

V. MS. TURNER DID NOT REPORT ANY SUSPECTED ETHICAL VIOLATIONS BY MR. FARRICKER TO THE CONNECTICUT OFFICE OF STATE ETHICS

In Ms. Turner’s testimony at the CHRO hearing on July 9, 2019, in her written answers to questions posed as part of this investigation, and in her preamble to those

responses, she confirms that at no time did she report any conduct by Mr. Farricker to the Office of State Ethics.

In Ms. Turner's preamble to her written responses to the questions posed as part of this investigation she states:

"I must stress that Anne Noble and I did not feel safe reporting these concerns to the Department of Consumer Protection because:

- 1. The head of the DCP was appointed by the same governor who appointed Mr. Farricker, and*
- 2. Our concerns were not with the games themselves - rather, they were with the contracts and potential public corruption".*

This statement by Ms. Turner demonstrates a profound misunderstanding of the CTLottery Code of Ethics and the Connecticut Codes of Ethics as neither suggest ethical complaints should be made to the DCP. Rather, they instruct, and in certain instances mandate, reporting to the Office of State Ethics.

VI. SUMMARY

Based on our interviews, Ms. Turner's testimony at the CHRO hearing, Ms. Turner's written responses to questions, and our review of CTLottery email files and other documents, we make the following findings.

We find that Ms. Turner and CLC Counsel believed it was unethical for Mr. Farricker to direct Ms. Turner to engage in governmental affairs activity to determine whether legislators would be amenable to legislative action to provide an exception to the "one year" ban to permit Mr. Farricker to become president of CTLottery. And, that they reported their concerns to CTLottery's General Counsel, who is also the CTLottery Ethics Liaison Officer. He directed them to cease any such activity and they complied with that directive. Some employees and board members became aware of this issue after the fact, but all considered it resolved by the time they learned about the issue.

We also find that as to the five other issues raised by Ms. Turner, other than Ms. Noble, who participated in the complaints to the FBI, no CTLottery employee or board member we interviewed was aware of the conduct at issue; or, to the extent they were aware of any such conduct, they do not recall Ms. Turner raising any ethical concerns

about that conduct and, based on what they knew, they did not consider the conduct to be a violation of the ethics policies of CTLottery or the State of Connecticut.

CT LOTTERY

TIMELINE

2008	Ms. Noble appointed President
May 2010	Ms. Turner hired as Director of Government Affairs.
May 2011	Mr. Farricker joins Board of Directors as Chairman
September 2011	Ms. Turner appointed Director of Governmental, Regulatory and Operational Affairs.
Spring 2013	Mr. Farricker seeks state financial support for the Norwalk Wall Street Theater project.
June 2013	General Assembly approves Keno (“Keno 1”)
March 2015	CTLottery commences negotiations to renew Sponsorship Agreement with Mohegan Sun
July 2015	Ms. Turner appointed to Chief of Strategy, Governmental and Operational Affairs. While Chief of Strategy, Governmental and Operational Affairs, Ms. Turner was responsible for oversight of the Warehouse, Claims and Purchasing departments. Hence, she was a “person in charge of state agency procurement and contracting”. In fact, at the July 9, 2019 CHRO hearing Ms. Turner testified: <i>“I began to oversee Warehouse, Claims and Purchasing Departments”</i> and that <i>“I oversaw the Purchasing Department”</i> when Mr. Farricker entered into the GuardX and eMerchantBroker agreements.
September 2016	Ms. Noble resigns as President
September 2016	Mr. Farricker assumes duties of President
Fall 2016	Mr. Farricker directs Ms. Turner to ascertain whether legislature would be amenable to action which could provide

an exception to the “one year” probation to permit Mr. Farricker to become President of CTLottery.

October 2016	CTLottery entered into agreement with eMerchantbroker
March 2017	CTLottery enters into contract with GuardX
May 2017	Mr. Farricker resigns from Board of Directors
May 2017	Ms. Turner appointed Interim President
August 2017	CTLottery enters into new Sponsorship Agreement with Mohegan Sun (prior contract expired on July 15, 2015)
July 2018	Mr. Smith appointed President
July 2018	Ms. Turner appointed Vice President
July 9, 2019	Ms. Turner testifies at the CHRO hearing on the DuPuis complaint.