



## **Audit Committee**

### Minutes of Special Meeting

Held on  
October 4, 2018 at 10:00 a.m.  
at  
Connecticut Lottery Corporation  
777 Brook Street  
Rocky Hill, Connecticut

<u>Committee Members:</u>	Michael Thompson, Chair of the Audit Committee; Robert Morgan; and Michael Janusko.
<u>CLC Staff Members:</u>	Gregory Smith, President and CEO; Deborah Davis; Paul Granato; Matthew Stone; Chelsea Turner; Annmarie Daigle; and Bryan Figueroa.
<u>Invited Guests:</u>	William Ryan, Director of Gaming Division at the Department of Consumer Protection; and Viola Pietrandrea, Lottery Supervisor of the Gaming Division at the Department of Consumer Protection.
<u>Call to Order:</u>	Mr. Thompson called the meeting to order at 10:02 a.m.

I. Welcome:

Mr. Thompson thanked the Audit Committee members for their participation in today's meeting.

II. Approval of Minutes:

On motion made by Mr. Morgan and seconded by Mr. Janusko, the minutes of the June 28, 2018 Special Meeting of the Audit Committee were approved, with Mr. Morgan abstaining.

III. Notice of Purchasing Justifications:

Ms. Turner provided the Committee with notice of three purchasing justifications, the first one with Scientific Games for Player Activated Terminals (PATs); the second one with Security 101 for security equipment and technology; and the last one with Elsym for Internal Control Software (ICS).

IV. Financial Audit Updates:

Mr. Granato stated that the Financial Audit is still ongoing, and while the CLC just received other post-employment benefits information from the comptroller's office, BlumShapiro has not indicated any significant issues during their review and expects the audit to be finalized within the next few weeks.

V. Old Business:

Compliance Checks:

Ms. Davis provided the Audit Committee with a brief update of the pilot program that commenced on June 11, 2018. The CLC, in collaboration with the Department of Consumer Protection, performed compliance checks on 51 retailers throughout the state over the course of the summer. The checks resulted in a low number of incidents. The CLC and DCP will continue working together on this initiative as they move towards the next phase of the program.

Ineligible Players Database:

Ms. Davis stated that while the database is robust and informative, it's still incomplete and the CLC is still in the process of updating it with players who are prohibited from playing lottery games such as employees and family members; Board of Directors; vendors, etc. There was a brief discussion on how to move forward and close the gaps.

Lucky for Life MUSL Audit Agreement:

Mr. Smith informed the committee that MUSL reached out to the CLC and made us aware of a one-year extension they were granting Marcum, their accounting firm. CLC expressed no opinion on the matter. MUSL will be looking to release an RFP to replace Marcum after the one-year extension is over.

Positive Pay Banking Transactions:

Mr. Granato gave a brief overview of Positive Pay, a fraud-prevention system that verifies check information, protecting against forged, altered or counterfeit checks. Winners must wait about an hour before attempting to cash a check and BOA now verifies the check, payee and amount against the system before paying the claimant.

VI. New Business:

20X Game Matter:

Mr. Smith informed the committee about an instant game from IGT that had a printing error around the end of July in which a high number of packs were affected. As of today, a replacement game has been put back on the market and the CLC is honoring tickets affected at face value if presented at headquarters.

Database Encryption:

Mr. Smith informed the committee that the CLC has two different databases and is looking at ways to go about encrypting them to protect personally identifiable information. The IT department is evaluating a few vendors and will soon bring forward a recommendation along with a purchasing justification.

Committee Structure, Areas of Cognizance:

Mr. Stone recommend this item be moved into executive session since it was still in the draft phase. On motion made by Mr. Morgan, seconded by Mr. Janusko, and unanimously approved, the Audit Committee added the item to their executive session agenda.

VII. Executive Session:

Mr. Thompson asked for a motion to enter into Executive Session to discuss the following agenda items:

- Update on Contractual Matters
- Pending Claims and Litigation, CHRO Matters
- Attorney Client Communications Re: Marcum
- Committee Structure, Areas of Cognizance

On motion made by Mr. Morgan, seconded by Mr. Janusko, and unanimously approved, the Audit Committee entered into Executive Session at 11:02 a.m. Mr. Smith, Ms. Turner and Mr. Stone were invited to stay for the Executive Session.

At 12:01 p.m., the Audit Committee reconvened in regular session.

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

Mr. Thompson stated that no actions or votes had taken place during Executive Session.

IX. Adjournment:

On motion made by Mr. Janusko, seconded by Mr. Morgan, and unanimously approved, the meeting was adjourned at 12:02 p.m.

Respectfully submitted:

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Matthew Stone  
Corporate Secretary  
Connecticut Lottery Corporation