

VIRGINIA LOTTERY  
Operations Committee  
December 19, 2023

The Virginia Lottery Operations Committee met on December 19, 2023, at 10:30 a.m. at Lottery Headquarters in Richmond, Va.

Members Present: Cynthia Lawrence, Chairwoman  
Jonathan Comer  
Scott Price  
Adam Tolbert  
Ferhan Hamid, Board Chairman

Staff Present: Tony R. Russell, Interim Director  
Amy Dilworth, General Counsel  
Deborah Courtney, Deputy Executive Director of Finance and  
Administration  
Christina Whitney, Internal Audit Manager  
Jo Murphy, Executive Assistant

Cynthia Lawrence, chairwoman, presided, and Jo Murphy was the recording secretary.

Call To Order

Ms. Lawrence called the meeting to order and noted that a quorum was present. She thanked Lottery staff for making arrangements for this meeting. She said that this first meeting is an opportunity to bring our newest board members up to speed and to set our understanding of operations. She also said that it will help us plan for subsequent meetings.

2024 Meeting Dates/Frequency

Ms. Lawrence opened the floor for discussion about 2024 meeting dates and frequency. The members agreed to meet in March 2024, June 2024, September 2024 and December 2024 with the dates to be determined.

Operations Committee Charter

Ms. Lawrence opened the floor for discussion about the proposed Operations Committee Charter. The only amendment was to note that meetings will take place four times per year.

Mr. Comer asked if the Audit Committee would be rolled into the Operations Committee. Ms. Dilworth said that the language from the statute is in the charter. For clarification, Ms. Lawrence said that audit discussion will become a part of the Operations Committee, so the stand-alone Audit committee meetings will be eliminated. She further said that the content of the audit report from this meeting will be presented at the January 10, 2024, Board meeting.

**Operations Committee Minutes**  
**December 19, 2023**  
**Page Two**

On motion duly made by Mr. Price and seconded by Mr. Comer, the committee recommends that the Board approve the Committee's charter as amended.

Sales

Mr. Russell provided an update on iLottery and the plans that are in place to strengthen that product. He said that scratch is still a large part of our business as well as Pick 3 and Pick 4. He said that we are seeing a 6% to 7% decline in year-over-year growth in scratch. We will be focusing on this issue when our loyalty program launches in March of 2024. Total sales are still \$30 million over last year at this time. Ms. Lawrence asked where Virginia stands in terms of operational breakdown compared to other states. Mr. Russell said that it is measured per capita. He also said that we are No. 1 in the iLottery category. In total, Virginia is ranked No. 12 or No. 14 in terms of population. He also said that it varies depending on the product.

Mr. Hamid expressed concern that scratch sales are consistently declining. He asked if the Lottery is experimenting with different ideas to help increase sales. Mr. Russell said that two examples are the loyalty program and cross-selling. He said that planning consists of looking at a three-year window – the previous year, the current year and a year out. Mr. Hamid asked if we are projecting scratch sales to continue to decline next year. Mr. Russell said that the data for the remainder of this year will dictate that. Mr. Hamid asked about the court ruling on skill games. Ms. Dilworth said that legislation will be introduced this session to try and legalize them again.

Ms. Lawrence asked for an update on new retailer acquisition. Mr. Russell said that the Lottery is a mature market at 35 years old. He said that we currently have 5,300 retailers throughout Virginia. Ms. Lawrence asked if some of the resistance from nontraditional retailers is due to labor issues. Mr. Russell said that the feedback from our sales team is that it is a labor issue. Mr. Tolbert asked if any other large retailers besides Walmart could be looked into. Mr. Russell said that we have a business-development team of approximately four people. Their job is to manage corporate accounts, and the team's exploration is ongoing.

Mr. Comer asked: If skill games are legalized, are there any lottery-type machines that could be provided in these stores? Mr. Russell said that is a legislative decision. He also said that Georgia has Coin Operated Amusement Machines (COAMS), and they are regulated by the state. Other states have video lottery terminals. In that case, the state owns the machine.

Mr. Tolbert suggested that it might be helpful for the Board members to ride along with a sales representative to see a day in a sales representative's life.

Ms. Lawrence asked if highlighting the Lottery's mission at various points during the sales year yields a spike in sales when people are more aware of the mission. Mr. Russell said that he was not aware of that happening. She said that her desire would be to see a heightened push around

**Operations Committee Minutes**  
**December 19, 2023**  
**Page Three**

the Lottery's mission statement and its purpose to support K-12 public education. She wondered about the idea of building the message on the mission and then tracking sales accordingly to see if sales increased in any capacity and in any product.

Mr. Tolbert said it may be time to look into having a public presence again (i.e., Lady Luck, Game Guy). Ms. Lawrence said that might be a good question for a survey. Mr. Hamid asked how often we get feedback from our customers. Mr. Russell said multiple times a year. He said that he will share recent survey results with the committee.

Audit Report

Ms. Whitney shared a copy of the Report of FY2023 APA Audit Findings and Status of Corrective Actions. There were three internal control findings from the APA. The Board members should have received a copy of that report from the APA. No items were noted as material weaknesses, which means there was no impact on the Lottery's financial statements. Mr. Russell briefly described the three findings. Ms. Whitney said that she will update the committee on the status of the findings in subsequent meetings.

Ms. Whitney shared a copy of the Virginia Lottery 2024 Internal Audit Plan. The audit plan communicates activities planned for FY24 and summarizes priorities for the upcoming audit year. The risk-based audit approach is designed to add value to the organization. In developing the audit plan, a risk assessment of each audit area was performed utilizing 10 risk categories. Ms. Whitney shared the status of the FY23 plan. Lastly, she provided a list of audits scheduled for FY24.

Mr. Price recalled a concern that he had when he was previously on the Audit Committee. He asked if the cybersecurity firm used by the Lottery was in the Midwest and not a Virginia company. Mr. Russell described the RFP process. Ms. Whitney said that we have several different vendors. Mr. Price inquired if they could get a list of the vendors.

Mr. Scott said that he looked online, and the two cybersecurity firms discussed earlier in the meeting are both based in Virginia. Mandiant is based in Reston, and Assura is based in Richmond.

Ms. Lawrence asked about casino operations. She wanted to know the relationship between those operations and the concern around their fiscal integrity. Mr. Russell said that Ms. Whitney's team audits the internal Lottery systems. Gina Smith's team audits all activities related to the regulatory requirements. Ms. Lawrence asked about the relationship between the Lottery's audit function and Gaming Compliance's audit function. Mr. Russell said that it simply rolls up to senior management in terms of the information. Ms. Lawrence said that her understanding is that Ms. Smith reports to the Board at their regular Board meetings regarding any issues that need to be brought to the Board level. Ms. Lawrence asked if the newly formed committee would hear

**Operations Committee Minutes**  
**December 19, 2023**  
**Page Four**

more details if necessary. Mr. Russell said yes. He also said that this discussion took place at the Gaming Compliance Committee meeting earlier today. He further said that any sanctions that are issued, as well as any settlement agreements, are posted on the Lottery's website for the public to see.

Ms. Lawrence said, for the benefit of the newer Board members, that when she first joined the Board and sat in on her first Audit Committee meeting, there were 25 findings in the audit report. She complimented the current audit team, which at that time was led by Beth Smith, who resolved every finding. Ms. Lawrence said that, from that point on, the audit department has functioned at a very high and effective level and with the highest integrity.

On motion duly made by Mr. Hamid and seconded by Mr. Price, the committee recommends that the Board approve the Virginia Lottery 2024 Internal Audit Plan as presented.

Mr. Russell asked if they wanted to have any standing items on the agenda moving forward. Ms. Lawrence said yes. The committee will give some thought to those items.

**ADJOURNMENT**

There being no further business to come before the committee, the chairwoman declared the meeting adjourned.

---

Tony R. Russell, Secretary

---

Cynthia Lawrence, Chairwoman