

FY 2015 & FY 2016 Oversight Questions

DC Lottery

1. Please provide an updated organization chart and current Schedule A.
 - *Please see attachment A*

2. Please provide the following:
 - A list of all employees who receive cellphones, personal digital assistants, or similar communications devices at agency expense;
 - *Please see Attachment B*
 - A list of all vehicles (year, make, model) owned, leased, or otherwise used by the agency and to whom the vehicle is assigned. Please include lease amount (if applicable) and date the lease expires;
 - *The DC Lottery owns all of its vehicles. Please see attachment C*
 - A list of employee bonuses or special award pay granted in FY 2015 and FY 2016, to date;
 - *The DC Lottery did not pay any bonuses in FY' 15 or FY16.*
 - A list of travel expenses, arranged by employee; and
 - *Please see Attachment D*
 - A list of the total overtime and workman's compensation payments paid in FY 2015 and FY 2016, to date.
 - *Please see Attachment E*

3. How are our lottery sales and transfer to the General Fund performing as compared to our anticipated projections for FY 2016? How was performance for FY 2015? How does this compare with FY 2014 performance? What was the actual revenue loss for FY 2015 a result of not having an instant ticket contract in place?

DCLB's FY 16 year-to-date transfer (as of January 31, 2016) is \$20.4 million which is on target for its projected \$55 million. The FY 15 transfer to the General Fund totaled \$55.5 million, compared to the \$54.9 million transferred in FY 14. The increase in the transfer from FY 14 to FY 15 can be attributed to a reduction in operating expenses.

Total lottery sales for FY 16 as of February 16, 2016 totals \$86.8 million, compared to \$76.8 million through the same period last year. While our numbers games sales are slightly down by about \$1.1 million or 1.7% from last year, our instant ticket sales are significantly up by \$11.6 million or 193.4%. The significant increase is attributed to the return of instant tickets to our game portfolio.

4. What new games were introduced in FY 2015? How are any new games performing? Are any new games planned for FY 2016? What games were retired, if any, in FY 2015 and FY 2016, to date?

The DC Lottery launched two new games in FY 15. The first, Monopoly Millionaire's Club, was launched on October 19, 2014. This game was a \$5 lotto game with a chance to win a multi-million dollar top prize, as well as the opportunity to appear on a national primetime Monopoly branded TV game show. This game was cancelled on December 26, 2014 due to poor sales.

The second new game was the multi-state Lucky for Life game which launched on February 15, 2015. This game is also a lotto-style game with a \$2 price point. This game offers players a top prize of \$1,000 a day for life. This game filled a niche in the lottery's portfolio; as these types of "win for life" games are popular with players and offers a unique marketing and branding opportunity. This game is currently generating over \$50,000 a week in sales and we anticipate \$2.5 to \$3 million by the end of FY 16. Outside of Monopoly Millionaires Club, no other games were retired in FY 15 or FY 16.

5. What is the status of instant tickets?

Currently, the DC Lottery has three contracts to provide instant ticket printing services. We began reintroducing instant tickets into the marketplace in February, 2015. Year-to-date in FY 16, we have \$17.6 million in instant ticket sales, compared to \$6 million at this time last year. If the current trend continues, we estimate about \$45.7 million in sales by fiscal year-end. We ended FY 15 with \$32.6 million in instant ticket sales, compared to \$40.4 million in FY 14. The DC Lottery has worked diligently to recapture lost business due to the disruption in our instant ticket product line. Although we have made great strides toward rebuilding the business, we continue to be aggressive in our strategy and launch plans to recapture our lost market share, re-establish our reputation, and return to our peak instant ticket sales of about \$60 million annually (2012).

6. How is the lottery store at Union Station performing? What were projected sales goals and revenue for FY 2015 compared to actuals? How do these compare to FY 2014 projected and actual numbers? What are the sales goals and revenue for FY 2016 and actuals to date?

Since its opening in December 2012, the DC Lottery Store at Union Station has continued to see year over year increases in sales performance. Projected sales for FY 15 were forecast to perform at an increase of 15% over FY 14 sales, which were \$2,302,099 million. FY 15 sales were on target of the goal, realizing a 15.3% increase and totaling \$2,655,612. For FY 16, we are ambitiously projecting an increase of 17% in sales over FY 15. Sales to date for FY 16 total \$1,198,311, a 31.2% increase over sales at this time last year which were \$913,457. The year to date increase can be primarily attributed to the world record, \$1.6 billion Powerball jackpot. With onsite player incentives, exclusive promotions and revenue generated from the agency's continuing sales events at Union Station, we expect another banner year at this location. The DC Lottery Store at Union Station has come to be known as a 'winning destination,' and

attracts visitors from all over the country.

7. What are any other actions the Lottery has taken or is pursuing to become more competitive with Maryland and Virginia? What updates, if any, have developed in the effort to work with WMATA?

The DC Lottery is working hard to regain market share back from Maryland and Virginia now that we have instant tickets back. We continue to launch new and exciting products, promotions, and second chance opportunities to impress our players (and encourage more play in DC). While we will always remain competitive (yet friendly) with our neighboring jurisdictions, we realize that coming together and offering an exciting regional game (DC, MD & VA) may be in everyone's best interest. The DC Lottery actually took the lead on bringing the lotteries together to get this conversation started. Regional games have worked well with several other lottery jurisdictions around the country. A realistic time frame for a regional game, if it comes to fruition, would be in FY 17.

In addition, the new MGM casino at National Harbor is slated to open in November, 2016. We are monitoring this opening very closely and will continue to do what we can to develop and execute exciting and new opportunities for our players.

WMATA: The DC Lottery has contracted with Delehanty Consulting, LLC to do a complete feasibility study of selling lottery in Metro. The final report is due in late May.

8. How many establishments in the District of Columbia sell lottery tickets? Please provide a comparison to the number of establishments over the past five years. How many outlets are planned or anticipated for FY 2016 and the next five years?

FY 15	472 Licensed Agents
FY 14	497 Licensed Agents
FY 13	502 Licensed Agents
FY 12	513 Licensed Agents
FY 11	505 Licensed Agents
FY 10	460 Licensed Agents

Note: The total number of DC Lottery agents fluctuates on a yearly basis for a variety of reasons. Examples include businesses opening and closing within the District, not meeting lottery requirements, or positive recruitment efforts, etc. In FY 15, the lottery enhanced its enforcement of -retailer regulations, which may have contributed to some closures. However, in FY16, a new CBE partner has been brought on board to strategically recruit new types of lottery retailers (such as social settings, grocery stores, hospitals etc.) here in the District.

9. How is Mega Millions performing? How is Powerball performing? How have these products impacted the transfer to the general fund? Have they impacted the lottery in other ways? Please explain.

Sales for the Mega Millions multi-state lottery game saw a dramatic decrease in FY 15 compared to FY 14 numbers. Sales in FY 15 totaled \$6.5 million, compared to \$8.8 million in FY 14. The decrease was attributed to lower jackpots, as Mega Millions is a jackpot driven game. FY 16 sales for this game are currently lower by 28% compared to the same time last year. This trend is not unique to the District. Lotteries nationally are feeling the impact of lower jackpots on Mega Million sales.

Powerball sales in FY 15 totaled \$11 million, a decrease of \$823,000 or 6.95% from last year's sales of \$11.8 million. Again, this decline was wholly due to smaller jackpots available for players in FY 15. However, as a result of the world record setting, \$1.6 billion jackpot, year to date FY 16 Powerball sales total \$9.7 million and are tracking significantly ahead of last year sales of \$5.2 million or 85.4% at this time.

10. Please list each contract, procurement, lease, and grant ("contract") the agency has including those awarded, entered into, extended and option years exercised, by your agency during FY 2014, FY 2015, and FY 2016, to date. For each contract, please provide the following information, where applicable:
- The name of the contracting party;
 - The nature of the contract, including the end product or service;
 - The dollar amount of the contract, including budgeted and actually spent amounts;
 - The term of the contract;
 - Whether the contract was competitively bid or not;
 - The name of the agency's contract monitor and the results of any monitoring activity; and
 - Funding source.

Please see Attachment F

11. Please list all RFPs that are out for solicitation, along with a brief description. What RFPs are being planned for solicitation (topic and description)?

Please see Attachment G

12. Please identify all electronic databases maintained by your agency, including the following:
- A detailed description of the information tracked within each system;
 - The age of the system and any discussion of substantial upgrades that have been made or are planned to the system; and
 - Whether the public can be granted access to all or part of each system.

Please see Attachment H

13. Please provide a copy of any updates to DC Lottery rules and regulations. Additionally, please provide a brief description of the nature of each update.

Please see Attachment I

14. What has the agency done in the past year to make the activities of the agency more transparent to the public? In addition, please identify ways in which the activities of the agency and information retained by the agency could be made more transparent.

Transparency is very important to the DC Lottery. Not only is transparency reflected in the OCFO Strategic Plan, but it also serves as an important pillar to our success. Lottery staff members regularly interact with retailers with bi-weekly visits, daily with players and often with community stakeholders. As an example, we host money machine nights at the Verizon Center and Union Station, as well as many live events and second chance contests. Players and spectators alike are invited to attend and watch how names and numbers are drawn in a very open and understandable manner. Independent auditors are always on-site overseeing and verifying the entire process. In addition, we invite the public to view our daily and nightly draws at lottery headquarters and continue to upload draw videos to our website. We also post all contest winners' names, list all instant ticket prizes by game (and in real time show all remaining prizes), and post pertinent financial information to our website. The Lottery strongly feels the measures we implore illustrate that we are both credible and winnable.

15. Do we need to take any action on modifying the language of the D.C. Official Code to conform with federal requirements as a result of the 2006 transfer of the D.C. Lottery to the Office of the Chief Financial Officer?

Yes. There are several D.C. Official Code ("Code") provisions that must be changed in order to conform the Code with federal requirements as a result of the 2006 transfer of the D.C. Lottery to the Office of the Chief Financial Officer ("OCFO"). The OCFO is in the process of drafting suggested legislation that will address the required changes to the Code.

16. What steps do you take to monitor fraud, theft, and abuse of the instant ticket and scratchers?

The OCFO and DC Lottery's management team take fraud, theft and abuse very seriously. Since the lottery began overseeing its own instant ticket warehousing operations in December 2014, we have put numerous measures in place to monitor scratcher inventory. Our new processes and procedures were developed in conjunction with the OCFO's Chief Risk Officer. DCLB's monitoring activities are as follows:

- The DC Lottery Security Division receives all instant inventories via secured truck delivery and the tickets are placed in a secured vault.

- The DC Lottery Security Division monitors the instant inventory via closed circuit television.
- Any authorization for access must be granted by the DC Lottery Security Division
- Multiple layers of access control are in place for the instant inventory vault (i.e., badge swipe, pin code and an alarm system).
- The DC Lottery Security Division monitors through the Back Office System (BOS) active retailer's instant inventory reports.
- Routine exterior rounds are conducted by DC Lottery's Contract Security – Watkins, to ensure doors are secured.
- DC Lottery Security Division conducts background checks on all employees and contractors.
- Retailers can only order tickets via DCLB's telephone sales (tel-sel) operation.
- Two new regulations requiring system receipt of the inventory within 24 hours, and activation within 30 days were implemented.
- "In Transit" and "Issue Status" reports are generated and monitored daily for regulation compliance by the retailers.
- Retailers not in compliance with the 24 hour system receipt regulation are contacted daily until compliance is met or their inventory is confiscated by security.
- Retailers not in compliance with the 30 day activation regulation have their inventory force activated (put tickets in a selling status) by DCLB to bring them into compliance.
- DCLB's billing terms were reduced from 90 days or 90% validations, to 45 days or 80% validations to allow for quicker cash collections.

DC Lottery security, finance and sales personnel are very active in the monitoring activities. The Lottery's new processes and procedures have been audited by the Office of Integrity and Oversight (OIO) and the Office of the Inspector General (OIG), and no weaknesses were cited by either OIO or OIG in their respective reports.

17. Please provide a copy of the Best Practices Study completed in FY 2015. What changes, if any, are scheduled for the upcoming three years in response to the Study?

A copy of the Best Practices Study is attached. Overall, the study shows the DC Lottery is one of the most efficient and successful lotteries in the country – ranking seventh in the most important measure, operating income per capita. While we are very proud of the report, continuous process improvement has been, and will continue to be, of great importance to us. The DC Lottery's management team is committed to continuous improvement and evolving our world-class lottery.

18. What do you believe would be the benefits and detriments to modifying the D.C. Official Code to expand the number of Monte Carlo night parties from two to ten? Do you believe that additional changes to the D.C. Official Code are needed regarding Monte Carlo nights? If so, please provide suggested changes.

Benefits to modifying the Code to expand the number of Monte Carlo Night parties would include the likely generation of additional fundraising revenue by local nonprofit entities. Challenges to be considered would include the agency's requirement

for additional staff necessary for the proper administration, compliance, and oversight activities associated with expansion of this program. There are no additional changes needed to the Code to address this issue.

19. Please provide an update on the status of the DC Lottery's review and update of regulations affecting Texas Hold'em.

The DC Lottery is in the process of promulgating amended regulations to reduce license fees and streamline licensing requirements associated with Charitable Monte Carlo Nights, including Texas Hold'em which is a type Monte Carlo Night game.

20. Please provide a status of updating DCLB forms, and the creation of fillable forms and/or electronic submission of forms.

DC Lottery updated the Licensing and Charitable applications to fillable forms in October, 2015 in an effort to increase business productivity, efficiency, and workflow. We are currently exploring the ability to accept electronic submissions for our DC Lottery retailers. This workflow and digital registration project should be available in FY 2017.

21. What awards, recognition, or accolades has your agency won or been nominated for in the past year?

- OCFO Operations Award 2015 for Instant Ticket Procurement
- Lafleurs Magazine –Fluerry Award for Best Advertising “Unless I Win the Lottery”- 2015
- NASPL (North America State and Provincial Lotteries)
 - Award for Best Brand Advertising for “Unless I Win the Lottery”
 - Finalist for Best New Instant Game- Codebreaker
 - 2015 Buddy Roogow (newly named) Innovation Award for Best New Instant Game- Finalist for our Codebreaker ticket.
- Telly Awards
 - “Unless I Win The Lottery” TV
 - “Real Winners”- TV
- Addy's Silver Radio
 - “Department of National Insecurity” Campaign
 - “Department of National Insecurity” Clumsy Jack

