

April 13, 2015

Tracey Cohen  
DC Lottery and Charitable Games Control Board  
2101 Martin Luther King Jr. Avenue, SE  
Washington, DC 20020

Dear Chief Operating Officer Cohen:

The annual budget hearing for the DC Lottery has been scheduled for Wednesday, April 22, 2015 beginning at 10:00AM, in the Council Chamber (Room 500) of the John A. Wilson Building. The Committee on Finance & Revenue invites you to present testimony about your Fiscal Year 2016 budget and financial plan.

In order to prepare for the hearing, I hereby submit to you the following list of questions, and I request that you answer these questions and return your written responses, in hard copy and by electronic mail, to my office on or before April 20, 2015.

If you feel that I could use additional information outside the scope of the attached questions, please feel free to include an additional written statement. If your office requires clarification of any of the attached questions, please contact Ruth Werner, at (202) 724-8058 or [rwerner@dccouncil.us](mailto:rwerner@dccouncil.us). Thank you in advance for your timely and comprehensive response.

Sincerely,

Jack Evans, Chairman  
Committee on Finance and Revenue

Enclosures

**Fiscal Year 2016 Budget and Financial Plan Questions**  
**DC Lottery**

- 1 Please list all program enhancements, technical adjustments, and reductions included within the FY16 budget. Please break down these costs by program. In addition, please provide a narrative description and rationale for each, along with associated dollar amounts and FTEs (if applicable). Please provide a copy of any contracts for the Contractual Services, and also provide job title and job description for positions being added or eliminated for Fiscal Year 2016.

The DCLB does not have any program enhancements, technical adjustments or reductions for FY'16. Additionally, DCLB will eliminated 2.5 position due to increased efficiency in operations.

- 2 Please provide a list of all projects for which your agency currently has capital funds available, or for which capitals funds are requested in FY16. Please include in this list a description of each project, the amount of capital funds available for each project, a status report on each project, and planned remaining spending on the project. If capital funds have been reduced for a given project, please state the affect of the reduction.

DCLB does not receive capital funds and have any capital projects.

- 3 Please provide a list of all space that will be used by the Lottery, including: facility name, location, square footage, description, leased/owned designation, rent, and other fixed costs that are included in the cost of rent (utilities, security, etc.). Please note any space changes.

**FYI 16**

- 2235 Shannon Place SE-
- Lottery allotted space is 46,106 sf
- Building description is office space
- 15 year Leased facility
- Rent- 1<sup>st</sup> lease year \$1,874,464.00
- Security Cost
  - Watkins Security \$518,170.00
  - DGS (building security)- TBD
- Utilities projected cost- \$230,530.00

DCLB's budget decreased (\$947,349) or 50% due to downsizing in leased square feet. The agency moved out of 2101 MLK Ave where we occupied 72,860 sq. ft and into 2235 Shannon Place where we occupy 46,106 sq. ft.

- 4 Please explain the decrease in funding of \$29,419,712 for the Agency Fiscal Officer listed under Agency Financial Operations.

The decrease in funding for the Agency Fiscal Officer is the result of a re-programming in FY'15 of a \$7.875 million dollar contract for gaming activity moved to the Gaming Operations Program for more appropriate alignment. Additionally, it also represents a decrease of about \$22.0 million in revenue which correlates to a reduction in gaming expenses that reside in the AFO Program.

- 5 Please identify specific agency realignments to more accurately reflect agency spending, as explained on page H-16.

The realignments explained on page H-16 of the D.C. Lottery Chapter includes a decrease in funding for the Agency Fiscal Officer as a result of a re-programming in FY'15 of a \$7.875 million dollar contract for gaming activity moved to the Gaming Operations Program for more appropriate alignment. Additionally, it also represents a decrease of about \$22.0 million in revenue which correlates to a reduction in gaming expenses that now reside in the AFO Program.

- 6 Will the proposed FY16 budget allow you to meet all statutory mandates? If not, please explain.

YES.

- 7 What is the anticipated transfer from the Lottery to the General Fund in FY16 and how does this compare to the projected and actuals (to date) for FY 15? What can we do to increase the transfer amount?

DCLB budgeted \$62.5 million for transfer to the General Fund in FY'16; however, we anticipate the transfer to be in the mid 50 million dollar range based on having a full complement of scratch tickets. DCLB projected a transfer of \$55 million for FY'15 and have transferred \$27 million dollars as of March 31, 2015.

- 8 Are any new games expected for FY16? Are any games expected to be retired? Please provide lists for each.

The D.C. Lottery is not expected to launch or retire any games in FY16, but we will reintroduce a full portfolio of instant tickets.

- 9 Please provide an overview and listing of the online (kiosk-based) games offered, including examples of games and locations. Please also list/indicate any new or planned games for FY 16. How is the success of these offerings measured? Will this be the primary area of potential expansion for the Lottery going forward?

The D.C. Lottery is not currently planning on launching any new online product categories in FY16. Nor do we plan on ending any of our current product

offerings. The D.C. Lottery currently offers its players eleven different online gaming categories to choose from. In FY16 we will focus on the continued sales growth of these product lines. The primary area for potential revenue expansion will come from the reintroduction to the marketplace of a full portfolio of instant tickets. We can expect to see sales growth as high as 37%, or \$15,000,000, from just this one product line. Additionally, we will continue to market and promote our newest online game, Lucky For Life, in FY16 in an effort to attract new players and additional revenue streams. The D.C. Lottery already leads the Lottery industry in Per Capita Luck For Life sales and we are developing a strategic plan for FY16 that will result in continued growth from this new product line. Another area for potential expansion is the Fast Play product line, another product in which the D.C. Lottery has the highest Per Capita sales figures in the Lottery industry. The D.C. Lottery saw significant sales gains in FY15 from increasing our distribution network for the Fast Play games and we seek to continue to leverage those gains into FY16.

Please see below the current Tap-N-Play (online/kiosk based) games:

- Poker Roll
- Poker Cards
- Fast Keno
- Shake'Em
- Heads or Tails
- Cash Vault
- Coverall Bingo
- Balloons Hunter
- Blackbeard's Booty
- Diamond & Pearls
- Stacks of Cash
- Three Wishes

Please see attachment 1 for kiosk locations.

10 What is the status of the Instant Tickets contract?

There are 3 awards for Instant Ticket Manufacturing Services. They are:  
CFOPD-15-C-014, GTech, awarded 12/2/2014.  
CFOPD-15-C-014A, Pollard Banknote, awarded 4/9/2015.  
CFOPD-15-C-014B, Scientific Games Intl., awarded 12/23/2014.

11 What is the status of the Online Games contract?

CFOPD-10-C-038, Intralot, for the Lottery Gaming System has been awarded and will expire on March 29, 2020.

- 12 Please list all RFPs that are out for solicitation or expected to be out for solicitation by the end of FY15 or during FY16, along with a brief description of the work and expected timeline for award.

The following solicitations are currently out for response from potential Offerors:  
All are 100% set-aside for CBE vendors.

CFOPD-15-R-024 for Lottery Mobile Vendor Services with a plan award for FY15

CFOPD-15-R-025 for Lottery Retail Recruitment Services with a plan award for FY15

CFOPD-15-R-027 for Lottery Retail Store Enhancement Services with a plan award for FY15

The following are solicitations forthcoming before the end of FY15 or during FY16 as indicated by DCLB:

Advertising Services – will be issued in FY15 and expected to be awarded by FY16

Public Relations Services – will be issued in FY 15 and expected to be awarded by FY16

- 13 What are your plans for your additional Draw Division (6400) funding?

The additional Draw Division funding, which is housed in the Gaming Operations Program is due to the re-programming of funding in FY'15 that was included in the AFO Program. There was no bottom line impact and this re-alignment was done to reflect the activity in a more appropriate program.

- 14 Please comment on Yellow Book finding 2014-04 – *Weaknesses in Internal Controls over Instant Scratch Tickets*. Please describe changes implemented; frequency of testing the new policies, procedures and internal controls as well as any subsequent changes made as a result of the testing; and what additional training has/is or will be offered to staff and retailers.

The finding pertains to not having monitoring activity in place to make sure retail agents are adhering to our scratch ticket handling procedures. The changes that have been implemented consist of:

- Dedicating employees to oversee retailer inventory ordering and monitor the regulated receipt time frame of distributed inventory. *This measure will dissolve the ability of a retailer to order inventory at will and prevent the stock piling of that inventory. It also eliminates the allowance of inventory sitting in an “in transit” status beyond a 24 hour time frame.*

- Establishing new regulations that require retailer acceptance of distributed inventory within 24 hours of receipt and the activation of that inventory within 30 days of receipt signature. *These measures will provide DCLB the leverage to perform these inventory “status” changes in our inventory management system should the retailer fail to adhere to the regulated time frames. The measures also allow DCLB to take administrative action on the retailers for failure to adhere.*
- Establishing the new 80/45 rule which allows DCLB to invoice retailers once 80% of low tier prizes are awarded or 45 days after activation (whichever occurs first). *This measure allows DCLB to invoice and collect payment for distributed inventory much timelier, which increases cash flow to support operations and the general fund. It also helps to reconcile a retailer’s inventory needs with their inventory wants.*
- Moving the warehouse/ inventory management responsibility from the Sales Department to the Agency Fiscal Office. *This measure allows technical and financial oversight of inventory by individuals who have the finance and accounting background and expertise to evaluate and analyze processes which have financial impact, and translate that activity into financial transactions.*

Training has been provided to all staff involved in the process and will continually be refreshed as needed. As for the agents, sales representatives visited their locations to explain the new processes. In addition, hand-outs detailing the new process were inserted in all shipments beginning February 4, 2015.

- 15 Within the past year, you referenced some potential points of confusion about the legal structure of the DC Lottery because the DC Code is not consistent with federal law. Please provide suggested legislative language to make the DC Code consistent with federal law.

In 2006, Congress Amended the Home Rule Act to transfer the functions and personnel of the Lottery Board to the Office of the Chief Financial Officer (“OCFO”) as a subordinate office within the OCFO. Although changes were made to the Home Rule Act itself, legislation has not been passed to conform the remainder of the D.C. Code to the requirements of the Home Rule Act. As requested, the OCFO is drafting proposed amendments to the D.C. Code to rectify this issue.

Agent Name	Address	Quadrant	ZipCode	MP
DISTRICT LIQUORS	1211 11TH ST	NW	20001	1
LOBBY MART	501 3RD ST	NW	20001	4
KOGOD LIQUORS	441 NEW JERSEY AVE	NW	20001	1
SUBWAY LIQUORS	500 K ST	NW	20001	1
Modern Liquors	901 M St	NW	20001	1
CITY CORNER	2601 SHERMAN AVE	NW	20001	1
NEWS TO GO	420-A RHODE ISLAND AVE	NW	20001	2
800 CORNER STORE	800 NORTH CAPITOL ST	NW	20002	1
WALTER JOHNSON'S LIQ	1542 NORTH CAPITOL ST	NW	20002	1
SUNBEAM MARKET	2324 NORTH CAPITOL ST	NW	20002	1
7-ELEVEN #34498	957 H STREET	NE	20002	1
M JONES COMPANY (DAYS INN) Comcast	2700 New York Ave	NE	20002	2
DC LOTTERY UNION STATION	50 MASSACHUSETTS AVENUE	NE	20002	2
ME & MY SUPERMARKET	1111 H STREET NE	NE	20002	1
CAPITAL HILL SPIRIT	323 PENNSYLVANIA AVE	SE	20003	1
ROLAND'S OF CAPITOL HILL	333 PENNSYLVANIA AVE	SE	20003	2
Harris Bar	436 11TH STREET N.W. #51787	NW	20004	1
GATEWAY NEWSSTAND	1825 I ST	NW	20006	2
Xchange Saloon	1730 PENNSYLVANIA AVE N.W. #51661	NW	20006	1
MCREYNOLD'S LIQUOR	1776 G ST	NW	20006	1
METRO WINE & SPIRIT	1726 COLUMBIA RD	NW	20009	1
18TH EXPRESS CONV.	2335 18TH ST	NW	20009	1
KING'S DELI	3651 GEORGIA AVE	NW	20010	1
GIANT LIQUORS	3504 GEORGIA AVE	NW	20010	1
LOS PRIMOS	3170 MT PLEASANT ST	NW	20010	1
Lions Fine Wine & Spirits	3614 Georgia Avenue	NW	20010	1
ROCK CREEK MARKET	644-646 ROCK CREEK CHURCH RD	NW	20010	1
ARGYLE CONVENIENT	3220 17TH ST	NW	20010	1
SUPER SAVER GROCERY	4413 14TH ST	NW	20011	1
14TH MINI MARKET	3904 14TH ST	NW	20011	1
KWIK STOP	4801 GEORGIA AVE	NW	20011	1
UNEEDA MARKET	4400 GEORGIA AVE	NW	20011	1
GEORGIA AVE FOODBARN	6205 GEORGIA AVE	NW	20011	2
M & S MARKET	213 UPSHUR ST	NW	20011	1
JB LIQUORS	3914 14TH ST	NW	20011	1
UNIV. WINE & LIQUORS	333 HAWAII AVE	NE	20011	1
TAKOMA PARK LIQUORS	6200 EASTERN AVE	NE	20011	1
FAIR LIQUORS	5008 FIRST ST	NW	20011	1
TAKOMA METRO B P	7000 BLAIR RD	NW	20012	1
INTERNATIONAL PROGRESO MARKET	7719 GEORGIA AVENUE	NW	20012	1
MORRIS MILLER LIQUOR	7804 ALASKA AVE	NW	20012	1
GEORGIA AVENUE BP	7605 GEORGIA AVENUE NW WASHINGTON DC	NW	20012	1
TENLEY MARKET	4326 WISCONSIN AVE	NW	20016	1
4-SEASONS CONVENIENCE	4975 SOUTH DAKOTA AVE	NE	20017	1
FREEDOM CITGO	1905 A 9TH ST	NE	20018	1
SYD'S DRIVE-IN LIQUO	2325 BLADENSBURG RD	NE	20018	1
AVONDALE COFFEE SHOP	1909 MICHIGAN AVE	NE	20018	2
JJ LIQUOR	1211 BRENTWOOD RD	NE	20018	1
SOUTH DAKOTA AVENUE CONVENIENCE STORE	2300 SOUTH DAKOTA AVE	NE	20018	1
NEW NEIGHBORHOOD MARKET	1611 RHODE ISLAND AVE	NE	20018	1
Eclipse	2820 BLADENSBURG ROAD N.E. #51589	NE	20018	1
M JONES COMPANIES (CAPITAL AUTO AUCTION)	1905 BRENTWOOD ROAD	NE	20018	1
AST Market	3182-A Bladensburg Rd	NE	20018	1
O'CONNOR'S LIQUORS	2900 MINNESOTA AVE	SE	20019	1
CAPITOL VIEW MARKET	4920 CENTRAL AVE	NE	20019	1
BENNING LIQUORS	3445 BENNING RD	NE	20019	2
THOMAS & SONS MARKET	3425 BENNING RD	NE	20019	1
Deanwood Deli	4058 MINNESOTA AVENUE	NE	20019	1
M JONES COMPANY (TRANSCO CAB)	3399 BENNING ROAD	NE	20019	1
Southern Express Liq	4416 Southern ave	SE	20019	1
TEXAS CONVEIENCE STORE	4350 TEXAS AVENUE	SE	20019	1
DC LOTTERY CLAIM CENTER	2235 Shannon Place	SE	20020	1
FAIRFAX LIQUORS	3851 PENNSYLVANIA AVE	SE	20020	2
RAYMOND'S LIQUORS	3035 NAYLOR RD	SE	20020	1
Kings Café	2100 Martin Luther King Ave	SE	20020	1
HILLCREST EXXON	3201 PENNSYLVANIA AVE	SE	20020	1
PATRON CONV. STORE	3235 PENNSYLVANIA AVE	SE	20020	2
BEST CHECK CASHED	2529 PENNSYLVANIA AVE	SE	20020	1
J & D MARKET	2201 MINNESOTA AVE	SE	20020	1
Gateway Newsstand	420 10th street	SW	20024	2
SAL'S CAFE	400 C STREET	SW	20024	1
SIMPLY SMILES	333 E ST	SW	20024	1
SOUTH CAPITOL SHELL	4700 SOUTH CAPITOL ST	SE	20032	1
L.P. MART	4665 SOUTH CAPITOL ST	SW	20032	1
WHEELER LIQUORS	4137 WHEELER RD	SE	20032	2
RIVERSIDE LIQUORS	2123 E ST	NW	20037	1
DC EXXON	2150 M STREET	NW	20037	2
MARKET OF COLUMBIA PLAZ	516 23RD ST	NW	20037	1
M JONES COMPANIES ( REEVES CENTER )	2000 14 th	NW		2
				95