

RICK SCOTT  
Governor



CYNTHIA F. O'CONNELL  
Secretary

## FLORIDA LOTTERY

July 27, 2012

Cynthia O'Connell  
Florida Lottery Secretary  
250 Marriott Drive  
Tallahassee, FL 32301

Dear Secretary O'Connell:

Section 20.055(5)(h), Florida Statutes, requires the Inspector General to monitor the implementation of the agency's response to any report on the Florida Lottery issued by the Auditor General or by the Office of Program Policy Analysis and Government Accountability. The referenced statute further requires that no later than six months after the findings are published, the Inspector General must provide a written response of the status of actions taken. The purpose of this letter is to provide updated information on the agency's response to the Office of Program Policy Analysis and Government Accountability findings and fulfill these requirements.

In February 2012, the Office of Program Policy Analysis and Government Accountability released its report titled *Recovery Expected in Lottery Revenue; Options Remain to Enhance Transfers*. The report outlined two recommendations. The following details each recommendation and the current progress of Lottery staff to address each recommendation:

- 1) Evaluate the benefits of adding a fast keno game and continue to assess the option of offering another multi-state lottery game.

*Recommendation: Introducing fast keno has the potential to significantly increase transfers to education. A second multi-state super jackpot game could also increase transfers to education, but more data on experience in other states is needed to estimate net sales revenue in Florida. The Lottery should carefully evaluate the benefits of offering fast keno and another multi-state game and provide the results to the Legislature.*

**Status of Recommendation:** The Lottery is actively researching the advantages and disadvantages of offering a second multi-state game in Florida. Specifically, since March of this year, the Lottery:



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- Has requested and received updated projections of the Florida net sales impacts of a second multi-state game from both the Multi-State Lottery Association and GTECH.
- Has conducted its own analysis of the implications for Florida Lotto of adding a second big-jackpot, multi-state game.
- Has conducted, through its marketing research vendor, Ipsos-Reid, a web-based survey of 800 lottery players regarding offering the second multi-state game.

All of these results are now under consideration as the Lottery finalizes its product/promotion plan for FY 2012-13.

A Keno-styled Terminal game - but not "fast-draw" Keno - was among a number of prospective new games discussed with players and Lottery retailers in focus group research completed this month.

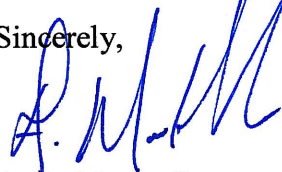
- 2) Consider using alternative retailer payment terms in its future contract to attract and retain quality retailers while maximizing revenues to the state.

*Recommendation: Alternative payment terms could include fixed fees with incentive payments, staggered commission rates, and commission caps. For example, if the Lottery capped retailer sales commissions at \$1 per ticket sale and subsequently relaunched a \$30 scratch-off game, the Lottery could save about \$2 million in retailer sales commissions by saving \$.50 per ticket sale.*

**Status of Recommendation:** The Director of Sales and the Deputy Secretary for Research and Product Development recently presented a set of recommendations for changes to the retailer compensation structure. These recommendations were based on the Lottery's "Retailer Compensation Study," submitted to the Legislature in January 2010; a follow-up financial feasibility study completed in November 2011; and, new break-even cost estimates done for each recommendation. The recommendations also reflected the Lottery's continued interest in growing its retailer network by introducing a degree of flexibility in retailer set-ups.

If you require additional information in these matters, please feel free to contact me at your earliest convenience at 487-7726.

Sincerely,



Andy Mompeller  
Inspector General

Cc: Kathy Dubose, Coordinator, Joint Legislative Auditing Committee