

# **STATE OF COLORADO**

## **Colorado Lottery Commission Governance Manual**

**Amended and Adopted June 10, 2009**

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## **Introduction**

The Colorado Lottery Commission plays an important role in the oversight and governance of the Colorado Lottery and in fulfilling their fiduciary duties with regards to all Lottery games operated by the Lottery. The Commission believes that a sound governance framework is essential to fulfilling this role successfully. As part of its efforts to build and maintain sound governance framework, the Commission has authorized and prepared this governance manual.

The manual contains important documents and procedures that together describe the governance framework within which the Commission will set policy, rules and oversee the operations of the Colorado Lottery per statutory authorization. The Commission intends that this manual will serve as a resource and framework for both new and experienced Commissioners, and therefore encourages Commissioners to periodically review its contents and periodically update this manual as needs change. This manual will also help the general public and Lottery players in understanding the role of the Commission and the governance process and procedures of the Commission.

This manual contains the directives, roles and policies for the operation of the Colorado Lottery Commission.

## ARTICLE I

### MISSION, PRIMARY GOALS

#### Section 1 Mission

The Colorado Lottery Commission shall operate as prescribed by Colorado Revised Statutes in the oversight of lottery games established and supported by the Colorado Lottery. This includes conducting all functions noted in the Colorado statutes and conducting Commission public meetings and hearings as well as review of reports prepared by the Colorado Lottery..

**Mission Statement:** To ensure that all games marketed by the Colorado Lottery are: done with security and protection of the integrity of the games and organization of the Colorado Lottery; and, to ensure that all Colorado Lottery games are representative of the values of the State of Colorado and its citizens.

The Commission shall maintain records of all actions taken by the Commission, as required by statute.

#### Section 2 Primary Goals

- (a) Provide oversight and guidance to the Colorado Lottery to ensure the safe, honest, and accountable sale and accounting of all Lottery games to ensure the maximum return of gaming revenue to the beneficiaries of Colorado Lottery proceeds as designated by the State Constitution and related state statutes.
- (b) Exercise functions as fiduciaries of the People of the State of Colorado, solely in the interest of the Colorado Lottery and the citizens of the State of Colorado. This includes, but is not limited to, the review of all accounting reports and audit reports to ensure the highest level of business integrity for all Lottery games and operations.
- (c) Be responsive and flexible to meet Colorado citizen and Lottery needs while balancing costs of Lottery game products and services with the need for maximum revenue and efficient operations.
- (d) Provide prompt approval of rules for new games as requested by the Lottery and ensure that rules for all games are properly enforced and accounted for.
- (e) Assure quality service by the Colorado Lottery to Lottery players and beneficiaries.
- (f) Seek input and feedback of Lottery players and citizens through various means such as surveys and focus groups to ensure that the Colorado Lottery continues to meet the needs of its citizens and while still maximizing revenue.
- (g) To conduct such other research of players, games and operations of other Lotteries to determine what games should be offered and what games should be implemented in Colorado.

## **ARTICLE II**

### **DEFINITIONS**

#### **Section 1 Definitions**

(a) Commission. The term "Commission" means the State of Colorado Lottery Commission as defined in § 24-35-201 C.R.S..

(b) "Commissioner" means one of five individuals appointed by the Governor of Colorado to serve as a member of the State Lottery Commission.

(c) The term "Lottery" shall mean the Colorado Lottery as defined and established under § 24-35-201 C.R.S., State Lottery Division.

(d) The term "Game Rules" shall mean those individual game descriptions, pricing, play style and graphics which are used to describe how a game is designed, how it is played, how a winner is determined, what the prize structure of the game will be and the anticipated inventory for the game, if applicable.

(e) Committee. The term "Committee" refers to any sub-group of the five Commissioners established to review or control any aspect of the Commission's work or oversight efforts.

(f) Chairman.

The term "Chairman" refers to the duly elected Commissioner who acts as the Chairperson of the Commission, and is elected annually from the Commission members by majority vote.

(g) Vice Chairman

The term "Vice Chairman" refers to a Commission member who serves as the Vice Chairperson of the Lottery Commission, and is elected annually from the Commission members by majority vote.

(h) "Lottery" means the Colorado Lottery as established by statute § 24-35-201 C.R.S. Part 2.

(i) "Director" means the Colorado Lottery Director as specified by § 24-35-201(2), C.R.S..

## **ARTICLE III**

### **LEGAL AND PROCEDURAL**

#### **Section 1 Federal Law**

(a) The Colorado Lottery is authorized to operate any and all Lottery games which are specifically not prohibited by Federal or state gambling laws and that do not violate any Federal or state statutes dealing with inter-state gambling or funds transfer.

(b) Specifically authorizes the Colorado Lottery to enter into agreements with such multi-state Lottery games as are in the best interest of the People of the State of Colorado.

## **Section 2 Colorado State Law**

(a) Colorado Revised Statutes, § 24-35-201, et seq., State Lottery Division, (provides the statutes governing the Colorado Lottery and the Lottery Commission.

(b) Colorado Revised Statutes, § 16-2.5-125, provides for the definition of security officer status within the Colorado Lottery.

## **Section 3 Commission Election Procedures**

In accordance with State statutes, the Commission has promulgated procedures for conducting the annual elections of the Chairman and Vice Chairman of the Commission.

These procedures were adopted on **August 13, 2008. [Date will be update upon adoption]**

## **Section 4 Amendments to the Colorado Lottery Commission Governance Manual**

From time to time, the Lottery Commission may amend this Governance Manual as the Commission determines to be appropriate.

## **ARTICLE IV**

### **ORGANIZATIONAL STRUCTURE AND COMMISSION OPERATION**

#### **Section 1 State Lottery Commission**

(a) The Commission shall be responsible for establishing, maintaining and modification of the rules of all games operated by the Colorado Lottery.

(b) The Commission recognizes that it is a fiduciary with regard to its duties and responsibilities under all of the Lottery games and shall carry out such duties and responsibilities solely in the interest of the State of Colorado and beneficiaries and for the exclusive purpose of providing maximum revenue to the beneficiaries and defraying reasonable expenses incurred in performing such duties as required by law. The Commission shall act in accordance with provisions of the State statutes and its' overall Mission and goals as stated in the governance manual.

#### **Section 2 Commission Membership**

In compliance with C.R.S. 24-35-201, Part 2, as amended, the Commission is composed of five members. In accordance with C.R.S. 24-35-207(1), 24-35-207(2) and 24-35-207(3), these five members are appointed by the Governor with the consent and approval of the Colorado Senate. At least one member of the Commission shall have been a law enforcement officer for not less than five years; at least one member shall be an attorney admitted to the practice of law in Colorado for not less than five years; and at least one member shall be a certified public accountant who has practiced accountancy in Colorado for at least five years. All appointments

shall be for terms of four years, but no member of the Commission shall be eligible to serve more than two terms.

### **Section 3      Commission Officers**

In accordance with C.R.S. 24-35-207, paragraph (1) there is created a chairman and vice-chairman of the Commission each elected from the membership for a one year period based upon fiscal year designation by the State of Colorado. At the first monthly meeting of each fiscal year, the Commission will conduct elections for the positions of Chair and Vice-Chair. In the event that the Chair can no longer serve the remainder of the term during the year, the Vice-Chair shall assume all authority and responsibilities of the Chair. In such an event, a new election for Vice-Chair would be conducted.

### **Section 4      Staff**

Under C.R.S. 24-35-204 and 24-35-208, as amended, the staff available to the Commission shall be provided by the Director of the Lottery or his designate. This includes staff for research, administration of the Commission, special studies requested by the Commission, rule reviews requested by the Commission and the preparation of any rules and reports required to be published by the Commission or requested by the Commission.

### **Section 5      Professional and Consultant Services**

The Commission may request to the Director for a contract with appropriate professional and consulting firm experts and/or Lottery service providers to analyze, advise and provide other services relating to the design, administration, legal, investment, communication and marketing of the Lottery games and any other matters requiring expert opinions, including Lottery statutory authority review and lottery consultants outside of those provided by the Colorado Lottery.

### **Section 6      Record Keeping and Administrative Operations**

The Commission is required by statute to maintain a voice recording of all meetings of the Commission for a period of no less than three years. All written records of Commission meetings are required to be maintained and stored indefinitely.

The Commission shall meet at least monthly. The Commission shall meet at other times as requested by the Chairman, two other commission members or the Lottery Director. Notice of such meetings must be made at least seventy-two (72) hours in advance for public notice. This notice can be waived under emergency circumstances.

A majority of the Commission is required to have a quorum and any final determination on any issue must be by a majority of the Commission.

By at least a majority vote the Commission can vote to go into Executive Session by a two-thirds vote, for the express purpose of discussion of legal services as determined to include Attorney/Client privileged information, pending legal actions, vendor contract conditions of a legal

nature, personnel actions, or security of games or operations within the Lottery, that if disclosed to the public would compromise some aspect of the gaming operations or for any other reasons authorized by law. Decisions made during Executive Session can only be passed by at least a 2/3 vote of commissioners.

## **Section 7 Meeting Agenda**

The staff of the Lottery Director will prepare the meeting agendas with input from the Commission Chairman. At least one week prior to the meeting agendas will be delivered to Commission members and posted for public review and notice. Although agenda items may vary from month to month the Commission, in addition to other business, should consider, at least annually, reviewing the following activities of the Colorado Lottery:

Product sales performance review, including revenue returned to beneficiaries

Budget Expense Review

Staff Performance Feedback

Elect Commission Officers

Strategic Planning Retreat

Financial Statements Review

Retailer License Fee Review

Conduct hearings on complaints charging violations of Lottery statute or rules

Conduct review of Lottery statute C.R.S. 24-35-202, Part 2, as amended for the purpose of ascertaining defects in rules or statutes to formulate recommendations for changes.

Report to the Governor, Attorneys General, speaker of the house of representatives, the president of the senate, and minority leaders of both houses as to any matters which the Commission deems to require an immediate change in the laws of the state in order to prevent abuses and evasions of statute or to rectify undesirable conditions in connection with the administration or operation of the Lottery.

To set the amount of performance bond required of persons entering into contracts to provide materials, equipment, or supplies used in the operation of the Lottery or to design or install games or lotteries in the State Marketing Analysis Report review.

Conduct hearings on any complaints from players or other individuals, specifically except complaints from licensed retailers.

## **Section 8 Meeting Procedures**

Commission meetings may be conducted, to the extent feasible, in a manner consistent with Roberts Rule of Order. The final decision rests with the Chairman of the Commission.

## **Section 9 Commission Action**

If a quorum is present at meetings, actions can be taken by the Commission. Motions will be passed or voted down by a simple majority vote. The Chair is eligible to vote on all motions. Commission members may participate at meetings through telephone or other appropriate



electronic media approved by the Commission and shall be treated as present for purposes of determination of a quorum, voting on motions and other lawful actions of the Commission.

## **Section 10 Public Record and Public Participation**

(a) Formal minutes of each meeting, excluding Executive Commission Meetings, will be maintained by the staff in accordance with Colorado Open Meeting Laws, C.R.S. 24-6-402. A draft of the minutes will be provided to the Commission for review and formal adoption at a subsequent meeting. Upon formal adoption minutes will be posted to the State Lottery's website and will be available for public distribution upon request.

A tape recording of the meeting will also be made available for public review for 90 days. Executive sessions must be electronically recorded except if the attorney indicates the matters to be discussed are privileged attorney-client communication, then no record is kept of the executive session. There must be a written statement signed by the attorney that the portion of the executive session not recorded constituted a privileged attorney-client communication and a signed statement from the chair of the executive session attesting that the portion of the executive session that was not recorded was confined to the topic authorized for discussion in executive session.

(b) Members of the public may request that staff place their names on the email list for reminders to meetings. The agenda shall be attached to the e-mail reminder. If a company wishes to be placed on the distribution list, a primary contact should be identified. Agendas will be available one week prior to the meeting and minutes will be available one month after the meeting on the Colorado Lottery website and such other websites as required by statute.

(c) Non-confidential documents that have been provided to the Commission during meetings will, upon request, be provided to members of the public. Interested persons should contact staff following the meetings. Copying of documents may be subject to a service charge of \$0.25 per page in accordance with State of Colorado FOIA guidelines.

(d) A public record of all meeting attendees will be maintained by the staff. If an attendee specifically objects to disclosing their name for the public record, they shall still be allowed to attend the public meeting.

(e) The Commission welcomes the participation of all Lottery players and the public. Interested parties should contact the staff at least two weeks prior to the scheduled Commission meeting to request agenda time. The Commission Chair will determine the appropriateness and, if time permits, inclusion in the agenda.

## **Section 11 Meetings**

### **(a) Open Meetings**

Meetings will be open to the public at all times under Colorado Open Meetings Law C.R.S. 24-6-401 & 402, as amended except when an executive session is required.

### **(b) Closed Meetings**

Executive sessions will be convened for consideration of matters that are required to be kept confidential by state statute or rule, matters subject to attorney-client privilege, or other matters of exception from the Colorado Open Meetings Law pursuant to C.R.S. 24-6-402(3)(a).

An executive session requires an affirmative vote of two-thirds of the Commission members (3 members) and a citation to the specific authorizing provision C.R.S. 24-6-402(3). An example of the latter would be the development of a Request for Proposal or the evaluation of bid responses.

## **Section 12 Commission Expense Reimbursement**

All Commission members are compensated as established by the Colorado Revised Statute when official Lottery business is conducted by the Commission. All Commission members are reimbursed for travel and necessary expenses in the performance of their duties, including attending all Commission meetings, retreats, Lottery conventions and other Lottery related training sessions and meetings attended. There is no direct compensation for Commission members on an hourly rate. Travel and parking expenses for meeting attendance will be reimbursed by the Lottery in accordance with State fiscal rules. The Commissioners will not be reimbursed for expenses incurred by spouses, family members, or companions, alcohol, or personal entertainment.

## **ARTICLE V**

### **ROLES, RESPONSIBILITIES, AND DUTIES**

#### **Section 1 Commission**

The Commission is responsible for the establishing rules for all games conducted by the Colorado Lottery, including the following duties.

- (a) Establish rules governing operation of the Lottery as recommended by the Lottery Director. Rules to include:
  - a. Types of Lotteries to be conducted;
  - b. Price of tickets;
  - c. Numbers, sizes and payment of prizes;
  - d. The manner of selection of winning numbers or designs and the prize share of combinations. All drawings are public drawings and no employees of the Lottery or Commission members can select the numbers. All drawings for winners of prizes shall be witnessed by an auditor employed by a certified public accountant firm;
  - e. The frequency of the drawings;
  - f. The types of locations where tickets are sold;
  - g. The methods used to sell tickets, considering that all sales shall be on a cash only basis;
  - h. The manner and amount of compensation to be paid to licensed agents of the Lottery;
  - i. The manner of collection of sales revenues;
  - j. Payment of costs for investigations or background checks, which shall be paid by the vendor/supplier or licensee.

- (b) Establish rules, regulations and procedures for the administration of the games including instructions governing instant scratch games..
- (c) Determine any fees associated with the Licensing of retailers.
- (d) Conduct periodic review of Lottery operations, game performance, and Lottery budget.
- (e) Exercise fiduciary responsibility for the games solely in the interest of the State of Colorado and the Lottery beneficiaries.

## **Section 2      Commission Chair**

The Commission Chair, or Vice Chair in absence of Chair, is responsible for the following duties.

- (a) Conduct meetings.
- (b) Approval of game rules.
- (c) Review and approve agendas.

## **Section 3      Lottery Director**

The Lottery Director shall provide administrative and technical support to the Commission, which includes:

- (a) Work as liaison with all vendors and suppliers to manage the contract, including developing new games, retailer terminals, communications networks, and all gaming rules and materials.
- (b) Develop various commission reports.
- (c) Attend all Commission meetings.
- (d) Prepare and route contract amendments per procurement process.
- (e) Manage accounting and all financial reporting; prepare annual budget and financial statements, and accounting responsibilities for the Lottery.
- (f) Provide customer service to Lottery players and customers.
- (g) Review and make recommendations on games, game changes, rule changes, statute changes, organizational and policy/procedure changes.
- (h) Review paperwork for all scratch games prior to submission to the Commission.
- (i) Research issues for Lottery players and the Commission.
- (j) Advise the Commission of any legislative or Federal gambling law changes.
- (k) Develop and assist in the evaluation of request for proposals that may be required for gaming services or products, marketing/recordkeeping services and any other services that may be required of the Colorado Lottery.
- (l) Prepare and monitor contracts with vendors and consultants
- (m) Develop procedures manual, including internal controls for accounting, operations and security of the Lottery.

## **Section 4      Attorney General and Legal Counsel**

The Attorney General and any other outside Legal Counsel as approved by the Attorney General shall provide legal advice to the Plans upon the request of the Commission.

## **ARTICLE VI**

### **CODE OF ETHICS AND STANDARDS OF CONDUCT**

#### **Section 1 Code of Ethics and Standards of Conduct**

Lottery Commissioners are subject to all applicable ethical standards, including but not limited to Colorado Constitution Article XXIX, Colorado Revised Statutes, 24-18-101 et seq. and Colorado Revised Statutes 24-35-209. In addition to:

- (a) Shall recognize and be accountable for their responsibilities as fiduciaries.
- (b) Shall exercise prudence and integrity in the selection and monitoring of Lottery games and the management of Lottery funds.
- (c) Shall avoid engagement in any activity or business that creates a conflict interest.
- (d) Shall accept no fee, compensation, gift, payment of expense, or any other item of monetary value, under circumstances in which the acceptance may result in an undertaking to give preferential treatment to any person or company or would result in any loss of complete, independence, or impartiality.
- (e) Shall not disclose, use or allow others to disclose or use for private gain confidential information acquired by virtue of employment or position.
- (f) Shall not engage in conduct involving dishonesty, fraud, deceit, or misrepresentation.

Each Commission member must certify they have read the code of conduct each year.

#### **Section 2 Employment with Vendors or Service Providers**

All Lottery employees and Commission members are prohibited from being employed by a vendor or service provider under contract with the Lottery Division for a period of one year following release or termination from their position with the Lottery.

## **ARTICLE VII**

### **SPECIAL CUSTOMER SERVICE AND SURVEYS**

#### **Section 1 Customer Service**

The Commission ensures there is strong, accurate and friendly customer service to all Lottery players, the general public, beneficiaries, Lottery employees and related governmental entities.

#### **Section 2 Player Surveys**

Lottery games will be designed around the interests of its players. Every two years, Lottery marketing department shall conduct a satisfaction survey of its Players and beneficiaries to determine:

- (a) Satisfaction with games provided or services received;
- (b) Satisfaction with gaming options;
- (c) Evaluation of Commission, Lottery Director, Lottery operations and service providers to measure improvements in game awareness, growth of sales outlets and growth in proceeds to the community;

(d) Recommendations for Lottery game improvements or operations improvements.

## **ARTICLE VIII**

### **ACCOUNTING AND AUDITING**

#### **Section 1 Internal Controls**

The Commission shall monitor and review Lottery internal controls for the protection of players and residents of Colorado. Lottery sales and revenues are directed to specific beneficiaries as determined by vote of the residents of Colorado. They are accounted for and processed in accordance with the generally accepted accounting principles.

#### **Section 2 Contract Compliance**

The Lottery Director shall insure the proper monitoring of all contract compliance in accordance with the terms of each contract. At least once per year the Director shall, upon the request of the Commission, report to the Commission the status of each contract and any issues dealing with each contract for services.

#### **Section 3 Performance Audit**

The Commission shall review all performance audits conducted on the Colorado Lottery as required by statute. These reviews may be conducted on an annual basis or at other times as may be deemed appropriate by the Commission. These reviews will identify financial, internal control, and compliance issues to be addressed during on-site audits of the Colorado Lottery and service providers and provide assurance of their financial stability on an annual basis. The Commission or the Lottery Director may authorize the conduct of on-site financial and compliance audits to provide assurance to the Colorado Lottery assets are properly accounted for and gaming operations and service providers are in compliance with contractual provisions.