

MONTANA LOTTERY

Department of Administration

LOTTERY DRAWING OBSERVATION

Invitation for Bid

Bidder Information

April 2005

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SECTION I – PROJECT OVERVIEW AND GENERAL PROVISIONS

The following information was assembled by the Legislative Audit Division (hereinafter referred to as “State”) in consultation with the Montana Lottery, (hereinafter referred to as “Agency”) to aid prospective auditors in the preparations of their bid.

Project Overview

The State invites you to submit a bid for the Lottery Drawing Observation, in which a certified public accounting firm is engaged to observe and report on Montana Cash and special lottery drawings. A more complete description of the services sought for this engagement is provided on Page 4. Bids submitted in response to this invitation must comply with the instructions and procedures contained herein.

General Provisions

1. It is our intent to award a contract to the winning bid for drawing observations for three fiscal years ending June 30, 2006; June 30, 2007; and June 30, 2008. Renewals of the contract, contingent upon satisfactory performance by the successful bidder, may be made after the initial contract period for two-year intervals, or any interval that is advantageous to the State.
2. By submitting a response to this invitation for bid, the bidder agrees to acceptance of the standard terms and conditions and contract as set out in Appendices A and B. The State reserves the right to make any changes to the standard terms and conditions and/or contract.
3. Employees, or members of their households, of any firm auditing or investigating the Agency are prohibited from purchasing lottery tickets. The successful bidder must inform all firm employees that they and members of their household cannot play any Montana Lottery games, including scratch games. The successful bidder will maintain a copy of a signed document in an appropriate file as proof that the employee has been so informed. The successful bidder shall provide annual certification to the State and the Agency stating all employees have been advised of this requirement. The successful bidder will provide the State and the Agency with names and addresses of all officers, directors, and owners of the firm.
4. The successful bidder will be required to provide proof of worker’s compensation insurance or an Independent Contractor Exemption before the contracted work is to begin and must be kept current for the entire term of the contract.
5. The current review of Lottery drawings is being conducted by a firm under contract with the State and the Agency for the fiscal year ending June 30, 2005. That review is being performed at a cost not to exceed \$8,000 (excluding travel costs). Other compensation, for observations in addition to the regular bi-weekly drawings, is currently contracted as follows: \$50.00 per hour for staff time, \$0.31 per mile, and actual lodging costs not to exceed \$80.00 per night.
6. The State has established a bid evaluation process which will consider the following: appropriate background and experience; appropriateness and adequacy of proposed

procedures; reasonableness and appropriateness of time estimates; appropriateness of assigned staff levels; timeliness of expected completion; technical experience, qualifications, size and structure of firm; and cost. Bids will be opened and evaluated in Room 160, State Capitol, at 9 a.m. on June 3, 2005.

7. The State will provide a maximum of four hours consultation to the successful contract auditor without charge. If the State provides consultation in excess of four hours, the contractor will be charged at the average hourly rate bid by the contractor for the engagement or the state rate, whichever is greater. The firm will be kept advised of these charges.
8. The auditor must hold an entrance conference with representatives of the Agency at contract commencement and an exit conference at the end of each year if the annual report includes any findings, recommendations, or management letter.
9. Any or all work papers supporting the audit report must be made available to State upon request, at the Legislative Audit Division offices. All engagement documentation must be kept for a period of time, as specified in the contract.
10. The information provided in this document is intended provide a reasonable basis for the preparation of a bid. Any questions regarding this invitation should be submitted to Angie Lang, contract liaison at (406) 444-3122 or alang@mt.gov.

SECTION II – MONTANA LOTTERY INFORMATION

Lottery Background

The Agency was created by the electorate through passage of Referendum 100 during the November 1986 general election. When the referendum passed, the "Montana State Lottery Act of 1985" became effective. This act can be found in Title 23, chapter 7, MCA.

The Agency, which is headquartered in Helena at 2525 North Montana Avenue, designs and markets lottery games that allow players to purchase chances at winning various prizes. A five-member commission, appointed by the Governor, sets policy and oversees activities and procedures of the Agency. The governor also appoints an Agency director who coordinates the Agency's marketing, operations, security, and administration divisions. The website address for the Agency is: <http://www.montanalottery.com/>

The Montana Cash drawings take place every Wednesday and Saturday evening at Agency headquarters in Helena.

Descriptions of Drawings to Be Observed

This contract relates to observing twice weekly drawings for the Montana Cash game. The auditor is also responsible for observing special lottery drawings that are scheduled periodically at Lottery headquarters or a special location.

Montana Cash Drawings

Montana Cash drawings are generally held between 8:00 and 8:30 p.m. every Wednesday and Saturday evening at the Lottery headquarters in Helena. On special occasions, these drawings may be held at another location, including outside Helena. The auditor must be at the Agency headquarters or other specified location by 7:45 p.m. on every Montana Cash drawing day to observe the pre-test and actual drawing process. Each drawing takes approximately 1 hour; although on occasion, if a "lock down" occurs, the drawing could take up to 4 hours. A "lock down" becomes necessary if the Lottery's records show any imbalance. Lock downs happen infrequently. Appendix C contains the Montana Cash draw procedures.

Special Lottery Drawings

There are also special lottery drawings that may take place periodically at Agency headquarters or at another location outside Helena when decided as appropriate by the Agency. The Agency is currently not planning any special drawings, however if special drawings occur, the Agency will provide special draw procedures as needed.

SECTION III – SCOPE OF WORK REQUESTED

Scope of Work Requested

1. The observations and reviews will be performed in accordance with procedures agreed upon by the successful bidder and the Agency. The engaged auditor will conduct the agreed upon procedures in accordance with the standards published in the AICPA Industry Audit Guide, Audits of State and Local Governments (GASB 34 Edition) - AICPA Audit and Accounting Guide and Government Auditing Standards (2003 revision), published by the United States Government Accountability Office and generally accepted auditing standards issued by the AICPA.
2. Due to the importance of having an auditor present at the drawings (an independent auditor must be present for the drawing to take place), the contract auditor will have a backup person (another qualified person) designated and available. This will ensure the Agency will be able to perform the drawings in a timely manner.
3. The contract auditor will be in physical control of and responsible for the seals used to ensure the integrity of the Montana Cash game drawing equipment. The Agency will supply the successful bidder with the seal inventory.
4. The engaged firm will be required to observe the pre-drawing tests, the drawings, the official record of each draw, and to note any discrepancies. The firm will be required to review the applicable drawing procedures as developed by the Agency in order to determine that such procedures are adequate to ensure:
 - All drawings are conducted in accordance with applicable laws and rules.
 - All drawings are conducted in a secure, honest and fair manner.
5. The engaged firm must provide letters, within two weeks of each drawing, to the State describing the observation of each Montana Cash and special lottery drawing, and any discrepancies noted. An example of the letter currently being provided by the engaged audit firm is in Appendix D.
6. The engaged firm must write a management report that addresses management, internal control and compliance issues for each fiscal year. The prior audit report for fiscal year ended June 30, 2004, contained no recommendations. Copies of prior audit reports are available upon request from State.
7. The engaged firm must obtain written Agency replies to management, internal control and compliance recommendations. The agency must be allowed two weeks to respond to the final audit report. If any other entities are involved in implementing a recommendation, the entity must be invited to respond in writing to the recommendation.
8. The engaged firm must prepare a summary of recommendations, including notation of Agency concurrence or non-concurrence.
9. The engaged firm must print and submit 75 copies of the bound report to the State. The report will be bound in covers provided by the State. The report will include a transmittal letter provided by the

SECTION III – SCOPE OF WORK REQUESTED

State. Reports must be provided to the State by October 15, of each fiscal year. The engaged firm will make an appearance before the Legislative Audit Committee to present its annual report.

10. During the term of this contract, the Agency may introduce a game or games requiring a contract auditor to be present for drawings conducted more often than two evenings per week. Please include a separately itemized per occurrence charge for this contingency in your bid response.
11. Please include an itemized breakdown of travel costs for any audited drawing held outside Helena. This must include the charge per hour of staff time, the charge per mileage for vehicle use and a maximum lodging cost per night.

Bid Response Procedures

Your bid should be designed to demonstrate your understanding of the work required, the ability and qualification of your firm in relation to the work and your firm's charges to accomplish the work. Your bid must be clearly labeled for the engagement it relates to, dated and signed by the responsible party with contact information included.

Your response should include the following information:

- 1) Your firm.
- 2) Designated contact person at your firm, including a telephone number and e-mail address.
- 3) Your bid cost proposal to conduct observations of the Lottery drawings as described in the aforementioned requirements for fiscal years 2006, 2007, and 2008. In addition include rates you would charge for travel if required, and the name(s) of the individuals who would observe the drawings and serve as backups.
- 4) Estimated hours for completion of the contract each year (excluding travel).

Your completed bid must be sealed in an envelope and labeled "Bid – Montana Lottery Drawing Observation" and delivered to:

Legislative Audit Division
Room 160, State Capitol
PO Box 201705
Helena MT 59620-1705

By 5:00 p.m. May 31, 2005

SECTION III – SCOPE OF WORK REQUESTED

Award Notification

After the response deadline has passed, the State and the Agency will award the contract to the complete responsive low bidder within the constraints described in this document. A response is considered to be “complete” if it is presented in the manner described in this document. After the successful bidder is selected a contract requiring the signatures of the State, Agency, and the contracted firm will be prepared.

APPENDIX A

Standard Terms and Conditions

ACCEPTANCE/REJECTION OF BIDS, PROPOSALS, OR LIMITED SOLICITATION RESPONSES: The Legislative Audit Division, (herein referred to as the "State"), reserves the right to accept or reject any or all bid responses, wholly or in part, and to make awards in any manner deemed in the best interest of the State. Bid responses will be firm for 30 days, unless stated otherwise in the text of the invitation for bid.

ALTERATION OF SOLICITATION DOCUMENT: In the event of inconsistencies or contradictions between language contained in the State's solicitation document and a vendor's response, the language contained in the State's original solicitation document will prevail. Intentional manipulation and/or alteration of solicitation document language will result in the vendor's disqualification.

ASSIGNMENT, TRANSFER AND SUBCONTRACTING: The contractor shall not assign, transfer or subcontract any portion of the contract without the express written consent of the State.

COMPLIANCE WITH LAWS: The contractor must, in performance of work under the contract, fully comply with all applicable federal, state, or local laws, rules and regulations, including the Montana Human Rights Act, the Civil Rights Act of 1964, the Age Discrimination Act of 1975, the Americans with Disabilities Act of 1990, and Section 504 of the Rehabilitation Act of 1973. Any subletting or subcontracting by the contractor subjects subcontractors to the same provision. In accordance with section 49-3-207, MCA, the contractor agrees that the hiring of persons to perform the contract will be made on the basis of merit and qualifications and there will be no discrimination based upon race, color, religion, creed, political ideas, sex, age, marital status, physical or mental disability, or national origin by the persons performing the contract.

CONFORMANCE WITH CONTRACT: No alteration of the terms, conditions, delivery, price, quality, quantities, or specifications of the contract shall be granted without prior written consent of the Legislative Audit Division.

DEBARMENT: The contractor certifies, by submitting this bid, that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction (contract) by any governmental department or agency. If the contractor cannot certify this statement, attach a written explanation for review by the State.

DISABILITY ACCOMMODATIONS: The State of Montana does not discriminate on the basis of disability in admission to, access to, or operations of its programs, services, or activities. Individuals, who need aids, alternative document formats, or services for effective communications or other disability-related accommodations in the programs and services offered, are invited to make their needs and preferences known to this office. Interested parties should provide as much advance notice as possible.

FAILURE TO HONOR BID: If a bidder to whom a contract is awarded refuses to accept the award or, fails to deliver in accordance with the contract terms and conditions, the State may, in its discretion, suspend the bidder for a period of time from entering into any contracts with the State.

FORCE MAJEURE: Neither party shall be responsible for failure to fulfill its obligations due to causes beyond its reasonable control, including without limitation, acts or omissions of government or military authority, acts of God, materials shortages, transportation delays, fires, floods, labor disturbances, riots, wars, terrorist acts, or any other causes, directly or indirectly beyond the reasonable control of the non-performing party, so long as such party is using its best efforts to remedy such failure or delays.

HOLD HARMLESS/INDEMNIFICATION: The contractor agrees to protect, defend, and save the State, its elected and appointed officials, agents, and employees, while acting within the scope of their duties as such,

harmless from and against all claims, demands, causes of action of any kind or character, including the cost of defense thereof, arising in favor of the contractor's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omissions of the contractor and/or its agents, employees, representatives, assigns, subcontractors, except the sole negligence of the State, under this agreement.

LATE BIDS AND PROPOSALS: Regardless of cause, late bids will not be accepted and will automatically be disqualified from further consideration. It shall be solely the vendor's risk to assure delivery at the designated office by the designated time. Late bids will not be opened and may be returned to the vendor at the expense of the vendor or destroyed if requested.

PAYMENT TERM: All payment terms will be computed from the date of receipt of a properly executed invoice. Unless otherwise noted in the solicitation document, the State is allowed 30 days to pay such invoices.

SEPARABILITY CLAUSE: A declaration by any court, or any other binding legal source, that any provision of the contract is illegal and void shall not affect the legality and enforceability of any other provision of the contract, unless the provisions are mutually dependent.

SOLICITATION DOCUMENT EXAMINATION: Vendors shall promptly notify the State of any ambiguity, inconsistency, or error, which they may discover upon examination of a solicitation document.

TERMINATION OF CONTRACT: Unless otherwise stated, the State may, by written notice to the contractor, terminate the contract in whole or in part at any time the contractor fails to perform the contract.

U.S. FUNDS: All prices and payments must be in U.S. dollars.

APPENDIX B
AUDIT CONTRACT

BY THIS CONTRACT, made this ___ day of _____ 2005, by and between the Montana State Legislative Audit Division, hereinafter referred to as the "State," and the Montana Lottery, hereinafter referred to as the "Agency," and _____, Federal Employer No. _____, hereinafter referred to as the "Accountants," it is hereby agreed that:

1. The Accountants will conduct observations of Montana Cash and other special drawings conducted by the Montana Lottery of the State of Montana, for the three fiscal years ending June 30, 2006, 2007, and 2008. Due to the importance of having an auditor present at the drawings (an independent auditor must be present for the drawing to take place), the Accountants will have a backup person designated, to ensure the Agency will be able to perform the drawings in a timely manner.
2. The observation work shall include any other requirements set forth in the bidder information prepared by the State for this audit. Such bidder information is by this reference made a part of this contract, except as expressly modified by the terms of this contract.
3. The Accountants shall render a comprehensive written report of comments and recommendations to the State which shall include, but not be limited to, the following matters:
 - a. Actions taken by the Agency on recommendations and findings in the areas of Montana Cash and special drawing activities, which were included in the last audit report.
 - b. Agency's compliance with applicable state and federal statutes and regulations.
 - c. Any Agency program or activity not authorized by the Legislative Assembly that may be noted during the audit.
 - d. Any serious inadequacies in operating controls and procedures that may be noted during the drawing observations together with the Accountants' recommendations.
 - e. Any inadequate record or records which do not comply with statutory or other requirements that may be noted during the drawing observations.
 - f. Any duplications and inefficiencies in record keeping or operating procedures that may be noted during the drawing observations.
 - g. A table of contents and numbered pages.
 - h. A summary of recommendations, including notations of the Agency's responses.
 - i. A list of administrative officials.
 - j. Agency replies from all agencies involved in the Accountants' report findings.
 - k. Such other matters as shall be mutually agreed to by the Accountants and the State.
4. The report will exclude all proper names of individuals except as required in the list of administrative officials and in formal agency responses.
5. Significant deficiencies in internal control of unusual drawing procedures shall be reported to the State as soon as

possible after such matters have been observed by the Accountants. Any apparent penal violations discovered during the observations shall be reported immediately in writing to the State, and the Accountants agree not to divulge any information thereon to anyone unless authorized by the State.

6. The Accountants agree to maintain the confidentiality of those records of the Agency that may be confidential, except that the State shall have access to such confidential records.
7. The State recognizes that the Accountants are independent public accountants and that the Accountants will not be requested nor required to surrender their “independence,” as such term is professionally understood and used concerning public accountants. The Accountants shall at all times be deemed independent contractors and not employees of the State. The Accountants shall furnish certification from the Division of Workers’ Compensation establishing either that it has elected workers’ compensation coverage for its staff or has an approved exemption from coverage as required by section 39-71-401, MCA, before the beginning date of the contract.
8. The State shall have access, for review purposes; to the Accountants’ audit programs, supporting working papers, the draft of the proposed audit reports, time records, and all other documents relating to the observations. The Accountants also agree to make the audit programs and supporting working papers available to the State, for use by the State or other public accounting firms as directed by the State in future audits of the Agency. The Accountants shall maintain the audit programs and working papers for five years from submission of the audit report to the Legislative Audit Committee.
9. The Accountants agree to appear before the Montana Legislative Audit Committee when the report is formally submitted to answer questions concerning the report, and further agree to abide by the rule of the Legislative Audit Committee that no news releases shall be made. Failure to appear at the designated Legislative Audit Committee meeting will result in a penalty of 10 percent of the contract price which shall be withheld from the final payment to the firm.
10. No part of this contract may be performed in a manner which discriminates against any person on the basis of race, color, religion, creed, political ideas, sex, age, marital status, physical or mental handicap, or national origin by the persons performing the contract. Neither will the Accountants discriminate against any employee or applicant for employment because of race, religion, creed, color, or national origin, or because of age, physical or mental handicap, marital status, or sex when the reasonable demands of the position do not require such a distinction; actions in which such discrimination is prohibited include, but are not limited to, employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. Any hiring must be on the basis of merit and qualifications directly related to the requirements of the particular position being filled. The Accountants also agree to comply with the applicable provisions of state and federal minimum wage laws.
11. The Accountants agree to indemnify and save harmless the State, the Agency, and the State of Montana, its officers, employees, and agents from any and all damages resulting from the negligence or willful misconduct of the Accountants or their officers, employees, and agents, in the performance of this contract.
12. The Accountants agree that they will not arrange for, or accept nonauditing work with the Agency while the audit is in process without the approval of the State in writing.
13. The State will provide a maximum of four hours consultation to the Accountants without charge. Any consultation requested of the State’s staff exceeding the four hours will be provided at the Accountants’ expense. The Accountants will be charged for consultation at a rate which equals the average hourly rate bid by the Accountants in their contract for the audit engagement or the state rate, whichever is greater. Charges for consultation exceeding four hours will be deducted from progress payments made to the Accountants as the job progresses.

14. The drawing observations shall begin on July 2, 2005 (unless otherwise determined by the Agency) with 75 copies of the final audit report to be delivered to the State by October 15 of 2006, 2007, and 2008, unless an extension of time has been granted by the State in writing. The final report will be bound in report covers provided by the State, and the first page of the report following the title page will be a transmittal letter provided by the State. A request for an extension of time to complete the contract must be in writing and will be granted only for good cause shown as determined by the State. Failure of the Accountants to complete and deliver the final report to the State by October 15 of 2003, 2004, and 2005, will result in a penalty of 2½ percent of the contract price per week, or portion thereof, being assessed against the Accountants by the State. Any penalties assessed by the State will be subtracted from the amount owing to the Accountants from the State under this contract.
15. The State will designate one staff member as contract coordinator to serve as liaison between the State and the Accountants for purposes of fulfilling the terms of this contract. All communications, requests and billings between the Accountants and the State will be submitted through the contract liaison. Contract liaison for this audit is Angela Lang.
16. The Accountants will submit a final time report to the State after the Legislative Audit Committee meeting in which the audit report is presented. The report will be in the form prescribed by the State.
17. The Accountants shall submit, on forms provided by the State, all billings directly to the State for approval and, upon approval, the State will forward the billings to the Agency for payment. Compensation to the Accountants pursuant to this contract for services and expenses shall not exceed \$ _____. Other compensation, for observations in addition to the regular bi-weekly drawings, will be charged at a rate of \$__ per hour for staff time, \$__ per mile for travel, and actual costs incurred for lodging, not to exceed \$__ per night. Any other payments must be the result of a separate written contract between the Accountants, the Agency, and the State. A retention of 20 percent of each approved payment will be made by the Agency until the final audit report has been delivered to the State and presented to the Montana Legislative Audit Committee and until the Agency has received a final time report.
18. Employees, or members of their households, of any firm auditing or investigating Montana Lottery are prohibited from purchasing lottery tickets. The successful bidder must provide names and social security numbers for all employees assigned or with the possibility of being assigned to this engagement, and members of their households, to the State for forwarding to the Agency for compliance purposes, before the beginning date of the contract.
19. Contingent upon satisfactory performance the Accountants may have the opportunity to renew this contract in two-year intervals, or any interval that is advantageous to the State at a figure reasonably close to the present contract price. The term of the contract will not exceed seven years. Should the State and Accountants be unable to negotiate a mutually acceptable fee, the contract may be put out for bid for the subsequent audit period.
20. Termination and default. The State may, by written notice to the Accountants, terminate this contract without cause. The State must give notice of termination to the Accountant at least 30 days prior to the effective date of termination. In the event of default and nonperformance of the contract by the Accountants as determined by the State, the right to any compensation to the contractor under the terms of this contract is forfeited.
21. The laws of the State of Montana shall govern the construction and interpretation of this contract. For all proceedings among the parties to this contract arising hereunder, venue shall be the First Judicial District Court in and for Lewis and Clark County, Montana.
22. This contract contains the entire understanding and agreement of the parties. No modification or amendment thereto shall be valid unless the same is reduced to writing and made a part of this contract.

State of Montana
LEGISLATIVE AUDIT DIVISION

By _____ Date _____
Scott Seacat, Legislative Auditor
Legislative Audit Division

Accountants

By _____ Date _____

Agency
Montana Lottery

By _____ Date _____
George Parisot, Director
Montana Lottery

Approved for Legal Content:

By _____ Date _____
John Northey, Legal Counsel
Legislative Audit Division

APPENDIX C

MONTANA LOTTERY MONTANA CASH DRAWING PROCEDURES

PURPOSE

1. To ensure that MONTANA CASH numbers are randomly selected, properly certified, and entered into the computerized system for prompt payment of prizes in such a manner as to ensure the complete integrity of this portion of the lotto game process.
2. To ensure MONTANA CASH, POWERBALL, HOT LOTTO and WILD CARD winning numbers are available for the media and players as soon as possible after the drawings each Wednesday and Saturday. The MONTANA CASH Security/Drawings Officer will remain after the MONTANA CASH drawing to complete this checklist, in conjunction with the Internal Control Officer and MUSL auditor.

SCOPE

These procedures describe the methods for selecting the winning numbers and outline required duties and responsibilities of the Lottery officials for conducting the drawing.

DRAWING OFFICIALS

1. Security/Drawings Officer
2. Site Secure Officer
3. Internal Control Officer

INDEPENDENT AUDITOR

An auditor selected by the Legislative Auditor will be present to observe procedures at each drawing.

Although certain responsibilities are delegated to the Site Secure and Security/Drawings Officer, it is necessary that the Auditor confirm the activity.

The MONTANA CASH Control Sheet (Exhibit A) is the report that is utilized to document the necessary information relating to the selection process of the drawing machines, ball sets, and the process followed to obtain the winning numbers.

PERFORMED BY

PROCEDURE

1. Prior to Drawing

Security\Drawings Officer	Y	N	Confirm drawing officials for the drawing
	Y	N	Prepare proper forms for drawing. Ensure that seal numbers from the previous draw are transferred to this draw's control sheet. Assure that all material is ready for drawing.
	Y	N	Make sure alternate method materials are ready.
	Y	N	Make sure cell phone and charger are ready for use and with you.

2. Day of Drawing

Security/Drawings Officer	Y	N	Call Site Secure Officer by 7:30 to ensure availability
All	Y	N	Arrive at Lottery offices by 7:45 p.m. and meet auditor.
Security/Drawings Officer	Y	N	Set up video camera. Use fresh tape.

	Y	N	Make sure computer and printer are functioning for press release preparation.
Security/Drawings Officer	Y	N	Turn on video camera. Begin filming machine and ball set selection procedure. Make sure you are focusing on machine and process.
Site Secure	Y	N	Compare drawing machine cabinet seal with last draw's (from Control Sheet). Break seal and remove ball set locker. Give seal to Auditor.
	Y	N	Compare seal number on ball set locker control sheet. Open seal. Give to Auditor.
	Y	N	Compare and read ball set seals with those on the control sheet. Locate two hot pink drawings machine selection envelopes. Give to Auditor.
Auditor	Y	N	Shuffle two pink drawings machine envelopes.
	Y	N	Offer drawings machine envelopes to Site Secure for selection. Hold envelopes visible to camera.
Site Secure	Y	N	Select one of two envelopes, open, and record the number drawn (1 or 2) as the primary drawing machine for the drawing. Replace the card in a fresh hot pink envelope, seal and replace in locker for next drawing.
	Y	N	Locate five gray ball set selection envelopes. Give to Auditor.
Auditor	Y	N	Shuffle five ball set selection envelopes.
	Y	N	Hold envelopes visible to camera.
Site Secure	Y	N	Select one envelope, open and record the letter (A, B, C, D or E) drawn as the primary ball set for the drawing.
Security/Drawings Officer	Y	N	Compare and record seal number for the ball set with number on control sheet from the previous drawing.
All	Y	N	Repeat to determine the secondary ball set for the drawing. Record seal numbers.
	Y	N	Replace two drawn letters in fresh gray envelopes for the next drawing, seal envelopes, and replace in locker. Auditor may, at any time, audit the contents of the unopened pink or gray envelopes to ensure remaining numbers or letters are enclosed in them.
Site Secure	Y	N	Remove primary and secondary ball sets from locker. Ensure that sealed primary and secondary ball sets remain in sight at all times. Lock ball set locker.
	Y	N	Unlock machine cabinet. Remove primary machine from cabinet.

	Y	N	Place ball set locker in machine cabinet and lock cabinet.
Site Secure	Y	N	Inspect machine before pretests.
	Y	N	Plug in drawings machine and turn on to ensure motor and all parts are working. (Replace with secondary drawing machine if equipment is not operable. If second machine does not work, initiate procedures for manual operation.)
	Y	N	Break seal on primary ball set. Verify all 37 balls are in box, and in order. Load balls into feeder tube in descending numerical order before first test. (From the front, facing the machine far left tube “1” on bottom, “10” on top; moving to the right, “11” on bottom, “20” on top; next tube “21” on bottom, “30” on top; next “31” on bottom, “37” on top; all stacked in numerical order.)
	Y	N	Place PRETEST sign on machine during pretests with time and date.
	Y	N	Turn on machine.
	Y	N	Move switch up to turn machine on and release all 37 balls into mixing chamber.
	Y	N	Ensure balls are well mixed.
	Y	N	Pull switch down to open selection drawer until at least six (6) balls come to the bottom. (An extra to prevent the 5th ball from staying at right side of selection drawer.)
	Y	N	Turn off the machine.
	Y	N	Position balls for security camera so that numbers can be read and recorded. State numbers, e.g., nine, 0-9, twelve, 1-2, etc.
Security/Drawings Officer	Y	N	Record first five numbers on control sheet, writing down what is on the ball, e.g. 09, 12. Focus camera on balls, then focus on entire machine before next step.
Site Secure	Y	N	Take balls in the selection drawer out and place into feeder tubes. (All balls do not have to be repositioned into the feeder tubes until the actual drawing.) Turn on machine. Move switch up to put into mixing chamber, and then switch down to select balls. Turn off machine. Ensure switch is in “off” position.
All	Y	N	Repeat pretest for a total of 4 times. Remember to focus on balls and then entire machine between each test.
	Y	N	Compile all repetition test data after fourth pretest.

All	Y	N	If during the four pretests, the same numbered ball is selected three times, a fifth pretest is required. If the same ball is selected a 4th time the ball set shall be replaced with the secondary ball set. Any ball set which is disqualified will not be available for use until it is re-tested by the Weights & Measures Laboratory of the Department of Labor and Industry. Circle “N” and comment on page 7 if you go to the secondary ball set; otherwise circle “Y.”
Internal Control Officer/Site Secure	Y	N	Compare and certify that Montana Cash transactions balance. ICO gives copies to Security/Drawings Officer.
All	Y	N	Once Montana Cash is balanced, proceed with drawing upon completion of preliminary procedures. Circle “N” and comment on page 7 if Montana Cash is out of balance; otherwise circle “Y.”
	Y	N	If Montana Cash is not in balance, the drawing has to wait until the out of balance situation is resolved. Circle “N” and comment on page 7. Once Montana Cash transactions balance, circle “Y.”
Site Secure	Y	N	After pre-tests remove balls from selection drawer and mixing chamber, place in ball set case in numeric sequence, and then reload balls back into feeder tubes in numeric sequence. Position balls so they are visible for security camera.
	Y	N	Ensure that trap door on side is closed, selector switch is in “off” position, and feeder tray cover is in place.
Security/Drawings Officer	Y	N	Verify that all 37 balls are in feeder tubes in proper order and position balls so they are visible for security camera. Focus security camera on balls.
	Y	N	Recheck to see that video camera has sufficient tape to continue.
Security/Drawings Officer	Y	N	Focus camera on entire machine prior to drawing.
3. MONTANA CASH Drawing - by 8:30 p.m. or upon MONTANA CASH being in balance.			
Site Secure	Y	N	State the day of the drawing and that it is the official Montana Cash drawing.
	Y	N	Turn on power to machine, releasing balls into mixing chamber.
	Y	N	Ensure that balls are well mixed.
	Y	N	Pull switch down to release balls into selection drawer.
	Y	N	Turn off machine when five numbers have been selected. (Six balls will drop to selection drawer.)

Site Secure	Y	N	Turn balls so they can be read by camera and announce each; then repeat all five numbers drawn.
Security/Drawings Officer	Y	N	Record winning numbers on control sheet. Focus security camera on winning numbers.
4. After Drawing			
Security/Drawings Officer	Y	N	Focus security camera on entire machine.
Site Secure	Y	N	Return winning numbers to feeder tubes for posttest.
	Y	N	Place “Post Test” sign on machine.
All	Y	N	Conduct one post test drawing, recording first five numbers drawn on control sheet. Focus on balls then on entire machine.
Internal Control Officer	Y	N	Notify drawings personnel that MUSL games are in balance and sales information has been reported to MUSL.
Site Secure & Security/Drawings Officer	Y	N	If any MUSL game is out of balance, prepare to secure Lottery and SGI computer sites. Site secure orders should be given no later than 8:30 p.m. Circle “N” and comment on page 7 if MUSL games are out of balance; otherwise circle “Y.”
Security/Drawings Officer	Y	N	Complete Press Release on PC. Refer to instructions in Security/Drawings Officer’s binder.
Site Secure	Y	N	With Auditor present, place all balls in proper case in numeric order. (The count should be 37.)
	Y	N	Unplug and disconnect machine controls.
Site Secure	Y	N	Move drawing machine to machine cabinet. Unlock cabinet. Take out ball set locker. Put in machine. Relock cabinet.
Security/Drawings Officer	Y	N	Have Auditor verify and sign press release.
Site Secure	Y	N	Run two copies of press release, returning original to Security/Drawings Officer.
	Y	N	Fax winning MONTANA CASH numbers to AP using fax key #3 and to SGI using fax key #4. If #4 does not work, use #30 and call SGI operator to inform that fax is not working.
	Y	N	Give copies of Montana Cash press release to ICO and MUSL Auditor.
Internal Control Officer/ Site Secure	Y	N	Verify and certify that Montana Cash winning numbers are correctly entered into the ICS and the number of winners are correct. Site Secure may now depart.
Auditor	Y	N	Provide all seals to Security/Drawings Officer as they are needed.

Security/Drawings Officer	Y	N	Remove padlock from ball set locker. Seal used ball set and record ALL seal number on control sheet. Secure all five ball sets in locker and padlock and seal locker. Record seal number on control sheet. (If a ball set was disqualified, do not lock in ball set locker; secure per security instructions after the drawing.)
	Y	N	Place ball set locker in cabinet. Seal and lock cabinet. Record seal number on control sheet. Turn off video camera.
	Y	N	Compare and verify control sheet is correct. Sign control sheet with auditor's signature as witness.
	Y	N	Make two (2) copies of control sheet and give one to Auditor and one to Security Director. Auditor may depart.
	Y	N	Dismantle video camera and. Secure video tape per instructions.
Internal Control Officer	Y	N	Notify Drawings Officer if there is a discrepancy, to correct the winning numbers.
Security/Drawings Officer	Y	N	When WILD CARD winning numbers are received through the DRS, ICO makes a copy and gives to Security/Drawings Officer to prepare press release. Prepare WILD CARD press release on PC and sign.
Security/Drawings Officer	Y	N	When HOT LOTTO numbers are received through the DRS, ICO makes copy and gives to Security/Drawings Officer to prepare press release. Prepare HOT LOTTO press release on PC and sign.
	Y	N	When POWERBALL numbers are received through the DRS, ICO gives copies to Security/Drawings Officer. Prepare POWERBALL press release on PC and sign.
MUSL Auditor	Y	N	MUSL Auditor contacts MUSL, following procedures, and confirms POWERBALL, WILD CARD and HOT LOTTO winning numbers. Auditor signs POWERBALL, WILD CARD and HOT LOTTO press releases.
Security/Drawings Officer	Y	N	POWERBALL, WILD CARD, MONTANA CASH and HOT LOTTO press releases are faxed to the following, using Fax Key #10. ____ AP (8-442-5162) ____ KXLF (8-1-406-782-8906) ____ KGLM (8-1-406-563-8259) ____ USA Today (8-1-561/272-5333) ____ UPI (8-1-312/781-1603) ____ Sidney Radio (8-1-406-482-5109) ____ Lotto World (8-1-941/263-0809) ____ KBLG Billings (8-1-406-652-4899) ____ SGI Ops (8-449-0328)

APPENDIX D

Example of Accountants Report on Weekly Lottery Drawings

LETTERHEAD
CERTIFIED PUBLIC ACCOUNTANT

Independent Accountant's Report
On Applying Agreed-Upon Procedures

March 9, 2005

Angela Lang
Legislative Audit Division
PO Box 201705
Helena MT 59620-1705

We have performed the procedures enumerated below, which were agreed to by the Montana Lottery and the Montana Legislative Audit Division with respect to the Montana Cash drawing of the Montana Lottery on March 9, 2005. The Montana Lottery is responsible for the Montana Cash drawing. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the United States Government Accountability Office Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the findings are summarized as follows:

- Read the "Montana Cash Drawing Procedures." In performing this and other steps, we gave consideration to the adequacy of controls over the drawing process.
- Observed the unlocking of the machine cabinet and determined that the seals on the machine cabinet door, ball locker, and ball sets were unbroken and that the seals were numbered the same as the seals placed there when we were last present.
- Observed the random selection of the primary and back-up drawing machines and the primary and alternate ball sets.
- Observed the pre-test, recorded the results and determined that the applicable procedures were followed.
- Observed the official "Montana Cash Drawing" at 8:15 p.m. and determined that the applicable procedures were followed. The five winning numbers in order of selection were:

08 09 05 20 32

- Observed the performance of the post-drawing test, recorded the results and determined that the applicable procedures were followed.
- Observed the resealing of the ball set, ball locker and machine cabinet door.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Montana Cash drawing procedures on March 9, 2005. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Montana Lottery and the Montana Legislative Audit Division and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant