Measuring Success

The South Carolina Education Lottery's (SCEL) goals and objectives form the priorities for the strategic plan and are a derivative of the Sales and Retailer Relations and the Marketing and Product Development departments business plans. Key performance measures communicate in quantitative terms how well the Lottery is achieving its mission and goals. SCEL also has additional, detailed internal measures which are utilized in assessing individual job performance.

Again this year, SCEL exemplifies a high level of achievement, as evidenced by record sales and the outstanding accomplishments of its personnel and operations. Ernie Passailaigue, SCEL's Executive Director, served as First Vice-President of NASPL, Vice Chairman of Powerball® and Vice President of the Multi-State Lottery Association (MUSL)."

SCEL grossed over $988,000,000 in FY07.[1] *La Fleur's,* an independent publication, ranks the performance of lotteries in several categories. *La Fleur's* ranked SCEL sixth (6th) in instant ticket per capita sales[2] in the United States for FY07 and eighth (8th) worldwide for calendar year 2007.[3]

In addition to these accomplishments, the *Certificate of Achievement for Excellence in Financial Reporting* has been awarded to the South Carolina Education Lottery by the Government Finance Officers Association of the United States and Canada (GFOA) for its comprehensive annual financial report (CAFR). The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government entity and its management. This is the second consecutive year that SCEL has been acknowledged for producing a first-class CAFR.

For details of the South Carolina Education Lottery's performance measures, please review the following report on our website at www.sceducationlottery.com or by request to the Marketing and Product Development Department, S.C. Education Lottery, P.O. Box 11949, Columbia, SC 29211-1949.

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[1] The State Auditor of South Carolina. *Annual Report of the South Carolina Education Lottery Commission, June 30, 2007*, p. 6.
[2] *La Fleur's Magazine*, September-October 2007, p. 38.
[3] *LaFleur's 2008 World Lottery Almanac*, p. 339.

SOUTH CAROLINA EDUCATION LOTTERY STRATEGIC PERFORMANCE OBJECTIVES

Department / Division / Section	Major Program Area
Executive Office	To implement the Commission's directives, policies, goals, and objectives; to ensure the maximum return to SCEL's stakeholders; to promote SCEL with other lotteries, industry groups, the media, civic clubs, and business organizations; to direct all aspects of the operation of SCEL; and to safeguard the confidence of the citizens of South Carolina in the integrity of SCEL and its products
Chief Operating Division	To oversee the Lottery's day-to-day operations and ensure interdepartmental coordination, effectiveness, and efficiency
Legal Services	To provide legal counsel and services to the SCEL Commission and individual SCEL departments; to manage outside counsels' handling of SCEL matters; to administer the agency's record retention process and compliance; to manage retailer debt collection process, including, but not limited to, GEAR and NCO reporting as well as to initiate and prosecute collection action lawsuits; to negotiate lease terms for SCEL properties; to supervise the Request for Proposal (RFP) process for the Agency; to respond to Freedom of Information Act (FOIA) requests addressed to the Agency; and to conduct retailer revocation or denial appeal hearings
Information Technology	To provide network and data processing services for SCEL's operations to include applications development, security, disaster recovery, help desk, as well as gaming system management, contract administration, quality assurance, and product release management of vendor products
Gaming Division	To provide technological support of SCEL's gaming system by ensuring competent testing of software and hardware prior to deployment to the retailer customer base; to ensure system and product integrity by providing in-depth analysis of system distinct anomalies; and to manage the Internal Control System
Infrastructure Division	To provide the highest quality, technology-based services in the most cost-effective manner to facilitate SCEL's mission
Internal Operations	To support SCEL's operations by ensuring that the human resources management system, licensing of retailers, corporate communication, strategic planning & organizational development, and the infrastructure are maintained and operated at peak effectiveness
Human Resources Division	To provide human resource management for SCEL in all areas of employment including recruitment, employee relations, compensation, consultation, benefits administration, policy development, safety, staff development, health & wellness, and compliance; to administer special projects such as the Small & Minority Business Program, the Rewards & Recognition Program, internships, and employee communications
Licensing Division	To ensure the timely licensing of retailers to sell lottery products, renewal of licenses, and compliance with SCEL regulations and laws regarding licensure of retailers
Operations Division	To maintain the infrastructure including fleet management, customer service, fixed asset management, facilities management, telecommunications, and mail service
Corporate Communication Unit	To increase stakeholders' knowledge of SCEL and how the money is spent; to respond to consumers' concerns; and to promote a positive image of SCEL
Sales & Retailer Relations	To provide service to retailers through direct account management, retailer training, and implementation of sales strategies; and to ensure that retailers maintain adequate product supplies and employ best practices to promote the sale of products throughout the retailer network
Sales Division	To achieve sales goals by executing the strategic business plan for current games and new game introductions; to improve retail management of instant product inventory; to ensure optimal product positioning within the store; to increase retailer and consumer knowledge of products; and to optimize retailer and terminal distribution statewide
Telephone Sales Section	To supply retailers with instant products and improve retail management of instant product inventory as well as communicate key lottery information that can impact sales
Retail Accounts Section	To provide reports and analysis related to sales in a timely and accurate manner that support the retail customers' needs
Corporate Accounts	To provide communication, sales strategies, and support services to corporate level executives to ensure best practices at the store level of each corporate account
Marketing & Product Development	To achieve sales goals by executing a broad based strategic plan that incorporates product development, advertising, and product promotions to develop and produce products at a valued price point that can be positioned for sale in SCEL's retail network, with support from advertising, event marketing, and product relations divisions
Product Development Section	To research, develop, and introduce the best products that optimize sales and profits for SCEL and the State of South Carolina's educational initiatives

Product Relations Section	To effectively and efficiently increase the awareness of SCEL's products, as well as proactively participate in on-going, collaborative, promotional relationships in an effort to enhance the effectiveness of SCEL's marketing efforts
Advertising Section	To implement advertising and promotional programs to generate the sales goals
Website Development Unit	To capitalize on the large amount of traffic SCEL's website receives (approximately 67 million hits per month), monitor, and offer new features with the goals of providing information and promoting sales
Publications Unit	To produce communication tools for retailers and other stakeholders
Events Management Section	To promote SCEL products and generate consumer excitement around the product line
Security	To maintain the integrity of all SCEL games and investigate fraudulent activities; to administer the draw operations; to ensure MUSL compliance; and to provide a counter check on technology operations internally and with contractors
Finance	To manage the financial processes of all SCEL business and ensure the maximum return to SCEL's stakeholders
Treasury Division	To provide retailer accounting; to maintain banking relationships; to collect all fees and revenue due to SCEL; and to manage the claims process
Controller Division	To manage the daily cash flow of lottery proceeds, budget, payroll, purchasing, and accounts payable and to coordinate revenue transfers to the State
Audit Services	To perform confidential internal audits and investigations; coordinate external audits; perform business consulting services; and, otherwise support departments in achieving their performance objectives on behalf of the SCEL Commission

Executive Office

To promote SCEL with other lotteries, industry groups, the media, civic and business organizations and other stakeholders
- Director participated in several television and radio interviews throughout the year
- Director presented retailers with bonus checks throughout the year
- Attended NASPL conferences, annual board meeting and Executive Committee meetings as needed
- Attended MUSL board and development committee meetings
- Participated in MUSL's Powerball® Game Group
- Director and senior management met quarterly with the SCEL Commission and participated in committee meetings as scheduled

To ensure that SCEL's operations are functioning at peak efficiency and meeting strategic goals
- 26 - Management Team meetings were held on a biweekly basis
- 74 - Operational review sessions with individual departments and the Chief Operations Officer were held
- 3 - Special problem analysis meetings were held with the Director, the Chief Operations Officer, and other appropriate personnel
- 12 – General staff meetings were held on a monthly basis
- Director recognized and awarded employees for outstanding achievement with 266 Extra Mile Awards

Information Technology Department

Number of games tested: Below is a breakout of the games tested. Note, that online games have a development time schedule of 13 weeks and are fully regression and integration tested.

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Total Instant Games (Initial Orders):        41
Total Instant Games (Reorders):               8
Total Instant Games:                         49
Average Instant Games Deployed Per Month:         4.08
Total Online Games:                           2
Total Combined Games (Instant and Online):   51
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Number of games tested on time: All games scheduled were tested on time or ahead of schedule.
Number of Discontinued Instant Games: 39
Audit all gaming network telecommunication bills to verify accuracy and assess possible cost savings.

Number of bills audited: All bills are audited monthly and corrections implemented.
Periodically check number of DSL retailers and reduction of phone bill costs.
  Breakout of DSL retailers:.....1077
 -VPN per month cost per line:. $74
 -DSL per month cost per line: . $38

Desktop, Laptop, and Macintosh Support	**Goal is to have 100% availability of network resources for SCEL staff.** Status: At least 96% uptime on desktops is expected based on vendors' specifications and recommendations. During the phase tablets were in use, the percentage waned to 86%. Since removing the tablets from service and replacing with more reliable equipment, IT has experienced 100% uptime.
Current and ongoing	
Develop and Implement Disaster Recovery Plan	**Backup Sets should be successful to allow the ability to recover business services and data within an acceptable period of time for each unit backed up. Goals are to have 100% of the backups performed successfully and 100% of the restorations performed successfully. In the event of a disaster, the goal is to be able to recover the prior day's data and files.**
IT-Infrastructure *Current and ongoing*	Status: • Backup systems are in place to backup the file stores, databases, system settings, and applications. • All backup and disaster recovery systems (Uninterruptible Power Supplies) are tested quarterly. • Backup sets are checked each week to ensure they are successful. • Backup strategy is to perform Full Backups nightly and Incremental Backups of the SQL servers hourly.

Internal Operations Department

Small and Minority Business Program: SCEL's goal is to spend at least 10% of our controllable dollars, with small and minority businesses.

Vendor	Controllable $	Controllable Spent	Total SMB%	Certified $ Spent	Certified SMB%
SCEL	$828,613.52	$138,610.08	16.73%	$109,246.94	13.18%
Sci-Games	$958,476.85	$150,545.94	15.71%	$150,545.94	15.71%
CN	$2,534,877.06	$697,368.97	27.51%	$219,236.30	8.65%
Totals	**$4,321,967.43**	**$986,524.99**	**22.83%**	**$479,029.18**	**11.08%**

Licensing Division Performance Measures
Total Number of Active Retail Locations	3,502
Renewed Licenses	2,916
Licenses Pending Renewal	298
New/Change of Ownership	501
Revoked	20
Rejected/Denied Applications	8
Terminated Retailers	517

Performance Measures for Human Resources Division
<u>Maintain Human Resource Management Systems</u>
Number of Personnel Transactions
FMLA Cases	12
Terminations	28
New Hires/Rehires	32
Promotions	11
Headcount	152
Number of Positions Filled	23
Turnover Rate	5%
Leave Statements Issued	1827
Number of participants in Wellness Activities	48

Number of successful Benefit Enrollments

Annual Enrollment - Fringe Benefit Enrollments	42
Annual Enrollment – Notice of Election for EIP	38
Fiscal Year other benefit enrollments	30
Number of Employee Relations Cases	25
% Corrections of Personnel Transactions	5

Develop and revise policies as needed*

Worked with Director of Internal Operations　　　　Ongoing
and Director of Legal Services to review draft
handbook original submitted for their review in
06/06 in anticipation of review by SCEL Board.

Workers' Compensation cases increased/reduced
over previous year

2003-2004: 6 claims	
2004-2005: 4 claims	
2005-2006: 4 claims	
2006-2007: 5 claims	25% inc.

Review SCEL's compensation plan

This project *was completed by Milliman Consultants*
and recommendations adopted by SCEL Board.

Respond to and maintain database for surveys.

Number of requests	33
Responded to by SCEL	32
Not responded to by SCEL	1
Percentage of Responses (avg.)	94.4

Improve Internal Communications

Number of Internal Newsletters	12
Rewards and Recognition Program and Extra Mile Awards	266 awards and 3 special events

Operations Division, Internal Operations Department

Customer Service Provide optimal customer service to callers and visitors of SCEL.	There are many issues that involve customer service including, but not limited to, the following: (*+ indicate increase in call volume*)
	New Games Inquiries/How to Play **+**
	Toll-free number on P.O.S. Material
	2nd chance, Clean$weep & heavily advertised promotions (total 35) **+**
	Cash 5 # of days increase
	Day after Powerball **+**
	Powerball Jackpot Runs **+**
	Winning numbers inquiries average 50-60% of calls; with the addition of the toll-free number and the omission of the winning number hotline on back of tickets, the call volume has increased to an average of 75%.
	Unable to reach proper dept. at Sci-Games for retailer assistance
	Mid-day winning numbers inquiries daily between 1:00 – 3:00
	Computer gaming systems affecting retailer transactions **+**
	May 2007 IWON line number omitted from back of tickets **+**
	Consumer Complaints Recorded
	Refusal to sell tickets: **12**
	Refusal to cash tickets: **28**
	Refusal to give winning # info: **2**
	Problems with cashier processing incorrect information: **9**
	Suspected Fraud of clerks tampering with tickets: **8**
	Total recorded complaints: 59

Building Maintenance/ Facilities Management *(Addressing the Working Environment)* Most of the building maintenance issues are requests for temperature adjustments, replacement light bulbs & plumbing issues.	All requests are reported to building maintenance services within one day. Requests are generally handled within 30 minutes of the report. Follow up is done by the customer service staff within 24 hours to ensure completion of the request. Total Heating Air Requests: 33 Total Lighting Requests: 15 Total Electrical Requests: 2 Total Plumbing Requests: 10 **Total Building Requests: 60**
Equipment Maintenance The equipment requests are primarily for the Xerox copiers, fax machines, and postage machine.	All requests are reported to the appropriate vendor within one day. Requests are generally handled within 30 minutes of the report. Follow up is done by the customer service staff within 24 hours to ensure completion of the request. Maintenance agreement acquired for UPS facility system in draw studio. Liebert Company is the authorized service provider for this equipment. Under the agreement, preventive maintenance checks will be done annually to ensure proper operation of the equipment. Liebert Annual PM: October 2006 **Total Maintenance requests** from other vendors (Xerox, United Laser, Capital Office Supply, etc): 45
Deliveries	All deliveries are received and entered into the delivery log sheet. Recipients are notified via phone or e-mail. Follow up is conducted as needed for items to be retrieved from the Customer Service Area. Deliveries are received from the following vendors: UPS – 822 Fed Ex – 398 DHL – 85 Forms & Supply – 153 Document Systems – 74 Lorick's Office Supply – 30 Miscellaneous - 104 **Total Deliveries: 1,666** *Incoming IMS (Interagency Mail System) mail is placed in the tray for the mail services staff to distribute.
Inventory Control Office equipment is monitored to ensure accountability for disposed items, new purchases, or exchanged items. Items are tagged and entered in the inventory system.	New PO: 96 New credit orders: 65 Disposed/Junk: 36 Disposed/Surplus: 8 packages of Lexmark Ink Cartridges
Mail Service	Currently exploring options for a shipping solution that will produce a cost savings for shipping needs. The solution will allow the shipping functions to be centralized within I.O. It will also encompass a management tool that will generate and track shipping results. ACS (Address Change Service) was a feature offered with the postage machine upgrade. The mail staff enters specific codes on pieces of mail that we are requesting the ACS. The US P.O. will automatically update

	inaccurate address information and forward the mail accordingly. They will send correspondence to us with the updated address information for our files. The cost is 6 cents per piece of mail versus 0.75 cents; without the ACS the cost to SCEL is approximately $1.57 for a standard piece of mail. **Total ACS Processed:** 9; cost savings $13.59 **Total Pieces of Mail Processed:** 39,507 **Total Cost:** $29,863.69
Telecommunication (Mobile)	Requests for mobile phone assignments are submitted to I.O. along with the proper justification for approval. The bulk of the agency assigned phones are issued to the Sales or Marketing staff. None of the field representatives have an agency issued land line phone and rely primarily on their mobile phones for contacts with retailers. During an assessment of mobile phone reliability, the agency is migrating from the previous LG models to the Motorola brand phones. The field service and IT staff both report good sound quality and coverage usage for these phones. We still maintain some higher end LG model phones which allow additional office capabilities such as e-mail. - Total High End LG Models: 8 - Total Low End LG Models: 23 - Total Motorola Models: 52 - Total Sales Staff Issues: 45 - Total Marketing Staff Issues: 5 - Total Air Cards: 3 - Total Number of Lines: 83
Telecommunication (Land Line) The State CIO provides excellent customer support to the SCEL Operations Manager for SCEL's needs.	Operations Manager facilitates requests for new equipment, moves/changes, and general repair problems.
State Fleet Management (SFM) Serves as agency liaison for agency leased and motor pool requests.	**Leased Vehicles** SCEL has a total of 15 leased vehicles from SFM. Four new vehicles were acquired for increased field efficiency and availability for state owned vehicles. The 4 vehicles were assigned to the Sales & Retailer Relations Department. Two of the vehicles are economically priced standard minivans which replaced two of our existing older high mileage vehicles. **Vehicle Assignments** Marketing 4 Sales/Retailer Relations 6 Executive 2 Security 2 I.O. 1 **Monthly Mileage Report** Mileage reports are submitted at the end of each month to SFM for all leased vehicles. **Defensive Driving** SFM requires all regular drivers of state owned vehicles to take the 8 hour or 4 hour refresher defensive driving courses. SCEL drivers have been scheduled accordingly. Approximately 20 participants have completed training. **Vehicle Reservations** When leased vehicles are unavailable, staff may request reservations from the state motor pool. There were a total of 24 reservations from various

	departments within SCEL. Most were from the Sales Department while they were awaiting arrival of their new vehicles. **Dept.** **Reservations** IT 4 I.O. 5 Sales 13 Marketing 2 **Mileage Utilization/Accident Reporting** SFM requires quarterly accident reports on all leased vehicles. The report consists of the number of leased vehicles, total number of miles driven and the number of accidents reported. **Period** **Vehicles** **Miles** **Accidents** 07/06 – 09/06 13 54,564 -0- 10/06 - 12/06 13 46,820 -0- 01/07 – 03/07 13 61,635 -0- 04/07 – 06/07 13 48,848 1; I.O. Vehicle: SCEL driver not at fault. Total 211,867
Property Leases	Most of the property acquisition (long-term lease), negotiation, and renovation to office space was completed or started at our headquarter facility as well as, relocating the Coastal Regional Office and the Columbia Claims Center.

Sales & Retailer Development Department

Game Name	Revenue	% of Total Revenue	% of Online Revenue
Instant	$613,234,497.00	62.05%	
Pick3	$138,424,664.50	14.01%	36.91%
Pick4	$62,129,901.50	6.29%	16.57%
Palmetto Cash 5	$26,762,311.00	2.71%	7.14%
Add-A-Play JJ	$4,735,551.00	0.48%	1.26%
Powerball	$133,872,014.00	13.55%	35.70%
Raffle	$9,058,760.00	0.92%	2.42%
Total Online	$374,983,202.00	37.95%	100.00%
Total Sales	**$988,217,699.00**	**100.00%**	

Sales goal of $934,907,000 was exceeded by over $53 million resulting in the second highest sales year in SCEL history.

The total number of retailers continued to exceed 3,500 representing a retailer density of 1 retailer per 1200 population.

With over 3,500 total retailer locations statewide, 46 percent represent corporate locations and 54 percent represent independent store locations. Corporate locations accounted for 43 percent of total sales and independent locations accounted for 57 percent of total sales.

Forty-eight (48) SCEL retailers in fiscal year 2007 achieved total sales in excess of $1,000,000.

Marketing and Product Development Department

MEDIA AND ADVERTISING EFFICIENCIES AND SAVINGS
- Advertising Budget: SCEL is allocated less than 1% of sales for each fiscal year's advertising budget. In FY07, this calculated to $8,900,000.
- In-House Advertising: There are several areas where SCEL conserves fiscal resources. The Marketing Department is now a full-service advertising team. The service fee for our Advertising Agency (MAD MONKEY) is now billed on a per hour basis as negotiated in the contract and may not

exceed $180,000 per year. The other area where SCEL saves is in the production of radio and television commercials. Several tasks that were being contracted out are now being completed by members of the Marketing staff resulting in savings for FY07.

- **Radio:**
  - Increased the number of weekly traffic reads by 400 annually and saved $40,000.
  - Increased and leveled the number of Television Rating Points (TRPs) per week in each market and saved $53,316 over last year.

- **TV/Cable:**
  - Increased the total TRPs in broadcast by 38,666 for the year.
  - Added two TV stations to the annual buy: WPDE and WWMB.
  - Maintained weekly cable frequency.
  - Added two cable systems to the media buy: Clemson/Seneca and Hilton Head.
  - Saved $205,585 on total expenditures over last year.
  - Added 10 flight weeks of TV and Cable, going from 36 weeks to 46 weeks.
  - Not only increased the number of flight weeks but doubled the viewership for SCEL's TV/Cable advertising for the year.
  - Converted spot lengths from 30's to 15's to double the number of games advertised.
  - Increased online presence and added banner advertising with WHNS-TV, WIS-TV, WLTX-TV, WRDW-TV, WCBD-TV and WBTW-TV inside the TV budget. Banner ad exposure value-added.

Security Department

Investigations opened: 162
Investigations closed: 181
Restitution collected: $13,683.43

Instant tickets reported stolen: 114,137

Online draw periods: 676
Online games drawn: 1,453

Number of fouls: 0
Number of late draws: 0
Major incidents: 1 (not major)

Second chance promotions: 40
Number of entries: 723,850

Finance Department Performance Measures

Transfers per Capita	$67
Operating Expenses/Revenue	4%
Non-Sufficient Funds Accounts (NSFs)	6
Uncollected Accounts < 30 days ÷ total current receivables	5/100 of 1%
Percent late reports	NONE
Percent errors in reports	NONE
Errors & exceptions noted by auditors	NONE
Mail in prize claims settled> 1 business day	80
Purchase orders completed > 1 business *	NONE
Accounts payable settled > 5 business days of due date*	NONE
Prize checks returned w/o payment*	NONE

*Due to Finance error/omission