



State of Montana

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Montana Lottery IT Strategic Plan 2014

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## 1. Executive Summary

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The Montana Lottery was created by a vote of the people in 1986. Since then, it has paid more than \$459 million in prizes and returned more than \$210 million to the State of Montana for State programs as determined by the Legislature.

The Lottery offers two types of products – terminal issued lotto games and scratch games. In addition, the Lottery, through an agreement with the Montana Board of Horse Racing, facilitates Fantasy Sports gaming under the umbrella of Montana Sports Action (MSA). Since 2010, the Lottery's retail base has increased to more than 850 retailers. In an economy where most other lottery jurisdictions have struggled to stabilize sales, game innovation and the expanded retailer base have led to continual increases in lotto and scratch sales in fiscal year 2012 and 2013 as well a record setting transfers to the General Fund each year.

We continue to revitalize our suite of instant (scratch)-style lotto games to those retailers with a gaming license utilizing player activated terminals. Players can buy tickets for the various instant-style lotto games without a retailer clerk. They can also purchase their favorite Montana Sports Action games as well as any of our other terminal issued lotto games.

We have also added player activated terminals that also dispense scratch tickets at many grocery stores. These player activated terminals enable players to purchase both types of Lottery products even when the retailers' Customer Service desks are closed.

The Lottery has increased the approximate number of terminals offering our products, by type to: clerk controlled terminals (600); small-footprint clerk controlled terminals (275); player activated terminals that also dispense scratch tickets (60); and small-footprint player activated terminals (275) over the past four years. The Lottery also continues to actively recruit new retailers.

The Lottery has started the request for proposal process for the Lottery Operating System so that a new contract will be in place when the present contract expires on March 30, 2016. Even though this is a major procurement action, it is not considered an EPP action because no funds will be requested from the Legislature. The contractor is paid a percentage of sales during the life of the contract for all services.

The integrity of the Lottery Operating System is paramount. There are numerous checks and balances in the systems. One such system is the Internal Control System (ICS); it is an independent system totally separated from the rest of the Lottery Operating System. It is used to verify, through an independent computation, total drawing sales and numbers of winners for each of our lotto games.

We have also expanded the Player's Club membership by integrating lotto and scratch tickets with Player's Club rewards by use of a bonus entry on most tickets. This allows players to register for second chance drawings when offered and chances to win small cash prizes.

We have also implemented a new option where members can create an electronic play slip (ePlayslip) to select and organize their favorite numbers, usable on their smart phones that can be scanned by the retailer terminals in order to produce their lotto tickets.

The Montana Lottery continues to keep software and hardware systems aligned with the needs of the users, State standards, available budget dollars and the latest technology.

## 2. Environment, Success, and Capabilities

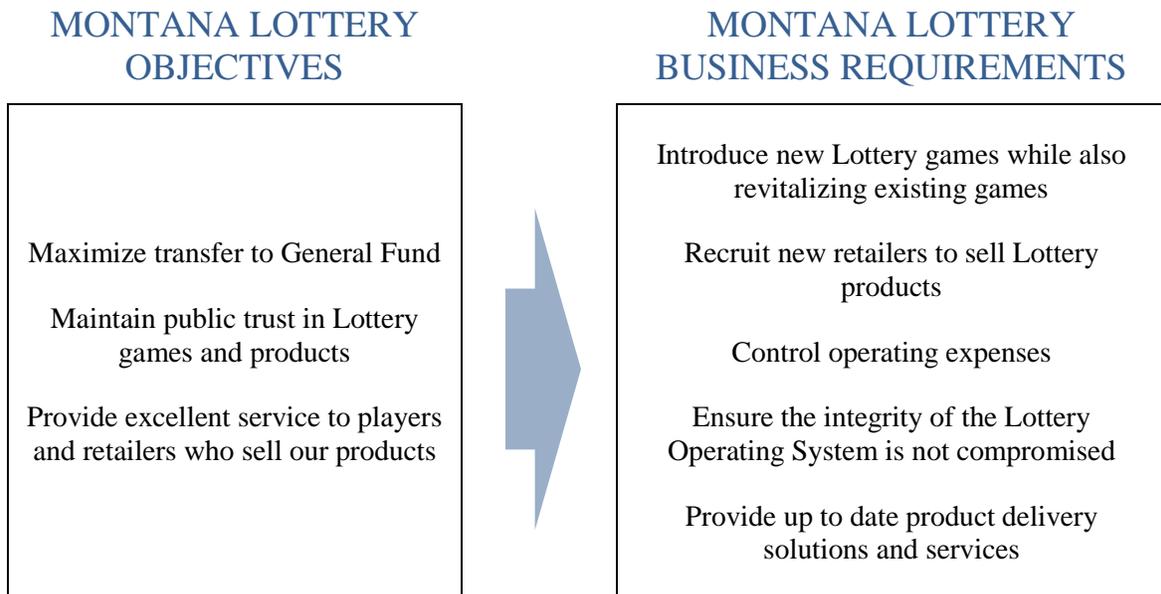
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The mission of the Montana Lottery is to maximize the transfer of its net revenue to the state's General Fund by providing products that meet the expectations of consumers and the state of Montana while adhering to the highest standards of security and integrity, which is critical to maintaining public confidence in the agency and its products.

The Montana Lottery is an enterprise fund, which means that its operations are financed and operated in a manner similar to private enterprise where the intent is to provide goods or services to the general public. That is, the Lottery receives no funding from the state of Montana but rather generates money for the state General Fund. As with any business, the Lottery's net revenue -its "profit" -is defined as the excess of revenues over expenses. That "profit" is transferred to the state's General Fund. In order to maximize this transfer the Montana Lottery will introduce new games, update existing games, and control operating expenses.

While maximizing net revenues the Lottery must always maintain public trust in Lottery games and products. The Montana Lottery has established and maintains an extensive security system that governs all aspects of the games it offers. This system is under continuous review, and upgrades are instituted whenever appropriate.

Public trust in Lottery games and products also means the Montana Lottery must provide excellent service to players and to the retailers who sell our products, The Montana Lottery will continue to offer games that players want to play and to maintain convenient locations for ticket purchases. The Lottery works closely with its retail outlets to provide point-of-sale and display materials, inventory control, and technical assistance.

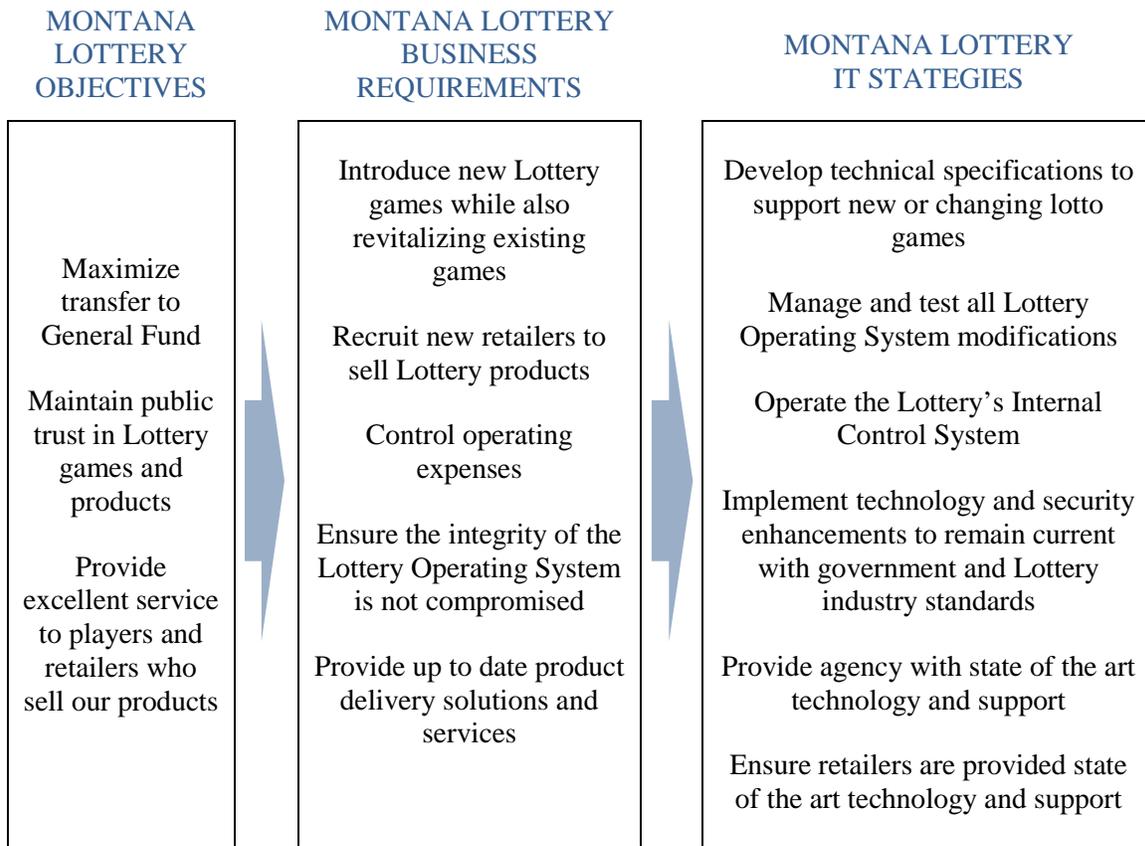


### 3. IT Contributions and Strategies

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The Montana Lottery IT strategy is designed to support the Montana Lottery’s primary objectives and business requirements. Not all IT programs and projects will address all of the business requirements, but all IT programs and projects will support at least one. The IT department provides the Montana Lottery with technical support to accomplish all their duties. Additionally the IT department manages the Internal Control System, which maintains the integrity of the Lottery Operating System. The IT department also coordinates all system related activity with the Lottery Operating System contractor.

The IT department’s strategy to contribute to the Montana Lottery’s success is defined in the table below.



### 4. IT Principles

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IT principles govern Montana Lottery IT department’s activities, decisions and operations. They provide touch-points and guidelines to ensure that the correct decisions are being made; decisions that will provide the greatest value to Montana’s citizens and Montana Lottery employees, retailers and players. Many of the Montana Lottery IT department’s principles have their roots in the principles outlined in Montana’s State Strategic Plan for IT 2014.

- Resources will be allocated to the IT projects that contribute the greatest net value and benefit to stakeholders.

- Unwarranted duplication will be minimized by sharing data, IT infrastructure, systems, applications and IT services.
- Information technology will be used to create quality jobs, a favorable business climate, improve government, protect individual privacy and protect the privacy of IT information.
- IT resources will be used in an organized, deliberative and cost-effective manner.
- IT systems will provide delivery channels that allow citizens to determine when, where, and how they interact with state agencies.
- Mitigation of risks is a priority to protect individual privacy and the privacy of IT systems information.
- Lottery Operating System technology will incorporate security controls based on federal National Institute of Standards and Technology (NIST) security standards

## 5. IT Governance

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Governance for the Montana Lottery rests with the Montana State Lottery Commission. The commission consists of five members appointed by the Governor. The commission receives input from the Director of the Montana Lottery who is also appointed by the Governor. The deputy director for security is appointed by the lottery director. All other employees are hired by the lottery director. This structure can be found in the [Administrative Rules of the State of Montana](#).

Lottery product changes are defined by the Sales and Marketing department in coordination with the IT department and all other departments affected by the change. All changes must be approved by the Director and then forwarded to the commission for their approval as well.

Other changes are defined by the department head or designee requesting the change or resolution. This information is relayed to the IT department where it is succinctly defined and managed. Governance for daily business needs rests with the lottery directors utilizing subject matter experts where appropriate.

## 6. IT Financial Management

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The Montana Lottery is an enterprise fund, which means that its operations are financed and operated in a manner similar to private enterprise where the intent is to provide goods or services to the general public. That is, the Lottery receives no funding from the state of Montana but rather generates money for the state General Fund. As with any business, the Lottery's net revenue -its "profit" -is defined as the excess of revenues over expenses. That "profit" is transferred to the state's General Fund.

## 7. IT Services and Processes

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The Montana Lottery IT department's service strategy is to offer the agency with a wide range of cost effective technical support that maximizes agency productivity while minimizing resource time and effort. The scope of the Montana Lottery IT department's service offerings is very similar to peer state lottery IT departments. The Montana Lottery IT department's catalog of services includes:

- Network Services: data and voice transport, internet access, LAN and wiring services, wireless, VPN

- Professional Services: Lottery software project management, database management, desktop support and management
- Software Specification Development: Lottery game and application specification development
- Hosting: internal control servers, file storage and backup
- Lottery Operating System contract management
- IT oversight, security risk management, and policy enforcement
- Continuity of lottery operations

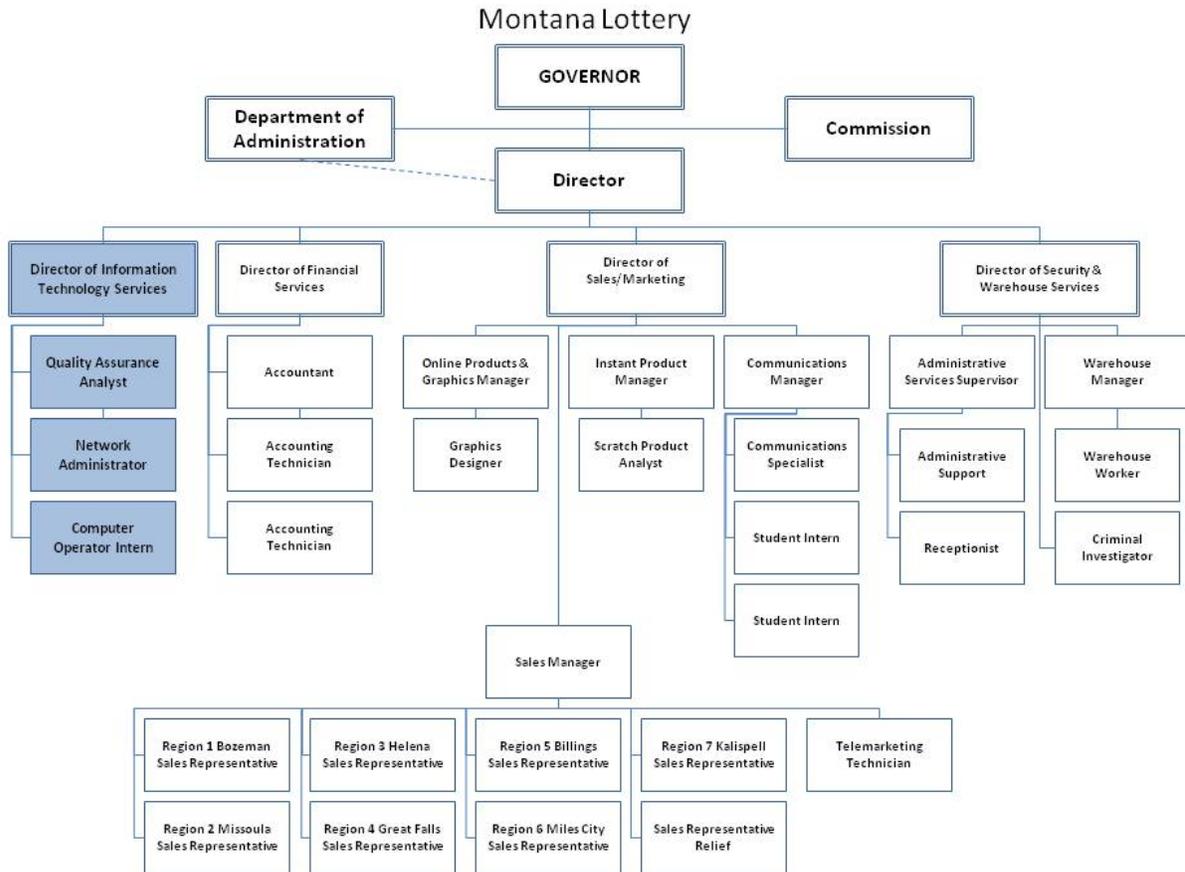
## **8. IT Infrastructure, Staffing and Resources**

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The Montana Lottery contracts out the responsibility for our Lottery Operating System, terminals, communications network and back office management systems through the Montana Procurement Office controlled formal bidding process. The current contractor is INTRALOT USA whose contract expires on March, 31 2016. The clustered primary operational servers for the Lottery Operating System are physically located in a restricted access facility in Helena, Montana. A third system for disaster recovery (or backup) is located in Strongsville, Ohio. In addition to these three servers, two independently controlled system servers which function as a pass through recording system are located in Helena with a third backup in Strongsville. Communications from the backend system to the 850+ retail locations are through closed circuit satellite connections provided by X2nSat. The Lottery Operating system is managed from the INTRALOT Western regional operations center in Boise, Idaho

The Montana Lottery also houses the Lottery Operating System's internal control system in a data center located in the Montana Lottery office, in Helena Montana along with the agency's network server and ancillary networking equipment. An additional internal control system is located at the INTRALOT facility in Helena along with a complete Lottery Operating System test environment including all backend systems, an internal control system and all terminal types available in the field.

The Montana Lottery has approximately 32 FTEs organized on a functional basis. The Montana Lottery IT department consists of 3.5 FTEs



The Montana Lottery contracts out the responsibility for our Lottery Operating System, terminals, communications network and back office management systems through the Montana Procurement Office controlled formal bidding process. The current contractor is INTRALOT USA whose contract expires on March, 31 2016. The internal control system is also part of this contract bidding process. The current internal control system is developed and maintained by ELYSM CONSULTING, INC.

## 9. Risks and Issues

The following table contains the major risks to the Montana Lottery IT strategy. Major risks meet one of two criteria.

- Risks with a probability of medium or high with an impact of high.
- Risks with a probability of high with an impact of medium or high.

Mitigation strategies are the pro-active actions that the Montana Lottery is using to lessen the probability of the risk occurring and minimizing the impact of the risk.

Primary Risk	Probability	Impact	Mitigation Strategy
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Loss of Staff	Medium	High	The Montana Lottery IT department runs with a small staff. Each position will maintain a position procedural manual, with all position responsibilities and duties clearly defined and documented.
Security breach	Medium	High	Our agency has an active security program including, but not limited to, staff training and awareness, data encryption, closed network environment for Lottery transactional data, and security policies.
Lottery Operating System integrity compromise	Medium	High	Specifications will be defined clearly and concisely. Requirements will be thoroughly reviewed, testing procedures defined and executed accurately and with transparency to allow for problem recognition and prompt resolution.
Internal control system integrity compromise	Medium	High	Specifications will be defined clearly and concisely. Requirements will be thoroughly reviewed, testing procedures defined and executed accurately and with transparency to allow for problem recognition and prompt resolution.
Lottery Operating System equipment failure	Medium	High	Contractor procedures will be maintained and reviewed for accuracy. The Lottery will continue to test the contractor failover process semiannually to ensure procedure and functionality are current and successful.

## 10. IT Goals and Objectives

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The Montana Lottery and Lottery Operating System contractor will be certified by the North American Association of State and Provincial Lotteries (NASPL) for Best Practices in:

- Quality Assurance of Product Development in the Lottery Industry:
  - Requirements Definition
  - Development Process
  - Acceptance Testing

These standards, documentation, and further information can be found at <https://collaboration.opengroup.org/naspl/>

The major business drivers for implementing the Best Practices for Quality Assurance of Product Development in the Lottery Industry are the potential for reduced risk and increased integrity for the Montana Lottery, reduction in development costs, decreased potential for lost revenue, and decreased rate of potential project failure.

Implementing these best practices will improve the quality and integrity of the lottery environment, and provide increased efficiencies, resulting in reduced costs and increased profit margins for the Montana Lottery, contractors, and lottery retailers.

## 11. IT Projects

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The Lottery has started the request for proposal process for the Lottery Operating System so that a new contract will be in place when the present contract expires on March 30, 2016. Even though this is a major procurement action, it is not considered an EPP action because no funds will be requested from the Legislature. The contractor is paid a percentage of sales during the life of the contract for all services.

Item	Description
Project name	Montana Lottery Operating System and Related Services
Project/program purpose and objectives	The Lottery Operating System contract will provide the Montana Lottery with the latest technology and service available in the lottery industry in order to remain current and competitive.
Estimated start date	The present contract expires on March 30, 2016. The new contract start date will be March 31, 2016.
Estimated cost	The estimate cost is part of the competitive bidding process therefore currently unknown. The contractor is paid a percentage of sales during the life of the contract for all services.
Funding source - 1	No funds will be requested from the Legislature. The contractor is paid a percentage of sales during the life of the contract for all services.
Funding source - 2	
Funding source - 3	
Annual Costs upon completion	

The Montana Lottery will hire Lottery industry experienced professionals to facilitate third party conversion testing through the Montana Procurement Office controlled formal bidding process. With a new Lottery Operating System contract conversion taking place the third party functional product planning, scripting, and testing will help the Montana Lottery ensure the utmost integrity for this project.

Item	Description
Project name	Third Party Conversion Testing
Project/program purpose and objectives	The third party conversion testing contract will provide the Montana Lottery with the greatest assurance of the integrity of the new Lottery Operating System.
Estimated start date	The start date will coincide with the new contract Lottery Operating System product deliverables ready for test. The tentative start date is November 2015.

Estimated cost	The estimate cost is part of the competitive bidding process therefore currently unknown. An EPP item for \$200,000 will be assessed.
Funding source - 1	The budget allocation will be OTO per approval of the 2015 Legislature.
Funding source - 2	
Funding source - 3	
Annual Costs upon completion	

## 12. Security and Business Continuity Programs

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As a State Agency attached to the Montana Department of Administration for support the Montana Lottery actively participates in the DOA COOP planning process. The basic goal of this effort is to allow the Montana Lottery and other agencies a way to develop an interrelated standard template to use for consistent development of the overall State of Montana plan. If maintained properly this effort will result in a tested document that will allow for the continuance of critical State functions, systems, and services when a disruption occurs after a disaster or emergency situation. The Montana Lottery Director has designated the Montana Lottery Security Director as the primary individual responsible for this work. In addition to this effort the Montana Lottery also maintains a separate COOP/Disaster plan which is tailored specifically to Montana Lottery Operations, contractor support and retailer support requirements. RFP releases made on behalf of the Montana Lottery contain requirements for COOP planning by respondents. All systems and operational areas of the Montana Lottery main office are supported by generators and uninterrupted power systems to provide backup power. These power backup systems are capable of sustaining operations one week without refueling.

INTRALOT is the current contractor for the Lottery Operating System and they are required by contract to maintain an updated business continuity plan that is reviewed by the Montana Lottery Security section semiannually. As stated previously the system was designed utilizing three server clusters which stores data on a continual basis. Two clusters are located in Helena, Montana and one is at the Disaster Recovery site in INTRALOT'S Eastern regional operations center located in Strongsville, Ohio. All three of these clusters are under constant visual and logical monitoring from the INTRALOT Western regional operations center in Boise, Idaho and Montana Lottery Security staff. The network also utilizes satellite based communications with multiple backups so interruption of State procured hard wired services is not a concern. Exposure to local environmental and geological risks is minimal since the entire communications network can be operated from one of three locations Helena, Montana; Boise, Idaho; or Strongsville, Ohio. All systems and operational areas of Montana linked INTRALOT operations in Montana, Ohio and Idaho are supported by generators and uninterrupted power systems to provide backup power. These power backup systems are capable of sustaining operations one week without refueling.

### 13. Planned IT Expenditures

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	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
IT operating expenses	\$159,000	\$159,000	\$317,000	\$319,000	\$319,000	\$319,000
IT initiatives	\$0	\$0	\$200,000	\$0	\$0	\$0
Total	\$159,000	\$159,000	\$517,000	\$319,000	\$319,000	\$319,000

### 14. Administrative Information

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