

Article 3.

North Carolina State Lottery Director.

§ 18C-120. Selection of the Director; powers and duties.

(a) The Commission shall select a Director to operate and administer the Lottery and to serve as the Secretary of the Commission. Except as to the provisions of Articles 6 and 7 of Chapter 126 of the General Statutes, the Director shall be exempt from the North Carolina Human Resources Act.

(b) The Director shall have the following powers and duties, under the supervision of the Commission:

- (1) To provide for the reporting of payment of lottery game prizes to State and federal tax authorities and for the withholding of State and federal income taxes from lottery game prizes as provided in State and federal law.
- (2) To conduct a background investigation, including a criminal history record check, of applicants for employment with the Commission, licensees and their key persons, lottery contractors, lottery retailers, and lottery potential contractors, which may include a search of the State and National Repositories of Criminal Histories based on the fingerprints of applicants.
- (3) To set the salaries of all Commission employees, subject to the approval of the Commission. Except for the provisions of Articles 6 and 7 of Chapter 126 of the General Statutes, all employees of the Commission shall be exempt from the North Carolina Human Resources Act.
- (4) To enter into contracts with lottery retailers, lottery contractors, or lottery suppliers upon approval by the Commission.
- (5) To provide for the security and accuracy in the operation and administration of the Commission and the Lottery, including examining the background of all prospective employees, lottery potential contractors, lottery contractors, and lottery retailers.
- (6) To coordinate and collaborate with the appropriate law enforcement authorities regarding investigations of violations of the laws relating to the operation of the Lottery and make reports to the Commission regarding those investigations.
- (7) To confer with the Commission on the operation and administration of the Lottery and make available for inspection by the Commission all books, records, files, documents, and other information of the Lottery.
- (8) To study the operation and administration of other lotteries and to collect demographic and other information concerning the Lottery and make recommendations to improve the operation and administration of the Lottery to the Commission, to the Governor, and to the General Assembly.
- (9) To provide monthly financial reports to the Commission of all lottery revenues, prize disbursements, expenses, net revenues, and all other financial transactions involving lottery funds.
- (10) To enter into agreements with other states to operate and promote multistate lotteries consistent with the purposes set forth in this Chapter and upon the approval of the Commission.
- (11) Exercise authority assigned or delegated by the Commission. (2005-344, s. 1; 2005-276, s. 31.1(g); 2009-357, s. 7; 2013-382, s. 9.1(c); 2023-42, s. 4(b).)

§ 18C-121. Accountability; books and records.

The Director shall have made and kept books and records that accurately and completely reflect each day's transactions, including the distribution of tickets or shares to lottery game retailers, receipt of funds, prize claims, prizes paid directly by the Commission, expenses, and all other financial transactions involving lottery funds necessary to permit preparation of financial statements that conform with generally accepted accounting principles. (2005-344, s. 1; 2005-276, s. 31.1(h).)

§ 18C-122. Independent audits.

(a) Biennially, at the beginning of the calendar year, the Commission shall engage an independent firm experienced in security procedures, including computer security and systems security, to conduct a comprehensive study and evaluation of all aspects of security in the operation of the Commission and of the Lottery. At a minimum, such a security assessment should include a review of network vulnerability, application vulnerability, application code review, wireless security, security policy and processes, security/privacy program management, technology infrastructure and security controls, security organization and governance, and operational effectiveness.

(b) The portion of the security audit report containing the overall evaluation of the Commission and of lottery games in terms of each aspect of security shall be presented to the Commission, to the Governor, and to the General Assembly.

(c) The portion of the security audit report containing specific recommendations shall be confidential, shall be presented only to the Director and to the Commission, and shall be exempt from Chapter 132 of the General Statutes. The Commission may hear the report of such an audit, discuss, and take action on any recommendations to address that audit under G.S. 143-318.11(a)(1). The Commission may hear reports on the following matters under G.S. 143-318.11(a)(1), all of which shall be exempt from Chapter 132 of the General Statutes:

- (1) Information regarding any vulnerabilities listed in subsection (a) of this section.
- (2) Information that could impair or adversely impact the security of the Lottery or the Commission in carrying out its responsibilities as directed in this Chapter.
- (3) Information that could be used to provide an unfair advantage to a player or jeopardize the integrity of any lottery game.

(d) Biennially at the end of the fiscal year, in addition to the audits required by G.S. 18C-116 and by subsection (a) of this section, beginning in 2010, the Commission shall engage an independent auditing firm that has experience in evaluating the operation of lotteries to perform an audit of the Lottery. The results of this audit shall be presented to the Commission, to the Governor, and to the General Assembly. (2005-344, s. 1; 2005-276, s. 31.1(i); 2009-357, s. 15; 2023-42, s. 4(i).)

§§ 18C-123 through 18C-129: Reserved for future codification purposes.