

REPORT DIGEST

**DEPARTMENT OF THE LOTTERY
FINANCIAL AND COMPLIANCE AUDIT
FOR THE YEAR ENDED JUNE 30, 1993**

{Expenditures and Activity Measures are summarized on the reverse page.}

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

ADDITIONAL PROCEDURES NEEDED FOR MONITORING ACCOUNTS RECEIVABLE

The Department's total of accounts receivable over 180 days old has grown from \$1,322,000 in fiscal year 1992 to \$1,857,000 in fiscal year 1993, an increase of \$535,000, or 40%. The Department had also written off \$295,000 in fiscal year 1993 that is not included in the \$1,857,000.

We also noted that the Department had 1,339 inactive agents out of a total of 9,760 agents, or 13.7%. Higher than normal administrative time and costs are necessary to pursue the collection of inactive agent accounts.

Prudent business practices dictate that the Department should closely monitor its accounts receivable and should review its policies for initiation of agents as well as deactivation of agents. Both the number and percentage of inactive agents have been rising. The Lottery's present policies do not seem to be adequately reducing its total of older than 180-day accounts receivable. (Finding 2, page 10; first reported in 1992)

The Department concurred with our recommendations and has undertaken a comprehensive study of agent terminations.

LACK OF A TESTED COMPUTER DISASTER RECOVERY PLAN

The Department did not test its computer disaster recovery plan. It was also noted that standard restart procedures or specific plans for each user's area had not been incorporated into the plan.

Lack of sufficient resources and the heavy work load in the Information Resource Services department, as well as the need to obtain approval for funding to procure outside assistance, has resulted in the delay in actually testing the plan.

Testing of the plan should reveal deficiencies, improve the procedures outlined, improve awareness of personnel in the use of the plan, help ensure adequate backup facilities and equipment are available, and allow staff to act promptly in the event of an actual disaster. (Finding 5, page 15; first reported in 1992.)

Department officials concurred with our finding and recommendation to conduct actual testing and incorporate any necessary changes based on the test results.

LATE BILLING

The Department failed to promptly post to its agents' accounts the game charges and sales information related to its old style non bar-coded instant tickets. As of June 30, 1993, the Department had not billed agents approximately \$730,000 for end of game wrap-ups from October 1992. As of November 12, 1993, the Department still had not billed an estimated \$224,000 of the \$730,000.

A reassignment of employees due to the implementation of a new system, as well as reduced computer time available to process the old style tickets resulted in this delay. The Department feels its new instant ticket validation system will eliminate this problem.

Untimely billing results in a loss of cash flow to the Department and a loss of interest income. (Finding 1, page 9)

The Department agreed with our finding and stated that they have now completed all wrap-ups from the old system.

OTHER FINDINGS

The remaining findings are less significant and have been given appropriate attention by the Department. We will review The Department's progress towards the implementation of our recommendations in our next audit.

Ms. Desiree Glapion Rogers, Director of the Department of the Lottery, provided the responses.

AUDITORS' OPINION

The auditors report that the financial statements of the Department of the Lottery at June 30, 1993 are fairly stated.

WILLIAM G. HOLLAND, Auditor General

WGH:TEE:jr

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	6	8
Repeated findings	3	3
Recommendations implemented or not repeated	5	9

SPECIAL ASSISTANT AUDITORS

Pandolfi, Topolski, Weiss & Co., Ltd. were our special assistant auditors for this audit.

DEPARTMENT OF THE LOTTERY
COMPLIANCE AUDIT
For The Year Ended June 30, 1993

	YEAR ENDED JUNE 30,		
EXPENDITURE STATISTICS	1993	1992	1991
●Total Expenditures (All Funds)	\$939,589,929	\$970,071,722	\$929,137,241
<u>OPERATIONS TOTAL</u>	\$53,728,876	\$51,477,018	\$52,528,689
% of Total Expenditures	5.7%	5.3%	5.7%
Personal Services	\$7,090,982	\$6,894,897	\$7,372,689
% of Operations Expenditures	13.2%	13.4%	14.0%
Average No. of Employees	291	287	326
Other Payroll Costs (FICA, Retirement)			
% of Operations Expenditures	\$2,193,762 4.1%	\$2,212,524 4.3%	\$1,465,302 2.8%
Contractual Services	\$21,018,860	\$19,357,246	\$22,505,515
% of Operations Expenditures	39.1%	37.6%	42.8%
Game Promotion	\$9,240,117	\$9,693,231	\$9,376,716
% of Operations Expenditures	17.2%	18.8%	17.9%
Electronic Data Processing	\$2,035,134	\$2,029,463	\$2,470,480
% of Operations Expenditures	3.8%	4.0%	4.7%
Telecommunications	\$10,687,649	\$9,691,507	\$7,882,792
% of Operations Expenditures	19.9%	18.8%	15.0%
All Other Operations Items	\$1,462,374	\$1,598,150	\$1,455,195
% of Operations Expenditures	2.7%	3.1%	2.8%
<u>COMMISSIONS AND FEES</u>	\$101,106,435	\$103,495,757	\$98,696,606
% of Total Expenditures	10.8%	10.7%	10.6%
<u>PRIZES</u>	\$784,754,618	\$815,098,947	\$777,911,946
% of Total Expenditures	83.5%	84.0%	83.7%
●Cost of Property and Equipment	\$4,396,210	\$4,650,891	\$4,325,348
	YEAR ENDED JUNE 30,		
SELECTED ACTIVITY MEASURES	1993	1992	1991
●Ticket Sales	\$1,507,033,033	\$1,579,309,012	\$1,513,045,159
●Transfers to Common School Fund	\$589,443,800	\$611,655,207	\$588,121,821

AGENCY DIRECTOR(S)

During Audit Period: Desiree Glapion Rogers, Director
Currently: Desiree Glapion Rogers, Director