



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF THE LOTTERY
STATE LOTTERY FUND

Financial Audit
For the Year Ended June 30, 2022

Release Date: February 2, 2023

| FINDINGS THIS AUDIT: 2 | | | | AGING SCHEDULE OF REPEATED FINDINGS | | | |
|-------------------------------|----------|----------|----------|-------------------------------------|------------|--------------|------------|
| | New | Repeat | Total | Repeated Since | Category 1 | Category 2 | Category 3 |
| Category 1: | 0 | 0 | 0 | 2021 | | 22-01 | |
| Category 2: | 0 | 2 | 2 | 2020 | | 22-02 | |
| Category 3: | 0 | 0 | 0 | | | | |
| TOTAL | 0 | 2 | 2 | | | | |
| FINDINGS LAST AUDIT: 6 | | | | | | | |

INTRODUCTION

This digest covers the financial audit of the Department of the State Lottery’s (Department) State Lottery Fund as of and for the year ended June 30, 2022.

SYNOPSIS

- (21-01) The Department did not conduct adequate independent internal control reviews over its service providers’ System and Organization Control (SOC) reports.

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| <p>Category 1: Findings that are material weaknesses in internal control and/or a qualification on compliance with State laws and regulations (material noncompliance).</p> <p>Category 2: Findings that are significant deficiencies in internal control and noncompliance with State laws and regulations.</p> <p>Category 3: Findings that have no internal control issues but are in noncompliance with State laws and regulations.</p> |
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**DEPARTMENT OF THE LOTTERY
STATE LOTTERY FUND
FINANCIAL AUDIT
For the Year Ended June 30, 2022**

| STATEMENT OF NET POSTION (DEFICIT) (in thousands) | 2022 | 2021 |
|--|--------------|--------------|
| Assets and Deferred Outflows of Resources | | |
| Cash and cash equivalents..... | \$ 73,670 | \$ 116,674 |
| Investments..... | 246,397 | 289,611 |
| Receivables (net)..... | 68,087 | 47,464 |
| Due from other State funds..... | 134,539 | 75 |
| Capital assets (net)..... | 20 | 11 |
| Other..... | 94 | 132 |
| Deferred Outflows of Resources - pension and OPEB..... | 18,404 | 11,782 |
| Total..... | 541,211 | 465,749 |
| Liabilities and Deferred Inflows of Resources | | |
| Prizes payable..... | 79,202 | 96,410 |
| Accounts payable and accrued liabilities..... | 1,877 | 4,426 |
| Annuity prizes payable..... | 246,738 | 260,216 |
| Unearned revenue..... | 1,665 | 1,493 |
| Due to other State funds..... | 139,749 | 139,598 |
| Net pension liability..... | 75,900 | 81,418 |
| Net OPEB liability..... | 42,126 | 44,977 |
| Other..... | 1,381 | 1,369 |
| Deferred Inflows of Resources - pension and OPEB..... | 24,401 | 14,001 |
| Total..... | 613,039 | 643,908 |
| Net Position | | |
| Net investment in capital assets..... | 6 | 11 |
| Unrestricted..... | (71,834) | (178,170) |
| Total..... | \$ (71,828) | \$ (178,159) |
| STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (DEFICIT) (in thousands) | 2022 | 2021 |
| Operating Revenues | | |
| Charges for sales and services..... | \$ 3,393,755 | \$ 3,447,686 |
| Other..... | 5,315 | 6,863 |
| Total..... | 3,399,070 | 3,454,549 |
| Operating Expenses | | |
| Costs of sales and services..... | 175,136 | 186,247 |
| Prizes and claims..... | 2,211,364 | 2,329,353 |
| Vaccine raffle expense..... | 7,000 | - |
| General and administrative..... | 178,916 | 162,524 |
| Other..... | 38 | 201 |
| Total..... | 2,572,454 | 2,678,325 |
| Operating income..... | 826,616 | 776,224 |
| Nonoperating revenues (expenses) | | |
| Investment income (expense)..... | (21,846) | (9,875) |
| Interest expense..... | (7,890) | (8,946) |
| Grant revenue..... | 7,000 | - |
| Other..... | 2,099 | (298) |
| Total..... | (20,637) | (19,119) |
| Transfers to other State Funds..... | (699,648) | (776,333) |
| Change in net position..... | 106,331 | (19,228) |
| Restatement of a prior period error..... | - | 8,750 |
| Net change in net position..... | \$ 106,331 | \$ (10,478) |
| AGENCY DIRECTOR | | |
| During Audit Period: Mr. Harold Mays | | |
| Currently: Mr. Harold Mays | | |

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE CONTROLS OVER SOC REPORT
REVIEWS**

The Department of the Lottery (Department) did not conduct adequate independent internal control reviews over its service providers' System and Organization Control (SOC) reports.

The Department receives SOC reports from four different service providers and performs an independent internal control review of each SOC report to determine whether any areas of concern are noted. In total, the Department received nine SOC reports during the fiscal year ended June 30, 2022.

**Analysis of SOC report deficiencies
not performed**

During our testing, we noted three of nine (33%) SOC reports had qualified or adverse opinions due to deficiencies noted by the SOC auditors. The Department did not perform an analysis on whether they could rely on the service providers' controls due to deficiencies noted in the SOC reports with qualified or adverse opinions. Through our assessment of the types of deficiencies noted by the SOC auditors, and the substantive testing we performed in other areas of our audit, we were able to rely on the testing and assurance provided by the SOC reports. (Finding 1, pages 51-52)

**Department accepts the
recommendation**

We recommended the Department conduct adequate reviews over SOC reports to ensure the reviews capture the Department's disposition on the effect of any modified opinions noted within the SOC reports.

Department officials accepted our recommendation.

OTHER FINDINGS

The remaining finding pertains to inadequate controls over census data. We will review the Agency's progress towards the implementation of our recommendations in our next financial audit.

AUDITOR'S OPINION

The auditors stated the financial statements of the State Lottery Fund as of and for the year ended June 30, 2022, are fairly stated in all material respects.

This financial audit was conducted by Sikich, LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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