

LBA Financial Audit Report Summary:

Sweepstakes Commission Audit Report For the Years Ended June 30, 1997 and 1996

The New Hampshire Sweepstakes Commission (the Commission) was created in 1963 through the enactment of RSA 284:21-a for the primary purpose of raising revenue for benefit of public education. It generates revenue through the sale of instant "scratch" tickets and six on-line games. The Commission also licenses and taxes charitable bingo games and the manufacture, distribution, and sale of Lucky 7 tickets.

In addition to the games the commission runs itself, it operates games as a member of two lottery associations, the Tri-State Lotto Commission and the Multi-State Lottery Association. As a member of the Tri-State Lotto Commission it participates in the sale of Megabucks, 5 Card Cash, and the daily numbers Pick3/Pick4 games. As a member of the Multi-State Lottery Association, it participates in the Powerball and Daily Millions games. The revenue from the associations accounts for 34% of lottery sales. Of the two games operated by the Commission itself, instant tickets represents 63% of total sales, with Cash Lotto accounting for the remaining 3%.

Our report included four observations, three regarding noncompliance with state laws and regulations and one management issue. We had no observations regarding weaknesses in the Commission's internal control structure.

State compliance observations included:

- the purchase of an outdoor sign without adhering to state purchasing rules,
- exceeding the biennial transfer limit of \$3,500,000 for purchases of tickets and start-up costs for new lottery games, and
- late remittance from Lucky 7 distributors of required fees without penalty from the Commission.

The one management issue dealt with eliminating the individual bank accounts maintained for the state liquor stores.

We recommended that the Commission:

- adhere to state rules for the purchase of all equipment items,
- establish procedures to ensure that it does not exceed the biennial transfer limit.
- establish procedures to ensure compliance with the Commission's own administrative rules, and

- establish a direct transfer system through the State Treasury thereby eliminating the need for the individual liquor store accounts.