

**LBA Financial Audit Report Summary:
New Hampshire Sweepstakes Commission Comprehensive Annual Financial
Report and Management Letter For the Year Ended June 30, 2003**

The New Hampshire Sweepstakes Commission (the Commission) was established in 1963 and became the first modern state-run lottery program to benefit public education. The Commission has three members appointed by the Governor and an executive director who is appointed by the Commission. The Commission operates both instant and on-line games for the purpose of funding state aid to education. As a member of two joint lottery ventures, the Tri-State Lotto Commission and the Multi-State Lottery Association, the Commission is able to offer a variety of games, including the Megabucks and Powerball games. The Commission also licenses and taxes charitable organizations which hold Bingo games and the manufacture, distribution and retail sale of Lucky 7 tickets.

During fiscal year 2003, the Commission had total sales of \$223.2 million, a 4% increase from fiscal year 2002. The majority of sales, as in past years, continued to be from instant "scratch" tickets, accounting for 68% of fiscal year 2003 sales. Fiscal year 2003 saw online games sales decrease by \$2.2 million, a 3% decline. Net profit contributed toward public education totaled \$66.6 million.

We audited the financial statements of the Commission as of and for the year ended June 30, 2003 and issued our unqualified opinion thereon dated November 21, 2003. A copy of the Commission's comprehensive annual financial report may be obtained from the New Hampshire Sweepstakes Commission, P.O. Box 1208, Concord, New Hampshire, 03302-1208.

This management letter, dated November 21, 2003, a byproduct of the fiscal year 2003 audit of the Commission, describes certain internal control and management issues. The comments are summarized below.

Internal Control Comments

- Investment Account Should Be Reconciled
- Consistently Account For Accruals Due To/Due From Tri-State Lotto Commission
- Management Should Monitor Adherence To Contract Provisions
- Policies And Procedures Should Be Established For Information Technology Change Management And Key Distribution
- Information Security Issues Identified By Fiscal Year 2001 Security Review Should Be Resolved

Management Issues Comment

- Performance Measures Should Be Implemented For Advertising Campaigns