

LBA Financial Audit Report Summary:

Sweepstakes Commission Audit Report For the Years Ended June 30, 1995 and 1994

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 the benefit of public education. The Commission is authorized by statute to conduct both pure lotteries and horse or dog race- related sweepstakes. The Commission also generates revenue from the sale of instant "scratch" tickets and the sale of four on-line games.

In September 1985, under the authority of RSA 287-F, the Commission entered into the Tri-State Lotto Compact with the states of Maine and Vermont. The Compact formed the Tri-State Lotto Commission, which serves as the common agency of the three states to administer the Tri-State lottery games known as Megabucks and Cash 5.

The New Hampshire Sweepstakes Commission also operates two on-line games under its own direction using the same on-line vender as the Tri-State Lotto Commission. The Daily Numbers games - Pick 3 and Pick 4 - have been offered by the Commission since fiscal year 1977. Cash Lotto was introduced during fiscal year 1990 to provide a game where the winner receives one lump-sum payment as opposed to the annuity payments of the Tri-State Megabucks program. In addition, the Commission continues to sell Instant Ticket Games.

Our report included four observations regarding weaknesses in the internal control structure, three regarding noncompliance with state laws and regulations, and three management issues.

Major observations included:

- inadequate controls for receipts on bounced transfers;
- inadequate internal control over electronic data processing (EDP);
- lack of an internal control system for Cash Lotto; and
- lack of administrative rules for most lottery games.

We recommended that the Commission:

- review its current procedures for handling certified checks and deposit receipts timely;
- segregate EDP responsibilities, develop procedural controls, and install data input controls;

- implement an internal control system for Cash Lotto as soon as possible; and
- work to ensure adoption of administrative rules.