

LBA Financial Audit Report Summary:

New Hampshire Sweepstakes Commission Management Letter For the Year Ended June 30, 1998

The New Hampshire Sweepstakes Commission (the Commission) was established in 1964 in accordance with the provisions of RSA 284:21-a. The Commission has three members appointed by the Governor and an executive director who is appointed by the Commission. The Commission is authorized to operate both instant and on-line games for the sole purpose of funding state aid to education pursuant to RSA 198:27-37. In addition, the Commission licenses and taxes charitable organizations who hold Bingo games and the manufacture, distribution and retail sale of Lucky 7 tickets pursuant to the provisions of RSA 287-E.

We audited the financial statements of the Commission as of and for the years ended June 30, 1998 and 1997 and issued our report thereon dated December 11, 1998. [Click here](#) for a synopsis of those financial statements. A copy of the Commission's comprehensive annual financial report may be obtained by writing to the New Hampshire Sweepstakes Commission, P.O. Box 1208, Concord, New Hampshire, 03301-1208.

This management letter, a product of the audit of the Commission for the year ended June 30, 1998 contains the auditor's report on compliance and on internal control over financial reporting and an auditor's report on management issues. The management letter contains six observations, two of which deal with compliance issues and four involve other management issues.

The compliance issues dealt with lack of an approved strategic information technology plan which has prevented the Commission from upgrading its noncompliant year 2000 computer systems. We also noted that the Commission's Powerball sign was no longer in compliance with state billboard laws and may need to be removed from its present location.

The management issues included:

- A lack of formalized policies and procedures governing the selection process for on-line agents.
- A lack of adequate contingency planning for year 2000 issues should either its internal or significant external systems fail.
- A lack of adequate disclosure by the Sweepstakes Commission's executive director to the Tri-State Commission regarding issues with the awarding of a new contract to a CPA firm. The director failed to properly inform the Tri-State Commissioners of a

familial relationship between employees of the CPA firm and Sweepstakes prior to the Tri-State Commissioners' approval of the contract.

- The Sweepstakes Commission has not reviewed nor approved its on-line system vendor's disaster recovery plan.

We recommended that the Commission:

- Obtain approval of its strategic information technology plan in order to upgrade its year 2000 noncompliant computer systems.
- Contact the NH Department of Transportation to determine the proper protocol for either retaining or removing the Powerball sign from its current location.
- Develop formal written policies and procedures governing the selection process for on-line agents.
- Develop adequate contingency plans to ensure continued operations through the turn of the century.
- Ensure that the Tri-State Commissioners are fully informed of all potential issues with any contract to avoid the appearance of a conflict of interest or tainted bidding process.
- Review and approve its on-line vendor's disaster recovery plan to ensure the continuity of critical services.