

**STATE OF NEW HAMPSHIRE
LOTTERY COMMISSION**

**MANAGEMENT LETTER
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**



MICHAEL W. KANE, MPA
Legislative Budget Assistant
(603) 271-3161

State of New Hampshire

OFFICE OF LEGISLATIVE BUDGET ASSISTANT
State House, Room 102
Concord, New Hampshire 03301

CHRISTOPHER M. SHEA, MPA
Deputy Legislative Budget Assistant
(603) 271-3161

STEPHEN C. SMITH, CPA
Director, Audit Division
(603) 271-2785

To The Fiscal Committee Of The General Court:

We have audited the financial statements of the New Hampshire Lottery Commission (Lottery) as of and for the fiscal year ended June 30, 2021 and have issued our report thereon dated December 16, 2021.

This management letter, a byproduct of the audit of the New Hampshire Lottery Commission for the fiscal year ended June 30, 2021, contains our auditor's report on internal control over financial reporting and on compliance and other matters and related audit findings. The appendix to this letter, on page 11, provides a summary of the status of observations presented in the fiscal year 2020 and fiscal year 2019 Lottery Commission management letters.

The Lottery is again submitting its annual comprehensive financial report (ACFR) to the Government Finance Officers Association (GFOA) for consideration for the GFOA's Certificate of Achievement for Excellence in Financial Reporting. A certificate of achievement is a prestigious national award for ACFRs that are prepared in accordance with program standards. The program standards are intended to promote easily readable and understandable financial reports that demonstrate financial accountability and comparability. The Lottery's GFOA certification for its 2020 ACFR is pending approval, and it is believed that the 2021 ACFR conforms to the certificate of achievement program requirements. A copy of the Lottery's 2021 ACFR can be obtained from the New Hampshire Lottery Commission, 14 Integra Drive, Concord, NH 03301. The Lottery ACFR can also be accessed online at:

http://www.gencourt.state.nh.us/lba/AuditReports/FinancialReports/pdf/Lottery_2021_ACFR.pdf

Office of Legislative Budget Assistant

Office Of Legislative Budget Assistant

December 16, 2021

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**STATE OF NEW HAMPSHIRE
LOTTERY COMMISSION
2021 MANAGEMENT LETTER**

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* No comments suggest legislative action may be required.

ABBREVIATIONS USED

ACFR	Annual Comprehensive Financial Report
CUECs	Complementary User Entity Controls – essential part of SOC audit report of controls required to be implemented by user entity (entity that utilizes a service organization)
FY	Fiscal Year
GGR	Gross Gaming Revenue
SOC	Service Organization Control audit report



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State House, Room 102
Concord, New Hampshire 03301

STEPHEN C. SMITH, CPA
Director, Audit Division
(603) 271-2785

Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

To The Fiscal Committee Of The General Court:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the New Hampshire Lottery Commission (Lottery) which comprise the Statement of Net Position as of June 30, 2021 and the related Statements of Revenues, Expenses, and Changes in Net Position and Cash Flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements, and have issued our report thereon dated December 16, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lottery's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lottery's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lottery's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the following observations, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and

corrected on a timely basis. We consider the deficiency described in Observation No. 1 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Observations No. 2 and No. 3 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Lottery's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

Lottery Commission's Responses To Findings

The Lottery's responses to the findings identified in our audit are included with each reported finding. The Lottery's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose Of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lottery's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lottery's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Office Of Legislative Budget Assistant

December 16, 2021

INTERNAL CONTROL COMMENTS
MATERIAL WEAKNESS

Observation No. 1

Lottery Should Develop And Implement Effective Internal Controls Over Sports Betting Revenues

Lottery did not have an adequate internal control structure in place to accurately calculate and reconcile sports betting revenues during FY 2021.

RSA 287-I authorizes sports wagering activities to be offered within the State and became effective on July 12, 2019. The Lottery Commission initially introduced the mobile sports betting platform during FY 2020, and expanded operations during FY 2021 through the opening of two retail locations. A combined \$16.7 million in mobile and retail sports betting revenues was reported by the Lottery during FY 2021.

The following deficiencies combined resulted in a material weakness in the sports betting revenue and contract monitoring process:

1. Failure to obtain a service auditor's report covering sports betting activities processed by the third-party vendor responsible for sports betting operations within the State.

Lottery contracts with a third-party vendor to provide its mobile sports betting platform which went live on December 2019, and to operate the two retail sports books which opened during FY 2021. While the initial Request For Proposal included a requirement for the vendor's annual provision of a Service Organization Control (SOC) 1 Type 2 report, the requirement was subsequently removed during final contract negotiations, reportedly due to Lottery deeming provision of the report to be unnecessary.

Management is responsible for establishing and maintaining a system of internal control for both internal operations and contracted operations. When management intends to rely on a service organization's internal controls, its responsibilities extend to understanding the design and operating effectiveness of those controls in place at the service organization. Such understanding is often accomplished by obtaining and reviewing a SOC 1 Type 2 report, and ensuring that the complementary user entity controls (CUECs) noted within the report are in place at the user entity.

A recommendation to obtain a SOC 1 Type 2 report was also included in the FY 2020 management letter, and as a result Lottery requested the vendor to obtain and provide the report for the period covering FY 2021. However, when the report was received and reviewed in late November of 2021, it was not applicable to the New Hampshire Lottery, and thus was not able to be relied upon. The need to obtain a SOC 1 Type 2 report will become increasingly important as sports betting operations continue to expand within the State.

Failure to obtain and review a relevant SOC 1 Type 2 report reduces the Lottery's ability to rely on the completeness and accuracy of financial transactions processed by the third-party vendor.

2. A lack of formally documented policies and procedures for the major activities of the Sports Betting Division, including the monthly reconciliation of sports betting revenues.

During FY 2021, the monthly reconciliation of the revenue share received from the sports betting vendor continued to be unsupported by formally documented policies and procedures. While the Lottery has documented the procedures by which the reconciliation is to be performed, it did not develop a formal policy that includes identifying the staff responsible for performing the reconciliation and actions to be taken when discrepancies are identified, or provide for an appropriate level of management review and approval prior to accepting the monthly revenue share. A similar comment regarding a lack of formal policies and procedures was made in the FY 2020 Lottery Commission Management Letter.

Additionally, review of the monthly sports betting reconciliations revealed unresolved variances in amounts used to compute the revenue share for four out of four months tested. These variances did not prevent the Lottery from accepting the monthly revenue share from the sports betting vendor as remitted. Lottery contacted the vendor and determined that most of the variances identified resulted from a change in how information was presented in one of the reports provided by the vendor that Lottery used to prepare the reconciliations. It appears that while the information presented in the reports changed, Lottery did not adjust its reconciliation procedures accordingly, resulting in the noted variances. While the majority of the variances appear to have been explained by the vendor, numerous small variances remain unexplained.

Failure to complete accurate and timely reconciliations increases the risk that Lottery may not receive all sports betting revenues owed in accordance with the contract, and that sports betting revenues may not be accurately reported in the financial statements.

3. Lack of a complete understanding of the monthly revenue share calculation

In addition to the discrepancies in the monthly reconciliation process described in item 2. above, Lottery was initially unable to sufficiently explain the monthly revenue share calculation.

Lottery's contract with the sports betting vendor specifies that the monthly revenue share is calculated as 51% of mobile Gross Gaming Revenue (GGR) and 50% of retail GGR, less promotional payments (capped at 15% and 10%, respectively, for mobile and retail). For the four months selected for testing, Lottery was unable to adequately explain the differences between certain promotional items noted in the calculation (such as various promotional rakes, and pay-outs), and was also unable to identify which promotional payments were included in, or excluded from, GGR. Lottery contacted the vendor and was ultimately able to document its understanding of the

GGR calculation in late December 2021, several months following the conclusion of the fiscal year.

Failure to have a complete understanding of the monthly revenue process increases the risk that Lottery may not receive all amounts due from the vendor, whether due to errors in the calculation or frauds, and the loss could go undetected and uncorrected by management.

4. Lottery was unable to demonstrate compliance with RSA 287-I:8, VI

RSA 287-I:8,VI requires that the Lottery's agents "shall maintain a cash reserve available to pay wagers as determined by the [C]ommission." While Lottery reported the vendor maintains a cash reserve account, which Lottery reviews daily to ensure cash reserve requirements are met, it was unable to provide evidence that such reviews had been performed during FY 2021. In addition, Lottery did not have any formal policies and procedures describing how to determine the appropriateness of the amount maintained in the cash reserve and could not identify staff responsible for the review.

Failure to adequately monitor the vendor's cash reserves, as required by statute, increases the risk that the vendor may not have sufficient funds available to pay claims.

Recommendation:

We recommend Lottery:

- **reconsider amending its contract with the vendor to require the annual acquisition of a SOC 1 Type 2 report, pertaining specifically to New Hampshire Lottery, and require its submission to Lottery for review.**
- **implement policies and procedures to review and assess risks associated with outsourced services, including identifying when SOC 1 Type 2 reports should be written into contracts, and ensuring that relevant CUECs identified by the third party are in place and operating effectively.**
- **formally document policies and procedures covering the major areas of its sports betting operations, including, but not limited to, its process for completing the monthly revenue reconciliations, acceptance of the monthly revenue share amount, and documenting its review of the vendor's cash reserves in accordance with statute. Policies and procedures should include a monitoring control to ensure the documented process continues to operate as intended and remain relevant; and should be approved by management and effectively communicated to responsible employees.**

Auditee Response:

We concur. The Lottery Commission agreed to remove the SOC reporting requirements from the contract during negotiations due to the initial structure of the DraftKings betting platform where separate companies were responsible for generating transaction reports and could be reconciled against one another. That system has since changed to a structure where all core components of the betting platform are owned and controlled by DraftKings. We concur that a SOC report is appropriate in these circumstances. As noted in the observation, DraftKings had agreed to provide a SOC report for FY21, however, due to a miscommunication, that report did not sufficiently cover the New Hampshire operations. DraftKings has again committed to providing a New Hampshire focused SOC report for FY22. Additionally, the Lottery Commission will discuss an amendment with DraftKings to add the SOC reporting requirements to the contract. While the Lottery Commission has had reconciliation procedures in place since the inception of sports betting, we agree that we need to document the overall process to include the workflow, oversight, and approval process as suggested.

SIGNIFICANT DEFICIENCIES

Observation No. 2

Lottery Should Formally Document Policies And Procedures Covering Significant Aspects Of Its Financial Reporting Process

Lottery does not have formally established policies and procedures covering significant aspects of its financial reporting process. While policies and procedures are in place covering many areas of day-to-day operations and transaction processing, policies and procedures relating specifically to financial reporting (such as the development of the instant ticket unclaimed prize liability estimate, monthly Tri-State reconciliations, recording of year-end accrual entries, and compilation of the Annual Comprehensive Financial Report, etc., are lacking).

The following areas of concern were noted in the FY 2021 financial reporting process:

1. Expansion Of Financial Accounting and Reporting Staff Needed

While Lottery has experienced turnover in key accounting positions and expanded its operations significantly over the past several years, with the implementations of Keno, iLottery, and sports betting, its financial reporting staffing-levels have remained essentially the same, increasing the risk that potential errors or frauds could go undetected. Additionally, as Lottery continues to expand into new and increasingly complex areas of operations, with Historical Horse Racing expected to be added during FY 2022, formally documenting significant areas of operations and maintaining an adequate level of staff with appropriate expertise will be key to accurate financial reporting.

2. Development of instant ticket unclaimed prize liability estimate

A senior Lottery employee prepares, reviews, and provides final NH First approval for the month-end and year-end instant ticket unclaimed prize liability estimate entries, without being subjected to an independent review and approval.

Review of the FY 2021 year-end unclaimed prize liability estimate for instant tickets revealed that the exclusion of certain high-dollar, high-payout games, although consistent with historical Lottery practice, resulted in an understatement to the unclaimed prize liability reported on the Lottery Commission's FY draft 2021 financial statements. Auditors proposed that Lottery re-evaluate the methodology for calculating the estimate as it no longer seemed appropriate, and, as a result, Lottery adjusted the estimate to include the previously excluded high-payout instant ticket games. The revised calculation led to Lottery booking an adjusting entry to increase the unclaimed prize liability originally reported in the financial statements by approximately \$2 million.

3. Tri-State reconciliations

Lottery management did not complete effective reviews of the monthly Tri-State reconciliations to ensure the reconciliations were completed accurately and the noted variances were identified and resolved during FY 2021.

The Lottery has implemented a control procedure whereby an employee reconciles sales data reported by Tri-State to sales information contained in its Back Office System (BOS) on a monthly basis. Management is responsible for reviewing and approving the reconciliation as evidenced by initialing the document. The reconciliation control helps to ensure that the amounts Lottery reports in its financial statements relating to Tri-State, for restricted deposits and accounts receivable are accurate. For eight out of 12 months of FY 2021, the Tri-State reconciliations did not evidence CFO review and approval, and did not account for “year-to-date interest income” in the reconciliation, and certain amounts used in the reconciliations did not agree to the same amounts as reported in the Tri-State financial statements. These discrepancies went unnoticed by Lottery management until auditor inquiry during testing of the June 2021 reconciliation, at which point Lottery revised the amounts used, and a new reconciliation was provided.

4. Year-end accruals

Review of Lottery’s year-end adjusting entries revealed the following:

- The year-end entry to accrue sales activity for the final four days of the fiscal year (June 27 – June 30) was performed in the general-ledger, rather than the multi-ledger. The multi-ledger is a financial reporting tool, used by some State Enterprise Funds, to move from a budgetary basis of accounting and reporting (NHFirst general ledger) to a full accrual Generally Accepted Accounting Principles (GAAP) basis of accounting and reporting.
- The initial year-end entry to accrue FY 2021 expenses paid in FY 2022 incorrectly included prize expense relating to the first MegaMillions draw of FY 2022, requiring the posting of a correcting entry.

These entries were reviewed and approved by management as evidenced via initials on both the paper document and NHFirst electronic approval. While the management review and approval process was in place, it was ineffective as the noted issues went uncorrected and/or undetected.

5. Compilation of the Annual Comprehensive Financial Report (ACFR)

There were numerous inconsistencies, clerical errors, and version control issues noted within the ACFR preparation process for FY 2021. Examples include discrepancies in reported amounts between pages, clerical errors on the face of the financial statements and in tables included in the notes to the financial statements, and inclusion of the prior fiscal year cash note in later versions of the FY 2021 ACFR. While the noted issues were identified during auditor review, and subsequently revised by Lottery prior to the issuance

of the FY 2021 final ACFR, the pervasiveness of the issues noted within the initial draft versions of the reports indicates that an effective review and approval control over information reported within the report is not in place.

The lack of formally documented policies and procedures increases the risks that errors or fraud could occur in the Lottery's financial reporting process, and ultimately lead to the inaccurate reporting of the Lottery's financial position in its ACFR drafts, without being timely detected and corrected by management.

Recommendation:

We recommend Lottery enhance its financial accounting and reporting staff to account for the ever-increasing scope and complexity in Lottery's operations. With the implementation of Keno (2017), followed by iLottery (2019), mobile (2020) and retail (2021) sports betting, and the upcoming introduction of Historical Horse Racing (2022) additional expertise is needed. The Lottery must mitigate the risk of reliance on the performance of one employee for all financial accounting and reporting activities. The Lottery should consider establishing a Director of Finance or similar position to account for and manage its expanding financial accounting and reporting needs.

Lottery should take steps to formally document policies and procedures that address significant aspects of its financial reporting process, including but not limited to: the development of significant estimates, monthly reconciliations, year-end accruals and adjusting entries, and the compilation and review of the Annual Comprehensive Financial Report.

The policies and procedures should provide enough detail to allow for an appropriate level of review and approval of the estimates, reconciliations, and entries, by someone other than the preparer to mitigate any potential segregation of duties risks, and be detailed enough to prevent significant disruption to operations upon the departure or absence of key employees.

The policies and procedures should be fully vetted and approved by management.

Auditee Response:

We concur. The Lottery Commission is in the process of increasing staffing levels for mid-level positions. Though not in our budget, we have started discussions regarding the addition of a Director of Finance or similar position. The Lottery Commission will begin the documenting of policies and procedures for financial processes listed in the LBA report.

Observation No. 3

Council For Responsible Gambling Expenses Should Be Adequately Supported

The New Hampshire Council for Responsible Gambling failed to obtain adequate support for invoices submitted by one of its contracted vendors.

The New Hampshire Council for Responsible Gambling (Council) was established by RSA 338-B, with the purpose of promoting education, prevention, and treatment of problem gambling within the State. The Council is administratively attached to the Lottery Commission (Lottery), and contracts with a private, not-for-profit council with a similar mission to carry out the majority of its duties.

During testing of Lottery expenses, we selected one Council related expense in the amount of \$29,700. The invoice supporting the \$29,700 payment did not include a detailed invoice of work performed during the contract period, as specified in the contract. Initials on the invoice indicated the invoice was reviewed and approved by the chair of the Council. A secondary level of review was not completed by Lottery, as Lottery purports it cannot direct the activities of the Council, and as such upon receipt of the invoice, administratively processed it for payment.

Further complicating matters is the fact that a senior Lottery Commission employee serves as both the chair of the administratively attached Council, and also on the board of the not-for-profit contracted to carry out the Council's duties, creating a conflict and a segregation of duties risk.

Failing to request and review supporting documentation for invoiced expenses in accordance with contract terms increases the risk that funds may not be expended in accordance with contracted terms, and may fail to relate to the stated purpose of the Council.

Recommendation:

We recommend the Council implement formal policies and procedures to ensure all invoices are adequately supported in accordance with contracted terms, prior to being submitted to the Lottery Commission for payment.

Duties should be appropriately segregated to allow for an independent review of invoices prior to payment, to ensure that expenses are valid and made in accordance with contracted terms.

Auditee Response:

The New Hampshire Council for Responsible Gambling is administratively attached to the Lottery Commission. Pursuant to RSA 21-G:10, the Council must "[e]xercise its powers, duties, functions and responsibilities independently of the [Lottery Commission] and without approval or control of the [Lottery Commission], except as otherwise specifically provided by statute." Accordingly, the Lottery Commission takes no position on this observation.

Council For Responsible Gambling Response:

We concur. The New Hampshire Council for Responsible Gambling will implement formal policies and procedures to ensure all invoices are adequately supported in accordance with contracted terms, prior to being submitted to the New Hampshire Lottery Commission for payment. To incorporate segregated duties, a designated council member will review and approve invoices prior to payment.

APPENDIX

CURRENT STATUS OF PRIOR AUDIT FINDINGS

The following is a summary of the status, as of December 16, 2021, of the observations contained in the New Hampshire Lottery Commission’s Management Letters for the fiscal years ended June 30, 2020 and 2019. Those reports can be accessed at, and printed from, the Office of Legislative Budget Assistant website: www.gencourt.state.nh.us/lba/auditreports/financialreports.aspx

		<u>Status</u>	
<i>2020 Audit Comments</i>			
<i>Internal Control Comments</i>			
<u>Significant Deficiencies</u>			
2020-1	<p>Lottery Should Continue To Develop The Division Of Sports Wagering And Strengthen Controls Over Mobile Sports Betting</p> <p><i>Continue the development of the Division of Sports Wagering to ensure compliance with statute and administrative rule and develop and formally document policies and procedures for the major activities of the Division. (See current Observation No. 1)</i></p>	●	○
2020-2	<p>Independent Service Auditor’s Report Over Mobile Sports Betting Activities Should Be Obtained And Reviewed</p> <p><i>Consider a contract change order with the vendor to require the annual provision of a SOC 1 Type 2 report and implement policies and procedures to review and assess risks associated with outsourced services, including when SOC 1 Type 2 reports should be written into contracts and ensuring, when applicable, relevant CUECs identified by a third party are in place and operating effectively. (See current Observation No. 1)</i></p>	○	○
2020-3	<p>Building Access Controls Should Be Strengthened And Procurement Of A New Access Control System Should Continue</p> <p><i>Continue to take steps to procure and implement a new access control system, review current procedures for monitoring employee access to the draw room, and consider expanding its review to include access to all secured areas within the building.</i></p>	●	●

	<i>Compliance Comments</i>	<u>Status</u>
<u>State Compliance</u>		
2020-4	<p>Statements Of Financial Interest Should Be Filed As Required By Statute</p> <p><i>The Council for Responsible Gambling (Council) should establish procedures to ensure all administratively attached Council members submit statements of financial interests by the required filing deadline in accordance with RSA 15-A:3, I(c), and Lottery should consider sending annual reminders to Council members to remind them of the filing requirements.</i></p>	● ●
<p>2019 Audit Comments Internal Control Comments</p>		
<u>Significant Deficiencies</u>		
2019-1	<p>Expand Scope Of Service Auditor’s Report And Enhance Design Of Complementary User Entity Controls</p> <p><i>Request the gaming system service provider require the iLottery platform vendor provide a SOC 1 Type 2 report annually, submit it for review, and implement policies and procedures to review and assess risks associated with outsourced services, including ensuring any relevant CUECs identified by a third party are in place and operating effectively.</i></p>	● ●
2019-2	<p>Contracts Amendments Should Be Submitted To Governor And Council For Approvals</p> <p><i>Implement adequate review and approval controls to ensure all contract amendments are executed in accordance with contract terms, and are submitted to Governor and Council for approval, as required by Manual Of Procedures Chapter 150 Section V.B.1.</i></p>	● ●
2019-3	<p>Interest Calculation For Lottery Funds On Deposit With State Treasury Should Be Supported</p> <p><i>Request the State Treasury to provide supporting documentation for the annual calculation of net interest income allocated to the Lottery Fund to ensure the accuracy of the amount received</i></p>	● ●

Status

Compliance Comments

State Compliance

2019-4	Review Authority For iLottery Incentive Payments <i>Seek clarification from legal counsel to determine if the current Retailer Incentive Policy for iLottery Sales is compliant with RSA 284-21-s.</i>	●	●
2019-5	Seek Clarification Of Statute Requiring Percentage Of Breakage To Be Paid To State Treasury <i>Review with legal counsel whether depositing 1/4 of breakage revenue with the State Treasury, for the use of the State as required by RSA 284:22, IV, is in compliance with Part 2, Article 6-b of the State Constitution and RSA 284:21-j.</i>	●	●

<u>Status Key</u>	<u>Status</u>	<u>Count</u>
Resolved	● ●	7
Remediation In Process (Action beyond meeting and discussion)	● ○	1
Unresolved	○ ○	1

Review Of Lottery Information Technology System General Controls Over ICS And Complementary User Entity Controls Within Gaming System Service Provider’s Service Organization Control (SOC) Report

Status

2019 Internal Control Comments – Information Technology- Significant Deficiencies

I. ICS Application

- | | | |
|--|---|---|
| <p>A. Improve Procedures Over Data Center Access Listing Review
 <i>Establish a procedure to ensure a review of a complete and accurate listing of data center users is performed, in order to determine access is appropriately restricted based on job function and related responsibilities.</i></p> | ● | ○ |
| <p>B. Improve Monitoring Controls Over Server Backups
 <i>Design and implement control procedures to monitor the successful completion of backups, and to ensure failed backups are investigated, resolved, and re-run to successful completion.</i></p> | ● | ● |

II. Gaming Service System Provider CUEC

- | | | |
|--|---|---|
| <p>A. Formally Document Management Approval of User Acceptance Testing For System Changes
 <i>Formally document UAT (user acceptance testing) approvals in its change management process to ensure UAT is completed.</i></p> | ● | ○ |
| <p>B. Seek Clarification And Document Applicability of LOTOS Access
 <i>Work with the gaming system vendor to obtain a complete and accurate understanding of what the CUECs are, and how they relate to the control objectives. Once clarified, implement policies and procedures to ensure CUECs are suitably designed, effectively implemented, and sufficiently documented.</i></p> | ● | ● |

Status Key

	<u>Status</u>	<u>Count</u>
Resolved	●	2
Remediation In Process (Action beyond meeting and discussion)	●	○
Unresolved	○	○