

## **LBA Financial Audit Report Summary:**

### **New Hampshire Sweepstakes Commission Management Letter For the Year Ended June 30, 2002**

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The New Hampshire Sweepstakes Commission (the Commission), established in 1964, was the first modern state-run lottery program to benefit public education. The Commission operates both instant and on-line games for the purpose of funding state aid to education, including the Megabucks and Powerball games. It also licenses and taxes charitable organizations that hold Bingo games and the manufacture, distribution and retail sale of Lucky 7 tickets.

We audited the general purpose financial statements of the Commission as of and for the years ended June 30, 2002 and 2001 and issued our unqualified report thereon dated December 16, 2002. 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, 03301-1208.

This management letter, dated December 16, 2002, a byproduct of the fiscal year 2002 audit of the Commission, describes certain internal control and management issues. The comments are summarized below.

#### **Internal Control Comments**

- Accounting Transactions Should Be Thoroughly Reviewed To Ensure Recognition In The Proper Accounting Period
- Disaster Recovery Plan Should Be Thoroughly Updated And Tested
- Bingo Enforcement Vehicle Costs Should Be Reviewed For Reasonableness
- Formal Fraud Deterrence And Detection Program And Fraud Reporting
- Policy Should Be Established

#### **Management Issues Comments**

- Formal Business Plan Should Be Updated
- Advertising Effectiveness Should Be Measured
- Purchase Of A Test File Server Should Be Reviewed
- Sweepstakes Commission Should Consider Formally Changing Its Name To "New Hampshire Lottery"
- Criminal Background And Motor Vehicle Record Checks Should Be Performed On All Prospective Employees