

LBA Financial Audit Report Summary:

Sweepstakes Commission Audit Report for the Years Ended June 30, 1996 and 1995

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 five 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, 5 Card Cash and Pick3/Pick4.

In fiscal year 1996 the Commission, under the authority of RSA 284:21-h joined the Multi-State Lottery Association (MUSL) which consisted of 19 states and the District of Columbia at the time of the Commission's entrance into MUSL. The main on-line game administered by MUSL is the Powerball game.

The New Hampshire Sweepstakes Commission also operates one on-line game under its own direction using the same on-line vendor as the Tri-State Lotto Commission. 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.

Our report included one observation regarding weaknesses in the internal control structure, three regarding noncompliance with state laws and regulations, and one management letter issue.

Major observations included:

- lack of a formal disaster recovery plan for its in-house computer systems;
- lack of administrative rules for most lottery games;
- cash awards exceeding the \$1,000 statutory limit;
- inefficiencies involving liquor store bank accounts.

We recommended that the Commission:

- develop a formal disaster recovery plan for its in-house systems;

- work to ensure adoption of administrative rules for lottery games;
- initiate a policy to limit cash awards to the statutory limit;
- work with the Liquor Commission and the State Treasury to eliminate liquor store bank accounts.