

# **LBA Financial Audit Report Summary:**

## **Lottery Commission Management Letter For The Fiscal Year Ended June 30, 2009**

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The New Hampshire Lottery Commission was established by the chapter laws of 1963 and became the first modern state-run lottery program. The Lottery's primary purpose has always been to raise revenue for the benefit of public education. The financial activities of the Lottery, as a department of the State of New Hampshire, are reported as an enterprise fund in the State's Comprehensive Annual Financial Report as well as in Lottery's separately issued Comprehensive Annual Financial Report.

The Lottery operates both instant and on-line games for the purpose of funding state aid to education. As a member of two joint lottery ventures, the Tri-State Lotto Commission and the Multi-State Lottery Association, the Lottery offers a variety of games, including the Megabucks and Powerball games.

During fiscal year 2009, the Lottery's operating revenues were \$240 million, an 8.1% decrease from the prior year; gross profit margin was 31.8%, approximately the same as experienced during the prior year; and transfers to the State's Education Trust Fund were \$68.1 million, a decrease of 9.8% from the prior fiscal year.

We audited the financial statements of the Lottery as of and for the year ended June 30, 2009 and issued our unqualified report thereon dated December 15, 2009. A copy of the Lottery's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009 may be obtained from the New Hampshire Lottery Commission, P.O. Box 1208, Concord, New Hampshire, 03302-1208. The Lottery CAFR can also be accessed online at <http://gencourt.state.nh.us/lba/otheraudits.html>.

This management letter, a byproduct of the fiscal year 2009 audit of the Lottery, contains an auditor's report on internal control over financial reporting and on compliance and other matters and related audit findings. The following is a list of the comments in the report.

### ***Internal Control Comments***

#### ***Significant Deficiencies***

- Sale Of Replay Program Assets Should Be Reviewed
- Replay Program Should Be Fully Documented
- Segregation Of Duties Should Be Improved Over Merchandise Prizes - Replay Program

- Controls Should Be Improved Over Merchandise Prizes - Lottery Games
- User Access Change Log Should Be Prepared And Reviewed
- Advertising Costs Should Be Properly Charged To Lottery Advertising Accounts
- Reported Prize Reserves Should Be Reviewed For Accuracy
- Accountability For Tickets Removed From The Lottery's Instant Ticket Vending Machines Should Be Improved
- Approval Of All Journal Entries Should Be Evidenced
- The Lottery Should Prepare All State Required Accounting Reports

*State Compliance Comment*

- Tax Status Of Tri-State Lotto Prizes Should Be Determined