

FINANCIAL AUDIT

Montana State Lottery

For the Fiscal Year Ended June 30, 2014

FEBRUARY 2015

13-30B

REPORT SUMMARY

Over the last five fiscal years, the Montana State Lottery sold approximately \$255.4 million in lottery tickets, and transferred approximately \$60 million to the state's General Fund. In fiscal year 2014, ticket sales decreased 6.53 percent from fiscal year 2013 sales levels.

## Context

The Montana State Lottery (lottery) currently offers a variety of online games, including multi-state games such as Powerball, Mega Millions, and Hot Lotto, as well as state-specific games such as Montana Cash and Montana Millionaire. The lottery also offers an assortment of scratch games, as well as EZPlay games. In fiscal year 2014, sales from these games approximated \$53.1 million and direct costs associated with the sales approximated \$36.6 million. The lottery transferred roughly \$12.2 million to the state's General Fund in fiscal year 2014.

The lottery's operations are funded by the net proceeds from ticket sales. Operating expenses were approximately \$4.7 million in fiscal year 2014. In fiscal year 2014, the lottery also received approximately \$14,000 from the Department of Administration's Risk Management and Tort Defense Division for security system upgrades.

Our audit efforts were focused primarily on the review of sales revenues and direct game costs, and the account balances associated with these

activities. We specifically reviewed: scratch and online ticket revenues; direct game costs such as scratch and online ticket prize expenses, retailer commissions, and vendor fees; the estimated prize liability related to winning tickets sold but not claimed by fiscal year-end; accounts receivables associated with ticket sales at retailer locations; and transfer activity required under state law. Additionally, we reviewed the lottery's personal service expenses, as well as the lottery's investments held by the Multi-State Lottery Association. Throughout the audit, we reviewed the lottery's control systems, and determined compliance with state laws having a direct impact on financial statement amounts.

## Results

This report contains no recommendations to the lottery.

For a complete copy of the report (13-30B) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto:lad@mt.gov); or check the web site at <http://leg.mt.gov/audit>

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