

FINANCIAL-COMPLIANCE AUDIT

Montana State Lottery

For the Fiscal Year Ended June 30, 2015

JANUARY 2016

15-30A

REPORT SUMMARY

Over the last five fiscal years, the Montana State Lottery sold \$260 million in lottery tickets, and transferred approximately \$61.6 million to the state's General Fund.

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 2015, sales from these games were approximately \$52.3 million and direct costs associated with the sales were approximately \$36.4 million. The lottery transferred \$12,363,365 to the state's General Fund in fiscal year 2015; 23.62 percent of its revenue for the year.

The lottery's operating expense, funded from the net proceeds from ticket sales, totaled \$4,708,399 million in fiscal year 2015.

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 and material impact on financial statement amounts. We also tested selected laws related to lottery operations.

Results

This report contains no recommendations to the lottery.

For a complete copy of the report (15-30A) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the web site at <http://leg.mt.gov/audit>

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