



Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit

Bureau of State Lottery

Department of Treasury

Report Number:
27-410-05

Released:
February 2006

The Bureau of State Lottery's mission is to generate revenue for the State of Michigan consistent with the public good, to provide quality entertainment to the public consistent with the Bureau's statutory mandate, and to maintain the integrity of lottery games and activities. The Bureau generates revenue by offering on-line games, instant ticket games, and club games. The net income generated from these games is transferred to the State's School Aid Fund each fiscal year. For fiscal year 2003-04, the Bureau transferred approximately \$645 million to the School Aid Fund.

Audit Objective:

To assess the effectiveness of the Bureau's efforts to maintain the integrity of lottery games.

Audit Conclusion:

We concluded that the Bureau was effective in its efforts to maintain the integrity of lottery games. However, our assessment disclosed reportable conditions.

Reportable Conditions:

The Bureau needs to improve the use of criminal history background checks in its retailer licensing process (Finding 1).

The Bureau did not require its instant ticket contractor to encrypt the instant ticket game data disks. Also, the Bureau did not require its contractor to have contractual language that prohibits its subcontractor from downloading the contents of the data disks, including penalty provisions for inappropriate downloading of the data. (Finding 2)

The Bureau's process for ensuring that lottery winnings were offset for amounts due to the State did not document that a search was completed unless debt was identified (Finding 3).

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Audit Objective:

To assess the effectiveness of the Bureau's efforts to maximize the proceeds from the sale of on-line and instant ticket lottery games.

Audit Conclusion:

We concluded that the Bureau was effective in its efforts to maximize the proceeds from the sale of on-line and instant ticket lottery games. However, our assessment disclosed a reportable condition.

Reportable Condition:

The Bureau did not have a formal process for documenting and resolving complaints made by retailers against its sales representatives (Finding 4).

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Audit Objective:

To assess the effectiveness of the Bureau's efforts to ensure that revenues were processed in a timely, accurate, and secure manner.

Audit Conclusion:

We concluded that the Bureau was effective in its efforts to ensure that revenues were processed in a timely, accurate, and secure manner. Our report does not include any reportable conditions related to this audit objective.

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Agency Responses:

Our audit report contains 4 findings and 5 corresponding recommendations. The Bureau's preliminary response indicated that it agrees with all of our recommendations.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



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