



MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT



THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

“...The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.”

– Article IV, Section 53 of the Michigan Constitution

Audit report information may be accessed at:

<http://audgen.michigan.gov>



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).

~ ~ ~ ~ ~

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).

~ ~ ~ ~ ~

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.

~ ~ ~ ~ ~ ~ ~ ~ ~ ~

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.

~ ~ ~ ~ ~ ~ ~ ~ ~ ~

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>



Michigan Office of the Auditor General
201 N. Washington Square
Lansing, Michigan 48913

Thomas H. McTavish, C.P.A.
Auditor General

Scott M. Strong, C.P.A., C.I.A.
Deputy Auditor General



STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
(517) 334-8050
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

February 3, 2006

Mr. Gary C. Peters, Commissioner
Bureau of State Lottery
101 East Hillsdale
Lansing, Michigan

Dear Mr. Peters:

This is our report on the performance audit of the Bureau of State Lottery, Department of Treasury.

This report contains our report summary; description of agency; audit objectives, scope, and methodology and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; supplemental information; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL

TABLE OF CONTENTS

BUREAU OF STATE LOTTERY DEPARTMENT OF TREASURY

	<u>Page</u>
INTRODUCTION	
Report Summary	1
Report Letter	3
Description of Agency	7
Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up	10
COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES	
Effectiveness of Efforts to Maintain the Integrity of Lottery Games	14
1. Retailer Criminal History Background Checks	14
2. Security Over Game Data Disks	16
3. Debt Review of Lottery Winners	17
Effectiveness of Efforts to Maximize the Proceeds From Lottery Games	19
4. Documentation of Complaints From Retailers	19
Effectiveness of Efforts Regarding Revenue Processing	20
SUPPLEMENTAL INFORMATION	
Efficiency Rankings of State Lotteries Based on Sales Per Employee	22

GLOSSARY

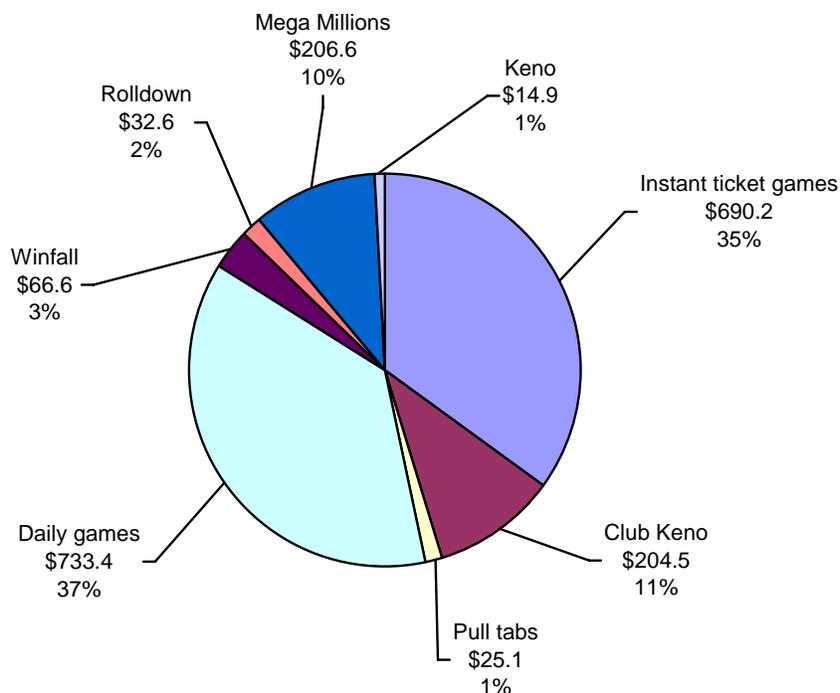
Glossary of Acronyms and Terms

24

Description of Agency

The Bureau of State Lottery was created by Act 239, P.A. 1972 (Sections 432.1 - 432.47 of the *Michigan Compiled Laws*). As part of a 1991 Statewide reorganization, the Bureau was transferred as an autonomous entity to the Department of Treasury pursuant to Executive Reorganization Order No. 1991-2. The Bureau is administered by the Commissioner, who is appointed by the Governor with the advice and consent of the Senate.

The Bureau'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, such as Daily 3, Daily 4, Fantasy 5, Keno, Classic Lotto 47, and Mega Millions. The Bureau also generates revenue from various instant ticket games and club games (Club Keno and pull tabs). The net income generated from these games is transferred to the State's School Aid Fund* each fiscal year. The following chart shows the ticket sales (in millions) of the on-line and instant ticket games for fiscal year 2003-04:



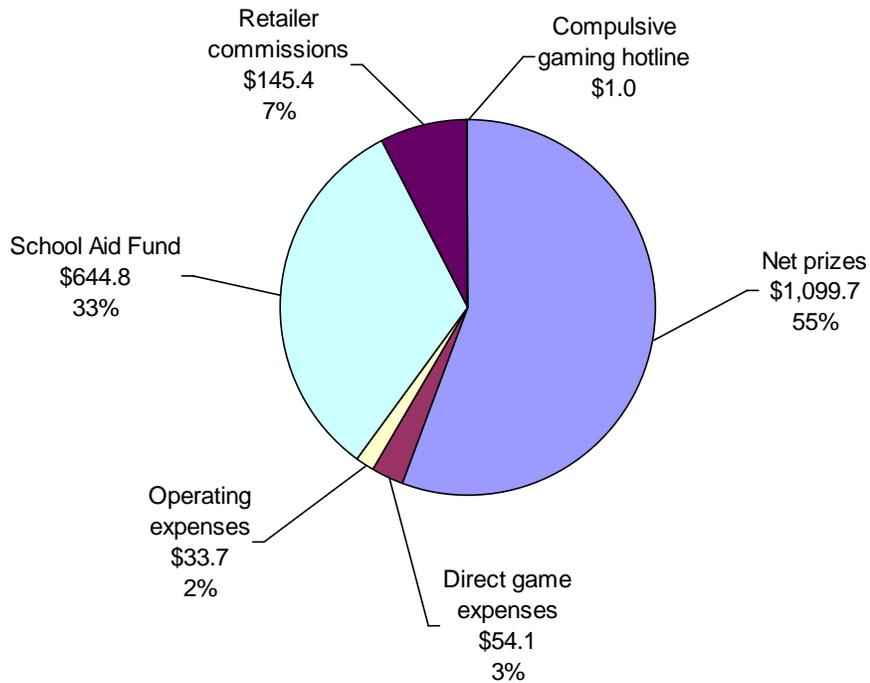
Source: The Michigan Bureau of State Lottery 2004 Annual Report.

* See glossary at end of report for definition.

The Bureau is composed of five divisions: Executive, Administration, Marketing, Planning and Operations, and Charitable Gaming. Their responsibilities are as follows:

1. Executive Division: Responsible for the overall management and operation of the Bureau; public relation activities, such as directing press releases and scheduling public appearances by the Commissioner; and security and investigation activities, including providing building security, investigating complaints against a retailer, and conducting criminal history background checks on new retailers, Bureau employees, and contractual employees.
2. Administration Division: Responsible for budget development, financial reporting, procurement, warehousing, and telecommunications. The Division is also responsible for operating the lottery central claim center; performing retailer licensing activities, including credit checks on potential retailers; approving and issuing lottery licenses; and conducting disciplinary hearings and determining disciplinary actions, if necessary, for lottery retailers.
3. Marketing Division: Responsible for developing and executing the annual marketing plan, overseeing the advertising agency and drawing unit, researching and developing new games and promotions, and marketing club games. The Division operates six regional offices located in Dearborn Heights, Detroit, Lansing, Saginaw, Sterling Heights, and Wyoming.
4. Planning and Operations Division: Responsible for planning, testing, and evaluating all on-line games with the primary function being the testing of all vendor terminal software releases to provide assurance that the software is functioning properly before it is released to retailer terminals. The Division also provides computer support to the Bureau, such as network communication, computer hardware and software, applications development, and database administration.
5. Charitable Gaming Division: Responsible for administering legalized forms of gambling, such as bingos, millionaire parties, and raffles, authorized under Sections 432.101 - 432.120 of the *Michigan Compiled Laws* to help ensure that all charitable gaming proceeds are deposited with the charity. The net income generated by this Division is transferred to the State's General Fund.

The Bureau generated ticket sales of approximately \$2 billion for fiscal year 2003-04, which resulted in a transfer to the State's School Aid Fund of approximately \$645 million. The following chart presents the percentage distribution of the Bureau's ticket sales revenue (in millions) for fiscal year 2003-04:



Source: The Michigan Bureau of State Lottery 2004 Annual Report.

The Bureau generated charitable gaming revenues of approximately \$20 million with related expenses of approximately \$7.8 million for fiscal year 2003-04. This resulted in a transfer to the State's General Fund of approximately \$12.2 million.

As of August 19, 2005, the Bureau had 161 full-time equated employees.

Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up

Audit Objectives

Our performance audit* of the Bureau of State Lottery, Department of Treasury, had the following objectives:

1. To assess the effectiveness* of the Bureau's efforts to maintain the integrity of lottery games.
2. To assess the effectiveness of the Bureau's efforts to maximize the proceeds from the sale of on-line and instant ticket lottery games.
3. To assess the effectiveness of the Bureau's efforts to ensure that revenues were processed in a timely, accurate, and secure manner.

Audit Scope

Our audit scope was to examine the program and other records of the Bureau of State Lottery. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our audit scope did not include the Bureau's Charitable Gaming Division.

Audit Methodology

Our audit procedures, performed from April through August 2005, included an examination of the Bureau's records and activities primarily for the period October 1, 2002 through August 12, 2005.

To establish our audit objectives, we conducted a preliminary survey of the Bureau's operations that included discussions with key Bureau staff from each of its five divisions regarding their functions and responsibilities, a review of the program and financial records, and a review of Bureau policies and procedures.

* See glossary at end of report for definition.

To accomplish our audit objectives, we gathered information from other state lotteries to identify industry standards for lottery activities and equipment that help ensure the integrity and accuracy of lottery activities and results. We gained an understanding of the development of instant ticket games, including the procedures developed to ensure that winning tickets were randomly distributed throughout a game. We observed a live drawing for the Daily 3 and Daily 4 midday and evening drawings and the Keno drawing to verify the Bureau's accuracy and compliance with established procedures. We reviewed the safeguards in place for on-line terminals and the storage and distribution of instant game tickets. We observed the testing of lottery equipment prior to its placement into service. We observed and tested controls over the payment for winning tickets at 4 of the 6 regional offices (Dearborn Heights, Detroit, Lansing, and Sterling Heights), including the procedures to identify and collect State-owed debt prior to distributing lottery winnings.

We evaluated the retailer application process and reviewed randomly sampled applications for compliance with established procedures. We conducted criminal history background checks of all Bureau employees, employees of selected independent contractors, and randomly selected retailers to help evaluate the integrity of the Bureau and its contractors and retailers. We gained an understanding of the revenue collection process from retailers, including the follow-up and resolution of instances of nonsufficient funds. We obtained an understanding of the Bureau's cash handling procedures at the regional offices as well as the opening and logging of mail. We identified controls over the cash receipting process at the Bureau's central claim center and the regional offices.

We obtained an understanding of the process for awarding and monitoring contracts. We compared commission rates with those noted in other states to evaluate where the Bureau ranked. We conducted a trend analysis of Bureau sales, profits, and expenditures. We analyzed the Bureau's development and enforcement of its retailer sales performance requirements. We contacted two state lotteries who recently changed their on-line lottery contractor to determine the reasons for the change and any applicability to the Bureau.

We identified the activities and responsibilities of the Bureau's sales representatives. We evaluated the assistance provided to retailers by the Bureau's sales representatives. We observed sales representatives on routine calls to retailers and inquired as to retailer satisfaction. We reviewed the documentation of retailer complaints against sales representatives and the Bureau's procedures for follow-up.

We also reviewed potential changes to the Bureau's compensation of its sales representatives through a proposed sales incentive program.

Agency Responses and Prior Audit Follow-Up

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

The agency preliminary response that follows each recommendation in our report was taken from the Bureau's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require the Department of Treasury to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

We released our prior performance audit of the Bureau of State Lottery, Department of Treasury (#2741097), in November 1998. Within the scope of this audit, we followed up 13 of the 15 prior audit recommendations. The Bureau complied with 12 of the 13 prior audit recommendations and the other recommendation was rewritten for inclusion in this audit report.

COMMENTS, FINDINGS, RECOMMENDATIONS,
AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS OF EFFORTS TO MAINTAIN THE INTEGRITY OF LOTTERY GAMES

COMMENT

Audit Objective: To assess the effectiveness of the Bureau of State Lottery's efforts to maintain the integrity of lottery games.

Conclusion: We concluded that the Bureau was effective in its efforts to maintain the integrity of lottery games. However, our assessment disclosed reportable conditions* related to retailer criminal history background checks, security over game data disks, and debt review of lottery winners (Findings 1 through 3).

FINDING

1. Retailer Criminal History Background Checks

The Bureau needs to improve the use of criminal history background checks in its retailer licensing process. Without improvements, the Bureau may inadvertently enter into or continue in business relationships in which a retailer's criminal history could jeopardize the public's perception of the integrity of lottery games.

Michigan Administrative Code R 432.4(2) identifies circumstances that would reflect a lack of honesty, integrity, and general fitness of a retailer that may result in the immediate suspension or revocation or prevent the renewal of a retailer's license.

In our review of the Bureau's use of background checks, we noted:

- a. The Bureau did not document the results of its initial criminal history background checks in its licensing system.

The criminal history background checks, which were completed by one individual during our audit period, remain within the Bureau's Security and Investigations Section upon completion. If no issues result from the completed background check, the security status is changed in the licensing system allowing the licensing process to continue. If the background check identifies issues of concern, the Security and Investigations Section records this

* See glossary at end of report for definition.

information in the comments section of the licensing system. The Licensing Section then evaluates this information as part of the licensing approval process.

The Bureau received applications for 5,413 retailer licenses from October 2003 through June 2005. We reviewed the criminal history background checks for 50 randomly selected applicants and noted 3 (6%) instances in which the Security and Investigations Section could not document that it had completed the criminal history background check.

Including the completed criminal history background check in the licensing system would ensure an additional level of review by the Bureau to verify that the background check was properly completed prior to licensure.

- b. The Bureau did not conduct criminal history background checks of retailers subsequent to initial licensure. Periodic updates of criminal history background checks after initial licensure would help the Bureau assess the continued honesty and integrity of its licensed retailers and help validate their continued eligibility.

We obtained criminal history background checks for 404 randomly sampled lottery retailers (of approximately 19,600 retailers) and identified 15 (4%) retailers with nontraffic-related criminal convictions subsequent to their initial licensing. While none of these convictions would have resulted in the suspension or revocation of the retailer's license, having the information would allow the Bureau to evaluate the convictions. As an alternative control, the Bureau did evaluate information received from the Michigan Liquor Control Commission regarding retailers with liquor-related infractions. The Bureau also utilized customer complaints and newspaper articles to monitor retailer activity.

With approximately 19,600 retailers, it is unlikely that routine criminal history background checks of all retailers would be cost-effective. However, the Bureau could develop a risk-based approach to identify retailers in need of criminal history background checks subsequent to initial licensure. This risk-based approach could consider factors such as the passage of time from initial licensing, the number of complaints received for a retailer, and other factors to prioritize retailers for subsequent criminal history background checks.

RECOMMENDATION

We recommend that the Bureau improve the use of criminal history background checks in its retailer licensing process.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees with the recommendation and informed us that it has already implemented changes in the use of criminal history background checks to include periodic checks of existing retailers. These checks will include retailers involved in licensing investigations, retailers re-evaluated for on-line terminals, and a random sampling of retailers each year. The Bureau also informed us that it is in the process of revising procedures to include supervisory review of criminal history background checks to ensure that all histories were performed and the appropriate individuals were investigated. The Bureau will investigate the cost-effectiveness of documenting the results of criminal history background checks in its licensing system.

FINDING

2. Security Over Game Data Disks

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. As a result, the Bureau could not ensure that the information contained on the data disks was not accessed and used by unauthorized individuals.

An independent contractor produces the scratch-off tickets for the Bureau's many instant ticket games. The contractor hires a certified public accountant (CPA) firm to conduct an analysis of every instant ticket game to determine compliance with established game parameters, including the randomness of the prize distributions throughout the ticket printing. To accomplish this analysis, the contractor provides the CPA firm with a data disk that contains information relating to the instant ticket game, including highly sensitive information relating to winning tickets. The information on the disk is not encrypted. Upon the completion of its analysis, the CPA firm issues a report summarizing the results and returns the game data disk to

* See glossary at end of report for definition.

the independent contractor. Because the game data disks are not encrypted, the data on the disks would be readable by anyone with access to the data disks.

The CPA firm instructs its staff that the instant ticket game data cannot be downloaded onto any of its computers or network. However, this requirement is not stipulated in the letter of understanding between the independent contractor and the CPA firm as a condition of the engagement, and there are no penalty provisions in case there is an inappropriate download of the data.

RECOMMENDATIONS

We recommend that the Bureau require its instant ticket contractor to encrypt the instant ticket game data disks.

We also recommend that the Bureau 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.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees with the first recommendation and informed us that it has taken steps to require the instant ticket contractor to encrypt the data disks.

The Bureau agrees with the second recommendation and informed us that it will require the instant ticket contractor to add language to its contract with the independent CPA firm reviewing the instant ticket data to prohibit downloading of that data. While the Bureau agrees with the theory behind the finding, it believes that the actual risk is minimal. The Bureau contends that the subject file represents only a small portion of the data required for the user to benefit through illegal activity. Further collusion with other parties would be required in order to obtain the necessary data to defraud lottery games for personal financial gain. That being said, the Bureau will take these steps to even more thoroughly protect the integrity of lottery games.

FINDING

3. Debt Review of Lottery Winners

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. As a result, the Bureau was unable to document that it was collecting all debt owed to the State.

Section 432.32 of the *Michigan Compiled Laws* (Act 11, P.A. 1994) requires the Bureau to conduct a review of the Department of Treasury records to determine if a lottery winner of \$1,000 or more has a current liability to the State (including child support arrearage). If the review identifies debt to the State, the Bureau reduces the lottery winner's payout by the amount of the debt. The Bureau attaches a copy of the Department of Treasury inquiry screen to the claim form to document the collection of the proper amount of debt.

If the review does not identify any outstanding debt to the State, the Bureau records a Department of Treasury generated authorization number on the claim form but does not attach a copy of the inquiry screen to the claim form. Although the authorization number provides evidence that an inquiry was made, it does not document the identity of the person subject to the inquiry and does not allow for the retrieval of the original inquiry for subsequent verification.

RECOMMENDATION

We recommend that the Bureau revise its process for ensuring that lottery winnings are offset for amounts due to the State to document all completed searches.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees with the recommendation that the offset process be more thoroughly documented. The Bureau informed us that it takes great care in fulfilling its responsibilities under Section 432.32 of the *Michigan Compiled Laws*. The Bureau previously produced a screen print of the debt found in the Department of Treasury system to ensure that appropriate offsets are taken when a debt exists. The Bureau informed us that it has instituted a change in the process to ensure that all Section 432.32 debt checks are documented. Procedural changes will require the results of the Department of Treasury system lookup to be printed, regardless of whether a debt exists. Also, a required review of the results by a second person will ensure that the correct social security numbers were used in the Department of Treasury system lookup.

EFFECTIVENESS OF EFFORTS TO MAXIMIZE THE PROCEEDS FROM LOTTERY GAMES

COMMENT

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.

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 related to the documentation of complaints from retailers (Finding 4).

FINDING

4. Documentation of Complaints From Retailers

The Bureau did not have a formal process for documenting and resolving complaints made by retailers against its sales representatives. As a result, the Bureau cannot effectively track the status of complaints for use in the evaluation of sales representative performance.

The sales representative function involves periodic visits to retailers to provide support with the marketing of lottery games (products). When a regional sales manager receives a complaint from a retailer, he/she investigates the complaint to determine its validity. If the complaint is deemed valid, a predetermined course of action begins with a verbal warning to the sales representative. There is no record of a complaint unless it results in a written disciplinary action. In addition, some complaints received from other sources are documented through e-mails and referred to the regional sales manager as well.

Without complete records, the Bureau cannot determine the number and type of complaints received, which sales representatives they relate to, and the timeliness of the resolution of the complaints. This is valuable information to the Bureau to help assess the quality of the training provided to its sales representatives, identify areas in which additional or new training may be beneficial, and evaluate the performance of its sales representatives.

RECOMMENDATION

We recommend that the Bureau develop a formal process for documenting and resolving complaints made by retailers against its sales representatives.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees with the recommendation and informed us that although there is an adequate process in place to document and resolve complaints made by retailers to central headquarters against its sales representatives, there is a need to ensure that all complaints go through the same process. The Bureau's procedures will be changed to route all complaints, no matter where received, through the current process.

EFFECTIVENESS OF EFFORTS REGARDING REVENUE PROCESSING

COMMENT

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

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.

SUPPLEMENTAL INFORMATION

BUREAU OF STATE LOTTERY
 Efficiency Rankings of State Lotteries Based on Sales Per Employee
Fiscal Year 2003-04

State	Full-Time Lottery Employees	Fiscal Year 2003-04 Sales (in millions)	Sales per Lottery Employee (in millions)	Rank	Video Lottery Terminal (VLT) Sales (in millions)	Sales Excluding VLT (in millions)	Sales Less VLT per Lottery Employee (in millions)	Rank
Arizona	110	\$ 366.58	\$ 3.33	29		\$ 366.58	\$ 3.33	27
California	630 (1)	\$ 2,973.98	\$ 4.72	19		\$ 2,973.98	\$ 4.72	16
Colorado	128 (1)	\$ 401.25	\$ 3.13	31		\$ 401.25	\$ 3.13	29
Connecticut	131	\$ 907.66	\$ 6.93	16		\$ 907.66	\$ 6.93	13
Delaware	30 (2)	\$ 640.92	\$ 21.36	2	\$ 532.30	\$ 108.62	\$ 3.62	26
District of Columbia	80	\$ 240.63	\$ 3.01	32		\$ 240.63	\$ 3.01	30
Florida	446	\$ 3,070.96	\$ 6.89	17		\$ 3,070.96	\$ 6.89	14
Georgia	263	\$ 2,710.46	\$ 10.31	11		\$ 2,710.46	\$ 10.31	8
Idaho	47	\$ 109.36	\$ 2.33	38		\$ 109.36	\$ 2.33	36
Illinois	163	\$ 1,709.19	\$ 10.49	9		\$ 1,709.19	\$ 10.49	6
Indiana	199	\$ 734.87	\$ 3.69	27		\$ 734.87	\$ 3.69	24
Iowa	107	\$ 208.54	\$ 1.95	40		\$ 208.54	\$ 1.95	38
Kansas	80	\$ 224.20	\$ 2.80	34		\$ 224.20	\$ 2.80	32
Kentucky	200	\$ 725.25	\$ 3.63	28		\$ 725.25	\$ 3.63	25
Louisiana	145	\$ 340.09	\$ 2.35	37		\$ 340.09	\$ 2.35	35
Maine	26	\$ 185.87	\$ 7.15	14		\$ 185.87	\$ 7.15	11
Maryland	168 (2)	\$ 1,395.41	\$ 8.31	12		\$ 1,395.41	\$ 8.31	9
Massachusetts	420	\$ 4,381.77	\$ 10.43	10		\$ 4,381.77	\$ 10.43	7
Michigan	165	\$ 1,973.90	\$ 11.96	8		\$ 1,973.90	\$ 11.96	5
Minnesota	156	\$ 386.90	\$ 2.48	36		\$ 386.90	\$ 2.48	34
Missouri	176.5	\$ 791.52	\$ 4.48	23		\$ 791.52	\$ 4.48	20
Montana	32	\$ 36.74	\$ 1.15	41		\$ 36.74	\$ 1.15	39
Nebraska	20	\$ 92.61	\$ 4.63	20		\$ 92.61	\$ 4.63	17
New Hampshire	59	\$ 237.12	\$ 4.02	26		\$ 237.12	\$ 4.02	23
New Jersey	150	\$ 2,188.50	\$ 14.59	5		\$ 2,188.50	\$ 14.59	3
New Mexico	59	\$ 148.70	\$ 2.52	35		\$ 148.70	\$ 2.52	33
New York	314	\$ 5,847.50	\$ 18.62	3		\$ 5,847.50	\$ 18.62	1
North Dakota	6	\$ 5.84	\$ 0.97	42		\$ 5.84	\$ 0.97	41
Ohio	348	\$ 2,154.66	\$ 6.19	18		\$ 2,154.66	\$ 6.19	15
Oregon	393	\$ 895.17	\$ 2.28	39	\$ 531.00	\$ 364.17	\$ 0.93	42
Pennsylvania	130	\$ 2,352.07	\$ 18.09	4		\$ 2,352.07	\$ 18.09	2
Puerto Rico	48	\$ 346.40	\$ 7.22	13		\$ 346.40	\$ 7.22	10
Rhode Island	55	\$ 608.27	\$ 11.06	22	\$ 358.90	\$ 249.37	\$ 4.53	19
South Carolina	134	\$ 950.00	\$ 7.09	15		\$ 950.00	\$ 7.09	12
South Dakota	31	\$ 250.90	\$ 8.09	1	\$ 217.00	\$ 33.90	\$ 1.09	40
Tennessee	145	\$ 427.70	\$ 2.95	33		\$ 427.70	\$ 2.95	31
Texas	277.5	\$ 3,487.92	\$ 12.57	7		\$ 3,487.92	\$ 12.57	4
Vermont	20	\$ 92.38	\$ 4.62	21		\$ 92.38	\$ 4.62	18
Virginia	290	\$ 1,262.36	\$ 4.35	25		\$ 1,262.36	\$ 4.35	22
Washington	147	\$ 481.43	\$ 3.28	30		\$ 481.43	\$ 3.28	28
West Virginia	102	\$ 1,303.44	\$ 12.78	6	\$ 1,096.60	\$ 206.84	\$ 2.03	37
Wisconsin	109.5	\$ 482.92	\$ 4.41	24		\$ 482.92	\$ 4.41	21

(1) The North American Association of State and Provincial Lotteries (NASPL) awaiting confirmation from the state lottery.

(2) Budgeted.

Source of Data: NASPL and *La Fleur's Magazine* (Volume 12, No. 1, September 2004).

GLOSSARY

Glossary of Acronyms and Terms

CPA	certified public accountant.
effectiveness	Program success in achieving mission and goals.
encrypt	To convert data into a format that cannot be easily understood by unauthorized people.
mission	The agency's main purpose or the reason that the agency was established.
NASPL	North American Association of State and Provincial Lotteries.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
reportable condition	A matter that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.
School Aid Fund	The fund that furnishes State school aid to school districts.
VLT	video lottery terminal.

