

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

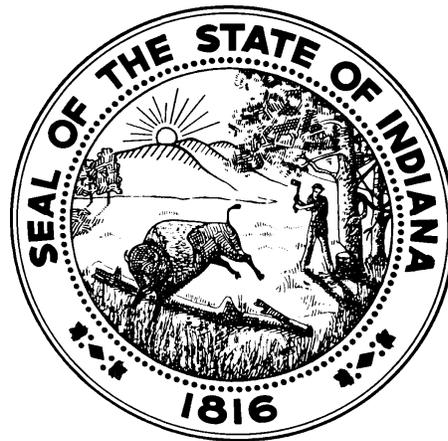
REVIEW REPORT

OF

THE STATE LOTTERY COMMISSION OF INDIANA

STATE OF INDIANA

July 1, 2006 to June 30, 2007



**FILED**

03/11/2008



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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Esther Q. Schneider Kathryn Densborn	07-01-05 to 12-06-06 12-07-06 to 01-11-09
Chairman of Commission	D. Jean Northenor	07-01-07 to 06-30-08



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE STATE LOTTERY COMMISSION OF INDIANA

We have reviewed the compliance with laws and regulation of the State Lottery Commission of Indiana for the period of July 1, 2006 to June 30, 2007. The State Lottery Commission of Indiana's management is responsible for the compliance with laws and regulations.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

The financial statements of the State Lottery Commission of Indiana for the period July 1, 2006 to June 30, 2007, were audited by other auditors. This financial statement report is on file in our office as a public record.

Based on our review, nothing came to our attention that caused us to believe that laws and regulations of the State Lottery Commission of Indiana are not in all material respects in conformity with the criteria set forth in the Indiana Code and policies and procedures established by the State Lottery Commission of Indiana except as stated in the review comments.

STATE BOARD OF ACCOUNTS

January 3, 2008

THE STATE LOTTERY COMMISSION OF INDIANA  
REVIEW COMMENTS  
June 30, 2007

INAPPROPRIATE USE OF LOTTERY FUNDS

As stated in our prior Report B30370, during our review of the State Lottery Commission of Indiana (Lottery), we found payments for flowers that were considered personal in nature and an inappropriate use of Lottery funds. The Lottery paid \$992.94 for flowers for maternity and sympathy occasions during calendar year 2007. Of this amount, \$849.90 was paid subsequent to our exit conference for the year ending June 30, 2006.

CERTIFIED REPORT NOT FILED

The Lottery did not file a 2007 certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts.

Indiana Code 5-11-13-1 states in part: "Every state, county, city, town, township, or school official, elective or appointive, who is the head of or in charge of any office, department, board, or commission of the state . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

STATE OWNED VEHICLES

We observed that the Lottery did not follow certain required reporting procedures relating to the personal usage of state owned vehicles by its employees.

Personal Use

The Lottery was not recording the value of one way commutes for employees who drove state-owned vehicles.

Mileage Logs

The Lottery mileage reports were incomplete. Employees with state owned vehicles did not maintain detailed records for the reporting of one way commutes.

The Internal Revenue Service has established that the commuting use is taxable income to the employee. The value of each one way commuting use of the state provided vehicle is \$1.50. Employees are required to maintain records and report on the number of one way (or round trip) commutes between the employee's home and place of work for each payroll period. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 11)

THE STATE LOTTERY COMMISSION OF INDIANA  
EXIT CONFERENCE

The contents of this report were discussed on January 31, 2008, with Kathryn Densborn, Director; Ed Benton, CFO; Tim Kuehr, Controller; Carrie Stroud, Internal Auditor; and Shawn Heavner, Accountant. The official response has been made a part of this report and may be found on page 6.

A copy of the review comments was mailed to Esther Q. Schneider, former Director, on January 31, 2008. Her response has been made a part of this report and may be found on page 7.

# HOOSIER LOTTERY

February 4, 2008

Bruce A. Hartman, State Examiner  
Indiana State Board of Accounts  
302 West Washington Street  
4<sup>th</sup> Floor, Room E418  
Indianapolis, IN 46204-2765

Dear State Examiner Hartman:

The Hoosier Lottery presents the following response to the State Board of Accounts audit comments:

## INAPPROPRIATE USE OF LOTTERY FUNDS:

We have put a policy and process in place whereby lottery funds will not be used for purchase of flowers for maternity or sympathy occasions.

## CERTIFIED REPORT NOT FILED:

The certified report of compensation of officers and employees has now been filed with the State Board of Accounts (SBOA). This has been filed in the past but the report for last year was inadvertently overlooked. Our understanding is that other agencies also occasionally neglect to file this report. Perhaps a year end reminder by the SBOA would help get this report filed by all agencies in a more timely manner.

## STATE OWNED VEHICLES:

Due to a change in policy, several of our automobiles are now being used for limited personal use – travel to and from work. We have begun a reporting procedure for persons driving these vehicles and they will be subject to the applicable IRS guidelines.

We appreciate the professionalism of your auditors and the efficient and effective manner in which the audit was conducted.

Sincerely,



W. Edward Benton  
Chief Financial Officer

Encs.

cc: Michelle Cunningham, State Board of Accounts  
Kathryn Densborn, Executive Director, Hoosier Lottery  
Tim Kuehr, Controller, Hoosier Lottery  
Carrie Stroud, Internal Auditor, Hoosier Lottery

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7 March 2008

TO: State Board of Accounts

FR: Esther Q. Schneider  
Hoosier Lottery Executive Director  
January 2005 – \*December 2006

\* Actual departure was January 19, 2007, but the current executive director was hired in December 2006.

RE: Response to the SBA's Hoosier Lottery Audit July 1, 2006 to June 30, 2007

The current audit actually focused on the time period of January 2007 through June 2007. The previous SBA audit critically covered January 2005 through December 2006, and the flower purchases (for bereavement and such) in 2006 were specifically addressed in that audit. This practice ceased upon notification from State Board of Accounts.

The sales and security departments were subject to quarterly vehicle inspections during my administration, and were required to keep detailed mileage reports via their laptops. The compensation report filing would have been required after I resigned as executive director.

After the last SBA audit, I strongly recommended that all key Hoosier Lottery personnel receive compliance training to ensure 100% compliance. However, it was only at the conclusion of the current audit that the Hoosier Lottery received any guidelines for compliance.