

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

REVIEW REPORT
OF
STATE LOTTERY COMMISSION OF INDIANA
STATE OF INDIANA
July 1, 2013 to June 30, 2014



FILED
12/22/2015

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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Karl B. Browning Carrie B. Stroud (Interim) Sarah M. Taylor	12-12-11 to 08-15-13 08-16-13 to 10-01-13 10-02-13 to 01-08-17
Chairman of the Commission	William A. Zielke	07-01-13 to 06-30-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE STATE LOTTERY COMMISSION OF INDIANA

We performed procedures on the records of the State Lottery Commission of Indiana for the period July 1, 2013 to June 30, 2014, in accordance with Indiana Code 4-30-19-2. We performed procedures to identify areas of noncompliance with the State's Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, and applicable state laws and policies. We also performed procedures to identify internal control deficiencies in processing financial transactions. The financial statements for the State Lottery Commission of Indiana are audited by an outside CPA firm and can be provided by the Commission.

Compliance procedures to ensure compliance with the Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies and applicable state laws and policies, were not designed to opine on compliance or financial activity of the Agency. Additionally, since these procedures are not being utilized to support a financial opinion, the procedures performed to identify internal control deficiencies also were not conducted to opine on the financial activity of the agency. Therefore, we did not follow Generally Accepted Auditing Standards, Government Auditing Standards, or OMB Circular A-133 when completing these procedures.

Our procedures are conducted on a test basis and do not provide absolute assurance that no additional issues exist in these areas. Our procedures are evaluated each year and conducted based on risks that we identify at the agencies. During this current review period, procedures were conducted on receipts, vendor disbursements, payroll disbursements, capital asset activity, and SDO (Special Disbursing Officer) activity. The procedures and findings are summarized in the *Procedures and Findings* Section. Some issues are identified during the course of the review that do not rise to the level of a written comment but are discussed with agency officials as possible areas for improvement. Those issues are not communicated in this report.

This communication is intended solely for the information and use of Agency's management and others within the agency, and is not intended to be, and should not be, used by anyone other than these specified parties.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

October 1, 2015

PROCEDURES AND FINDINGS

RECEIPTS

Receipt Procedures

We gained an understanding of the process from collection of receipt to posting in the financial records, identified key controls and tested a sample of receipts for those key controls. Additionally, we reviewed a sample of receipts, for compliance with key compliance areas for receipts, from the State Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies.

Receipt Findings

Our procedures did not identify issues that warrant written comment at this time.

VENDOR DISBURSEMENTS

Vendor Disbursement Procedures

We performed sample testing on credit card disbursements, travel card disbursements, contract disbursements, and general disbursements for compliance with key compliance areas for disbursements from the State Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, as well as compliance with the agency's policies. Additionally, we reviewed late penalty charges paid by the quasi agency.

Vendor Disbursement Findings

Our procedures did not identify issues that warrant written comment at this time.

PAYROLL DISBURSEMENTS

Payroll Procedures

We determined the process and controls in place for payroll disbursements. We performed sample testing on payroll disbursements, ensuring that payroll disbursements had proper approval. We additionally reviewed for any payroll activity that was not being appropriately reported as income to an employee. Lastly, we conducted a review of overtime and comp time.

Payroll Findings

Our procedures did not identify issues that warrant written comment at this time.

SDO (SPECIAL DISBURSING OFFICER)

SDO (Special Disbursing Officer) Procedures

We conducted procedures to determine if an SDO was still in use. If an SDO was still in use, we determined if the transactions were proper and that the account is being properly reconciled to the financial system and to the bank account.

PROCEDURES AND FINDINGS
(Continued)

SDO (Special Disbursing Officer) Findings

The State Lottery Commission of Indiana does not have an SDO Account. No further procedures are necessary.

CAPITAL ASSETS

Capital Asset Procedures

We conducted procedures to gain an understanding of the capital asset activity. We verified that there was a capital asset inventory in place and up to date. Additionally, we tested a sample capital asset additions and deletions to ensure proper accounting and compliance with key compliance areas for capital assets from the State Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, as well as compliance with the agencies' own policies.

Capital Asset Findings

Our procedures did not identify issues that warrant written comment at this time.

AGENCY SPECIFIC TESTING

State Lottery Commission of Indiana - Agency Specific Procedures

We did conduct four agency specific procedures for the State Lottery Commission of Indiana.

- The first procedure was to review repeat Lottery winners. We completed a procedure to ensure that controls were in place to detect fraud involving repeat winners.
- The second procedure was to review compliance with Indiana Code 4-30-16-3 regarding the transfer of surplus revenue. We completed a procedure to ensure that the quarterly transfer of \$7.5 million to the Teachers' Retirement Fund, \$7.5 million to the Pension Relief Fund and the remaining surplus to the Build Indiana Fund.
- The third procedure was to review compliance with Indiana Code 4-30-6-7 that a security audit be conducted every 2 years. We completed procedures to ensure the completion of a security audit.
- The fourth procedure was to verify that the Lottery's cash balances are reasonable. We completed procedures to ensure that the Lottery's cash balances are reasonable.

State Lottery Commission of Indiana - Agency Specific Findings

Our procedures for repeat lottery winners, transfer of surplus revenue, completion of a security audit, and cash balances did not identify any issues that warrant written comment at this time.