



Audit Summary

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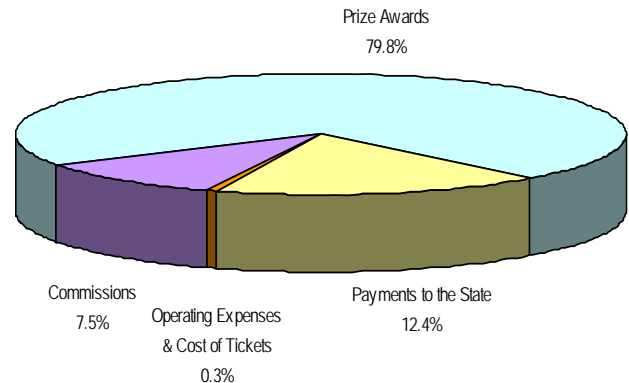
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SEPTEMBER 2010

Rhode Island Lottery

Fiscal Year Ended June 30, 2010

Distribution of Lottery Revenue



We completed an audit of the financial statements of the Rhode Island Lottery (Lottery) for the fiscal year ended June 30, 2010. The Lottery's financial statements indicate that \$344.7 million was paid to the State's General Fund for the fiscal year ended June 30, 2010. The amounts paid to the General Fund represent the Lottery's net income after payment of prize awards, commissions, and operating expenses.

The total amount transferred to the State increased \$0.4 million over the fiscal year ended June 30, 2009. Lottery sales for the fiscal year ended June 30, 2010 were \$2.8 billion with video lottery comprising \$2.5 billion or 92% of total sales. Total prizes paid approximated \$2.2 billion. The Lottery's operating expenses totaled \$8.4 million for the fiscal year ended June 30, 2010.

Total lottery sales increased \$216.9 million or 8.5% for the year ended June 30, 2010 over the year ended June 30, 2009. Most of the increase related to video lottery.

We concluded that the Lottery's financial statements for the year ended June 30, 2010 were fairly presented in accordance with accounting principles generally accepted in the United States of America. The Lottery disclosed certain operational contingencies related to the bankruptcy proceeding by one of the Lottery's video lottery retailers.

We also issued our *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. That report highlighted one issue that we considered a significant deficiency in the Lottery's internal control over financial reporting related to the monitoring and assessment of the Lottery's information systems policies. We

recommended that the Lottery conduct a more formalized risk assessment process on an annual basis to better identify critical information technology risk areas and contract annually, based upon risk assessment outcomes, for a comprehensive review of all significant system components involved in the operation of the Lottery's games.

Our audit did not disclose any instances of noncompliance that were required to be reported under *Government Auditing Standards*.

Audit Highlights

- The Lottery paid \$344.7 million to the State's General Fund for the year ended June 30, 2010.
- Total Lottery sales increased approximately \$216.9 million or 8.5% - mostly attributable to video lottery.
- Total prizes paid approximated \$2.2 billion.
- We expressed an unqualified opinion on the Lottery's financial statements.

Copies of this report can be obtained by calling 222-2435 or by visiting our website at www.oag.ri.gov.