

Agency Name	New Hampshire Lottery Commission
Audit Name	Lottery Commission
Audit Period	Fiscal Year Ended June 30, 2022
Status Report Date	June 22, 2023

Summary of Audit Observations/Findings					
Number	Observation Title	Status [place X in status column]			
		Unresolved	Partially Resolved	Substantially Resolved	Fully Resolved
1	<i>iLottery Revenue Reconciliation Control Should Be Strengthened</i>			X	
2	Ineligible Player Listing Should Be Updated Routinely			X	
3	Administrative Rules Should Be Adopted And Statutory Language Clarified		X		

EXAMPLE Observation 1: No Formal Risk Assessment over XYZ program

Summary of Finding: Agency has not performed a formal risk assessment. An effective assessment is the foundation for developing and implementing effective internal controls to eliminate, mitigate or otherwise manage identified risks.

Current Status: Substantially Resolved. Agency in connections with DAS, utilized the Internal Control Toolkit and performed a formal risk assessment. The next step is to implement new processes and controls to minimize the identified risks. Completion Date estimated: August 2019

Observation 1: iLottery Revenue Reconciliation Control Should Be Strengthened

Summary of Finding: Lottery did not have effectively designed internal controls in place to ensure that iLottery revenue received during FY 2022 was complete and accurate.

Current Status: Substantially Resolved. Lottery has updated its procedures and policies to address the LBA concerns. LBA will review during FY23 audit process.

Observation 2: Ineligible Player Listing Should Be Updated Routinely

Summary of Finding: Certain listings used by Lottery during fiscal-year 2022 to identify ineligible players were not current.

Current Status: Substantially Resolved. Ineligible Player listings have been updated and a formal policy has been drafted.

Observation 3: Administrative Rules Should Be Adopted And Statutory Language Clarified

Summary of Finding: Lottery has not adopted certain statutorily required administrative rules.

Current Status: Partially Resolved. Rules have been preliminarily drafted for review.

CURRENT STATUS OF PRIOR AUDIT FINDINGS

The following is a summary of the status, as of December 19, 2022, of the observations contained in the New Hampshire Lottery Commission's Management Letters for the fiscal years ended June 30, 2021 and 2020. Those reports can be accessed at, and printed from, the Office of Legislative Budget Assistant website: www.gencourt.state.nh.us/LBA/AuditReports/FinancialReports.aspx

2021 Audit Comments		<u>Status</u>	
Internal Control Comments			
<u>Material Weakness</u>			
2021-1.	<p>Lottery Should Develop And Implement Effective Internal Controls Over Sports Betting Revenues</p> <p><i>Consider amending contract with vendor to require the annual acquisition of a SOC 1 Type 2 report pertaining specifically to the NH Lottery; implement policies and procedures to review and assess risks associated with outsourced services, including when SOC 1 Type 2 reports should be written into contracts, as well as ensuring applicable CUECs are in place and operating effectively. Additionally, formally document policies and procedures covering the major areas of its sports betting operations including its process for completing monthly revenue share reconciliations, acceptance of the monthly revenue share, and documenting its review of the vendor's cash reserves in accordance with statute.</i></p>	●	○
<u>Significant Deficiencies</u>			
2021-2	<p>Lottery Should Formally Document Policies And Procedures Covering Significant Aspects Of Its Financial Reporting Process</p> <p><i>Enhance financial accounting and reporting staff to account for the ever-increasing scope and complexity of Lottery's operations, and consider the establishment of a Director of Finance or similar position. Additionally, begin to formally document policies and procedures that address the significant aspects of its financial reporting process, including but not limited to: the development of significant estimates, monthly reconciliations, year-end accruals and adjusting entries, and the compilation and review of the Annual Comprehensive Financial Report.</i></p>	●	○
2021-3	<p>Council For Responsible Gambling Expenses Should Be Adequately Supported</p>	●	○

The Council should implement formal policies and procedures to ensure all invoices are adequately supported in accordance with contracted terms, prior to being submitted to Lottery for payment. Duties should be appropriately segregated to allow for an independent review of invoices prior to payment, to ensure that expenses are valid and made in accordance with contracted terms.

2020 Audit Comments
Internal Control Comments

		<u>Status</u>	
<u>Significant Deficiencies</u>			
2020-1	Lottery Should Continue To Develop The Division Of Sports Wagering And Strengthen Controls Over Mobile Sports Betting <i>Continue the development of the Division of Sports Wagering to ensure compliance with statute and administrative rule, and develop and formally document policies and procedures for the major activities of the Division.</i>	●	●
2020-2	Independent Service Auditor’s Report Over Mobile Sports Betting Activities Should Be Obtained And Reviewed <i>Consider a contract change order with the vendor to require the annual provision of a SOC 1 Type 2 report and implement policies and procedures to review and assess risks associated with outsourced services, including when SOC 1 Type 2 reports should be written into contracts, and ensuring, when applicable, relevant CUECs identified by the third party are in place and operating effectively.</i>	●	●
2020-3	Building Access Controls Should Be Strengthened And Procurement Of A New Access Control System Should Continue <i>Continue to take steps to procure and implement a new access control system, review current procedures for monitoring employee access to the draw room, and consider expanding its review to include access to all secured areas within the building.</i>	●	●
<u>State Compliance Comment</u>			
2020-4	Statements Of Financial Interests Should Be Filed As Required By Statute. <i>The Council for Responsible Gambling (Council) should establish procedures to ensure all administratively attached Council members submit statements of financial interests by the required filing deadline in accordance with RSA 15-A:3, I(c), and Lottery should consider sending annual reminders to Council members to remind them of the filing requirements</i>	●	●

<u>Status Key</u>		<u>Status</u>	<u>Count</u>
Resolved		● ●	4
Remediation In Process (Action beyond meeting and discussion)		● ○	3
Unresolved		○ ○	0