

STATE OF CONNECTICUT



*AUDITORS' REPORT
CONNECTICUT LOTTERY CORPORATION
FISCAL YEARS ENDED JUNE 30, 2018 AND 2019*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT J. KANE

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March 16, 2021

EXECUTIVE SUMMARY

In accordance with the provisions of Section 2-90 of the Connecticut General Statutes, we have audited certain operations of the Connecticut Lottery Corporation (CLC) for the fiscal years ended June 30, 2018 and 2019. Our audit identified internal control deficiencies, instances of noncompliance with laws, regulations, and policies, and the need for changes in management practices that warrant the attention of management. The significant findings and recommendations are presented below:

Page 10	The Connecticut Lottery Corporation (CLC) did not submit its fiscal year 2019 annual report until September 2020, which is 15 months after the end of the fiscal year. In addition, CLC did not submit 5 quarterly personnel status reports until October 2020. The Connecticut Lottery Corporation should strengthen internal controls to ensure compliance with reporting requirements prescribed by the Connecticut General Statutes. (Recommendation 1.)
Page 11	In June 2019, CLC conducted a payroll audit for the pay period ended April 25, 2019. The audit identified two findings that required \$24 in corrections, which were isolated to the pay period. CLC did not make the corrections until September 2020. The Connecticut Lottery Corporation should ensure that it promptly corrects payroll audit findings in accordance with its Internal Control Procedures for Personnel Actions. (Recommendation 2.)

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AUDITORS OF PUBLIC ACCOUNTS

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March 16, 2021

AUDITORS' REPORT CONNECTICUT LOTTERY CORPORATION FISCAL YEARS ENDED JUNE 30, 2018 AND 2019

We have audited certain operations of the Connecticut Lottery Corporation (CLC) in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2018 and 2019. The objectives of our audit were to:

1. Evaluate the department's internal controls over significant management and financial functions;
2. Evaluate the department's compliance with policies and procedures internal to the department or promulgated by other state agencies, as well as certain legal provisions; and
3. Evaluate the effectiveness, economy, and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the department; and testing selected transactions. Our testing is not designed to project to a population unless specifically stated. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our

audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from various available sources, including but not limited to, CLC's management and the state's information systems, and was not subjected to the procedures applied in our audit of the department. For the areas audited, we reached the following conclusions:

1. Identified deficiencies in internal controls;
2. Identified apparent non-compliance with laws, regulations, contracts and grant agreements, policies, and procedures; and
3. Identified need for improvements in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations section of this report presents findings arising from our audit of CLC.

COMMENTS

FOREWORD

The Connecticut Lottery Corporation (CLC) operates primarily under Chapter 229a, Sections 12-800 through 12-834 of the General Statutes. Pursuant to Section 12-802 it is a public instrumentality and political sub-division of the state. CLC is classified as a quasi-public agency subject to various statutory requirements related to those agencies. As a quasi-public agency, the CLC financial information is included as a discretely presented component unit in the State of Connecticut's Comprehensive Annual Financial Report (CAFR).

Sections 12-800 through 12-834 of the General Statutes established CLC to take over the operation of the state lottery from the former Division of Special Revenue. The principal purpose of CLC is to provide increased revenue to the state. As such, CLC was established to operate and manage the lottery in an "entrepreneurial and business-like manner" as a quasi-public agency. The enabling legislation intended to establish an environment relatively free from the budgetary and other constraints of traditional state agencies, which could be more responsive to the marketplace.

By law, CLC is not allowed to sell the lottery or modify lottery games that would violate any agreement the state has with the Mashantucket Pequot, Mohegan, or any other federally recognized Native American Tribe. Also, Section 12-818 of the General Statutes required CLC to transfer \$2,300,000 from the sale of lottery tickets to the chronic gamblers treatment and rehabilitation account in fiscal years ended June 30, 2018 and 2019, pursuant to Section 17a-713.

CLC provides two categories of game products: instant scratch tickets and computer-based online games.

Significant Legislation

Due in part to our review of issues surrounding a CLC separation agreement, our 2017 annual report recommended that the General Assembly consider clarifying oversight of such arrangements.

The General Assembly addressed this recommendation in Public Act 18-137 (Section 26).

“Sec. 26. (NEW) (Effective October 1, 2018) (a) On and after October 1, 2018, no quasi-public agency, as defined in section 1-120 of the general statutes, shall make a payment in excess of fifty thousand dollars to an employee resigning or retiring from employment with such quasi-public agency for the purposes of avoiding costs associated with potential litigation or pursuant to a non-disparagement agreement.

(b) No non-disparagement agreement or settlement agreement as described in subsection (a) of this section may prohibit an employee from making a complaint or providing information in accordance with section 4-61dd of the general statutes.”

Organizationally, CLC is composed of eight major divisions:

Administration and Operations: Responsible for lottery claims, purchasing, and receipt, control, and disbursement of game products.

Marketing: Responsible for designing and promoting game products.

Sales: Responsible for assisting retailers in complying with the terms of their contracts.

Information Technology and Retailer Relations: Provides information systems services, vendor compliance, and internet development.

Finance and Collections: Responsible for disbursements, accounts payable, collections, and revenue accountability.

Legal: Responsible for providing legal advice.

Human Resources and Transportation: Responsible for payroll and human resources.

Security: Responsible for fraud prevention, investigations, and enforcement of lottery policies governing retail sales agents as well as security related to lottery buildings, assets, games, and personnel.

Board of Directors and Administrative Officials

Pursuant to Section 12-802 (b) of the General Statutes, CLC is governed by a 13-member board of directors consisting of 11 appointees of various elected officials and two state office holders.

The State Treasurer and the Secretary of the Office of Policy and Management serve as ex-officio members on the board.

Of the 11 appointed members, five are appointed by, and serve at the pleasure of, the Governor. The Governor is required to appoint directors who have the skill, knowledge, and experience in the fields of management, finance, or operations in the private sector. The six remaining appointees are chosen by various legislative leaders. Appointed members serve at the pleasure of the appointing authority. Board members receive no compensation, but are entitled to reimbursement for expenses incurred in the performance of their duties.

As of June 30, 2019, the members of the board of directors were as follows:

Ex Officio:

Patti Maroney, designee of the Secretary of the Office of Policy and Management, Melissa McCaw
State Treasurer Shawn T. Wooden or a designee

Governor's Appointments:

Margaret L. Morton
Michael P. Thompson

Legislative Appointments:

Patrick Birney – Vice-Chairperson
Manny Langella
Dawna Capps
Meghan Culmo
Natasha M. Pierre
James Heckman

Donald DeFronzo, Robert Dakers, Michael Janusko, and Diane Winston also served on the board during the audited period. There were three vacancies on the board as of June 30, 2019.

Subsection (c) of Section 12-802 of the General Statutes provides that the chairperson of the board shall be appointed by the Governor with the advice and consent of the legislature. In August 2017, Donald DeFronzo was appointed chairperson and served in that role until his resignation in October 2018. Robert Simmelkjaer was appointed chairperson in May 2020 and continues to serve in that capacity.

Chelsea Turner served as interim president and chief executive officer from May 16, 2017, until July 20, 2018, when she returned to her position as Vice President of Strategy and Governmental and Operational Affairs. On July 20, 2018, Gregory Smith was appointed president and chief executive officer and continues to serve in that capacity.

Other Audit Examinations

An independent certified public accountant audited the books and accounts of CLC for each of the fiscal years ended June 30, 2018 and 2019. Those reports each expressed an unqualified opinion on the financial statements and reported no material weaknesses in internal control.

RÉSUMÉ OF OPERATIONS

The Connecticut Lottery Corporation has contracted with approximately 2,900 licensed retailers throughout the state to offer lottery games to the public. Only retailers who satisfy CLC's established criteria are recommended for licensure to the state Department of Consumer Protection. The Division of Special Revenue retained regulatory authority for such matters following the creation of the Connecticut Lottery Corporation. With the passage of Public Act 11-51, effective July 1, 2011, that authority was transferred to the Department of Consumer Protection.

Retailers deposit revenues generated from the sale of lottery games into fiduciary type bank accounts. Each week, those deposits (less canceled tickets, prize payouts, and retailer commissions) are transferred into the CLC Operating Account held by a major bank. The operating account, along with other CLC bank accounts (Claims Account, Advance Account, Annuities Account, and Accounts Payable), is combined into a concentrator account for overnight investment. The concentrator is the main account that feeds all other accounts. Most of CLC's cash transactions flow in and out of this account.

Section 12-806(b)(13) and Section 12-806b of the General Statutes require CLC to pay the Office of Policy and Management (OPM) for costs incurred by the Department of Consumer Protection for regulatory oversight of the lottery. Accordingly, CLC made quarterly payments to OPM totaling \$2,729,724 in the fiscal year ended June 30, 2018 and \$2,999,454 in the fiscal year ended June 30, 2019.

State Accounts

Section 3-27a of the General Statutes allows CLC to deposit excess funds with the State Treasurer in such fund or funds of the state as is considered appropriate. Excess funds represent the amount in cash accounts not immediately needed to meet current operating requirements. The concentrator account, as described above, is evaluated daily, and available cash is invested with the Treasurer of the State of Connecticut in a short-term investment fund that provides a safe return on investment. Deposits with the State Treasurer's Short Term Investment Fund (STIF) were \$18,739,880 and \$21,048,389 as of June 30, 2018, and June 30, 2019, respectively. The average annual STIF rate of return was 1.39 percent in fiscal year ended June 30, 2018 and 2.3 percent in fiscal year June 30, 2019.

CLC transfers the excess of sales revenue over the cost of game prizes, retailer commissions, and operational and administrative costs on a weekly basis to the General Fund. Transfers to the General Fund from operations totaled \$345,000,000 in the fiscal year ended June 30, 2018, and

\$370,000,000 in the fiscal year ended June 30, 2019.

CLC incurs long-term liabilities as the result of game prizes that are paid out in periodic payments. To meet those future obligations, CLC purchases annuities from insurance companies. This debt represents remaining periodic payments owed to Lotto, Lucky-for-Life, and instant game winners. Annuity contracts and related liabilities are reported at their discounted present value in the CLC financial statements.

Long-term payment requirements for annuities payable for the last two fiscal years as follows:

Activity for Fiscal Year	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
2019	\$125,707,858	\$7,662,683	\$ (6,488,342)	\$126,882,199	\$5,969,129
2018	125,434,295	6,783,515	(6,509,952)	125,707,858	6,662,743

CLC employees are considered state employees per Section 12-802 (e) of the General Statutes, and are covered under the State Employees Retirement System. During the fiscal year ended June 30, 2018, CLC adopted Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* and adjusted its 2017 financial statements to retrospectively apply GASB Statement No. 75. The Statement required CLC to recognize a net other postemployment benefits (OPEB) liability for the difference between the present value of the projected benefits for the past service known as the total OPEB liability (TOL) and the restricted resources held in trust for the payment of OPEB benefits, known as the fiduciary net position (FNP).

The CLC audited financial statements reported an OPEB expense of \$4,112,867, deferred outflows of resources of \$3,712,228, and deferred inflows of resources of \$1,366,210 during the fiscal year ended June 30, 2018. The audited financial statements reported an OPEB expense of \$2,178,435, deferred outflows of resources of \$3,714,307, and deferred inflows of resources of \$8,384,848 during the fiscal year ended June 30, 2019.

CLC's audited financial statements reported pension expenses of \$2,967,443, deferred outflows of resources of \$14,803,645, and deferred inflows of resources of \$3,045,519 during the fiscal year ended June 30, 2018. The audited financial statements reported pension expenses of \$4,953,966, deferred outflows of resources of \$12,911,333, and deferred inflows of resources of \$5,228,564 during the fiscal year ended June 30, 2019.

CLC payroll is processed through a direct link with the state's automated payroll system. That system produces reports on the amount of salaries and fringe benefit costs incurred during the previous biweekly period. CLC wire transfers an amount equal to the costs incurred for salaries and fringe benefits into a State Treasurer's account to cover those costs. The operating expenses for salaries and benefits were \$20,414,333 for the fiscal year ended June 30, 2017, \$21,845,610 for the fiscal year ended June 30, 2018, and \$20,758,603 for the fiscal year ended June 30, 2019.

Financial Operations

The Connecticut Lottery Corporation operates as a discretely presented component unit and is included in the State of Connecticut’s Comprehensive Annual Financial Report within that category. The accrual basis of accounting is used in accordance with generally accepted accounting principles (GAAP). CLC applies applicable pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989, unless those pronouncements conflict with or contradict the pronouncements of the Governmental Accounting Standards Board.

The following is a comparative summary of operations. This financial information was obtained from CLC’s audited financial statements for the fiscal years ended June 30, 2017, 2018, and 2019.

	Fiscal Year Ended June 30,		
	2019	2018	2017
Total Sales	\$ 1,333,911,283	\$ 1,267,591,283	\$ 1,216,262,021
Prize Expense	(822,863,178)	(792,589,574)	(756,288,867)
All Other Expenses	(132,544,411)	(131,694,766)	(124,137,405)
Excess of Sales Over Expenses	378,503,694	343,306,943	335,835,749
Other and Nonoperating Revenues	558,429	430,826	288,287
Subtotal	379,062,123	343,737,769	336,124,036
Transfers to State of Connecticut	(5,299,454)	(5,029,724)	(4,985,182)
Income Available	373,762,669	338,708,045	331,138,854
Transfers to General Fund	(370,000,000)	(345,000,000)	(330,000,000)
Change in Net Position	\$ 3,762,669	\$ (6,291,955)	\$ 1,138,854

In accordance with Section 12-812 of the General Statutes, the Connecticut Lottery Corporation president transfers the excess balance of lottery earnings to the General Fund on a weekly basis. These transfers represent an estimate of lottery sales revenues less operating expenditures, and are summarized as follows:

	Fiscal Year Ended June 30,		
	2019	2018	2017
Total Weekly Transfers	\$ 370,000,000	\$ 345,000,000	\$ 330,000,000
Percent of Total Annual Lottery Sales	27.7 percent	27.2 percent	27.1 percent

Instant tickets made up approximately 55.2 percent of total sales by game for the fiscal year ended June 30, 2019, 57.6 percent for the fiscal year ended June 30, 2018, and 59.3 percent for the fiscal year ended June 30, 2017. Prize expense incurred in fiscal years ended June 30, 2019, 2018,

and 2017, represents 61.7, 62.5, and 62.2 percent, respectively, of the total net Lottery sales.

As presented in its audited financial statements, the CLC Statement of Net Position for June 30, 2017, 2018, and 2019, follows:

	June 30, 2019	June 30, 2018	June 30, 2017 (Restated)
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 20,880,599	\$ 21,998,427	\$ 19,245,128
Accounts Receivable, Net of Allowance	30,547,825	27,181,977	27,354,061
Prepaid Annuities for Prizes	5,402,978	6,174,799	5,651,375
Accrued Interest Receivable	1,205,710	1,325,334	1,457,709
Ticket Inventory, Net of Allowance	3,788,220	4,586,784	3,655,199
Prepaid Expenses	2,269,635	1,328,933	990,634
Total Current Assets	64,094,967	62,596,254	58,354,106
Noncurrent Assets			
Investments for Prize Payments at Present Value	120,913,070	119,045,115	119,049,872
Prize Reserve Held by Multi-State Lottery Association	6,200,819	5,218,025	4,665,670
Property, Plant and Equipment, Net	641,288	819,114	864,818
Advances to High Tier Claim Centers	-	-	150,000
Other Assets	4,727,054	2,892,857	1,864,286
Total Noncurrent Assets	132,482,231	127,975,111	126,594,646
Total Assets	196,577,198	190,571,365	184,948,752
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount for Pensions	\$ 12,911,333	\$ 14,803,645	\$ 17,674,192
Deferred Amount for OPEB	3,714,307	3,712,228	3,607,710
Total Deferred Outflows of Resources	16,625,640	18,515,873	21,281,902
LIABILITIES			
Current Liabilities			
Annuities Payable	5,969,129	6,662,743	6,384,423
Prizes Payable	38,486,982	37,566,351	29,802,436
Accrued Interest Payable	1,205,710	1,325,334	1,457,709

Accounts Payable and Accrued Expenses	8,861,591	8,166,353	7,941,990
Due to Regional Games	590,757	830,749	605,911
Due to Multi-State Lottery Association	675,033	1,473,015	1,002,621
Deferred Revenue	772,625	619,607	759,765
Total Current Liabilities	56,561,827	56,644,152	47,954,855
Long-Term Liabilities			
Deferred Rent Liability	341,189	426,486	465,533
Net Pension Liability	50,615,060	53,857,469	55,669,017
Net OPEB Liability	47,074,834	54,381,510	52,487,844
Long-term Annuities Payable	120,913,070	119,045,115	119,049,872
Total Long-Term Liabilities	218,944,153	227,710,580	227,672,266
Total Liabilities	275,505,980	284,354,732	275,627,121
DEFERRED INFLOWS OF RESOURCES			
Deferred Amount for Pensions	\$ 5,228,564	\$ 3,045,519	\$ 3,990,801
Deferred Amount for OPEB	8,384,848	1,366,210	-
Total Deferred Inflows of Resources	13,613,412	4,411,729	3,990,801
NET POSITION			
Net Investment in Capital Assets	641,288	819,114	864,818
Unrestricted	(76,557,842)	(80,498,337)	(74,252,086)
Total Net Position	(75,916,554)	(79,679,223)	(73,387,268)

The Connecticut Lottery Corporation's assets and deferred outflows of resources increased from \$206,230,654 for the fiscal year ended June 30, 2017, to \$209,087,238 for the fiscal year ended June 30, 2018, and increased again to \$213,202,838 for the fiscal year ended June 30, 2019. The primary reason for the increase of \$2,856,584 in the fiscal year ended June 30, 2018, was an increase in cash and cash equivalents of \$2,753,299. The increase of \$4,115,600 in the fiscal year ended June 30, 2019, was due primarily to an increase of \$3,365,848 in accounts receivable, net of allowance. Deferred outflows of resources for the fiscal year ended June 30, 2017 were restated to record a deferred amount for OPEB of \$3,607,710.

Total liabilities increased by \$8,727,611 during the fiscal year ended June 30, 2018, but decreased by \$8,848,752 during the fiscal year ended June 30, 2019. The increase in fiscal year 2018 was attributed primarily to a \$7,763,915 increase in prizes payable. The major factor for the decline in total liabilities during the fiscal year ended June 30, 2019, was a \$7,306,676 decrease in net OPEB liability. Liabilities for the fiscal year ended June 30, 2017 were restated to record a net OPEB liability of \$52,487,844.

Total deferred inflows of resources increased from \$3,990,801 for the fiscal year ended June 30, 2017, to \$4,411,729 for the fiscal year ended June 30, 2018, and increased again to \$13,613,412 for the fiscal year ended June 30, 2019. The primary reason for the increase was the establishment and subsequent increase in the deferred amount for OPEB.

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Connecticut Lottery Corporation disclosed the following 2 recommendations, of which none have been repeated from the previous audit:

Untimely Reporting

Criteria: Section 1-123 (a) of the General Statutes requires the board of directors of each quasi-public agency to annually submit a report to the Governor and the Auditors of Public Accounts. Such report shall include, but not be limited to: a list of all outside individuals and firms in excess of five thousand dollars in the form of loans, grants or payments for services, except for individuals receiving loans for owner-occupied housing and education; a complete set of financial statements; and the affirmative action policy statement, a description of the agency's work force by race, sex, and occupation and a description of the agency's affirmative action efforts.

Section 1-123 (c) of the General Statutes requires the board of directors for each quasi-public agency to submit a personnel status report to the Legislative Office of Fiscal Analysis each quarter.

Condition: Our review disclosed that the Connecticut Lottery Corporation did not submit the following reports in a timely manner:

- CLC did not submit their fiscal year 2019 annual report until September 2020, which is 15 months after the end of the fiscal year.
- CLC did not submit 5 quarterly personnel status reports until October 2020.

Context: CLC was required to submit 2 annual reports and 8 quarterly personnel status reports for the fiscal years ended June 30, 2018 and 2019. In prior years, CLC submitted the annual reports by January.

Effect: Delays in the submission of reports reduces their value to recipients.

Cause: CLC changed its affirmative action reporting from a fiscal year to a calendar year basis. The fiscal year 2019 annual report included an affirmative action report that covered the period ending December 31, 2019.

CLC experienced turnover in its human resources department and did not submit its quarterly personnel status reports until our auditor inquired about them.

- Prior Audit Finding:* This finding has not been previously reported.
- Recommendation:* The Connecticut Lottery Corporation should strengthen internal controls to ensure compliance with reporting requirements prescribed by the Connecticut General Statutes. (See Recommendation 1.)
- Agency Response:* “We agree with the finding. During the audit period, the HR department experienced significant turnover of staff, including the Director position. The filing of the quarterly reports, has been re-assigned to a permanent employee with appropriate backup when needed. Documentation of procedures has been updated to ensure timely filing of reports.”

Untimely Payroll Audit Corrections

- Background:* The Connecticut Lottery Corporation has employees who perform human resources and payroll functions. The State Comptroller’s Core-CT Unit requested that CLC provide supporting documentation to confirm that it developed alternative procedures to ensure the prevention of inappropriate or fraudulent transactions.
- Criteria:* In response to the Core-CT request, CLC developed the Internal Control Procedures for Personnel Actions, a set of procedures to provide reasonable assurance of preventing inappropriate or fraudulent transactions. One of the procedures states, “On a random basis and for no less than two times per year, the Principal Cost Analyst will examine the payroll register and sample this information to confirm that payroll charges accurately reflect the current list of CLC employees and their hourly rates as reflected in this file.”
- Condition:* In June 2019, CLC conducted a payroll audit for the pay period ended April 25, 2019. The audit identified two findings that required \$24 in corrections, which were isolated to the pay period. CLC did not make the corrections until September 2020.
- Context:* CLC conducts two payroll audits per year.
- Effect:* CLC’s ability to accurately track payroll is impaired if it does not promptly correct payroll errors.
- Cause:* CLC followed up on the correction status of the findings in November 2019, but did not conduct additional follow-up procedures to verify that corrections were made prior to our review.
- Prior Audit Finding:* This finding has not been previously reported.

Recommendation: The Connecticut Lottery Corporation should ensure that it promptly corrects payroll audit findings in accordance with its Internal Control Procedures for Personnel Actions. (See Recommendation 2.)

Agency Response: “We agree with the finding. Twice annual payroll audits and findings, if any, are discussed and sent to the HR department within two weeks of completion of the audit. Follow up and correction to any findings is now being tracked by the payroll auditor to ensure completion by the respective department. Senior management is apprised of open items to ensure appropriate management oversight.”

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior audit report on the Connecticut Lottery Corporation contained 4 recommendations. All 4 have been implemented or otherwise resolved, and none have been repeated.

- The Connecticut Lottery Corporation should prevent non-board members from participating in board activities. CLC should ensure it receives formal reappointment letters to maintain the legitimacy of board proceedings. **This recommendation has been resolved.**
- The Connecticut Lottery Corporation should continue to obtain and document that its board of directors approved its annual incentive compensation program. **This recommendation has been resolved.**
- The Connecticut Lottery Corporation should document all matters affecting an employee's work history in the personnel file. **This recommendation has been resolved.**
- The Connecticut Lottery Corporation should only hire candidates who meet the requirements in the job description. If CLC hires an applicant who does not possess the minimum experience requirements for a position, it should document the specific reason for the hiring and have a policy to address the situation. **This recommendation has been resolved.**

Current Audit Recommendations:

- 1. The Connecticut Lottery Corporation should strengthen internal controls to ensure compliance with reporting requirements prescribed by the Connecticut General Statutes.**

Comment:

Our review noted that CLC did not submit its fiscal year 2019 annual report until September 2020, which is 15 months after the end of the fiscal year. In addition, CLC did not submit 5 quarterly personnel status reports until October 2020.

- 2. The Connecticut Lottery Corporation should ensure that it promptly corrects payroll audit findings in accordance with its Internal Control Procedures for Personnel Actions.**

Comment:


In June 2019, CLC conducted a payroll audit for the pay period ended April 25, 2019. The audit identified two findings that required \$24 in corrections, which were isolated to the pay period. CLC did not make the corrections until September 2020.

ACKNOWLEDGMENTS

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Connecticut Lottery Corporation during the course of our examination.

The Auditors of Public Accounts also would like to acknowledge the auditors who contributed to this report:

Bryne Botticelli



Bryne Botticelli
Auditor II

Approved:



John C. Geragosian
State Auditor



Robert J. Kane
State Auditor