



Ohio Lottery Commission

Video Lottery Terminal (VLT) Reviews

Audit Period: July 2014 through March 2015

Results Summary:

Objective	Conclusion*
Issuance and Collection of VLSA Fines	Well-Controlled with Improvement Needed
Responsible Gambling Program	Well-Controlled
Uncollected Jackpots and Expired Vouchers	Well-Controlled

* Please refer to Appendix A for classification of audit objective conclusions.



Executive Summary

Background

Video Lottery was introduced to the State of Ohio in 2012 when Governor Kasich signed Executive Order 2011-22K, which authorized the Ohio Lottery Commission to amend and adopt rules necessary to implement a video lottery program at Ohio's seven horse racing facilities. On June 1, 2012, Scioto Downs in Columbus began with 1,787 video lottery terminals; as of March 31, 2015, there were 10,258 terminals at five different racetracks in Ohio. Ohio is one of seven state lotteries to regulate video lottery terminals at racetracks. A Video Lottery Terminal (VLT) is a stand-alone device containing a random-number generator. Each VLT is connected to a CMS system that allows the Lottery to monitor game play and collect revenue activity. The Central Monitoring System (CMS) keeps track of money deposited in a terminal, usage, wins and payouts, machine maintenance and cash removal. Game themes are approved by Lottery Commissioners and independently tested and certified before being placed into operation. The minimum percentage payout in Ohio is 85 percent. Fiscal year 2014 marked the ninth consecutive year of profit growth for the Ohio Lottery. The racetrack VLT total net revenue for fiscal year 2014 was \$437.5 million, with Ohio Lottery receiving \$146.6 million.

Lottery continued its commitment to responsible gambling awareness in 2014. The *I Lost A Bet* campaign focused primarily on social media, with television and billboard teasers to generate interest in the website, ilostabet.org. The campaign was a collaborative effort on behalf of Ohio for Responsible Gambling, which is a state-wide initiative of the Ohio Lottery, the Ohio Casino Control Commission, the Ohio State Racing Commission and the Ohio Department of Mental Health and Addiction Services to promote gambling awareness and advocacy.

During the audit, OIA identified opportunities for Ohio Lottery Commission to strengthen internal controls and improve business operations. This audit conforms to the *International Standards for the Professional Practice of Internal Auditing*. OIA would like to thank Ohio Lottery Commission staff and management for their cooperation and time in support of this audit.

This report is solely intended for the information and use of agency management and the State Audit Committee. It is not intended for anyone other than these specified parties.

Scope and Objectives

OIA staff was engaged to perform an assurance audit related to the controls over the agency's monitoring processes for the period of July 2014 through March 2015. This work will be completed April through June 2015. The scope of this audit includes the following areas:

- Video lottery Sales Agent (VLSA) Fines
- Responsible Gambling
- Uncollected Jackpots and Expired Vouchers



The objectives for this audit are identified below:

- Evaluate the design and effectiveness of the monitoring controls over the issuance and collection of VLSA fines.
- Evaluate the design and effectiveness of monitoring controls over the responsible gambling program.
- Evaluate the design and effectiveness of the controls over the monitoring of uncollected jackpots and expired vouchers.

Detailed Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate. There were no high or moderate risk observations on this engagement. Low risk observations were discussed with individual agency management and are not part of this report. However, the low risk observations were considered as part of the audit objective conclusions.



Appendix A – Classification of Conclusions and Observations

Classification of Audit Objective Conclusions

Conclusion	Description of Factors
Well-Controlled	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
Well-Controlled with Improvement Needed	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
Improvement Needed	Weaknesses are present that compromise achievement of one or more control objectives but do not prevent the process from achieving its overall purpose. While important weaknesses exist, their impact is not widespread.
Major Improvement Needed	Weaknesses are present that could potentially compromise achievement of its overall purpose. The impact of weaknesses on management of risks is widespread due to the number or nature of the weaknesses.

Classification of Audit Observations

Rating	Description of Factors	Reporting Level
Low	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
Moderate	Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency as a whole. Compensating controls may exist but are not operating as designed. Requires near-term agency attention.	Agency Management and State Audit Committee
High	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	Agency Management and State Audit Committee