



Ohio Lottery Commission Overrides for Cash and Merchandise Prizes Audit

Audit Period: July 2016 through June 2017

Results Summary:

| Objective | Conclusion |
|------------------|---|
| Override Process | Well-Controlled with Improvement Needed |

Refer to Appendix A for classification of audit objective conclusions.



Executive Summary

Background

The Ohio Lottery Commission (OLC) was created in May 1973 and is operated as a business enterprise within the framework of the State’s laws and regulations. Part of OLC’s mission is to maximize revenues to provide funds for the educational system of the State by offering games of chance to the public at large. Since 1974 when tickets first went on sale, OLC has provided more than \$22.3 billion to public education. The OLC is self-sustaining and funded through the State Lottery Fund. Appropriations support the computerized gaming systems, the purchase and distribution of instant tickets, the payment of prizes to winners, funding for programs supporting gambling and related addiction services, and regulation of the video lottery terminal program.

Once winning tickets are claimed, OLC validates the tickets through the Claims Information System (CIS). However, OLC may approve claims for prize payments even though a ticket will not or cannot validate through CIS. Such claims are referred to as overrides. Some such circumstances include an expired ticket, Second Chance drawing for non-winning instant tickets, or Cash Explosion TV show winners. In these instances, the Claims Department initiates and authorizes a claim number in CIS for prize payment. During state fiscal year 2017, there were 1,744 override claims for approximately \$27.7 million in claimed prizes.

During the audit, OIA identified opportunities for OLC to strengthen internal controls and improve business operations. OIA conforms to the *International Standards for the Professional Practice of Internal Auditing*. OIA would like to thank OLC 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 key processes for conducting overrides for cash and merchandise prizes. This work was completed July through September 2017. The objective of the review was to evaluate the design and effectiveness of controls over the override process during July 2016 through June 2017.



Detailed Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate. 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. There were no high or moderate observations for this engagement.



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 |