



**WISCONSIN LEGISLATIVE AUDIT BUREAU
AUDIT SUMMARY**

Report 00-6

June 2000

WISCONSIN LOTTERY

As required by s. 13.94(1)(em), Wis. Stats., we have completed a financial audit of the Wisconsin Lottery, which is administered by the Department of Revenue. We have issued an unqualified independent auditor's report on the Wisconsin Lottery's financial statements for fiscal years (FYs) 1998-99 and 1997-98.

Total lottery sales increased from \$418.6 million in FY 1997-98 to nearly \$428.2 million in FY 1998-99. This increase results primarily from large on-line jackpots, including a record Powerball jackpot of \$295.7 million in July 1998. Because Lottery staff cannot control jackpot size, future on-line lottery sales may not continue at this level. Sales of instant ticket lottery games have continued a four-year decline from \$252.9 million in FY 1997-98 to \$230.8 million in FY 1998-99.

We also identified a concern related to the payment of liquidated damages. GTECH Corporation, which maintains the computer system for the Lottery's on-line and instant ticket games, implemented a new computer system in June 1997. From the implementation date to April 1999, GTECH experienced significant computer system problems, such as computer "downtime," and the Lottery assessed liquidated damages totaling \$2.53 million. GTECH has already paid the Lottery \$235,200 in the form of sales credits on its monthly invoices. To settle the remaining balance due, the Lottery and GTECH have agreed to a tentative one-time payment of \$750,000, including \$500,000 in cash. The Lottery will receive the remaining \$250,000 in the form of goods and services, which GTECH may contract with any vendor to provide. To ensure sufficient legislative and budgetary oversight of the tentative \$750,000 settlement, we recommend the Lottery report to the Legislature on its plans to spend these funds.

[full report, PDF file \(106KB\)](#)