

**BRIEFING SHEET**[Report 16-7](#)

July 2016

State Auditor[Joe Chrisman](#)**Wisconsin Lottery
Fiscal Year 2014-15****Background**

The Wisconsin Lottery, which began operations in September 1988, is administered by the Department of Revenue. The Wisconsin Lottery sells instant tickets and lotto tickets, and participates in the national Powerball and Mega Millions lotto games. The Wisconsin Constitution and state statutes impose certain limitations on lottery expenses. The Wisconsin Constitution also requires that net proceeds from the Wisconsin Lottery be used exclusively for property tax relief for Wisconsin residents.

To fulfill our statutory requirement, we conducted a financial audit of the Wisconsin Lottery by auditing its financial statements in accordance with applicable government auditing standards, providing an auditor's opinion, reviewing internal controls, and assessing compliance with statutory spending limitations.

Audit Results and Key Findings

We provided an unmodified opinion on the Wisconsin Lottery's financial statements for fiscal year (FY) 2014-15 and FY 2013-14. We provide an unmodified opinion when audit evidence supports the conclusion that the financial statements provide a fair view of an entity's financial activity in accordance with generally accepted accounting principles. Our audit report also includes the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters.

Net proceeds from the Wisconsin Lottery are largely distributed to owners of primary residences in Wisconsin through the Lottery and Gaming Tax Credit. Since its inception, the Wisconsin Lottery has provided \$3.8 billion in property tax relief, including \$166.4 million distributed in FY 2014-15. We also found:

- the sales of instant and lotto tickets increased from \$568.8 million in FY 2013-14 to \$574.6 million in FY 2014-15, or by 1.0 percent;
- operating expenses increased from \$408.7 million in FY 2013-14 to \$415.4 million in FY 2014-15, or by 1.6 percent; and
- in October 2015, the Department of Administration and the Legislature's Joint Committee on Finance authorized the use of \$161.4 million in Wisconsin Lottery net proceeds for property tax relief in FY 2015-16.

Subsequent to FY 2014-15, the Wisconsin Lottery learned that an individual previously employed by the Multi-State Lottery Association, of which the Wisconsin Lottery is a member, was convicted of fraud in Iowa and was suspected of fraud in other states' lotteries. This individual also had access to the random number generators used in Wisconsin to determine the winning numbers for lotto games. In September 2015, the Wisconsin Lottery requested that the Wisconsin Department of Justice review a 2007 drawing for the Wisconsin's Megabucks lotto game to determine if any illegal activity may have occurred. This review was ongoing at the time of our audit.

The Wisconsin Lottery has taken some steps to address our prior concerns with controls over administering retailer accounts and plans further improvements when it implements a new integrated gaming computer system, which is anticipated in May 2017.

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