



## Wisconsin Lottery

Department of Revenue

### Background

The Wisconsin Lottery, which began operations in September 1988, is administered by the Department of Revenue. The Wisconsin Lottery sells instant tickets, 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.

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) 2013-14 and FY 2012-13. 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.

The Wisconsin Constitution requires that net proceeds from the Wisconsin Lottery be used exclusively for property tax relief for Wisconsin residents. The net proceeds 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 \$3.7 billion in property tax relief, including \$168.4 million distributed in FY 2013-14. We also found:

- the sales of instant and lotto tickets increased from \$566.1 million in FY 2012-13 to \$568.8 million in FY 2013-14, or by 0.5 percent;
- ticket sales increased in each year from FY 2011-12 through FY 2013-14;
- a new 5 Card Cash lotto game was launched and \$30 scratch-off tickets were first offered in FY 2013-14;
- the Wisconsin Lottery was in compliance with statutory spending limitations related to prizes, product information, administrative expenses, and retailer compensation;
- in October 2014, the Department of Administration and the Legislature's Joint Committee on Finance authorized the use of \$170.1 million in Wisconsin Lottery net proceeds for property tax relief in FY 2014-15; and
- a letter of intent has been issued for a new contract for a gaming system anticipated to be implemented during FY 2016-17.

Although the Wisconsin Lottery took some steps to address our prior concerns, we found internal controls in administering retailer accounts could be further improved. The Wisconsin Lottery indicates it plans to address our continuing concerns.

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### Legislative Audit Bureau

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