



SUMMARY

An Audit of the South Carolina Education Lottery



INTRODUCTION

South Carolina law requires that the Legislative Audit Council conduct periodic management audits of the South Carolina Education Lottery (SCEL).

In this audit, we addressed issues including procurement, ticket security, player demographics, and sales to minors.

Audits by the Legislative Audit Council conform to generally accepted government auditing standards as set forth by the Comptroller General of the United States.

SOUTH CAROLINA GENERAL ASSEMBLY

Legislative Audit Council
Independence, Reliability, Integrity

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AUDIT FINDINGS

Overall, we found that the lottery was well-managed.

In some instances, the lottery's procurement records did not clearly state the reasons for awarding contracts to private companies that assist in developing and operating scratch-off games and number selection games.

Without an authorized contract change order, the lottery paid approximately \$398,000 for a security barcode system on 241 million scratch-off tickets. Also without an authorized change order, the lottery paid \$408,000 for the rights to sell scratch-off tickets named for a television game show. The lottery reports that its new executive director, hired in July 2009, has implemented measures to improve the management of its contracts.

The lottery has developed a system for deterring the loss and theft of scratch-off tickets.

In its annual demographic report on the characteristics of lottery players, SCEL does not report per capita expenditures by demographic group. As a result, it is difficult to assess the extent to which various groups play the lottery.

The lottery has implemented several initiatives to deter the sale of lottery tickets to minors, but it is not currently conducting compliance checks of lottery ticket retailers. Following our 2005 audit, the State Law Enforcement Division (SLED) assisted the lottery by conducting some compliance checks of retailers. However, SLED did not report the number of checks, the identification of the retailers involved, or the results of the checks for each retailer.

STATUS OF PREVIOUS RECOMMENDATIONS

We determined the status of the recommendations we made in our 2005 audit of the lottery. Of 23 recommendations, 11 (48%) were implemented, 8 (35%) were not implemented, and 4 (17%) were partially implemented.

Changes made by the lottery to implement our recommendations in 2005 include the development of a methodology for setting salaries, new procedures for administering procurement cards, a new process for ending scratch-off games after top prizes are no longer available, and improved reporting of illegal gambling at lottery retail outlets.

Examples of recommendations from 2005 not implemented include the amendment of state law to allow the sale of lottery tickets on election days and the amendment of state law to authorize administrative penalties against retailers that allow illegal gambling on their premises.

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