

SUMMARY



A LIMITED REVIEW OF THE SOUTH CAROLINA EDUCATION LOTTERY INCLUDING A FOLLOW UP TO OUR:



- 2019 AUDIT
- 2018 AUDIT

FEBRUARY
2024

OVERSIGHT OF LOTTERY RETAILERS

OBJECTIVES

- Review the adequacy of internal controls implemented by the South Carolina Education Lottery for its oversight of lottery retailers.
- Compare the operations of the South Carolina Education Lottery with those of lotteries in other states to determine opportunities for improvement.
- Review the human resources' practices of the South Carolina Education Lottery to determine compliance with state law and equitable decision making.
- Determine the implementation status of recommendations made by the Legislative Audit Council in recent audit reports of the South Carolina Education Lottery.

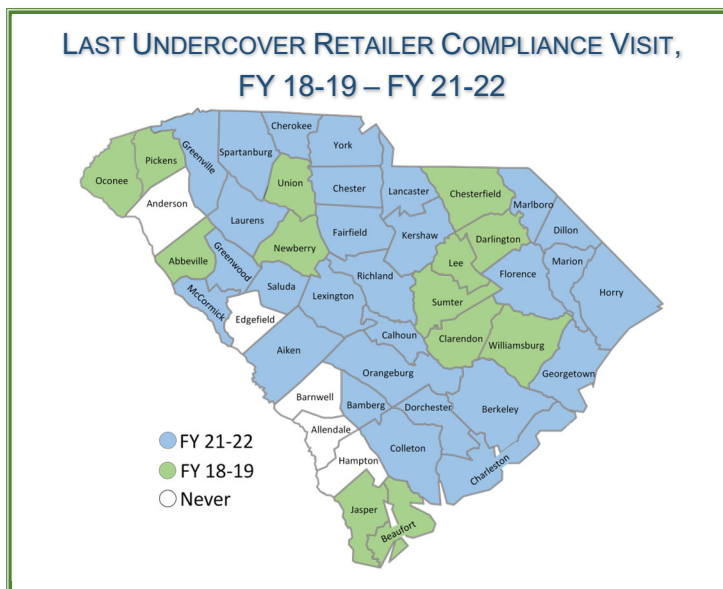
We followed up on the status of LAC's recommendations made in audit reports of SCEL and the use of the Education Lottery Account funds published in June 2019 and June 2018, respectively.

BACKGROUND

S.C. Code §§59-150-30(B) and 2-15-63(A) require the Legislative Audit Council to conduct a management performance audit of the South Carolina Education Lottery (SCEL) every three years. This audit was conducted based on this statutory requirement.

UNDERCOVER RETAILER COMPLIANCE VISITS NOT CONDUCTED CONSISTENTLY

We found SCEL only conducted undercover retailer compliance visits of 1,068 retailers sporadically between November 2014 and September 2021, while there were approximately 4,000 lottery retailers in 2022. There were no undercover compliance visits conducted in 2016 through 2018 or in 2020. Additionally, we found no retailers in five counties had been visited for undercover compliance. During the exit process SCEL contended only one county, Hampton, had not been visited; however, SCEL did not provide sufficient documentation of visits to the remaining four counties. We also found over half the retailers in our randomly-selected, judgmental sample of 22 retailers that SCEL investigated for reports of missing tickets or potential contract compliance violations were in counties with no undercover retailer compliance visits.



ACTIONS TAKEN TO ADDRESS RETAILER MISCONDUCT NOT ADEQUATELY DOCUMENTED

We found SCEL does not consistently indicate what further action it takes to address instances of suspected retailer misconduct, contract compliance violations, and reports of missing lottery tickets. Nearly half of the lottery retailers in our randomly-selected, judgmental sample of 75 retailers that SCEL investigated for reports of missing tickets or suspected retailer misconduct did not indicate what further follow-up action was taken by SCEL.

CONDITIONAL REQUIREMENTS FOR LICENSURE REINSTATEMENT NOT MONITORED

We identified 12 retailers that appealed SCEL's decision to revoke their lottery retailer licenses due to misconduct and instead received suspended licenses with a path to re-licensure if certain conditions were followed. However, SCEL could not provide documentation to show the conditional requirements had been met.

MARKETING SALES REPRESENTATIVES

SCEL employs marketing sales representatives (MSRs), who are the primary link between SCEL and lottery retailers. MSRs routinely visit lottery retailers on an assigned route of approximately 100 stores, usually every two weeks. While visiting a retailer, MSRs are responsible for:

- Validating that a retailers’ instant lottery ticket (scratch-off) inventory is stocked and up to date.
- Ensuring that required SCEL signage is displayed.
- Ensuring lottery terminals and displays are clean.
- Speaking with the store manager to discuss sales, new games, promotions, new policies, and training topics.

We found SCEL does not require MSRs to track interactions with retailers and does not use Sales Wizard™, the customer relationship management software already used by SCEL, to its full capacity.

COMPARISON WITH OTHER STATES

We compared South Carolina’s lottery to lotteries of surrounding states with similarly structured lotteries—North Carolina, Georgia, and Florida. South Carolina is the only state lottery of those reviewed that does not allow players to purchase lottery tickets with a debit card or from a vending machine.

Commission Rates Paid to Retailers	
7%	South Carolina
7%	North Carolina
6%	Georgia
5%	Florida
8%	Oregon

WEBSITE COMPARISON

We reviewed SCEL’s website and compared it to the websites of similarly structured lotteries in North Carolina, Georgia, and Florida. Although the websites were similar, we found SCEL’s website could be improved by adding a search bar that allows website visitors to find information more quickly.

Georgia’s lottery requires claimants to make appointments at its nine claim centers and has the option on its website to schedule an appointment through an online scheduler. Because we were informed by SCEL officials that there have been times the line of claimants at the claims center has extended outside and down the street in Columbia, implementing a system where appointments could be made online or by telephone could eliminate the lines. Additionally, allowing claimants to make an appointment for the claims center would be a convenience for claimants and reduce the burden on employees in SCEL’s only claims center.

HUMAN RESOURCES

We found SCEL had not conducted employee performance evaluations from 2009 through 2022. Additionally, SCEL failed to notify eight affected employees when their confidential personnel files were determined to be missing in early 2015. We also found SCEL:

- Does not have a comprehensive human resources’ policies and procedures manual.
- Has not defined, in policy, what constitutes a “clear background investigation.”
- Failed to conduct name-based criminal records checks prior to hire.
- Failed to maintain proper documentation in personnel files, including justifications for salary increases.

FOLLOW UP

2019		2018	
Recommendations	Number	Recommendations	Number
Implemented	2	Implemented	0
Partially Implemented	1	Not Implemented	8
Not Implemented	28	TOTAL 8	
Not Applicable	1		
TOTAL	32		

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