

Report Highlights



Colorado Lottery

Department of Revenue, Colorado Lottery

Performance Audit • November 2023 • 2259P

OFFICE OF THE STATE AUDITOR

C O L O R A D O

Key Concern

The Colorado Lottery (Lottery), within the Department of Revenue, should ensure that its sales practices, Lottery Commission operations, and contract selection processes are consistent with regulatory and statutory intent. It should also ensure that it has effective processes to identify and investigate unusual winning patterns, place the appropriate people on the restricted player database, and enforce licensing requirements.

Key Findings

- The courier sales model may not be consistent with the framework set up in statute for selling lottery tickets. Specifically, statute requires that lottery tickets only be sold by licensed retailers at their brick-and-mortar locations. Under the courier sales model, it may not be clear who is selling the tickets or where they are being sold—players place orders for lottery tickets and pay for them through a courier’s website or app and the courier then purchases the tickets from the licensed retailer. However, from the player’s perspective, they are purchasing the tickets online from the courier.
- Lottery Commissioners do not receive sufficient training or guidance in order to ensure that they fulfill the duties assigned to them in statute.
- 40 percent of licensed lottery retailers did not submit retailer compliance certificates for Calendar Years 2021 and 2022. Retailers attest in these certificates that they are in compliance with Lottery requirements.
- In February 2023, 23 of the Lottery’s 94 (25 percent) staff employed at the time were not included in the Lottery’s restricted player database, which is designed to prevent restricted players, such as Lottery employees, from winning higher-dollar prizes.
- The Lottery could not provide documentation to show that it had investigated individuals with multiple high-tier prize wins each quarter to determine if there was reasonable suspicion to investigate further. Our analysis of the Lottery’s multiple win reports for each quarter during Fiscal Years 2020 through 2022 identified:
 - One winner who claimed 44 prizes totaling \$38,500 in a single quarter in Fiscal Year 2022.
 - A retailer who made 10 claims totaling \$14,900 in a single quarter; this is the same retailer reported on in our 2018 audit report who, at that time, had 24 wins of \$600 or more over a 3-year period totaling \$39,750.According to Lottery policies, it should have conducted an in-depth review of these winners to determine if further investigation was needed, but there was no documentation that this review occurred.
- The Lottery’s selection process for its Fiscal Year 2023 advertising services contract and its procurement of a gambling prevalence study may not have complied with some state procurement requirements related to documenting the basis for its selection decision, appointing a person unaffiliated with the Lottery to serve on the evaluation committee, and subcontracting for additional services.

Background

- The Colorado Lottery was created in 1982 to allow for the establishment of state-supervised lottery games.
- The Lottery, which is a division within the Department of Revenue, is overseen by Lottery management and the Lottery Commission.
- The Lottery’s mission and goal is to maximize the revenue it generates from lottery game sales in order to support its beneficiary agencies.
- Currently, the Lottery offers 96 scratch ticket games that account for about 68 percent of the Lottery’s annual sales, and six jackpot games that account for about 32 percent of annual sales.
- In Fiscal Year 2023, the Lottery had ticket sales totaling about \$891 million, and it distributed \$195.3 million to its beneficiary agencies.

Recommendations Made

13

Responses

Agree: **13**

Partially Agree: **0**

Disagree: **0**