



OFFICE OF THE STATE AUDITOR



September 3, 2019

DIANNE E. RAY, CPA
—
STATE AUDITOR

COLORADO LOTTERY – STATUS REPORT

Members of the Legislative Audit Committee:

Attached are the status reports from the Colorado Lottery (Lottery) and the Judicial Branch on the implementation of recommendations contained in the Office of the State Auditor's (OSA) *2018 Colorado Lottery Performance Audit*.

OSA REVIEW OF DOCUMENTATION

As part of the status report process, we requested and received supporting documentation for each recommendation that the Lottery and the Judicial Branch reported as having been implemented. Specifically, we reviewed the following documentation:

- Lottery's procedures for conducting periodic reviews of the winning player data to identify and investigate players that win more often than the odds would suggest.
- Lottery's updated policies for entering new employee information into the Restricted Player Database and updating it as needed.
- Lottery's contract amendments, rules, and verifications from contractors that ensure the contractors have procedures in place to prevent employees whose duties pose a risk to the Lottery from playing lottery games.
- Lottery's updated Restricted Player Database.

OFFICE OF THE STATE AUDITOR
1525 SHERMAN STREET
7TH FLOOR
DENVER, COLORADO
80203

303.869.2800

- The Judicial Branch's detailed description and supporting documentation of the changes made to their system to implement House Bill 19-1128 and for reporting to the Department of Revenue any debts owed the State from a judicial decision, and receiving any intercepts made by the Lottery.

Based on our review, the supporting documentation substantiates the Lottery's and Judicial Branch's reported implementation statuses.



8/2/2019

Dianne E. Ray, CPA
State Auditor
Colorado Office of the State Auditor
1525 Sherman St., 7th Floor
Denver, CO 80203

Dear Auditor Ray:

In response to your request, we have prepared the attached status report on the implementation status of audit recommendations contained in the August 2018 *Lottery Performance Audit*. The report provides a brief explanation of the actions taken by the Colorado Lottery to implement each recommendation.

If you have any questions about this status report and the Lottery's efforts to implement the audit recommendations, please contact Jennifer Anderson at 303-759-6812 or jenn.anderson@state.co.us. Additionally, I plan to attend the Legislative Audit Committee hearing this fall to make myself available for any questions re the status report.

Sincerely,

Jennifer Anderson
Lottery Deputy Director

AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME	Colorado Lottery
AUDIT NUMBER	1753P
AGENCY	Department of Revenue
DATE OF STATUS REPORT	8/2/2019

SECTION I: SUMMARY

REC. NUMBER	AGENCY'S RESPONSE	ORIGINAL IMPLEMENTATION DATE	CURRENT IMPLEMENTATION STATUS	CURRENT IMPLEMENTATION DATE
1A	Agree	January 2019	Implemented	September 2018
1B	Agree	September 2018	Implemented	September 2018
2A	Agree	September 2018	Implemented	September 2018
2B	Agree	January 2019	Implemented	January 2019
2C	Agree	January 2019	Implemented	January 2019

SECTION II: NARRATIVE DETAIL

RECOMMENDATION 1A

The Colorado Lottery should ensure that it is aware of and appropriately reviews instances where there are unusual winning patterns by:

- A Developing and implementing policies for routinely analyzing the data collected on winning claims of \$600 or more to identify unusual winning patterns and establish thresholds to trigger inquiries into those instances where someone has won more frequently than the odds of winning each game would suggest is possible to verify the validity of those wins.

CURRENT IMPLEMENTATION STATUS	Implemented	CURRENT IMPLEMENTATION DATE	September 2018
-------------------------------	-------------	-----------------------------	----------------

AGENCY UPDATE

The Lottery has worked with its vendor to generate a report that identifies winners with multiple wins with the amount exceeding the minimum threshold established by Lottery; whether those wins were Jackpot tickets created using a manual selection of numbers; and whether the winners are retailers. In September of 2018, the Lottery implemented a new procedure that requires the Security & Investigations team to routinely analyze the data in the report and conduct investigation when someone has won more frequently than the odds of winning each game would suggest is possible, particularly if it's a retailer, to verify the validity of those wins.

RECOMMENDATION 1B

The Colorado Lottery should ensure that it is aware of and appropriately reviews instances where there are unusual winning patterns by:

- B Investigating the instances identified in this report to determine if there was any illegal or unethical conduct and reporting the results of those investigations to the Legislative Audit Committee.

CURRENT IMPLEMENTATION STATUS	Implemented	CURRENT IMPLEMENTATION DATE	November 2018
-------------------------------	-------------	-----------------------------	---------------

AGENCY UPDATE

The Lottery conducted a thorough investigation of the instances of winning identified in the performance audit and presented its findings in closed executive session to LAC on November 14, 2018.

RECOMMENDATION 2A

The Colorado Lottery (Lottery) should improve the effectiveness of its restricted player database to ensure that restricted players do not claim lottery prizes by:

- A Developing and implementing a written process for obtaining information for Lottery Commissioners and employees, and their immediate family members, and establishing timelines for entering the information into the database. This process should include procedures requiring these individuals to routinely submit updated information on any immediate family members who should be included in or removed from the database.

CURRENT IMPLEMENTATION STATUS	Implemented	CURRENT IMPLEMENTATION DATE	September 2018
-------------------------------	-------------	-----------------------------	----------------

AGENCY UPDATE

In September of 2018, the Lottery adopted a new procedure requiring Lottery employees and commissioners to complete a Restricted Player Form within 30 days of their start date and further requires that the Lottery enter the information into the Restricted Player Database within 60 days of receipt. At the beginning of each calendar year, Lottery requires submission of updated information for the database. Furthermore, employees and commissioners are required to update their information immediately when there is a change. The Lottery is in compliance with the new procedure.

RECOMMENDATION 2B

The Colorado Lottery (Lottery) should improve the effectiveness of its restricted player database to ensure that restricted players do not claim lottery prizes by:

- B Revising applicable Lottery contracts to include requirements for vendors to submit employee and immediate family member information when the contract becomes effective and provide updates routinely throughout the duration of the contract. Until the contract revisions go into effect, the Lottery should specifically request updated employee information from each applicable vendor. If the Lottery determines that it is not feasible to collect this information for all employees from certain vendors and subcontractors it should identify any key employees whose duties pose a risk to the Lottery and revise Lottery rules and contracts to only include the requirement for these individuals.

CURRENT
IMPLEMENTATION
STATUS

Implemented

CURRENT
IMPLEMENTATION
DATE

January 2019

AGENCY UPDATE

The Lottery amended all contracts with applicable vendors to include a provision that requires them to ensure (through policy or other written agreement) that their employees whose duties pose a risk to the Lottery, and those employees' immediate family members residing in the same household, are restricted from playing games that are sold by the Colorado Lottery. Moving forward, the Lottery will ensure this provision is in any new applicable vendor contract as well. The Lottery's rules have been updated to reflect this change.

RECOMMENDATION 2C

The Colorado Lottery (Lottery) should improve the effectiveness of its restricted player database to ensure that restricted players do not claim lottery prizes by:

- C Updating the database to include all of the current Lottery Commissioners, employees, and contractors as well as their immediate family members, as required by statute, rules, and contracts.

CURRENT IMPLEMENTATION STATUS	Implemented	CURRENT IMPLEMENTATION DATE	January 2019
-------------------------------	-------------	-----------------------------	--------------

AGENCY UPDATE

The Restricted Player Database was updated to include all current Lottery Commissioners and employees and their immediate family members. In January the Lottery sent an e-mail requiring all Lottery employees to submit an updated form or verify that there had been no change in their information. Additionally, the Lottery has received written verifications from all applicable vendors that they are in compliance with the amended contract provisions.



Office of the State Court Administrator

August 2, 2019

Steven Vasconcellos
*Interim State Court
Administrator*

Terri Morrison
Judicial Legal Counsel

DIRECTORS

Chad Cornelius, CIO
*Information Technology
Services*

Glenn Tapia
Probation Services

ACTING DIRECTORS

Brenidy Rice
Court Services

Marty Galvin
Financial Services

Dawn Palutke
Human Resources

Dianne E. Ray, CPA
State Auditor
Colorado Office of the State Auditor
1525 Sherman St., 7th Floor
Denver, CO 80203

Dear Auditor Ray:

In response to your request, we have prepared the attached status report on the implementation status of the audit recommendation contained in the August 2018 Colorado Lottery Performance Audit. The report provides a brief explanation of the actions taken by the Judicial Branch to implement the recommendation.

House Bill 19-1128 was signed into law on May 20, 2019, broadening the description of for which debts Judicial can intercept Lottery winnings. Internal programming of the case management system has been completed, ensuring that incoming Lottery receipts are processed correctly. The Department is currently working with the Department of Revenue to complete testing, which is expected to be completed by September 2019.

If you have any questions about this status report and the Judicial's efforts to implement the audit recommendation, please contact me at (720) 625-5853 or marty.galvin@judicial.state.co.us.

Sincerely,

Marty Galvin
Acting Director, Financial Services

AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME	Colorado Lottery
AUDIT NUMBER	1753P
AGENCY	Judicial Branch
DATE OF STATUS REPORT	8/2/2019

SECTION I: SUMMARY

REC. NUMBER	AGENCY'S RESPONSE	ORIGINAL IMPLEMENTATION DATE	CURRENT IMPLEMENTATION STATUS	CURRENT IMPLEMENTATION DATE
3	Agree	September 2019	Partially Implemented	September 2019

SECTION II: NARRATIVE DETAIL

RECOMMENDATION 3

The Judicial Branch should work with the General Assembly to determine if intercepts of lottery prize winnings should be made for all debts assessed by the courts that are owed to the State, not just victim's restitution, and seek statutory change as needed based on this determination.

CURRENT IMPLEMENTATION STATUS	Partially Implemented	CURRENT IMPLEMENTATION DATE	September 2019
-------------------------------	-----------------------	-----------------------------	----------------

AGENCY UPDATE

Colorado House Bill 19-1128 was signed into law on May 20, 2019, which accomplishes the required statutory changes for Lottery winnings to be intercepted for all Judicial obligations. Judicial programming to properly receipt these intercepts has been implemented. Judicial has worked with the Colorado Department of Revenue and Lottery offices to assist them in planning changes necessary to grant Lottery access to the expanded data, and final testing is being conducted.