

REPORT HIGHLIGHTS



COLORADO LOTTERY
PERFORMANCE AUDIT, AUGUST 2018

COLORADO LOTTERY
DEPARTMENT OF REVENUE

CONCERN

The Colorado Lottery (Lottery) has not instituted sufficient processes to ensure that it identifies and investigates unusual winning patterns and prevents restricted players from claiming prizes. In addition, the Lottery does not have the statutory authority to intercept winning claims to pay off debts, other than victim's restitution, that is owed to the Judicial Branch.

KEY FINDINGS

- There have been some individuals, including one licensed lottery retailer, who have won high-dollar prizes an unusually high number of times given the odds of winning the games, and the Lottery had not looked into these wins to ensure that they were legitimate and not related to illegal or questionable activity. For example:
 - ▶ One individual won \$600 or more from the Pick 3 game 47 times over a 3-year period.
 - ▶ One individual won \$600 or more from the Pick 3 game 20 times over a 9-month period.
 - ▶ One individual won \$600 or more from the Pick 3 game 24 times over a 3-year period, and purchased all of those tickets from the store they owned.
 - ▶ One individual won the top prize for the Cash 5 game 12 times in the same drawing.
- The Lottery's restricted player database is not an effective tool for ensuring that players prohibited from playing the lottery, such as Lottery and contractor employees, do not claim prizes. Specifically:
 - ▶ 6 of the Lottery's 120 employees and two of the Lottery's five Commissioners were not included in the database.
 - ▶ 2 vendors that provide scratch tickets did not have any employees included in the database.
 - ▶ On average, it took the Lottery 135 days from the date of hire to enter employees into the database.
- Although the Lottery effectively intercepted winning claims for victim's restitution, it does not currently have the authority to intercept other fines, fees, and costs owed to the courts. If it had this authority, between January 2015 and December 2017, the Lottery could have intercepted an additional \$123,000 from prizewinners to help pay off their court debts.

BACKGROUND

- The Lottery was created as a division within the Department of Revenue following an amendment to the Colorado Constitution in 1980.
- The Lottery is governed by a five member Commission and is headquartered in Pueblo, with claims offices in Denver, Fort Collins, and Grand Junction.
- The Lottery's purpose is to sell tickets to generate proceeds for its beneficiaries, which include Great Outdoors Colorado, the Conservation Trust Fund, the Division of Parks and Wildlife, and the Public School Capital Construction Assistance Fund.
- The Lottery offers scratch games, which account for 68 percent of Lottery sales, as well as three multi-state and three in-state jackpot games, which account for 32 percent of sales.
- In Fiscal Year 2017, the Lottery generated \$555.3 million in ticket sales, which after prizes and other costs resulted in \$133.5 million for its beneficiary agencies.

KEY RECOMMENDATIONS

- The Lottery should develop and implement policies for routinely analyzing winning claims data for unusual winning patterns and setting thresholds that trigger investigations into questionable winners.
- The Lottery should improve the effectiveness of its restricted player database by developing policies for obtaining information from Lottery employees, Commissioners, contractors, and their immediate family members; entering the information into the database timely; and revising Lottery contracts and rules as necessary.
- The Judicial Branch should work with the General Assembly to determine if Lottery intercepts should include not only victim's restitution, but also other court assessed fines, fees, and costs, and seek statutory change as needed.