



AUDIT SUMMARY

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INTEGRITY ♦ RELIABILITY ♦ INDEPENDENCE ♦ ACCOUNTABILITY

DECEMBER 2004

RHODE ISLAND LOTTERY

FISCAL YEAR ENDED JUNE 30, 2004

We completed an audit of the financial statements of the Rhode Island Lottery (Lottery) for the fiscal year ended June 30, 2004. The Lottery's financial statements indicate that \$281 million was paid to the State's General Fund for the fiscal year ended June 30, 2004. This amount represents the Lottery's income after payment of prize awards, commissions and operating expenses.

The amount paid to the General Fund increased \$32.1 million or 12.9% over the fiscal year ended June 30, 2003. Lottery sales for the fiscal year ended June 30, 2004 were \$1.5 billion with video lottery comprising \$1.2 billion or 83.2% of total sales. Total prizes paid approximated \$1 billion. The Lottery's operating expenses totaled \$6.6 million for the fiscal year ended June 30, 2004.

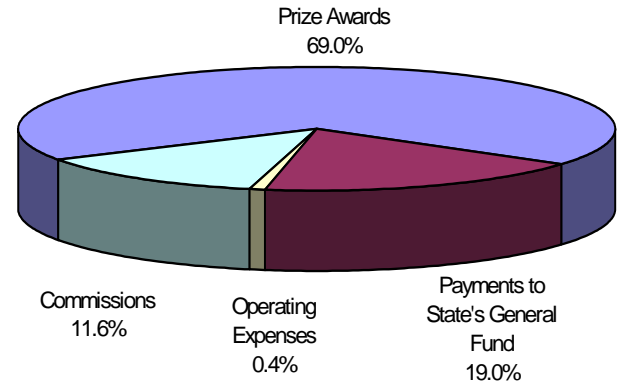
Total lottery sales increased \$190.2 million or 14.7% for the fiscal year ended June 30, 2004 over the fiscal year ended June 30, 2003. Most of the increase resulted from video lottery sales.

We concluded that the Lottery's financial statements for the fiscal year ended June 30, 2004 were fairly presented in accordance with accounting principles generally accepted in the United States of America.

We did not find any material instances of noncompliance with laws, regulations and contracts or other matters that we were required to report under *Government Auditing Standards*.

We did report a matter involving the Lottery's internal control over financial reporting. We recommended that access security to the computer systems used to operate the Lottery's games be improved. As of June 30, 2004 the Lottery implemented a formal comprehensive security plan

Distribution of Lottery Revenue



related to its computerized systems. However, material compliance by the Lottery's gaming system provider has not yet been achieved. Material compliance with the Lottery's comprehensive security plan is vital to ensuring that access is appropriately restricted to authorized individuals and any unauthorized access is detected by the Lottery on a timely basis with appropriate follow-up.

Copies of this audit report can be obtained by calling 222-2435 or by visiting our website at www.oag.ri.gov.

Audit Highlights

- The Lottery paid \$281 million to the State's General Fund for the year ended June 30, 2004.
- Total Lottery sales increased approximately \$190.2 million or 14.7% - mostly attributable to video lottery.
- Total prizes paid approximated \$1 billion.
- We expressed an unqualified opinion on the Lottery's financial statements.