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# CITIZENS SUMMARY

## Findings in the audit of the Missouri State Lottery

Advertising and Sponsorships	The Missouri State Lottery needs to conduct further analysis to determine the appropriate amount of advertising expenditures needed to optimize sales and profits. Lottery officials have indicated increases in the advertising budget would result in higher funding for education, however, changes in the amount of budgeted advertising expenditures do not appear to have a direct correlation to the amount of funding generated for education. The Lottery has not developed written policies and procedures for investing in sponsorships. The Lottery entered into professional sports sponsorships that projected a negative return on investment, and has incurred expenses greater than the amount of benefits for many local community events it sponsored.
Contracts	As noted in a previous report, the Lottery continues to execute long-term contracts and to renegotiate and amend long-term contracts in lieu of periodically soliciting competitive bids/proposals. This practice does not require contracts to be awarded to the lowest and best bidder and presents legal issues regarding compliance with state purchasing laws and regulations. As a result of the long-term contracts, competitive bids/proposals might not be solicited for these services for a significant amount of time, and the lowest and best bidder might not be providing these services.
Points for Prizes	The Lottery has not determined whether the Points for Prizes program is profitable. A cost-benefit study has not been conducted to determine if the Points for Prizes program has resulted in increased ticket sales and additional funding for education. The Lottery has also not required prizes offered players be made in the United States or sold by a Missouri business, as required by state law.
Travel Expenses	As required by the contract, the primary instant ticket contractor pays some Lottery travel expenses, including travel costs of key Lottery employees who were involved in evaluating and awarding the instant ticket contract and negotiating amendments to that contract. Lottery employees did not timely report travel expenses paid by third parties on Personal Financial Disclosure statements filed with the Missouri Ethics Commission and did not always include travel expenses to be paid by third parties in the estimated costs on out-of-state travel authorization forms.

In the areas audited, the overall performance of this entity was **Good**.\*

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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