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👉 Details: Legislative Audit Bureau Report 08-7: An Audit: Wisconsin Lottery, Department of Revenue

(FORM UPDATED: 08/11/2010)

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2007-08

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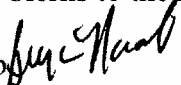
Legislative Audit Bureau

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Janice Mueller
State Auditor

DATE: July 7, 2008

TO: Nicole Hudzinski and Pamela Matthews
Committee Clerks to the Joint Legislative Audit Committee

FROM: Bryan Naab 
Deputy State Auditor for Financial Audit

SUBJECT: Report 08-7: An Audit of the Wisconsin Lottery, Department of Revenue

As required by s. 13.94(1)(em), Wis. Stats., we have completed our annual financial audit of the Wisconsin Lottery, which is administered by the Department of Revenue. We have issued an unqualified opinion on the Wisconsin Lottery's financial statements for fiscal year (FY) 2005-06 and FY 2006-07.

As part of our audit, we reviewed the Lottery's compliance with statutory limitations related to lottery prizes, administrative expenses, informational advertising expenses, and retailer commissions and incentives. We found the Lottery has complied with these statutory limitations.

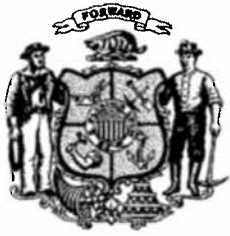
We also reviewed lottery sales and expenses through FY 2006-07. In FY 2006-07, we note that lottery ticket sales totaled \$492.8 million, which was \$16.2 million less than those in FY 2005-06. This decrease is attributable to a decline in on-line game sales, which fluctuates due to the timing of large Powerball jackpots.

Net lottery proceeds may only be used for property tax relief. We note that the amount distributed as property tax relief during FY 2006-07 was \$160.0 million, which is \$26.7 million more than the amount distributed during FY 2005-06. So, while ticket sales declined during FY 2006-07, the amounts distributed for property tax relief increased. This is because the amounts distributed as property tax relief are based on a combination of the actual fund balance at the beginning of the current fiscal year and an estimate made in October of the fiscal year's performance. Therefore, it is possible that increases or decreases in the amounts distributed for tax relief during the year will differ from the increases or decreases in ticket sales.

The audit will be released on Tuesday, July 8, at 9:00 a.m. Please contact us if you have any questions.

BN/bm

Enclosures

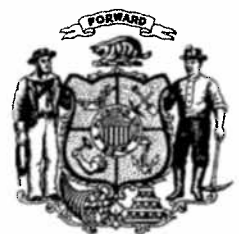


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State of Wisconsin - Legislative Reference Bureau
1 East Main Street, Suite 200
Madison, WI 53703



An Audit

Wisconsin Lottery

Department of Revenue

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State Auditor – Janice Mueller

Audit Prepared by

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Janice Mueller
State Auditor

July 8, 2008

Senator Jim Sullivan and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Sullivan and Representative Jeskewitz:

As required by s. 13.94(1)(em), Wis. Stats., we have completed our annual financial audit of the Wisconsin Lottery, which is administered by the Department of Revenue. We have issued an unqualified opinion on the Wisconsin Lottery's fiscal year (FY) 2005-06 and FY 2006-07 financial statements. We also found that the Wisconsin Lottery was in compliance with statutory spending limitations related to prizes, product informational advertising, retailer compensation, and administrative expenses.

Total ticket sales increased \$57.8 million, or 13.3 percent, from FY 2002-03 to FY 2006-07. However, FY 2006-07 ticket sales of \$492.8 million were \$16.2 million, or 3.2 percent, less than those of the previous year. Wisconsin Lottery staff attribute this decrease to the timing of large Powerball jackpots, which have a significant effect on ticket sales. Total operating expenses increased \$42.5 million, or 13.6 percent, from FY 2002-03 to FY 2006-07, primarily because lottery prizes and retailer compensation fluctuate with ticket sales. In FY 2006-07, lottery proceeds of \$160.0 million were distributed to provide property tax relief.

We appreciate the courtesy and cooperation extended to us by Wisconsin Lottery staff in the Department of Revenue.

Respectfully submitted,

Janice Mueller
State Auditor

JM/BN/ss