



Legislative Post Audit Financial Audit Report Highlights

Highlights

Kansas Lottery: Fiscal Year 2014

Report Highlights

December 2014 • R-14-015

Summary of Legal Requirements

State law requires an annual financial audit of the Kansas Lottery. This year's audit was conducted by RubinBrown, a CPA firm under contract with the Legislative Division of Post Audit.

Background Information

Kansas Lottery products are sold at approximately 1,900 retail locations. The lottery sells scratch tickets and instant pull tab games. Players may also purchase online game tickets through the Multi-State Lottery Association.

The Expanded Lottery Act authorizes operation of one gaming facility in each of four gaming zones. Operations of the Boot Hill Casino and Resort in Dodge City began in December 2009. An additional casino opened in Kansas City in 2011 and another in the Wichita area in 2012. Currently, no management firm has expressed an interest in operating a casino in southeast Kansas.

AUDIT OBJECTIVES: Financial audits done in accordance with government audit standards assess (1) whether the audited organization's financial statements are fairly presented in accordance with applicable accounting principles, (2) whether there are any significant problems with the organization's internal controls, and (3) whether the organization complied with applicable legal requirements.

- The auditors expressed an unmodified opinion on the financial statements, meaning that, after the adjusting journal entries were made, the financial statements present the lottery's financial position fairly in all material respects and in conformity with generally accepted accounting principles.
- The auditors reported two significant deficiencies in the lottery's internal control over financial reporting and applicable compliance areas:
 - The lottery lacked an internal review of the year-end closing procedures and the preparation of the financial statements to ensure they conform to generally accepted accounting principles. That is because the Director of Finance position was vacant at the time the auditors conducted their audit.
 - The lottery did not review user computer access for current employees. While the lottery ensured that only current employees had access, that access was not reviewed periodically and therefore employees may have had access to information that was no longer appropriate for their current job responsibilities.
- The audit disclosed no instances of noncompliance with applicable legal requirements

SUMMARY OF RECOMMENDATIONS:

- Management should identify a qualified individual for the Director of Finance position and review processes and controls regarding the year-end close and preparation of financial statements.
- Management review user access on an annual basis based on job responsibilities assigned to each employee.

AGENCY RESPONSE:

- Management agreed with the findings and has already begun implementing the recommendations.

HOW DO I REQUEST AN AUDIT?

By law, individual legislators, legislative committees, or the Governor may request an audit, but any audit work conducted by the division must be directed by the Legislative Post Audit Committee. Any legislator who would like to request an audit should contact the division directly at (785) 296-3792.

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