EXECUTIVE SUMMARY

DEPARTMENT OF THE TREASURY
DIVISION OF THE STATE LOTTERY

Our audit found the financial transactions included in our testing were related to the division's programs, were reasonable, and were recorded properly in the accounting systems. In making this determination, we found reportable conditions related to debt recoveries, prize winner tax identification numbers, overtime, and business continuity and disaster recovery meriting management’s attention.

AUDIT HIGHLIGHTS

- Although the division performs a match to determine if winners have outstanding child support, defaulted student loans, or overpayments of public assistance, they only match to the Department of the Treasury’s SOIL system for winners over $250,000. Our match of winners of $600 or more for a 13-month period found that an additional $890,000 could have been recovered for outstanding debt.

- The division’s policy requires a winner’s social security card or tax identification number only if a top tier prize or jackpot is claimed. Our match of lottery winners of $600 or more for a 13-month period to the Veris social security database noted 680 individuals where the identification number was listed as “invalid” or “maybe”. Forty-six winners had identification numbers of deceased individuals with a different name.

- The New Jersey Administrative Code states those employees who work outside of their regular job duties and work hours be paid at a special project rate. Division employees receive extra compensation for working evening, weekend, and holiday drawings. Our review of overtime from July 1, 2013 through July 11, 2014 noted employees were paid rates based on their full-time salaries, allowing as much as $30 per hour difference for employees who were performing the same functions. As a result, overtime was overpaid by approximately $120,000.

- We observed that Northstar New Jersey Lottery Group, LLC did not achieve its net income level targets in the first year of operation under the sales and marketing contract resulting in a shortfall payment to the state of $14.1 million. Continued monitoring by the division is necessary to determine if this contract benefits the state.

- We observed that the Cash4Life game, the only game in NJ where top prizes are fixed amounts and not based on sales, has experienced prize payouts of 93 percent compared to a projected rate of 55 percent.

AUDITEE RESPONSE

The department generally concurs with our findings and recommendations.

For the complete audit report, click here.