



Legislative Post Audit Financial Audit Report Highlights

Highlights

Kansas Lottery:
Financial Audit of Fiscal Year 2012

Report Highlights

December 2012 • R-12-013

Summary of Legal Requirements

State law requires an annual financial audit of the Kansas Lottery. This year's audit was conducted by Cochran Head Vick & Co., P.A., 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 unqualified opinion on the financial statements, meaning that 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 one material weakness in the lottery's internal control over financial reporting and applicable compliance areas:
 - The lottery's internal controls over the preparation of financial statements was not sufficient to identify and correct potential misstatements. As a result, the auditors identified certain amounts that did not agree to the underlying supporting documentation, which required adjustments to the financial statements.
- The audit disclosed no instances of noncompliance with applicable legal requirements that were material to the lottery's financial statements.

SUMMARY OF RECOMMENDATIONS:

- Management should review the processes for making year-end closing entries and review account balances to ensure that accounts agree to reconciliations and underlying supporting documentation.

AGENCY RESPONSE:

- Lottery staff continue to understand the SMART accounting system and identify reporting tools available in the SMART system that may be helpful in the reconciliation and year end closing entry process. Additionally, they are reviewing and modifying reconciliation and year end closing entry processes as needed.

HOW DO I GET AN AUDIT APPROVED?

By law, individual legislators, legislative committees, or the Governor may request an audit, but any audit work conducted by the Division must be approved by the Legislative Post Audit Committee, a 10-member committee that oversees the Division's work. Any legislator who would like to request an audit should contact the Division directly at (785) 296-3792.

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