

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Chief Financial Officer**



Office of Integrity and Oversight

**TO:** Tracey Cohen, Interim Executive Director  
D.C. Lottery and Charitable Games Control Board (DCLB)

**FROM:** Timothy Barry, Executive Director  
Office of Integrity and Oversight 

**DATE:** October 1, 2015

**SUBJECT:** Memorandum Report: Audit of Internal Controls over the Drawing Process at the District of Columbia Lottery and Charitable Games Control Board's Online Games (Report No. OIO-15-02-16-DCLB)

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This memorandum summarizes the results of the Office of Integrity and Oversight (OIO) Audit of Internal Controls over the Drawing Process at the District of Columbia Lottery and Charitable Games Control Board's (DCLB) Online Games. This audit was included in the OIO FY 2015 Audit and Integrity Plan following a news article regarding a breach in draw procedures at another state's lottery.

**BACKGROUND**

The District of Columbia Council established the Lottery and Charitable Games Control Board, as an independent agency with the passage of DC Act 3-172 in 1982. The Chief Financial Officer provides oversight of DCLB. DC Act 3-172 requires that DCLB make a monthly remittance to the D.C. General Fund of the revenues from sales less operating expenses, prizes/winnings and a contribution to a reserve fund.

DCLB launched its first draw game, D.C. Lucky Numbers in 1983. DCLB currently offers three online games: DC3, DC4, and DC5. Each game has two drawings daily; the Mid-Day Draw and the Evening Draw. The winning game numbers are selected with a computerized animation and random number generator system.

DC3 is a three digit game where players pick one number from each of the three field of numbers ranging from 0 to 9; DC4 is a four digit game where players pick one number from each of the four field of numbers ranging from 0 to 9; and DC5 is a five digit game where players pick one number from each of the five field of numbers ranging from 0 to 9. The total sales and payouts for the audit period October 2014 to June 2015 are shown in Table 1:

**Table 1: Total Sales and Payouts for the Audit Period**

<b>DCLB Online Lucky Games</b>	<b>Total Game Sales</b>	<b>Total Game Payouts</b>
DC3	\$33,341,492.50	\$16,011,827.00
DC4	\$42,070,523.50	\$16,908,174.00
DC5	\$13,569,939.50	\$ 7,574,275.00
<b>Total</b>	<b>\$88,981,955.50</b>	<b>\$40,494,276.00</b>

Source: DCLB Finance Department

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

The audit objectives were to: (1) determine whether internal controls are adequately designed for the Drawing Process at DCLB; and (2) whether the internal controls in place are adhered to. The audit covered the period October 1, 2014 to June 30, 2015.

In order to achieve these objectives, we met with and interviewed responsible personnel from the Draw Department, Information Technology Department, and the Security Department. In addition, we examined supporting documentation relating to the draw process to verify whether the internal controls in place are adhered to. We selected a statistically random sample<sup>1</sup> of 60 draw reports from a population size of 546 drawings for the audit period.

We also tested internal controls over the draw process. These tests included observations, review of applicable documentation such as the draw package, standard operating procedures, applicable DC Law 3-172, and DC Code §3-1321.

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **RESULTS**

We examined the draw process for DCLB online games and found no exceptions. We examined a sample of 60 draw report packages for the audit period and tested internal control procedures over the pre-draw, the actual draw and the post-draw processes and found no exceptions. We also observed a live draw and found that DCLB followed their Standard Operating Procedures without exception.

## **OTHER MATTERS**

During our audit, it came to our attention that DCLB had not included rapid draw games (Keno and Race2Riches) Random Number Generators internal controls review as part of the control objectives for its annual Statement on Standards for Attestation Engagement (SSAE) 16 Audit. Upon further discussion with DCLB officials, this control objective has been included in their fiscal year 2015 SSAE 16 Statement of Work with the service entity auditor.

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<sup>1</sup> The criteria for the statistical sample were: Confidence Level 95%, Materiality Level 5%, and Zero Rate of Expected Error.

## CONCLUSION

Our examination of the draw process and related internal controls over the DCLB online games revealed no exceptions. We concluded that the internal controls in place are adhered to and are adequately designed for DCLB's online games.

We appreciate the assistance and cooperation that you and your staff provided to OIO during the audit. Should you have any questions related to the report, please contact me at (202) 442-6433; or Mohamad Yusuff, Internal Audit Director, at (202) 442-8240.

cc: Jeff DeWitt, Chief Financial Officer, Government of the District of Columbia  
Angell Jacobs, Deputy Chief Financial Officer and Chief of Staff, OCFO  
Marshelle Richardson, Chief Risk Officer, OCFO