
PENNSYLVANIA DEPARTMENT OF THE AUDITOR GENERAL

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Auditor General DeFoor: Lottery Needs to Strengthen Processes to Monitor Frequent Winners, Urges General Assembly to Consider Tightening Laws on Retailer Play

HARRISBURG – Auditor General Timothy L. DeFoor today released a performance audit of the Pennsylvania Department of Revenue’s security measures for the Lottery and the agency’s sexual harassment policies, making 32 recommendations on ways it can make improvements.

“The most significant finding from our report show Lottery has security measures in place designed to prevent or detect illegal or fraudulent activity from retailers selling lottery products, but not by anyone else who plays the lottery,” DeFoor said. “When you take a closer look at Lottery’s data, as we did, it is easy to identify these players. The fact of the matter is that Lottery has the data and doesn’t use it.”

The audit specifically found 17 non-retailer players with 50 or more wins of more than \$600 each from July 1, 2017, through March 2, 2020. In almost three years, these players had 1,344 claims totaling nearly \$2.7 million dollars which frequency warrant further analysis even if found reasonably explainable.

Lottery collects information on players filing claims more than \$600 for tax purposes, but does not use that data to analyze winning patterns. This analysis would help determine if someone is claiming prizes for a prohibited player or engaged in illegal activity such as avoiding paying taxes or child support. Lottery would then be able to forward the case to a proper law enforcement agency.

“The Lottery stated it doesn’t have the legal authority to investigate these frequent winning claims from people who aren’t retailers,” DeFoor said. “Lottery officials can either partner with the Pennsylvania Inspector General or the Attorney General to investigate these claims. If they aren’t able to do that then we recommend the General Assembly step in and give Lottery officials the power to do so through legislation.”

Retail Winners

The audit found while Lottery employees, members of their household and certain executives in state government are prohibited from playing the Lottery, retailers and their spouses are free to play.

One of the 17 winners examined is a retailer’s spouse who filed 88 winning claims, and the retailer filed 42 winning claims during the same period. Under the current system, the retailer’s claims would be flagged for review, but not their spouses.

A key recommendation from the audit is for the General Assembly to pass legislation holding retailers who sell Lottery products to the same standards as Lottery and Revenue employees.

Other issues found in the audit regarding the Lottery:

- Lottery does conduct site visits of retailers identified as having frequent winning claims, but documentation of the visits needs improved and the process needs formalized in writing. Information collected during site visits is used to determine if the retailer or possibly any of its employees are engaging in activity that is potentially illegal, unethical, or in violation of Lottery rules;
- Lottery failed to ensure its information system contains every winning claim more than \$600 and failed to ensure reports used to monitor retailer activity were prepared and functioning as intended;
- Found weaknesses regarding retailer winning reports used by Lottery's security division to monitor retailers for frequent wins and prohibited activities; and
- As a result of poor internal controls, the monitoring of retailers performed by staff may not be valid and management decisions made based on reports may not be proper.

Findings from other audit objectives:

The audit also reviewed whether the agency's sexual harassment policy is comprehensive, followed and if all employees are trained on it; and looked to determine if there were sexual harassment claims filed and settled, where did the money come from to pay for it.

The audit found:

- Revenue failed to ensure all of its employees received the required sexual harassment prevention training;
- Revenue's *Prohibition of Sexual Harassment Policy*, the Governor's Executive Order, and OA's Management Directives related to the prohibition of sexual harassment should be revised and updated; and
- The Office of Administration Equal Employment Opportunity Office should continue to conduct in-depth investigations of all claims of sexual harassment and continue to keep detailed files of the investigations with each step documented, including the results of each investigation.

The Department of the Auditor General announced it would perform an audit in early December of 2019. The performance audit covers the periods of July 1, 2017 through January 26, 2021.

Review the special performance audit of the [Pennsylvania Lottery](#) and learn more about the Department of the Auditor General online at www.paauditor.gov.

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