



Legislature of the Virgin Islands

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POST AUDIT DIVISION

September 18, 2015

COMMITTEE ON FINANCE FISCAL YEAR 2016 BUDGET HEARINGS VIRGIN ISLANDS LOTTERY

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BACKGROUND AND HISTORY

The Virgin Islands Lottery (VIL) was founded in 1937, and its mandate was amended in 1971 within Title 32, Chapter 13 of the Virgin Islands Code. The Virgin Islands Lottery is an instrumentality of the Government of the United States Virgin Islands. The VIL is the official lottery of the Virgin Islands.

The VIL is managed by an Executive Director, who is appointed by the Governor, and it is supervised by the Virgin Islands Lottery Commission. The Virgin Islands Lottery Commission shall be composed of the Commissioner of Finance who shall be the Chairman of the Commission, the Director of the Office of Management and Budget or his designee, and five additional members appointed by the Governor, subject to confirmation by the Legislature. Of the five members, two members shall be licensed lottery sales agents, one from the District of St. Thomas/St. John and one from the District of St. Croix. The last three members shall be a resident of St. Thomas, St. Croix, and St. John.

The members of the Lottery Commission are listed below:

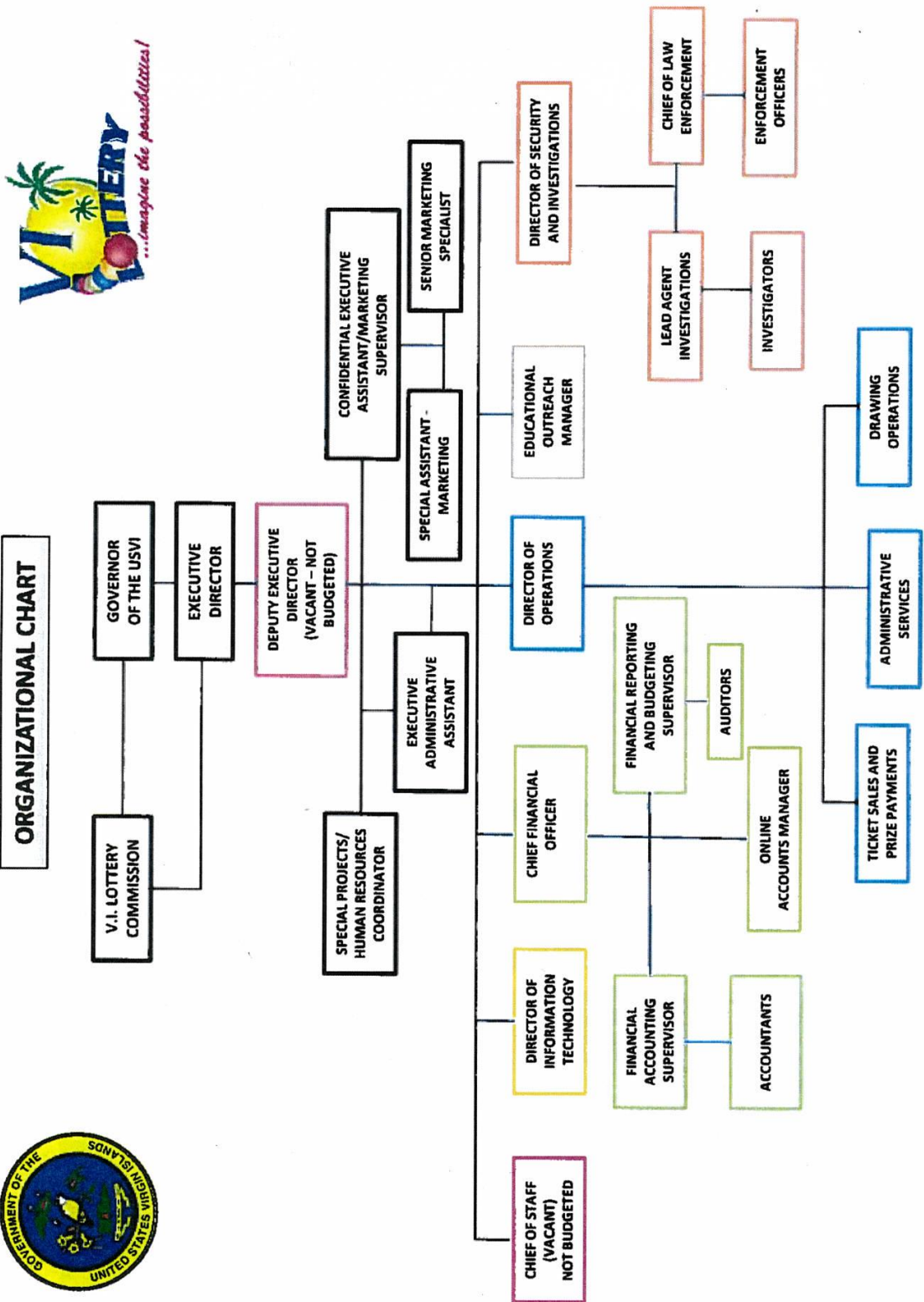
Name	Title
Valdamier O. Collens	Commissioner of Finance
Nellon L. Bowry	Director of the Office of Management & Budget
Adrienne Williams	Director of the Housing Finance Authority
Lloyd Daley	STX Member
Vernon A. Finch	STT Member

Each member of the Lottery Commission serves for a period of four (4) years. The Lottery Commission is a policy-making body that is responsible for providing advice and oversight on operating and administrative activities and promulgating rules and regulations governing the establishment and operations of the Lottery.

The Lottery operates its funding sources as an enterprise-fund parallel to operations in the private business. It utilizes the full accrual basis of accounting in accordance with the Generally Accepted Accounting Principles (GAAP) in the United States of America. Budgetary control for the Lottery is addressed through VI Legislation.

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Exhibit I displays the organization chart as of September 2015 for the Virgin Islands Lottery.



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REVENUE AND EXPENSES

Exhibit II displays the revenue and expenses for the VIL for FY 2014 – FY 2016.

Exhibit II

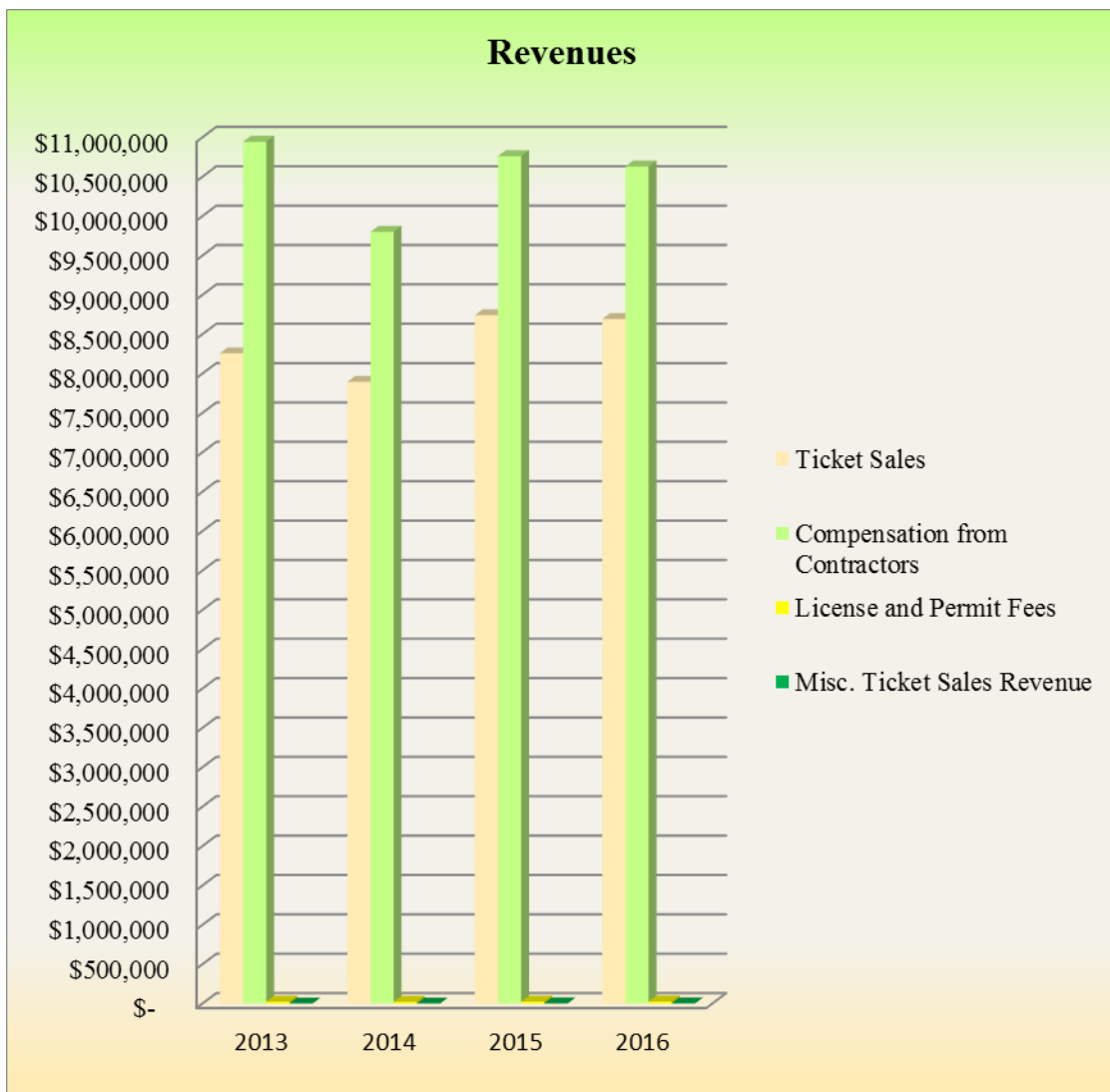
Revenue and Expenses Trends				
Line Item Breakdown	FY 2014 Audited	FY 2015 Budget Actuals -5/31/15	FY 2015 Budget	FY 2016 Budget
Operating Revenues				
Traditional Games(Ticket Sales)	\$ 7,894,093	\$ 8,278,576	\$ 8,741,251	\$ 8,692,504
Compensation From Contractors	9,798,406	10,141,690	10,760,724	10,628,636
License & Permit Fees	20,930	22,680	24,000	25,000
Miscellaneous Ticket Sales Revenue	-	3,594	1,200	2,500
Total Operating Revenues	\$ 17,713,429	\$ 18,446,540	\$ 19,527,175	\$ 19,348,640
Operating Expenses				
Direct Costs:				
Prizes Expense	\$ 5,816,871	\$ 6,795,520	\$ 7,474,707	7,230,941
Printing	200,821	169,020	160,000	160,000
Drawing Operations	8,714	5,000	15,000	15,000
Powerball/Mega Million Drawing Costs	122,300	132,180	112,240	114,240
Dealers Bonuses and Incentives	81,877	51,852	85,000	85,000
Total Direct Costs	\$ 6,230,583	\$ 7,153,572	\$ 7,846,947	\$ 7,605,181
Salaries and Benefits	4,487,264	4,335,301	4,391,671	4,475,915
Advertising & Promotion	364,634	301,820	261,500	275,000
Professional Services	293,205	243,592	265,400	265,400
Other General & Administrative	1,736,077	1,884,377	1,695,717	1,843,103
Depreciation	320,801	254,390	321,000	258,900
Total Operating Expenses	\$ 13,432,564	\$ 14,173,052	\$ 14,782,235	\$ 14,723,499
Operating Income (Loss)	\$ 4,280,865	\$ 4,273,488	\$ 4,744,940	\$ 4,625,141
Non-Operating (Revenue) Expense				
Interest/ Other Income	43,471	(55,530)	(87,960)	(49,600)
Transfers- Special Educ. Initiative Fund	\$ 1,452,468	\$ 1,534,839	\$ 1,614,108	\$ 1,594,294
Transfers- Pharmaceutical Assist. Program	1,452,468	1,534,839	1,614,108	1,594,294
Transfers- GERS (Retirees Bonus)	968,312	1,014,169	1,076,072	1,062,863
Transfer- Horse Racing Commission	260,958	274,045	290,255	287,748
Veterans Affair	125,000	125,000	125,000	100,000
Reichold Youth Concert	-	-	50,000	-
Total Non-Operating (Rev.) Expense	\$ 4,302,677	\$ 4,427,362	\$ 4,681,583	\$ 4,589,599
Total Expenses	17,735,241	18,600,414	19,463,818	19,313,098
Net Income Before due to General Fund	(21,812)	(153,874)	63,357	35,542
Transfers- General Fund	-	-	12,671	7,108
Net Income/ Loss	\$ (21,812)	\$ (153,874)	\$ 50,686	\$ 28,434

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Exhibit III displays a revenue breakdown for the VIL for FY 2013 – FY 2016.

Exhibit III

Revenues	2013	2014	2015	2016
Ticket Sales	\$ 8,256,435	\$ 7,894,093	\$ 8,741,251	\$ 8,692,504
Compensation from Contractors	10,942,829	9,798,406	10,760,724	10,628,636
License and Permit Fees	23,075	20,930	24,000	25,000
Misc. Ticket Sales Revenue	-	-	1,200	2,500
Totals	\$ 19,222,339	\$ 17,713,429	\$ 19,527,175	\$ 19,348,640

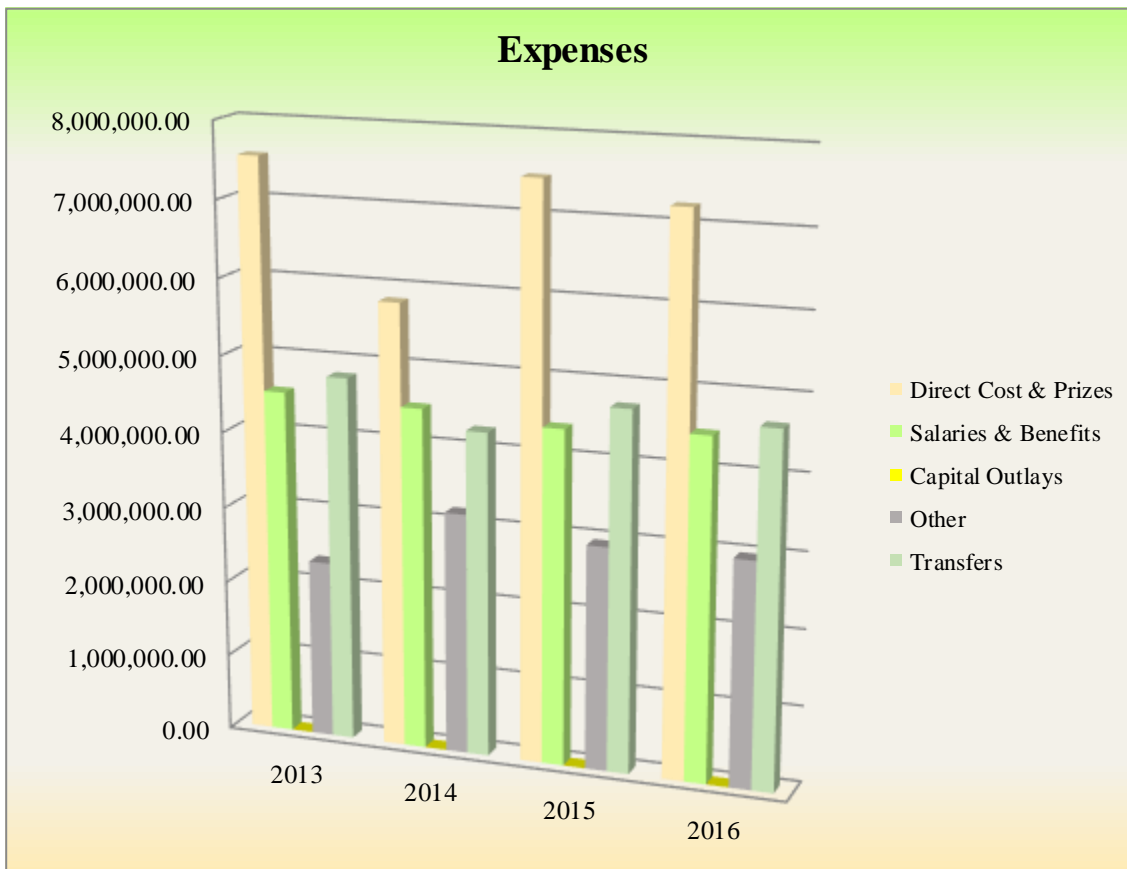


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Exhibit IV displays an expense breakdown for the VIL for FY 2013 – FY 2016.

Exhibit IV

Expenses	2013	2014	2015	2016
Direct Cost & Prizes	\$ 7,549,392	\$ 5,816,871	\$ 7,474,707	\$ 7,230,941
Salaries & Benefits	4,541,526	4,487,264	4,391,671	4,475,915
Capital Outlays	-	-	-	-
Other	2,334,225	3,171,900	2,941,254	2,967,043
Transfers	4,797,196	4,259,206	4,719,543	4,639,199
Total	\$ 19,222,339	\$ 17,735,241	\$ 19,527,175	\$ 19,313,098

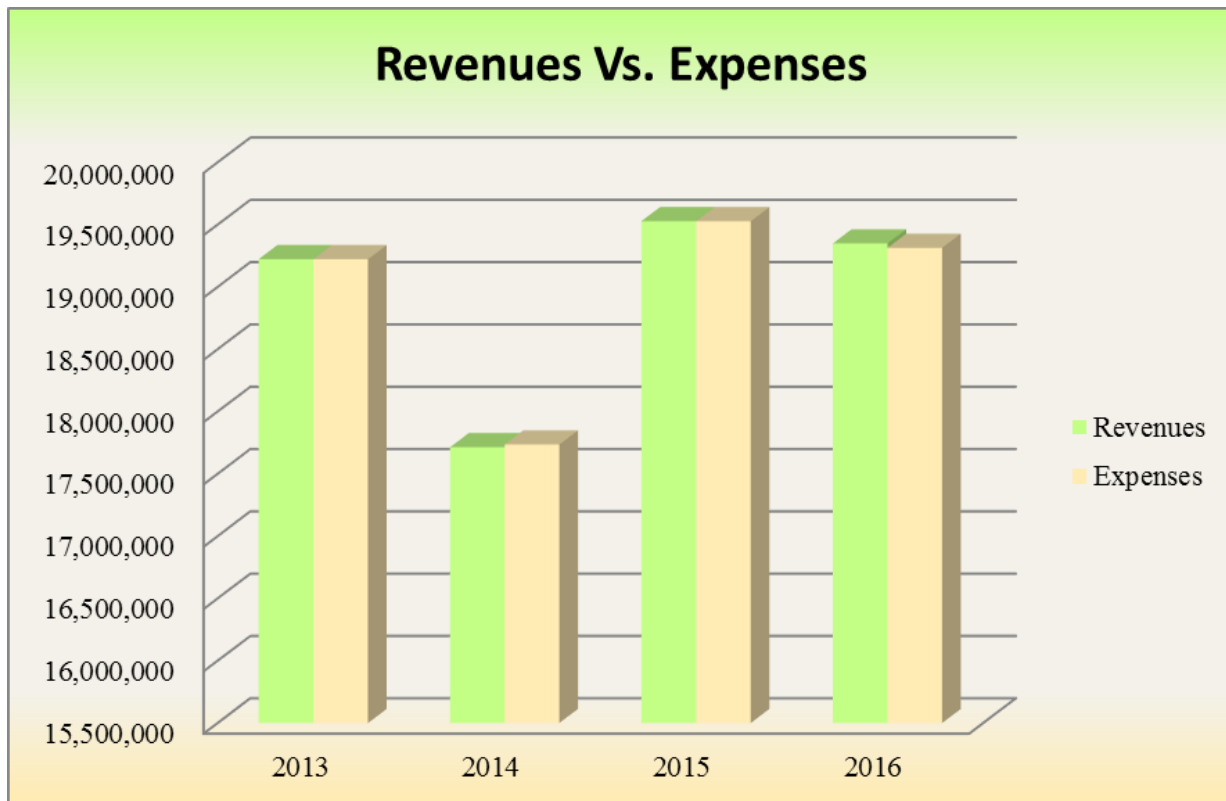


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Exhibit V displays a pictorial view of revenues vs. expenses for the VIL for FY 2013 – FY 2016.

Exhibit V

	2013	2014	2015	2016
Revenues	\$ 19,222,339	\$ 17,713,429	\$ 19,527,175	\$ 19,348,640
Expenses	\$ 19,222,339	\$ 17,735,241	\$ 19,527,175	\$ 19,313,098



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PROFESSIONAL SERVICES

Exhibit VI displays the professional services for the VIL.

Exhibit VI

Type of Service	Annual Amount
Audit Fees	\$ 90,000
Consultation Passive Game	22,000
Janitorial Services	83,400
Legal Consultation	70,000
Total	\$ 265,400

TRAINING AND SYMPOSIUM

Exhibit VII displays the training and symposium annual costs for the VIL.

Exhibit VII

Item	Annual Amount
Human Resources	\$ 10,000
Security and Investigations	10,000
Marketing	10,000
Information/Technology	10,000
Accounting	10,000
Administration	10,000
Total	\$ 60,000

RENTAL EXPENSE

Exhibit VIII displays the rental expense for the VIL.

Exhibit VIII

Location	Current Annual Amount	Proposed Annual Amount
Greaux Building - STT Sales Office	\$ 60,000	\$ 60,000
Franklyn Building - STT Main Office	30,000	30,000
Sunny Isle Developers - STX Sunny Isles Office	36,960	36,960
AMP Choice Properties LLC - STX Frederiksted Office	66,500	66,500
MHW Associates - STJ Sales Office	25,602	25,602
STT Cargo - STT Storage	14,400	14,400
Sun Self Storage - STX Storage	4,740	4,740
Housing Parks and Recreation - STT Offices	8,400	8,400
Sunshine Parking - STT/STJ	2,400	2,400
10%Contingency		24,900
Total	\$ 249,002	\$ 273,902

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APPENDIX I – PERSONNEL LISTING

Job Title	Location	Status	Current Salary	FY 2016 Salary
Classified Union Employees				
Maintenance/Chauffeur II	STX	Filled	\$ 44,879.00	\$ 44,879.00
Maintenance/Chauffeur II	STX	Filled	24,365.00	24,365.00
Clerk II	STT	Filled	37,170.00	37,170.00
Cashier III	STX	Filled	38,834.00	38,834.00
Cashier II	STX	Filled	27,833.00	27,833.00
Cashier II	STX	Filled	22,169.00	22,169.00
Clerk III	STT	Filled	52,062.00	52,062.00
Cashier II	STX	Filled	27,833.00	27,833.00
Clerk II	STT	Filled	37,170.00	37,170.00
Clerk II	STT	Filled	28,265.00	31,864.00
Cashier III	STX	Filled	38,834.00	38,834.00
Audit Clerk	STT	Filled	25,542.00	25,542.00
Audit Clerk	STT	Filled	32,887.00	32,887.00
Lottery Maintenance/Chauffeur	STT	Filled	23,600.00	23,600.00
Lottery Maintenance/Chauffeur	STT	Filled	23,600.00	23,600.00
Clerk III	STT	Filled	53,806.00	53,806.00
Clerk III	STT	Filled	53,806.00	53,806.00
Accountant I	STT	Filled	27,314.00	27,314.00
Cashier II	STT	Filled	52,062.00	52,062.00
Cashier II	STJ	Filled	34,065.00	34,065.00
Cashier II	STT	Filled	34,065.00	34,065.00
Cashier II	STT	Filled	37,451.00	37,451.00
Clerk III	STT	Filled	53,806.00	53,806.00
Cashier II	STT	Filled	22,169.00	22,169.00
Cashier II	STT	Filled	34,065.00	34,065.00
Cashier II	STT	Filled	22,169.00	22,169.00
Cashier III	STT	Filled	53,861.00	53,861.00
Subtotal	27		\$ 963,682.00	\$ 967,281.00
Supervisors				
Supervisor	STT	Filled	\$ 54,187.00	\$ 54,187.00
Supervisor	STT	Filled	44,081.00	44,081.00
Supervisor	STX	Filled	41,150.00	41,150.00
Supervisor	STX	Filled	42,591.00	42,591.00
Supervisor	STJ	Filled	39,759.00	39,759.00
Asst. Supervisor	STT	Filled	35,846.00	35,846.00
Asst. Supervisor	STX	Filled	37,100.00	37,100.00
Subtotal	7		\$ 294,714.00	\$ 294,714.00
Total Classified Union Employees	34		\$ 1,258,396.00	\$ 1,261,995.00

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APPENDIX I – PERSONNEL LISTING...Continued				
Exempt Employees				
Executive Office Administrator	STT	Filled	\$ 58,401.00	\$ 58,401.00
Executive Sales Office Administrator	STX	Filled	55,000.00	55,000.00
Administrative Assistant	STT	Filled	25,000.00	25,000.00
Cost Accounting Specialist	STT	Filled	45,000.00	45,000.00
Auditor Specialist	STT	Vacant	-	37,500.00
Acting Auditor Specialist	STX	Filled	33,990.00	33,990.00
Enforcement Officer	STT	Filled	32,445.00	40,015.00
Enforcement Officer	STT	Vacant	-	40,015.00
Enforcement Officer	STT	Vacant	-	40,015.00
Enforcement Officer	STX	Filled	40,015.50	40,015.50
Lead Agent -Investigation Officer	STX	Filled	56,650.00	56,650.00
Lottery Security Officer	STT	Vacant	-	30,000.00
Investigation Officer	STX	Vacant	-	30,000.00
IT Coordinator	STT	Filled	41,600.00	41,600.00
IT Investigator	STT	Filled	25,956.00	25,956.00
Online Accounts Compliance	STT	Filled	34,608.00	34,608.00
Lead Online Accounts Compliance	STT	Filled	38,934.00	38,934.00
Special Assistant Marketing	STT	Filled	45,423.00	45,423.00
Confidential Exec. Admin Asst.	STT	Filled	60,000.00	60,000.00
Educational Outreach Manager	STT	Filled	65,000.00	65,000.00
Financial Budgeting & Reporting Sup.	STT	Filled	70,000.00	70,000.00
Special Projects & H/R Coordinator	STX	Filled	50,000.00	50,000.00
On Line Accounts Manager	STT	Filled	50,000.00	50,000.00
Senior Marketing Specialist	STX	Filled	53,000.00	53,000.00
Chief of Law Enforcement	STT	Vacant	-	55,000.00
Subtotal	25		\$ 881,022.50	\$ 1,121,122.50
Management				
Executive Director, Designee	STX	Filled	\$ 95,000.00	\$ 97,335.00
Director of Operations	STX	Filled	75,000.00	75,000.00
Acting Chief Financial Officer	STT	Filled	81,112.50	81,112.50
Director Information Technology	STX	Filled	80,000.00	80,000.00
Director of Security and Investigation	STT	Filled	65,000.00	65,000.00
Financial Accounting Supervisor	STT	Filled	70,000.00	70,000.00
Subtotal	6		\$ 466,112.50	\$ 468,447.50
Total Unclassified Employees	31		\$ 1,347,135.00	\$ 1,589,570.00
Grand Total	65		\$ 2,605,531.00	\$ 2,851,565.00

Personnel Summary				
Classification	Count	Status	Current Salary	FY 2016 Salary
Classified Filled	34	Filled	\$ 1,258,396.00	\$ 1,261,995.00
Classified Vacant	0	Vacant	-	-
Unclassified Filled	25	Filled	1,347,135.00	1,357,040.00
Unclassified Vacant	6	Vacant	-	232,530.00
Total	65		\$ 2,605,531.00	\$ 2,851,565.00

APPENDIX II - AUDIT REPORT FINDINGS

VIRGIN ISLANDS LOTTERY
FY 2014 FINDINGS AND RECOMMENDATIONS

2014-1

Financial Reporting (Prior Year Finding) (Significant Deficiency)

The Lottery has undertaken significant improvements in its financial reporting processes over the past year. The introduction of the Great Plains financial management system has improved the financial reporting process by improving the accessibility of financial data and decreasing the reliance on manual processes. The Lottery, however, continues to experience challenges in providing quality accounting information. As a result of our testing, we noted the Lottery continues to account for transactions on a cash basis, monthly general ledger closing and reporting is not performed, reconciliations are not routinely performed and there continues to be an inadequate review of transactions and analyses of accounts such as prepaid expenses, receivables and fixed assets. In addition, many of the Lottery's policies and procedures over financial operations are not current.

Recommendations: The Lottery should make improvements to the operations by taking the following steps:

- Establish a schedule with the appropriate financial reporting and proper cut-off procedures, including the posting of month-end accruals to properly reflect substantive transactions.
- Implement procedures that will ensure that outstanding contractor receivables are timely reconciled and that monthly revenue reconciliations are performed.
- Ensure that all transactions are properly recorded in the general ledger in the appropriate fiscal period.
- Ensure that adequate training is received by the Lottery's staff on all modules of the financial management system and that these modules are utilized efficiently and effectively.
- Establish effective written policies and procedures over financial reporting operations to include an accounting procedures manual which would provide appropriate guidance and ensure uniformity of routine accounting tasks.

2014-2

Accounting and Recording of Fixed Assets (Significant Deficiency)

The Lottery currently has a capitalization policy which states that assets over five hundred dollars (\$500.00) should be capitalized. As part of our audit procedures, we noted that although the Lottery has a formal capitalization policy, the policy is not consistently adhered to. In addition, our review of the fixed assets schedule revealed inconsistencies in the Lottery's process for recording acquisitions and disposals. Due to the fragmented process relative to acquisitions and disposals, assets may go uninsured exposing the Lottery to significant liability.

Recommendations: The Lottery should make improvements to their operations by ensuring adherence to its capitalization policy. In addition, the Lottery should perform a capital assets inventory and obtain the necessary approval from applicable authorities to write-off and dispose of fully depreciated assets or assets that are no longer in service or used. The Lottery should ensure that all transactions are properly recorded in the general ledger in the appropriate fiscal period.

APPENDIX II - AUDIT REPORT FINDINGS...Continued

2014-3 *Inadequate Controls Over the Traditional Game (Prior Year Finding) (Significant Deficiency)*

The Lottery has made significant improvements in its controls over "Special Tickets" and the controls over the completeness of the ticket population at the end of each sales cycle, however, the Lottery does not have an automated system in place to validate winning tickets. Reliance is placed on the cashiers who make payouts as long as the ticket number is on the winning scheme. The subsequent authentication by the internal auditors is a reperformance of the cashiers' steps which occurs forty-eight (48) hours later and may result in untimely detection of improper payments.

Recommendation: The Lottery should explore the installation of a point of sale system, and establish related policies and procedures that would improve the controls over the traditional game. The Lottery should consider the following procedures to improve and maintain the games' integrity given the current process. Until the Lottery establishes a point of sale system, tickets sold must be recorded in a database such, as Microsoft Excel, on a daily basis. The documentation must include the receipt number, the ticket number, the dealer number, and the dealer name. This database can be stored on a shared drive as a read-only document and used for multiple purposes including: (i) the validation of tickets submitted for prize payments by ensuring the ticket numbers were sold to dealers, (ii) ensuring the completeness of the unsold tickets logged by the drawing board, and (iii) identifying duplicated tickets. The Lottery should perform reconciliations of dealer ticket purchases in order to strengthen its controls over ticket sales.

2014-4 *Unresolved Significant Transfers Due To/From the Central Government (Prior Year Finding) (Other Matters)*

The Virgin Islands Code requires the Lottery to make mandatory transfers to the Treasury of the Virgin Islands. The Lottery reported on its books a Due to Treasury of the Virgin Islands in the amount of \$4,468,306 for outstanding transfers for the fiscal years prior to 2004. No. transfers were made during the year for the obligations prior to 2004. In addition, the Lottery made overpayments to the General Fund in 2007 and 2008 totaling \$439,110. These amounts have not been refunded, or applied against the Lottery's obligations.

Recommendation: The Lottery should enter into discussions with the central government to determine the propriety of the amount owed and, at a minimum, seek to offset the liability by the amounts paid during 2007 and 2008 in excess of required payments.

2014-5 *Failure to Assess Reliance of Automated Gaming System Contractor's Internal Control (Prior Year Finding) (Other Matters)*

The Lottery has continued to rely exclusively on the information provided by its contractor in determining the revenues for the online games, with no assurance regarding the reliability of the system from which the information was being processed.

We previously recommended that the Lottery require its online gaming contractor to obtain an assessment of the effectiveness of the internal controls over the gaming system, on which reliance is placed. This assessment is commonly known as a SOC I report (Service Organization Controls Report) and is based on the SSAE No. 16 Standard (Statement on Standards for Attestation Engagements).

APPENDIX II - AUDIT REPORT FINDINGS...Continued

Recommendation: The Lottery should amend its contract with its on-line gaming vendor to require that the contractor provide annual SOC 1 reports on the effectiveness of its internal controls. Annual independent reviews of the automated gaming system, as well as reviews of gaming software are necessary to help maintain the integrity of the on-line games.

2014-6

Contribution Margin - Traditional Games (Prior Year Finding) (Other Matters)

The Lottery's operation of the traditional games does not provide a meaningful operating income. We have previously noted that the Lottery has established a very high payout ratio for its prize payments. The high ratio ensures that a very high percentage of ticket sales revenue will be paid out in prizes. Management has previously asserted that such a decision is recognition of the socioeconomic benefits of the traditional Lottery. However, the high payout ratio coupled with the ultimate low contribution margin, stagnant revenues from contractor operated games and the increased allocations to designated funds have eroded the cash and liquidity positions of the Lottery.

Recommendation: The Lottery should reevaluate the budgeting process, continue its critical assessment of operational costs and create a plan for revenue growth which should include the generation of new games (offerings).

2014-7

Information Technology General Control – Access to Programs and Data

Criteria:

All VI Lottery systems and user accounts must adhere to the VI Lottery Security Policy requirements for strong password requirements. User accounts which are assigned to former personnel or no longer required to perform VI Lottery procedures must be disabled in a timely manner.

Condition:

VI Lottery implemented a revised security and password policy, which required the enforcement of strong user access and password settings on all environments. However, in reviewing access controls on these environments during FY2014 testing, we determined the following settings deviated from the VI Lottery Security Policy:

- Five (5) Domain Administrator and one (1) general end user account network password configurations are configured to never expire
- Password parameters are not enforced for eight (8) Great Plains user accounts

Management implemented a periodic user account review during FY13 however this process is deemed ineffective due to:

- In one (1) instance, a user account assigned to a former employee is enabled on the VI Lottery domain. The existence of dormant accounts: Fourteen (14) enabled end user accounts and one (1) enabled Domain Administrator account was not utilized in over 2 years.
- A firewall rule to restrict VPN access granted to one (1) guest account and one (1) consulting account to areas of the VI Lottery required to perform assigned duties is not in place. Enabled guest and consultant user accounts are granted unrestricted access to the VI Lottery Domain

APPENDIX II - AUDIT REPORT FINDINGS...Continued

Cause: Management implemented revised security policies however, due to management oversight; this policy was not implemented consistently for all IT environments under the governance of this policy at the time of initial review.

Recommendation: We recommend that management configure settings within the environments outlined in the finding above to align with the VI Lottery Security Policy. Additionally, management should perform a periodic review of key security configurations within the systems under the VI Lottery Security Policy to ensure compliance with this policy.

Views of Responsible Officials and Planned Corrective Action:

- All domain and Great Plains user accounts would be amended to adhere to the VI Lottery Security Policy and accounts assigned to former employees would be disabled
- The VPN Access Rules would to be redeployed as previously configured.

2014-8 *Information Technology General Control – Business Continuity Management (Prior Year Finding)*

Criteria: The objective of a documented Business Continuity Plan (BCP) is to assist in determining the required resilience of the infrastructure. A detailed BCP would improve VI Lottery's structure for continuity management thus covering the roles, tasks and responsibilities of internal and external service providers and management.

Condition: An IT Recovery Strategy was developed in order to guide IT recovery procedures in the event of system failure. However the strategy excludes the following key details for the execution of the plan:

- Contact details for key personnel and vendors required for the restoration of systems
- Detailed restoration procedures for Lottery's key applications (Great Plains and POS System)
- List of Lottery's key applications and the physical location of their backup media

Cause: Management oversight in the inclusion of detailed restoration procedures and contact details for key personnel required to enact the plan

Recommendation: At a minimum, the VI Lottery BCP must be updated to include the details noted above.

Views of Responsible Officials and Planned Corrective Action: The Business Continuity Plan (BCP) will be updated with the recommendations presented.

APPENDIX II - AUDIT REPORT FINDINGS...Continued

VIRGIN ISLANDS LOTTERY
 STATUS OF PRIOR YEAR AUDIT FINDINGS

PRIOR YEAR	FINDING		STATUS
2013-1	Financial Reporting (<i>Deficiency</i>) <ul style="list-style-type: none"> • Timely and proper recording of financial information. • General ledger closing and reporting. • Incorrect entries posted to the general ledger. 	2014-1	Financial Reporting (<i>Deficiency</i>) The following findings are repeated: <ul style="list-style-type: none"> • Timely and proper recording of financial information. • General ledger closing and reporting. • Incorrect entries posted to the general ledger.
2013-2	Internal Controls over the Financial Management System (<i>Significant Deficiency</i>) <ul style="list-style-type: none"> • Inconsistent performance of monthly general ledger closing and reporting processes. • Lack of control over spreadsheets used for material account analysis and processing of entries. • Outdated policies and procedures. 	2014-1	Internal Controls over the Financial Management System (<i>Significant Deficiency</i>) The following findings are repeated: <ul style="list-style-type: none"> • Inconsistent performance of monthly general ledger closing and reporting processes. • Lack of control over spreadsheets used for material account analysis and processing of entries. • Outdated policies and procedures.
2013-3	Inadequate Controls over the Traditional Game (<i>Significant Deficiency</i>) <ul style="list-style-type: none"> • Inadequate traditional game processes. 	2014-3	Inadequate Controls over the Traditional Game (<i>Significant Deficiency</i>) The following finding is repeated: <ul style="list-style-type: none"> • Inadequate traditional game processes.
2013-4	Unresolved Significant Transfers Due To/From the Central Government (<i>Other</i>)	2014-4	Unresolved Significant Transfers Due To/From the Central Government (<i>Other</i>) – Finding repeated.
2013-5	Failure to assess reliance of Automated Gaming System Contractor's Internal Control (<i>Other</i>)	2014-5	Failure to assess reliance of Automated Gaming System Contractor's Internal Control (<i>Other</i>) – Finding repeated
2013-6	Inadequate Contribution Margin on Traditional Games (<i>Other</i>)	2014-6	Inadequate Contribution Margin on Traditional Games (<i>Other</i>) – Finding Repeated

APPENDIX III
TRANSFERRING OF REVENUE ACCURED BY VI LOTTERY

Pursuant to Title 32, Chapter 13, section 246, subsection 11, the Virgin Islands Lottery shall contribute the following:

- 11) The apportionment of the total revenues accruing to the Lottery, which shall, in any event, be as follows:
 - i. Transfer of not less than twenty percent (20%) of the net income of the lottery from all games authorized by this chapter to the General Fund of the Treasury of the United States Virgin Islands; provided that fifty percent (50%) of the portion allocated to the General Fund shall be utilized by the Department of Education, twenty-five percent (25%) shall be utilized by the Office of Veterans Affairs and the remaining twenty-five percent (25%) shall be distributed evenly among the Disabled Persons Special Fund established pursuant to the provisions of Title 34, section 14b, Virgin Islands Code; the Small Business Development and Loan Fund established pursuant to Title 33, Section 3031, Virgin Islands Code; the Textbook Reimbursement Revolving Fund established pursuant to Title 17, section 42, Virgin Islands Code; and the summer employment of youth program.
 - ii. Payment of prizes to holders of winning tickets or shares;
 - iii. Payment of all costs incurred in the operation and administration of the Lottery except that not more than 75% of the revenues derived from the games under contracts between the Virgin Islands Lottery and private contractors of lottery games, including the revenues derived under contracts with contractors of video lottery games authorized under title 32, VIC, §246(a)(1), may be used to pay delinquent, prior obligations;
 - iv. Transfer of 15% of the proceeds derived from the games under each contract between the Virgin Islands Lottery and a private contractor of lottery games, including the proceeds under a contract with a contractor of video lottery games, authorized under title 32 VIC §246(a)(1), into the Virgin Island Educational Initiative Fund established in 33 VIC §3093, 10% to the Government Employees' Retirement System to fund annuitants' annual cost of living bonuses and 15% in the Pharmaceutical Assistance to the Aged Program, established under title 34, section 40-49, of this Code; transfer 3% of the proceeds derived by the VI Lottery from video lottery on St. Thomas and St. John as follows:
 - (i) .75% to the Horse Racing Improvement Fund as established in title 33 V.I.C. § 3044 for use as authorized therein by the St. Thomas-St. John Commission of the Virgin Islands Horse Racing Commission;
 - (ii) 1.25% to the Lease Franchisee holder or any temporary permittee, operator or promoter of live horse races at Clinton Phipps Park to supplement purses for living races at Clinton Phipps Park;

APPENDIX III...Continued

TRANSFERRING OF REVENUE ACCURED BY VI LOTTERY

- (iii) .50% to the Department of Agriculture to be used for the stray animal operations and recovery
 - (iv) .50% to the Islands Horse Welfare for the protection and the care of retired and injured horses;
- v. Six percent (6%) of the revenues derived from video lottery terminals located at the Clinton Phipps Racetrack in St. Thomas-St. John district shall be divided between the Department of Sports, Parks and Recreation for development of youth sports in St. Thomas and St. John and the Virgin Islands Olympic Committee equally.
- vi. Transfer, not less than four times each year in accordance with accepted accounting procedures which shall be adopted by the Lottery, of all proceeds remaining after compliance with subparagraphs (i), (ii), (iii) and (iv) hereof to the General Fund of the Treasury of the United States Virgin Islands; provided, however, that the Lottery shall maintain a reserve fund in such amount as may be approved annually pursuant to the provisions of the section 260 of this chapter.



Jose L. George
Post Auditor