



**The D.C. Lottery and Charitable Games Control Board was Substantially in Compliance with the D.C. Official Code for Fiscal Year 2013 but Action is Required for Full Compliance**

September 29, 2014

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A Report by the Office of the District of Columbia Auditor  
Lawrence Perry, Acting District of Columbia Auditor



September 29, 2014

Included herein is the District of Columbia Auditor's report entitled "The D.C. Lottery and Charitable Games Control Board was Substantially in Compliance with the D.C. Official Code for Fiscal Year 2013 but Action is Required for Full Compliance." The audit was conducted pursuant to D.C. Code § 3-1319, which states that the Auditor of the District of Columbia shall cause to be conducted a regular post audit of all accounts and transactions of the Board with respect to the operation of lottery and daily numbers games.

The objective of this audit was to determine whether the Lottery complied with D.C. Official Code §§ 3-1304, 3-1312, 3-1313, 3-1314, 3-1315, 3-1316, 3-1318, 3-1320, 3-1321, 3-1325, 3-1335, and 2-221.02.

We would like to thank the D.C. Lottery and Charitable Games Control Board's staff for their assistance and cooperation during this audit. We also would like to thank representatives from the Office of the Chief Financial Officer (OCFO) that participated in our audit. All of their valuable time and efforts spent on providing us information was greatly appreciated.

Sincerely,

Lawrence Perry  
Acting District of Columbia Auditor

September 29, 2014



## **The D.C. Lottery and Charitable Games Control Board was Substantially in Compliance with the D.C. Official Code for Fiscal Year 2013, but Action is Required for Full Compliance**

### **Why ODCA Did This Audit**

The audit was conducted pursuant to D.C. Code § 3-1319.

### **What ODCA Recommends**

1. The Lottery's Chief of Security should initiate written measures to ensure that the Lottery complies with District law requirements that results of pre-employment background and fingerprint checks are received prior to an individual's employment with the Lottery.
2. The Lottery's Executive Director should request the OCFO's Office of Integrity and Oversight to conduct periodic background and fingerprint checks for all Lottery employees, contractors, and vendors identified in "sensitive" positions.
3. The Lottery's Agency Fiscal Officer and the Director of Licensing and Sales should take immediate action to document and establish procedures that comply with District law and ensure that all sales agents hold all money resulting from lottery and daily number games sales in trust for the benefit of the Lottery.
4. The Lottery's Agency Fiscal Officer should institute measures to ensure that unclaimed prize money is utilized for additional lottery games and promotions, as specified.
5. The Lottery's Agency Fiscal Officer should establish written procedures and practices to ensure vendors, who satisfactorily provide goods and services to the Lottery and submit a proper invoice for payment, are paid within 30 calendar days as required by the District's Quick Payment Act.

**For more information regarding this report, please contact Anovia Daniels, Communications Analyst/ANC Outreach, at [Anovia.Daniels@dc.gov](mailto:Anovia.Daniels@dc.gov) or 202-727-3600.**

### **What ODCA Found**

The District of Columbia Lottery and Charitable Games Control Board (the Lottery) seeks "to provide revenue-generating entertainment through the sale of innovative lottery products and promotions that directly benefits the residents and the economic vitality of the District of Columbia."

Overall, we found that the Lottery substantially complied with the D.C. Official Code for fiscal year (FY) 2013. However, action is required for the Lottery to attain full compliance. During FY 2013, the Lottery complied with D.C. Official Code §§ 3-1312, 3-1313, 3-1314, 3-1315, 3-1320, 3-1321, 3-1325, and 3-1335.

However, the Lottery did not comply with D.C. Official Code § 3-1304 in that the Lottery's employees were employed prior to the Lottery's receipt of pre-employment background and fingerprint check results. Additionally, the Lottery did not comply with D.C. Official Code § 3-1316 to ensure that lottery sales agents held in trust all money received from lottery and daily numbers games tickets sales until the money was transferred to the Lottery account. We also found that the Lottery failed to comply with D.C. Official Code § 3-1318 by not spending unclaimed prize money in FYs 2012 and 2013 as legally required. Finally, we determined that the Lottery did not comply with D.C. Official Code § 2-221.02 (Quick Payment Act). The Lottery made late payments to 14 vendors amounting to \$128,814 which could have resulted in possible interest penalties amounting to \$86.

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## Background

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The mission of the District of Columbia Lottery and Charitable Games Control Board (the Lottery) is “to provide revenue-generating entertainment through the sale of innovative lottery products and promotions that directly benefits the residents and the economic vitality of the District of Columbia.” To accomplish its mission, the Lottery operates through five programs: (1) gaming administration, (2) instant games, (3) on-line games, (4) agency management, and (5) agency financial operations.

Retailers are licensed through the Lottery as sales agents to sell lottery tickets. The retailers receive a commission and the Lottery uses the revenue generated by the sale of tickets to pay prizes, agents’ commissions for selling and cashing winning tickets, contracts, advertising and other administrative costs. After these expenditures are paid, the Lottery transfers the monthly net revenue to the District’s General Fund. Figure 1 presents the Lottery’s fiscal year 2013 revenues and expenditures including General Fund transfers.

**Figure 1****Fiscal Year 2013 Revenue and Expenditures Including General Fund Transfers**

<b>Revenue</b>	
Instant Lottery Sales	\$57,157,275.00
On-line Games Sales	\$185,272,689.60
Interest Income	\$32,304.15
License and Permit Fees	\$29,643.34
<b>Total Revenue</b>	<b>\$242,491,912.09</b>
<b>Expenditures</b>	
Prizes Instant Games	\$39,863,527.27
Prizes Daily Number Games	\$89,561,859.90
Agent Commissions Instant Games	\$4,287,556.62
Agent Commissions Daily Number Games	\$11,309,773.50
Contractor Fees	\$11,681,120.62
Advertising	\$6,036,107.87
Administrative and Other	\$11,393,152.41
<b>Total Expenditures</b>	<b>\$174,133,098.19</b>
Transfers to General Fund	\$68,313,500.00
<b>Total Expenditures and Transfers to the General Fund</b>	<b>\$242,446,598.19</b>
<b>Change in Net Position</b>	<b>\$45,313.90</b>

**Source:** The Lottery

The Lottery was originally established pursuant to D. C. Law 3-172, and D. C. Official Code, § 3-1301. On September 21, 1996, the Chairman of the District of Columbia Financial Responsibility and Management Assistance Authority (Control Board) adopted and issued a document entitled, “Resolution, Recommendations and Order Concerning the Lottery Board.” In this document, the Chairman recommended “that the Council, pursuant to its statutory authority, amend the provisions of Title 2 of the D.C. Official Code relating to the Lottery and that the Mayor of the District of Columbia sign such legislation to provide that the operations and personnel of the D.C. Lottery shall be placed within the Office of the Chief Financial Officer of the District of Columbia, who shall have the powers and duties presently possessed and exercised by the Lottery Board and the authority to delegate any or all of such powers

and duties to a designee of his choice.” The Chairman further ordered that “during the pendency of the recommendations before the Council and the Mayor and until further Order of the Authority:... effective immediately the Chief Financial Officer of the District of Columbia shall be responsible for the operations and personnel of the Lottery Board, and the Executive Director and all personnel of the Lottery Board shall report to him rather than to the Lottery Board.”

The Lottery, therefore, was established as a subordinate office within the Office of the Chief Financial Officer (OCFO) pursuant to D.C. Official Code § 1-204.24a(c). It is important to note that the Council of the District of Columbia has not amended the provisions of D.C. Official Code, Title 3, Chapter 13 to ensure conformity with the provisions of D.C. Official Code, § 1-204.24a(c).

# **Objectives, Scope and Methodology**

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## **Objectives**

The objective of this audit is to determine whether the Lottery complied with D.C. Official Code §§ 3-1304, 3-1312, 3-1313, 3-1314, 3-1315, 3-1316, 3-1318, 3-1320, 3-1321, 3-1325, 3-1335, and 2-221.02.<sup>1</sup>

## **Scope**

The audit period covered the fiscal year (FY) 2013, October 1, 2012 through September 30, 2013.<sup>2</sup>

## **Methodology**

To determine the Lottery's compliance with specific sections of District law, the Office of the District of Columbia Auditor (ODCA) reviewed applicable laws, regulations and policies and procedures governing the Lottery and specifically reviewed:

- Fund activity; specifically, disbursements, monthly expenditures and revenue deposits;
- The revenue reconciliation process;
- The Lottery's 2012 and 2013 financial statements;
- A sample of Lottery invoices and payments;
- A sample of checks issued by the Lottery to winners to test the Lottery's compliance with dual signature requirements;
- A sample of security files and lottery agent files;
- FY 2013 financial security bonds;
- FY 2013 license fees; and
- FY 2013 penalties.
- In addition, we interviewed all relevant Lottery and Office of the Chief Financial Officer (OCFO) staff.

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<sup>1</sup> The requirements set forth in these sections are described in the audit results of this report and fully cited in Appendix I.

<sup>2</sup> In order to determine the Lottery's full compliance with D.C. Official Code § 3-1318 (2014) (Unclaimed Prizes), ODCA expanded the audit scope to include fiscal year 2012.



We conducted this performance audit 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.

## Audit Results

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The Office of the District of Columbia Auditor (ODCA) found that during fiscal year (FY) 2013, the Lottery complied with D.C. Official Code §§ 3-1312, 3-1313, 3-1314, 3-1315, 3-1320, 3-1321, 3-1325, and 3-1335.

However, the Lottery did not comply with D.C. Official Code § 3-1304 in that the Lottery's employees were employed prior to the Lottery's receipt of pre-employment background and fingerprint check results.

Additionally, the Lottery did not comply with D.C. Official Code § 3-1316 to ensure that lottery sales agents held in trust all money received from lottery and daily numbers games tickets sales until the money was transferred to the Lottery account. We also found that the Lottery failed to comply with D.C. Official Code § 3-1318 by not spending unclaimed prize money in FYs 2012 and 2013 as legally required.

Finally, we determined that the Lottery did not comply with the D.C. Code § 2-221.02 (Quick Payment Act). The Lottery made late payments to 14 vendors amounting to \$128,814 which could have resulted in possible interest penalties amounting to \$86.

We believe, the five recommendations provided in this report, if implemented, will enable the Lottery to be more effective.

## **The Lottery's employees were employed prior to the Lottery's receipt of pre-employment background and fingerprint check results**

D.C. Official Code § 3-1304 allows the Lottery to require all or any of its employees to be bonded if it determines that such a bond is necessary. In addition to addressing employee bonding, D.C. Official Code § 3-1304 requires that all Lottery employees be fingerprinted prior to and as a condition of employment (Pre-Employment Background Check). In addition to the District's pre-employment background check requirements for Lottery employees, the Lottery has Standard Operating Policies and Procedures (SOPs) which extend the District's requirements to its contractors and vendors.<sup>3</sup>

We found that the Lottery did not comply with the D.C. Official Code § 3-1304 or its SOPs and repeatedly allowed both employees and contractors to begin working prior to the receipt of fingerprint and background check results. Our review of a sample of the Lottery's security files for both employees and contractors, employed or under contract by the Lottery in FY 2013, identified 38 cases in which an employee or contractor began working for the Lottery prior to the receipt of results for their requisite pre-employment background checks. In fact, we found three cases where there was no evidence that a background check had ever been performed.

In the 35 remaining cases, we found that the employees or contractors were hired for periods ranging from 1 day to more than 32 years, prior to the completion of their pre-employment background checks.

Figure 2 presents the Lottery's pre-employment background check compliance results providing details of the 35 employees and contractors hired before their pre-employment background checks were completed and the Lottery complied with the law.

**Figure 2**

### **Lottery Pre-Employment Background Checks Compliance Results**

#	Employees/ Contractors	Date of Hire	Date of Finger- printing Result	Number of Days Between Date of Hire and Receipt of Fingerprint Results
1	Employee A	8/15/2011	8/16/2011	-1
2	Employee B	8/29/2011	8/30/2011	-1
3	Employee C	3/14/2011	3/15/2011	-1

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<sup>3</sup> The Lottery's Background Investigations Standard Operating Procedures only apply to vendors identified in "sensitive" positions.

#	Employees/ Contractors	Date of Hire	Date of Finger- printing Result	Number of Days Between Date of Hire and Receipt of Fingerprint Results
4	Employee D	8/2/2010	8/3/2010	-1
5	Employee E	5/27/2008	5/28/2008	-1
6	Employee F	12/7/2009	12/9/2009	-2
7	Employee G	7/20/2009	7/31/2009	-11
8	Employee H	3/21/2005	4/25/2005	-35
9	Employee I	3/17/1997	5/16/1997	-60
10	Employee J	3/30/2009	6/6/2009	-68
11	Employee K	5/12/2008	8/23/2008	-103
12	Employee L	4/27/2008	10/15/2008	-171
13	Employee M	12/22/2008	8/1/2009	-222
14	Employee N	3/3/2008	5/3/2009	-426
15	Employee O	1/31/2011	4/25/2012	-450
16	Employee P	9/8/1994	1/29/1998	-1,239
17	Employee Q	7/23/2007	12/28/2010	-1,254
18	Employee R	6/9/1986	7/30/1997	-4,069
19	Employee S	3/4/1985	10/15/1997	-4,608
20	Employee T	2/8/1984	12/24/1997	-5,068
21	Employee U	6/23/1982	7/30/1997	-5,516
22	Employee V	8/15/1989	6/11/2013	-8,701
23	Employee W	5/18/1984	6/6/2013	-10,611
24	Employee X	6/1/1981	6/11/2013	-11,698
25	Contractor A	4/26/2010	5/5/2010	-9
26	Contractor B	9/1/2011	10/3/2011	-32
27	Contractor C	3/14/2013	4/17/2013	-34
28	Contractor D	4/30/1997	8/27/1997	-119
29	Contractor E	9/15/2012	1/24/2013	-131
30	Contractor F	6/21/2010	1/13/2011	-206
31	Contractor G	10/13/2012	6/18/2013	-248
32	Contractor H	6/15/2005	9/30/2007	-837
33	Contractor I	8/1/2003	8/12/2006	-1,107
34	Contractor J	6/24/2009	9/21/2012	-1,185
35	Contractor K	1/2/1991	3/13/1997	-2,262

**Source:** The Lottery

In addition to the 38 employees and contractors whose pre-employment background checks were not completed prior to employment, we found that five contractors in our sample did not have a security file to review to determine compliance with District

law. As a result, we were unable to verify that a security check was ever performed for these contractors.

Coupled with the three employees already mentioned where there was no evidence of a security check ever having been performed, ODCA found that there were a total of eight employees and/or contractors, employed by the Lottery in FY 2013, who had no evidence of a pre-employment background check ever performed.

Lottery officials indicated that the lack of compliance was a result of the Lottery sometimes performing background checks during the period of time between issuance of the job offer letter and the start date of the employee, rather than prior to making a job offer.

ODCA made a similar finding regarding the Lottery's non-compliance with the District's pre-employment background check in our December 13, 2011, audit report entitled, "Audit of the District of Columbia Lottery and Charitable Games Control Board from Fiscal Year (FY) 2007 to FY 2009." Despite the 2011 finding that of the 31 employees that the Lottery hired during the two year audit period, 30 did not have their pre-employment background screening completed before hire, the Lottery's non-compliance with District law and guidance persists.

Because the Lottery does not require bonding for its employees, its non-compliance with the District's pre-employment background check greatly increases the District's exposure for potential risk and resulting loss. The receipt and review of pre-employment criminal and background checks are a necessary control to assist the Lottery in the prevention of hiring individuals with unacceptable criminal records, significant financial problems and/or issues that do not meet the Lottery's security requirements.

### **Recommendations:**

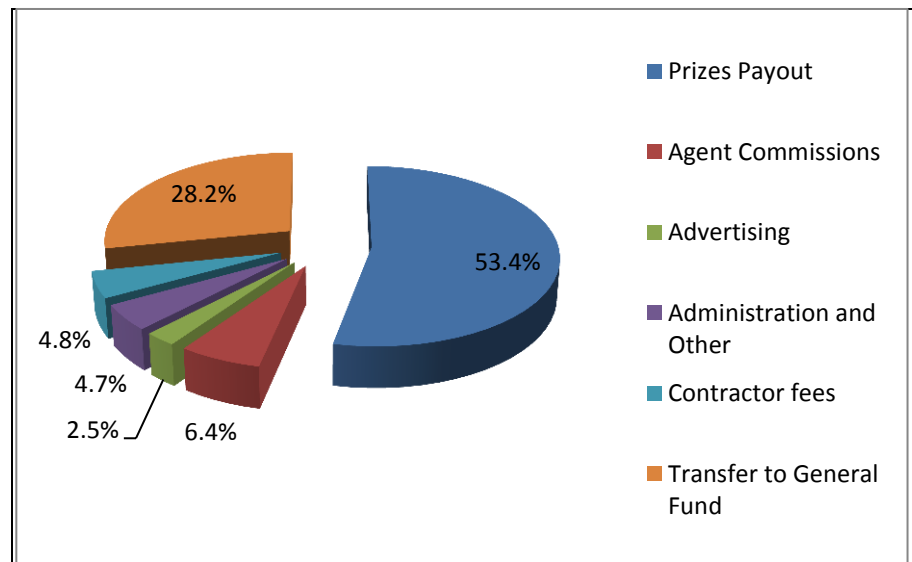
1. The Lottery's Chief of Security should initiate written measures to ensure that the Lottery complies with District law requirements that results of pre-employment background and fingerprint checks are received prior to an individual's employment with the Lottery.
2. The Lottery's Executive Director should request the OCFO's Office of Integrity and Oversight to conduct periodic background and fingerprint checks for all Lottery employees, contractors and vendors identified in "sensitive" positions.

## Deposits to and expenditures from the Fund for fiscal year 2013 complied with D.C. Official Code

D.C. Official Code § 3-1312 (a) establishes a District of Columbia Lottery and Charitable Games Fund (the Fund) to receive all funds and fees generated by gambling operated or licensed by the Lottery. Additionally, D.C. Official Code § 3-1319 requires that “(t)he Auditor of the District of Columbia shall cause to be conducted a regular post audit of all accounts and transactions of the Board with respect to the operation of lottery and daily numbers games.” We confirmed through CFOSOLVE/SOAR, the District’s financial system, that the Lottery generated \$242,491,912 in revenue in FY 2013 from instant games, on-line games, license and permit fees, and interest income. We confirmed that the Lottery had FY 2013 expenditures of \$174,133,098, resulting in net revenue of \$68,358,814. In FY 2013, the Lottery transferred a total of \$68,313,500 to the District’s General Fund.<sup>4</sup> The Lottery’s total expenditures and General Fund transfers were \$242,446,598. Figure 3 presents expenditures and general fund transfers for FY 2013 as a percentage of total expenditures.

**Figure 3**

### Expenditures and General Fund Transfer for Fiscal Year 2013 as a Percentage of Total Expenditures



**Source:** The Lottery

<sup>4</sup> ODCA verified its findings with the Independent Auditor’s Report issued by Bert Smith & Co., entitled, “Financial Statements and Management’s Discussion and Analysis, September 30, 2013 and 2012.”

### **Fiscal year 2013 disbursements from the Fund were made properly**

D.C. Official Code § 3-1312 (b) requires that the Executive Director and a member of the Board authorized and designated by the Board sign checks for disbursements in excess of \$500. ODCA found that the Lottery complied with this requirement. We reviewed a sample of checks for FY 2013 issued by the Lottery as prize payments to lottery and daily games winners. We found that all checks contained the requisite dual signatures.

**The Lottery's fiscal year 2013 expenditures and transfers to the General Fund were made properly**

D.C. Official Code § 3-1312 (c) requires the Lottery to pay its operation, administration and capital expenses first and then to transfer any remaining funds into the General Fund on a monthly basis. ODCA confirmed through CFOSOLVE/SOAR that the Lottery complied with this requirement. In FY 2013, the Lottery transferred \$68,313,500.00 to the General Fund.



## **The Lottery deposited gaming revenue in the Lottery's Fund to pay prize winners as required**

D.C. Official Code § 3-1313 and 3-1314 allows the Lottery to conduct lottery and daily numbers games and to generate the number and value of prizes to winners. Additionally, the Lottery is allowed to establish regulations concerning how sales agents are to pay winners their prizes.<sup>5</sup> The proceeds of ticket sales are required to be deposited in the Fund from which prizes are to be paid. ODCA confirmed through CFOSOLVE/SOAR that the Lottery had total revenue of \$242,491,912 for FY 2013. Figure 4 presents the expenditures from the Fund to pay prizes to winners in FY 2013 as required by law.

**Figure 4 Expenditures from the Fund to Pay Prizes to Winners in Fiscal Year 2013**

Types of Prizes	Amount
Prizes Instant Lottery	\$39,869,527.27
Prizes Daily Number Games	\$89,561,859.90
Total prizes paid to winners	\$129,425,387.17

**Source:** The Lottery

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<sup>5</sup> The Lottery's regulations governing how sales agents are to pay winners their prizes may be found in Title 30, Chapter 6 of the D.C. Municipal Regulations.

**The Lottery established requirements governing how to become a licensed Lottery agent and restrictions governing how Lottery and daily number games tickets are sold**

D.C. Official Code § 3-1315 enables the Lottery to establish the requirements to become a sales agent and states that lottery and daily numbers games can only be sold, at a price established by the Lottery, through one of its licensed agents. This provision also allows the Lottery to establish the bond amount for sales agents and requires that the Lottery ensure that all licensed sales agents enter into a written agreement to indemnify the District of Columbia against any actions, claims and demands resulting from their license issuance. Additionally, this provision states that lottery or daily numbers tickets may only be sold at a price fixed by the Lottery through an agent licensed by the Lottery. We determined that the Lottery complied with D.C. Official Code § 3-1315.

ODCA reviewed a sample of agent licensing files and the Lottery's Standard Operating Procedures governing agent bond requirements. Our review of sales agents' licensing files confirmed that the Lottery performed a check of each agent's financial responsibility. Additionally, each licensing file contained an indemnification agreement signed by each sales agent to hold the District harmless from any action arising out of its issuance of a license to the sales agent.

We also found that all licensing files contained Retailer Bulletin No. 97-001 which informs each agent that lottery or daily numbers game tickets can only be sold at a price fixed by the Lottery through an agent licensed by the Lottery. All applicants acknowledged their review of Retailer Bulletin No. 97-001 and its requirement through their signature on the document. The Lottery has set the current agent bond amount at \$0.

## **The Lottery did not ensure that Lottery sales agents held in trust all money received from Lottery and daily number games ticket sales**

D.C. Official Code § 3-1316(a) allows the Lottery to require sales agents to establish special accounts in the name of the Lottery. Moreover, D.C. Official Code § 3-316(b) requires that sales agents hold in trust for the benefit of the Lottery all money received from lottery and daily number games tickets sales. Though D.C. Official Code § 3-316(a) allows the Lottery to require sales agents to have special accounts in the name the Lottery, the Lottery did not exercise this option.

Regarding D.C. Official Code § 3-1316(b), ODCA found that the Lottery did not comply. This provision specifically requires that sales agents hold all monies in trust for the benefit of the Lottery until the money can be transferred from the sales agents to the Lottery's account. We found that the Lottery made no effort to ensure that the sales agents complied with this regulation.

The Lottery officials were unaware of whether sales agents had any special or trust accounts established for the benefit of the Lottery. Lottery officials indicated that their current system of collecting money from agents' accounts was sufficient. Officials specifically referred to the fact that the Lottery electronically "sweeps" sales agents' lottery accounts weekly and any insufficient fund actions against sales agents were minimal. The Lottery's failure however to ensure that agents held all money from lottery sales in trust for the benefit of the Lottery exposed the District to possible loss.

### **Recommendation:**

3. The Lottery's Agency Fiscal Officer and the Director of Licensing and Sales should take immediate action to document and establish procedures that comply with District law and ensure that all sales agents hold all money resulting from lottery and daily number games sales in trust for the benefit of the Lottery.

## **The Lottery did not spend all unclaimed prize funds as required by law**

D.C. Official Code § 3-1318 states: (a) An unclaimed prize for a winning ticket or share shall be retained by the Board for the person entitled to the prize for 180 days after the drawing in which the prize was won. If no claim is made for the prize within the 180-day period, the unclaimed prize funds shall be used as follows:

(1) The first \$150,000 in fiscal year 2012 shall be used by the Deputy Mayor for Planning and Economic Development ("Deputy Mayor") to fund Earned Income Tax Credit outreach and marketing efforts for District residents. The Deputy Mayor is authorized to make direct grants to qualified community partners to effectuate the purpose of this paragraph, subject to terms and conditions approved by the Deputy Mayor.

(2) The next \$350,000 in fiscal year 2012 shall be deposited in the unrestricted balance of the General Fund of the District of Columbia and recognized as fiscal year 2012 revenues.

(3) The next \$250,000 in fiscal year 2012 shall be used by the Deputy Mayor to fund cultural activities in the Chinatown community. The Deputy Mayor is authorized to make direct grants to qualified community partners to effectuate the purpose of this paragraph, subject to terms and conditions approved by the Deputy Mayor.

(4) The next \$15,000 in fiscal year 2012 shall be used to fund the Mayor's Council on Physical Fitness, Health and Nutrition.

(5) Any subsequent unclaimed prize funds shall be used by the Board as additional prizes in lottery games or promotions.

ODCA found that the Lottery partially complied with D.C. Official Code § 3-1318. The Lottery had \$3,800,000<sup>6</sup> in lapsed, unclaimed prize funds in FY 2012 and \$3,007,000 in lapsed, unclaimed prize funds in FY 2013. We confirmed through SOAR that the Lottery made the required transfers to the Deputy Mayor for Economic Development, the General Fund and the Mayor's Council on Physical Fitness, Health and Nutrition.

We were, however, unable to verify that the Lottery used FY 2012 and FY 2013 lapsed, unclaimed prize funds for additional prizes in lottery games or promotions. We asked Lottery officials why they failed to comply with this provision regarding the use of the remaining \$3,035,000 in lapsed, unclaimed prize funds in FY 2012 and the \$3,007,000 in lapsed, unclaimed prize funds in FY 2013, for

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<sup>6</sup> Independent Auditor's Report 2011

additional prizes and promotions. Officials responded that they used \$770,481 of unclaimed prize money in fiscal year 2013 to fund second chance prizes. We were however unable to verify that the Lottery used \$770,481 for second chance prizes in fiscal year 2013. Lottery officials further explained that because unclaimed prize money accrues monthly, and the Lottery is unaware of how much total unclaimed prize money has lapsed until the end of the fiscal year, the Lottery cannot utilize these funds as directed by this provision. According to the independent Auditors Report, lapsed unclaimed prize funds were netted against prize expense. As previously explained, the difference between revenues and expenses are transferred to the General Fund.

The Lottery's failure or inability to use lapsed, unclaimed prize money as required resulted in a loss of funding for additional prizes in lottery games and promotions.

**Recommendation:**

4. The Lottery's Agency Fiscal Officer should institute measures to ensure that unclaimed prize money is utilized for additional lottery games and promotions, as specified.

**The Lottery prohibits Lottery employees and their families from purchasing Lottery tickets and/or receiving a prize**

D.C. Official Code § 3-1320 prohibits any Lottery employee or their spouse, domestic partner, child, brother, sister or parent who resides in the same house as the employee from purchasing Lottery tickets and/or receiving a prize.

ODCA found that the Lottery complied with this requirement.

This prohibition is included in the OCFO's Code of Ethics training which is required for all Lottery employees. Additionally, the Lottery requires every employee to include on their application for employment the names of all family members who reside in their home. This information is maintained by the Lottery and is a permanent part of the employee's background/security file retained by the Lottery.

### **The Lottery imposed \$4,621.35 in insufficient Fund penalties in fiscal year 2013 and suspended four agent licenses**

D.C. Official Code § 3-1321 authorizes the Lottery to impose fines for the enforcement of their rules and regulations. It also allows the Lottery to suspend the license of anyone who violates their regulations for a period of up to 60 days.

We found that the Lottery enforced this legal provision. In FY 2013, the Lottery imposed \$4,621.35 in penalties against sales agents who had insufficient funds to pay the Lottery for lottery and gaming ticket sales as required. Additionally, four sales agents had their licenses suspended in FY 2013 for matters involving either their failure to promptly reimburse the Lottery for ticket sales or for their failure to obtain proper identification from a prize winner.

### **The Lottery required financial responsibility bonds and licensing in bingo games as required**

D.C. Official Code § 3-1325 requires that a financial responsibility bond with sufficient sureties be provided to the Lottery by any entity conducting bingo and/or raffle games in the District. Additionally, the Lottery requires an annual license fee for each person designated to conduct bingo and/or raffle games. An annual license is also required for each person responsible for the proper utilization of gross receipts. The Lottery required a financial responsibility bond for three organizations in FY 2013. The Lottery also received \$220 in licensing fees for bingo games.



**The Lottery did not process any prize payments by or on behalf of a minor in fiscal year 2013**

D.C. Official Code § 3-1335 allows the Lottery to require that payments for prizes in the amount of \$5,000 to minors (winner under 18 years old) be paid directly to an adult member of the minor's family or to a guardian of the minor. In cases where the minor is entitled to a prize in excess of \$5,000, the Lottery may pay the minor by depositing the prize in any bank, to the credit of an adult member of the minor's family or to a guardian of the minor.

We had insufficient data to determine the Lottery's compliance with this requirement. According to Lottery officials there were no lottery prizes paid out in FY 2013 on behalf of a minor.

## **The Lottery failed to comply with provisions of the Quick Payment Act and lacked internal controls to ensure its compliance**

D.C. Official Code § 2-221.02 (a) (2) (a) (ii) requires that the Lottery pay vendors within thirty (30) calendar days, excluding legal holidays, after receipt of a proper invoice for the amount due, if a payment due date is not specified in the contract. D.C. Official Code § 2-221.02 (a)(2) (d) (b)(1) requires that the Lottery pay interest penalties for the time period commencing after the date that the payment is due and ending on the date that payment is made. No interest penalty shall be due if the Lottery makes payment on or before the 15<sup>th</sup> day after the due date. Interest is calculated at a rate of at least 1 percent and is set by the Mayor or regulation.

Based on our review of a sample of Lottery invoices, we found that the Lottery made late payments to 14 vendors amounting to a total of \$128,814.24. We calculated potential interest penalties totaling \$86.20.

In our efforts to determine why the Lottery failed to comply with the Quick Payment Act, we noted that the Lottery did not have any policies or procedures governing this function. Thus, there were no internal controls established to inform staff as to how to properly comply with Quick Payment Act requirements. We also found receipt of invoices were not centralized in one location. Vendor invoices were received by multiple staff across several divisions within the Lottery which added to processing delays.

ODCA made a similar finding regarding the Lottery's non-compliance with the Quick Payment Act in our December 13, 2011, audit report entitled, "Audit of the District of Columbia Lottery and Charitable Games Control Board from Fiscal Year (FY) 2007 to FY 2009." Despite ODCA's 2011 finding that of the 369 invoices reviewed, the Lottery made late payments to 30 vendors totaling \$307,744 resulting in possible interest penalties totaling \$1,583, the Lottery's non-compliance with the Quick Payment Act continues. The Lottery's continued failure to comply with the Quick Payment Act exposes the District to potential liability for interest penalties.

### **Recommendation:**

5. The Lottery's Agency Fiscal Officer should establish written procedures and practices to ensure vendors, who satisfactorily provide goods and services to the Lottery and submit a proper invoice for payment, are paid within 30 calendar days as required by the District's Quick Payment Act.

## Audit Results Summary

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Our audit identified five recommendations that could strengthen the Lottery's compliance with the D.C. Official Code. In order to ensure compliance with District law and guidance, we recommend that:

Finding	Recommendation
<ul style="list-style-type: none"> <li>The Lottery's employees were employed prior to the Lottery's receipt of pre-employment background and fingerprint check results.</li> </ul>	<ol style="list-style-type: none"> <li>The Lottery's Chief of Security should initiate written measures to ensure that the Lottery complies with District law requirements that results of pre-employment background and fingerprint checks are received prior to an individual's employment with the Lottery.</li> <li>The Lottery's Executive Director should request the OCFO's Office of Integrity and Oversight to conduct periodic background and fingerprint checks for all Lottery employees, contractors and vendors identified in "sensitive" positions.</li> </ol>
<ul style="list-style-type: none"> <li>The Lottery did not ensure that Lottery sales agents held in trust all money received from Lottery and daily number games ticket sales.</li> </ul>	<ol style="list-style-type: none"> <li>The Lottery's Agency Fiscal Officer and the Director of Licensing and Sales should take immediate action to document and establish procedures that comply with District law and ensure that all sales agents hold all money resulting from lottery and daily number games sales in trust for the benefit of the Lottery.</li> </ol>
<ul style="list-style-type: none"> <li>The Lottery did not spend all unclaimed prize funds as required by law.</li> </ul>	<ol style="list-style-type: none"> <li>The Lottery's Agency Fiscal Officer should institute measures to ensure that unclaimed prize money is utilized for additional lottery games and promotions, as specified.</li> </ol>
<ul style="list-style-type: none"> <li>The Lottery failed to comply with provisions of the Quick Payment Act and lacked internal controls to ensure its compliance.</li> </ul>	<ol style="list-style-type: none"> <li>The Lottery's Agency Fiscal Officer should establish written procedures and practices to ensure vendors, who satisfactorily provide goods and services to the Lottery and submit a proper invoice for payment, are paid within 30 calendar days as required by the District's Quick Payment Act.</li> </ol>

## Conclusion

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Overall, we found that the Lottery substantially complied with the D.C. Official Code for fiscal year (FY) 2013. However, action is required for the Lottery to attain full compliance. During FY 2013, the Lottery complied with D.C. Official Code §§ 3-1312, 3-1313, 3-1314, 3-1315, 3-1320, 3-1321, 3-1325, and 3-1335.

We found that the Lottery did not comply with D.C. Official Code § 3-1304. We found that the Lottery's employees were employed prior to the Lottery's receipt of pre-employment background and fingerprint check results. Additionally, we found that the Lottery did not comply with D.C. Official Code § 3-1316 to ensure that lottery sales agents held in trust all money received from lottery and daily numbers games tickets sales until the money was transferred to the Lottery account. Further, we found that the Lottery failed to comply with D.C. Official Code § 3-1318 by not spending unclaimed prize money in FYs 2012 and 2013 as legally required. Finally, we determined that the Lottery did not comply with D.C. Official Code § 2-221.02 (Quick Payment Act). The Lottery made late payments to 14 vendors amounting to \$128,814 which could have resulted in possible interest penalties amounting to \$86.

We formulated recommendations to address the Lottery's noncompliance with the D.C. Official Code. We are pleased that the Lottery agreed with the majority of our findings and recommendations and has taken steps towards implementation. Nonetheless, the Lottery did not agree with the finding and resulting recommendation that, "The Lottery's Agency Fiscal Officer and the Director of Licensing and Sales should take immediate action to document and establish procedures that comply with District law and ensure that all sales agents hold all money resulting from lottery and daily number games sales in trust for the benefit of the Lottery." D.C. Official Code § 3-1316(b) requires that sales agents hold monies in trust for the benefit of the Lottery until the money can be transferred from the sales agents to the Lottery's account. We stand by our recommendation that the Lottery take steps to ensure that its sales agents comply with this requirement.

Sincerely,



Lawrence Perry,  
Acting District of Columbia Auditor

## Agency Comments

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On September 5, 2014, the Office of the District of Columbia Auditor (ODCA) submitted the draft report titled, “The D.C. Lottery Games Control Board was Substantially in Compliance with the D.C. Code for Fiscal Year 2013, but Action is Required for Full Compliance” for review and comment to the District of Columbia Lottery and Charitable Games Control Board (the Lottery).

ODCA received written comments from the Lottery on September 22, 2014. The Lottery’s response is included in this report.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
DC LOTTERY & CHARITABLE GAMES CONTROL BOARD**



**TO:** Lawrence Perry  
Acting District of Columbia Auditor  
Office of the District of Columbia Auditor

**FROM:** *BR*  
Buddy Roogow, Executive Director  
DC Lottery & Charitable Games Control Board

**DATE:** September 22, 2014

**SUBJECT:** Response to Draft Report of “the DC Lottery and Charitable Games Control Board Was Substantially in Compliance with D.C. Code for Fiscal Year 2013 but Action Is Required for Full Compliance”

**Introduction**

This memo is in response to your Draft Report Draft Report of “the DC Lottery and Charitable Games Control Board Was Substantially in Compliance with D.C. Code for Fiscal Year 2013 but Action Is Required for Full Compliance” dated September 5, 2014. The report identified the following five recommendations.

**Finding – The Lottery’s Employees Were Employed Prior to the Lottery’s Receipt of Pre-Employment Background and Fingerprint Check Results:**

- **ODCA Recommendation:**
  1. *The Lottery’s Chief of Security should initiate written measures to ensure that the Lottery complies with District law requirements that results of pre-employment background and fingerprint checks are received prior to an individual’s employment with the Lottery.*
  2. *The Lottery’s Executive Director should request the OCFO’s Office of Integrity and Oversight to conduct periodic background and fingerprint checks for all Lottery employees, contractors and vendors identified in sensitive positions.*



**DCLB Response:**

DCLB agrees with ODCA's recommendation as it relates to fingerprint checks. In conjunction with the Office of the Chief Financial Officer (OCFO) Human Resources Division, the Lottery has created an SOP as it relates to fingerprint checks of potential candidates prior to employment with the Lottery. (SOP and flow chart attached.)

The Lottery is tasked with executing D.C. Official Code § 3-1304 (2012 Repl.), "all persons employed by the Lottery shall be fingerprinted before, and as a condition of employment"; therefore, the Lottery continues to maintain that background checks (which are inclusive of credit checks) are conducted by the Office of Integrity & Oversight (OIO), not the DC Lottery. OIO is another subordinate agency under the CFO.

DCLB agrees with ODCA's recommendation of fingerprint checks as it relates to contractors and vendors in "sensitive" positions. The Lottery will conduct fingerprint checks on contractors: (1) whose services dictate that they are onsite or have access to DCLB's gaming system and (2) whose services rendered can affect the integrity or security of the lottery as determined by the Executive Director or the Executive Director's designee. This requirement will be placed into an SOP and implemented by the end of the 1<sup>st</sup> quarter of FY '15.

Finding – The Lottery Did Not Ensure that Lottery Sales Agents Held in Trust All Money Received From Lottery and Daily Number Games Ticket Sales:

- ODCA Recommendation:

3. *The Lottery's Agency Fiscal Officer and the Director of Licensing and Sales should take immediate action to document and establish procedures that comply with District law and ensure that all sales agents hold all money resulting from lottery and daily number games sales in trust for the benefit of the Lottery.*

**DCLB Response:**

DCLB disagrees with this finding. DCLB sends Automated Clearing House (ACH) transaction files to its banking institution each week to automatically collect from agents the monies that are due to the DC Lottery and the city for lottery ticket sales. In the event an insufficient funds notice is returned to DCLB by DCLB's financial institution, the agent's terminal is immediately deactivated (prevented from making further sales of online tickets) and he/she are contacted. DCLB has roughly 500 agents and averages about 2 NSF's a week, with a collection rate of 99% within a day.

Finding – The Lottery Did Not Spend All Unclaimed Prize Funds as Required by Law

- ODCA Recommendation:

4. *The Lottery's Agency Fiscal Officer should institute measures to ensure that unclaimed prize money is utilized for additional lottery games and promotions, as specified.*

**DCLB Response:**

**DCLB agrees with this finding. Measures to utilize the use of “unclaimed prize funds” will be implemented in FY’15. Discussions for the plan have already begun.**

Finding – The Lottery Failed to Comply With Provisions of the Quick Payment Act and Lacked Internal Controls to Ensure Its Compliance:

- ODCA Recommendation:

5. *The Lottery's Agency Fiscal Officer should establish written procedures and practices to ensure vendors, who satisfactorily provide goods and services to the Lottery and submit a proper invoice for payment, are paid within 30 calendar days as required by the District's Quick Payment Act.*

**DCLB Response:**

**DCLB agrees with this finding. DCLB operated under an invoice payment practice in order to comply with the “Quick Payment Act;” however, we will further amend our procedures and memorialize the process with a written policy within the first quarter of fiscal year 2015.**



**D.C Lottery and Charitable Games Control Board (DCLB)  
Fingerprint/Background Check for New Hires  
Standard Operating Procedures (SOP)**

**Title:** Fingerprint/Background Check for New Hires

**Original Issue Date:** September 17, 2014

**Number of Pages:** 2

**Approver:** Buddy Roogow, Executive Director DCLB

*BR*

**Purpose:** The purpose of this SOP is to delineate the process of executing D.C. Official Code § 3-1304 (2012 Repl.), all persons employed by the Lottery shall be fingerprinted before, and as a condition of employment.

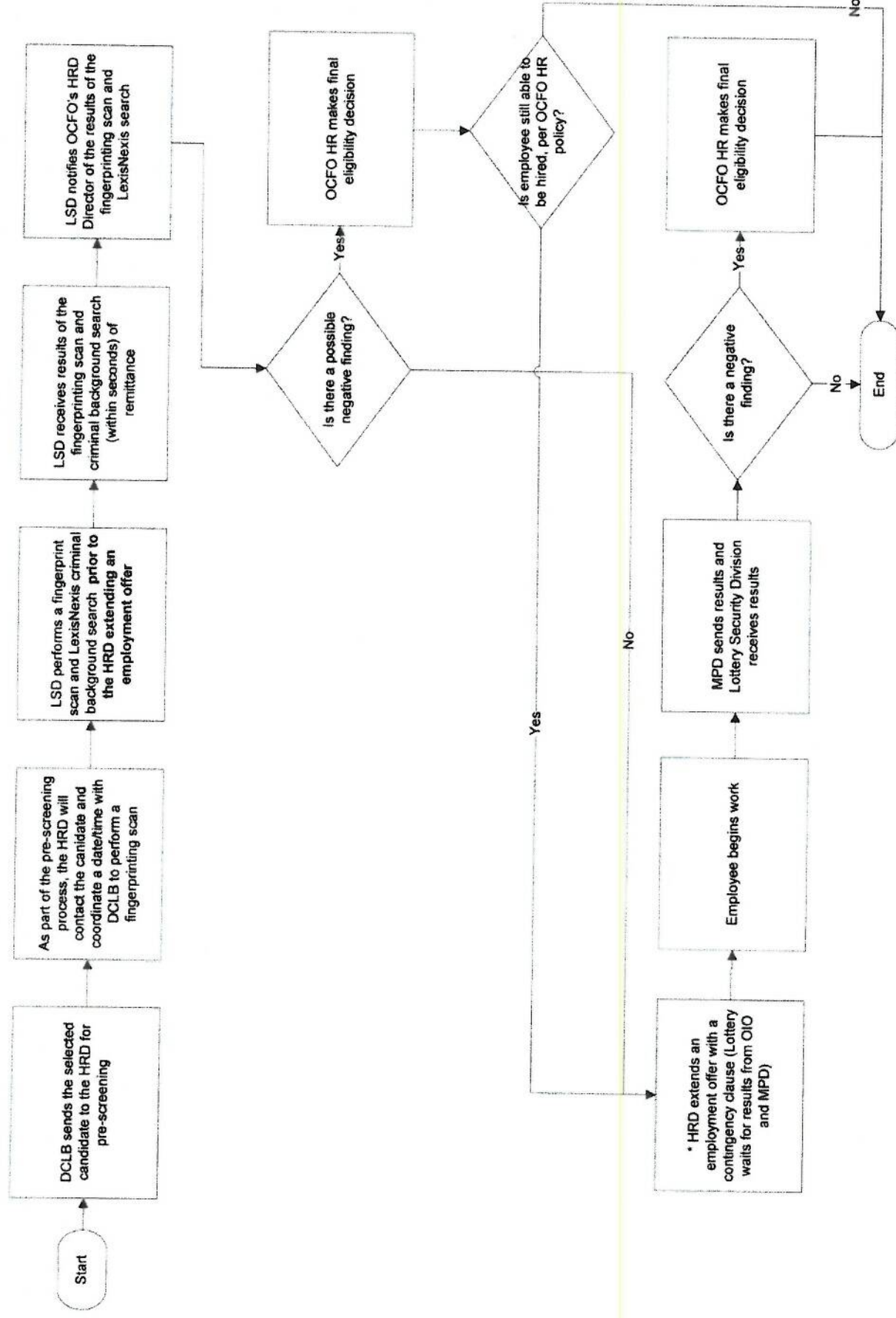
**Background:** The DC Lottery is a subordinate agency within the Office of the Chief Financial Officer (CFO). Human Resource functions are centralized within the OCFO Human Resources Division (HRD). The HRD conducts the pre-screening process for all potential employees including potential candidates for the DC Lottery. As part of the pre-screening process, the DC Lottery Security Division will fingerprint candidates before an employment offer is extended. The Office of Integrity & Oversight (OIO), another subordinate agency within the OCFO, will conduct a more extensive background check once the candidate is hired.

Process as shown in attached flowchart:

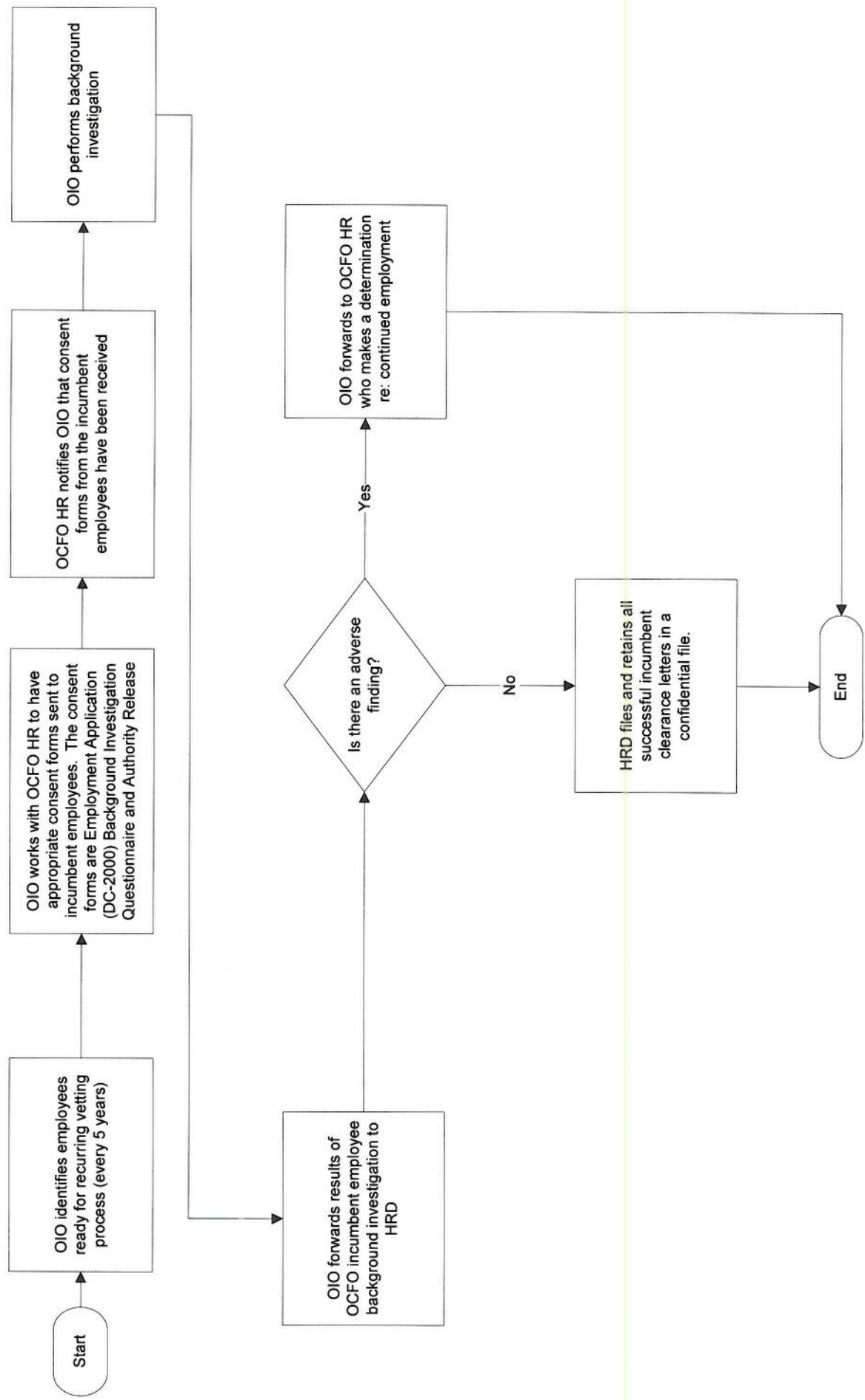
1. DCLB sends the selected candidate to the HRD for pre-screening.
2. As part of the pre-screening process, the HRD will contact the candidate and coordinate a date/time with DCLB to perform a fingerprinting scan.
3. The Lottery's Security Division (LSD) will perform a fingerprint scan and a LexisNexis search prior to the HRD extending an employment offer. The LSD receives the results of the fingerprinting scan within seconds of remittance.
4. The DCLB will also perform a criminal background search via LexisNexis. The LSD receives the results of the criminal background search within seconds of remittance.
5. The LSD notifies the OCFO's Human Resources Division Director of the results of the fingerprint scan and LexisNexis search.
6. If there are no negative issues—as determined by the Human Resources Division Director—the HRD will extend an employment offer with a contingency clause. This clause will notify potential candidates that continued employment with the OCFO is contingent upon the satisfactory outcome of a background investigation including tax and credit checks which are conducted by the OIO as well as results obtained from the Metropolitan Police Department (MPD).

7. If there is a negative finding from either of the investigations conducted by OIO or MPD, the OCFO will make a decision as to whether the employee's employment will continue.

# Lottery Background Check Process for New Hires- Target Environment



DCLB Background Check Process for Incumbent Employees--Target Environment



## **Auditor's Response to Agency Comments**

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The Office of the District of Columbia Auditor appreciates the comments provided by the District of Columbia Lottery and Charitable Games Control Board (the Lottery). We are pleased to learn that the Lottery is taking steps towards implementing most of the recommendations presented in the report. While the Lottery disagrees with one of our recommendations, we believe this recommendation addresses the Lottery's required role of ensuring that their sales agents hold lottery and gaming sales proceeds in trust for the benefit of the Lottery. Therefore, the Lottery should implement this recommendation in order to ensure compliance with the law.

# Appendix I

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## **D.C. Official Code § 3-1304 (2014)**

### *Bonding of employee: fingerprinting*

The Board, may, if it determines it necessary, require all or any of its employees to give bond in such amount as the Board may determine. Every such bond shall be filed in the Office of the District of Columbia Treasurer. The cost of any such bond so given shall be part of the necessary expenses of the Board. Further, all persons employed by the Board shall be fingerprinted, before, and as a condition of, employment.

## **D.C. Official Code § 3-1312 (2014)**

### *Lottery and Charitable Games Fund*

(a) A District of Columbia Lottery and Charitable Games Fund (hereinafter referred to as the "Fund") shall be established and controlled by the Board to receive all funds and fees generated by the specific forms of gambling operated or licensed by the Board. All funds generated by gambling activities operated or licensed by the Board shall be deposited in the Fund or a division thereof as created by the Board.

(b) Any monies of the Board, from whatever source derived (including gifts to the Board), shall be for the sole use of the Fund and shall be deposited as soon as practicable in that Fund and shall be disbursed from the Fund according to the terms of this chapter. Said disbursements from the Fund in amounts up to \$ 500 shall be paid out in checks signed by the Executive Director or his designee. Disbursements in excess of \$ 500 shall be paid out in checks signed by the Executive Director and a member of the Board authorized and designated by the Board. All deposits of such monies shall be secured in a manner consistent with deposits made by the government of the District of Columbia with respect to the deposit of revenue.

(c) From the Fund, the Board shall first pay for the operation, administration, and capital expenses of the specific forms of gambling operated and licensed by the Board as authorized by this chapter, including the payment of prizes to winners of the games, as specified in this chapter pursuant to regulations promulgated by the Board. The remainder shall be paid over by the Board, on a monthly basis promptly after the 1st of the month for the preceding month, into the General Fund of the District of Columbia as general purpose revenue funds of the District of Columbia.



## **D.C. Official Code § 3-1314 (2014)**

### *Operation of Daily Number Games*

The Board shall operate and conduct a daily numbers game. The proceeds of the sale of tickets shall be deposited in the Fund from which prizes shall be paid in the manner specified in § 3-1312. The Board shall authorize daily numbers games sales agents to distribute monies from the Fund to holders of winning tickets pursuant to regulations established by the Board. The Board may provide by regulation for the payment of prizes to winners directly by licensed agents.

## **D.C. Official Code § 3-1315 (2014)**

### *Sale of Lottery and Daily Number Games tickets by licensed agents; unauthorized sale*

The Board may license, as agents to sell lottery and daily numbers games tickets, such persons and establishments as, in its judgment, possess the requisite qualifications, including, but not limited to: The financial responsibility of the person and his business or activity; the accessibility of the place of business or activity to the public; the sufficiency of existing licenses to serve the public convenience; and the volume of expected sales. No license as an agent shall be issued to any person to engage in business primarily as a lottery agent. The Board may authorize compensation to such agents in such manner and amounts and subject to such limitations as it may determine are necessary to assure adequate availability of lottery and daily numbers games tickets. The Board shall also require that an agent be bonded in such amounts and in such manner as determined by the Board. The Board shall condition the issuance of a license upon the written agreement of the licensee to indemnify and to save harmless the District of Columbia against any and all actions, claims, and demands of whatever kind or nature which the District of Columbia may incur by reason of or in consequence of issuing such license. No lottery or daily numbers games tickets shall be sold at other than the price fixed by the Board, and no sale shall be made by other than a licensee or his employee. Any person convicted of violating this section shall be subject to a fine not to exceed \$ 1,000 or imprisonment not to exceed 6 months, or both.

## **D.C. Official Code § 3-1316 (2014)**

### *Sales agents special accounts; reports of receipts and transactions*

(a) The Board, in its discretion, may require lottery and daily numbers games sales agents to deposit in the Fund or a special escrow account, in the name of the Board, to the credit of the Board, which the Board is authorized to establish, in institutions designated by it which are legal for the deposit of municipal funds, all monies

received by such agents from the sale of lottery and daily numbers games tickets less the amount of authorized compensation to licensed agents and prizes, if any, authorized under § 3-1314, and to file with the Board reports of their receipts and transactions in the sale of lottery and daily numbers games tickets in such form and containing such information as the Board may require.

(b) Lottery and daily numbers games sales agents shall hold in trust, for the benefit of the Board, all monies received by the agent from the sale of lottery and daily numbers games tickets until such monies are transferred to the Board. The Board shall determine the amount of compensation to be paid to the sales agents and the amount of prizes to be paid by sales agents. The Board shall have authority to adopt regulations to implement this section.

#### **D.C. Official Code § 3-1318 (2014)**

##### *Unclaimed Prizes*

(a) An unclaimed prize for a winning ticket or share shall be retained by the Board for the person entitled to the prize for 180 days after the drawing in which the prize was won. If no claim is made for the prize within the 180-day period, the unclaimed prize funds shall be used as follows...

(1) The first \$ 150,000 in fiscal year 2012 shall be used by the Deputy Mayor for Planning and Economic Development ("Deputy Mayor") to fund Earned Income Tax Credit outreach and marketing efforts for District residents. The Deputy Mayor is authorized to make direct grants to qualified community partners to effectuate the purpose of this paragraph, subject to terms and conditions approved by the Deputy Mayor.

(2) The next \$ 350,000 in fiscal year 2012 shall be deposited in the unrestricted balance of the General Fund of the District of Columbia and recognized as fiscal year 2012 revenues.

(3) The next \$ 250,000 in fiscal year 2012 shall be used by the Deputy Mayor to fund cultural activities in the Chinatown community. The Deputy Mayor is authorized to make direct grants to qualified community partners to effectuate the purpose of this paragraph, subject to terms and conditions approved by the Deputy Mayor.

(4) The next \$ 15,000 in fiscal year 2012 shall be used to fund the Mayor's Council on Physical Fitness, Health, and Nutrition.

(5) Any subsequent unclaimed prize funds shall be used by the Board as additional prizes in lottery games or promotions.

(b) Nothing in this section shall be construed to prohibit the holding of bonus games or drawings with a preannounced period for claiming



prizes of other than 180 days. The Board shall have the authority to establish by rule or regulation the claim periods for tickets issued by electronic instant-ticket-vending machines, games offered via the internet, and promotional games.

#### **D.C. Official Code § 3-1320 (2014)**

##### *Persons ineligible to purchase tickets or shares or receive prizes*

(a) No ticket or share shall be purchased by, and no prize shall be paid to, any of the following persons: Any member or employee of the Board or any spouse, domestic partner, child, brother, sister, or parent residing as a member of the same household in the principal place of abode of any member or employee of the Board.

(b) For the purposes of this section, the term "domestic partner" shall have the same meaning as provided in § 32-701(3)

#### **D.C. Official Code § 3-1321 (2014)**

##### *Rules and regulations governing conduct of lottery and daily numbers games*

The Board shall adopt rules and regulations governing the conduct of lotteries and daily numbers games to insure the integrity of the conduct of lotteries and daily numbers games to protect the economic welfare and interests in fair and honest play of lotteries and daily numbers games participants. Such rules and regulations shall include, but not be limited to: Specific application requirements and the form thereof; the terms, conditions, and rules for lotteries or daily numbers games; amount of or value of prizes; and the occasions on and frequency with which lotteries and daily numbers games may be conducted. The Board shall have the authority to impose a fine of not more than \$ 1,000 for any violation of such rules and regulations. The Board also shall have the authority to suspend licenses of any person, firm, partnership, association, organization, or corporation for a period not to exceed 60 days for violation of such rules and regulations. All fines imposed pursuant to this section shall be paid over to the Board which shall place such fines in the Fund. Any person, firm, partnership, association, organization, or corporation fined or suspended pursuant to this section shall have a right to a hearing before the Board and, in the event of its affirmation of such fine or suspension, the right to appeal such fine or suspension to the Superior Court of the District of Columbia.

#### **D.C. Official Code § 3-1325 (2014)**

##### *Designation of individual responsible for proper utilization of receipts; financial responsibility bond; license fees*

Each person, firm, partnership, association, organization, or corporation conducting bingo and raffles shall designate an individual as responsible for the proper utilization of gross receipts in a manner not in violation of or contrary to the rules and regulations of the Board and to insure that utilization of such gross receipts is in accordance with and sanctioned by such rules and regulations. A financial responsibility bond with sufficient sureties shall be given to the Board to insure the faithful discharge of the duties of the responsible member for the proper utilization of gross receipts and payment of all required fees and taxes. Said financial responsibility bond and said fees shall be determined by the Board. Each person, firm, partnership, association, organization, or corporation shall pay to the Board a license fee for each occasion proposed for the conduct of bingo and raffles; an annual license fee for each person designated to conduct bingo and raffles on each proposed occasion; and an annual license fee for each member responsible for the proper utilization of gross receipts.

#### **D.C. Official Code § 3-1335 (2014)**

##### *Payment of prize by or on behalf of minor*

If a person entitled to a lottery prize is under 18 years of age and the prize is less than \$5,000, the Board may require that payment of the prize be directed to an adult member of the minor's family or to a guardian of the minor in a check or draft payable to the order of the minor. If the person entitled to the prize is under 18 years of age and the prize is \$5,000 or more, the Board may direct payment to the minor by depositing the amount of the prize in any bank, to the credit of an adult member of the minor's family or to a guardian of the minor, as custodian of the minor. The person so named as custodian shall have the same duties and powers as a custodian designated under Uniform Transfers to Minors Act, Chapter 3 of Title 21. The Board is discharged of all further liability upon payment of the prize to a minor under this section.

#### **D.C. Official Code § 2-221.02**

##### *Rules and regulations governing interest penalty payments by District agencies; computation and payment of penalties*

(a) (1) In accordance with rules and regulations issued by the Mayor of the District of Columbia ("Mayor"), each agency of the District of Columbia government ("District"), under the direct control of the Mayor, which acquires property or services from a business concern but which does not make payment for each complete delivered item of property or service by the required payment date shall pay an interest penalty to the business concern in accordance with this section on the amount of the payment which is due.

(2) Each rule or regulation issued pursuant to paragraph (1) of this subsection shall:

(A) Specify that the required payment date shall be:

(i) The date on which payment is due under the terms of the contract for the provision of the property or service; or

(ii) 30 calendar days, excluding legal holidays, after receipt of a proper invoice for the amount of the payment due, if a specific date on which payment is due is not established by contract...

(D) Require that, within 15 days after the date on which any invoice is received, District agencies notify the business concern in writing of any defect in the invoice or delivered goods, property or services or impropriety of any kind which would prevent the running of the time period specified in subparagraph (A)(ii) of this paragraph.

(b) (1) Interest penalties on amounts due to a business concern under this subchapter shall be due and payable to the concern for the period beginning on the day after the required payment date and ending on the date on which payment of the amount is made, except that no interest penalty shall be paid if payment for the complete delivered item of property or service concerned is made on or before: (A) the 3rd day after the required payment date, in the case of meat or a meat product, described in subsection (a)(2)(B)(i) of this section; (B) the 5th day after the required payment date, in the case of an agricultural commodity, described in subsection (a)(2)(B)(ii) of this section; or (C) the 15th day after the required payment date in the case of any other item. Interest, computed at a rate of not less than 1%, shall be determined by the Mayor by regulation...

(2) Any amount of an interest penalty which remains unpaid at the end of any 30-day period shall be added to the principal amount of the debt and thereafter interest penalties shall accrue on the added amount.

(c) This section does not authorize the appropriation of additional funds for the payment of interest penalties required by this section. A District agency shall pay any interest penalty required by this section out of funds made available for the administration or operation of the program for which the penalty was incurred.