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Lottery Mismanagement Allows for Poor Spending Practices

SACRAMENTO — State Controller Betty T. Yee today published a report of her team's audit of the California Lottery's office revolving fund and travel expenses from July 2014 through June 2018, which identified more than \$240,000 in unallowable costs and \$64,000 in questionable spending.

"Lottery management's lenient oversight and disregard for policies and procedures allowed for more than \$300,000 in prohibited and questionable costs," said Controller Yee, the state's chief fiscal officer. "Clearly, Lottery management needs to overhaul their internal controls and enforce state policies."

Among the auditors' key findings:

- 1 More than half of impermissible spending (\$131,832) came from inappropriate or unnecessary employee travel expenses for sales staff events such as reimbursement of meals, per diem, and lodging for staff members who lived as close as six miles from an event site, a violation of California Department of Human Resources (CalHR) directives. In addition, when probed by auditors, Lottery staff could not identify one reimbursed individual as an employee or contractor.
- 1 An additional \$42,378 in mileage reimbursements were inappropriate, while \$47,439 were deemed questionable due to lack of documentation. Management instructed Lottery staff to claim personal mileage improperly. One sales manager skirted CalHR policies by overbilling mileage by more than \$14,000 with 81 percent of miles inappropriately reimbursed.
- 1 The Lottery spent \$21,666 to provide agency staff with logo-branded "swag" such as t-shirts, backpacks, lip balm, and iPad portfolios under the guise of buying "learning aids" and "training tools."

California voters approved the California State Lottery Act in 1984 (Proposition 37) with the purpose of providing supplemental money to benefit public education without the imposition of additional or increased taxes. Since 1985, the Lottery has provided more than \$34 billion to California public schools.

The Lottery indicated that it has implemented or plans to implement corrective actions in response to the Controller's audit, available [here](#). The Controller's audit team plans to follow-up on the Lottery's progress in six months.

Since January 2015, Controller Yee and her audit team have identified more than \$4.25 billion in misuse, waste, and fraud involving public funds. The State Controller's audits and reviews of government entities can be accessed [here](#).

As the chief fiscal officer of California, Controller Yee is responsible for accountability and disbursement of the state's financial resources. The Controller has independent auditing authority over government agencies that spend state funds. She is a member of numerous financing authorities, and fiscal and financial oversight entities including the Franchise Tax Board. She also serves on the boards for the nation's two largest public pension funds. Elected in 2014 and reelected in 2018, Controller Yee is the tenth woman elected to a statewide office in California's history. Follow the Controller on Twitter at [@CAController](#) and on Facebook at [California State Controller's Office](#).

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