



*Proceeds Benefit Our Natural  
and Economic Environments.*

February 19, 2004

Mr. James Nobles  
Office of the Legislative Auditor  
658 Cedar Street  
Centennial Building, Room 140  
St. Paul, Minnesota 55155

Dear Mr. Nobles:

Thank you for the opportunity to respond to your evaluation report: “The Minnesota State Lottery.” We appreciate the hard work and analysis that went into this report. The report provides an insightful and fundamentally fair representation of the Lottery.

The review recognizes the complexity of its subject, the challenges faced in marketing the Lottery’s products, the need to maintain security and integrity, and the difficulties inherent in operating a business enterprise within the confines of state government. In particular, the report finds very little to criticize in the day-to-day operations of the Lottery or any evidence of systematic problems with lottery contracting, accounting and management. Most importantly, there are no findings regarding the security and integrity of lottery games. While the report makes a number of useful comparisons with other states, it notes that for a variety of factors “it might be unreasonable to expect the Minnesota Lottery to achieve the same level of profitability as the comparison states.”

The Lottery is a marketing driven and market-driving organization. It exists in a competitive and rapidly changing marketplace—no customer must buy a lottery ticket, nor must any retailer sell them. While the forms and procedures common to state government are often applicable, the Lottery’s mission is in many ways unique. As such, the Lottery must operate not only efficiently but also effectively. In order to maximize profits and achieve its mission the Lottery must take risks and make calculated business decisions.

The report contains 49 recommendations directed to the Lottery. With minor exceptions, we accept the report’s recommendations. Eleven of the recommendations have already been implemented. We expect to complete action on the remaining recommendations within one to four months.

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The report provides a road map to the Lottery's future. As we move forward, it is important to recognize actions that have already been taken. We began serious cost-cutting measures during FY03 that are now showing results. For the first six months of FY04 sales are up by 7 percent, but payments to the state are up by 26 percent. We continue to explore every opportunity to increase efficiency, to review every facet of our operation and, most importantly, to increase the revenue returned to the state.

Again, thank you for your efforts and the opportunity to comment on the report.

Sincerely,

*/s/ Michael M. Vekich*

Michael M. Vekich  
Acting Director