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**REVENUE**

**Missouri State Lottery  
Commission**



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Missouri State Lottery Commission  
 Management Advisory Report - State Auditor's Findings

## 2. Sponsorships

The Lottery incurred expenses greater than the amount of benefits for a majority of local community events it sponsored. During the 2 years ended June 30, 2011, the Lottery sponsored 45 special events and 16 local community events. As a sponsor, the Lottery receives exposure and advertising opportunities. According to Lottery personnel, these events are an opportunity to promote the Lottery, educate the public about the Lottery, and build relationships with players.

Special events included activities such as motorsports, sporting events, festivals, music concerts, and the State Fair, while local community events were smaller venues with less exposure. For the 2 years ended June 30, 2011, total sponsorship costs for special and local community events were approximately \$818,000 and \$421,000, respectively.

The Lottery evaluates the events annually to determine whether it receives a positive (benefits exceed costs) Return on Investment (ROI) for the event (a ROI greater than 1). Although the overall average of the ROI on the special events was 3.4 and 4.2 in fiscal year 2011 and 2010, respectively, the overall average ROI (.9) for the local community events was negative.

During the 2 years ended June 30, 2011, the following local community events were held (in order from highest to lowest costs):

Local Community Event	Cost	Benefit	ROI	Location
Black Expo 2011	\$ 82,813	53,932	0.7	St. Louis
Black Expo 2010	77,858	61,469	0.8	St. Louis
Gateway Classic 2010	75,675	53,358	0.7	St. Louis
Gateway Classic 2011	75,000	53,366	0.7	St. Louis
100 Black Men	25,000	14,600	0.6	St. Louis
Holiday Magic	22,997	28,365	1.2	St. Louis
Salute to Excellence in Education	15,000	12,103	0.8	St. Louis
St. Louis Business Women	12,760	10,511	0.8	St. Louis
Go! St. Louis	8,500	55,968	6.6	St. Louis
KC Riverfest	7,079	10,442	1.5	Kansas City
Community Women Against Hardship	5,000	4,096	0.8	St. Louis
Epsilon Lambda Benefit	5,000	8,138	1.6	St. Louis
Bill Picket Rodeo	3,018	3,379	1.1	Kansas City
Jim Butler Golf Benefit	2,237	1,670	0.7	St. Louis
Party on the Plaza	1,500	2,076	1.4	St. Louis
Missouri School Board Association	1,214	493	0.4	Osage Beach
<b>Total</b>	<b>\$ 420,651</b>	<b>373,966</b>	<b>0.9</b>	



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The majority of local community events (10 of 16) did not yield a positive ROI. In addition, the Lottery sponsored several events in fiscal year 2011 even though the ROI for the event was negative in fiscal year 2010, and none of the five local community events with the highest costs had a positive ROI.

To ensure lottery proceeds are spent in an efficient and effective matter, the Lottery should discontinue sponsoring local community events that do not provide a positive benefit.

## Recommendation

The Lottery discontinue sponsoring local community events which do not produce a positive ROI.

## Auditee's Response

*The Lottery Commission agrees with the recommendation and will continue to use the PINPOINT Sponsorship Evaluation System (implemented in July 2011) to systematically organize, measure and evaluate applications submitted to the Lottery for community and other sponsorships. The PINPOINT operating system uses algorithms that weigh a series of criteria based on Missouri Lottery's strategic marketing and public relations focus. Criteria include type of event, audience, media and signage values, geographic location, time of year, size of the event, as well as other intangible factors such as age of event, number of sponsors and industry exclusivity. Proposals are reviewed, rated and accepted or rejected based on the criteria. The system is also used to evaluate the results of completed sponsorships, including calculating benefits and costs associated with the Sponsorship. PINPOINT assists us in selecting sponsorships that best promote Lottery products; emphasize our mission of providing educational opportunities for Missouri students, supporting Missouri businesses and entertaining millions; and also provide a positive return. In addition, the Lottery takes Executive Order 05-30 minority- and women-owned business enterprise (MWBE) 10 percent and 5 percent targets very seriously and utilizes participation in minority and women community events, in addition to direct and subcontracted expenditures to MWBEs, to achieve these goals. The return on community events is typically lower than the return on other sponsorships because community events focus on community outreach and building relationships rather than ticket sales. The Lottery will work to raise the return on investment of these events.*

## 3. Advertising Expenditures

The advertising amounts reported to the General Assembly by the Lottery do not include some related expenditures. These additional advertising related expenditures totaled approximately \$3 million and \$1.9 million, for fiscal years 2011 and 2010, respectively. In addition, the advertising amount approved by the General Assembly is not adequately documented.

Lottery expenditures are paid from Lottery revenues and are subject to the legislative appropriation process. Lottery management also stated that,