



TEXAS LOTTERY COMMISSION

OFFICE OF THE CONTROLLER

PROCEDURE

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PROCEDURE NUMBER

OC-WP-001 [Supersedes OC-WP-001 effective October 2, 2009]

PURPOSE:

To provide standard guidelines for processing prize payments through Office of the Controller.

SCOPE:

This procedure applies to Office of the Controller and the Comptroller of Public Accounts through the Texas Treasury Safekeeping Trust Company (TTSTC). These procedures allow the commission to provide for prize payments in a uniform, systematic, and timely manner while implementing state and federal laws.

RESPONSIBILITY:

Prize payment personnel from Office of the Controller have primary responsibility for this procedure.

GENERAL:

The Office of the Controller shall oversee the implementation of this procedure for all prize payments processed by Office of the Controller Prize Payment staff. The following general guideline will be used.

- Ensure that prizes for amounts that exceed the claim center limits of \$1,000,000, prizes paid in installments, prizes awarded to minors, cash value prizes, 2nd chance drawings, and other special prizes not otherwise paid by a lottery claim center are processed in the lottery vendor [REDACTED] system.
- Issue single, weekly, monthly, quarterly, or annual payments to instant game recipients as provided by each game's game rules.

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- Issue timely annuity payments, cash value option (CVO) payments, or lump sum payments as provided by each game's game rules for on-line game recipients that are not otherwise paid by a lottery claim center.
- Make any necessary adjustments to the payments according to debt set-offs and warrant holds for other agencies, court orders, levies, or liens.
- Make payments per approved voluntary and involuntary assignments.
- Federal taxpayer numbers may be classified as a Taxpayer Identification Number (TIN), a Federal Employer Identification Number (EIN or FEIN). Individuals' Social Security Number (SSN) may also be considered as a TIN. An ITIN is an individual tax identification number.
- Prize winner may also be referred to as Player in [REDACTED].

Ref: Game Rules §401.301 General Definition

PROCEDURE

1. Upon notification of a new winner coming into the office for processing, Products staff will send an email to the Prize Payment staff informing them of the new winner. The email will include the game, the game number, the amount of winnings and when the winner will be coming in for processing.
2. Prize Payment staff will complete a checklist used for processing new winners.

Note: For citizens only - when creating the payment schedule, be sure to deduct the wager from the first payment tax calculation. DO NOT deduct the wager for non-citizens.

3. Prior to meeting with a new player the Prize Payment staff will be notified if the new player is claiming as an individual or an entity. Upon notification, the Prize Payment staff will need to verify if the State Comptroller's office has any type of hold status on the individuals SSN, entities FEIN or the members SSN's for the entity. If the player is claiming as an entity, Legal Services will provide an SSN for each member/beneficiary of the entity.

3.1. Access the State Comptroller's [REDACTED] system and navigate to the [REDACTED] screen to verify Player Status through either Social Security Number (SSN) or Federal Employer Identification Number (FEIN).

3.2. The [REDACTED] or [REDACTED] screen must be accessed in the following format:

[REDACTED](period)(2 for SSN or 1 TIN)(space)(period)

A last digit, or check digit, will automatically be entered in the remaining space by the computer system.

To verify by SSN, enter 10 digits: 2 as the first digit, then the 9-digit SSN.

To verify by TIN, enter 10 digits: 1 as the first digit, and then the 9-digit TIN



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3.3. Replace the [REDACTED] with [REDACTED]. This will show player hold information, with the agency name, dates, and codes needed to document the transaction.



3.4. Print the [REDACTED] screen if warrant hold information exists and exit [REDACTED].

3.5. Contact the agency in which a hold status exists. Document the name of the agency representative, the date of contact, and the amount of the outstanding debt. Any other notes regarding the set-off information should be documented on this sheet.

4. Prize Payment staff will meet with the player to provide and discuss the following financial information:
 - 4.1. Options on claiming the prize due to game rules
 - 4.2. Review of player payment schedule
 - 4.3. When to expect payment
 - 4.4. Amount of taxes that will be taken out of payment(s)
 - 4.5. When to expect their W2G tax form
 - 4.6. Obtain bank ACH instructions
 - 4.7. Inform player of a debt/setoff (if applicable from step 3 above) to be withheld from payment
 - 4.8. Discuss any winner questions

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6.3. Provide the claimant paperwork to Prize Payment staff to process the rest of claim.



New Player Processing

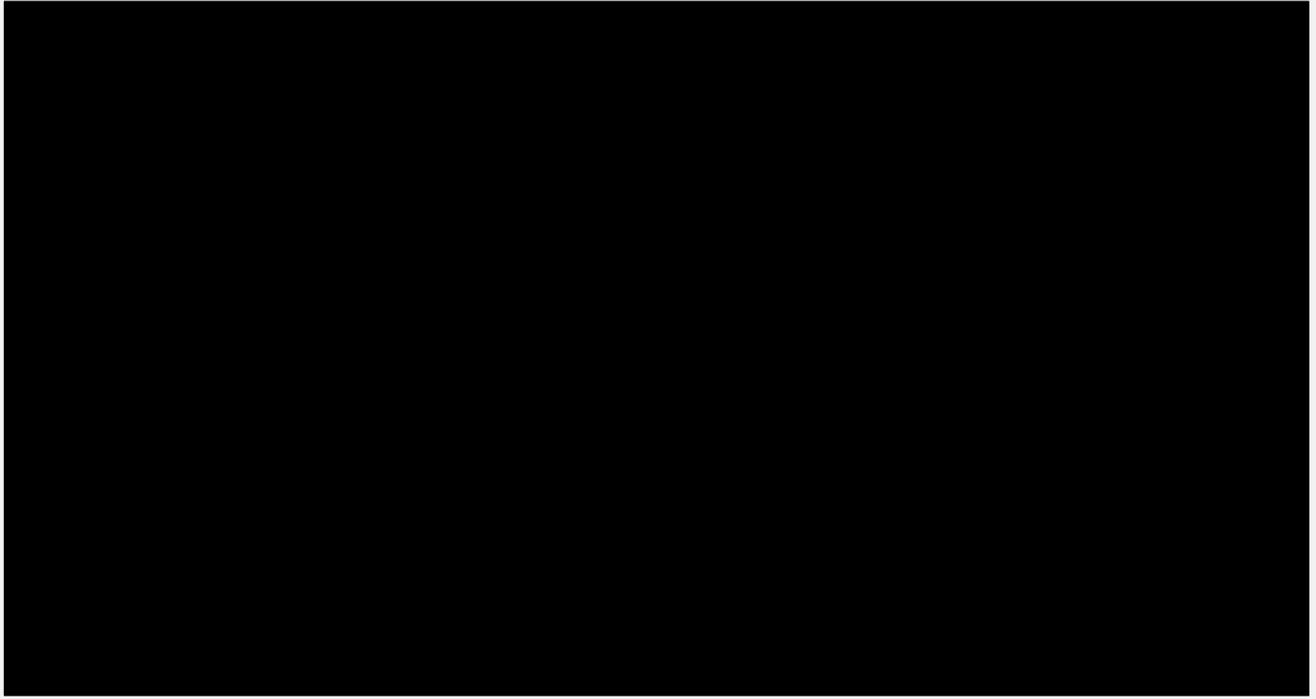
(For the first payment of an annuity payment, CVO or one-time payment)

7. Access  and Navigate to Player Services “Manage Claims”



8. Recall the claim created by the Austin Claim Center by using the Quick Search at top screen. Select “Claim Form #” from drop down and enter number from Claim Form. Press Enter.

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9. The Claim as entered by Austin Claim Center is displayed. Select Edit Claim tab.
10. Update the "Prize value" field with the gross amount of the prize. Select the first "Update" button. (■ will recall the prize amount that was supported by sales, not necessarily the guaranteed prize amount) Only update the amount if different, otherwise no update is needed.
11. Verify that the Total Prize Value and Total Cash Payout updates with new amount.
12. Select "Add Claimant".

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13. A blank player record is displayed. In the SSN field, key Player's SSN and press the Enter key on keyboard.
14. A popup window will appear. Select radio button next to players name and press "Continue"



15. The Player now is attached to the claim. Verify the citizenship. Select the second "Update" button and select "Submit".
16. In same screen, select the player's name (bold blue font). The Player record is displayed.

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17. Verify Personal Information and Contact Information to ensure that it agrees with the claim form.
18. If the address is not already "Validated", select "Validate Address" button to verify that the address information is correct with the postal service.
19. Under Bank Information, select "Add Account" and enter the banking information provided by the Player.
Check "Credit" box on both "Enable" and "Default Acct".
20. Select Submit

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21. Screen should return to "Edit Claim" and message at top should indicate that "Player changes have been submitted for approval" Select "Submit" again and message at top should indicate "Claim updated successfully".

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22. Give winner file to another Prize Payment staff for approval of Player changes.
 - 22.1. In order to view the changes, pull up Player Record and select "Approve Changes". Another screen will pop up. If information correct, select "Approve Changes". If revision needed, select "Reject Changes", make the correction to player record and then give back to original Prize Payment staff to "Approve Changes"

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23. File then is given to Management for Claim review and approval.
 - 23.1. Management recalls the claim in ■ and reviews the Ticket Information (specifically the prize value/cash payout) and Claimant information.

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23.2. Upon approval of claim, confirm “claim approved successfully” and net amount is correct.



24. If annuity, management then clicks on “Associated Annuities”, selects the created annuity and updates the following items:

24.1. “Anniversary Date:

24.1.1. If instant, date will be the first of the month of claim date. (i.e. Claim date is 1/30/2012, the anniversary date is January 1st of each year)

24.1.2. If Lotto, date will be the 15th of the month in which the draw occurred. (i.e., Draw date is 1/30/2012, the anniversary date is January of each year)

24.1.3. Mega Millions and Powerball are discussed further in procedure OC-WP-006.

24.2. Prize Amount: key in the Gross prize amount of the annuity

25. Approve the Annuity

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26. Review the Disbursement Plan to ensure it created correctly. If this is an annuity payment, the account type must be changed to reflect "Initial Payment" instead of annuity payment. After calling up the annuity details for the player, click on the Disbursement Number to change the account type. This must be done prior to the EFT overnight process. Give the folder back to the Prize Payment Staff.



27. The next day, you will need to check the Credit EFT file to ensure that the payment processed in ■.

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28. To check the Credit EFT File in ■■■, you will need to log into ■■■. Upon login, select "Payments" "Payment Schedule" and hit "Go".



29. Click on the dark blue wording of Credit EFT.



30. Click on "Search Payment Files".



31. Using the pull down menu, select "Credit EFT" for the schedule type. Payment date select "Previous 3 days". Hit search.



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32. Click on “View Log Status” that shows a number processed. If it shows a zero then there is not any information in that file. On the bottom of the screen it will show you which payments are in the file. If this is the batch you looking for, click on the file name to open the file. Save the file down to R\Controllor\Finoper\Tia-Files\Winners\Credit EFT\Appropriate folder.



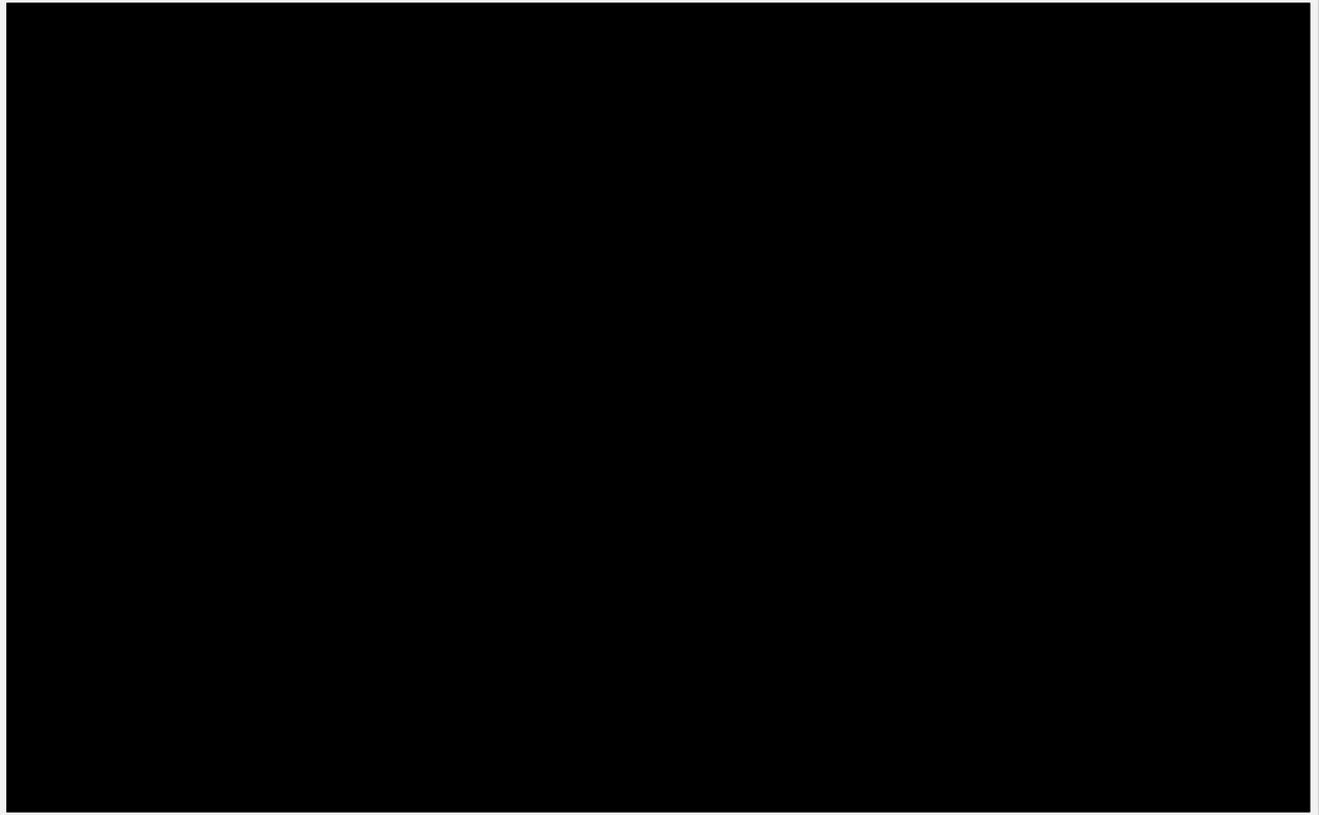
33. Review the information on the file. If all is good with the file, give both the Credit EFT file and the player folder to Management for review and approval.
34. Management will upload the Credit EFT batch in banking system and give folder and batch report to Prize Payment staff.
35. Prize Payment staff then sends an email to TTSTC requesting that the batch be released for payment.

Warrant Holds and Debt Set-offs

36. Each night the agency receives an electronic download from the State Controller’s office that shows any taxpayer number that has a hold status/debt setoff. The download is loaded directly into [REDACTED]. As payments are processed, the taxpayer number is compared to the download. If a taxpayer number matches the download then the hold status/debt setoff will be automatically be deducted from the player’s payment.
37. Compare the ([REDACTED]) screen print from above to what is showing in [REDACTED] as the debt/setoff. Make sure that the agency and amount agree.

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38. To check for hold in [REDACTED], select System Administration, Payment Preferences, Agencies from the pull down menus at the top of the page. Hit the “go” button.
39. Once the agencies appear, click on the agency name that is showing on the [REDACTED] screen print.



40. This will bring you to the agency screen. On the lower left hand side of the screen, click on the “Search by SSN” button and enter the SSN in the space below and hit “submit”.

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41. The debt/setoff should appear on the bottom of the screen under Setoffs. Verify that the player name, SSN, agency and amount agree with the [REDACTED] screen print. These amount(s) will automatically be deducted from the player's payment.



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42. If the debt/setoff is not included on , click the "Add New Setoff" button. Enter the new setoff information in the blank fields. The hold date and the effective date will automatically populate with today's date. Hit submit to process.

Federal Income Tax Withholding

43. Federal Income tax withholding will automatically be calculated at the current rate mandated by Federal Law, based on citizenship. The net amount will be calculated automatically.
44. If the player is a US citizen, the first payment will be calculated by taking the gross payment minus the wager amount then multiplying by the current rate.

Example:

Gross Winnings	1,000,000.00
<u>Wager</u>	<u>(2.00)</u>
Net Winnings	999,998.00
<u>Tax Rate</u>	<u>25%</u>
Taxes W/H	249,999.50

Gross Winnings	1,000,000.00
<u>Taxes W/H</u>	<u>(249,999.50)</u>
Net Payment	750,000.50

45. If the player is a non US citizen, then the wager amount is not subtracted when calculating the taxes.
46. The winner will receive an IRS Form W-2G or 1042S at year end depending upon citizenship based on IRS tax reporting requirements.

Voided Checks

47. If a payment needs to be voided for any reason in , the information must be given to management in order for them to void the payment.
48. Prize Payment staff will then re-issue the payment.

Manual Direct Deposit Transfer (ACH)

49. Once the claim information has been entered in , a payment is then issued as well. If a payment did not process or may need to be re-issued, the direct deposit information will need to be manually entered into the online banking ACH system. The ACH or Automated Clearing House system is used to electronically transfer funds between banks. A few of the reasons that a payment may need to be processed manually, would be that the payment was placed on hold/pending or the money was returned due to a closed account. The claim information is correct in , but a payment still needs to be made to the player.
50. Employees with access to the ACH system will be provided with training. Specific instructions are not being included within this procedure due to the secure nature of the information.
51. The Prize Payment staff will manually enter the direct deposit information into the ACH banking system. The staff with entry ability will not have the ability to create a batch or release a batch for payment. Print the ACH transaction screen, initial the screen print, note the effective date of the payment and forward the file and ACH screen print to management.
52. Management will create the batch for release in the ACH system. Management will not have access to enter transaction information or release a batch. An e-mail will be sent to TTSTC requesting the release of payment to the player. The creation of the batch by management servers as the approval for the batch to be paid.

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53. TTSTC will designate the release staff that has approval to release the batch to the bank for payment to the player. The release staff will not have access to enter a transaction or create a batch.

[REDACTED]

54. The database used to track winner information for winners processed by the Office of the Controller is referred to as the [REDACTED], or by the acronym [REDACTED].

The database was created and is maintained in [REDACTED].

55. Login to [REDACTED].

56. Open the [REDACTED] by selecting the [REDACTED] button.

57. The ticket information for on-line games is electronically populated by a download received from [REDACTED].

58. To update winner information or to enter a new on-line game winner, select the button "Update Winner Information". Updates for a new winner should occur the day after [REDACTED] entry

59. Search by draw number or draw date to locate the record that has been created for the ticket. Once the list of records is displayed, double click on the record to be recalled.



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60. Click on the “Retrieve Claimant Info” button to recall the winner information by claim number as entered in [REDACTED] on the previous day.
61. Review the information and click on the “OK” button to electronically populate [REDACTED] with the winner information.
62. Any additional information such as a phone number, members/beneficiaries of an entity, or other information can be entered by selecting the appropriate link/button.

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63. To add an instant game winner, select the Add Instant Game Winners button and follow the same instructions as provided for an on-line game winner.
64. After the winner payment has been approved by management, provide the winner file to another Prize Payment staff member to review the name/address entry for correctness. Because the entry is an electronic download from ■■■, any errors in the address information should also be corrected in ■■■.

General Guidelines

65. New winner payments are made 3 working days after the claim date. Holidays and weekend are not included.
66. For instant games, the payments will be provided per the game rules individually or as a combination of any of the following methods; weekly, monthly, quarterly, or annually. Note: Win for Life recipients cannot be given the option for annual payments.
67. Payment made each Wednesday for weekly installments (this may change at year end depending on the number of Wednesdays calculated for the year.) No more than 52 weekly payments will be made per year.
68. Payment made the first business day of the month for monthly installments. Note that the winner's anniversary date is based on the winner's claim date month. Monthly installments may have a different prize amount applied for the anniversary month of each year.
69. Payment made the first business day of the calendar quarter (January, April, July, October) for quarterly installments.
70. Payment made the first business day of the anniversary month of the claim for annual installments.

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71. Instructions for a change in the recipient's bank information or address information must be received as an original request with a notarized signature of the authorized signer for the player (i.e. individual, trustee, partner, executor, etc.) as long as the player is still receiving payments. After all payments have been made to the player, the player does not have to provide written instructions with a notarized signature. Written instructions, e-mail, or a telephone call is acceptable. If the player is still actively receiving payments, updates must be made to ■ and to ■.
72. Official name change must be received as a legally binding instrument, such as a court order, in order for the commission to act upon the request. These documents must be reviewed and approved by commission Legal Services prior to being acknowledged by the Prize Payment staff. Updates must be made to ■ and ■.
73. IRS Forms W-2G or Forms 1042-S are issued according to the respective procedures. OC-TX-001 IRS Form W-2G Reporting Process and OC-TX-004 IRS Form 1042-S Reporting Process.
74. At least once a year, verify the vital status of the Win For Life players. See Procedure OC-WP-008, **Win for Life Confirmation.**
75. A player for Lotto Texas may choose the Cash Value Option or 25 Annual Payments at the time of purchase.

Ref: Game Rules §401.302 Instant Game Rules
Ref: Game Rules §401.304 On-Line Game Rules
Ref: Game Rules §401.305 "Lotto Texas" On-Line Game Rules
Ref: Game Rules §401.312 "Texas Two Step" On-Line Game Rules

Payment of Prizes Awarded to a Minor

Ref: Texas Government Code, §466.405 Payment of Prizes Awarded To Minor

76. If a minor is entitled to prize money on a winning ticket in an amount of \$600 or more, payments to the minor may be made by depositing the amount of the prize in any bank to the credit of an adult member of the minor's family or of the minor's guardian as custodian for the minor.
77. If the prize is a non-cash prize, the minor may be entitled to receive the cash equivalent of the prize.
78. The Claim Center office will obtain the claim and direct deposit information and forward the paperwork to Office of the Controller.
79. If the value of the non-cash prize is unknown, research the working papers for the value. If the value is not included in the working papers, contact the Instant Products Coordinator in the Products Department.
80. The claims entry in ■ should reflect the information for the minor in order to send the IRS Form W-2G to the proper player.
81. The direct deposit instructions should include the information for the adult member of the minor's family or the minor's guardian as custodian for the minor.

Payments Upon the Death of a Prizewinner

Ref: Game Rules §466.310 Payment of Prize Payments Upon the Death of Prize Winner.

82. Notify Legal Services of a potential estate issue or change to the main representative of an entity.
83. In the event of a winner's death, the remaining payments will be made to the estate of the deceased prizewinner who claimed the prize as an individual. Legal Services can speak to the attorney or send a letter outlining the required documents.

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84. The legal representative, family member or attorney for the prizewinner should forward an original certified copy of the death certificate. Other documents such as a Will and/or Letters Testamentary that state the identity of the authorized representative for the estate should be forwarded. The estate should also forward an estate taxpayer identification number and any change of bank or address information with the notarized signature of the representative for the estate.
85. Once all estate related paperwork has been reviewed and approved by Legal Services, the payment schedule of the individual should be updated to transfer payments from the original claimant to the estate of the claimant. The original claimant name should not be changed on the payment schedule.
86. In order to add estate information to ■■■, a new player record must be created. Once the information has been added print the screen. This information will be needed further down in the procedure.



87. The estate player record will then need to be linked to the original player record. Call up the original player record using the players SSN or FEIN. Click on the tab "Associated Annuities".



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88. Click on the annuity ID number.



89. Click on the “Show Add Annuitant”. Use the screen print from step 86 to fill in the new information for the estate.



90. The estate information will appear under the original player’s name. An asterisk will appear next to the word (Show)*. This change will need to be approved by management.
91. Upon approval, go to the bottom of the page and click on “Add Annuity Task”. Enter the information for the task in the area’s highlighted in screen shot below. Have management review the new annuity task.
92. This is an overnight process, therefore, the next day you will need to review the change made to ■ to ensure that all further payments will be going to the estate instead of the original player.

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Involuntary Assignments

Ref: Game Rules §401.309 Assignability of Prizes and Game Rules §401.310 Payment of Prize Payments Upon the Death of Player.

93. Pursuant to an appropriate judicial order under Texas Government Code, §466.406(c) that resolves a bona fide underlying controversy involving the player.
94. The petition must be reviewed for the appropriate historical information of the original prize, any previous assignments, and the proposed assignment.
95. Verification of the authorized authority to sign as an individual or on behalf of an entity or estate.
96. Once the petition has been reviewed, an email is sent to the assigned attorney in Legal Services to report any errors in the petition or to receive clarification.
97. Once the final court order has been reviewed and if everything appears to be correct, send an e-mail to the assigned attorney to report that the review has been completed. If the information is not correct or any paperwork is missing, alert the assigned attorney that information is needed or needs to be corrected.
98. Once approved by Legal Services, approval will be forwarded to Office of the Controller via telephone, e-mail, or letter.
99. Updates to information in [REDACTED], [REDACTED], or any spreadsheets will need to be completed.
100. A new payment schedule will be printed to include the assignment information.
101. The original documents will be filed in the winner's file.

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102. If the current payment is due, and no response has been received by Legal Services, steps may be taken such as but not limited to the list below:
- E-mail the appropriate attorney for the status of the order.
 - Notify the appropriate attorney that a letter from the player’s attorney should be sent to acknowledge that no payment is to be made until the issue is resolved.
 - Payment may be made to the order of the court as approved by Legal Services.
 - Notification of Intent to Legal Services. The notification should state the circumstances and why prize payment staff intends to or not to make the payment as described.
103. Follow steps 86-92 to process the assignment in [REDACTED].

Voluntary Assignments

104. Pursuant to an order under Texas Government Code, §466.410 obtained by a player or an assignee of a player. Ref: Game Rules §466.410 Assignability of Prizes.
105. The petition must be reviewed for the appropriate historical information of the original prize, any previous assignments, and the proposed assignment.
106. Verification of the authorized authority to sign as an individual or on behalf of an entity or estate.
107. Once the petition has been reviewed, an email is sent to the assigned attorney in Legal Services to report any errors in the petition or to receive clarification.
108. General guidelines are as follows:
- Assignment must be made to a “person” designated by an order of a district court of Travis County. The original certified copy will be maintained in the winner’s file.
 - No more than three payees may be paid for any one prize made in any single payment period.
 - A \$500 administrative fee is required.
109. Verification of the final court order must also be reviewed for accuracy of information.
- Original player’s information
 - Prior assignments
 - Assigned payment information
 - Affidavits
 - Spousal consent
 - Release to Indemnify and Hold Harmless
 - Receipt of the required fee
110. Complete the assignment checklist to review the petition, draft order, and final order.
111. Once the final court order has been reviewed and if everything appears to be correct, send an e-mail to the assigned attorney to report that the review has been completed and the assignment fee has been received. If the information is not correct or any paperwork is missing, alert the assigned attorney that information is needed or needs to be corrected.
112. Once approved by Legal Services, the original acknowledgement letter will be forwarded to Office of the Controller.
113. Updates to information in the [REDACTED], [REDACTED], or any spreadsheets will be completed.
114. A new payment schedule will be printed to include the assignment information.
115. The original documents will be filed in the winner’s file.
116. Follow steps 86-92 to process the assignment in [REDACTED].

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Tax Liability 5754

117. If a winner presents Prize Payment staff with a IRS Form 5754 the Prize Payment staff reviews the form to ensure it was filled out completely and correctly and signed by the prizewinner.
118. Claim is prepared the same as steps for processing new winner beginning with step 5, but once the payment is created. click "Net Amount" and open the Payment screen.



119. Select the Tax Liability(5754) tab.

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120. Add the additional prize recipients in [REDACTED] as listed on Part II of the Form 5754.

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121. Once the recipient has been added, enter the Gross Amount of their portion of the winnings in the “Amount Won” box. Select “Update”.
122. When all recipients have been added, select “Submit”. The message “Tax Liability payee updated successfully” will appear at top.



123. The original prizewinner/claimant and the additional tax liability payees will be sent W2Gs at year end.

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Second Chance Winner Processing

124. Second Chance Winner Listings are posted on the website with the corresponding instant ticket game.
125. The claimant will be contacted about the non-cash prize and will be sent to the closest claim center to complete the claim form. The claim center will complete the claim form and forward to the Prize Payment staff. A second chance drawing of a non-cash prize may not be validated by the claim center because the ticket is not actually a winning ticket and therefore does not contain validation verifications.
126. If the winner owes any debts to other agencies, the winner must pay the debt prior to receiving the prize or the prize if forfeited and another winner is chosen.
127. Once the claim form is received, Prize Payment staff will process the claim in [REDACTED] and pay the required income tax withholding related to the prize. This entry is used to reimburse the prize payment account and provides information for the IRS Form, W-2G.
128. Before beginning to process the non-cash claim, a player search should be done to determine if the player is set up in [REDACTED]. The player will have to be set up in [REDACTED] if they do not already exist prior to starting the claims process.
129. All non-cash claims are processed as administrative/Non-Cash claims within [REDACTED] by choosing the correct drop down box after entering the "Create Claim" screen. The Instant (Manual) button is always chosen which will provide the right number of boxes to enter the ticket number.



130. Once the ticket number is entered the "add" button is pressed. Several more boxes will appear beside the entered ticket number. Under "Type", Merchandise should be chosen. The description of the prize won will be entered in the desc (description) box. The gross amount of the prize won should be entered in the Prize Value box and then press "Update".
131. Within the claimants section, the social security number should be entered. This will bring up the winning player. Choose the correct player and the data will populate the screen. Review all data for correctness and press the "Submit" button.

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132. Upon submission, print a screen shot. Give the screen shot, as well as the copy of the claim form and the prize value calculations, to management for approval.

133. Upon management approval, search for the Claim ID in [REDACTED] and click on the blue "Net Amount" prize value. This will open up the payment screen from where the tax document is printed. Print the tax document and staple to the approved screen shot and claim form copy for filing.



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