

# TEXAS LOTTERY COMMISSION INTERNAL AUDIT DIVISION



## An Internal Audit of CLAIM CENTER PRIZE VALIDATIONS

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IA #11-004  
March 2011



Mary Ann Williamson  
Chairman

J. Winston Krause  
Commissioner



# TEXAS LOTTERY COMMISSION

Gary Grief, Executive Director

Philip D. Sanderson, Charitable Bingo Operations Director

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March 29, 2011

Ms. Mary Ann Williamson  
Texas Lottery Commission  
P.O. Box 16630  
Austin, TX 78761-6630

Dear Chair Williamson:

The accompanying report details Internal Audit's completed review of Claim Center Prize Validations. The purpose of the audit was to evaluate the adequacy and effectiveness of the system of internal control and the quality of performance in carrying out assigned responsibilities related to the payment of prizes by Texas Lottery Commission Field Office Claim Centers (Claim Centers). Accordingly, our audit focused on prizes paid up to \$1 million. We evaluated processes designed to ensure the following: 1) reliability and integrity of information, 2) compliance with applicable requirements, 3) safeguarding of assets, 4) economical and efficient use of resources, and 5) accomplishment of goals and objectives. Specifically, we examined processes and controls designed to ensure accurate validation of tickets, proper verification of winners, accurate, appropriate, and timely payment of prizes, and excellent customer service.

*Overall, based on the results of our review, controls provide reasonable assurance that claims paid by TLC Claim Center staff are paid accurately, timely, and appropriately. In addition, Claim Center staff efforts are consistent with management's goals and objectives to provide excellent customer service.*

Responsible management has expressed agreement with Internal Audit's conclusions and recommendations detailed in the report and has included corrective actions in its responses. If you desire further information concerning this review, please do not hesitate to contact me at 512/344-5488.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Catherine A. Melvin".

Catherine A. Melvin, CIA, CPA  
Director, Internal Audit Division

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## EXECUTIVE SUMMARY

The Texas Lottery Commission (TLC) Field Office Claim Center (Claim Center) staff processed 60,439 prize checks in FY09. Prizes of \$1 to \$1,000,000 may be claimed at TLC Claim Centers using a Texas Lottery claim form. Players may submit their claims for validation in person at a lottery claim center or by mail.

The purpose of our audit was to evaluate the adequacy and effectiveness of the system of internal control and the quality of performance in carrying out assigned responsibilities related to the payment of prizes by TLC Claim Centers. Accordingly, our audit focused on prizes paid up to \$1 million. We evaluated processes designed to ensure the following: 1) reliability and integrity of information, 2) compliance with applicable requirements, 3) safeguarding of assets, 4) economical and efficient use of resources, and 5) accomplishment of goals and objectives. Specifically, we examined processes and controls designed to ensure accurate validation of tickets, proper verification of winners, accurate, appropriate, and timely payment of prizes, and excellent customer service.

*Overall, based on the results of our review, controls provide reasonable assurance that claims paid by TLC Claim Center staff are paid accurately, timely, and appropriately. In addition, Claim Center staff efforts are consistent with management's goals and objectives to provide excellent customer service.*

Internal Audit would like to express our appreciation to the Lottery Operations Division Claim Center staff for their cooperation and assistance during this engagement. Their courtesy and responsiveness extended to Internal Audit allowed us to complete our work effectively and efficiently.

## DETAILED REVIEW RESULTS

The objective of our audit was to evaluate the processes and controls designed to ensure accurate validation of tickets, proper verification of winners, accurate, appropriate, and timely payment of prizes, and excellent customer service. In completing our objective, Internal Audit observed the processing of claims at nine Texas Lottery Commission (Texas Lottery or Agency) Field Office Claim Centers (Claim Centers) and performed attribute and system testing. Specifically, we performed testing at the lottery operator's test lab to evaluate the effectiveness of the system of controls over the validation of prizes and accuracy of payments. Internal Audit performed attribute testing on a statistical sample of all claims paid during the review period (FY09 through November 2009). We performed additional attribute testing on separate statistical samples of administrative claims paid, claims valued between \$100,000 and \$1,000,000, and voided payments. The results of our review are presented below.

### 1 Validation of Tickets

The validation process is a critical step in ensuring the ticket presented for claim is indeed a winning ticket, that it is legitimate and payable. Validation of the ticket is reliant upon data maintained in the Claims and Payments system. Claim Center staff visually inspect presented tickets and then scan the ticket into the system for prize validation. The system of controls for validation of tickets is designed to mitigate risks, including but not limited to:

- Paying an expired ticket
- Paying a non-winning ticket
- Paying a counterfeit ticket
- Paying an altered ticket
- Paying a previously paid ticket
- Paying a stolen ticket

*Our testing disclosed accurate validations of tickets and sufficient reliability of critical systems.*

During the course of our audit, certain items regarding ticket validations came to our attention that are directly related to the "security plans and procedures of the agency designed to ensure the integrity and security of the operation of the lottery", including ensuring the "integrity and security of the selection of winning tickets".<sup>1</sup> For that reason, those items were communicated separately to management in a confidential management letter.

#### Recommendations:

None

<sup>1</sup> Texas Government Code §466.022

## 2 Verification of Winner

Verification of the winner helps ensure the correct claimant is paid and the claimant is eligible for payment. A claim form must be completed and proper identification must be verified in order to process the claim. Risks associated with inadequate verification of the claimant include:

- Payment to an ineligible person (e.g., minor, Texas Lottery employee, vendor employee)
- Denying or delaying payment to an eligible person
- Paying a prize to a person other than the signer of the ticket
- Incorrect identification of citizenship status

Internal Audit observed the processing of both walk-in and mail-in claims, and performed attribute testing to verify the following:

- Verification of ticket holder,
- Completeness of the claim form,
- Verification of identification,
- Check payee matched claim form, and
- Claimant signed for receipt of check, if applicable.

It is important to note that lottery tickets are bearer instruments. The Agency's Instant Game Rules and On-line Game Rules (General) state, "Payment of a prize will be made to the bearer of the validated winning ticket for that prize upon presentation of proper identification."<sup>2</sup>

*Our observations and testing disclosed adequate controls in place and proper verification of winners in the sample tested.*

During the course of our audit, we also noted items regarding verification of winners that are directly related to the "security plans and procedures of the agency designed to ensure the integrity and security of the operation of the lottery", including ensuring the "integrity and security of the selection of winning tickets".<sup>3</sup> For that reason, this information was also communicated separately to management in the confidential management letter noted earlier in this report.

### Recommendations:

None

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<sup>2</sup> Texas Administrative Code, Title 16, Part 9, Chapter 401, Subchapter D, Rule §401.302 & Rule §401.304

<sup>3</sup> Texas Government Code §466.022

### 3 Payment of Prizes

Payment of the cash prize is the final step in processing a claim. Once a ticket has been successfully validated, it is critical an accurate prize payment check is issued to the claimant. Critical risks can include the following:

- Incorrect prize amount (either too much or too little)
- Incorrect offset of debt owed (debt owed not identified, offset of debt not owed, debt miscalculated)
- Incorrect tax withholding (not identified, withheld but not applicable, miscalculated)
- Miscalculating final dollar amount after debt offset and/or tax withholding, as applicable
- Check printed incorrectly

Internal Audit's testing attributes included verifying the prize amount, tax withholdings, if applicable, and any offsets required by law to ensure an accurate prize payment was issued. *Overall, based on the documentation available, our testing disclosed accurate and proper payment of cash prizes by Claim Centers.*

However, during our review, we noted issues related to prize payments that required management's attention. We found control weaknesses in the area of required deductions (debt offsets) that could have had an impact on the final check amount issued to the claimant as detailed below. In addition, we found the Agency had not yet adopted statutorily-required administrative rules regarding deductions of child support from certain lottery winnings. It should be noted, management took corrective actions during the audit to remedy both issues.

#### Required Deductions

The State Lottery Act requires the Agency to take deductions from lottery winnings for certain debts.<sup>4</sup> The Agency must deduct the amount of a delinquent tax (or other money owed) from the winnings of persons delinquent in or in default of the following:

- Payment of a tax or other money collected by the Texas Comptroller of Public Accounts, the Texas Workforce Commission, or the Texas Alcoholic Beverage Commission.
- Child support payments administered or collected by the attorney general.
- Reimbursement to the Texas Department of Human Services for a benefit granted in error under the food stamp program or the program of financial assistance.
- Education loan owed to the Texas Higher Education Coordinating Board or the Texas Guaranteed Student Loan Corporation.
- Child support for which a certified copy of a court order and a notice of child support lien has been provided in which a court has ordered an amount to be paid as delinquent from a person's winnings.

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<sup>4</sup> Texas Government Code, §466.407, §466.4075, §466.4075

Withholding debts is also required by Government Code §403.055 which prohibits the Comptroller from issuing a warrant or initiating an electronic funds transfer to a person who has been reported properly and determined to have indebtedness to the state or have a tax delinquency. The Comptroller's Office is authorized to deduct (or offset) the amount of a person's indebtedness to the state or tax liability from any amount the state owes the person or the person's successor.

Prior to the fall of 2009, based on a claimant's social security number, the Claims and Payments system would identify whether the claimant had a debt owed to the state that required a deduction. At that time, the system would only display the state agency to which the debt was owed and a reason code for the hold. It did not identify the amount of the debt owed. Claim Center staff had to then telephone the state agency to obtain the amount that should be deducted from any lottery winnings. Once the deduction amount was determined, the Claim Center staff would then manually enter the amount into the Claims and Payments system, deducting the amount from the prize winnings. There were a number of risks with this process, including the following:

- There was no formal documentation from the state agency to ensure the debt amount was official and accurate.
- There was no assurance debts were in fact deducted as required. Debts could be ignored either inadvertently or purposefully.
- Because the process relied on manual calculations, there was limited assurance the accurate amount was deducted or that the ultimate prize amount was accurate.
- Reportedly, this process could take hours or even days to locate the needed information.

In the spring of 2010, the process of identifying debts owed by claimants was improved by having the system both identify the hold and populate the system with the agency and reason code as well as the debt amount. This improvement was done through a system enhancement that uses a table to obtain the information directly from a file that is provided by the Texas Comptroller of Public Accounts. If a debt is identified by the system, it is then automatically deducted from the claim and the Claim Center staff no longer have to manually enter the data and can no longer bypass this step in the process or change amounts identified without additional review.

While this enhancement improved efficiency and tightened controls over the process, there was a system limitation to identifying all debts owed. The Claims and Payments system reference tables used to identify a debt owed did not contain all of the codes that were contained in the Comptroller's file. This resulted in the system not identifying debts owed if they were from an agency or reason code whose code did not appear in the Claims and Payments system reference tables. The Agency has since worked to resolve this issue. The system now pulls all information from the Comptroller's file, and therefore offsets provided by the Comptroller's file will be identified for collections.

It is important to understand, however, that even with these improvements, limitations will still exist in identifying debts owed to the state. Due to reasons beyond the Agency's control, including limitations from the Comptroller's file, the Agency may not always be able to identify a required debt owed to the state.

### Adoption of Required Rules

Both sections of Texas Government Code, §466.4075 require the Agency to adopt rules regarding deductions of child support from certain lottery winnings. These provisions were added to the State Lottery Act in 1999. At the time of our audit, no rules had been adopted as required. On May 21, 2010, the Commission approved proposed rules to be published for submission to the Texas Register for public comment and on August 10, 2010, the Commission adopted the rules as published.

### **Recommendations:**

None

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## **4 Claimant Experience**

The Drawing and Validations Department (under which the Claim Center staff are housed) strives to provide the highest possible customer service to lottery players while protecting the security and integrity of the Texas Lottery. The Claim Center staff are the “face of the Lottery” and one of management’s goals is that players consistently have the same high quality experience at any of the Claim Centers in the State of Texas. The claimant experience includes the customer service provided at the Claim Centers and also the timeliness of the processing of mail-in claims in Austin.

### Winning Experience

While Claim Center staff perform a number of responsibilities, one of the activities most central to the purpose of the Claim Centers is providing quality customer service for players. Management’s stated goals include providing quality customer service for players and making each claimant’s winning experience exciting and positive.

While excellent customer service is a stated critical objective, we found measures of the quality of service provided are currently not formally tracked or captured. Without capturing data and comparing actual performance to expectations, management cannot effectively and objectively assess whether quality customer service is being provided.

In the absence of customer service measurement data, Internal Audit performed observations of Claim Center staff as they assisted claimants and sought to review agency records to determine whether any positive feedback or complaints have been recorded.

During our audit, Internal Audit visited nine Claim Centers. At each location visited, staff were friendly, enthusiastic, and helpful to the claimants. Staff also treated claimants professionally when required debt owed to the state was identified and followed established Agency policies and procedures when processing claims. While Internal Audit noted regional differences at each location visited, the customer service provided at each Claim Center appeared to be consistent with management’s goals and objectives.

In our efforts to review feedback or complaints received from claimants regarding the customer service received, we found the Agency’s complaint management system does not

currently capture complaints made against the agency. In this aspect, the system is limited to tracking of complaints related to violations of Lottery statutes or administrative rules. Although some internal investigations by Enforcement are kept within the tracking system, Enforcement staff stated they were unaware of any investigations regarding customer service by claim center personnel.

*Timeliness of Payment of Mail-In Claims*

In addition to visiting a retailer or a Claim Center, claimants have the option to mail in their tickets for processing. These tickets arrive in the mailroom in Austin, are entered into the Automated Claims Tracking System (ACTS), and are then sent to the Austin Claim Center for processing.

The Agency website advises claimants, “Please allow 4-6 weeks for claims that are mailed in to be processed.” Per management, “processed” is defined as either the issuance of a prize check or other written communication from the Agency to the claimant. Other written communication can include a letter requesting additional information about the claim or indicating additional research may be needed. In discussion, management stated they strive to process mail-in claims within two weeks.

While management strives to process mail-in claims within two weeks, we found this goal has not been formalized. Accordingly, a system to formally monitor processing times has not yet been established. We found unpaid or incomplete claims were tracked manually and some claims remain open and unpaid for several months while awaiting the claimant to provide requested information.

In order to determine if actual mail-in claim processing times were in line with management’s expectations, Internal Audit sought to perform an analysis of information from ACTS for the period 9/1/2008 through 11/30/2009. While the date prize checks were issued was available, Internal Audit was unable to accurately determine the date any correspondence was sent to claimants due to limitations in the information available. Such information is currently not tracked in ACTS. As a result, we performed our analysis using the date the claim was received in the mail room and the date a check was issued. It should be noted, however, that this time span would include time that was outside the control of Claim Center staff – such as time awaiting additional requested information from a claimant, or time spent by Security or Enforcement staff to investigate a claim if needed. Based on our analysis, we found the average length of time to issue a prize check to mail-in claimants was 16 calendar days for the period reviewed. In addition, we noted 90.5 percent of prize checks were issued in four weeks or less and 96.3 percent of prize checks were issued in six weeks or less. (See Figure 1)

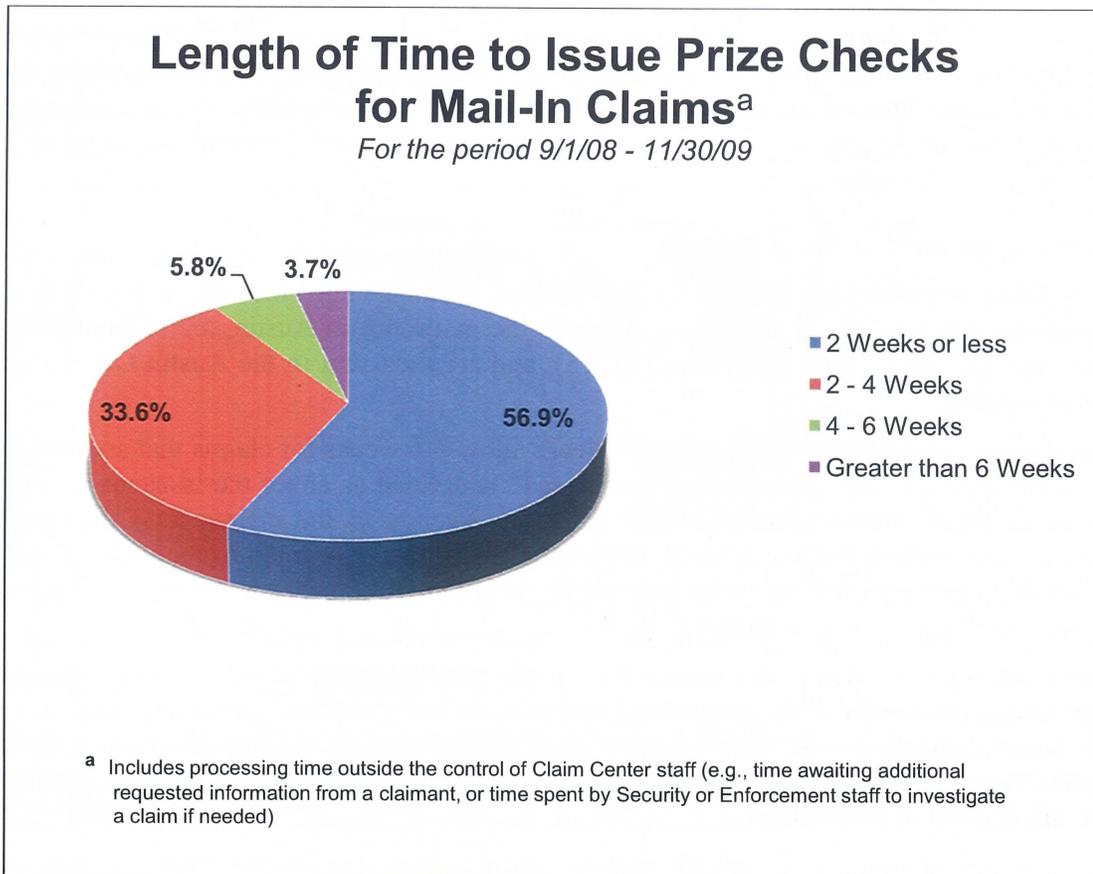


Figure 1

#### Recommendations:

Internal Audit recommends agency management establish and track performance measurements for customer service.

1. We recommend management assess opportunities and ways to measure the quality of customer service provided to walk-in claimants to ensure that “the face of the Lottery” is providing an exciting and positive experience to the claimant. By tracking customer service, the Texas Lottery Commission can better ensure that all Claim Centers are providing the same quality level of service to all claimants.
2. We recommend management set formal processing goals for mail-in claims and periodically measure actual performance against those goals, including reviewing reports from ACTS tracking unpaid claims. Management should consider the need to document and track follow-up efforts to request additional forms or documentation from claimants that have unpaid claims.

**Management Response:**

1. *Management concurs with the recommendation. The Claims and Payment Section within the Drawings and Validations Department will develop a procedure and process to track relevant feedback received from the public regarding customer service. This tracking will be maintained on an ongoing basis including documentation of any complaints and associated follow-up actions undertaken by management. Management will also monitor such feedback to determine if trends or patterns develop that require additional attention. Management will also ensure that department staff continues to receive appropriate customer service training from their supervisor in addition to any regularly scheduled classroom training.*
2. *Management concurs with the recommendation. Management will work with the Information Resources Department to develop system aging reports that address pending claims. The Austin Claims and Payment Office currently maintains a two- to four-week processing timeline for mail-in claims which do not require special handling (i.e. damaged tickets, investigation required, etc.). For claims requiring such special handling, the processing timeline can run longer depending on the circumstances. However, reporting tools will be developed and utilized by management to ensure that needed actions involving these claims are performed timely.*

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## **5 Management Controls**

Management controls are essential to ensure desired objectives are achieved and key risks are controlled or mitigated. Management control activities, “...are the policies, procedures, techniques, and mechanisms that enforce management’s directives...They help ensure that actions are taken to address risk.”<sup>5</sup> During our audit we identified some areas in which management can strengthen the controls over the claims payment process.

### Administrative Checks

On occasion, circumstances arise that require a payment to a claimant be processed outside the normal controls built into the Claims and Payments module within the Lottery Management System. These circumstances can include prize checks for tickets that have expired while in our possession, prize checks for tickets that were in “stolen” status but later determined to be legitimately purchased, or prize checks that must be reissued for various reasons (e.g., lost or expired). Such payment checks are called “administrative” checks. Accordingly, due to their nature, stricter controls and monitoring are needed over administrative checks.

While controls over administrative checks were in place, we found these controls could be strengthened. Two Claim Center staff members are required to complete the entry and release functions associated with the issuance of administrative checks. A staff member enters the

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<sup>5</sup> “Standards for Internal Control in the Federal Government” United States General Accounting Office, November 1999

claim information into the system and then a separate individual with “privileged” access must review and release the check to print.<sup>6</sup> “Privileged” access is controlled by system-level access that is approved, assigned and is limited to a small number of users by TLC management. Subsequently, a report listing all administrative checks issued for a time period is periodically run and reviewed to monitor administrative check issuance. At the time of our audit, we found this report was reviewed by the same individuals involved in the daily processing of claims that had “privileged” access and therefore reviewed and released the administrative checks at the time of issuance. This poses a risk that an unauthorized check could be processed unnoticed since the staff members are in a position to monitor their own work without additional oversight.

### Void Checks

Void Check Memos are created by Claim Center staff for all voided checks. The memo and original check are then forwarded to the Office of the Controller. At the time of our audit, Void Check Memos forwarded to the Office of the Controller were filed by fiscal year and not used for reconciliation purposes. Without reviewing the physical voided check during the reconciliation process, the Office of the Controller is not able to verify that all checks voided in the system have either had a stop payment placed on the check or the physical check has been forwarded to the Office of the Controller. Without the verification being performed during the reconciliation, there is a risk that a check voided in the system could be presented for payment.

### Performance Measurement

During our review, we found that management has controls in place to monitor the volume and the accuracy of claims processed. However, we found that management has not developed formal performance indicators or targets for determining if all of management’s goals and objectives are being achieved. As stated previously in this report, we noted that there was no formal measure or tracking of the quality of customer service provided. Without comparing actual performance to established performance targets, management cannot effectively and objectively assess whether the desired outcome of the process is being achieved.

### **Recommendation:**

Internal Audit recommends the following:

1. Ensure administrative checks are reviewed by an individual outside of the Claims and Payments process.
2. Strengthen the reconciliation process to:
  - a. Account for all voided checks, and
  - b. Ensure that a stop payment has been placed on all voided checks for which the Office of the Controller is not in possession of the physical check.

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<sup>6</sup> Texas Lottery Commission Procedure *LO-CC-014, Administrative Check Processing*, Effective Date 6/7/10.

3. Develop formal performance indicators or targets that will provide a measurement of whether or not the established goals and objectives are being met. These could be performance targets or trend analysis that would alert management of any changes to the desired performance. In addition to those recommended previously in this report, we recommend management consider whether other performance measures may be beneficial.

***Management Response:***

1. *Management concurs with the recommendation. The Drawings and Validations Manager routinely reviews the Administrative Claims Report and selects a random sample of claims for review. Going forward, this review will occur, at a minimum, on a monthly basis. Documentation of this review will be kept on file.*
2. *Management concurs with these recommendations. The Claims and Payment Section modified Procedure LO-CC-021, Prize Payment Void and Void/Reissue, on January 3, 2011 to address these recommendations. The Office of the Controller will also develop a procedure that addresses the tracking and accounting of all voided checks as related to the reconciliation process. The new procedure will require General Ledger Accountants to match all Voided Check Memos (with defaced checks) received for that day to the Daily Voided Check Report. The updated procedure will also require a General Ledger Accountant to place a stop payment for all checks for which a Voided Check Memo (with defaced check) is not received.*
3. *Management concurs in principle with the recommendation. However, management has not noted any significant changes in performance over time regarding claims processing that would yield value from the implementation of additional performance measures. That said, management will continue to monitor performance through both internal management controls and newly implemented external customer reporting, as noted in management response 1.a. of section 4 of this report. Should trends or patterns emerge as business processes evolve, management will evaluate the value of implementing further performance measures in this area.*

## BACKGROUND

The Drawing and Validations Department has a significant impact on the public's perception of the Texas Lottery Commission. The Drawings and Validations Department is comprised of the Draw Team (drawings) and the Field Office Claim Centers (validations). While the Draw Team oversees the drawings processes that produce the numbers for on-line games, the Field Office Claim Center (Claim Center) staff provide payment to those holding winning tickets as a result of all Texas Lottery games. There are 16 Claim Centers distributed throughout the state at which prizes of \$1 to \$1,000,000 may be claimed. Prizes may also be claimed by mail. Prizes over \$1,000,000 must be claimed at the Austin Claim Center.

### FIELD OFFICE CLAIM CENTER LOCATIONS



While Texas Lottery Commission Claim Center staff perform a number of responsibilities, one of the activities most central to the purpose of the Claim Centers is providing quality customer service for Texas Lottery players. Each Claim Center has a team of front line employees who share high standards of ethics, integrity, dedication, and loyalty and take great pride in representing the Texas Lottery to the public. The Claim Center teams recognize that part of their job is to deliver fun and excitement for the players while protecting the security and integrity of the Texas Lottery. Management's goals include providing quality customer service for players of the Texas Lottery and making each claimant's winning experience exciting and positive.



## AUDIT PURPOSE, SCOPE AND METHODOLOGY

### **Purpose:**

Internal Audit completed a review of Claim Center Prize Validations, as specified in the approved Fiscal Year 2010 Internal Audit Activity Plan. The purpose of the audit was to evaluate the adequacy and effectiveness of the system of internal control and the quality of performance in carrying out assigned responsibilities related to the payment of prizes by Texas Lottery Commission Field Office Claim Centers (Claim Centers). Our audit did not consider jackpot prizes claimed. We evaluated processes designed to ensure the following: 1) reliability and integrity of information, 2) compliance with applicable requirements, 3) safeguarding of assets, 4) economical and efficient use of resources, and 5) accomplishment of goals and objectives. Specifically, we examined processes and controls designed to ensure accurate validation of tickets, proper verification of winners, accurate and appropriate payment of prizes, and excellent customer service.

### **Scope:**

Internal Audit reviewed cash prizes up to and including \$1 million paid by Claim Centers during the time period of September 1, 2008 through November 30, 2009. We examined both mail-in and walk-in claims paid. This audit did not include a review of non-cash prizes paid by Claim Centers, nor did it include a review of the processes performed by the Lottery Operations Security department or the Enforcement Division prior to payment of a claim. This audit also did not include a review of other responsibilities of Claim Center staff outside of paying cash prizes.

The scope of our audit included examining the system of internal control designed to ensure process objectives.

### **Methodology:**

In accomplishing our objective, Internal Audit reviewed the procedures and observed the claims process at the Austin Claim Center and eight additional Claim Centers. Internal Audit also selected a statistical sample of all claims processed, administrative claims processed, voided claims, and claims greater than \$100,000 during the scope period. Internal Audit performed testing on various attributes related to control objectives of the process and requirements in the procedures.

Internal Audit interviewed responsible management and staff, examined and reviewed supporting documentation and electronic files, and performed selected test work as deemed necessary. Internal Audit's review included verifying the reliability and integrity of data from ProSys and ACTS. We relied upon other independent audit work as relevant and appropriate.

**Auditor’s Consideration of Fraud:**

In accordance with our professional standards, Internal Audit considered risks due to fraud that could significantly affect our audit objectives and the results of our audit. Accordingly, we designed our procedures to provide reasonable assurance of detecting fraud significant to the audit objectives. During the course of the audit, we were also alert to situations or transactions that could be indicative of fraud. We conducted our audit to provide reasonable assurance of detecting illegal acts or fraud that could significantly affect the audit results; however, it does not guarantee the discovery of illegal acts or fraud.

**Professional Standards:**

Internal Audit conducted this performance audit in accordance with the International Standards for the Professional Practice of Internal Auditing as promulgated by the Institute of Internal Auditors (IIA) in conjunction with generally accepted government auditing standards (GAGAS) as promulgated by the U.S. Government Accountability Office (GAO). 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 Team**

The following members of the Internal Audit Division performed this audit:

- Brenda Winkler, CIA, CSQA, CGAP, CGFM, CICA
- Susan Oballe, CIA, CGAP, CICA
- Dale Hernandez, CIA, CGAP, CCSA, CFE, CICA
- Nancy Walden, CGAP, CICA

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STATE OF TEXAS  
TEXAS LOTTERY COMMISSION

INTERNAL AUDIT DIVISION

An Internal Audit of  
CLAIM CENTER PRIZE VALIDATIONS

IA #11-004

March 2011

This report has been provided to the following:

Ms. Mary Ann Williamson, Chair  
Mr. J. Winston Krause, Commissioner

Mr. Gary Grief, Executive Director  
Mr. Philip D. Sanderson, Charitable Bingo Operations Director

This report is also provided to the following for appropriate distribution in accordance with  
Government Code §2102.009:

Ms. Brandy Marty, Director, Governor's Office of Budget, Planning and Policy  
Mr. John O'Brien, Director, Legislative Budget Board  
Mr. Ken Levine, Director, Sunset Advisory Commission  
Mr. John Keel, CPA, State Auditor