

An Internal Audit Report on  
**The Lottery Sales Representatives Program**

Internal Audit Report No. 09-021

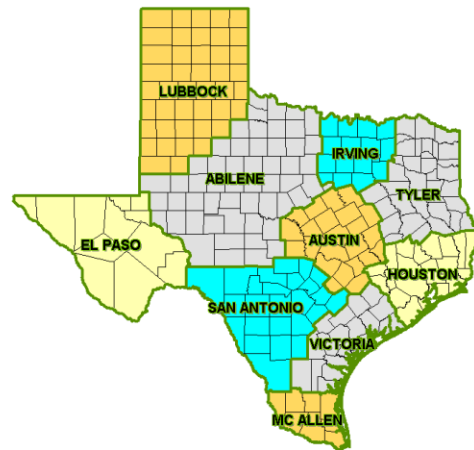
October 1, 2009

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

Dear Chair Williamson:

Internal Audit completed a review of the GTECH Texas (GTECH) Lottery Sales Representatives (LSR) program, as specified in the approved Fiscal Year 2009 Internal Audit Activity Plan.

Overall, we found Lottery Sales Representatives play an important role in the success of the Texas Lottery Commission. The LSRs have a wide range of responsibilities in serving over 16,000 retailers across the state of Texas. Accordingly, they face several challenges in the performance of these responsibilities, including balancing customer service with proper controls. Internal Audit noted many forms of oversight in place to manage and monitor LSR accomplishments. While LSRs are employees of GTECH, LSRs are monitored in various ways by both GTECH and the Texas Lottery. The LSR workforce is diverse, encompassing an average tenure of eight (8) years experience with GTECH Texas, and an 8.4 percent average turnover in the last six years.



**GTECH Sales Districts**

Lottery Sales Representatives are employed by the contracted lottery operator, GTECH Texas, to maximize sales by assisting retailers and promoting Texas Lottery games. The Texas Lottery Commission (Texas Lottery) relies on LSRs to provide services for over 16,000 retailers across the state. According to GTECH, LSRs have many responsibilities, but “it is their job to sell.”

Lottery Sales Representatives are the face of the Texas Lottery for retailers. Keeping the retailers happy is the LSR's ultimate outcome. Through consultative selling, the LSRs work with retailers to present Lottery products. This includes game placement and providing the right game mix for each retailer. Through their selling, marketing, and customer service with the retailers, LSRs reach the population that enjoys spending their entertainment dollars on Texas Lottery products.

In order to fully understand the role LSRs play in the overall success of the Texas Lottery, Internal Audit researched LSR activities and their oversight. To achieve our goal, Internal Audit reviewed the current GTECH contract, interviewed staff from both GTECH and the Texas Lottery, and obtained access to data, records, and operations. Texas Lottery staff arranged attendance for Internal Audit at regional LSR meetings and regional retailers meetings and promotional events, while GTECH facilitated Internal Audit participating in observational ride-alongs with LSRs on their retailer routes throughout the state. Internal Audit reviewed the GTECH LSR program over the period February 2009 through June 2009. In all, Internal Audit visited four regions, rode along with 10 LSRs observing 10 individual routes. In addition, Internal Audit observed GTECH's administration of two promotional events. Internal Audit also visited a number of retailers independently, including 15 of the top 25 top lottery selling retailers in the state in calendar year 2008. Internal Audit received outstanding cooperation in obtaining information and assistance from staff at both the Texas Lottery and GTECH.

We have provided agency management with further details regarding the information provided here in this report. In order to protect confidential and/or proprietary information, those details are accordingly not included in this report.

Internal Audit would like to express our appreciation to the Lottery Operations Division and GTECH Texas 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.

#### **Objectives, Scope, and Methodology**

The objective of our engagement was to gather information about GTECH Texas LSR activities and oversight, and present this information for TLC management's consideration. As part of our review, we reviewed the administration and management of the LSR program.

Internal Audit conducted its review during the period February through June 2009.

The engagement methodology consisted of conducting interviews; reviewing information; observing practices; and performing analyses of data.

Internal Audit conducted this engagement in accordance with the International Standards for the Professional Practice of Internal Auditing as promulgated by the Institute of Internal Auditors (IIA). The scope of work performed does not constitute an audit under generally accepted government auditing standards (GAGAS) as promulgated by the U.S. Government Accountability Office (GAO).

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

- Brenda Winkler, CIA, CSQA, CGAP, CGFM, CICA, MBA (Project Manager)
- Nancy Walden, CGAP, CICA

If you desire further information concerning this review, please do not hesitate to contact me at 512/344-5488.

Respectfully submitted,

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

cc: Mr. David J. Schenck, Commissioner  
Mr. J. Winston Krause, Commissioner  
Mr. Gary Grief, Deputy Executive Director  
Mr. Philip D. Sanderson, Charitable Bingo Operations Director

*The following additional distribution was made in accordance with Government Code §2102.009:*

Ms. Mary Katherine Stout, Director, Governor's Office of Budget, Planning and Policy  
Mr. John O'Brien, Director, Legislative Budget Board  
Mr. Joey Longley, Director, Sunset Advisory Commission  
Mr. John Keel, CPA, State Auditor