



Texas Lottery Commission

Internal Audit

An Internal Audit of

Enforcement Division

Background Checks and Case

Investigation Processes

February 17, 2017

Report #17-004

Prepared by:



This report provides management with information about the condition of risks and internal controls at a specific point in time. Future changes in environmental factors and actions by personnel will impact these risks and internal controls in ways that this report cannot anticipate.



INTRODUCTION

McConnell & Jones LLP (MJ) serving as the outsourced internal audit function (Internal Audit) for the Texas Lottery Commission (TLC) performed an internal audit of the agency’s Enforcement Division background check and case investigation processes. We conducted this audit in accordance with generally accepted government auditing standards (GAGAS). 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 observations and conclusions based on our audit objectives.

Pertinent information has not been omitted from this report. This report summarizes the audit scope and our assessment based on our audit objectives.

Objectives and Scope

The purpose of this audit is to review business processes and internal controls related to the Texas Lottery’s Enforcement Division background checks and case investigation processes. Internal Audit examined the following business processes during our audit:

- ✓ Background check requests
- ✓ Background check processing
- ✓ Background check results reporting
- ✓ Background check document security
- ✓ Case investigation intake, assignments, monitoring and reporting

The audit period included September 1, 2014 through August 31, 2016. However, some test procedures were performed as of fieldwork date. This work product was a point-in-time evaluation that cannot address the inherent dynamic nature of subsequent changes to the process/procedures reviewed.

Results and Conclusions

The Texas Lottery Commission’s Enforcement Division received a Texas Department of Public Safety On-Site Non-Criminal Justice Audit on June 30, 2016. This audit identified deficiencies in the processing of background checks, physical security of information and access security of the background check system. TLC’s Enforcement Division took immediate action to address and remedy the deficiencies noted. As a result, internal controls surrounding the background check processes are now enhanced.

We did not identify reportable findings related to internal controls.

Based on the audit results, we determined that controls over the Enforcement Division’s background check processes are

Internal controls over the background check and case investigation are effective.

effective and working as intended to achieve the business objectives and ensure integrity over the background check processes.

Acknowledgement

We wish to thank all staff involved in this audit for their professionalism and positive outlook towards the assessment of their operations. The timely completion of this audit was due to their efforts and responsiveness to our requests.

BACKGROUND

The Texas Lottery Commission Enforcement Division (Enforcement) serves as the investigative function for the lottery. Their authority to conduct the background investigations is granted under both the State Lottery Act and the Bingo Enabling Act. The Enforcement Division is tasked with processing background checks on:





- ✓ the lottery operator’s (IGT) directors, shareholders and employees;
- ✓ operator vendor employees;
- ✓ retailer license applicants;
- ✓ bingo license applicants;
- ✓ bingo workers;
- ✓ TLC vendors and vendor employees; and
- ✓ TLC new hires.

Enforcement Division staff are also responsible for investigating all complaints that are received. These can include:

- ✓ Complaints of retailer misconduct
- ✓ Questionable claims
- ✓ Administrative and/or criminal violations
- ✓ Vendor site inspections

Additionally, Enforcement Division staff act as liaison to outside law enforcement agencies where lottery or charitable bingo activities are involved.

Enforcement Division staff also conduct internal investigations when requested by TLC’s Executive Director.

Enforcement Division is staffed with 12 professional investigators in addition to the division director and three support staff, most of which are former peace officers. **Figure 1** depicts the Enforcement Division’s organization.



Figure 1: Texas Lottery Commission Enforcement Division

Background Check Requests

Background check requests are submitted through email and in-person to the Enforcement Division by all TLC divisions and the Charitable Bingo Operations Division (CBOD). The three designated Enforcement Division investigators are assigned to processing the investigation request. Background check request information is logged into TLC’s Compliance Activity Monitoring Process (CAMP) to create a record and track progress, results and final outcome.

The CAMP system is secured through access controls. These controls restrict the level of information that investigators and staff are allowed to see and share.

Background Check Processing

Enforcement Division investigators can process finger prints on-site with special equipment and computer linked directly to the Department of Public Safety (DPS) Secure Site. DPS then conducts a name-based criminal history record check on each name



submitted and returns a tape/report that states if an individual has a criminal history but does not include the details. If the individual does have a criminal history, the Enforcement Division investigator conducts additional research to determine what the crime(s) were and the judicial status.

Individuals also have the option to use a third-party service (IdentiGo) for their finger print background check. When individuals use this service, TLC receives the results through the daily DPS tape/report.

Background Check Reporting

All background check requests and results are performed through a dedicated computer terminal that is connected to DPS and is not connected to TLC's network. This dedicated computer is located within a locked cubicle within the Enforcement Division's office suite. Access to this computer requires a special access card. This access card serves as the third level of physical access control.

Enforcement Division investigators complete a background check report template within CAMP for each background check processed. This report provides the background case number, background check activity dates, background check results, and supporting documentation.

Licensee background check reports are provided to either the Lottery Operations Director through the lottery's Retailer Management System (RMS) or to the Charitable Bingo Operations Division Director through weekly meetings. None of the reports provided to the directors contain criminal history information details.

Background check reports for potential TLC employees are provided to TLC's Human Resources Director. Again, any criminal activity details are not included in the written report.

Vendor and vendor employee background check reports are provided to TLC's Administrative Division contract compliance coordinator. Again, any

criminal activity details are not included in the written report.

Background Check Document Security and Retention

The Enforcement Division's office suite is restricted to authorized individuals by electronic badge access. All background check applications, documents and reports are maintained in secured cabinets in locked offices within the Enforcement Division office suite.

Criminal history returns are physically destroyed upon completion of the background check report. Limited fingerprint cards are maintained in case files in the Enforcement Division's secured file room.

Investigation Intake, Assignments, Monitoring and Reporting

Complaints are received through email, telephone, TLC employees and the State Auditor's Office. Once a complaint is received it is logged into TLC's CAMP system and assigned to an Enforcement Division investigator for investigation. The assigned investigator updates CAMP with their investigation notes and the final report.

Monthly reports are generated from CAMP and reviewed with investigators to determine case status and ensure that the status within CAMP is accurate. The Enforcement Division Director monitors investigation progress through CAMP reports generated by each investigative team lead and discussed during weekly team meetings.

Once the investigation is completed, the investigator updates CAMP and completes the CAMP report. This is then reviewed by the Enforcement Division Director and routed to the appropriate divisions for further determination based on the investigation results and the investigators recommendation.