



# **Texas Lottery Commission**

## **Internal Audit**

*An Internal Audit of*

### **Mailroom Processes**

**August 30, 2018**

**Report #18-005**

*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 mailroom processes and internal controls.

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. This report summarizes the audit scope, objectives and our assessment of TLC's internal controls for mailroom processes.

## **Objectives and Scope**

Texas Lottery Commission receives correspondence, lottery game tickets, and checks through the mail. For the purposes of this audit, all references to cash means currency, certified checks, cashier's checks, bank checks and money orders.

The responsibility of TLC's mail center operations is a function of the Administration Division and specifically the facilities staff. Facilities staff manage, operate and oversee mailroom processes. TLC's mail center processes include secure retrieval, receiving, processing and distribution of daily mail in a timely manner and in accordance with internal procedures. Mail center operations are

divided into two areas; (1) mailroom, and (2) remittance room.

Access to the secure mailroom is limited to four facilities' staff members with primary and back-up responsibilities, as well as, one facilities manager. This area is also under 24-hour recorded video surveillance.

In addition to the mailroom processes, we also reviewed processes that occur in the remittance room. The remittance room is a physically secured area with camera surveillance. Designated Charitable Bingo Operations Division (CBOD), Retailer Services and Office of the Controller staff use this area to review correspondence with and without cash and process the cash received. CBOD also has a dedicated area within the remittance room to scan documents into the TLC's document repository system.

Given the sensitivity of mail received it is important that TLC has well designed internal controls for mail center operations and that they work as intended. Accordingly, we focused this audit on determining if TLC's processes and controls in place provide reasonable assurance that:

- ✓ Incoming and outgoing mail, as well as, lottery tickets and claims received through the mail are handled and tracked according to established policies which ensure security of the documents and checks.
- ✓ Remittance room processes are performed in accordance with internal procedures.
- ✓ The agency's document repository system is utilized to retain documentation in



accordance with TLC’s records retention schedule.

- ✓ Cash collected is logged and deposited accurately and timely.

We evaluated internal controls and business processes related to the mailroom operations for the period of September 1, 2017 through June 30, 2018. 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

We noted that the Charitable Bingo Operations Division does not have adequate

segregation of duties for their remittance room processes and their records retention schedule is not consistent with the agency’s other divisions. Implementation of recommendations identified in this report can enhance existing controls over the mailroom processes.

We also noted that checks and money orders received by the agency should be endorsed immediately upon receipt in mailroom when being logged by mailroom staff. This was immediately corrected during this audit.

This audit resulted in an overall internal control rating of **some improvement needed** based on the business processes reviewed.

**Figure 1** describes the internal control rating.

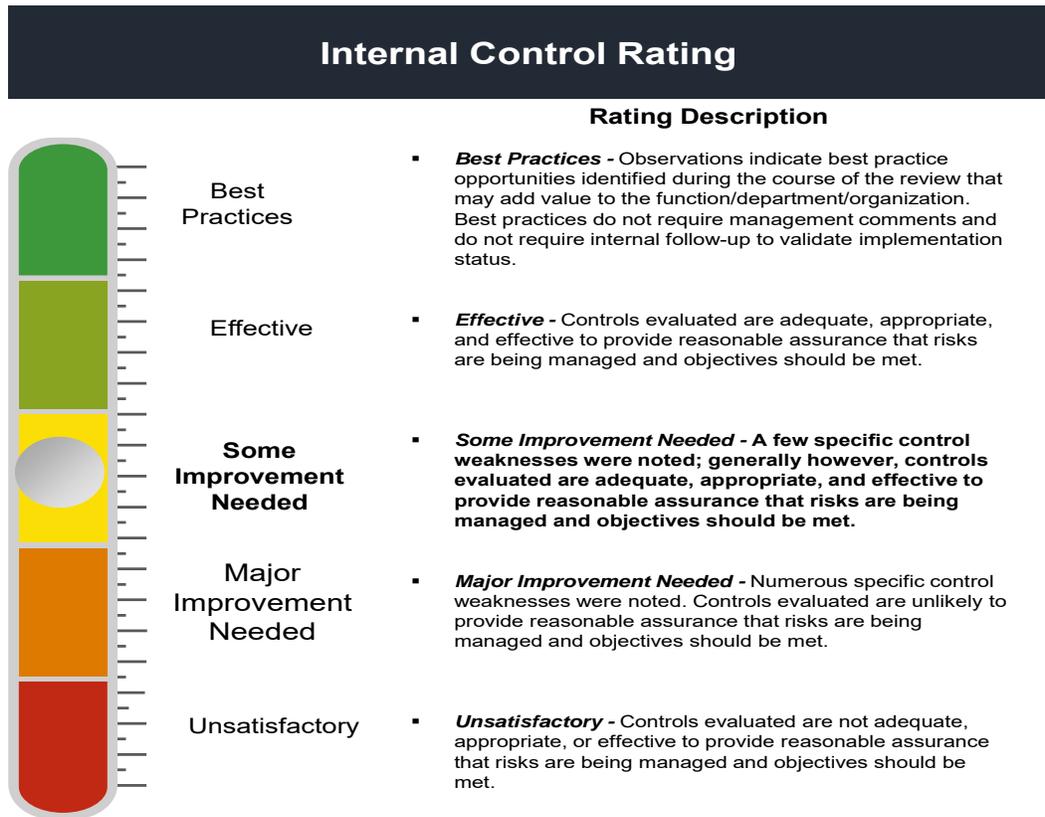


Figure 1 Internal control rating description.



### Acknowledgement

We wish to thank all staff involved in this audit for their professionalism and positive outlook towards the assessment of their business

## BACKGROUND

### Mailroom Processes

Mail is received at the Texas Lottery Commission through various methods which include:

- ✓ United States Postal Services
- ✓ Federal Express
- ✓ UPS
- ✓ TLC’s contracted carrier service
- ✓ TLC’s mailroom staff that pick-up mail from four locations throughout Austin, TX.

Mailroom staff are responsible for opening and sorting mail inside of the mailroom. The mail received includes pre-numbered sealed bags from TLC’s claim centers throughout Texas. Mailroom staff sort the mail into several categories which include:

- ✓ Traceable mail - any correspondence with a tracking number. This includes certified, insured, registered, priority and express mail. The tracking number is checked for accuracy and if it is determined to be inaccurate it is returned to sender. All other traceable mail is logged into the Package Delivery System, (PDS), and if it is not of monetary value it is hand delivered to the addressee in his or her department once logged by mailroom staff.
- ✓ General correspondence – items that does not contain traceable mail, cash or tickets. This mail type is placed in the appropriate department’s mailboxes.
- ✓ Tickets – items that include scratch-off tickets, claim forms and retailer adjustment forms. All items categorized as

processes. The timely completion of this audit was due to their efforts, responsiveness to our requests and maintenance of documentation in electronic format.

- tickets are entered into the Claims Tracking System (CTS) by received date by one mailroom staff.
- ✓ Cash – these items are entered into the Mail Center Check Log System, (MCCLS). This cash is sorted by: 1) license renewals, 2) licensing, 3) retailer accounting, 4) open records, and 5) miscellaneous. All cash categories are maintained separately with a summary sheet attached and signed by mailroom staff.
- ✓ CBOD’s mail is retrieved by CBOD staff and processed in the remittance room.

TLC receives a significant amount of money through the mail. **Figure 1** represents the number and amount of checks collected by mailroom staff by type for November 2017.

Type Received	Number of Checks	Total Checks
Licensing	19	\$ 16,850.00
Miscellaneous	10	\$ 7,233.81
Renewals	20	\$ 2,870.00
Retailer Accounting	20	\$ 443,623.25
<b>Total</b>	<b>69</b>	<b>\$ 470,577.06</b>

**Figure 1** November 2017 Checks Received

On a daily basis, secured blue bags are delivered to the mailroom staff by their contracted mail carrier service. These bags are picked-up from TLC’s claims centers and contain validated and unvalidated ticket claims in sealed clear bags. Mailroom staff utilize double verification of sealed contents. The seal number and contents are verified a



third time by Austin claim center staff who retrieves its contents. Logs are maintained within both the mailroom and claim center files.

Mailroom staff also retrieves all packages from courier services left with the security desk at TLC' Austin headquarters. Each package is logged on a Security Incoming Mail log and follows the same process as traceable mail.

On a weekly basis, the Austin claim center staff delivers to the mailroom cash collected from ticket sales and from various activities including TLC's Enforcement Division operations and retailer payments made in person. This is counted and logged on the Cash Received Log. This cash is counted in front of the claim center staff and signed off by both individuals prior to being submitted to TLC's Office of Controller staff for bank deposit.

**Figure 2** reflects the cash delivered to mailroom staff by the Austin claims center between September 1, 2017 and June 30, 2018.

Cash Received From	Number of Transactions	Amount Received
Enforcement Division Operations	114	\$ 5,176.00
Ticket Sales	36	\$ 49,263.08
Miscellaneous	2	\$ 5.30
<b>Total</b>	<b>152</b>	<b>\$ 54,444.38</b>

**Figure 2** Austin claim center cash submitted to mailroom staff

*\*miscellaneous represents a ticket purchase by money order and open records request.*

In addition to the high volume of incoming mail received and tracked, TLC mailroom staff also processes and tracks the number of

pieces of outgoing mail. **Figure 3** shows outgoing mail for November 2017 for the agency. The total encompasses the total number of letters, flats, certified mail, and international mail.

Outgoing Mail Type	Total
Regular Postal Mail	5,087
Southside Security	11
Traceable Mail	513
Mail returned to original internal staff or claim center due to lacking signatures	188
<b>Total</b>	<b>5,799</b>

**Figure 3** TLC outgoing mail volume November 2017.

Once mail is sorted and logged in the mailroom, it then goes to TLC's remittance room for additional processing. There are three different TLC divisions that process mail in the remittance room.

- ✓ Retailer Services
- ✓ Charitable Bingo Operations Division
- ✓ Office of Controller

### Retailer Services Remittance Room Processes

All checks are copied and the accompanying documentation is retained to be scanned into TLC's document repository system by the copy center. However, the original summary sheet along with a copy of each check is placed on top of the checks collected to be deposited by Office of the Controller staff. Also, a copy of the check and accompanying



documentation is distributed to Retailer Services staff for the transaction processing.

**Charitable Bingo Operations Division Remittance Room Processes**

The CBOD administrative assistant retrieves the mail from the processing bin in the window between the mailroom and remittance room. Documents are separated by type (temporary license, amendment, original license, quarterly reports, bonds, etc.). If the correspondence contains cash, the amount is written on the accompanying document with the check or money order number.

A Bingo Licensing Distribution Sheet (BLDS) is created when cash is received without an application or accompanying documentation. However, information such as a taxpayer name or number may be indicated on the payment.

CBOD mail is sorted and documented according to established procedures and then it is scanned into TLC’s document repository system.

CBOD designates an accountant to enter all items categorized as cash into the Mail Center Check Log System by type such as license, amendments, temporary licenses and charitable distributions. A summary sheet is then printed and attached to a copy of each check and then bundled with the original checks collected. This is then provided to the Office of Controller staff for deposit.

**Office of the Controller Remittance Room Processes**

As part of the remittance room processes, the Office of Controller is responsible for reviewing documents for cash to be deposited, preparing the deposit slip, and securing the cash in a locked bag to be transported to bank.

**PROCEDURES REVIEWED**

This section of the report provides a list of the written procedures that we reviewed as part of the audit testing. We observed that staff performed the respective tasks according to written procedures. We also noted that all written procedures were reviewed and approved within the past two years; therefore, staff responsible for the review and updating

the mailroom procedures are in compliance with TLC’s procedure review standards. **Figure 4** provides a list of TLC’s written mailroom procedures included in this review.

Procedure Number	Procedure Title	Approval Date	Compliance Status
AD-SS-004	Mail Center Operations	January 24, 2017	
AD-SS-FA-005	Package Delivery System	March 6, 2017	





Procedure Number	Procedure Title	Approval Date	Compliance Status
AD-SS-FA-006	Mail Center Claims Tracking System	July 10, 2017	
LO-RS-068	Processing Mail from the Remittance Room	May 31, 2017	
CB-AC-010	Mailroom Procedures	January 25, 2018	
OC-GL-026	Deposit Vouchers	July 30, 2018	

Figure 4 TLC written mailroom procedures.

Legend: = Internal Audit determined to be in compliance

## BUSINESS OBJECTIVES AND RISKS

This section of the report provides a summary of TLC’s mailroom processes business objectives, primary business risks, internal controls in place and the respective internal control assessment. TLC established internal

controls in the form of policies, procedures, management review and monitoring processes. Overall, these internal controls are effective and working as intended.

BUSINESS OBJECTIVE 1: Mailroom Internal Processes, Procedures and Training	
<b>Business Objective</b>	To ensure written procedures exist to provide governance over the mailroom and remittance room processes.
<b>Business Risk</b>	<ul style="list-style-type: none"> <li>⇒ Written procedures may not exist or reflect current processes.</li> <li>⇒ Mailroom staff may not be adequately trained and cross-trained.</li> <li>⇒ Written procedures may not have been reviewed within the last two years according to TLC and state requirements.</li> </ul>
<b>Management Controls</b>	<ul style="list-style-type: none"> <li>⇒ All procedures applicable to mailroom and remittance room processes are reviewed and updated when a change occurs or on the two-year cycle as required. The current procedures we reviewed had an approval date between January 2017 and July 30, 2018.</li> </ul>
<b>Control Tests</b>	<ul style="list-style-type: none"> <li>⇒ Conducted interviews and process walk throughs.</li> <li>⇒ Observed mailroom functions.</li> <li>⇒ Reviewed policy and procedures.</li> </ul>



**BUSINESS OBJECTIVE 1: Mailroom Internal Processes, Procedures and Training**

<b>Control Assessment</b>	<ul style="list-style-type: none"> <li>➤ Performed audit testing.</li> </ul>
	<p><b>Internal controls are effective.</b></p> <ul style="list-style-type: none"> <li>➤ Facilities staff assigned to mailroom duties are trained and cross-trained to perform various functions related to mailroom processes. There are two primary and two back-up mailroom staff who are fully trained and knowledgeable of mailroom functions, which was noted during the audit observation period. We observed that the mailroom and remittance room procedures were performed by staff according to what was written in the procedures.</li> </ul>
<b>Recommended Actions</b>	None
<b>Management Action Plan</b>	N/A

**BUSINESS OBJECTIVE 2: Incoming Mail Handling**

<b>Business Objective</b>	To ensure all incoming mail is received by authorized personnel and properly tracked and logged for processing by Lottery and Charitable Bingo Operations Division staff.
<b>Business Risk</b>	<ul style="list-style-type: none"> <li>➤ Incoming mail may not be logged immediately upon receipt in the mailroom.</li> <li>➤ Incoming mail may be misplaced.</li> <li>➤ Incoming mail may not be distributed to Lottery and Charitable Bingo Operations Division staff in a timely manner.</li> </ul>
<b>Management Controls</b>	<ul style="list-style-type: none"> <li>➤ All mail, including FedEx and courier delivered mail, is received through the TLC’s mailroom.</li> <li>➤ Mailroom staff log all mail related to incoming tickets and claims through the Claims Tracking System.</li> <li>➤ Mailroom staff log all mail containing checks through Mail Center Check Log System.</li> <li>➤ All incoming mail is double verified by two mailroom staff members.</li> <li>➤ Mailroom staff distribute general correspondence for all departments into their own departmental mailbox, with the exception of the Charitable Bingo Operations Division.</li> <li>➤ Charitable Bingo Operation Division receives incoming mail through a processing basket between mailroom and remittance room.</li> <li>➤ Charitable Bingo Operations Division maintains an incoming mail log containing the count of each mail type (licensing and accounting, with and</li> </ul>



**BUSINESS OBJECTIVE 2: Incoming Mail Handling**

	without money, audit, pull tab, education, return checks, administrative penalty and director’s mail) by date.
<b>Control Tests</b>	<ul style="list-style-type: none"> <li>➤ Conducted interviews and process walk throughs.</li> <li>➤ Observed mailroom functions.</li> <li>➤ Performed audit testing.</li> <li>➤ Analyzed applicable written procedures.</li> </ul>
<b>Control Assessment</b>	<p><b>Internal controls are effective.</b></p> <ul style="list-style-type: none"> <li>➤ Mailroom staff consistently handle all incoming mail according to TLC’s approved written procedures. Staff are knowledgeable of systems to enter incoming mail and perform tasks in a timely manner.</li> </ul>
<b>Recommended Actions</b>	None
<b>Management Action Plan</b>	N/A

**BUSINESS OBJECTIVE 3: Mail Contents**

<b>Business Objective</b>	To ensure mail is safeguarded and contents remains with the original packaging.
<b>Business Risk</b>	<ul style="list-style-type: none"> <li>➤ Contents of mail may not be secured at all times.</li> <li>➤ Contents of mail may get misplaced with other mail.</li> </ul>
<b>Management Controls</b>	<ul style="list-style-type: none"> <li>➤ The mailroom is physically secured with access limited to specific facilities staff who perform mailroom related tasks.</li> <li>➤ Once mail packaging is opened, mailroom staff uses necessary office supplies (paper clips or rubber bands) to bind the contents together.</li> <li>➤ The mailroom is under 24-hour video surveillance.</li> </ul>
<b>Control Tests</b>	<ul style="list-style-type: none"> <li>➤ Conducted interviews and process walk throughs.</li> <li>➤ Observed mailroom processes.</li> <li>➤ Reviewed policy and procedures.</li> <li>➤ Performed audit testing.</li> </ul>
<b>Control Assessment</b>	<p><b>Internal controls are effective.</b></p> <ul style="list-style-type: none"> <li>➤ Access to the mailroom is restricted and mailroom staff ensure that the mail contents remain together.</li> </ul>
<b>Recommended Actions</b>	None





**BUSINESS OBJECTIVE 3: Mail Contents**

**Management Action Plan**

N/A

**BUSINESS OBJECTIVE 4: Segregation of Duties (Receiving and Processing)**

**Business Objective**

To ensure that segregation of duties exists for mailroom and remittance room processes.

**Business Risk**

⇒ Segregation of duties may not exist within mailroom and remittance room processes, which could expose the agency to risk of misappropriation.

**Management Controls**

- ⇒ Mail is received by facilities mailroom staff and logged into CTS and MCCLS immediately upon receipt.
- ⇒ Mailroom staff forwards mail to Retailer Services for verification and further processing via processing basket between the mailroom and remittance room.
- ⇒ Mailroom staff forwards mail to Charitable Bingo Operations Division for further processing via processing basket between mailroom and remittance room.

**Control Tests**

- ⇒ Conducted interviews.
- ⇒ Observed mailroom processes.
- ⇒ Performed audit testing.
- ⇒ Analyzed applicable documentation.

**Control Assessment**

**Internal controls are ineffective.**

⇒ Segregation of duties does not exist within Charitable Bingo Operations Division remittance room processes. Charitable Bingo Operations Division accounting staff performs all duties in remittance room, including logging of the mail. The same accounting staff also have capabilities to post transactions in BOSS, the Divisions accounting and licensing system.

**Recommended Actions**

⇒ Reassign Charitable Bingo Operations Division mailroom check posting duties to the administrative assistant, or a position not involved in the accounting or licensing functions. See observation #1

**Management Action Plan**

CBOD has assigned the primary responsibility to the Administrative Assistant with the Compliance Department providing backup support. Cross training is also being provided. Additionally, CBOD will have a CBOD accountant review and sign off on the accuracy of the entries in MCCLS.



<b>BUSINESS OBJECTIVE 5: Records Retention</b>	
<b>Business Objective</b>	To ensure that mail records are retained according to the state’s requirements and TLC’s records retention policy.
<b>Business Risks</b>	<ul style="list-style-type: none"> <li>➤ Mail records and documents may not be retained according to state requirements or TLC’s records retention policy.</li> <li>➤ Files that are scanned into TLC’s document repository may not be maintained in accordance with the state or TLC’s records retention policy.</li> </ul>
<b>Management Controls</b>	<ul style="list-style-type: none"> <li>➤ Charitable Bingo Operations Division documents are scanned into the document repository system while in the remittance room.</li> <li>➤ Retailer Services documents are scanned into the document repository system by Copy Center staff, verified for accuracy by Retailer Services staff and retained in Retailer Services’ file cabinets and storage room file cabinets according to TLC’s retention schedule; six months retention after scanning.</li> <li>➤ Mailroom staff maintains all original logs according to the required retention period.</li> <li>➤ Claim center and OC staff scan original documentation directly into the agency’s document repository system, verify accuracy of scan and retain the original documents in according to the required retention period.</li> </ul>
<b>Control Tests</b>	<ul style="list-style-type: none"> <li>➤ Conducted interviews and process walk throughs.</li> <li>➤ Observed mailroom processes.</li> <li>➤ Performed audit testing.</li> <li>➤ Analyzed applicable documentation.</li> </ul>
<b>Control Assessment</b>	<p><b>Internal controls are ineffective.</b></p> <ul style="list-style-type: none"> <li>➤ Charitable Bingo Operations Division’s records retention schedule is not consistent with the Lottery’s records retention schedule and practices. Accounting services files and licenses’ original documents are destroyed after being uploaded into the document repository system.</li> </ul>
<b>Recommended Actions</b>	<ul style="list-style-type: none"> <li>➤ Revise Charitable Bingo Operations Division’s records retention schedule for original documents to ensure that accounting services files and license documents are maintained for six months after being scanned into the agency’s document repository system. See observation #2</li> </ul>
<b>Management Action Plan</b>	CBOD will retain original accounting and licensing documents for six months after scanning into the agency’s document repository system. A scan quality review will be conducted upon staff review and documents will be rescanned as needed.



**BUSINESS OBJECTIVE 6: Outgoing Mail**

<b>Business Objective</b>	To ensure that outgoing mail is logged and tracked prior to submitting to the respective mail carrier.
<b>Business Risks</b>	<ul style="list-style-type: none"> <li>➤ Outgoing mail may not be tracked for the purpose of knowing mail volumes and what was mailed.</li> <li>➤ Postage expenses may be incurred for non-business activities.</li> </ul>
<b>Management Controls</b>	<ul style="list-style-type: none"> <li>➤ All Lottery and Charitable Bingo Operations Division outgoing mail is sorted by mailroom staff to ensure fees are applied to accurate entity.</li> <li>➤ Traceable mail such as certified, insured, registered, priority and express mail is tracked in the Package Delivery System and is able to be searched by its tracking number or date sent.</li> <li>➤ Charitable Bingo Operations Division maintains a log containing the count of each mail type (standard envelopes, large envelopes, certified) by date and time sent. Also, Charitable Bingo Operations Division maintains a log of non-standard mail which contains all details of correspondence including addressee information.</li> <li>➤ Mailroom staff completes daily Outgoing Mail Form to document the number of pieces sent from Lottery and Charitable Bingo Operations Division.</li> </ul>
<b>Control Tests</b>	<ul style="list-style-type: none"> <li>➤ Conducted interviews and process walk throughs.</li> <li>➤ Observed mailroom processes.</li> <li>➤ Performed audit testing.</li> <li>➤ Analyzed applicable documentation.</li> </ul>
<b>Control Assessment</b>	<ul style="list-style-type: none"> <li>➤ <b>Internal controls are effective.</b></li> <li>➤ All outgoing mail is reviewed and properly sorted before it leaves the agency.</li> </ul>
<b>Recommended Actions</b>	None
<b>Management Action Plan</b>	N/A

**BUSINESS OBJECTIVE 7: Cash Received and Deposited**

<b>Business Objective</b>	To ensure that checks received are endorsed immediately and deposited in a timely manner.
<b>Business Risk</b>	<ul style="list-style-type: none"> <li>➤ Checks may not be deposited in a timely manner.</li> <li>➤ Checks may be taken by staff instead of provided to the agency for processing.</li> <li>➤ Checks may not be maintained in secured area to be processed.</li> </ul>



**BUSINESS OBJECTIVE 7: Cash Received and Deposited**

**Management Controls**

- ⇒ Claim center staff delivers all cash and cash collected from the Austin claim center ticket sales, enforcement investigations and administrative checks to the mailroom which is verified by mailroom staff and placed in lockable security bag to be deposited by OC staff.
- ⇒ OC staff verifies all cash and checks collected and creates a batch to process and deposit.

**Control Tests**

- ⇒ Conducted interviews and process walk throughs.
- ⇒ Observed mailroom functions.
- ⇒ Reviewed policy and procedures.
- ⇒ Performed audit testing.

**Control Assessment**

**Internal controls were ineffective but were immediately corrected.**

- ⇒ Checks and money orders were not endorsed until provided to TLC’s Office of Controller staff. Once this observation was identified TLC’s controller immediately addressed the issue and has initiated a process to endorse checks and money orders when received by mailroom staff.

**Recommended Actions**

None as the observation was immediately corrected when brought to management’s attention.

**Management Action Plan**

None Required



# DETAILED OPPORTUNITIES AND RECOMMENDATIONS

This section of the report provides a discussion of the opportunities we noted that

can enhance the processes and internal controls related to mailroom functions.

## Opportunity 1: Charitable Bingo’s Segregation of Duties

The Charitable Bingo Operations Division does not have adequate segregation of duties between posting payments received by mail into the Mail Center Check Log System (MCCLS) and the accounting of transaction in the licensing system, Bingo Operation Service System (BOSS).

At the time of this audit the responsibility of retrieving and processing mail for the Charitable Bingo Operations Division resided with CBOD’s Accounting and Licensing Division, specifically the accounting staff. A change was made upon our discussion of this

with CBOD. Now the CBOD administrative assistant and the accountant share responsibilities for processing mail. However, the change still does not provide adequate segregation of duties between payment receipt and licensee accounting.

While there are several steps involved in the retrieving and processing of mail, they can be summarized into five primary activities.

**Figure 5** illustrates the mail retrieval and processing primary activities that are performed by the CBOD’s administrative assistant and a CBOD accountant.



Figure 5 CBOD remittance room processes.



Once the CBOD administrative assistant completes steps one through four, the CBOD accountant enters the checks and money orders received into the Mail Center Check Log System by payment type such as amendments, original license, temporary licenses and charitable distributions.

Upon completing the entry into MCCLS, a summary sheet is printed and a copy of each check is placed on top of the checks collected

to be deposited by Office of the Controller staff.

Once this entry into MCCLS is completed, the accountant then reviews and posts payments into BOSS. It is important to note that the accountant also has the ability to post adjustments, apply credits and debits to licensee accounts in BOSS. **Figure 6** provides a comparison of payment processing and licensee account duties performed.

Process	Administrative Assistant	Accountant
Retrieve Incoming Mail		
Sort and Log Mail		
Scan Documents into TLC's Document Repository System		
Organize checks for entry into MCCLS		
Enter checks/payments received into MCCLS		
Post payments to licensee accounts in BOSS		
Post credits and debits to licensee accounts in BOSS		
Post adjustments to licensee accounts in BOSS		

**Figure 6** CBOD Payment processing and licensee account responsibilities.

Legend: = Internal Audit determined to be in compliance = Segregation of duties conflict

### Recommendation 1: Reassign CBOD Payment Processing Responsibilities

CBOD should strengthen internal controls and segregation of duties for payment processing and accounting. This can be achieved by assigning the responsibility for posting payments received into MCCLS to an individual that does not process the mail and does not have access to post or adjust financial transactions to BOSS.

If this is not feasible due to staffing constraints, CBOD should train the administrative assistant to enter checks received into MCCLS, similar to how payments for Lottery are processed.

The CBOD accountant would then review and sign off on the accuracy of the administrative assistant's entries in MCCLS.

Additionally, CBOD should cross train staff to perform remittance room responsibilities in the absence of the administrative assistant. The individuals trained to serve as back-up should not be in accounting or licensing roles.

#### Management Response:

Management agrees with the recommendation.



CBOD has assigned the primary responsibility to the Administrative Assistant with the Compliance Department providing backup support.

CBOD has scheduled training for the all involved to include training to enter checks received into MCCLS.

We will then have a CBOD accountant review and sign off on the accuracy of the entries in MCCLS.

CBOD processes and/or procedures will reflect this change.

### Opportunity 2: Charitable Bingo's Records Retention Schedule

Charitable Bingo Operations Division's section of the agency's approved records retention schedule conflicts with TLC's record's retention schedule and practices for original documents that have been scanned into the agency's document repository system.

CBOD's section of the records retention schedule states that accounting services' files and license applications are to be destroyed after being uploaded into the agency's

document repository system. However, this retention schedule is not consistent with TLC's records retention schedule and practices where documents are maintained for six months after being scanned into the document repository system before being destroyed. **Figure 7** provides CBOD's section of the approved records retention schedule. Column 11 Remarks instructs to destroy hard copy after uploaded into BOSS and document repository.

STATE OF TEXAS Records Retention Schedule													
LIBRARY ARCHIVES SLR 122 Rev. 2017-07													
Retention Codes (Field 7) AC - See field 9 for specific records series definition AV - Administratively valuable CE - Calendar year end													
Archival Codes (Field 10) A/U - Transfer to State/University Archivist R/O - Review by State/University Archivist													
1 of 5													
1. Agency Code: 362													
2. Agency Name: Texas Lottery Commission													
3. Agency Item No.	4. Record Series Item No.	5. Record Series Title	6. Description	7. Ret. Code	8. Retention Period			9. AC Definition	10. Archival	11. Remarks	12. Legal Citations	13. N, C, O	14. Current AIN
					Years	Months	Days						
CB.1202		Accounting Services Files	Quarterly Reports Correspondence, Partial Pay Agreements, Active License Files and Application for Waiver, Bingo Licensing and Tax information.	CE	4					Destroy hard copy after uploaded into BOSS and document repository.		C	CB.1202
CB.1203		Active License Files		AC	4					Combined with the Accounting Service Files CB.1202		O	
CB.1205		Temporary Licenses (paper and electronic forms)		CE		2				Destroy hard copy after uploaded into BOSS and document repository.		C	CB.1205
CB.1206		Bingo Licensing and Tax Info (microfilm)								Combined with the Accounting Service Files CB.1202		O	CB.1206
CB.1207		Pull Tab/Bingo Paper Approved Files		AC	5					Destroy hard copy after uploaded into BOSS and document repository.		C	CB.1207
CB.1216	5.1.001	Partial Pay Agreements (Closed)								Combined with the Accounting Service Files		O	CB.1216

Figure 7 CBOD records retention schedule.

Figure 8 provides Lottery's section of the records retention schedule that discusses license applications. Column 9 Remarks instructs to destroy paper records after six months after converting to electronic storage.



STATE OF TEXAS										SLR 122	
Records Retention Schedule Amendment										Form SLR 105C must accompany this form.	
Texas State Library and Archives Commission										1. Page 1 of 1	
2. Agency Code		3. Agency Name		Texas Lottery Commission							
4. Records Series Item No.	5. Agency Item No.	6. Record Series Title	7. Retention Period			8. Archival	10. 106 No.	11. Current Schedule		12. Amend. Type	
			Agency	Storage	Total			9. Remarks	Page No.		Agency Item No.
	OP.rs.478	Lottery Retailer License Applications - Electronic (includes inventory return forms, renewal applications, electronic fund transfer forms, duplicate finger print cards, CD correspondence and miscellaneous correspondence.)	AC	5	AC+5	AC= Upon termination of the Lottery License, and a final balance due of \$0. The Image File contains all forms and correspondence with a retailer that has been scanned into the document imaging system. Paper record destroyed 6 months after converting to electronic storage. To be compliant with the Fair Credit Reporting Act (FCRA).		51		C	

Figure 8 Lottery records retention schedule.

### Recommendation 2: Revise CBOD’s Records Retention Schedule and Practices

CBOD should revise their records retention schedule and practices to ensure that the original documents included in accounting services’ files and license applications are maintained for six months after being scanned into the agency’s document repository system.

Additionally, CBOD staff should ensure that documents are rescanned when CBOD accounting and licensing staff are reviewing

the documentation and determine that the scan is of insufficient quality.

#### Management Response:

Management agrees with the recommendation and will retain original accounting and licensing documents for six months after scanning into the agency’s document repository system. A scan quality review will be conducted upon staff review and documents will be rescanned as needed.

CBOD processes and/or procedures will reflect this change.

### Opportunity 3: Endorsing Payments upon Receipt

We noted that checks and money orders were not being endorsed by TLC staff immediately

upon receipt by the agency. Instead the checks and money orders are handled by two to three



individuals before being endorsed by TLC's Office of Controller staff.

TLC's Controller took immediate corrective action when we brought this to their attention. Processes were changed so that all checks and money orders are now endorsed as soon as they are received.

This action demonstrates the agency's commitment to ensuring adequate internal controls are in place and working for all business processes. Therefore, no management response is required for this opportunity.

