



Texas Lottery Commission

Internal Audit Services

AN INTERNAL AUDIT OF:

Lottery Operations Customer Service Program

Report No. 19-007

January 15, 2020

DRAFT

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.



McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS



Audit Report Highlights

Lottery Operations Customer Service Program

Why Was This Review Conducted?

McConnell & Jones LLP (MJ) serving as the outsourced internal audit function (Internal Audit) for the Texas Lottery Commission performed this internal audit as part of the approved FY 2019 Annual Internal Audit Plan.

Audit Objectives and Scope

To assess management controls and processes in place to ensure that Texas Lottery game players, retailers and the public can interact with TLC in an efficient and convenient manner and that all customer service representatives and claim center staff are appropriately trained.

The audit period was September 1, 2016 through January 1, 2018.

Audit Focus

This review focused on the following areas:

1. Written policies and procedures
2. Customer service training
3. Physical security at claims centers
4. Customer dispute resolution process
5. Mail claims processes

We wish to thank all employees for their openness and cooperation. Without this, we would not have been able to complete our review.

Audit Conclusions

The Texas Lottery Commission has various processes in place to ensure that exemplary customer service is provided when interacting with the public, Texas Lottery game players, stakeholders and internal staff. In fact, customer responsiveness is one of the agency's six core values.

Customer service entails more than answering telephone calls, responding to inquiries and processing claims. The Texas Lottery Commission provides a variety of mechanisms and activities to engage lottery players, retailers and the public. These are all planned and executed in a thoughtful and strategic manner to ensure a positive experience for everybody.

Our audit procedures determined that agency staff are trained, courteous, follow established procedures when interacting with Texas lottery game players, retailers, the public and stakeholders; staff ensure mail in claims are secured and processed according to established procedures; and physical security over premises and winning tickets are in place.

Internal Control Rating

Best Practices

What Did We Recommend?

We had no reportable findings and therefore no recommendations are made for the Lottery Operations Division Customer Service Program processes and controls.

Number of Findings by Risk Rating

High	Medium	Low	Total
0	0	0	0



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 Lottery Operations Division Customer Service Program processes and controls.

We performed this audit as part of the approved FY 2019 Annual Internal Audit Plan. This audit was conducted 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 accomplishes that requirement.

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

OBJECTIVE



The purpose of this audit was to assess management's controls and processes in place to ensure that Texas Lottery game players, retailers, stakeholders and the public can interact with TLC in an efficient and convenient manner, and that all customer service representatives and claim center staff are appropriately trained.

Specifically, we designed audit procedures to:

- ✓ Determine if written policies and procedures exist and are updated for the customer service and mail claim processes.
- ✓ Determine if the Texas Lottery game players, retailers, stakeholders and the public are served according to agency requirements.
- ✓ Assess if mail claims received are processed according to written procedures and in an efficient and effective manner.
- ✓ Determine if the security tools used by TLC provide reasonable security and do not impede the customer service experience.
- ✓ Assess the process, policies and procedures governing the management of claim center video and system login documentation.
- ✓ Determine if the claims dispute process is managed in an effective and efficient manner.
- ✓ Determine if customer service training programs provide reasonable training method that address customer needs.



SCOPE



Our audit testing covered the Lottery Operations Division’s customer service processes in place during fiscal year 2019. Our random telephone calls to the customer service line and claims center visits occurred during August 2019. This work product cannot address the inherent dynamic nature of subsequent changes to the process and procedures reviewed during the audit.

PROCEDURES PERFORMED



We conducted interviews, business process walkthroughs, reviews of written policies and procedures and sample testing of supporting documentation.

CONCLUSION AND INTERNAL CONTROL RATING



This audit identified findings that resulted in an overall internal control rating of **Best Practices**. *Figure 1* describes the internal control rating.

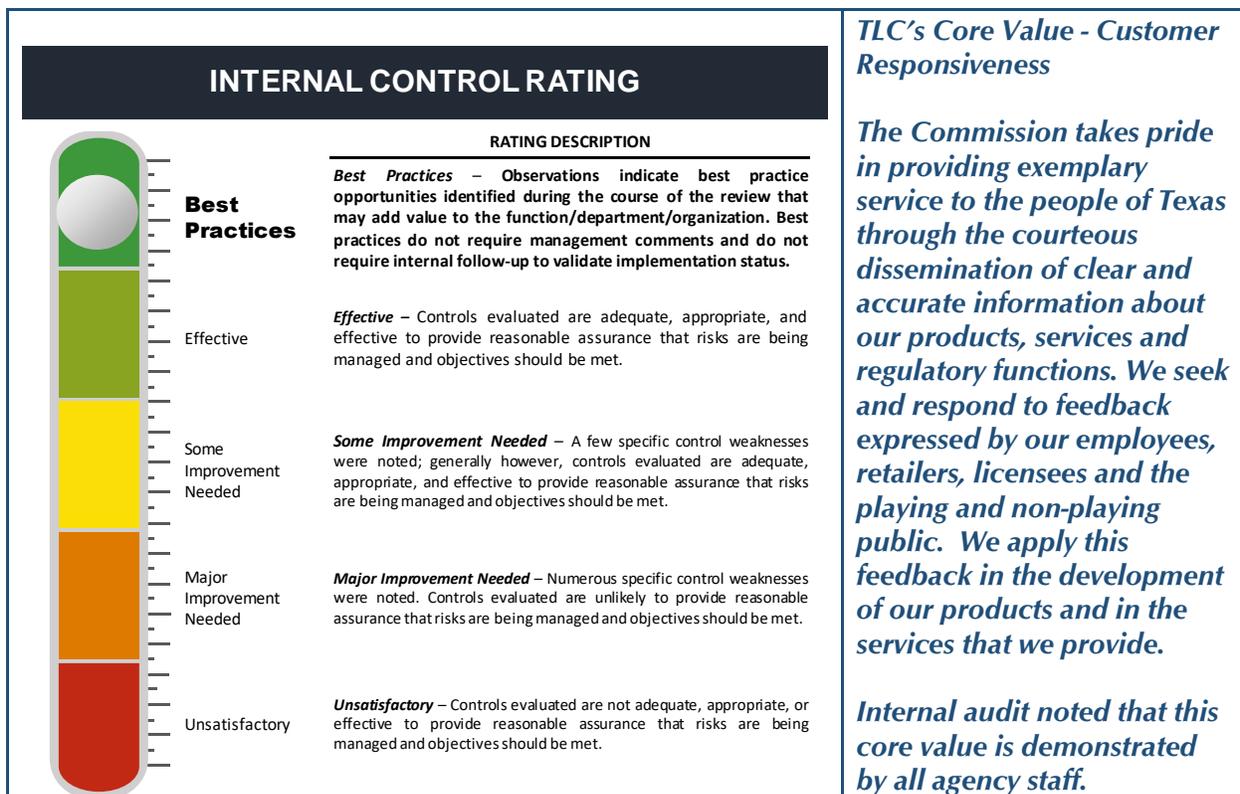


Figure 1 Internal control rating description.



TLC CUSTOMER SERVICE OPERATION BUSINESS OBJECTIVES AND RISKS



This section of the report provides a summary of customer service operation business objectives, primary business risks, TLC’s 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. These internal controls are effective and working as intended.

1 BUSINESS OBJECTIVE 1 - Customer Service

Business Objective	To ensure agency staff provide exemplary customer service to Texas lottery game players, retailers, stakeholders and the public.
Business Risk	<ul style="list-style-type: none"> ➤ Policy and procedures may not be developed to document expectations, a systematic process and ensure business functions are completed in a consistent manner with established internal controls. ➤ Processes may not be in place to ensure that Texas lottery game players, retailers, stakeholders and the public can conveniently interact with TLC customer service representatives.
Management Controls in Place	<ul style="list-style-type: none"> ➤ TLC has documented the customer service policies and procedures. ➤ TLC provides customer service training to staff and has various processes to monitor customer service provided. ➤ Business functions and internal controls within the customer service operations reflect documented policy and procedures.
Control Tests	<ul style="list-style-type: none"> ➤ Reviewed applicable written procedures. ➤ Reviewed customer feedback/complaints tracking documentation. ➤ Observed and tested customer service operations on-site and through random telephone calls.
Control Assessment	Best Practices.
Recommended Actions	None.
Management Action Plan	None Required.



2 BUSINESS OBJECTIVE - Winning Ticket Claims Processing

Business Objective	To ensure that processes are in place to process winning ticket claims submitted by mail or in-person at the claims center are processed in a timely, courteous and secure manner.
Business Risk	<ul style="list-style-type: none"> ➤ Mail-in winning ticket claim processing may not be secure, efficient or follow established procedures. ➤ In-person winning ticket claims processing at claims centers not be secure, efficient or follow established procedures.
Management Controls in Place	<ul style="list-style-type: none"> ➤ Formalized and detailed procedures that outline the guidance for winning ticket validation and claims processing are developed and approved ➤ Tenured staff ensure compliance and understanding of the standard operating procedures. ➤ Each batch of mail received at the agency receives two reviews from two different Austin claim center staff members before processing winning ticket claims. ➤ Management timely and consistently extract and review the 90-Day Pending Report from Claim Tracking System (CTS).
Control Tests	<ul style="list-style-type: none"> ➤ Reviewed applicable written procedures. ➤ Performed audit testing and data analysis for the mail processing pending days.
Control Assessment	Best Practices.
Recommended Actions	None.
Management Action Plan	None Required.

3 BUSINESS OBJECTIVE - Security Measures

Business Objective	To ensure agency has measures in place to ensure physical security of premises and winning ticket claims.
Business Risk	The agency may not have appropriate security measures in place to ensure physical security of premises and winning ticket claims.
Management Controls in Place	<ul style="list-style-type: none"> ➤ The agency ensures each claims center is physically secured. ➤ The agency maintains an inventory of the security tools available at each claims center. ➤ Additional security measures ensure security of winning ticket claims. ➤ Staff are trained on physical and other security measures.



3 BUSINESS OBJECTIVE - Security Measures

Control Tests	<ul style="list-style-type: none"> ➤ Interviewed agency staff. ➤ Observed and tested the live video of the security camera recording at the Austin claim center.
Control Assessment	Best Practices.
Recommended Actions	None.
Management Action Plan	None Required.

4 BUSINESS OBJECTIVE - Security Video and Log-In

Business Objective	To establish policies, procedures and processes to ensure claims center security videos and login sheets are maintained for a reasonable period and in accordance with requirements.
Business Risk	Claims center security videos and login documentation may not be maintained in compliance with requirements.
Management Controls in Place	➤ The agency has established processes to ensure security videos and login documentation are maintained in compliance with requirements.
Control Tests	➤ Interviewed agency staff.
Control Assessment	Best Practices.
Recommended Actions	None.
Management Action Plan	None Required.

5 BUSINESS OBJECTIVE - Claim Dispute Process

Business Objective	To ensure that the agency has developed a dispute resolution process and claim's dispute processing is managed according to the standardized procedures.
Business Risk	Dispute processes may not exist or be followed to assist Texas Lottery game players.



5 BUSINESS OBJECTIVE - Claim Dispute Process

Management Controls in Place	<ul style="list-style-type: none"> ➤ The agency has documented policies and procedures for tracking correspondence and documenting customer feedback. ➤ The agency documents claim’s disputes and maintains documentation. ➤ The agency developed and implemented a correspondence tracking system for recording customer service.
Control Tests	<ul style="list-style-type: none"> ➤ Reviewed applicable written procedures. ➤ Performed audit tests for complaints or incidents documented on the Customer Experience Tracking Log. ➤ Observed the customer service process and any possible dispute management process performed at claim centers. ➤ Reviewed the reports that used to track general correspondence handling.
Control Assessment	Best Practices.
Recommended Actions	None.
Management Action Plan	None Required.

6 BUSINESS OBJECTIVE – Customer Service Training

Business Objective	To develop and execute a robust customer service training program to ensure customer service consistency and staff compliance with applicable polices related to customer service and claims processing.
Business Risk	<ul style="list-style-type: none"> ➤ Customer service training programs may not exist or may not reflect the agency’s expectations. ➤ Agency staff working in customer service operations and claims centers many not attend training.
Management Controls in Place	<ul style="list-style-type: none"> ➤ The agency has compulsory training programs that covers a variety of customer service and claims processing topics. ➤ The agency requires all TLC employees to participate in annual training. ➤ Additional elective training programs that focus on specific topics such as customer service are available for employees to select based on their needs.
Control Tests	<ul style="list-style-type: none"> ➤ Conducted interviews. ➤ Reviewed training materials used for customer service training.



6 BUSINESS OBJECTIVE – Customer Service Training

Control Assessment	Internal controls are effective.
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Recommended Actions	None.
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Management Action Plan	None Required.
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