



ANNUAL REPORT OF  
NONFINANCIAL DATA

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FISCAL YEAR 2002

December 31, 2002

Honorable Rick Perry, Governor  
Honorable Carole Keeton Rylander, Texas Comptroller  
John Keel, Director, Legislative Budget Board  
Lawrence F. Alwin, CPA, State Auditor

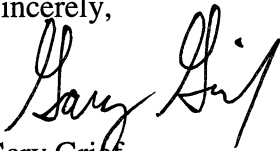
Lady and Gentlemen:

We are pleased to submit the Texas Lottery Commission's *Annual Report of Nonfinancial Data* for the year ended August 31, 2002, in compliance with the TEX. GOV'T CODE ANN. §2101.0115 and in accordance with the requirements established by the Texas Comptroller of Public Accounts.

The accompanying report has not been audited and is considered to be independent of the Texas Lottery Commission's *Annual Financial Report*.

If you have any questions, please contact Bart Sanchez, Financial Administration Director, at 344-5410.

Sincerely,



Gary Grief  
Acting Executive Director

cc: C. Tom Clowe, Jr., Chairman  
Commissioner Elizabeth D. Whitaker  
Commissioner James A. Cox, Jr.

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**Unaudited**

**Texas Lottery Commission (362)**

**APPROPRIATION ITEM TRANSFERS\***

For the Fiscal Year Ended August 31, 2002

**ITEM OF APPROPRIATION**

	<u>Transfers - In</u>	<u>Transfers - Out</u>	<u>Net Transfers</u>
<b>A. Goal: (Operate Lottery)</b>			
<b>Strategies:</b>			
<b>A.1.1</b> 13005 Lottery Operations	\$ -	\$ (2,307,004.00)	\$ (2,307,004.00)
<b>A.1.2</b> 13006 Marketing, Research and Promotion	-	-	-
<b>A.1.3</b> 13007 Advertising	-	-	-
<b>A.1.4</b> 13008 Security	564,407.00	-	564,407.00
<b>A.1.5</b> 13009 Central Administration	1,742,597.00	-	1,742,597.00
	<hr/>	<hr/>	<hr/>
<b>Total, Goal A: (Operate Lottery)</b>	\$ 2,307,004.00	\$ (2,307,004.00)	\$ -
	<hr/>	<hr/>	<hr/>
<b>B. Goal: (Enforce Bingo Laws)</b>			
<b>Strategies:</b>			
<b>B.1.1</b> 13003 Bingo Law Enforcement	\$ 8,654.79	\$ (50,000.00)	\$ (41,345.21)
<b>B.2.1</b> 13004 Bingo Licensing	50,000.00	(8,654.79)	41,345.21
	<hr/>	<hr/>	<hr/>
<b>Total, Goal B: (Enforce Bingo Laws)</b>	\$ 58,654.79	\$ (58,654.79)	\$ -
	<hr/>	<hr/>	<hr/>
<b>NET APPROPRIATION ITEM TRANSFERS</b>	<u>\$ 2,365,658.79</u>	<u>\$ (2,365,658.79)</u>	<u>\$ -</u>

\*This schedule does not include Salary Increase transfers, Benefit Replacement Pay transfers or Longevity transfers.

UNAUDITED

TEXAS LOTTERY COMMISSION (362)

**HUB STRATEGIC PLAN PROGRESS REPORT**

For the Fiscal Year Ended August 31, 2002

(Source: Texas Government Code, Title 10, Subtitle D, Section 2161.124)

GOAL = Strategic Plan HUB Goal Actual = % Spent with HUBs from HUB Report	Actual for FY 01	Actual for FY 02	Goal for FY 03
Heavy construction other than building contracts *	N/A	N/A	N/A
Building construction, including general contractors and operative builders contracts *	N/A	N/A	N/A
Special trade construction contracts	29.54%	4.34%	57.2%
Professional services contracts	38.90%	71.89%	20.0%
Other services contracts	11.35%	11.97%	33.0%
Commodities contracts	20.84%	20.95%	12.6%

\* Because the Commission does not have any strategies or programs relating to construction, the "Heavy Construction" and "Building Construction" categories were and are not applicable to Commission operations in Fiscal Years 2001, 2002 and 2003.

Prepared By: 

Approved: 

Printed Name: Robert L. Hall, Director

Printed Name: Gary Grief, Acting Exe. Director

Phone Number: (512) 344-5292

Phone Number: (512) 344-5160

In accordance with the Texas Lottery Commission's (Commission) Historically Underutilized Business (HUB) Rules, Section 403.301 (Reference, 1 TAC, Sections 111.15) and relating to the Texas Government Code, Title 10, Subtitle D, Section 2161.124(a), each agency is required to prepare, as part of its strategic plan, a written plan for increasing the agency's use of HUBs in purchasing (goods and services) and in public works contracts (construction). The following plan, including but not limited to the items listed below, will be implemented by the **Commission's Business Development and Compliance Division** to increase the utilization of HUBs during Fiscal Year 2003 in the procurement categories related to the Commission's strategies and programs:

1. Coordinate and conduct Commission Minority/HUB Forums for all procurements over \$100,000;
2. Develop new mentor protégé relationships under the Commission's Mentor Protégé Program;
3. Implement new HUB Rule revisions that are adopted by the Texas Building and Procurement Commission (TBPC) and ensure the new requirements are communicated to Commission staff and TLC contract vendors;
4. Advertise minority/HUB outreach events in minority newspapers to maximize HUB inclusion in all Commission procurements;
5. Develop and maintain a "Forecast of Texas Lottery Contract Opportunities Manual" that identifies potential contract opportunities to be solicited during the current biennium;
6. Merge the TLC Minority Development Division and the Contract Management Section into one division to effectively plan the TLC's procurement process during the fiscal year;
7. Continue to use the TBPC's Centralized Master Bidders List (CMBL/HUB Directory) and other minority databases to recruit and identify potential HUBs for contract and subcontracting opportunities;
8. Supplement all contract opportunities with additional HUBs to increase HUB inclusion and opportunities for awards;
9. Establish a reporting mechanism for TLC lessors to report their utilization of HUB and minority-owned businesses;
10. Host quarterly procurement seminars for interested vendors to assist them in becoming familiar with the Commission's procurement process;
11. Attend statewide forums, expos, and tradeshows to provide information about the Commission and its procurement opportunities; and,
12. Contact current contract vendors in specific procurement categories (i.e., special trade, professional services) to determine whether they are eligible to be HUB certified and when applicable, assist all eligible vendors to become certified as HUBs.

**Unaudited**

**Texas Lottery Commission (362)**

**INDIRECT COST SCHEDULE**

For the Fiscal Year Ended August 31, 2002

**A. Payroll Related Costs**

FICA Employer Matching Contribution	\$ 143,936.00	
Group Health Insurance	185,016.00	
Retirement	115,622.00	
Unemployment	-	
FICA Employee Share Paid by State	-	
<b>Total Payroll Related Costs</b>		<b>\$ 444,574.00</b>

Workers' Compensation	-	
Benefit Replacement Pay (BRP)	27,917.00	
<b>Total Workers' Compensation and BRP</b>		<b>\$ 27,917.00</b>

**B. Indirect Costs**

Bond Debt Service Payments		
TBPC	-	
TPFA	-	
Other (if applicable)	-	
<b>Total Indirect Costs</b>		<b>\$ -</b>

**C. Indirect Costs - Statewide Full Cost Allocation Plan**

(based on FY 01 data)		
Building Depreciation	9,461.00	
USAS Depreciation	37,070.00	
(301) Governor - Budget and Planning	2,550.00	
(304) Comptroller - Treasury Operations	93,907.00	
(306) Texas State Library and Archives Commission	8,862.00	
(306) ADJ Library	(6,476.00)	
(313) Dept. of Information Resources	10,261.00	
(303) GSC - Purchasing	1,886.00	
(303) Interagency Services	3,580.00	
(303) GSC - Building & Property	25,106.00	
(303) GSC - Design, Construction & Leasing	17,656.00	
<b>Total Indirect Costs -</b>		
<b>Statewide Full Cost Allocation Plan</b>		<b>\$ 203,863.00</b>
 <b>TOTAL INDIRECT COSTS</b>		 <b>\$ 676,354.00</b>

**Unaudited**

**Texas Lottery Commission (362)**

**PROFESSIONAL/CONSULTING FEES AND LEGAL SERVICE FEES**

For the Fiscal Year Ended August 31, 2002

<u>Name</u>	<u>Type of Service Rendered</u>	<u>Amount</u>
<b>Professional/Consulting Fees</b>		
Paul Adams Production	Other Professional Services	\$ 83,600.00
Battelle	Other Professional Services	7,440.00
Human Synergistics	Educational/Training Services	2,300.00
Ipsos Reid	Other Professional Services	836,300.00
M and S Works	Other Professional Services	1,496,493.50
Workers Assistance Program, Inc.	Other Professional Services	3,858.09
Stuart Vexler	Other Professional Services	3,950.00
The Delphi Group	Computer Programming Services	14,400.00
Rockford Business	Other Professional Services	1,258.86
Davila, Schaubhut & Company P.C.	Financial and Accounting Services	225,323.75
Daven Group	Consultant Services-Other	381,808.00
Allied Consultants	Other Professional Services	106,800.00
B&B Peripherals, Inc.	Other Professional Services	22,880.00
Rupert & Associates P.C.	Financial and Accounting Services	29,070.00
RFD & Associates	Other Professional Services	4,232.00
Future Protocol	Other Professional Services	156,534.65
Kampfe/De Stijl	Architectural/Engineering Services	34,112.92
Duration Software	Computer Programming Services	4,900.00
JS Electric, Inc.	Architectural/Engineering Services	12,919.00
Think Spark	Other Professional Services	165.00
Plythian Corporation	Educational/Training Services	1,000.00
McConnell & Jones, L.L.P.	Financial and Accounting Services	67,301.60
Michael Stephen Torjak	Financial and Accounting Services	672.75
Russell Grimes	Financial and Accounting Services	14,775.00
Randall Eubanks	Other Professional Services	80,575.00
Benito Navarro	Financial and Accounting Services	23,190.00
Daily Communications	Other Professional Services	9,927.78
Foster & Freeman, LTD.	Educational/Training Services	1,900.00
University of Texas at Austin	Other Professional Services	2,343.00
State Auditor's Office	Other Professional Services	62,173.98
Department of Information	Other Professional Services	342,363.88
TX Commission for the Deaf & Hard of Hearing	Other Professional Services	24,750.00
TX Department of Public Safety	Other Professional Services	64,105.00
TX Commission on Alcohol & Drug Abuse	Other Professional Services	375,000.00
Todd Jeffries	Other Professional Services	1,500.00
Integrated Engineering	Architectural/Engineering Services	5,000.00
TX Commission on Human Rights	Other Professional Services	1,200.00
		<u>\$ 4,506,123.76</u>
<b>Legal Service Fees</b>		
Vinson and Elkins, L.L.P.	Legal Services	46,524.53
Conley, Rose & Tayon, P.C.	Legal Services	61,523.09
		<u>\$ 108,047.62</u>
		<u>\$ 4,614,171.38</u>

Unaudited

Texas Lottery Commission (362)

SCHEDULE OF SPACE OCCUPIED

For the Fiscal Year Ended August 31, 2002

Location	Address	Lessor	Lease Number	Type	Usable Square Feet	FTEs	Rental per Month		Actual Annual Cost	Comments
							Cost per Sq. Ft.	Cost per Month		
<b>State-Owned Buildings:</b>										
El Paso	401 E. Franklin, Ste. 150			Office	2,138	4				
Waco	801 Austin Ave., Ste. 135			Office	492	3				
					2,630	7				
<b>Free Space:</b>										
None										
<b>Leased Space:</b>										
Abilene	209 S. Danville, Ste. C-103	Office Park West, Inc.	303-8976	Office	500	2	0.6315	\$ 315.76	\$ 3,789.12	Lease expires 07/31/07
Amarillo	7120 IH-40 West, Ste. 110	Amarillo Independent School District	303-9612	Office	500	2	0.8045	402.23	4,826.76	Lease expires 04/30/07
Austin Whse.	8006 Cameron Rd.	Sabre Hal International, Inc.	362-8905	Warehouse	21,600	2	0.9467	20,448.00	245,376.00	Lease expires 02/14/10
Austin Hqtr.	611 E. 6th St.	Grant Building - Austin, L.L.C.	362-9756	Office	75,578	227	1.9284	145,748.03	1,748,976.36	Lease expires 05/07/10
Beaumont	3420 Fannin, Ste. 185	Phiasco One	324-7577	Office	766	2	0.9843	753.97	9,047.64	Lease expires 03/31/03
Bryan	1713 Broadmoor, Ste. 404	DMC Corporation	303-1319	Office	600	2	1.0923	649.36	7,792.32	Lease expires 02/29/04
Corpus Christi	4639 Corona, Ste. 19	CUNA Mutual Life Insurance Co.	362-1612	Office	1,030	2	1.2745	1,312.72	15,752.64	Lease expires 10/31/04
Dallas	1555 W. Mockingbird Ln., Ste. 203	Oakbrook Plaza, LTD.	362-9873	Office	3,746	16	1.1391	4,266.93	51,203.16	Lease expires 05/31/03
Fort Worth	4040 Fossil Creek Blvd., Ste. 102	Perry-Tubb Holdings, L.L.P.	304-9996	Office	880	3	1.0573	930.43	11,165.16	Lease expires 04/30/08
Harlingen	1514 S. 77 Sunshine Strip, Ste. 9	Treasure Hills Plaza	362-1685	Office	980	3	1.6990	1,665.00	19,980.00	Lease expires 08/31/05
Houston	1919 N. Loop W., Ste. 100	PNO, LTD.	304-5925	Office	4,225	14	0.8982	4,884.50	58,614.00	Lease expires 02/28/03
Laredo	1202 Del Mar Blvd., Ste. 4	Eden Park Joint Venture	304-8087	Office	704	2	1.0446	735.37	8,824.44	Lease expires 05/31/08
Lubbock	4630 50th St., Ste. 109	Business Skills Institute	304-7508	Office	563	2	0.6559	369.27	4,431.24	Lease expires 06/30/07
Lufkin	3213 S. Medford, Ste. 203	Larry G. Boyd	303-1025	Office	500	2	1.0220	510.99	6,131.88	Lease expires 05/31/03
Odessa	4682 E. University, Ste. 100	Heritage FLP Properties, LTD.	303-6669	Office	1,064	5	0.8671	922.55	11,070.60	Lease expires 08/31/04
San Angelo	3125 Executive Dr.	Edgar G. and Randa Cheatele	303-6980	Office	495	2	0.8100	399.52	4,794.24	Lease expires 07/31/04
San Antonio	9514 Console, Ste. 111	Fenati, N.V.	303-9328	Office	3,100	13	0.8813	2,731.94	32,783.28	Lease expires 04/30/06
Sherman	1800 Teague Dr., Ste 104	One Grand Centre I of Texas, LTD.	303-9802	Office	500	2	1.2567	628.34	7,540.08	Lease expires 08/31/05
Tyler	3800 Paluxy Dr., Ste. 330	Paluxy Square Partners	304-9797	Office	500	3	0.9576	478.81	5,745.72	Lease expires 08/31/07
Victoria	2601 Azalea, Ste. 16	CenterAmerica Property Trust, L.L.P	362-7365	Office	580	2	0.8300	481.40	5,776.80	Lease expires 02/28/07
Wichita Falls	710 Lamar, Ste. 450	T.C. White & Company	304-9329	Office	550	2	0.9784	538.13	6,457.56	Lease expires 03/31/04
Austin - Parking	5900 N. I.H. 35	Sheraton Austin Hotel		Parking				8,153.60	97,843.20	Lease expires 05/31/05
					118,961	310		\$ 197,326.85	\$ 2,367,922.20	



**Unaudited**

**Texas Lottery Commission (362)**

<b>FY 2002 Agency Report of Recycled, Remanufactured and Environmentally Sensitive Purchases</b>				
Agency No. 362		Agency Name: Texas Lottery Commission		
Point of Contact:		Leslie Delvige, Purchasing Manager		
Phone Number:		(512) 344-5402		
E-Mail Address:		leslie.delvige@lottery.state.tx.us		
<b>E1, E2, or E3</b>	<b>Description</b>	<b>Total Expenditures</b>		
Total E1 Including 1 <sup>st</sup> Choice	Recycled	\$227,598.72		
Total E2 Including 1 <sup>st</sup> Choice	Remanufactured	\$2,090.83		
Total E3 Including 1 <sup>st</sup> Choice	Environmentally Sensitive	\$136,738.65		
<b>Total of E1, E2 and E3 includes Recycled 1<sup>st</sup> Choice Targeted Totals</b>				<b>\$366,428.20</b>
<b>FY 2002 1<sup>st</sup> Choice Targeted Commodities</b>	<b>Expenditures</b>			<b>% Spent on 1<sup>st</sup> Choice Products 100 * [A/(A+B)]</b>
	<b>1<sup>st</sup> Choice Products (A)</b>	<b>Virgin Counterpart (B)</b>	<b>Total (A+B)</b>	
Motor Oil & Lubricants	\$ 0.00	\$ 0.00	\$ 0.00	0%
Toilet Paper, Toilet Seat Covers & Paper Towels	0.00	0.00	0.00	0%
Printing Paper, Copier Paper & Computer Paper	\$19,622.64	0.00	\$19,622.64	100%
Business Envelopes	\$875.22	0.00	\$875.22	100%
<b>Total 1<sup>st</sup> Choice Targeted Commodities</b>	<b>\$20,497.86</b>	<b>\$ 0.00</b>	<b>\$20,497.86</b>	<b>100%</b>
<b>Summary of Total Number of Justification Letters</b>	<b>Total Cost</b>	<b>Total Quality</b>	<b>Total Not Available</b>	<b>Total Other</b>
Motor Oil & Lubricants	N/A			
Toilet Paper, Toilet Seat Covers & Paper Towels	N/A			
Printing Paper, Copier Paper & Computer Paper	N/A			
Business Envelopes	N/A			
<b>Total Number(s)</b>	<b>N/A</b>			

**Unaudited**

**Texas Lottery Commission (362)**

**SCHEDULE OF AIRCRAFT OPERATION**

For the Fiscal Year Ended August 31, 2002

<u>Flight</u>	<u>Start Date</u>	<u>End Date</u>	<u>Flight Time</u>	<u>Rate/Hr.</u>	<u>Flight Time Cost</u>	<u>Co-Pilot Fee</u>	<u>Total Flight Cost</u>
14445	09/18/01	09/18/01	2.8	625.00	\$1,750.00	\$200.00	\$1,950.00
14632	10/30/01	10/30/01	4.1	625.00	2,562.50	200.00	2,762.50
14478	09/17/01	09/17/01	2.7	625.00	1,687.50	638.20	2,325.70
15048	02/26/02	02/26/02	1.7	850.00	1,445.00	200.00	1,645.00
15158	03/19/02	03/19/02	2.0	850.00	1,700.00	200.00	1,900.00
14632	10/30/02	10/30/02	4.1	625.00	2,562.50	200.00	2,762.50
					<b>\$11,707.50</b>	<b>\$1,638.20</b>	<b>\$13,345.70</b>

**Unaudited**

**Texas Lottery Commission (362)**

**SCHEDULE OF ITEMIZED PURCHASES**

For the Fiscal Year Ended August 31, 2002

<b>Need for Specifications</b>	<b>Competing Products not Satisfactory</b>	<b>Products Purchased</b>	<b>PO Amount</b>	<b>Vendor Name</b>	<b>PO Number</b>
Redesign of the Security Div. modular offices	All items must be compatible and interchangeable with existing modular furniture	Steelcase modular furniture	\$47,170.99	Rockford Business Interiors	362-2-1146
Redesign of conference room and auditorium	All items must be compatible and interchangeable with existing modular furniture	Steelcase modular furniture	\$20,533.62	Rockford Business Interiors	362-2-1541
Redesign of modular office at Headquarters	All items must be compatible and interchangeable with existing modular furniture	Steelcase modular furniture	\$10,258.72	Rockford Business Interiors	362-2-1542
Redesign of agency space plans	All items must be compatible and interchangeable with existing modular furniture	Steelcase modular furniture	\$5,486.00	Rockford Business Interiors	362-2-1598
Redesign of the agency space plans	All items must be compatible and interchangeable with existing modular furniture	Steelcase modular furniture	\$8,637.00	Rockford Business Interiors	362-2-1645
Installation of banner at Headquarters	Required by lessor to use this vendor for items being installed on headquarters leased building	Banner	\$8,135.00	High Altitude Services	362-2-1331
Architectural services for warehouse resumption facility and computer room	Required by lessor to use this vendor for architectural services on headquarters leased building	Architectural Services	\$20,250.00	Kampfe/Destijl	362-2-1320
Construction services for remodel of headquarters	Required by lessor to use this vendor for architectural services on headquarters leased building	Construction Services	\$5,552.00	Jahn Construction	362-2-2143
Additional construction services for remodel of headquarters	Required by lessor to use this vendor for construction services on headquarters leased building	Construction Services	\$11,534.00	Jahn Construction	362-2-2029
Electrical services for agency business resumption plan	Required by lessor to use this vendor for electrical services on headquarters leased building	Electrical Services	\$12,945.00	McClendon Electrical	362-2-1344
Audio/Visual services for remodeling of auditorium	Required by lessor to use this vendor for installation services of audio/video services on headquarters leased building	Audio/Video Services	\$13,624.17	Media Consultant Systems	362-2-1539

**Unaudited**

**Texas Lottery Commission (362)**

**SCHEDULE OF VEHICLES PURCHASED**

For the Fiscal Year Ended August 31, 2002

<b>Make</b>	<b>Model</b>	<b>Purchase Price</b>	<b>Type of Use</b>	<b>Fuel Efficiency</b>
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No purchases made in FY 2002

*Unaudited*

**Texas Lottery Commission (362)**

**SCHEDULE OF STATE-OWNED OR LEASED VEHICLES USED BY STATE EMPLOYEES**

For the Fiscal Year Ended August 31, 2002

<b>Year</b>	<b>License Plate</b>	<b>Model</b>	<b>Description</b>	<b>Name and job title of each employee authorized to use a state-owned or state-leased vehicle:</b>
1993	643722	30HD	White Chevrolet Box Truck	By Lottery Commission Policy, a Commission motor vehicle may not be assigned to a specific employee or agency head, but must be available for use by all eligible employees authorized to operate the vehicles. Therefore, all Lottery Commission state-owned or state-leased vehicles are considered pooled vehicles and are used in the daily course of business by employees meeting the Lottery's requirements for operating a vehicle.
1995	750311	Club Wagon	White Ford Cargo Van	
1996	699662	4700 DT466E	White International Box Truck	
1996	709005	1500	White Dodge Ram Cargo Van	

*Unaudited*

***Texas Lottery Commission (362)***

**SCHEDULE OF BONDED EMPLOYEES**

For the Fiscal Year Ended August 31, 2002

**LIST OF BONDED EMPLOYEES**

None

*Unaudited*

***Texas Lottery Commission (362)***

**MASTER FILE REPORT VERIFICATION FORM**

For the Fiscal Year Ended August 31, 2002

Not applicable







**Texas Lottery Commission**

P.O. Box 16630

Austin, Texas 78761-6630

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[www.txlottery.org](http://www.txlottery.org)