

TEXAS LOTTERY COMMISSION

OFFICE OF THE CONTROLLER

PROCEDURE

Number:	Title:	Approval:
OC-WP-001	Winner Payment Processing and	Gary Grief,
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PROCEDURE NUMBER

OC-WP-001 [Supersedes OC-WP-001 effective April 6, 2015]

PURPOSE:

To provide standard guidelines for processing prize payments through Office of the Controller.

SCOPE:

This procedure applies to Office of the Controller and the Comptroller of Public Accounts through the Texas Treasury Safekeeping Trust Company (TTSTC). These procedures allow the Texas Lottery Commission (TLC) to provide for prize payments in a uniform, systematic, and timely manner while implementing state and federal laws.

RESPONSIBILITY:

Prize payment personnel from Office of the Controller have primary responsibility for this procedure. Personnel from the Lottery Operations Division, Validations Section are responsible for portions of the procedure.

GENERAL:

The Office of the Controller shall oversee the implementation of this procedure for all prize payments processed by Office of the Controller Prize Payment staff. The following general guideline will be used:

- Ensure that prizes for amounts that exceed the Claim Center limits of \$2,500,000, prizes paid in installments, prizes awarded to minors, cash value prizes, second-chance drawings, and other special prizes not otherwise paid by a lottery Claim Center are processed in the lottery vendor Enterprise Series (ES) system.
- Issue single, weekly, monthly, quarterly, annual and cash value payments (CVO) to scratch ticket game recipients as provided by each game's rules.

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- Issue timely annuity payments, cash value option (CVO) payments, or lump sum payments as provided by each game's rules for draw game recipients that are not otherwise paid by a lottery Claim Center.
- Ensure correct citizenship status is applied to payments.
- Determine if payment is destined for a foreign account.
- Make any necessary adjustments to the payments according to debt set-offs and warrant holds for other agencies, court orders, levies, or liens.
- Make payments per approved voluntary and involuntary assignments.
- Federal taxpayer numbers may be classified as a Taxpayer Identification Number (TIN), a Federal Employer Identification Number (EIN or FEIN). Individuals' Social Security Number (SSN) may also be considered as a TIN. An ITIN is an individual tax identification number.
- Prize winner may also be referred to as Player in ES.

Ref: Game Rules §401.301 General Definition

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PROCEDURE

Processing Jackpot Winners

- 1. Upon notification of a new winner coming into the office for processing, Products staff will send an email to the Prize Payment staff informing of the new winner. The e-mail will include the game, the game number, the amount of winnings and when the winner will be coming in for processing.
- 2. Prize Payment staff will complete a checklist used for processing new winners. There is an additional checklist for *Mega Millions*[®] and *Powerball*[®] winner processing that must be completed in addition to the standard checklist.

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Note: For citizens only - when creating the payment schedule, be sure to deduct the wager from the first payment tax calculation. DO NOT deduct the wager for non-citizens.

- 2.1. For scratch ticket and jackpot winners (excluding *Mega Millions* and *Powerball*), the effective date of payment for Cash Value Option (CVO) or first annuity payment will be claim date plus 3 business days.
- 2.2. For *Mega Millions* and *Powerball* winners, the CVO or first annuity payment can be made no sooner than 15 calendar days from the date of the draw (to allow funds to be received by MUSL) **plus** 3 business days for normal business processing.
- 2.3. The payment schedule's "Net Prize Paid" should be adjusted for any outstanding set-off amounts related to the winner's Social Security Number (SSN) or Federal Employer Identification Number (FEIN) discovered in step 3 below.
- 2.4. The payment schedule(s) should be reviewed and approved by management prior to meeting with the winner.
- 3. Prior to meeting with a new player, the Prize Payment staff will be notified if the new player is claiming as an individual or an entity. Upon notification, the Prize Payment staff will need to verify if the State Comptroller's office has any type of hold status on the individual's SSN, entity's FEIN or the member's SSN's for the entity. If the player is claiming as an entity, Legal Services will provide an SSN for each member/beneficiary of the entity.
 - 3.1. Access the State Comptroller's TINS system and navigate to the PYADDR screen to verify Player Status through either Social Security Number (SSN) or Federal Employer Identification Number (FEIN).
 - 3.2. The PYADDR screen must be accessed in the following format:

PYADDR(period)(2 for SSN or 1 FEIN (space)(period)

A last digit, or check digit, will automatically be entered in the remaining space by the computer system.

To verify by SSN, enter 10 digits: 2 as the first digit, then the 9-digit SSN.

To verify by FEIN, enter 10 digits: 1 as the first digit, and then the 9-digit FEIN

The system will automatically change the SSN or TIN to a number that begins with "7".

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PYADDR	02/16/17
PAYEE NUMBER:	TAXPAYER NUMBER:
OWNERSHIP TYPE: INDIVIDUA	AL RECIPIENT IAT IND:
INACTIVE 07/09/15 MC CNT: 1	1099 MC LOOKUP: PF12 NEXT AVAILABLE MC: 000
MAIL CODE: 004 SIC CODE: 99	936 SECURITY TYPE: 0 SECURING SOURCE:
STATUS: I 07/09/15	TELEPHONE:
NAME: JOHN DOE	ADDRESS IND: S
ADDRESS:	
CITY: CORPUS CHRISTI	STATE: TX ZIPCODE: 78412-3816 ZONE CODE: 178

3.3. Replace the PYADDR with PYHOLD. This will show player hold information, with the agency name, dates, and codes needed to document the transaction.

PYHOLD.

HOLD NUMBER HOLD DATE EFF DATE SOURCE REASON LIABILITY AMOUNT

O4/21/97 08/11/97 304 026 (call agency for amount)

SALES TAX - COMPTROLLER OF PUBLIC ACCOUNTS

NAME: JOHN DOE

END OF DISPLAY - PF3=QUIT, PF4=MENU

- 3.4. Print the PYHOLD screen if warrant hold information exists and exit TINS.
- 3.5. If there is a set-off, look up the SSN in ES to obtain the amount of the set-off. Choose . Then select any agency and scroll to bottom of screen and enter the SSN. Set-off agency and amount will display. (See step 40 for further details). If further clarification is needed, contact the agency in which a hold status exists. Document the name of the agency representative, the date of contact, and the amount of the outstanding debt. Any other notes regarding the set-off information should be documented on this sheet.
- 4. Prize Payment staff will meet with the player to provide and discuss the following financial information:
 - 4.1. Options on claiming the prize due to game rules
 - 4.2. Review of player payment schedule
 - 4.3. When to expect payment
 - 4.4. Amount of taxes that will be taken out of payment(s)
 - 4.5. When to expect their W-2G tax form

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- 4.6. Obtain bank ACH instructions
- 4.7. Inform player of a debt/set-off (if applicable from step 3 above) to be withheld from payment
- 4.8. Discuss any winner questions

Processing Payments in ES

5. If processing a scratch ticket annuity prize, Prize Payment staff must "View Annuity Control" to ensure the game or product is set up in ES. The Annuity Control must be setup prior to the Claim Center creating the claim. If not a scratch ticket annuity, skip to step 6.



5.1. If the game is not currently setup, click on the "Add Annuity Control" tab to add the new game.

5.1.1. Product Game Number/Name

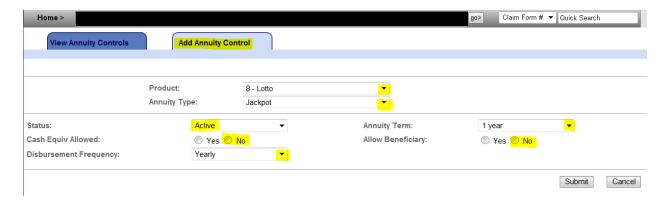
5.1.2. Annuity Type5.1.3. StatusJackpotActive

5.1.4. Cash Equiv Allowed Yes or No (depends on the game rules)

5.1.5. Disbursement Freq Yearly/Quarterly/Monthly/Weekly (depends on player choice)

5.1.6. Annuity Term # Years of Annuity

5.1.7. Allow Beneficiary No

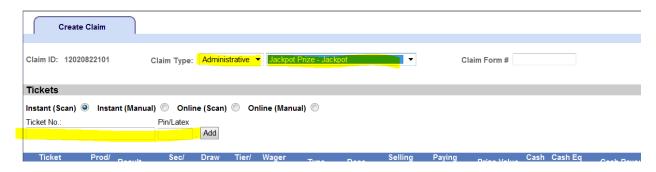


- 6. The Austin Claim Center will perform the following:
 - 6.1. Setup the new Player record in ES. Player is not attached to the claim. Check to ensure that the player record has been set up correctly, and that there are not duplicate records before proceeding.

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If there are multiple player records for the same SSN, delete the SSN on each record except for the record to be added to the claim.

- 6.2. Create the Claim in ES and attach the ticket to the claim. This validates the ticket in ES. The Claim Type must be "Administrative/Jackpot Prize-Jackpot".
- 6.3. If the prize payment is for \$1 million or more, the player will complete a Claim Form that allows the player to elect to remain anonymous.
- 6.4. Provide the claimant paperwork to Prize Payment staff to process the rest of claim.

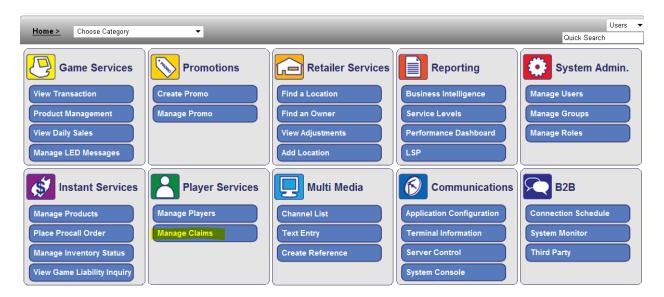


New Player Processing

(For the first payment of an annuity payment, CVO or one-time payment)

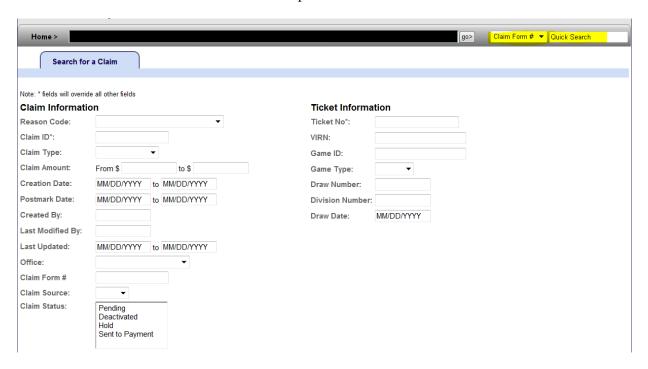
Note: If a *Mega Millions* or *Powerball* winner comes in and claims before 15 calendar days have elapsed from date of the draw, wait and enter claim in ES on that 15th day. This will allow ES to calculate the effective date of payment correctly.

7. Access ES and Navigate to Player Services "Manage Claims"



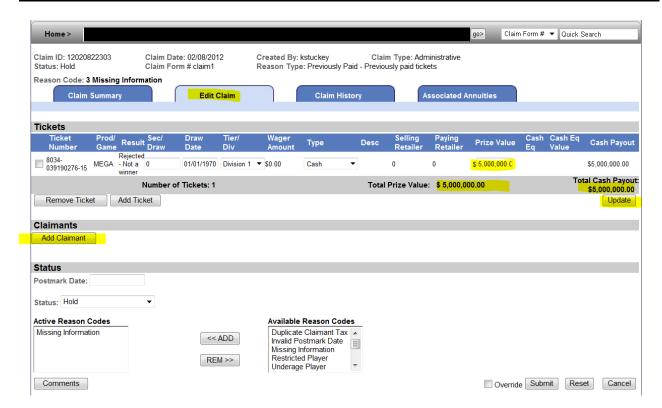
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8. Recall the claim created by the Austin Claim Center by using the Quick Search at top-right corner of the screen. Select "Claim Form #" from drop down and enter number from Claim Form. Select Enter.

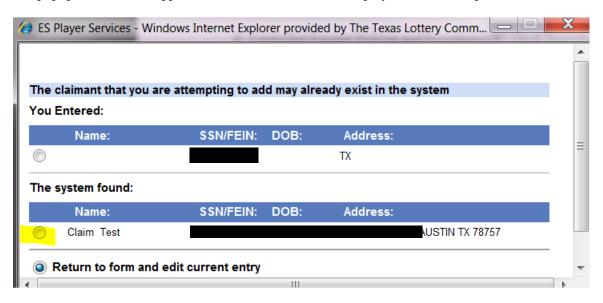


- 9. The Claim as entered by Austin Claim Center is displayed. Select "Edit Claim" tab.
- 10. Update the "Type" field to "Cash" if winner selected Cash Value Option (CVO); otherwise select "Annuity" from drop down menu.
- 11. Update the "Prize value" field with the Gross Amount of the prize. Select the first "Update" button. (ES will recall the prize amount that was supported by sales, not necessarily the guaranteed prize amount.) Only update the amount if different, otherwise no update is needed.
- 12. Verify that the Total Prize Value and Total Cash Payout updates with new amount (gross prize amount from payment schedule).
- 13. Select "Add Claimant".

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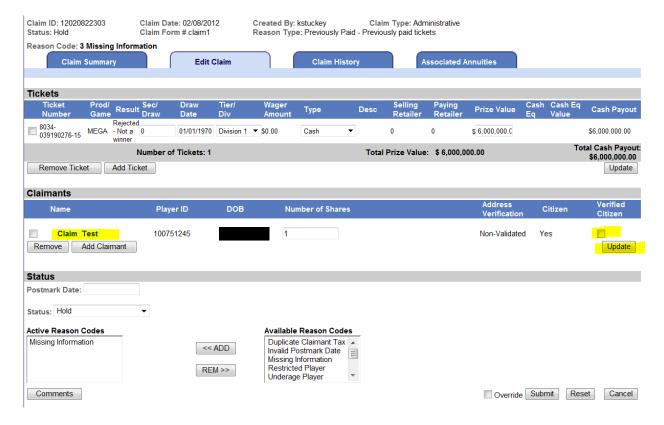
- 14. A blank player record is displayed. In the SSN field, key Player's SSN and press "Enter".
- 15. A popup window will appear. Select radio button next to player's name and press "Continue"



16. The Player now is attached to the claim. Verify the citizenship. Select the second "Update" button and select "Submit".

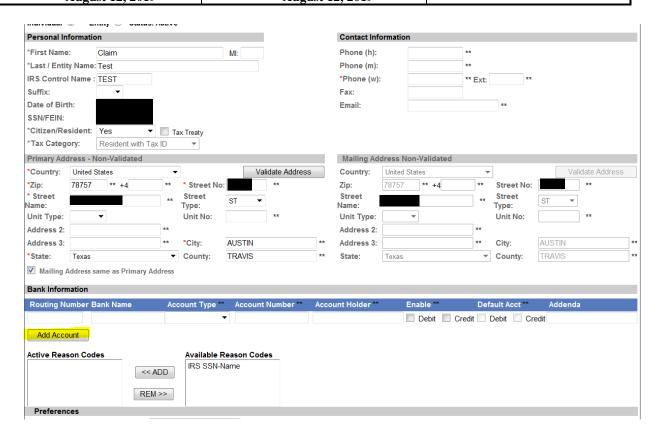
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- 17. Verify that the Claim Center updated the anonymous flag correctly.
- 18. In same screen, select the player's name (bold blue font). The Player record is displayed.



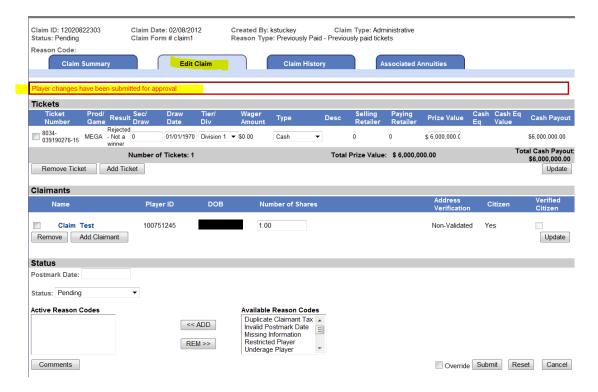
- 19. Verify Personal Information and Contact Information to ensure that it agrees with the Claim Form.
- 20. If the address is not already "Validated", select "Validate Address" button to verify that the address information is correct with the postal service.
- 21. Under Bank Information, select "Add Account" and enter the banking information provided by the Player. Check "Credit" box on both "Enable" and "Default Acct".
- 22. Select "Submit".

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23. Screen should return to "Edit Claim" and message at top should indicate that "Player changes have been submitted for approval". Select "Submit" again and message at top should indicate "Claim updated successfully".

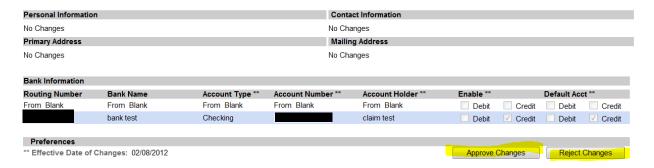
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24. Give the winner file to another Prize Payment staff for approval of Player changes.

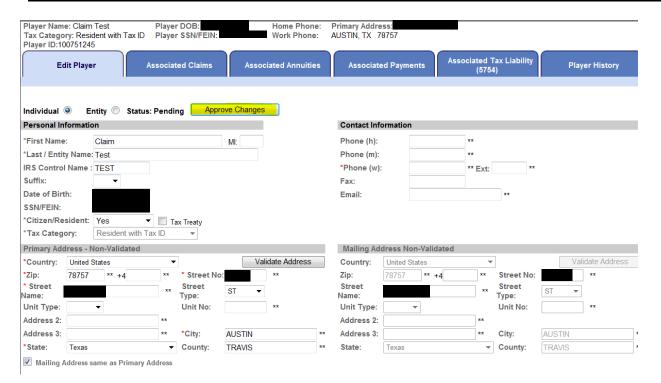
Note: It is recommended to finish all possible items on the check list prior to handing over the winner folder for approval. This allows the reviewer to mark off the items that have been completed while approving the player record changes.

25. In order to view the changes, pull up Player Record and select "Approve Changes". Another screen will pop up. If information is correct, select "Approve Changes". If revisions are needed, select "Reject Changes", make the correction to player record and give back to original Prize Payment staff to "Approve Changes".



26. File is given to the appropriate General Ledger staff in order for the prize winner to be set up in the Comptroller's TINs system prior to payment.

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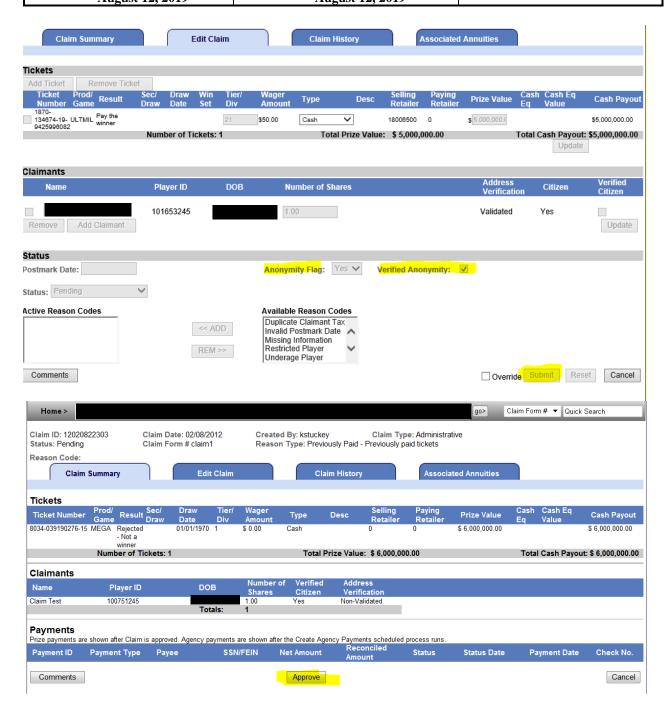


- 27. File then is given to the Financial Operations Manager (Management), or designee, for Claim review and approval.
 - 27.1. Recall the claim in ES and review the Ticket Information (specifically the prize value/cash payout) and Claimant Information.
 - 27.2. Select "Edit Claim" tab and review to ensure anonymous flag selected correctly. If correct, check the box "Verified Anonymity" and select "Submit".
 - 27.3. Select "Claim Summary" tab and select "Approve" to approve the claim.
 - 27.4. If flag is incorrect, return file to Prize Payment staff for correction.

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27.5. Upon approval of claim, confirm "Claim approved successfully" and net amount is correct.

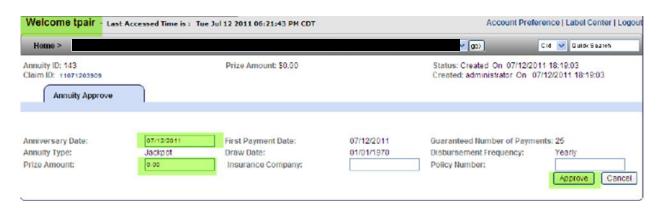


28. If annuity, select "Associated Annuities" tab and update the following items:

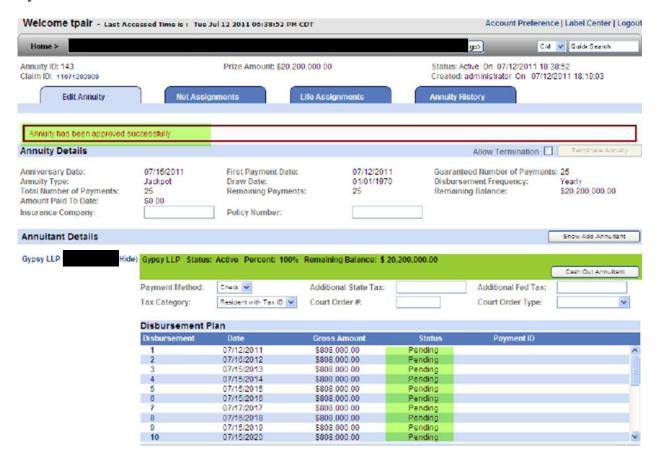
28.1. Anniversary Date:

- 28.1.1. If scratch annuity, date will be the first of the month of claim date. (i.e., claim date is 1/30/2012, the anniversary date is January 1 of each year)
- 28.1.2. If Lotto annuity, date will be the 15th of the month in which the draw occurred. (i.e., draw date is 1/30/2012, the anniversary date is January 15 of each year)
- 28.1.3. If Mega Millions or Powerball annuity, date will be the anniversary of the draw date.
- 28.1.4. If the anniversary date for any game falls on a weekend, the payment date will be on the following business day.
- 28.2. Prize Amount: Key Gross prize amount of the annuity.
- 29. Approve the Annuity

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30. Review the Disbursement Plan to ensure it created correctly. If this is an annuity payment, the account type must be changed to reflect "Initial Payment" instead of annuity payment. After calling up the annuity details for the player, click on the Disbursement Number to change the account type. This must be done prior to the Electronic File Transfer (EFT) overnight process. Give the folder back to the Prize Payment staff.



31. The next day, Prize Payment staff will check the Credit EFT file to ensure that the payment processed in ES.

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- 32. To check the Credit EFT File in ES, log into ES and select "across the top and select "Go".
- 33. Select "Search Payment Files" tab.

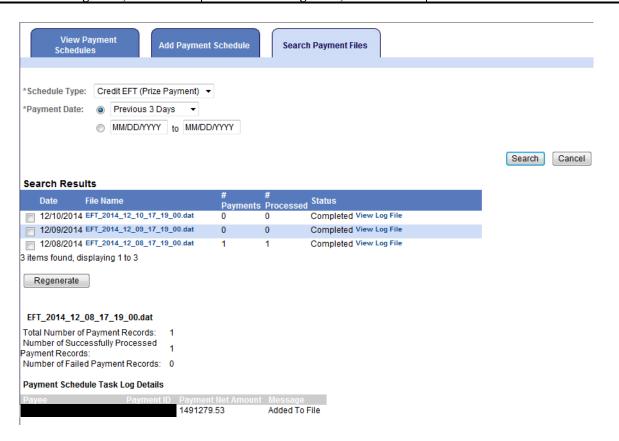


34. Using the drop-down menu, select "Credit EFT (Prize Payment)" for the schedule type. Payment date select "Previous 3 days". Select "Search".



35. Select "View Log File" status that shows a number processed. If it shows a zero, then there is not any information in that file. On the bottom of the screen it will show which payments are in the file. If this payment is the batch, click on the file name to open the file. Save the file down to

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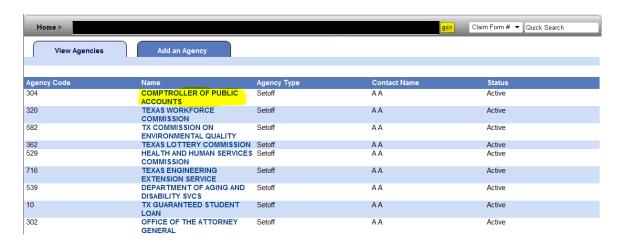


- 36. Review the information on the file. If correct, give both the Credit EFT file and the player folder to management for review and approval.
- 37. Management will upload the Credit EFT batch in the ACH banking system and give folder and batch report to Prize Payment staff.
- 38. Management sends an e-mail to TTSTC requesting that the batch be released for payment.

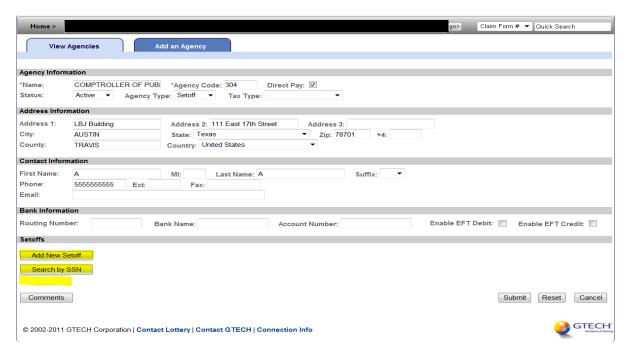
Warrant Holds and Debt Set-offs

- 39. Each night the agency receives a debt set-off file from the State Comptroller's office set-off that is loaded directly into ES. As prize payments are processed, the taxpayer number is compared to the debt set-off file. If a taxpayer number matches the debt set-off file, then the debt set-off will be automatically deducted from the prize payment.
- 40. Compare the (PYHOLD) screen print from step 3 above to ESset-off. Confirm that the agency and debt set-off agree.
- 41. To check for hold in ES, select from the drop-down menus at the top of the page and select "Go".
- 42. Once the agencies appear, click on the agency name that is showing on the PYHOLD screen print.

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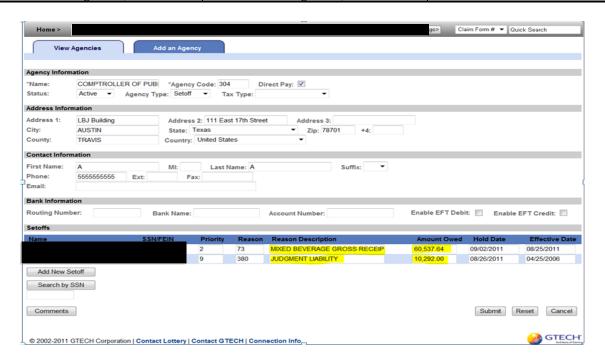


43. On the lower left-hand side of the screen, enter the SSN in the space below "Search by SSN" and select "Search by SSN".



44. The debt set-off should appear on the bottom of the screen under Set-offs. Verify that the player name, SSN, agency and amount agree with the PYHOLD screen print. These amount(s) will automatically be deducted from the prize payment.

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- 45. If the debt set-off is not included on ES, but it is confirmed that a set-off should be taken from payment, select the "Add New Set-off" and enter the new set-off information in the blank fields. The hold date and the effective date will automatically populate with today's date. Select "Submit" to process. This set-off will only remain in ES until the debt set-off file is refreshed during the nightly process.
- 46. Place documentation in winner file to document reason a set-off was added to payment.

Federal Income Tax Withholding

- 47. Federal income tax withholding will automatically be calculated at the current rate mandated by Federal Law, based on citizenship.
- 48. If the player is a US citizen, the first payment will be calculated by taking the gross payment minus the wager amount then multiplying by the current rate.

Example:

1,000,000.00
(2.00)
999,998.00
<u>24</u> %
239,999.52
1,000,000.00
(239,999.52)
760,000.48

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- 49. If the player is a non-US citizen, then the wager amount is not subtracted when calculating the taxes and the tax rate may be different than US citizens.
- 50. The winner will receive an IRS Form W-2G or 1042-S at year end depending upon citizenship based on IRS tax reporting requirements.

Voided Checks

- 51. If a payment needs to be voided for any reason in ES, the information must be given to management in order for the payment to be voided.
- 52. Prize Payment staff will then re-issue the payment on the same day the original payment is voided, when possible, to avoid any manual tax adjustments.

Manual Direct Deposit Transfer (ACH)

- 53. If for some reason a payment did not generate and an Electronic File Transfer (EFT) file or payment needs to be re-issued, the payment will need to be manually entered into an EFT file to be uploaded into the ACH banking system. A payment may need to be processed manually if the money was returned due to a closed bank account or incorrect banking information provided by claimant.
- 54. The Prize Payment staff will manually enter the direct deposit information into the EFT file. Print the EFT transaction screen, note the effective date of the payment and forward the file and EFT screen print to management. The staff with entry ability will not have the ability to create a batch or release a batch for payment.
- 55. Management will upload the batch for release in the ACH banking system and review for correct payment amount, banking instructions, and effective date. Review and approval is indicated by signing the printed Payments Detail Report from the ACH banking system. Email TTSTC requesting the release of payment. Management will not have access to enter transaction information.
- 56. TTSTC will release the batch to the bank for payment to the player. TTSTC will not have access to enter a transaction or create a batch.

General Guidelines

- 57. New winner payments are made 3 business days after the claim date. Holidays and weekend are not included. For *Mega Millions* and *Powerball* winners, the payment can be made no sooner than 15 calendar days from the date of the draw (to allow funds to be received by MUSL) plus three business days for normal business processing.
- 58. For scratch ticket games, the payment options will be provided per the game rules. Options may include weekly, monthly, quarterly, annually, and/or CVO. Note: Win for Life recipients cannot be given the option for annual payments.

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- 59. Payments are made each Wednesday for weekly installments. No more than 52 weekly payments will be made per year.
- 60. Payments are made the first business day of the month for monthly installments. Note that the winner's anniversary date is based on the winner's claim date month. Monthly installments may have a different prize amount applied for the anniversary month of each year.
- 61. Payments are made the first business day of the calendar quarter (January, April, July, October) for quarterly installments.
- 62. Payments are made the first business day of the anniversary month of the claim for annual installments.
- 63. For annuity payments other than annual (weekly, monthly and quarterly) processed during the first year after the claim date, the "Account Type" in the payment details needs to be adjusted to "Initial Installment Payment" instead of "Annuity Payment" as soon as a payment is ready in ES, before it is in "Sent to Payment" status.
 - 63.1. To update a payment, pull up annuity in ES using either SSN, Annuity ID, or Claim Form #.
 - 63.2. Click on the "Associated Payments" tab and select the most recent Payment ID number with a status of "Ready for payment". Note: if the payment status shows "Sent to payment" the Account Type will not be able to be updated and General Ledger staff will need to make an adjusting entry.
 - 63.3. The Payment Details screen will appear, select the "Initial Installment Payment" from the Account Type drop-down menu. Then select "Submit". Screen will show "Payment Details have been saved successfully".
 - 63.4. To complete this change, click "Approve".
- 64. Instructions for a change in the recipient's bank information or address information must be received as an original request with a notarized signature of the authorized signer for the player (i.e., individual, trustee, partner, executor, etc.) as long as the player is still receiving payments. After all payments have been made to the player, the player does not have to provide written instructions with a notarized signature. Written instructions, email, or a telephone call is acceptable. If the player is still actively receiving payments, updates must be made to ES.
- 65. Official name change must be received as a legally binding instrument, such as a court order, in order for the commission to act upon the request. These documents must be reviewed and approved by Legal Services prior to being acknowledged by the Prize Payment staff. Updates must be made to ES.
- 66. IRS Forms W-2G or Forms 1042-S are issued according to the respective procedures. OC-TX-001 IRS Form W-2G Reporting Process and OC-TX-004 IRS Form 1042-S Reporting Process.
- 67. Four times a year, the vital status of the Win for Life players is verified. See Procedure OC-WP-008, Win for Life Confirmation.

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- 68. A player for *Lotto Texas*® may choose the Cash Value Option or 30 Annual Payments at the time of purchase.
- 69. A player for *Mega Millions* may choose the Cash Value Option or 30 Annual Payments at the time of purchase.
- 70. A player for *Powerball* may choose the Cash Value Option or 30 Annual Payments at the time of purchase.

Ref: Game Rules §401.302 Scratch Ticket Game Rules

Ref: Game Rules §401.304 Draw Game Rules

Ref: Game Rules §401.305 "Lotto Texas" Draw Game Rules

Ref: Game Rules §401.312 "Texas Two Step" Draw Game Rules

Ref: Game Rules §401.315 "Mega Millions" Draw Game Rules

Ref: Game Rules §401.317 "Powerball" Draw Game Rules

Payment of Prizes Awarded to a Minor

Ref: Texas Government Code, §466.405 Payment of Prizes Awarded To Minor

- 71. If a minor is entitled to prize money on a winning ticket in an amount of \$600 or more, payments to the minor may be made by depositing the amount of the prize in any bank to the credit of an adult member of the minor's family or of the minor's guardian as custodian for the minor. Payment by check is not an option.
- 72. If the prize is a non-cash prize, the minor may be entitled to receive the cash equivalent of the prize.
- 73. The Claim Center office will obtain the claim and direct deposit information and forward the paperwork to Office of the Controller.
- 74. If the value of the non-cash prize is unknown, research the working papers for the value. If the value is not included in the working papers, contact the Scratch Ticket Strategy Coordinator or the Scratch Ticket Production Coordinator in the Products Department.
- 75. The claims entry in ES should reflect the information for the minor in order to send the IRS Form W-2G to the proper player.
- 76. The direct deposit instructions should include the information for the adult member of the minor's family or the minor's guardian as custodian for the minor.

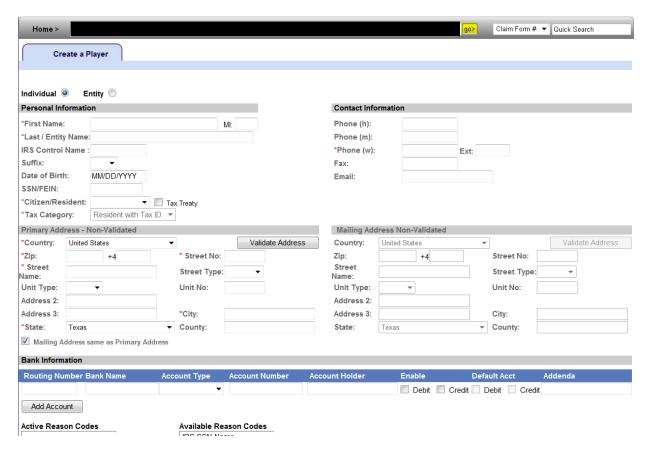
Payments Upon the Death of a Prize Winner

Ref: Game Rules §401.310 Payment of Prize Payments Upon the Death of Prize Winner

77. Notify Legal Services of a potential estate issue or change to the main representative of an entity.

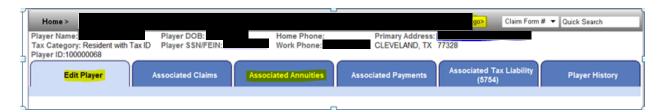
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- 78. In the event of a winner's death, the remaining payments will be made to the estate of the deceased prize winner who claimed the prize as an individual. Legal Services can speak to the attorney or send a letter outlining the required documents.
- 79. The legal representative, family member or attorney for the prize winner should forward an original certified copy of the death certificate. Other documents such as a Will and/or Letters Testamentary that state the identity of the authorized representative for the estate should be forwarded. The estate should also forward an estate Taxpayer Identification Number and any change of bank or address information with the notarized signature of the representative for the estate.
- 80. Once all estate related paperwork has been reviewed and approved by Legal Services, the payment schedule of the individual should be updated to transfer payments from the original claimant to the estate of the claimant. The original claimant name should not be changed on the payment schedule.
- 81. In order to add estate information to ES, a new player record must be created. Once the information has been added, print the screen. This information will be needed further down in the procedure.



82. The estate player record will then need to be linked to the original player record. Call up the original player record using the player's SSN or FEIN. Click on the tab "Associated Annuities".

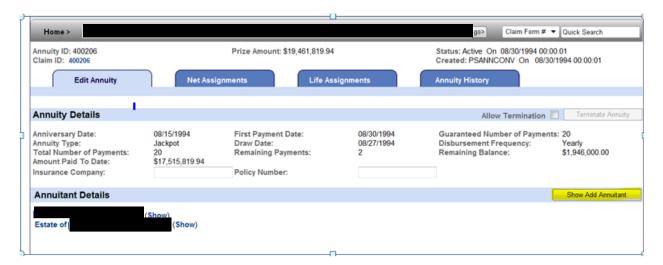
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83. Click on the "Annuity ID" number.



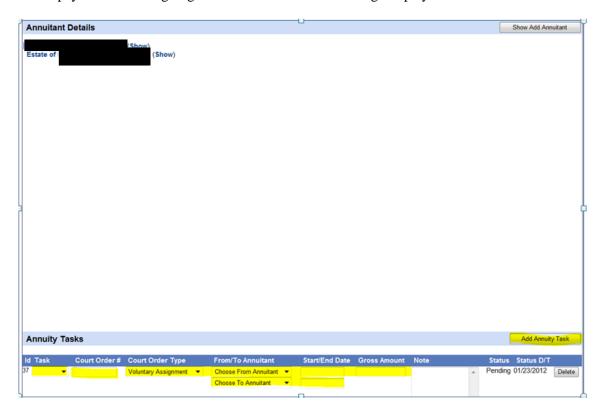
84. Click on the "Show Add Annuitant". Use the screen print from step 81 to fill in the new information for the estate.



- 85. The estate information will appear under the original player's name. An asterisk will appear next to the word (Show)*. This change will need to be approved by management.
- 86. Upon approval, go to the bottom of the page and click on "Add Annuity Task". Enter the information for the task in the area's highlighted in screen shot below. Have management review the new annuity task.

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87. This is an overnight process, therefore, the next day review the change made to ES to ensure that all further payments will be going to the estate instead of the original player.



Involuntary Assignments

Ref: Game Rules §401.309 Assignability of Prizes and Game Rules §401.310 Payment of Prize Payments Upon the Death of Player

- 88. Pursuant to an appropriate judicial order under Texas Government Code, §466.406(c) that resolves a bona fide underlying controversy involving the player.
- 89. The petition must be reviewed for the appropriate historical information of the original prize, any previous assignments, and the proposed assignment.
- 90. Verification of the authorized authority to sign as an individual or on behalf of an entity or estate.
- 91. Once the petition and draft court order have been reviewed, an e-mail is sent to the assigned attorney in Legal Services to report any errors in the petition or to receive clarification.
- 92. Once the final court order has been reviewed and if everything appears to be correct, send an email to the assigned attorney to report that the review has been completed. If the information is not correct or any paperwork is missing, alert the assigned attorney that information is needed or needs to be corrected.

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- 93. Once approved by Legal Services, approval will be forwarded to Office of the Controller via acknowledge letter that will be placed in the winners file.
- 94. Updates to information in ES or any spreadsheets will need to be completed.
- 95. A new payment schedule will be printed to include the assignment information.
- 96. The original documents will be filed in the winner's file.
- 97. If the current payment is due, and no response has been received by Legal Services, steps may be taken such as, but not limited to, the list below:
 - Email the appropriate attorney for the status of the order.
 - Notify the appropriate attorney that a letter from the player's attorney should be sent to acknowledge that no payment is to be made until the issue is resolved.
 - Payment may be made to the order of the court as approved by Legal Services.
 - Notification of Intent to Legal Services. The notification should state the circumstances and why Prize Payment staff intends to or not to make the payment as described.
 - Placing payments on "Hold" in ES until assignment is finalized.
- 98. Follow steps 7-38 to process the assignment in ES.

Voluntary Assignments

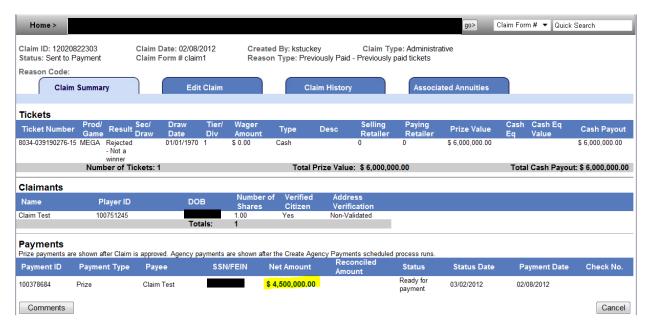
- 99. Pursuant to an order under Texas Government Code, §466.410 obtained by a player or an assignee of a player. Ref: Game Rules §466.410 Assignability of Prizes.
- 100. The petition must be reviewed for the appropriate historical information of the original prize, any previous assignments, and the proposed assignment.
- 101. Verification of the authorized authority to sign as an individual or on behalf of an entity or estate.
- 102. Once the petition and/or draft court order have been reviewed by both Prize Payment staff and management, an e-mail is sent to the assigned attorney in Legal Services to report any errors or to receive clarification.
- 103. General guidelines are as follows:
 - Assignment must be made to a "person" designated by an order of a district court of Travis County. The original certified copy will be maintained in the winner's file.
 - No more than three payees may be paid for any one prize made in any single payment period.
 - A \$500 administrative fee is required.
- 104. Verification of the final court order must also be reviewed for accuracy of information.
 - Original player's information
 - Prior assignments
 - Assigned payment information
 - Affidavits
 - Spousal consent

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- Release to Indemnify and Hold Harmless
- Receipt of the required fee
- 105. Assignment checklist is completed by Prize Payment staff and management when reviewing the petition, draft order, and final order.
- 106. Once the final court order has been reviewed and if everything appears to be correct, send an email to the assigned attorney to report that the review has been completed and the assignment fee has been received. If the information is not correct or any paperwork is missing, alert the assigned attorney that information is needed or needs to be corrected. Once approved by Legal Services, the original acknowledgement letter will be forwarded to Office of the Controller.
- 107. Update ES and any spreadsheets with assignment details as necessary.
- 108. A new payment schedule will be printed to include the assignment information.
- 109. The original documents will be filed in the winner's file.
- 110. Follow steps 7-37 to process the assignment in ES.

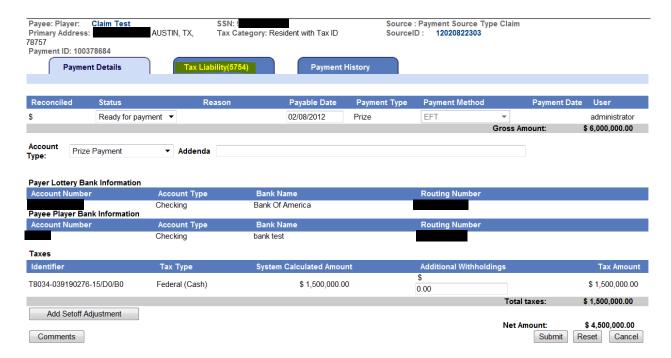
Tax Liability 5754

- 111. If a winner presents Prize Payment staff with an IRS Form 5754, the Prize Payment staff reviews the form to ensure it was filled out completely and correctly and signed by the prize winner.
- 112. Claim is prepared using same steps for processing new winner beginning with step 5, but once the payment is created, click "Net Amount" and open the Payment screen.



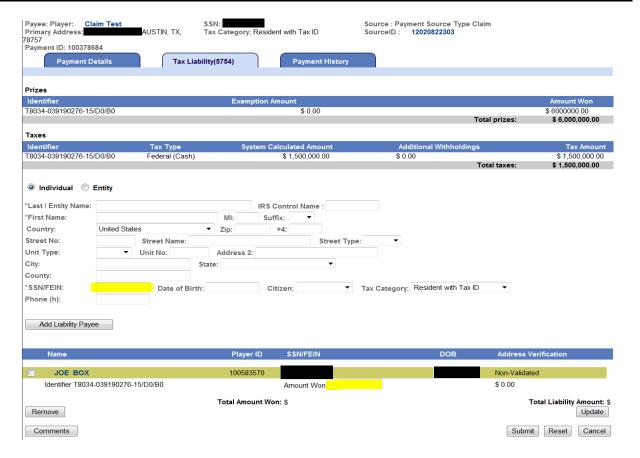
113. Select the "Tax Liability(5754)" tab.

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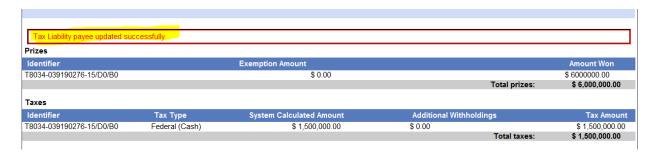


114. Add the additional prize recipients in ES as listed on Part II of the Form 5754.

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- 115. Once the recipient has been added, enter the Gross Amount of their portion of the winnings in "Amount Won". Select "Update".
- 116. When all recipients have been added, select "Submit". The message "Tax Liability payee updated successfully" will appear at top.

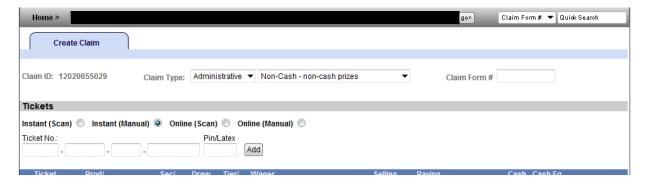


117. The original prize winner/claimant and the additional tax liability payees will be sent W-2Gs at year end.

Second-chance Winner Processing for Non-Cash Prizes

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- 118. Second-chance Winner Listings are posted on the website with the corresponding scratch ticket game.
- 119. The claimant will be contacted by Claim Center staff about the non-cash prize and will be sent to the closest Claim Center to complete the Claim Form. The Claim Center will complete the Claim Form and forward to the Prize Payment staff.
- 120. A second-chance drawing of a non-cash prize is not validated by the Claim Center because the ticket is not actually a winning ticket and therefore does not contain validation verifications.
- 121. If the winner owes any debts to other agencies, the winner must pay the debt prior to receiving the prize or the prize is forfeited and an alternate winner is chosen.
- 122. Once the Claim Form is received, Prize Payment staff will process the claim in ES.
- Open and print a copy of the "Prize Amount By Game" tab that relates to the game being processed from . Highlight the prize that relates to the claim. Include a copy in the work papers with the Claim Form. The Gross Amount of the prize is entered in ES during step 128 below.
- 124. If player has not been set up in ES by Claim Center staff, set up player in ES.
- 125. All non-cash claims are processed in ES as Administrative/Non-Cash claims by choosing the correct drop-down box after entering the "Create Claim" screen. Enter the Claim Form # which is located on the top-right corner of the Claim Form. Then select Instant (Manual) button and enter the ticket number.



126. Once the ticket number is entered and the "Add" button is selected, review to ensure tickets reads "Rejected – Not a winner status" under the Results section. This message indicates that the ticket number was correct.

Note: If "Bad Check Digits" error message is displayed in the Results section after entering the ticket number, contact the Claim Center staff that e-mailed the claim to be processed. This error message indicates that there is an issue with the ticket number provided and will need to be verified and corrected in ES before continuing to process the claim.

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- 127. Select "Merchandise" as "Type" of prize and write brief description of prize won in the "Desc" (description) box.
- 128. Enter the Gross Amount of the prize won in the Prize Value and Cash Eq Value box and then select "Update".
- 129. Within the "Claimants" section, enter the Social Security Number and press Enter. This will bring up the player information in a new window. Select the radio button next to the winner's name and select "Continue". Verify the citizenship by clicking on the check box and selecting "Update". Review all data for correctness and press "Submit".

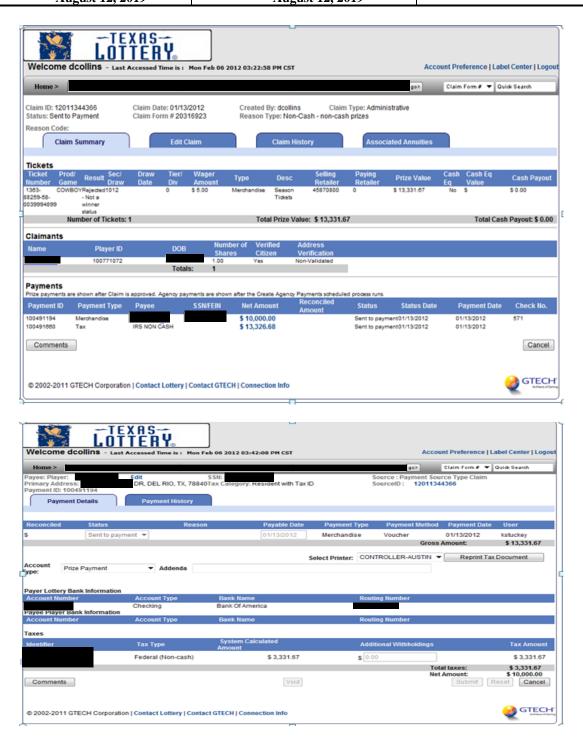


Upon submission, the screen will show "Claim created successfully". Print a screen shot, and give this page, as well as the copy of the Claim Form and the prize value calculations, to management for approval.

- 130. Management will review the claim against the "Outstanding deposits" spreadsheet to ensure claim ties to winner list for game by prize type. File is located at Spreadsheet is updated with the approval date of the claim. Claim is approved in ES and returned to Prize Payment staff.
- 131. Upon management's approval of claim, search for the Claim ID in ES and click on the blue "Net Amount" prize value. This will open up the payment screen from where the tax document is printed. Print the tax document and mail it to the winner. Print a screen shot that shows the "Check printed successfully" and staple to the approved screen shot and Claim Form copy for filing.
- 132. Once the tax documents have been created, send an e-mail to appropriate OC and Claim Center staff letting them know that the Non-Cash Claims have been approved by OC. Be sure to include the game name and number, the draw number, and the name of the second-chance winners that were processed.

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Second-chance Winner Processing For Cash Prizes

133. Follow Steps 118-130 for processing of second-chance cash prizes with the exception of Step 121. A debt set-off can be deducted from a cash prize.

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134. Upon management approval, an e-mail is sent to Claim Center staff for them to print the check and mail to the winner. The Claim Center should process the payment to the second-chance winner on the same day it is processed in ES.