

# 2015

## REPORT ON COMPLIANCE ACTIVITY MONITORING



AN AGENCY OF THE  
STATE OF TEXAS

# TEXAS LOTTERY COMMISSION

## 2015 Report on Compliance Activity Monitoring

The Texas Lottery Commission exercises strict control and close supervision over all lottery games conducted in this state to promote and ensure integrity, security, honesty, and fairness in the operation and administration of the lottery, and regulates charitable bingo-related activities in the state of Texas. The agency's mission statements and core values reflect our commitment to maintaining the public trust through operations that reflect security, integrity, responsibility and transparency.

### Agency Mission

**Texas Lottery:** The Texas Lottery is committed to generating revenue for the state of Texas through the responsible management and sale of entertaining lottery products. The Texas Lottery will incorporate the highest standards of security and integrity, set and achieve challenging goals, provide quality customer service and utilize a TEAM approach.

**Charitable Bingo:** Provide authorized organizations the opportunity to raise funds for their charitable purposes by conducting bingo. Determine that all charitable bingo funds are used for a lawful purpose. Promote and maintain the integrity of the charitable bingo industry throughout Texas.

### Agency Core Values

**Integrity and Responsibility:** The Commission works hard to maintain the public trust by protecting and ensuring the security of our lottery games, systems, drawings and operational facilities. We value and require ethical behavior by our employees, licensees and vendors. We promote the integrity of charitable bingo in Texas for the benefit of charitable organizations.

**Innovation:** We strive to incorporate innovation into our products to provide the citizens of Texas with the best entertainment experience available through our products. We pursue the use of technology that enhances the services that we provide to our customers and reduces our operating expenses.

**Fiscal Accountability:** We emphasize fiscal accountability by ensuring that all expenditures directly or indirectly generate revenue, enhance security, fulfill regulatory

requirements, improve customer service and/or boost productivity. We recognize our responsibility in generating revenue for the state of Texas without unduly influencing players to participate in our games. We maximize benefits to charities through the continual examination and review of charitable bingo operations.

**Customer Responsiveness:** The Commission takes pride in providing exemplary service to the people of Texas through the courteous dissemination of clear and accurate information about our products, services and regulatory functions. We seek and respond to feedback expressed by our employees, retailers, licensees and the playing and non-playing public. We apply this feedback in the development of our products and in the services that we provide.

**Teamwork:** We are committed to creating an environment of mutual respect where open, honest communication is our cornerstone. We embrace the diversity of our team and individual perspectives in working together to achieve our common goals.

**Excellence:** We strive for excellence by taking a position of leadership on issues that impact the Commission and achieve challenging goals by focusing on our core values.

## REPORT ON COMPLIANCE ACTIVITY MONITORING

This report is prepared in accordance with §467.111 of the Texas Government Code, which requires the Texas Lottery Commission to analyze complaints to identify any trends or issues related to violations of state laws under the agency's jurisdiction. The 2015 Report on Compliance Activity Monitoring is designed to present data and analysis from Fiscal Year (FY) 2012 through FY 2015 on jurisdictional complaints received, the resolution of complaints, actions resulting from complaints and retailer/bingo operator violations reported. The Texas Lottery uses the findings from the report to identify possible operational and procedural changes that may be required and to evaluate the effectiveness of the agency's enforcement process.

# TABLE OF CONTENTS

Executive Summary . . . . .	1
Compliance Activity Monitoring Program (CAMP) . . . . .	2
Complaint Lifecycle. . . . .	3
Enforcement . . . . .	4
Data and Analysis (Fiscal Year 2012-2015). . . . .	5
Summary of Complaints Against Regulated Persons or Entities by Fiscal Year - Lottery . . . .	5
Complaints by Lottery Violation Code . . . . .	6
Summary of Complaints Against Regulated Persons or Entities by Fiscal Year - Bingo . . . .	11
Complaint by Bingo Violation Code . . . . .	12
Conclusion . . . . .	23

## Executive Summary

The Texas Lottery receives, tracks and addresses jurisdictional concerns from the public via the Compliance Activity Monitoring Program (CAMP) hotline. A jurisdictional complaint is one in which the Texas Lottery has the authority to interpret and apply the law in accordance with the State Lottery Act, the Bingo Enabling Act, or the Texas Lottery or Bingo administrative rules. The automated CAMP system allows for the maintenance and tracking of all complaints and violations from initial intake or discovery to final disposition.

From FY 2012 through FY 2015, the Texas Lottery received 1,279 complaints involving lottery violations. Despite expanded opportunities for violations to occur, with increased sales and growth in the retailer base, the number of lottery complaints received declined from 366 in FY 2012 to 310 in FY 2015. A total of 1,354 lottery-related complaints were resolved during the four years. The average number of days for the resolution of these complaints declined from 112 in FY 2012 to 96 in FY 2015. Of the complaints resolved, 521, or 38 percent, resulted in a written reprimand being issued to a retailer, while 14 resulted in license suspension.

The two lottery violations most frequently associated with complaints during the four years were “Licensee fails to pay a valid prize the licensee is required to pay” and “Licensee endangers the security and/or integrity of the lottery games run by the commission.” These two violations were reported in 439 and 436 complaints, respectively. The number of complaints reporting these two violations declined slightly from FY 2012 through FY 2015. Only one lottery violation was linked to a notable increase in complaints during the four year period. While small in overall volume, the number of complaints reporting the violation “Licensee fails to return an exchange ticket to a prize claimant claiming a prize on a multi-draw ticket if an exchange ticket is produced by the licensee’s terminal” increased from four to fourteen from FY 2012 to FY 2015. The Texas Lottery will continue working to educate the retailer base on lottery violations by including information on violations in initial retailer training, by providing refresher training to retailers when appropriate and by providing relevant information in retailer communications, including the monthly retailer newsletter *RoundUp* and the agency website.

Charitable Bingo is an important fundraising activity for a variety of Texas nonprofit organizations. The Charitable Bingo Operations Division (CBOD) of the Texas Lottery Commission is charged with the strict control and close supervision of bingo conducted in this state so that bingo is fairly conducted and the proceeds from bingo are used for an authorized purpose. The CBOD’s goal is to achieve voluntary compliance and assist licensees through training and education.

The CBOD will strive for the highest levels of professionalism, conducting regulatory activities fairly, competently and consistently. Clear regulatory requirements will be developed in an open environment, encouraging two-way communication.

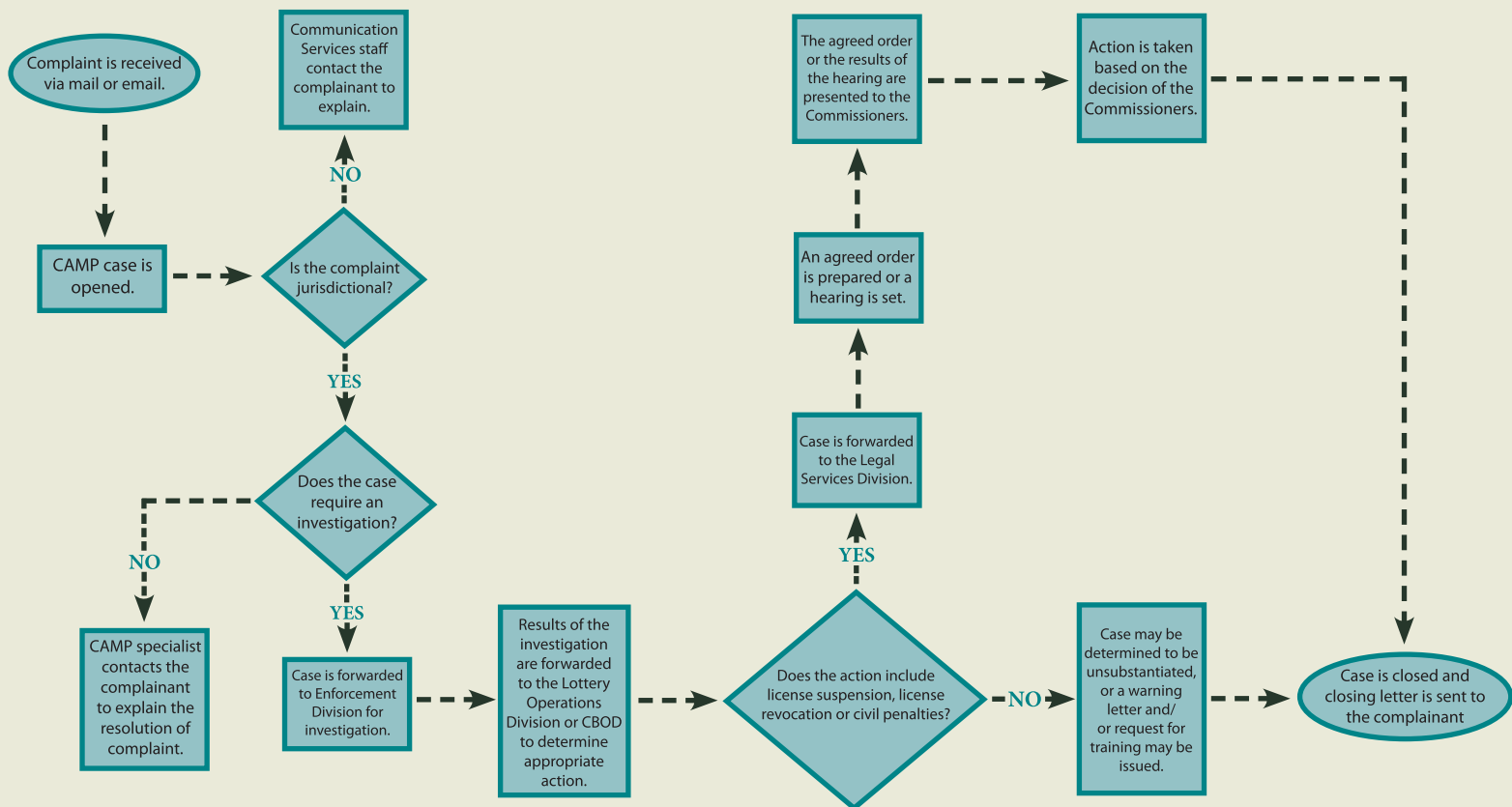
During the 83<sup>rd</sup> Legislature, funding was provided for additional audit staff to ensure compliance with the bingo regulations. From the various complaints, common violations committed by licensed organizations were identified. The CBOD promotes voluntary compliance and encourages a self-evaluation of organizations' bingo operations. The licensed authorized organization is responsible for compliance with the Bingo Enabling Act (Act) and the Charitable Bingo Administrative Rules (Rules). It is important that organizations establish and monitor controls and processes to ensure that charitable bingo games are conducted fairly.

## Compliance Activity Monitoring Program (CAMP)

In keeping with our mission, the Texas Lottery incorporates the highest standards of security and integrity. The Texas Lottery receives, tracks and addresses jurisdictional concerns from the public via the CAMP hotline, which was formally established in 2004. Awareness of the hotline is supported through placement of the toll-free 800 number on the website, in retail locations and in venues where bingo games are conducted. The Compliance Hotline Section of the Retailer Services Department is responsible for monitoring the life cycle of complaints and violations of the Bingo Enabling Act, State Lottery Act and respective administrative rules. The Compliance Hotline Section is a centralized intake unit for complaints and also monitors violations that are discovered internally. Compliance staff is responsible for maintaining the standards set by the Texas Lottery Commission relating to complaints. An automated system has been developed which provides the ability to track all complaints and violations from initial intake or discovery to final disposition, by allowing the Compliance Hotline Section to monitor the compliance resolution process as work flows between the Enforcement, Legal Services, Charitable Bingo Operations and/or Lottery Operations Divisions. The section maintains a comprehensive database on complaints, violations and disposition to facilitate trend analysis and reporting. The information allows the Texas Lottery to make informed decisions relating to licensees by reviewing compliance history when considering license issuance and/or administrative action. The Texas Lottery has enhanced the CAMP system over time to allow the agency to: 1) produce reports showing the resolution of complaints by the type of allegation, and 2) report statistics about complaints received and resolved each year.



# Complaint Lifecycle



A complaint may be filed by phone, mail, email, in person or fax. Complaint intake is handled primarily by the Compliance Hotline Section. Other divisions of the agency may also enter a complaint in the CAMP system without going through the CAMP intake process. A case is opened in the CAMP system and the CAMP Specialist determines if the complaint is jurisdictional or non-jurisdictional. A jurisdictional complaint is one in which the Texas Lottery has the authority to interpret and apply the law in accordance with the State Lottery Act, the Bingo Enabling Act, or the Texas Lottery or Bingo administrative rules. If the complaint is determined to be a customer service inquiry as opposed to a jurisdictional complaint, a Texas Lottery Communications Services representative makes contact to assist the customer and address their concerns. If the complaint is determined to be jurisdictional, and the complaint can be resolved by researching the matter and making the appropriate contacts (i.e. licensee and complainant) the CAMP Specialist will document the resolution and provide information to the complainant. If the complaint requires an investigation, the case is forwarded to the Enforcement Division, which conducts the investigation. The results of the investigation are then forwarded to the Lottery Operations Division or Charitable Bingo Operations Division (CBOD), based on the subject of the complaint, to determine the appropriate action. If the complaint is found to be unsubstantiated or there is insufficient evidence to prove the facts associated with the complaint, the case is closed and a

closing letter is sent to the complainant. The Lottery Operations Division and CBOD utilize a penalty matrix and a progressive disciplinary approach to determining the appropriate action in relation to a particular violation.

For lottery-based complaints, the appropriate actions range from a warning letter to license revocation. In the majority of cases that result in a warning letter, additional training of retailer staff related to the subject of the complaint is required. This training is performed by the Lottery Operator vendor. Once a warning letter is sent or training is requested, the case is closed and a closing letter is sent to the complainant. If suspension or revocation of a Lottery retailer's license is being sought, the case is forwarded to the Legal Services Division. Based on communication with the retailer and their response, an informal conference may be held. If the matter is resolved at this stage, an Agreed Order is prepared. If the matter is not resolved in the informal conference, the Legal Services Division schedules a formal hearing with the State Office of Administrative Hearings and the Administrative Law Judge will prepare a Proposed Final Decision (PFD). Either an agreed order or an order based on the PFD is prepared for presentation to the Texas Lottery Commissioners at a Commission Meeting and the appropriate action is taken based on the decision of the Commission. The case is then closed and a closing letter is sent to the lottery retailer and complainant.

For bingo-based complaints, the appropriate actions range from a warning letter or civil penalty to license suspension or revocation. In some instances an audit may be initiated based on the findings associated with a complaint. Once a warning letter is sent, the case is closed and a closing letter is sent to the complainant. If a civil penalty, suspension or revocation of a bingo license is being sought, the case is forwarded to the Legal Services Division. Based on communication with the licensee and their response, an informal conference may be held. If the matter is resolved at this stage, an Agreed Order is prepared. If the matter is not resolved in the informal conference, the Legal Services Division schedules a formal hearing with the State Office of Administrative Hearings and the Administrative Law Judge will prepare a Proposed Final Decision (PFD). Either an agreed order or an order based on the PFD is prepared for presentation to the Texas Lottery Commissioners at a Commission Meeting and the appropriate action is taken based on the decision of the Commission. The case is then closed and a closing letter is sent to the bingo licensee and complainant.

## Enforcement

The Enforcement Division at the Texas Lottery Commission investigates violations of the State Lottery Act, Bingo Enabling Act and administrative rules based on priorities established by the Commission. Enforcement staff works closely with the Charitable Bingo and Lottery Operations Divisions, as well as state and local law enforcement agencies, to effectively conduct their investigations. Complaints submitted to the



Texas Lottery via the CAMP intake process are the primary source of information on matters that require investigation. Investigations conducted include field investigations on possible administrative and criminal violations, including efforts to assist local law enforcement agencies. Investigators regularly engage with licensees and the general public during the conduct of their investigations. They provide information to licensees on how to prevent violations related to the licensed activity and consumer protection information to the general public who play lottery and bingo games. The engagement on preventive measures and consumer protection are aimed at gaining voluntary compliance by licensees and improving the overall experience for players who participate in lottery and bingo games.

## Data and Analysis (Fiscal Year 2012-2015)

### Summary of Complaints Against Regulated Persons or Entities by Fiscal Year - Lottery

	FY - 12 TOTALS	FY -13 TOTALS	FY - 14 TOTALS	FY - 15 TOTALS
Number of complaints received from public	366	296	307	310
Number of complaints initiated by agency	20	5	6	8
Number of complaints pending from prior years	116	118	58	95
Number of complaints resolved	383	360	272	339
Average number of days for complaint resolution	112	118	106	96
Complaints resulting in disciplinary action:				
Reprimand	125	167	106	123
Suspension	4	0	4	6
Other	0	1	0	0

During the four-year period from FY 2012 through FY 2015, a total of 1,279 complaints reporting lottery violations were received from the public. From FY 2012 to FY 2013, the number of complaints received decreased from 366 to 296, or 19 percent. Following this decline, the number of complaints received remained fairly stable from FY 2013 through FY 2015. A total of 39 complaints were initiated by the Texas Lottery during the four-year period as a result of data analysis from the Lottery Operator Gaming System or other sources. From FY 2012 to FY 2015, total sales for the Texas Lottery increased from \$4.190 billion to \$4.529 billion, or by more than \$300 million (FY 2015 sales are unaudited). During the same period, the number of licensed Texas Lottery retailers

grew from 16,982 to 17,403 – an increase of 421 retailers. Despite the expanded opportunities for violations to occur, with the growth in sales and the retailer base, the number of complaints received and initiated by the agency declined from FY 2012 to FY 2015.

Reflecting the Texas Lottery's efforts to improve the efficiency of the complaint resolution process, the number of complaints pending from prior years declined from 116 in FY 2012 to 95 in FY 2015. In addition, the average number of days for complaint resolution decreased from 112 to 96 during the same period. The number of complaints resulting in a written reprimand being sent to a retailer fluctuated some during the four years, with a high of 167 cases in FY 2013 and a low of 106 in FY 2014. During the period from FY 2012 through FY 2015, 38 percent of the complaints resolved resulted in a written reprimand. Fourteen complaints resulted in the suspension of the retailer's lottery sales license.

### Complaints by Lottery Violation Code\*

LOTTERY VIOLATION CODES/ DESCRIPTIONS		FY - 12 TOTALS	FY - 13 TOTALS	FY - 14 TOTALS	FY - 15 TOTALS
2002	Licensee conditions redemption of a Lottery prize upon the purchase of any other item or service.	16	12	17	13
2003	Licensee imposes a restriction upon the redemption of a Lottery prize not specifically authorized by the director.	7	4	4	2
2004	Licensee fails to follow instructions and procedures for the conduct of any particular lottery game, lottery special event or promotion.	17	8	13	4
2005	Licensee and/or its employee's exhibit discourteous treatment including, but not limited to abusive language toward customers, commission employees or commission vendors.	44	32	42	34
2006	Licensee fails to establish or maintain reasonable security precautions with regard to the handling of lottery tickets and other materials.	1	3	0	1
2007	Licensee endangers the security and/or integrity of the lottery games run by the commission.	122	92	112	110

LOTTERY VIOLATION CODES/ DESCRIPTIONS		FY - 12 TOTALS	FY - 13 TOTALS	FY - 14 TOTALS	FY - 15 TOTALS
2009	Licensee violates any express term or condition of its license not specifically set forth in this subchapter.	0	1	0	0
2010	Licensee sells an instant ticket from a game that has closed after the date designated for the end of the game.	20	11	7	11
2011	Licensee fails to pay a valid prize in the amount specified on the validation slip generated on the licensee's terminal or to pay the authorized amount.	11	11	2	6
2012	Licensee fails to pay a valid prize the licensee is required to pay.	130	99	96	114
2013	Licensee refuses or fails to sell Lottery tickets during all normal business hours of the lottery retailer during on-line game operating hours.	32	21	32	27
2014	Licensee refuses to and/or fails to properly cancel a <i>Pick 3</i> or <i>Daily 4</i> ticket.	5	7	3	3
2015	Licensee fails to return an exchange ticket to a prize claimant claiming a prize on a multi-draw ticket if an exchange ticket is produced by the licensee's terminal.	4	9	7	14
2016	Licensee fails to keep accurate and complete records of all tickets from confirmed, active and settled packs that have not been sold.	0	0	1	0
2019	Licensee fails to meet any requirement under §401.368, Lottery Ticket Vending Machine rule if the licensee has been supplied with a lottery ticket vending machine by the commission.	0	0	0	1
2020	Licensee fails to take readily achievable measures within the allowed time period to comply with the barrier removal requirements regarding ADA.	1	0	0	0
2021	Licensee fails to prominently post license.	0	0	0	3

LOTTERY VIOLATION CODES/ DESCRIPTIONS		FY - 12 TOTALS	FY - 13 TOTALS	FY - 14 TOTALS	FY - 15 TOTALS
2023	Licensee intentionally or knowingly sells a ticket at a price the licensee knows is greater than the price fixed by the executive director.	5	7	2	6
2024	Licensee sells tickets issued to a licensed location at another location that is not licensed.	2	0	1	0
2025	Licensee intentionally or knowingly sells a ticket by extending credit or lends money to enable a person to buy a ticket.	2	3	4	4
2026	Licensee intentionally or knowingly sells a ticket to a person that the licensee knows is younger than 18 years.	2	6	2	2
2027	Licensee intentionally or knowingly sells a ticket and accepts anything for payment not specifically allowed under the State Lottery Act.	2	1	0	2
2028	Licensee sells tickets over the telephone or, via mail order sales, establishes or promotes a group purchase or pooling arrangement under which tickets are purchased on behalf of the group or pool and any prize is divided among the members of the group or pool, and the person intentionally or knowingly: (A) uses any part of the funds solicited or accepted for a purpose other than purchasing tickets on behalf of the group or pool; or (B) retains a share of any prize awarded as compensation for establishing or promoting the group purchase or pooling arrangement.	1	1	0	3
2029	Licensee intentionally or knowingly alters or forges a ticket.	0	0	0	1
2030	Licensee intentionally or knowingly influences or attempts to influence the selection of the winner of a lottery game.	1	0	0	3

LOTTERY VIOLATION CODES/ DESCRIPTIONS		FY - 12 TOTALS	FY - 13 TOTALS	FY - 14 TOTALS	FY - 15 TOTALS
2031	Licensee intentionally or knowingly claims a lottery prize or a share of a lottery prize by means of fraud, deceit, or misrepresentation; or aids or agrees to aid another person or persons to claim a lottery prize or a share of a lottery prize by means of fraud, deceit, or misrepresentation.	3	1	0	1
2032	Licensee intentionally or knowingly tampers with, damages, defaces, or renders inoperable any vending machine, electronic computer terminal, or other mechanical device used in a lottery game, or fails to exercise due care in the treatment of commission or commission property.	1	0	0	3
2033	Licensee (A) induces another person to assign or transfer a right to claim a prize, (B) initiates or accepts an offer to sell the right to claim a prize, (C) initiates or accepts an offer of compensation from another person to claim a lottery prize, or (D) purchases a lottery ticket from a person who is not a licensed lottery retailer.	0	1	0	0
2037	Licensee intentionally or knowingly makes a material and false or incorrect, or deceptive statement, written or oral, to a person conducting an investigation under the State Lottery Act or a rule adopted by the commission.	4	0	0	1
2043	Sale of Ticket by Unauthorized Person	1	0	2	0

\*Multiple violations can be assigned to one complaint.

The violation most commonly associated with the complaints received from FY 2012 through FY 2015 was “Licensee fails to pay a valid prize the licensee is required to pay.” A total of 439 complaints received during the period involved this violation. The number of complaints reporting this violation declined slightly from 130 in FY 2012 to 114 in FY 2015. Current training materials instruct retailers on the need to pay prizes up to \$599 when they validate winning tickets. By having retailer training, including refresher training, stress the importance of paying valid prizes, and by including information on

this topic in retailer communications, including the monthly retailer newsletter *RoundUp* and the agency website, the Texas Lottery will strive to improve education on this issue throughout the retailer base.

The second most frequently reported violation was “Licensee endangers the security and/or integrity of the lottery games run by the commission.” A total of 436 complaints received during the four-year period involved this violation. The number of complaints reporting this violation decreased from 122 in FY 2012 to 110 in FY 2015. This decline may be partly due to the high volume of refresher training that is provided to retailers on practices regarding the security and integrity of lottery games. Maintaining public confidence in the security and integrity of the Texas Lottery is core to the mission of the Texas Lottery. The Texas Lottery has implemented a number of consumer protection-related initiatives, including dual validation receipts (one for player and one for retailer), “Sign Your Ticket” public awareness campaign, player-activated terminals for self-checking winning status of tickets, multimedia monitor (ESMM) display that communicates validation messages to players and terminal inquiry/validation tones, to name a few.

From FY 2012 to FY 2015, the number of complaints reporting the violation “Licensee fails to follow instructions and procedures for the conduct of any particular lottery game, lottery special event or promotion” declined from 17 to four complaints. This violation is most commonly related to complaints that a retailer failed to provide a player with a free ticket(s) called for by the rules of a game promotion. When these incidents are reported, the Texas Lottery works directly with the player and the retailer to ensure that the player receives the appropriate ticket(s). In addition, refresher training is provided to the retailer on the rules of the promotion.

The number of complaints reporting the violation “Licensee fails to return an exchange ticket to a prize claimant claiming a prize on a multi-draw ticket if an exchange ticket is produced by the licensee’s terminal” increased from four to 14 from FY 2012 to FY 2015. While the overall volume of complaints related to this violation was small, it was the only lottery violation tied to a notable increase in complaints during the period. Initial retailer training includes instructions on providing an exchange ticket when a multi-draw ticket with remaining draws is presented for validation. In addition, retailers are given refresher training when it is determined they failed to provide an exchange ticket. The Texas Lottery will work to raise the level of awareness of this requirement among the retailer base by having the importance of providing exchange tickets stressed in initial retailer training classes and in refresher training. In addition, information on the topic will be included in retailer communications, including the monthly retailer newsletter *RoundUp* and the agency website.



### Summary of Complaints Against Regulated Persons or Entities by Fiscal Year - Bingo

	FY- 12 TOTALS	FY - 13 TOTALS	FY - 14 TOTALS	FY - 15 TOTALS
Number of complaints recieved from public	156	137	132	173
Number of complaints initatied by agency	5	0	6	0
Number of complaints pending from prior years	120	49	121	121
Number of complaints resolved	230	62	136	209
Average number of days for complaint resolution	225	159	254	249
Complaints resulting in disciplinary action:				
Administrative Penalty	0	4	6	26
Reprimand	12	11	20	33
Other	24	1	0	0

During the four-year period from FY 2012 through FY 2015, a total of 598 complaints reporting bingo violations were received from the public. From FY 2012 to FY 2013 the number of complaints received decreased from 156 to 137, or 12 percent. Following this decline, the number of complaints decreased FY 2013 to FY 2014 from 137 to 132, or 3 percent, and FY 2014 to FY2015 increased from 132 to 173, or 31 percent.

The total number of complaints resulting in disciplinary actions increased from 36 in FY 2012 to 59 in FY 2015.

In the last four fiscal years cases were closed with an average of 222 days to complete. This was due to the number of cases backlogged, and the complexity of the allegations. Additionally, the number of complaints received and the availability of the complainant, suspect or witnesses also affect the number of investigations resolved. In FY 2016 the Charitable Bingo Operations Division (CBOD) is striving to resolve cases in an average of 75 days.

## Complaints by Bingo Violation Code\*

BINGO VIOLATION CODES/ DESCRIPTIONS		FY - 12 TOTALS	FY - 13 TOTALS	FY - 14 TOTALS	FY - 15 TOTALS
1000	House Player	5	5	2	1
1001	House Rules	8	5	1	5
1002	Same Winners	28	24	15	34
1003	Bingo Equipment	1	0	0	1
1004	Card Minders	0	1	0	0
1005	Pull-tabs/instant tickets/event tabs	1	2	0	0
1006	The play of the game	14	11	20	25
1007	Failure to pay a prize	10	6	7	10
1008	Caller did not hear bingo	8	4	9	7
1009	Credit	0	1	0	0
1101	The organization failed to provide proof of adequate charitable activity for 3 years.	1	0	0	0
1103	The applicant for a license to conduct bingo failed to include all of the correct and complete information required on a prescribed application.	0	1	0	0
1112	The applicant or licensee failed to submit supplemental information requested by the commission.	0	1	0	0
1129	Failed to list the names of all current officers and directors and their position(s) listed on the renewal application.	0	1	0	0
1201	A person knowingly participated in the award of a prize to a bingo player in a manner that disregarded the random selection of numbers or symbols.	72	55	34	51
1202	A person made a false statement in an application for a license.	3	0	0	0
1203	A person falsified or made false entries in books and records.	16	9	4	9
1204	A person conducted, promoted, or administered bingo without a license.	7	1	1	11
1208	The licensee or a person designated as an agent for a unit to timely produce for inspection or audit any book, record, document, or other form of information requested by the commission.	0	0	2	0

BINGO VIOLATION CODES/ DESCRIPTIONS		FY - 12 TOTALS	FY - 13 TOTALS	FY - 14 TOTALS	FY - 15 TOTALS
1209	A person listed or requesting to be listed on the registry of approved workers was convicted of a felony, a gambling offense, criminal fraud, or a crime of moral turpitude and less than ten years have elapsed since the termination of the sentence, parole, mandatory supervision, or community supervision served for the offense.	2	2	0	1
1211	A person registered or required to be registered on the registry of approved workers converted funds that are in , or that should have been in, the bingo account of any licensed authorized organization or took some action, individually or in concert with another person that affects the integrity of any bingo game to which this chapter applies.	2	0	1	0
1307	The organization or unit conducted bingo in a count other than the county where the organization is principally located.	1	0	0	0
1308	The organization conducted bingo outside of the licensed time.	3	0	0	0
1310	The organization conducted bingo at an unauthorized location.	0	1	0	0
1311	The organization that is a member of a unit did not conduct its bingo games separately from the bingo games of the other members of the unit.	0	0	0	1
1312	A person provided services as a unit manager for a unit without holding a unit manager's license.	1	0	0	0
1315	A game of chance other than bingo, or a raffle conducted under Chapter 2002, was allowed or conducted during an occasion when bingo was being played.	12	11	15	3
1317	The organization failed to have an authorized operator present at the bingo occasion.	1	4	3	1

BINGO VIOLATION CODES/ DESCRIPTIONS		FY - 12 TOTALS	FY - 13 TOTALS	FY - 14 TOTALS	FY - 15 TOTALS
1318	The organization failed to list an individual acting as a registered operator, in the prescribed original, amended, or renewal application as the member who will be responsible for the conduct of bingo under the terms of the license and the Bingo Enabling Act prior to acting in the capacity.	0	1	0	0
1319	An individual not listed on the registry of approved bingo workers or provisionally employed acted as an operator, manager, cashier, usher, caller, bingo chairperson, bookkeeper or salesperson an organization.	2	1	1	2
1322	The organization allowed bingo equipment to be modified or tampered with in a manner which affected the randomness of the numbers chosen.	1	0	0	0
1323	Paid pull-tab prize that was not in compliance with the amount of the of the approved payout structure.	0	1	2	0
1324	The unit failed to notify the commission of a change in unit membership on a commission-prescribed form seven calendar days prior to the date the unit membership changes.	1	0	0	0
1326	Failed to account for each deal of pull-tab bingo tickets in sales, prizes or unsold cards.	0	0	0	2
1405	The bingo worker played bingo or the organization failed to prohibit bingo workers from playing bingo.	7	11	8	4
1411	The applicant failed to file all required reports, tax returns and requested information.	1	0	0	0
1412	The organization failed to maintain a perpetual inventory of disposable cards/ paper.	1	0	0	0
1413	The organization failed to maintain a perpetual inventory of pull-tab bingo games.	0	0	1	0
1417	The organization failed to break apart a multiple part event ticket and sell in sections.	0	0	0	7

BINGO VIOLATION CODES/ DESCRIPTIONS		FY - 12 TOTALS	FY - 13 TOTALS	FY - 14 TOTALS	FY - 15 TOTALS
1420	A bingo worker communicated to the caller the numbers(s) or symbol(s) needed by a player to win a bingo game.	0	0	0	1
1425	The organization did not list the serial number of the pull-tab bingo tickets sold on the daily cash report.	0	0	1	0
1501	The organization failed to maintain or properly maintain records to substantiate the contents of its quarterly report.	3	1	1	0
1503	The organization failed to deposit prize fees withheld in the bingo account.	0	2	0	0
1504	The organization failed to deposit in the (Unit's) bingo account all funds derived from the conduct of bingo, less the amount awarded as cash prizes.	0	0	0	1
1505	The organization incurred or paid items or expense in connection with the conduct of a game of bingo that were not reasonable or necessarily expended for authorized expenses.	1	0	0	0
1508	The organization or unit failed to disburse for charitable purposes all of the organization's net proceeds from the preceding quarter, other than amounts retained under section 2001.451.	0	1	0	0
1509	The organization failed to withhold the correct amount of prize fees.	0	1	2	0
1607	When a bingo gift certificate was redeemed, cash was not exchanged from the respective bingo gift certificate fund.	0	0	1	0
1613	The organization failed to maintain records to substantiate bingo expenses.	1	0	0	0
1715	The limit of \$750.00 was exceeded on a single prize for regular or pull-tab bingo.	2	0	0	2
1716	Prizes with an aggregate value of more than \$2,500 for bingo games other than pull-tab bingo were offered or awarded on a single bingo occasion.	2	2	3	6

BINGO VIOLATION CODES/ DESCRIPTIONS		FY - 12 TOTALS	FY - 13 TOTALS	FY - 14 TOTALS	FY - 15 TOTALS
1717	A registered worker or operator for an organization did not wear, present, visibly display, or list the individuals name and unique registration number in a legible manner on his/her prescribed identification card, while on duty.	5	3	2	2
1718	A person was denied admission to a bingo game or the opportunity to participate in a game because of race, color, creed, religion, national origin, sex, or disability or because the person was not a member of the licensed authorized organization conducting the bingo game.	3	0	2	4
1719	The organization reserved or allowed to be reserved, bingo cards or a card-minding device for use by a particular person.	6	9	6	5
1720	The organization offered or provided to a person the opportunity to play bingo without charge.	2	12	13	7
1721	Individuals(s) under the age of 18 years were allowed to play a game of bingo without being accompanied by their parent or guardian.	0	1	2	1
1728	The organization withdrew a deal of pull-tab bingo tickets from play before the deal was completely sold out, all winning cards of \$25.00 or more were cashed, or the bingo occasion ended.	1	0	0	0
1731	The organization failed to verify winning bingo cards by someone at another table or location other than the winners, or by an electric verifier system, winning cards were not shown on a monitor visible to all players, or the disposable card(s) or electronic representation of the card, was not posted for inspection for at least 30 minutes after the completion of the last game of that organization's occasion.	1	0	2	0
1732	The organization failed to properly verify the numbers drawn and verify the balls remaining in the receptacle that were not drawn, at the request of a player.	2	1	0	0



BINGO VIOLATION CODES/ DESCRIPTIONS		FY - 12 TOTALS	FY - 13 TOTALS	FY - 14 TOTALS	FY - 15 TOTALS
1733	The winning card face from a card-minding device was not verified properly.	1	0	1	0
1757	A registered bingo worker failed to inspect the bingo balls prior to the first game of each bingo occasion to ensure that all of the balls are present, not damaged or otherwise compromised.	0	5	1	0
1758	A registered bingo worker failed to inspect the bingo console and flashboard to ensure proper working order prior to the first game of each bingo occasion.	0	0	1	0
1759	The organization failed to maintain on a specified form a log of each inspection of bingo balls, bingo console and flashboard signed by the registered worker conducting the inspection.	1	2	2	0
1760	The organization failed to establish and adhere to a written procedure that addresses problems during a bingo occasion concerning: bingo malfunctions; and improper bingo calls or placements.	1	3	0	0
1761	The organization failed to establish and make available written procedures that address disputes.	0	7	1	0
1762	The organization failed to make it known that the player has the right to verify the numbers drawn at the time a winner is determined and the balls remaining in the receptacle which are not drawn in the immediate presence of the operator, one or more players other than the winner and the player requesting the verification.	0	0	0	1
1763	The organization failed to make it's house rules available to anyone upon request.	0	0	1	0
1764	The organization failed to adhere to its house rules.	5	13	4	3
1767	The organization sold a pull-tab bingo event after the occurrence of the event without having a policy and procedure in their house rules to address the sale and redemption of pull-tab bingo event tickets after an event has taken place.	0	1	0	1

BINGO VIOLATION CODES/ DESCRIPTIONS		FY - 12 TOTALS	FY - 13 TOTALS	FY - 14 TOTALS	FY - 15 TOTALS
1769	The licensed authorized organization is responsible for ensuring the following minimum requirements are met to conduct a bingo occasion in a manner that is fair: how the game will be played; the prize to be awarded if not United State currency; and how the winner(s) will be determined.	0	1	0	0
1770	The organization failed to make the following information available to all patrons: the order in which the games will be played; the patterns needed to win; the prize(s) to be paid for each game; whether the prize payout is based on sales or attendance; the entrance fee and the number of cards associated with the entrance fee, if any; and the price of each type of bingo card offered for sale.	1	0	1	1
1772	The Caller failed to be located so that one or more players can gain the attention of the caller when the players bingo. (Effective 12 months from effective date of Rule 402.200-11/19/08).	0	1	0	0
1774	The caller failed to call all numbers and make all announcements in a manner clear and audible to all of the playing areas of the bingo premises.	0	1	2	1
1776	The caller failed to announce that the game, or a specific part of a multipart game, was closed after asking at least two times whether there are any other bingo and pausing to permit additional winners to identify themselves.	0	1	0	0
1781	The caller used a cell phone, personal digital assistant (PDA), computer, or other personal electronic device to communicate information that could affect the outcome of the bingo game to someone during the bingo occasion.	0	0	1	4
1784	The organization failed to make a written game schedule with all required information available to all patrons prior to the start of a bingo occasion.	0	0	3	0

BINGO VIOLATION CODES/ DESCRIPTIONS		FY - 12 TOTALS	FY - 13 TOTALS	FY - 14 TOTALS	FY - 15 TOTALS
1786	The organization's house rules conflicted with the Bingo Enabling Act or the Charitable Bingo Administrative Rules.	0	1	0	0
1787	The organization displayed or sold a pull-tab bingo ticket which had been marked, defaced, tampered with, or which otherwise deceived the public or affected a person's chances of winning.	0	1	0	0
1803	The organization failed to retain all records, reports, and receipts relating to the card-minding device's sales, maintenance, and repairs on the premises where the conductor is licensed to conduct bingo or at the location designated in writing by the conductor for a period of four (4) years.	0	0	1	0
1804	The organization failed to maintain all records, reports, and receipts relating to the pull-tab or instant bingo dispenser sales, maintenance, and repairs on the premises where the conductor is licensed to conduct bingo or at the location designated in writing by the conductor for a period of four (4) years.	0	0	1	0
1805	The organization failed to record all transactions for which it received bingo gross receipts on a cash register or point of sale station.	0	2	0	0
1807	The organization failed to report, or properly report, items to the commission on a quarterly report.	1	0	0	1
1809	Deposits were made later than the end of the next business day following the day of the bingo occasion on which the receipts were obtained, except as provided by Subsection (B-1).	1	0	0	0
1904	The organization failed to display on the pull-tab or instant bingo dispenser or was displayed in such a manner that was not conspicuous and clearly visible to player using the device, the toll-free "800" number operated by the problem gamblers' help line of the Texas Council on Problem and Compulsive Gambling.	1	0	0	0

BINGO VIOLATION CODES/ DESCRIPTIONS		FY - 12 TOTALS	FY - 13 TOTALS	FY - 14 TOTALS	FY - 15 TOTALS
1907	A door prize with a value of more than \$250.00 was offered or awarded.	2	1	1	0
1908	The organization, or lessor, failed to conspicuously display the license issued at the place where the game was conducted at all times during the conduct of the game.	0	0	1	0
1909	The organization failed to conspicuously display during a bingo occasion a sign indicating the operator in charge, the sign contained letters less than (1) inch in height, the sign failed to inform the players that they should direct any questions or complaints regarding the conduct of bingo occasion to the operator listed on the sign, or the sign failed to state that if the players is not satisfied with the operators response that the player has the right to file a formal complaint with the commission.	0	1	5	1
1914	The organization failed to have all bingo gift certificates pre-numbered and/or consecutively issued.	0	0	1	0
1916	The organization failed to have required information imprinted on each bingo gift certificate, specifically: The name and address of the licensed location(s) where the certificate may be redeemed for bingo paper, pull-tab bingo or card-minding devices; the monetary value of the certificate; the name of the licensed organization(s) authorized to accept the certificate; or the expiration date or blank space for the organization or unit to fill in an expiration date.	0	0	1	0
1919	The organization failed to have all the required information on the gift certificate log.	0	0	1	0

\*Multiple violations can be assigned to one complaint.

The CBOD was established to enforce the Bingo Enabling Act and the Charitable Bingo Administrative Rules (Act and Rules) to ensure that bingo games are conducted fairly and the proceeds are used for authorized purposes. The division consists of Licensing, Accounting, Compliance, Education and Audit Departments.

A bingo occasion that is fairly conducted by a licensed authorized organization is one that is impartial, honest, and free from prejudice or favoritism. It is also conducted competitively, free of corrupt and criminal influences, and follows applicable provisions of the Act and Rules.

The complainant must allege a possible violation of the Act and/or Rule. A person filing a complaint must include their name, mailing address and contact phone number. The information they report assists the CBOD in investigating complaints and possible violations of the Acts and/or Rules of the Commission.

The violation most commonly associated with complaints received for Bingo from FY 2012 through FY 2015 was “A person knowingly participated in the award of a prize to a bingo player in a manner that disregarded the random selection of number or symbols.” A total of 212 complaints received during the four year period involved this violation.

The second most frequently reported violation was “Same Winners.” A total of 101 complaints received during the period involved this violation.

The third most frequently reported violation was “The play of the game.” A total of 70 complaints received during the period involved this violation. This violation ranges from the conduct of a bingo game to the bingo equipment.

All complaints are taken seriously and are investigated by the CBOD and Enforcement Division.

The CBOD Director administers sanctions including administrative penalties to organizations or persons that violate the Bingo Enabling Act and/or the Charitable Bingo Administrative Rules. The objectives for applying sanctions are to protect the public, encourage compliance with the Bingo Enabling Act and the Charitable Bingo Administrative Rules, deter future violations, offer opportunities for rehabilitation as appropriate, punish violators and deter others from committing violations.

The Compliance Section also provides notification of complaints filed against bingo operators to assist bingo operators with voluntary compliance with the Act and Rules and also to improve customer service relations and perspectives of patrons in the hall to the extent that bingo games are conducted fairly and according to the Act and Rules that govern it. The CBOD shares and coordinates information with local law authority in the relevant jurisdictions to assist in the protection and safety of the public with regard to complaints that are substantiated. Complaints that are jurisdictional but found to be without merit, CBOD sends an advisory letter to the organization stating specifically what violations were alleged in the complaint.

The issuance of this letter does not constitute the beginning of a contested case proceeding against the organization. If the Commission decides to take further administrative action against the organization for any alleged violation, proper notice will be issued in accordance with the Bingo Enabling Act, Texas Occupations Code, Chapter 2001, and/or the Commission's administrative rules, Title 16 Texas Administrative Code, Chapter 402.

The Education Section provides training and information to licensees and the public. Educating licensees on best practices and trends will increase awareness and better inform licensed operators. The CBOD provides online training to assist in areas of importance to the industry, including emphasizing the responsibilities of a licensee. Through education and training, the CBOD strives to meet overall voluntary compliance of bingo licensees in Texas.

The CBOD has strengthened its compliance and education sections by developing a statewide training program for bingo operators. These efforts combined with the recently implemented bingo operator services system and an ongoing robust audit and inspection program, has provided for increased voluntary compliance with governing statutes and rules; as well as oversight of game operations.

Below are the top 10 complaints received from bingo players in the last four fiscal years.

CODE	BINGO VIOLATION CODE DESCRIPTIONS	FY - 12	FY - 13	FY - 14	FY - 15
1201	A person knowingly participated in the award of a prize to a bingo player in a manner that disregarded the random selection of numbers or symbols	72	55	34	51
1002	Same Winners	28	24	15	34
1006	The play of the game	14	11	20	25
1315	A game of chance other than bingo, or a raffle conducted under Chapter 2002, was allowed or conducted during an occasion when bingo was being played	12	11	15	4
1203	A person falsified or made false entries in books and records	16	9	3	9
1720	The organization offered or provided to a person the opportunity to play bingo without charge	2	12	13	7
1007	Failure to pay a prize	10	6	7	10



CODE	BINGO VIOLATION CODE DESCRIPTIONS	FY - 12	FY - 13	FY - 14	FY - 15
1405	The bingo worker played bingo or the organization failed to prohibit bingo workers from playing bingo	7	11	8	4
1008	Caller did not hear bingo	8	4	9	7
1719	The organization reserved or allowed to be reserved, bingo cards or a card-minding device for use by a particular person	6	9	6	5

## Conclusion

The Texas Lottery Commission is fully committed to maintaining the public trust through operations that reflect security, integrity, responsibility and transparency. The agency will continue to provide the systems and communication resources necessary to support the Compliance Activity Monitoring Program. The agency applies a process of continual review and improvement related to this program's policies and procedures. The agency's goal is to realize a reduction in complaints and violations related to the regulated population while taking action to ensure that the general public is aware of the channels available to contact the agency regarding their concerns.