

2017

REPORT ON COMPLIANCE ACTIVITY MONITORING



AN AGENCY OF THE
STATE OF TEXAS

TEXAS LOTTERY COMMISSION

2017 Report on Compliance Activity Monitoring

The Texas Lottery Commission (TLC) 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. The TLC also regulates charitable bingo-related activities in the state of Texas ensuring charitable bingo is fairly conducted and the proceeds from charitable bingo are used for an authorized purpose. 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, integrity, and responsible gaming principles, 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 *2017 Report on Compliance Activity Monitoring* is designed to present data and analysis from fiscal year (FY) 2014 through FY 2017 on jurisdictional complaints received, the resolution of complaints, actions resulting from complaints, and retailer/bingo operator violations reported.¹ A previous report, *2015 Report on Compliance Activity Monitoring* (released in December 2015), presented data and analysis from FY 2012 through FY 2015. The Texas Lottery uses the findings from these reports to identify possible operational and procedural changes that may be required and to evaluate the effectiveness of the agency's enforcement process.

¹ The fiscal year for the Texas Lottery is September 1 through August 31. This report encompasses the four-year period from 9/1/2013 to 8/31/2017.

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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, and the Texas Lottery or Bingo administrative rules (see [Appendix](#) for links to these statutes and rules). The automated CAMP system allows for the maintenance and tracking of all complaints and violations from initial intake or discovery to final disposition.

Lottery

From FY 2014 through FY 2017, the Texas Lottery received 1,382 complaints involving lottery violations. The total number of complaints received declined from 407 in FY16 to 358 in FY17, a decrease of 12 percent. A total of 1,372 complaints were resolved during the four years.² The average number of days for the resolution of these complaints declined from 106 in FY 2014 to 85 in FY 2017. Of the complaints resolved, 361, or 26 percent, resulted in a written reprimand being issued to a retailer, while 35, or three percent, resulted in license suspensions. One of the complaints resolved led to license revocation.

The two lottery violations most frequently associated with complaints during the four years were: (1) “Licensee fails to pay a valid prize the licensee is required to pay” and (2) “Licensee endangers the security and/or integrity of the lottery games run by the commission.” These two violations were reported in 507 and 316 complaints, respectively. The number of complaints reporting the first violation increased from 96 in FY 2014 to 137 in FY 2017, while the number of complaints reporting the second violation declined from 112 to 20 over the same period. Reports of the violation “Licensee conditions the redemption of a lottery prize upon the purchase of any other item or service” increased from 17 in FY 2014 to 35 in FY 2017, the largest percentage increase among the five most frequently reported violations.

The Texas Lottery has recently launched enhanced initiatives focused on consumer protection at the point-of-purchase where licensed retailers and lottery players conduct lottery transactions. These initiatives include retailer-facing signage on scratch ticket dispensers displaying information on lottery violations, the issuance of a lottery violations brochure to all licensed retailers and expansion of the Security Spotlight page on the agency’s website to provide additional information for lottery players on retailer violations. These communications focus on the agency’s compliance activity monitoring process and frequent licensee violations and steps that can be taken by licensees to avoid them. The

² Please note that the number of complaints received is not the same as the number of complaints resolved. In each year, there may be complaints pending from prior years.

Texas Lottery will also 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.

Bingo

Charitable Bingo is an important fund-raising 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 strives for the highest levels of professionalism in conducting regulatory activities fairly, competently, and consistently. Clear regulatory requirements are developed in an open environment, encouraging two-way communication.

A bingo industry stakeholder work group was created to collaborate with the bingo industry on topics related to rules and to review challenges to improving the operations of the bingo charities in the state. To assist further with compliance with the Bingo Enabling Act and the Charitable Bingo Administrative Rules (Act and Rules), the various complaints—common violations committed by licensed organizations—were identified and included in the statewide training material. The CBOD promotes voluntary compliance and encourages a self-evaluation of organizations' bingo operations. The licensed authorized organization is responsible for compliance with the Act and 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)

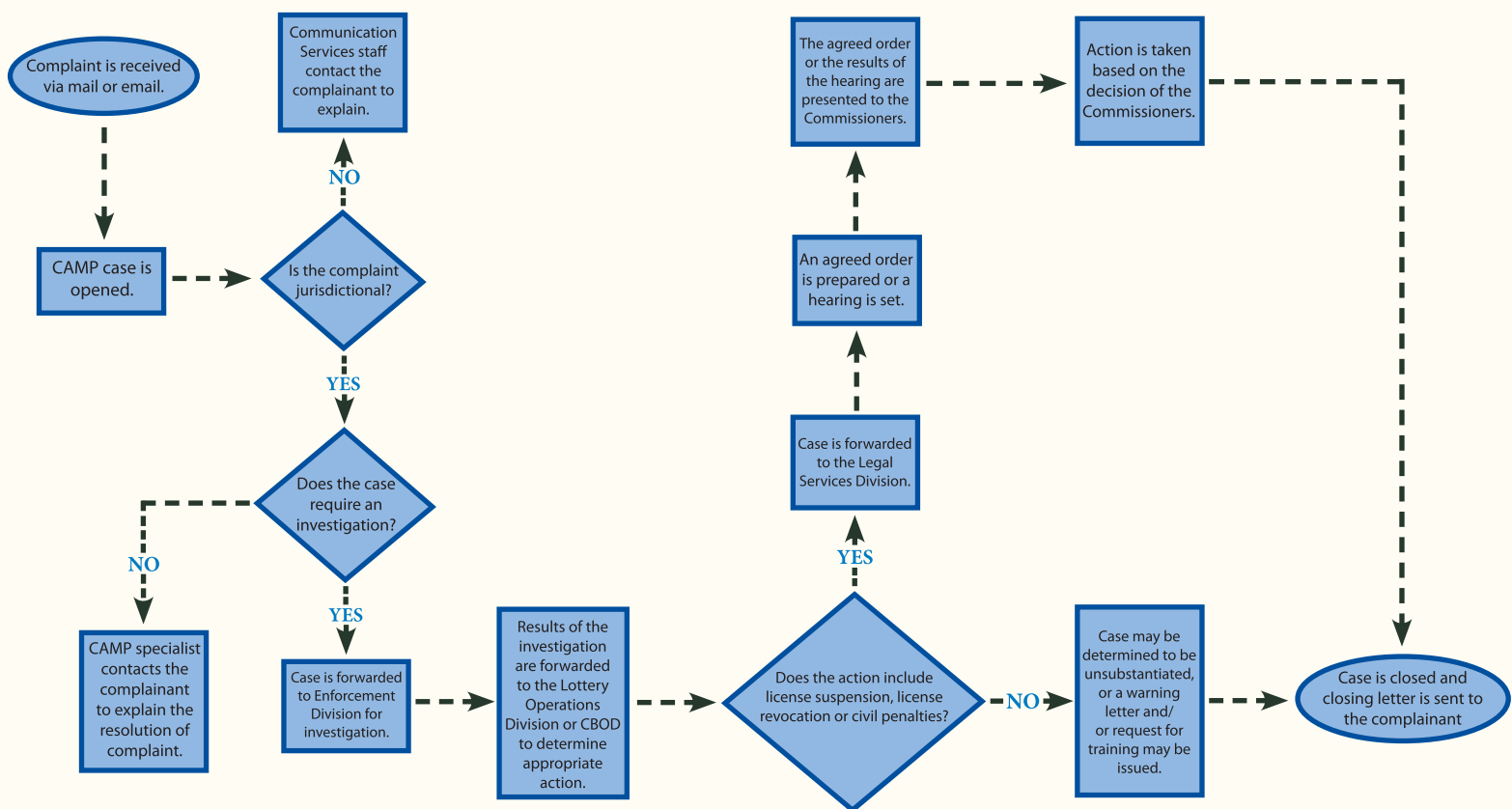
In keeping with our mission, the Texas Lottery incorporates the highest standards of security and integrity. The Texas Lottery receives, tracks, and addresses jurisdictional concerns from the public via the CAMP hotline, which was formally established in 2004. Awareness of the hotline is supported through placement of the toll-free 800 number on the TLC 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, the State Lottery Act, and the respective administrative rules. The Compliance Hotline Section is a centralized intake unit for complaints, which also monitors violations that are discovered internally. Compliance staff is responsible for maintaining the standards set by the Texas Lottery Commission relating to complaints.

The automated CAMP system has been developed to provide the capability to track all complaints and violations from initial intake or discovery to final disposition. The system allows the Compliance Hotline Section to monitor the compliance resolution process as work flows among the Enforcement, Legal Services, Charitable Bingo Operations and/or Lottery Operations Divisions. The section maintains a comprehensive database on complaints, violations, and dispositions 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.

The complaint life cycle, from receipt of a complaint to its resolution, is diagrammed in **Figure 1.**

Figure 1. Complaint Life Cycle



The beginning of the cycle is the initiation of a complaint. 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.³

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

³ 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.

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, as well as 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 Years 2014 – 2017)

Lottery

Table 1 presents a summary of complaints against regulated persons or entities received each year over the four-year period from FY 2014 through FY 2017, along with the four-year total.⁴

Table 1. Summary of Complaints Received by Fiscal Year - Lottery

MEASURE	FY 14 TOTAL	FY 15 TOTAL	FY 16 TOTAL	FY 17 TOTAL	4-YEAR TOTAL
Number of complaints received from public	307	310	407	358	1,382

⁴ For FY16 and FY17, modifications were made to the CAMP system to provide more accurate data on complaints received. The increase in complaints received from FY15 to FY16 displayed in Table 1 is partly due to this change.

During the four-year period from FY 2014 through FY 2017, a total of 1,382 complaints reporting lottery violations were received from the public. The number of complaints received declined by 49, or 12 percent, from FY16 to FY17. However, the trend for the period shows an increase in complaints. This is consistent with the agency's continued growth in sales resulting in significant increases in the number of transactions between lottery players and licensed retailers.

Table 2 presents a summary of the lottery complaints resolved each year over the four-year period from FY 2014 through FY 2017, along with four-year totals.⁵

Table 2. Complaints Resolved by Fiscal Year - Lottery

MEASURE	FY 14 TOTAL	FY 15 TOTAL	FY 16 TOTAL	FY 17 TOTAL	4-YEAR TOTAL
Number of external and internal complaints resolved	272	339	403	358	1,372
Complaints with no disciplinary action required	162	210	318	285	975
Complaints resulting in disciplinary action	110	129	85	73	397
Reprimand	106	123	72	60	361
Suspension	4	6	13	12	35
Revocation	0	0	0	1	1
% of complaints resulting in disciplinary action	40.4%	38.1%	21.1%	20.4%	28.9%
Average number of days for complaint resolution	106	96	82	85	-

Reflecting the Texas Lottery's efforts to improve the efficiency of the complaint resolution process, the average number of days for complaint resolution decreased from 106 to 85 over the four-year period from FY 2014 to FY 2017. During the period from FY 2014 through FY 2017, 361, or 26 percent, of the complaints resolved resulted in a written reprimand being issued to a retailer, while 35, or three percent, resulted in license suspensions. One of the complaints resolved led to license revocation.

Table 3 presents the number of reported lottery violations for each of the four years from FY 2014 through FY 2017 by lottery violation code and totals over the four years for each code. The table is organized from highest to lowest according to four-year totals.

⁵ For FY16 and FY17, modifications were made to the CAMP system to provide more accurate data on complaints resolved and reprimands. The increase in resolved complaints from FY15 to FY16 and the decrease in reprimands during the same period displayed in Table 2 are partly due to these changes.

Table 3. Complaints by Lottery Violation Code, FY 2014 – FY 2017

	LOTTERY VIOLATION CODES/DESCRIPTIONS*	FY 14 TOTAL	FY 15 TOTAL	FY 16 TOTAL	FY 17 TOTAL	4-YEAR TOTAL
2012	Licensee fails to pay a valid prize the licensee is required to pay.	96	114	160	137	507
2007	Licensee endangers the security and/or integrity of the lottery games run by the commission.	112	110	74	20	316
2005	Licensee and/or its employee(s) exhibit discourteous treatment including, but not limited to abusive language toward customers, commission employees or commission vendors.	42	34	31	36	143
2013	Licensee refuses or fails to sell lottery tickets during all normal business hours of the lottery retailer.	32	27	26	42	127
2002	Licensee conditions redemption of a lottery prize upon the purchase of any other item or service.	17	13	20	35	85
2030	Licensee intentionally or knowingly influences or attempts to influence the selection of the winner of a lottery game.	0	3	15	38	56
2010	Licensee sells a scratch ticket from a game that has closed after the date designated for the end of the game.	7	11	24	12	54
2004	Licensee fails to follow instructions and procedures for the conduct of any particular lottery game, lottery special event or promotion.	13	4	13	20	50
2015	Licensee fails to return an exchange ticket to a prize claimant claiming prize on a multi-draw ticket if an exchange ticket is produced by the licensee's terminal.	7	14	10	10	41

LOTTERY VIOLATION CODES/DESCRIPTIONS*		FY 14 TOTAL	FY 15 TOTAL	FY 16 TOTAL	FY 17 TOTAL	4-YEAR TOTAL
2023	Licensee intentionally or knowingly sells a ticket at a price the licensee knows is greater than the price set by the executive director.	2	6	13	19	40
2016	Licensee fails to keep accurate and complete records of all tickets from confirmed, active, and settled packs that have not been sold.	1	0	15	9	25
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.	2	6	11	3	22
2025	Licensee intentionally or knowingly sells a ticket by extending credit or lends money to enable a person to buy a ticket.	4	4	9	0	17
2026	Licensee intentionally or knowingly sells a ticket to a person that the licensee knows is younger than 18 years.	2	2	9	2	15
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 property.	0	3	4	7	14
2003	Licensee imposes a restriction upon the redemption of a lottery prize not specifically authorized by the director.	4	2	4	2	12
2006	Licensee fails to establish or maintain reasonable security precautions with regard to the handling of lottery tickets and other materials.	0	1	7	3	11
2014	Licensee refuses to and/or fails to properly cancel a Pick 3 or Daily 4 ticket.	3	3	2	3	11

LOTTERY VIOLATION CODES/DESCRIPTIONS*		FY 14 TOTAL	FY 15 TOTAL	FY 16 TOTAL	FY 17 TOTAL	4-YEAR TOTAL
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 licensee 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.	0	3	4	1	8
2027	Licensee intentionally or knowingly sells a ticket and accepts anything for payment not specifically allowed under the State Lottery Act.	0	2	5	0	7
2019	Licensee fails to meet any requirement under §401.368, Lottery Ticket Vending Machine rule if the licensee has been supplied with a self-service lottery ticket vending machine by the commission.	0	1	1	4	6
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.	0	1	3	1	5

LOTTERY VIOLATION CODES/DESCRIPTIONS*		FY 14 TOTAL	FY 15 TOTAL	FY 16 TOTAL	FY 17 TOTAL	4-YEAR TOTAL
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	0	4	1	5
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 commission rule.	0	1	1	3	5
2021	Licensee fails to prominently post license.	0	3	0	1	4
2024	Licensee sells tickets issued to a licensed location at another location that is not licensed.	1	0	1	2	4
2029	Licensee intentionally or knowingly alters or forges a ticket.	0	1	1	2	4
2043	Sale of Ticket by Unauthorized Person	2	0	1	0	3
2036	Licensee knowingly refuses to permit the director of the Lottery Operations Division, the executive director, commission, or the state auditor to examine the agent's books, records, papers or other objects, or refuses to answer any question authorized under the State Lottery Act.	0	0	0	2	2
2008	Licensee violates any directive or instruction issued by the director of Lottery Operations.	0	0	1	0	1

LOTTERY VIOLATION CODES/DESCRIPTIONS*		FY 14 TOTAL	FY 15 TOTAL	FY 16 TOTAL	FY 17 TOTAL	4-YEAR TOTAL
2017	Licensee fails to offer a minimum of two instant games for sale if two or more instant games are available from the Lottery.	0	0	1	0	1
2034	Licensee intentionally or knowingly makes a statement or entry that the person knows to be false or misleading on a required report.	0	0	1	0	1

*Multiple violations can be assigned to one complaint.

Note: Any violation codes for which there were no complaints over the four-year period are not presented in the table.

As shown in [Table 3](#), the violation most commonly associated with the complaints received from FY 2014 through FY 2017 was “Licensee fails to pay a valid prize the licensee is required to pay” (code 1012). A total of 507 complaints received during the period involved this violation. The number of complaints reporting this violation fluctuated over the four years, with a high of 160 in FY 2016 but declining to 137 in FY 2017. Current training materials instruct retailers on the need to pay prizes up to \$599 when they validate winning tickets. To further stress the importance of paying valid prizes, the Texas Lottery has included information on this topic in retailer communications, including the monthly retailer newsletter *RoundUp* and the agency website. The Texas Lottery will continue striving 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” (code 2007). A total of 316 complaints received during the four-year period involved this violation. The number of complaints reporting this violation decreased from 112 in FY 2014 to 20 in FY 2017, an 82% drop. Although this decline is partly attributed to the refresher training and various communications that provide retailers with information on practices regarding the security and integrity of lottery games, it is largely due to a recent change in the use of this violation code by the Texas Lottery. Since code 2007 is a broad description that can encompass several other, more specific violations, the Texas Lottery has in recent years assigned other violation codes, where, in previous years, code 2007 was used. For example, from FY 2015 to FY 2017, the number of complaints received involving the violation “Licensee intentionally or knowingly influences or attempts to influence the selection of the winner of a lottery game” (code 2030) increased from 3 to 38. This increase coincides with the decline in violation code 2007 and is primarily due to the Texas Lottery assigning the more specifically defined violation code 2030 instead of 2007.

The number of complaints reporting the violation “Licensee conditions redemption of a lottery prize upon the purchase of any other item or service” (code 2002) more than doubled from 17 in FY 2014 to 35 in FY 2017. This represented the largest percentage increase among the five most frequently reported violations. It is very important to the Texas Lottery that winners can redeem prizes up to \$599 at licensed retailer locations without being required to make additional purchases. To raise the level of awareness of this requirement among the retailer base, the Texas Lottery will continue to emphasize information on this topic in retailer communications, including the monthly retailer newsletter *RoundUp* and the agency website.

Consumer Protection Initiatives - Lottery

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 several consumer protection-related initiatives, including: dual validation receipts (one for player and one for retailer); a “Sign Your Ticket” public awareness campaign; player-activated terminals for self-checking winning status of tickets; multimedia monitor (ESMM) displays that communicate validation messages to players; and terminal inquiry/validation tones, to name a few.

In 2017, the Texas Lottery undertook a variety of new initiatives to protect its customers, including:

- **Retailer-facing bin topper signage** with a message for retailers about avoiding lottery violations and an example of a common violation. The bin topper is placed on the top of a scratch ticket dispenser with the message facing the clerk. The message is in English or Spanish, depending on the retailer. The violation cited will be varied periodically to refresh the message and to inform retailers on multiple violations.
- **Lottery violations brochure** presenting statistics on the number of complaints resolved, the percentage of complaints resulting in disciplinary action against the retailer, and the top five most investigated violation complaints. The brochure, which was distributed to the entire retailer base, stresses the importance of avoiding lottery violations.
- **Expansion of the Security Spotlight page** on the Texas Lottery’s website to provide additional information for lottery players about what they can expect from a retailer when purchasing or redeeming a lottery ticket, along with examples of retailer violations.

Bingo

The Charitable Bingo Operations Division (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 (see [Appendix](#)). 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.

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

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 provides notification of complaints filed against bingo operators to assist bingo operators with voluntary compliance with the Act and Rules, as well as to improve customer service relations to the extent that patrons in the hall perceive that bingo games are conducted fairly and according to the Act and Rules that govern their conduct. 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 increases awareness and better informs 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 (BOSS) 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.

Table 4 presents a summary of complaints against regulated persons or entities for Bingo received each year over the four-year period from FY 2014 through FY 2017, along with four-year totals.

Table 4. Summary of Complaints Received by Fiscal Year - Bingo

MEASURE	FY 14 TOTAL	FY 15 TOTAL	FY 16 TOTAL	FY 17 TOTAL	4-YEAR TOTAL
Number of complaints received from public	132	173	133	153	591

During the four-year period from FY 2014 through FY 2017, a total of 591 complaints reporting bingo violations were received from the public. From FY 2014 to FY 2017 the number of complaints received fluctuated, going up and down the same percentage from FY 14 to FY 16, but increased 16% from FY 2014 to FY 2017.

Table 5 presents a summary of the bingo complaints resolved each year over the four-year period from FY 2014 through FY 2017, along with four-year totals.⁶

Table 5. Complaints Resolved by Fiscal Year - Bingo

MEASURE	FY 14 TOTAL	FY 15 TOTAL	FY 16 TOTAL	FY 17 TOTAL	4-YEAR TOTAL
Number of external and internal complaints resolved	136	209	172	137	654
Complaints closed with no disciplinary action required	110	150	156	125	541
Complaints resulting in disciplinary action	26	59	16	12	113

⁶ For FY16 and FY17, modifications were made to the CAMP system to provide more accurate data on reprimands. The decrease in reprimands from FY15 to FY16 displayed in Table 5 is largely due to this change.

MEASURE	FY 14 TOTAL	FY 15 TOTAL	FY 16 TOTAL	FY 17 TOTAL	4-YEAR TOTAL
Administrative Penalty	6	26	9	4	45
Reprimand	20	33	7	8	68
% of complaints resulting in disciplinary action	19.1%	28.2%	9.3%	8.8%	12.6%
Average number of days for complaint resolution	254	249	185	115	206

Over the last four fiscal years, cases were closed within an average of 206 days. This completion time was due to the number of cases backlogged and the complexity of the allegations in fiscal years 2014 and 2015. 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, CBOD engaged to resolve cases more quickly, and attention to this goal is evident in the reduction in the average number of days from 254 in FY 2014 to 115 in FY 2017, **a decrease of 139 days on average** (or more than 4 months). During FY 2015, a new initiative was implemented that focused on reviewing complaints more timely with a focus on jurisdictional responsibility first, which allowed for full utilization of resources on jurisdictional items, which are more time consuming.

Table 6 presents the number of bingo violations for each of the four years from FY 2014 through FY 2017 by bingo violation code and total over the four years for each code. The table is organized from highest to lowest per four-year totals.

Table 6. Complaints by Bingo Violation Code, FY 2014 – FY 2017

BINGO VIOLATION CODES/DESCRIPTIONS*		FY 14 TOTAL	FY 15 TOTAL	FY 16 TOTAL	FY 17 TOTAL	4-YEAR TOTAL
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.	34	51	30	29	144
1002	Same Winners	15	34	15	25	89
1006	The play of the game	20	25	7	12	64

BINGO VIOLATION CODES/DESCRIPTIONS*		FY 14 TOTAL	FY 15 TOTAL	FY 16 TOTAL	FY 17 TOTAL	4-YEAR TOTAL
1720	The organization offered or provided to a person the opportunity to play bingo without charge.	13	7	4	13	37
1007	Failure to pay a prize	7	10	11	9	37
1405	The bingo worker played bingo or the organization failed to prohibit bingo workers from playing bingo.	8	4	10	9	31
1001	House Rules	1	5	14	9	29
1204	A person conducted, promoted, or administered bingo without a license.	1	11	4	12	28
1008	Caller did not hear bingo.	9	7	6	5	27
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.	15	3	4	1	23
1719	The organization reserved or allowed to be reserved, bingo cards or a card-minding device for use by a particular person.	6	5	4	6	21
1203	A person falsified or made false entries in books and records.	4	9	2	5	20
1417	The organization failed to break apart a multiple part event ticket and sell in sections.	0	7	10	1	18
1764	The organization failed to adhere to its house rules.	4	3	6	3	16
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.	3	6	3	3	15
1000	House Player	2	1	1	6	10

BINGO VIOLATION CODES/DESCRIPTIONS*		FY 14 TOTAL	FY 15 TOTAL	FY 16 TOTAL	FY 17 TOTAL	4-YEAR TOTAL
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.	2	2	3	2	9
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.	2	4	2	1	9
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.	1	4	0	4	9
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.	1	2	3	2	8
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.	2	1	1	3	7

BINGO VIOLATION CODES/DESCRIPTIONS*		FY 14 TOTAL	FY 15 TOTAL	FY 16 TOTAL	FY 17 TOTAL	4-YEAR TOTAL
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.	5	1	1	0	7
1317	The organization failed to have an authorized operator present at the bingo occasion.	3	1	1	0	5
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.	2	1	1	1	5
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.	1	0	2	2	5
1509	The organization failed to withhold the correct amount of prize fees.	2	0	2	0	4
1715	The limit of \$750.00 was exceeded on a single prize for regular or pull-tab bingo.	0	2	0	2	4

BINGO VIOLATION CODES/DESCRIPTIONS*		FY 14 TOTAL	FY 15 TOTAL	FY 16 TOTAL	FY 17 TOTAL	4-YEAR TOTAL
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.	2	0	2	0	4
1323	Paid pull-tab prize that was not in compliance with the amount of the of the approved payout structure.	2	0	1	1	4
1221	Deduct any cash or portion of a winning prize other than the prize fee without the player's permission.	0	0	2	1	3
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	1	0	2	3
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	1	0	1	3
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.	3	0	0	0	3

BINGO VIOLATION CODES/DESCRIPTIONS*		FY 14 TOTAL	FY 15 TOTAL	FY 16 TOTAL	FY 17 TOTAL	4-YEAR TOTAL
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.	1	0	1	0	2
1205	The organization or unit manager failed to pay prize fees, penalty and interest.	0	0	2	0	2
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.	2	0	0	0	2
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.	0	1	1	0	2
1320	The organization allowed a person under the age of 18 to conduct or assist in the conduct of bingo.	0	0	1	1	2
1326	Failed to account for each deal of pull-tab bingo tickets in sales, prizes or unsold cards	0	2	0	0	2
1727	The organization comingled different serial numbers of the same form number of pull tab bingo tickets.	0	0	0	2	2
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.	0	0	1	1	2

BINGO VIOLATION CODES/DESCRIPTIONS*		FY 14 TOTAL	FY 15 TOTAL	FY 16 TOTAL	FY 17 TOTAL	4-YEAR TOTAL
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.	1	0	0	1	2
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.	2	0	0	0	2
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	2
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	0	0	2	2
1777	The caller failed to announce whether the bingo was valid.	0	0	1	1	2
1778	After the caller announced that the bingo was not valid, the caller failed to announce that the game shall resume; and repeat the last number called before calling any more numbers.	0	0	0	2	2
1907	A door prize with a value of more than \$250.00 was offered or awarded.	1	0	0	1	2

BINGO VIOLATION CODES/DESCRIPTIONS*		FY 14 TOTAL	FY 15 TOTAL	FY 16 TOTAL	FY 17 TOTAL	4-YEAR TOTAL
1921	The organization failed to record all sales and prizes on the records for the occasion on which they occurred.	0	0	2	0	2
1003	Bingo Equipment	0	1	0	0	1
1101	The organization failed to provide proof of adequate charitable activity for 3 years.	0	0	0	1	1
1124	An application for a distributor's license is an owner, officer, director, shareholder, agent, or employee of a licensed commercial lessor.	0	0	1	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.	1	0	0	0	1
1308	The organization conducted bingo outside of the licensed time.	0	0	1	0	1
1309	Except under a temporary license, the organization sold pull tab bingo tickets during an occasion in which it failed to conduct regular bingo.	0	0	1	0	1
1322	The organization allowed bingo equipment to be modified or tampered with in a manner which affected the randomness of the numbers chosen.	0	0	0	1	1
1413	The organization failed to maintain a perpetual inventory of pull-tab bingo games.	1	0	0	0	1

BINGO VIOLATION CODES/DESCRIPTIONS*		FY 14 TOTAL	FY 15 TOTAL	FY 16 TOTAL	FY 17 TOTAL	4-YEAR TOTAL
1420	A bingo worker communicated to the caller the numbers(s) or symbol(s) needed by a player to win a bingo game.	0	1	0	0	1
1425	The organization did not list the serial number of the pull-tab bingo tickets sold on the daily cash report.	1	0	0	0	1
1432	The organization failed to record the actual selling price of each card minding device and electronic bingo card sold.	0	0	0	1	1
1501	The organization failed to maintain or properly maintain records to substantiate the contents of its quarterly report.	1	0	0	0	1
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	1	0	0	1
1607	When a bingo gift certificate was redeemed, cash was not exchanged from the respective bingo gift certificate fund.	1	0	0	0	1
1702	The organization obtained by purchase or other manner bingo equipment, devices or supplies from a person other than a licensed distributor.	0	0	0	1	1
1733	The winning card face from a card-minding device was not verified properly.	1	0	0	0	1
1761	The organization failed to establish and make available written procedures that address disputes.	1	0	0	0	1

BINGO VIOLATION CODES/DESCRIPTIONS*		FY 14 TOTAL	FY 15 TOTAL	FY 16 TOTAL	FY 17 TOTAL	4-YEAR TOTAL
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	1	0	0	1
1763	The organization failed to make its house rules available to anyone upon request.	1	0	0	0	1
1780	The caller failed to return the bingo balls to the bingo receptacle only upon the conclusion of the game.	0	0	1	0	1
1785	The organization failed to maintain or properly maintain a final game schedule for a bingo occasion.	0	0	1	0	1
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	0	0	1	1
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.	1	0	0	0	1

BINGO VIOLATION CODES/DESCRIPTIONS*		FY 14 TOTAL	FY 15 TOTAL	FY 16 TOTAL	FY 17 TOTAL	4-YEAR TOTAL
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.	1	0	0	0	1
1807	The organization failed to report, or properly report, items to the commission on a quarterly report.	0	1	0	0	1
1914	The organization failed to have all bingo gift certificates pre-numbered and/or consecutively issued.	1	0	0	0	1
1915	The organization failed to participate in collectively reconciling the gift certificates purchased, sold, expired, redeemed or remaining during the month to the cash on hand.	0	0	0	1	1
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.	1	0	0	0	1
1919	The organization failed to have all the required information on the gift certificate log.	1	0	0	0	1

*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.

Over the four-year period from FY 2014 through FY 2017, *the top 10 bingo violations represented approximately two thirds of all violations reported.*

The violation most commonly associated with complaints received for Bingo over the four years 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” (code 1201). A total of 144 complaints received during the four-year period involved this violation.

The second most frequently reported violation was “Same Winners” (code 1002). A total of 89 complaints received during the period involved this violation.

The third most frequently reported violation was “The play of the game” (code 1006). A total of 64 complaints received during the period involved this violation.

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

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 other 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.

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 communications resources necessary to support the CAMP 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 its concerns.

For more information, please contact:

Lottery – Retailer Services – (800)375-6886

Bingo – CBOD – (800)246-4677

Appendix – State Lottery Act, Bingo Enabling Act, and Texas Lottery and Bingo Administrative Rules - Links

State Lottery Act

GOVERNMENT CODE

TITLE 4. EXECUTIVE BRANCH

SUBTITLE E. OTHER EXECUTIVE AGENCIES AND PROGRAMS

CHAPTER 466. STATE LOTTERY

See <http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.466.htm>

Bingo Enabling Act

OCCUPATIONS CODE

TITLE 13. SPORTS, AMUSEMENTS, AND ENTERTAINMENT

SUBTITLE A. GAMING

CHAPTER 2001. BINGO

See <http://www.statutes.legis.state.tx.us/Docs/OC/htm/OC.2001.htm>

Texas Lottery Administrative Rules

TEXAS ADMINISTRATIVE CODE

TITLE 16. ECONOMIC REGULATION

PART 9. TEXAS LOTTERY COMMISSION

CHAPTER 401. ADMINISTRATION OF STATE LOTTERY ACT

See [http://texreg.sos.state.tx.us/public/readtac\\$ext.ViewTAC?tac_view=4&ti=16&pt=9&ch=401](http://texreg.sos.state.tx.us/public/readtac$ext.ViewTAC?tac_view=4&ti=16&pt=9&ch=401)

Charitable Bingo Administrative Rules

TEXAS ADMINISTRATIVE CODE

TITLE 16. ECONOMIC REGULATION

PART 9. TEXAS LOTTERY COMMISSION

CHAPTER 402. CHARITABLE BINGO OPERATIONS DIVISION

See [http://texreg.sos.state.tx.us/public/readtac\\$ext.ViewTAC?tac_view=4&ti=16&pt=9&ch=402](http://texreg.sos.state.tx.us/public/readtac$ext.ViewTAC?tac_view=4&ti=16&pt=9&ch=402)