

2023

REPORT ON COMPLIANCE ACTIVITY MONITORING



AN AGENCY OF THE
STATE OF TEXAS

TEXAS LOTTERY COMMISSION

2023 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. All proposed innovations must be authorized by Texas law, and do not include video lottery, casino gaming, internet-based lottery sales, fantasy sports, or any other activities not authorized by law.

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.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 *2023 Report on Compliance Activity Monitoring* is designed to present data and analysis from fiscal year (FY) 2020 through FY 2023 on jurisdictional complaints received, the resolution of complaints, actions resulting from complaints, and retailer/bingo operator violations reported.¹ A previous report, *2021 Report on Compliance Activity Monitoring* (released in December 2021), presented data and analysis from FY 2018 through FY 2021. 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.

¹The fiscal year for the Texas Lottery is September 1 through August 31. This report encompasses the four-year period from 9/1/2020 through 8/31/2023.

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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 and a dedicated email portal on the Texas Lottery website. 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 2020 through FY 2023, the Texas Lottery received 1,871 complaints involving lottery violations. The number of complaints received increased from 417 in FY 2020 to 555 in FY 2023. An increase in complaints over time 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. A total of 1,883 complaints were resolved during the four years.² The average number of days for the resolution of these complaints increased from 93 in FY 2020 to 191 in FY 2023. Of the complaints resolved, 84, or 4 percent, resulted in a warning letter being issued to a retailer, while 86, or five percent, resulted in license suspensions.

The three lottery violations most frequently associated with complaints during the four years were (1) "Licensee fails to follow validation procedures, including, but not limited to, paying a claim without validating the ticket, failing to pay a valid prize after validating a customer's winning ticket, or retaining a customer's winning ticket that has not been validated", (2) "Licensee intentionally or knowingly influences or attempts to influence the selection of the winner of a lottery game" and (3) "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." These three violations were reported in 493, 204 and 173 complaints, respectively, over the four-year period. The first violation was added in August 2020, as part of the Texas Lottery's administrative rule review process. The violations "Licensee fails to pay a valid prize the licensee is required to pay" and "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" were removed from the administrative rules and starting in FY 2021, complaints involving retailers failing to pay a valid prize from a ticket they had validated were assigned the new violation. The number of complaints reporting the first violation increased from 186 in FY 2022 to 226 in FY 2023. From FY 2020 to FY 2023,

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.

the number of complaints reporting the second violation decreased from 61 to 50 and the number of complaints reporting the third violation increased from 22 to 71.

To maintain public confidence in the security and integrity of the Texas Lottery, the agency 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 and a Texas Lottery mobile application for self-checking winning status of tickets; multimedia monitor (ESMM) displays that communicate validation messages to players; terminal inquiry/validation tones; one-step validation Secure Shield™ barcode on scratch tickets; development and implementation of monitoring tools and reports related to validation and claim activity; retailer-facing signage in English and Spanish placed at the point of purchase with a message facing the clerk about avoiding specific lottery violations; the Penalty Chart for Lottery Retailer violations with examples posted on the agency website; Lottery violations brochure distributed to retailers that presented statistics and information on complaints and violations; and expansion of the Player Protection page on the Texas Lottery’s website to provide lottery players with additional information regarding what they can expect from a retailer when purchasing or redeeming a lottery ticket. Implementation of the agency’s Responsible Gambling initiatives provides additional protection for players through brochures at retail and comprehensive information on the website including Tips for Positive Play, resources for getting help, risks of youth gambling and frequently asked questions. The Texas Lottery will continue working to educate the retailer base on lottery violations by including information on violations in retailer training and by providing relevant information in retailer communications, including the *RoundUp* newsletter 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 (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.

The Bingo Advisory Committee was reestablished in November of 2018 to advise the Commission on the needs and problems of the state’s bingo industry; and 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.

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/or 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)

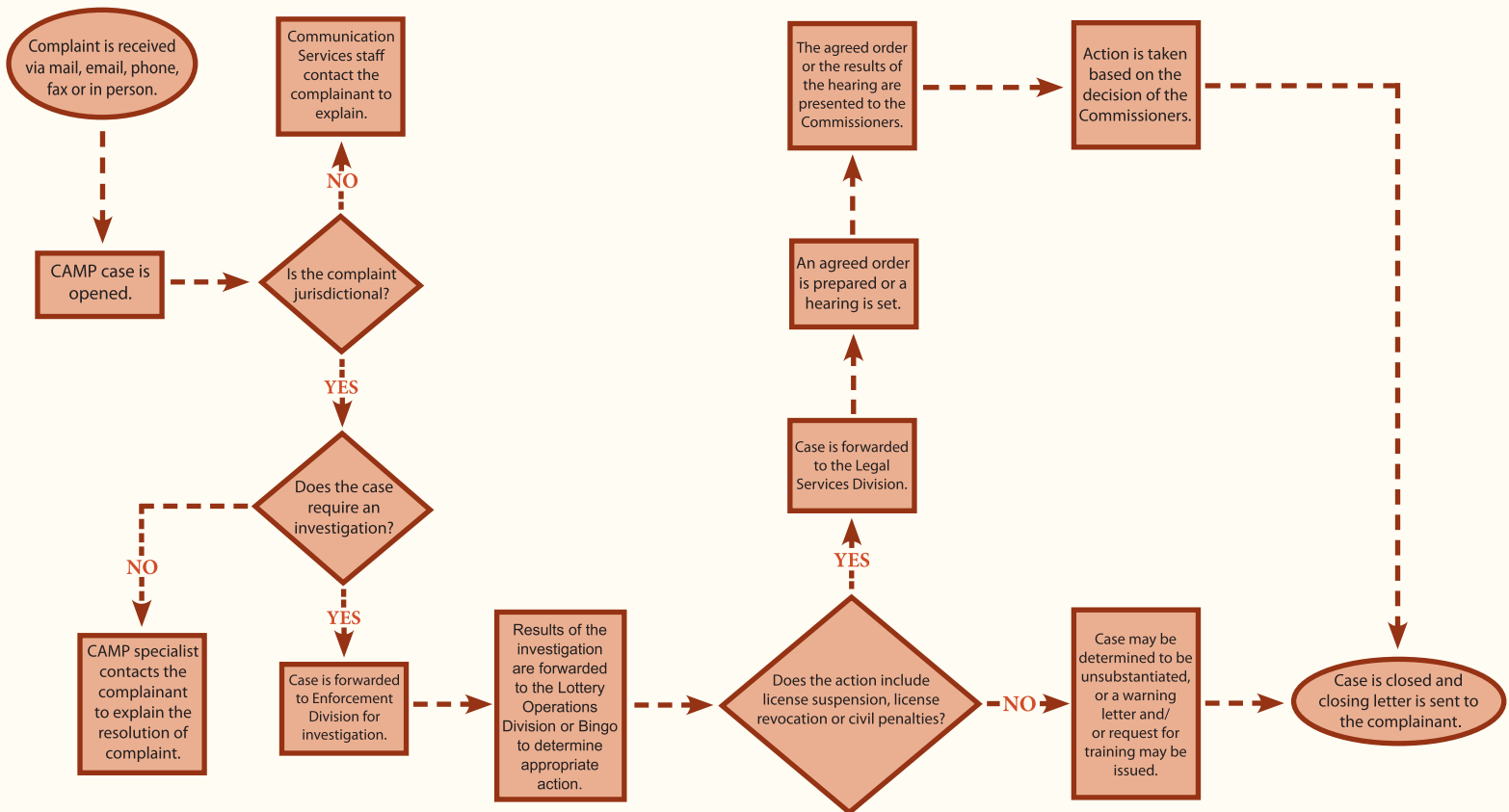
In keeping with our mission, the Texas Lottery incorporates the highest standards of security and integrity. The Texas Lottery receives, tracks, and addresses jurisdictional concerns from the public via the CAMP hotline, which was formally established in 2004, and a dedicated email portal on the Texas Lottery website. 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

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.

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 Proposal for 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 issued, 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, a settlement offer and/or agreed order may be prepared. If the matter is not resolved in the informal conference, the Legal Services Division may schedule 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/or 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 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 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 2020 – 2023)

Lottery

Table 1 presents a summary of complaints against regulated persons or entities received each year over the four-year period from FY 2020 through FY 2023, along with the four-year total.

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

| MEASURE | FY 20 TOTAL | FY 21 TOTAL | FY 22 TOTAL | FY 23 TOTAL | 4-YEAR TOTAL |
|---|----------------|----------------|----------------|----------------|-----------------|
| Number of complaints received from public | 417 | 441 | 458 | 555 | 1,871 |

During the four-year period from FY 2020 through FY 2023, a total of 1,871 complaints reporting lottery violations were received from the public. The number of complaints received trended upward from 417 in FY 2020 to 555 in FY 2023. An increase in complaints over time 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 2020 through FY 2023, along with four-year totals.

Table 2. Complaints Resolved by Fiscal Year - Lottery

| MEASURE | FY 20 TOTAL | FY 21 TOTAL | FY 22 TOTAL | FY 23 TOTAL | 4-YEAR TOTAL |
|---|----------------|----------------|----------------|----------------|-----------------|
| Number of external and internal complaints resolved | 270 | 495 | 464 | 654 | 1,883 |
| Complaints with no disciplinary action required | 215 | 464 | 412 | 622 | 1,713 |
| Complaints resulting in disciplinary action | 55 | 31 | 52 | 32 | 170 |
| Warnings ⁴ | 27 | 16 | 28 | 13 | 84 |
| Suspension | 28 | 15 | 24 | 19 | 86 |
| Revocation | 0 | 0 | 0 | 0 | 0 |
| % of complaints resulting in disciplinary action | 20.3% | 6.3% | 11.2% | 4.9% | 9.0% |
| Average number of days for complaint resolution | 93 | 135 | 132 | 191 | - |

The number of complaints resolved increased from 270 in FY 2020 to 495 in FY 2021. The lower-than-normal number of complaints resolved in FY 2020 was largely attributable to logistical issues in complaint resolution caused by the COVID-19 pandemic. This included a temporary agency travel ban that impacted the ability of Lottery Enforcement staff to travel to retailer locations to conduct investigations, which lengthened the amount of time needed to resolve complaint cases. These issues contributed to the increase in the average number of days for complaint resolution reflected in **Table 2**. The number of complaints resolved increased from 464 in FY 2022 to 654 in FY 2023, coinciding with a sizable increase in the number of complaints received from the public during this period. During this four-year period, 84, or 4 percent, of the complaints resolved resulted in a warning letter being issued to a retailer, while 86, or five percent, resulted in license suspensions.

Table 3 presents the number of reported lottery violations for each of the four years from FY 2020 through FY 2023 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.

⁴ The Texas Lottery issues warning letters for certain retailer violations. In previous editions of the Report on Compliance Activity Monitoring, these were listed as Reprimands. Starting with the 2023 edition, these are listed as Warnings.

Table 3. Complaints by Lottery Violation Code, FY 2020 – FY 2023

| LOTTERY VIOLATION CODES/DESCRIPTIONS | | FY 20 TOTAL | FY 21 TOTAL | FY 22 TOTAL | FY 23 TOTAL | 4-YEAR TOTAL |
|--------------------------------------|---|----------------|----------------|----------------|----------------|-----------------|
| 3009** | Licensee fails to follow validation procedures, including, but not limited to, paying a claim without validating the ticket, failing to pay a valid prize after validating a customer's winning ticket, or retaining a customer's winning ticket that has not been validated. | 0 | 81 | 186 | 226 | 493 |
| 2030 & 4010* | Licensee intentionally or knowingly influences or attempts to influence the selection of the winner of a lottery game. | 61 | 49 | 44 | 50 | 204 |
| 2019 & 3016* | 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. | 22 | 36 | 44 | 71 | 173 |
| 2012*** | Licensee fails to pay a valid prize the licensee is required to pay. | 82 | 88 | 0 | 0 | 170 |
| 2005 & 3005* | Licensee and/or its employee(s) exhibit discourteous treatment including, but not limited to abusive language toward customers, commission employees or commission vendors. | 33 | 34 | 39 | 52 | 158 |
| 2010 & 3012* | Licensee sells a scratch ticket from a game that has closed after the date designated for the end of the game. | 22 | 31 | 38 | 45 | 136 |
| 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. | 100 | 23 | 0 | 0 | 123 |

| LOTTERY VIOLATION CODES/DESCRIPTIONS* | | FY 20 TOTAL | FY 21 TOTAL | FY 22 TOTAL | FY 23 TOTAL | 4-YEAR TOTAL |
|--|--|----------------|----------------|----------------|----------------|-----------------|
| 2002 & 3002* | Licensee conditions redemption of a lottery prize upon the purchase of any other item or service. | 21 | 27 | 36 | 39 | 123 |
| 2023 & 4002* | Licensee intentionally or knowingly sells a ticket at a price the licensee knows is greater than the price set by the executive director. | 22 | 17 | 20 | 25 | 84 |
| 2015 & 3014* | Licensee fails to return an exchange ticket to a prize claimant claiming a prize on a multi-draw ticket if a exchange ticket is produced by the licensee's terminal. | 8 | 25 | 17 | 10 | 60 |
| 4003** | Licensee charges a fee for lottery ticket purchases using a debit card and/or requires a minimum dollar amount for debit card purchases of only lottery tickets. | 0 | 15 | 16 | 21 | 52 |
| 2004 & 3004* | Licensee fails to follow instructions and procedures for the conduct of any particular lottery game, lottery special event or promotion. | 12 | 12 | 14 | 13 | 51 |
| 2013*** | Licensee refuses or fails to sell lottery tickets during all normal business hours of the lottery retailer. | 27 | 2 | 0 | 0 | 29 |
| 3008** | Licensee sells a draw game ticket for a draw that has already taken place. | 0 | 1 | 9 | 19 | 29 |
| 2007 & 4001* | Licensee endangers the security and/or integrity of the lottery games operated by the commission. | 15 | 4 | 3 | 4 | 26 |
| 2027 & 4007* | Licensee intentionally or knowingly sells a ticket and accepts anything for payment not specifically allowed under the State Lottery Act. | 4 | 2 | 4 | 7 | 17 |

| LOTTERY VIOLATION CODES/DESCRIPTIONS* | | FY 20 TOTAL | FY 21 TOTAL | FY 22 TOTAL | FY 23 TOTAL | 4-YEAR TOTAL |
|--|--|----------------|----------------|----------------|----------------|-----------------|
| 3013** | Licensee refuses to refund or properly cancel a <i>Pick 3</i> or <i>Daily 4</i> ticket. | 0 | 6 | 5 | 5 | 16 |
| 2016 & 3015* | Licensee fails to keep accurate and complete records of all tickets from confirmed, active, and settled packs that have not been sold. | 15 | 0 | 0 | 0 | 15 |
| 2003 & 3003* | Licensee imposes a restriction upon the redemption of a lottery prize not specifically authorized by the director. | 6 | 4 | 3 | 2 | 15 |
| 2025 & 4005* | Licensee intentionally or knowingly sells a ticket by extending credit or lends money to enable a person to buy a ticket. | 3 | 5 | 4 | 0 | 12 |
| 2033 & 4013* | 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. | 8 | 2 | 1 | 0 | 11 |
| 2031 & 4011* | 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 | 3 | 4 | 0 | 10 |
| 2026 & 4006* | Licensee intentionally or knowingly sells a ticket to a person that the licensee knows is younger than 18 years. | 3 | 0 | 2 | 2 | 7 |

| LOTTERY VIOLATION CODES/DESCRIPTIONS* | | FY 18 TOTAL | FY 19 TOTAL | FY 20 TOTAL | FY 21 TOTAL | 4-YEAR TOTAL |
|--|---|----------------|----------------|----------------|----------------|-----------------|
| 2014*** | Licensee refuses to and/or fails to properly cancel a <i>Pick 3</i> or <i>Daily 4</i> ticket. | 6 | 0 | 0 | 0 | 6 |
| 2029 & 4009* | Licensee intentionally or knowingly alters or forges a ticket. | 0 | 1 | 1 | 2 | 4 |
| 2028 & 4008* | 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. | 1 | 1 | 1 | 0 | 3 |
| 2024*** | Licensee sells tickets issued to a licensed location at another location that is not licensed. | 0 | 2 | 0 | 0 | 2 |
| 3007** | Licensee fails to deface a validated ticket. | 0 | 1 | 1 | 0 | 2 |
| 4004** | Licensee sells tickets at a location that is not licensed. | 0 | 1 | 0 | 1 | 2 |
| 2020 & 3017* | Licensee fails to take readily achievable measures within the allowed time period to comply with the barrier removal requirements regarding the ADA. | 0 | 1 | 0 | 0 | 1 |

| LOTTERY VIOLATION CODES/DESCRIPTIONS* | | FY 18 TOTAL | FY 19 TOTAL | FY 20 TOTAL | FY 21 TOTAL | 4-YEAR TOTAL |
|--|---|----------------|----------------|----------------|----------------|-----------------|
| 2006 & 3006* | Licensee fails to establish or maintain reasonable security precautions with regard to the handling of lottery tickets and other materials. | 1 | 0 | 0 | 0 | 1 |
| 3010** | Licensee violates any directive or instruction issued by the director of lottery operations. | 0 | 0 | 1 | 0 | 1 |
| 2034 & 4014* | 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 |

*The code for the violation was changed in FY 2021.

** This is a new violation that was added as a result of the TLC's rule review.

*** This is a violation that was removed as a result of the TLC's rule review.

Note: Any violation codes for which there were no complaints over the four-year period are not presented in the table. Multiple violations can be assigned to one complaint.

In August 2020, as part of the agency's administrative rule review process, the Texas Lottery revised the standard penalty chart for retailer violations to incorporate a 3-tiered structure. Violations were assigned a tier based on the penalty for the first occurrence. For first tier violations, this penalty is a warning letter, for second tier violations it is suspension of the retailer's license up to revocation of the license and for third tier violations it is license revocation. The codes for each violation were changed as part of this process. In addition, some violations were removed from the administrative rules, and new violations were added. These changes were incorporated into the CAMP system in FY 2021. In **Table 3** above, violations that underwent a code change are displayed with two codes. The old violation code is listed first, followed by the new violation code. New retailer violations and violations that were removed from the administrative rules are indicated by footnotes in the table.

As shown in **Table 3**, the violation most frequently associated with the complaints received from FY 2020 through FY 2023 was "Licensee fails to follow validation procedures, including, but not limited to, paying a claim without validating the ticket, failing to pay a valid prize after validating a customer's winning ticket, or retaining a customer's winning ticket that has not been validated" (code 3009). A total of 493 complaints received during the period involved this violation. This violation was added during the Texas Lottery's administrative rule review process. The violations "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" (code

2011) and “Licensee fails to pay a valid prize the licensee is required to pay (code 2012) were removed during the administrative rule review process and cases that involve these retailer activities are now assigned violation code 3009. Current training materials instruct retailers on the need to pay prizes up to \$599 when they validate winning tickets. The Security Spotlight section of the Texas Lottery website includes information regarding the requirement that retailers pay a prize after validating a prize-winning ticket and encourages players to check their tickets using self-service Check-a-Ticket machines or Gemini vending machines. Players are also encouraged to ask for the player copy of the validation receipt and to verify the validation amount on the customer-facing multi-media monitor display (ESMM). The Texas Lottery has provided information on this violation in the monthly retailer newsletter *RoundUp*. To further stress the importance of paying valid prizes, the topic has also been featured on retailer facing bin-toppers that provide retailers with information about violations to avoid. The bin-toppers are placed on the top of a scratch ticket dispenser with the message, in English or Spanish depending on the retailer, facing the clerk. The Texas Lottery will continue to focus on improving education on this issue throughout the player and retailer bases.

The second most frequently reported violation was “Licensee intentionally or knowingly influences or attempts to influence the selection of the winner of a lottery game” (code 2030 and 4010). A total of 204 complaints received during the four-year period involved this violation. The number of complaints involving this violation declined from 61 in FY 2020 to 49 in FY 2021, then remained fairly stable from FY 2021 to FY 2023. Agency staff continue to utilize system reports developed to identify patterns in transactions that may indicate this activity. The Enforcement Division conducts investigations when complaints are received or reports indicate that an investigation is appropriate which increases awareness and education regarding this violation within the retailer base.

The third most frequently reported violation from FY 2020 to FY 2023 was “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” (code 2019 & 3016). The number of complaints involving this violation increased from 22 in FY 2020 to 71 in FY 2023. Many of these complaints involved situations in which players felt that they were due refunds from purchases they made on lottery ticket vending machines. During this four-year period, the number of lottery ticket vending machines in the field increased from 2,828 to 3,038 and vending machine sales grew by 64 percent, which resulted in a growing number of sales transactions involving ticket vending machines. The Texas Lottery will work to increase awareness in the retailer base of the need to make every reasonable effort to provide player resolution at the retail location if a player’s lottery purchase, or attempted purchase, from a lottery vending machine results in a need to refund the player’s money. This requirement is included in paperwork provided to retailers when a self-service vending machine is installed at a retailer location.

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 and a Texas Lottery mobile application for self-checking winning status of tickets; multimedia monitor (ESMM) displays that communicate validation messages to players; terminal inquiry/validation tones; one-step validation Secure Shield™ barcode on scratch tickets; development and implementation of monitoring tools and reports related to validation and claim activity; retailer-facing signage in English and Spanish placed at the point of purchase with a message facing the clerk about avoiding specific lottery violations; the Penalty Chart for Lottery Retailer violations with examples posted on the agency website; Lottery violations brochure distributed to retailers that presented statistics and information on complaints and violations; and expansion of the Player Protection page on the Texas Lottery’s website to provide lottery players with additional information regarding what they can expect from a retailer when purchasing or redeeming a lottery ticket. Implementation of the agency’s Responsible Gambling initiatives provides additional protection for players through brochures at retail and comprehensive information on the website including Tips for Positive Play, resources for getting help, risks of youth gambling and frequently asked questions.

Bingo

The Charitable Bingo Operations Division (CBOD) was established to enforce the Bingo Enabling Act, Tex. Occ. Code § 2001 (Act) and the Charitable Bingo Administrative Rules, 16 Tex. Admin. Code § 402 (Rules) to ensure that bingo games are conducted fairly and that the proceeds are used for authorized purposes (see [Appendix](#)). The CBOD consists of Licensing, Accounting, Compliance, Education, and Audit sections.

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/or Rules.

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

Once a violation of the Act and/or Rules is found, the CBOD Director determines the appropriate sanction, including administrative penalties to organizations or persons involved. The objectives for applying sanctions are to protect the public, encourage compliance with Act and/or Rules, offer opportunities for rehabilitation, sanction violators, and act as a

deterrence. The CBOD coordinates and shares information with local law authority within applicable jurisdictions to assist in the protection and safety of the public with regard to substantiated complaints, as appropriate. If the CBOD decides to take administrative action against an organization for an alleged violation, proper notice will be issued in accordance with the Act and/or Rules.

The Covid-19 pandemic has been hard on the bingo industry. To ease the financial burden the bingo industry has faced, CBOD has issued numerous requested waivers from the requirement to maintain positive net proceeds. Approved waivers allow organizations to remain licensed and continue to support their charitable purposes.

The Education and Training section of the CBOD assists Texas bingo licensees in adhering to voluntary compliance with the Act and/or Rules. Texas bingo licensees and the general public have the option of contacting the Education and Training section, by calling the customer service telephone line 1-800-BINGO-77 or emailing: bingo.services@lottery.state.tx.us. General information is located on our website at [txbingo.org](https://www.txbingo.org). Also, the CBOD provides online training to Texas bingo licensees. The online training includes topics that are of importance to the bingo industry and emphasizes the responsibilities of licensees. The training can also be accessed via the division's YouTube channel at: https://www.youtube.com/channel/UC3T_XM-NV5DmVycswEyTOPA.

Table 4 is a summary of Bingo complaints against regulated persons or entities received each year over the four-year period from FY 2020 through FY 2023, along with four-year totals.

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

| MEASURE | FY 20 TOTAL | FY 21 TOTAL | FY 22 TOTAL | FY 23 TOTAL | 4-YEAR TOTAL |
|---|----------------|----------------|----------------|----------------|-----------------|
| Number of complaints received from public | 73 | 104 | 117 | 139 | 433 |

From FY 2020 through FY 2023, 433 complaints reporting alleged bingo violations were received from the public. Over a half million bingo occasions were held during those same years. The number of complaints received is slightly lower than it was when CBOD reported 466 complaints received for FY 2018 through FY 2021. The continued effect of the Covid-19 pandemic may have contributed to this downward trend.

Table 5 is a summary of the bingo complaints resolved each year over the four-year period from FY 2020 through FY 2023, along with four-year totals.

Table 5. Complaints Resolved by Fiscal Year - Bingo

| MEASURE | FY 20 TOTAL | FY 21 TOTAL | FY 22 TOTAL | FY 23 TOTAL | 4-YEAR TOTAL |
|--|----------------|----------------|----------------|----------------|-----------------|
| Number of external and internal complaints resolved | 99 | 69 | 84 | 177 | 429 |
| Complaints closed with no disciplinary action required | 90 | 59 | 75 | 149 | 373 |
| Complaints resulting in disciplinary action | 4 | 5 | 0 | 13 | 22 |
| Administrative's Penalty | 0 | 0 | 0 | 0 | 0 |
| Reprimand | 4 | 5 | 0 | 13 | 22 |
| % of complaints resulting in disciplinary action | 4.04% | 7.25% | -- | 7.34% | 5.13% |
| Average number of days for complaint resolution | 78.59 | 85.46 | 258.25 | 144.46 | - |

The number of complaints received, and the availability of the complainant, suspect, or witnesses affect the number of investigations resolved. As bingo activity resumes, CBOD strives to resolve cases as quickly as possible. The complexity of the cases caused the number of days for a complaint to be resolved to increase in both FY 2022 and FY 2023.

Table 6 presents the number of reported bingo violations for each of the four years from FY 2020 through FY 2023, by violation code, and totals over the four years. The table is organized from highest to lowest according to four-year totals.

Table 6. Complaints by Bingo Violation Code, FY 2020 – FY 2023

| BINGO VIOLATION CODES/DESCRIPTIONS* | | FY 20 TOTAL | FY 21 TOTAL | FY 22 TOTAL | FY 23 TOTAL | 4-YEAR TOTAL |
|--|--|----------------|----------------|----------------|----------------|-----------------|
| 1006 | The Play of the Game | 15 | 27 | 23 | 15 | 80 |
| 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. | 12 | 16 | 27 | 19 | 74 |

| BINGO VIOLATION CODES/DESCRIPTIONS* | | FY 20 TOTAL | FY 21 TOTAL | FY 22 TOTAL | FY 23 TOTAL | 4-YEAR TOTAL |
|--|--|----------------|----------------|----------------|----------------|-----------------|
| 1002 | Same Winners | 10 | 12 | 13 | 16 | 51 |
| 1204 | A person conducted, promoted or administered bingo without a license. | 2 | 10 | 12 | 17 | 41 |
| 1007 | Failure to pay a prize | 8 | 6 | 8 | 6 | 28 |
| 1001 | House Rules | 8 | 7 | 9 | 4 | 28 |
| 1720 | The organization offered or provided to a person the opportunity to play bingo without charge. | 3 | 5 | 7 | 9 | 24 |
| 1719 | The organization reserved or allowed to be reserved, bingo cards or a card-minding device for use by a particular person. | 1 | 1 | 3 | 15 | 20 |
| 1005 | Pull-Tabs/Instant Tickets/ Event Tabs | 5 | 5 | 4 | 5 | 19 |
| 1000 | House Player | 0 | 7 | 5 | 6 | 18 |
| 1008 | Caller did not hear bingo. | 3 | 0 | 3 | 6 | 12 |
| 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 | 2 | 3 | 4 | 12 |
| 1221 | Deduct any cash or portion of a winning prize other than the prize fee without the player's permission. | 3 | 2 | 2 | 5 | 12 |
| 1715 | The limit of \$750.00 was exceeded on a single prize for regular or pull-tab bingo. | 1 | 0 | 10 | 1 | 12 |

| BINGO VIOLATION CODES/DESCRIPTIONS* | | FY 20 TOTAL | FY 21 TOTAL | FY 22 TOTAL | FY 23 TOTAL | 4-YEAR TOTAL |
|--|--|----------------|----------------|----------------|----------------|-----------------|
| 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. | 1 | 3 | 4 | 3 | 11 |
| 1764 | The organization failed to adhere to its house rules. | 2 | 1 | 2 | 4 | 9 |
| 1405 | The bingo worker played bingo or the organization failed to prohibit bingo workers from playing bingo. | 3 | 3 | 0 | 3 | 9 |
| 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. | 2 | 0 | 4 | 1 | 7 |
| 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. | 2 | 2 | 1 | 2 | 7 |
| 1316 | The organization allowed a person other than a bona fide member of the licensed organization conduct, promote, or administer, or assist in conducting, promoting or administering, Bingo. | 0 | 4 | 1 | 2 | 7 |
| 1308 | The organization conducted bingo outside of the licensed time. | 0 | 1 | 2 | 4 | 7 |
| 1203 | A person falsified or made false entries in books and records. | 2 | 2 | 1 | 2 | 7 |

| BINGO VIOLATION CODES/DESCRIPTIONS* | | FY 20 TOTAL | FY 21 TOTAL | FY 22 TOTAL | FY 23 TOTAL | 4-YEAR TOTAL |
|--|---|----------------|----------------|----------------|----------------|-----------------|
| 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 | 2 | 5 |
| 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. | 1 | 1 | 2 | 1 | 5 |
| 1003 | Bingo Equipment | 0 | 0 | 2 | 2 | 4 |
| 1733 | The winning card face from a card-minding device was not verified properly. | 1 | 0 | 1 | 2 | 4 |
| 1501 | The organization failed to maintain or properly maintain records to substantiate the contents of its quarterly report. | 0 | 1 | 0 | 3 | 4 |
| 1727 | The organization comingled different serial numbers of the same form number of pull-tab bingo tickets. | 0 | 2 | 0 | 1 | 3 |
| 1786 | The organization's house rules conflicted with the Bingo Enabling Act or the Charitable Bingo Administrative Rules. | 0 | 3 | 0 | 0 | 3 |
| 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 | 1 | 1 | 3 |

| BINGO VIOLATION CODES/DESCRIPTIONS* | | FY 18 TOTAL | FY 19 TOTAL | FY 20 TOTAL | FY 21 TOTAL | 4-YEAR TOTAL |
|--|---|----------------|----------------|----------------|----------------|-----------------|
| 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 | 2 | 0 | 0 | 2 |
| 1401 | The organization failed to immediately remove a card-minding device from use for which a defect, malfunction, or problem with the card-minding device was detected by the manufacturer, distributor, conductor, or commission. | 0 | 0 | 0 | 2 | 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 | 0 | 0 | 2 | 2 |
| 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 | 0 | 0 | 2 | 2 |
| 1782 | The operator on duty for the organization failed to become available to a Commission employee or bingo player upon request. | 0 | 0 | 0 | 2 | 2 |
| 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 | 0 | 1 | 2 |

| BINGO VIOLATION CODES/DESCRIPTIONS* | | FY 18 TOTAL | FY 19 TOTAL | FY 20 TOTAL | FY 21 TOTAL | 4-YEAR TOTAL |
|--|---|----------------|----------------|----------------|----------------|-----------------|
| 1009 | Credit | 0 | 0 | 2 | 0 | 2 |
| 1775 | Caller failed to announce the amount of the prize prior to the end of the game if the prize based on sales or attendance. | 0 | 1 | 1 | 0 | 2 |
| 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 | 2 | 0 | 2 |
| 1725 | The organization failed to offer for sale the entire deal or package of instant bingo tickets. | 0 | 0 | 1 | 0 | 1 |
| 1765 | The organization failed to replace bingo balls in complete sets or individually if the bingo balls are of the same type and design. | 0 | 0 | 0 | 1 | 1 |
| 1763 | The organization failed to make its house rules available to anyone upon request. | 1 | 0 | 0 | 0 | 1 |
| 1109 | The organization has conflicting game days/times. | 0 | 1 | 0 | 0 | 1 |
| 1420 | A bingo worker communicated to the caller the number(s) or symbol(s) needed by a player to win a bingo game. | 0 | 0 | 1 | 0 | 1 |
| 1323 | Paid pull-tab prize that was not in compliance with the amount of the of the approved payout structure. | 0 | 1 | 0 | 0 | 1 |

*Multiple violations can be assigned to one complaint

Over the four-year period from FY 2020 through FY 2023, the top 10 bingo violations represented approximately eighty-nine percent of all violations reported.

The top three reported violations for bingo over the past four years in descending order were “The Play of the Game”, “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”, and “Same Winners.”

“The Play of the Game” (code 1006) received a total of 80 complaints. The number of complaints reporting this violation fluctuated over the four years, with a high of 27 in FY 2021 and a low of 15 in both FY 2020 and FY 2023.

“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” (code 1201) received a total of 74 complaints. The number of complaints reporting this violation fluctuated over the four years, with a high of 27 in FY 2022 and a low of 12 in FY 2020.

“Same Winners” (code 1002) received a total of 51 complaints. The number of complaints reporting this violation increased over the four years, with a low of 10 in FY 2020 to the high of 16 in FY 2023.

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

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 acting 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)

