VIII

INTERNAL AUDIT SERVICES

McConnell Jones
Diverse Thinking | Unique Perspectives

TEXAS LOTTERY

INTERNAL AUDIT REPORT
FEBRUARY 6, 2024

Information Items

Internal Audit Activities Completed This period:

➢ Completed Ticket Warehouse and Ticket Destruction audit.

➢ Began Scratch Ticket Contract Audit.

Internal Audit Activities Anticipated Next Period:

➢ Begin Legislative Change Management Processes

➢ Complete Scratch Ticket Contract Audit.

Information Item

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SOC UCC Audit Report Summary

Audit	Audit Rating	Number of Recommendations
23-001 Key Vendor SOC User Control Considerations	Generally Effective	1

Recommendation:
TLC should work with IGT to clarify the intent of the respective UCCs in question, and ensure any additional procedures are implemented, based on the clarification of the control language.

Audit Focus:

➤ System and Organization Controls (SOC) are the controls that vendors have in place related to the services in the Agency's contract.

➤ User Entity Control Considerations (UCC) are the controls that TLC is responsible for having in place.

➤ The objective of this audit was to assess if TLC has adequate controls in place for those 37 areas of responsibility identified in SOC reports related to:

  – Gaming Systems
  – Scratch Ticket Services

Audit Finding

✓ We identified two gaps related to how the respective UCC is written which places the burden on TLC, when it is a vendor control that TLC has no access to, or authority, over executing.

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Scratch Ticket Warehouse Audit Report Summary

Audit	Audit Rating	Number of Recommendations
24-001 Ticket Warehouse Operations	Best Practices for Access Controls and Generally Effective Overall	0

Overall, the design of the Agency's management controls in place to ensure that scratch tickets are secured, and games are ready for distribution to retailers according to the annual game release schedule, is generally effective with best practices. We noted best practices process in the following processes:

- Governance
- Operations – Scratch Ticket Management
- Compliance & Monitoring - Vendor Performance Monitoring
- Communications & Reporting

Audit Focus:

Ticket Warehouse Operations activities:

- Receiving

- Distribution

- Ticket Returns

- Ticket Destruction

- Physical Inventory.

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