

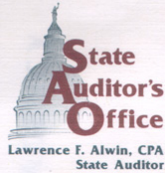
Texas Lottery Commission Press Release - July 1, 2003

Contact:

Bobby Heith, 512-344-5210

Letter From State Auditor's Office

(Austin, July 1) -



June 5, 2003

Mr. Reagan E. Greer
Executive Director
Texas Lottery Commission
611 E. 6th Street
Austin, TX 78701

Subject: Review of Texas Lottery Commission
procurement of goods and/or services related to
the new Lotto Texas game

Dear Mr. Greer:

In response to your request, we reviewed the Texas Lottery Commission's (Lottery) procurement of goods and services related to the new Lotto Texas game. The objective of this review was to determine if these purchases were made in accordance with state procurement laws and regulations.

We found that the Lottery's procurement of \$139,485 in goods and services related to the new Lotto Texas game complied with state procurement laws and regulations, specifically the State Lottery Act, the Texas Administrative Code, and internal Lottery policies. We limited our review to goods and services procured before the Commission approved the rule change authorizing the new Lotto Texas game.

The State Lottery Act (Act), Chapter 466, Texas Government Code, specifically exempts the Lottery from the Texas Building and Procurement Commission's purchasing requirements and vests all procurement authority with the Executive Director. As a result, the Executive Director solely approves all major expenditures and procurement decisions. The Act does not require the Executive Director to have approval from the Commission prior to making any procurement.

Title 16, Section 401.101, of the Texas Administrative Code (Code) sets forth procedures for the Lottery to follow when making procurements. These rules were adopted by the Commission and mirror the Lottery's internal procurement procedures. As with the Act, the Code does not require the Executive Director to have approval from the Commission prior to making any procurement. However, the Code does require the Lottery to take certain actions when seeking competitive solicitations, and it specifies requirements for preferences and contract terms. We obtained and reviewed documentation related to the purchases. Based on the results of our review, we conclude that the Lottery complied with the Code and with Commission policies governing procurement procedures.

Our conclusions are based on a limited review of the Lottery's procurements and have not been subjected to all of the tests and confirmations performed in an audit.

We appreciate the Lottery's cooperation during this review. If you have any additional questions, please contact Nick Villalpando, Audit Manager, at (512) 936-9500.

Sincerely,

Lawrence F. Alwin, CPA
State Auditor

ejm

cc: Members of the Legislative Audit Committee
Members of the House General Investigating Committee
Members of the Texas Lottery Commission

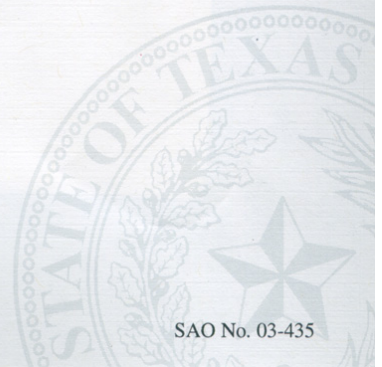
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