



A Special Investigations Unit Report Regarding
The Texas Lottery Commission

July 14, 2005

Members of the Legislative Audit Committee:

On June 28, 2005, the Public Integrity Unit at the Travis County District Attorney's Office obtained an indictment for former Texas Lottery Commission (Commission) employee Taneil Gage. The indictment charged Ms. Gage with one count of theft by a public servant over \$500 but less than \$1,500. This offense is a state jail felony.

In September 2003, executive management of the Commission contacted the State Auditor's Office Special Investigations Unit (SIU) and requested assistance with the investigation of an alleged fraud scheme involving Ms. Gage, who was employed in the Commission's Licensing Division. The SIU assisted Commission investigators with the investigation.

The investigation revealed that Ms. Gage, in her position as a retail services specialist with the Commission, allegedly defrauded several retailers who had applied to become Texas Lottery vendors.

Ms. Gage was terminated, and the Commission referred the matter to the Travis County District Attorney in October 2003.

If you have any questions, please contact Harold Burns, Senior Investigator; Pamela Munn, Manager, Special Investigations Unit; or me at (512) 936-9500.

Sincerely,

John Keel, CPA
State Auditor

cc: The Honorable Rick Perry, Governor of Texas
Mr. Gary Grief, Acting Executive Director, Texas Lottery Commission
The Honorable Ronnie Earle, Travis County District Attorney

The **Special Investigations Unit** investigates reports of illegal activity involving state agencies and universities. The Unit refers the results to prosecuting authorities.

Texas Government Code, Section 321.022, requires state agencies and universities to report suspected fraud or unlawful conduct to the State Auditor's Office if there are facts (not just suspicion) that point to fraud or unlawful conduct.

To report suspected illegal activity, call 1-800-TX-AUDIT (1-800-892-8348), send a fax to (512) 936-9400, visit www.sao.state.tx.us, or mail information to the State Auditor's Office, Attn: SIU, P.O. Box 12067, Austin, TX 78711.

SAO Report No. 05-041