



INTEROFFICE MEMO

Gary Grief, Executive Director

Alfonso D. Royal III, Charitable Bingo Operations Director

To: J Winston Krause, Chairman, Texas Lottery Commission
Carmen Arrieta-Candelaria, Commissioner, Texas Lottery Commission
Peggy Heeg, Commissioner, Texas Lottery Commission
Doug Lowe, Commissioner, Texas Lottery Commission
Robert Rivera, Commissioner, Texas Lottery Commission

From: Alfonso D. Royal III, Charitable Bingo Operations Director, Texas Lottery Commission

Date: August 8, 2016

Re: Charitable Bingo Operations Division Output Metrics - July 2016

0

Licensee Information

<u>License Type</u>	<u>Active</u>	<u>Administrative Hold</u>
Conductors	963	23
Lessors	260	85
Distributors	13	0
Manufacturers	20	0
Bingo Play Locations	365	0

Licensing

Number of original applications received	1
Number of renewal applications received	67
Number of worker registry applications received	291
Number of original licenses issued	6
Number of renewal licenses issued	93
Number of worker registry badges issued	315
Average Bingo License (Temporary) Processing Time (Days)	3.20
Average Bingo License (Amendments) Processing Time (Days)	7.15
Average Bingo License (Originals) Processing Time (Days)	75.00
Average Bingo License (Renewals) Processing Time (Days)	16.87

Accounting

Number of quarterly reports processed	983	
Total payments received	552	\$7,262,728
Received by mail	350	\$2,690,551
Electronic Payment through Bingo Services Portal	202	\$4,572,176

Audit Services

Number of audits and game inspections completed	15
Number of audits completed	15
Number of game inspections completed	0
Number of complaints received	12
Number of complaint investigations completed	9

Account Ledger Reconciliation Project

Ledger Accounts Reconciled - Bingo Audit Services	1,587	
Ledger Accounts Reconciled - Reviewed Internal Audit	1,587	(100.0%)
Ledger Accounts Reconciled - Pending Internal Audit Review	0	
Ledger Accounts Final Invoice/Statement Pending Completion	0	(0.00%)
Ledger Accounts Final Invoice /Statement Completed	1,587	(100.0%)

Compliance

Number of administrative actions	
Applications Denied	1
Settlement Agreements	3
Agreed Orders	0
Total administrative penalties received	\$1,400.00
Worker Registry Activity	
Applications Denied	0
Workers Removed	0

Education

Number of individuals receiving education	45
On-line	45
On-site	0

Pull-Tabs

ARTWORK

DEALS

Submitted	24	Submitted	22
Approved	20	Approved	19
Pending Actions	0	Pending Actions	3
Denied	0	Denied	0
Withdrawn	5	Withdrawn	0
Avg. Review Time	1.90 (Days)	Avg. Review Time	1.58 (Days)



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Robert Rivera, Commissioner, Texas Lottery Commission

From: Alfonso D. Royal III, Director
Charitable Bingo Operations Division

Date: September 19, 2016

Re: Charitable Bingo Operations Division Output Metrics - August 2016

Licensee Information

<u>License Type</u>	<u>Active</u>	<u>Administrative Hold</u>
Conductors	966	23
Lessors	261	83
Distributors	13	0
Manufacturers	20	0
Bingo Play Locations	365	0

Licensing

Number of original applications received	4
Number of renewal applications received	56
Number of worker registry applications received	321
Number of original licenses issued:	7
Number of renewal license issued:	103
Number of worker registry badges issued	335
Average Bingo License (Temporary) Processing Time (Days)	3.49
Average Bingo License (Amendments) Processing Time (Days)	3.74
Average Bingo License (Originals) Processing Time (Days)	59.43
Average Bingo License (Renewals) Processing Time (Days)	14.95

Accounting

Number of quarterly reports processed	184	
Total payments received	76	\$85,221.14
Received by mailed	66	\$63,061.46
Electronic Payment through Bingo Services Portal	10	\$22,159.68

Audit Services

Number of audits and game inspections completed	24
Number of audits completed	17
Number of game inspections completed	7
Number of complaints received	12
Number of complaint investigations completed	19

Account Ledger Reconciliation Project

As of August 31, 2016, the project is complete. All active accounts are reconciled and balanced.

Compliance

Number of administrative actions	
Applications Denied	1
Settlement Agreements	6
Agreed Orders	0
Total administrative penalties received	\$6,300.00
Worker Registry Activity	
Applications Denied	15
Workers Removed	2

Education

Number of individuals receiving education	42
On-line	42
On-Site	0

Pull-Tabs

<u>ARTWORK</u>		<u>DEALS</u>	
Submitted	47	Submitted	20
Approved	36	Approved	23
Pending Actions	0	Pending Actions	0
Denied	0	Denied	0
Withdrawn	11	Withdrawn	0
Avg. Review Time	3.47 (Days)	Avg. Review Time	3.91 (Days)

Texas Lottery Commission
Charitable Bingo Operations Division



FY2017 Bingo Annual Audit Plan & Risk Assessment
Conductor Compliance Reviews
Game Inspections

Commissioner J. Winston Krause, Chairman
Commissioner Carmen Arrieta-Candelaria
Commissioner Douglas E. Lowe
Commissioner Peggy A. Heeg
Commissioner Robert G. Rivera

Alfonso D. Royal III, Director
Thomas Lieck, Acting Audit Manager

September 1, 2016



INTEROFFICE MEMO

Gary Grief, Executive Director

Alfonso D. Royal III, Charitable Bingo Operations Director

To: Alfonso D. Royal III
Director
Charitable Bingo Operations Division

From: Thomas Lieck
Acting Audit Manager
Charitable Bingo Operations Division

Date: September 1, 2016

Re: Fiscal Year 2017 Annual Audit Plan and Risk Assessments
Review of Charter

FISCAL YEAR 2017 BINGO ANNUAL AUDIT PLAN AND RISK ASSESSMENT HIGHLIGHTS

FY2017 Conductor Compliance Review (CCR) Risk Assessment

The CCR Risk Assessment used to identify the FY2017 audits of licensed organizations and accounting units has been determined and includes consideration of TEX. OCC. CODE., § 2001.560(c-1)(2)(C) and 16 TEX. ADMIN CODE Rule § 402.703 in its methodology.

The CCR Risk Assessment is prepared utilizing the Bingo Operations Services System (BOSS). Results are exported into an excel spreadsheet that is used to assist in the assigning and monitoring of the audit projects.

Anticipated results of the CCR Risk Assessment strive for the goal to audit the highest-risk licensees within a 4 year time frame and result in substantial audits of organizations with material gross receipts and bingo activity. Further, our goal is a completion date for each audit that is not later than the fourth anniversary of the date the license holder was identified as a candidate for an audit.

The overall goal is to continue our focus on financial monitoring. The Audit Department budgeted 180 hours to complete audits of single organizations and 360 hours for accounting units. The budget hours have been reduced by 10% from the FY2016 budget of 200 hours for single organizations and 400 hours for accounting units due to efficiencies identified in the audit process. It is anticipated for staff to continue to reduce the amount of hours currently expended on audit projects with ongoing staff training and professional development, performance reviews, scope considerations, implementation of audit focus BOSS and Compliance Activity Monitoring Process (CAMP) enhancements, and overall efficiencies in the audit process.

The following are the risk factors that were used:

- Gross Receipts
- Expenses as a Percentage of Gross Receipts
- Net Proceeds as a Percentage of Gross Receipts
- Charitable Distributions as a Percentage of Gross Receipts

Based on results of the risk assessment and resource allocation considering 19 Full Time Equivalents (FTEs), it is projected that 52 audits¹ will be completed. The completion of these audits will provide the following.

- 10.9 % coverage of **ALL** 477 active, annually licensed organizations and accounting units in Texas. This is an increase of 4.6% over the FY2016 projection of 6.3%, and
- 26.6 % for **ALL** active, annually licensed organizations and accounting units with audit coverage within the last five years. This is an increase of 6.0% over the FY2016 projections of 20.6%.

However, due to unforeseen circumstances, changes in the industry, staff vacancies and training needs and legislative requests this could change.

Further, adjustments may be deemed necessary by management considering higher priorities within the division such as auditor assistance in special projects, or complex audit or complaint investigations that result in increased use of resources due to substantial increase of scope and audit procedures.

¹ Audits comprise of both organization and unit audits. The number will increase depending on the number of organizations contained in a unit. Currently, 19 individual conductors and 33 units are planned for an audit in FY2017. If each unit contains 4 organizations that would increase the number of audits by 132 for a total of 184 projected audits for FY2017.

FY2017 Game Inspection (GI) Risk Assessment

The GI Risk Assessment used to identify the FY2017 game inspections of licensed organization has been determined and includes consideration of TEX. OCC. CODE, § 2001.560(c-1)(2)(C) and 16 TEX. ADMIN CODE Rule § 402.705 in its methodology.

The GI Risk Assessment was prepared utilizing the BOSS system and the results are exported into an excel spreadsheet that is used to assist in the assigning and monitoring of the audit projects.

Anticipated results of the GI Risk Assessment strive for the goal to inspect high risk locations in order to ensure that bingo is conducted fairly and to promote voluntary compliance with the Commissions regulatory monitoring presence. It is anticipated that a bingo hall is inspected every three years.

The plan estimates 16 hours per GI including travel to quantify the number of game inspections projected. The budget hours have been reduced by 11% from the FY2016 budget of 18 hours due to efficiencies identified in the GI process. However, hours may be adjusted as we consider additional game inspection procedures to ensure bingo is fairly conducted and efficiencies that may result from BOSS and CAMP enhancements.

The following are the risk factors that were used:

- Gross Receipts Reported for Playing Location
- Time Since Last Game Inspection at Location
- Compliance History

Based on results of the risk assessment and resource allocation considering 19 FTEs, it is projected that 117 game inspections will be completed. Completing this number of game inspections will provide for 33.6% coverage of the 348 locations where bingo is conducted throughout the state. However due to unforeseen circumstances, impact of staff vacancies additional training needs, management and legislative requests this could change.

FY2017 Performance Measures

Our goal is to achieve the target performance measure expectations. However, due to unforeseen circumstances including staff vacancies, additional training needs, management and legislative requests this could change.

We will use the results to explain variances during performance measure reporting and gain additional insight to propose realistic targets for the future.

Strategy Measure #	Measure Name	FY 2017 Performance Measure Target
B.1.a	Percentage of Licensees with No Recent Violation	91.00%
B.1.b	Percentage of Bingo Audits Referred for Disciplinary Action	65.00%
B.1.c	Percentage of Complaints Referred for Disciplinary Action	8.00%
B.1.d	Percentage of Documented Complaints Completed Within Six Months	85.00%
B.1.g	Percentage of Organizations Receiving an Audit	21.39%
B.1.h	Percentage of Organizations Receiving an Inspection	31.35%
B.1.3.a	Number of Inspections Conducted	469 ²
B.1.3.b	Number of Bingo Audits and Reviews Completed	100
B.1.3.c	Number of Bingo Complaints Completed	180
B.1.3.d	Dollar Amount of Adjustments to Charitable Distributions by Audit and Inspections	\$15,000
B.1.3.a	Average time for Bingo Complaint Completion (Days)	75
B.1.3.b	Average Cost per Bingo Complaint Completed	\$350
B.1.3.c	Average Time to Conduct Audit (Hours)	200
B.1.3.e	Average Cost per Bingo Audit Completed	\$8,693

² Number of Inspections Conducted includes Bingo Complaints Completed and Electronic Card Minding Site System Connectivity Inspections

REVIEW OF CHARTER

The Audit Charter is posted on the Charitable Bingo Operations Divisions website at: www.txbingo.org

I have reviewed the Audit Charter and do not recommend any enhancements or changes.

Please let me know if you concur with the existing Charter and the FY 2017 Audit Plan by signature approval below. Resource allocation and Plan of Activities follow on the next page.

If you have any questions, concerns or additional recommendations, please let me know.

Thank you for your time and consideration.

Approved

Date

FY2017
CBOD Audit
Plan of Activities³

		Budgeted Hours	Percent of Direct Time
AUDITS		19,872	78.9 %
	Wrap up and completion of FY16 Audits in progress		
	FY2016 Risk Assessment Conductor Compliance Audits identified but not started		
	FY2017 Risk Assessment Conductor Compliance Audits		
	FY2017 Limited Scope and Follow-up Audits		
INSPECTIONS		2,712	10.7 %
	Destructions		
	Game Inspections		
	Site System Inspections		
EQUIPMENT COMPLIANCE TESTING & APPROVAL		650	2.6 %
	Electronic Card-Minding Systems		
	Pull-Tabs		
SPECIAL PROJECTS		1,960	7.8 %
	Training		
	Division Projects assigned by Director		
	Audit Department Special Projects		
Total Direct Hours Budgeted		25,194	

³ Events may arise that could impact planned activity hours due to unforeseen circumstances, such as higher priority activities and overall constraints of demands to the program based on 19 FTEs.