



Charitable Bingo Operations Division

Audit Process Overview

March 2023



Role & Responsibilities

The Audit Services Department in the Charitable Bingo Operations Division (CBOD) of the Texas Lottery Commission conducts a variety of audit and inspection activities. Its responsibilities are an integral part of the Division's statutory charge to provide control and supervision over bingo in the state to ensure that bingo is fairly conducted and the proceeds from bingo are used for an authorized purpose. The Bingo Enabling Act (BEA) and Charitable Bingo Administrative Rules (Rules)/Texas Administrative Code (TAC) require licensees to maintain certain documentation. The objective for audit and inspection is to determine whether a licensee is in compliance with the BEA and the Rules during the specified review period.



Annual Audit Plan

Audit Services Department provides Annual Audit Plan to the Commission as prescribed in Texas Occupations Code §2001.560 (c-2).

The Annual Audit Plan includes the annual risk assessments, audit and inspection work, and resource allocation for the upcoming fiscal year.



Annual Risk Assessment

Risk Factors for audit program prescribed in TAC § 402.703(b)(2):

- 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

Risk Factors for game inspection prescribed in Texas Occupations Code § 2001.557(b)(1) and TAC § 402.705(a):

- Gross Receipts Reported for Playing Location
- Time Since Last Game Inspection at Location
- Compliance History (Compliance Cases Closed per Location)



Quarterly Risk Analysis

The purpose of Quarterly Risk Analysis is to capture most recent risk trends. Financial Desk Review (FDR) examines the results from Quarterly Risk Analysis. The objectives and testing for FDR projects are based on the risk factors identified in the Quarterly Risk Analysis. The risk factors include the following:

- Charitable Distribution
- Payroll Expenses
- Rent and Rent-related bingo Expenses
- Prizes Paid and Prize Fees withheld



Programs & Projects

Audit Services Department conducts two types of program:

Audit Program

- Conductor Compliance Reviews (CCR) – full scope
- Limited Scope Reviews (LSR) – limited scope
- Financial Desk Reviews (FDR) – limited scope

Inspection Program

- Game Inspections (GI)
- Game Observations (GO) as part of CCR
- Destructions
- Testing of Electronic Card Minding (ECM) Devices
- Bingo Complaint Investigation

Audit Process

Project Initiation

- Project scheduled based on risk assessment or upon request
- Notification Memo

Planning

- Engagement Letter
- Entrance Conference
- Internal Control Questionnaire(if applicable)

Fieldwork

- Onsite Visit (if applicable)
- Testing
- Exit Conference
- Quality Control

Reporting

- Draft Audit Report
- Management Response (if provided)
- Final Audit Report



Professional Standards

All audit and inspection activities are conducted in accordance with professional standards set forth in the **Bingo Audit Methodology and Standards (BAMS) Handbook**, which provides a framework for performing high-quality audit work with **integrity, objectivity, and independence**. Audit Service Department conforms to all policies and procedures of the Texas Lottery Commission.



Requested Records

Depending on the type of project assigned, a unit or organization is required to provide requested records, which may include (not limited to):

- Bank records
- Occasion records (FORMID 72, 73, 74 and 75)
- Expenses records
- Inventory records
- Sales Journal (FORMID 76)
- Cash Disbursements Journal (FORMID 77)
- Bingo Quarterly Reports (FORMID 68 or 69)
- Charitable Distribution Details for Conductor and Unit Member (FORMID 129)
- Charitable Distribution records

Forms used for recordkeeping must include all the information required to comply with Bingo Enabling Act and Texas Charitable Administrative Rules.



Bingo Bank Records

Bingo bank records requested for a review may include:

- Bingo checking account records including bank statements and reconciliations, cancelled checks, deposit slips, electronic funds transfer (EFT) documentation and check register
- Bingo savings account records for accounts receiving bingo funds including bank statements and reconciliations, cancelled checks, deposit slips, EFT documentation and check register



Bank Records for All Accounts Receiving Bingo Funds (i.e., Charitable Distributions)

Records requested for all accounts receiving bingo funds may include:

- Bank statements and reconciliations, cancelled checks, deposit slips, EFT documentation and check register
- Other documents verifying deposit or removal of bingo funds from the accounts



Occasion Records

Occasion records requested may include:

- Occasion Cash Reports (FORMID 72)
- Occasion Schedule of Prizes (FORMID 73)
- Floor Sales by Usher (FORMID 74 or 75)
- Cash register and/or card minding system tapes or reports
- Game schedules
- Other documentation used to support sales, prizes, prize fees, amounts of occasion overage or shortage, and funds available for deposit



Expense Records

Expense records requested may include:

- Invoices, itemized billing statements, receipts or other support for payments from the Bingo account(s)
- Payroll records
- Lease agreements
- Rent forgiveness letter and/or lease amendment signed by lessor for all rent forgiven or permanently or temporarily reduced
- Supporting documentation for allocated expenses, if applicable

Please keep in mind that units and organizations are required to maintain records for all expenditures, not obtain them after they receive notice of a review. Please see Records Requirements in TAC §402.500.



Expense Records (Continued)

Expense records contain the following detail about the goods or services purchased:

- Name and contact information of the person or entity selling the goods or providing the service
- Adequate description of goods or services purchased
- Quantity of each product or service
- Price of each product or service
- Total dollar amount billed
- Date of the transaction



Expense Records - Payroll

Payroll records include the following for each employee:

- Primary position worked
- Date and occasion number worked
- Total hours worked per occasion (if paid hourly)
- Rate of pay and criteria (hourly, per occasion, etc.)
- Gross wages
- Taxes and other deductions
- Net payroll amount

TAC § 402.506



Charitable Distribution Records (To Individuals or Other Organizations)

Records to support charitable distributions of proceeds from bingo to individuals or other organizations may include:

- The complete name, address, phone number, and contact person for the individual or organization receiving the donation
- An invoice, receipt, thank you note, or other written acknowledgement of the distribution including the date and amount of the donation



Charitable Distribution Records (Used for the Organization's Exempt Purpose)

Records to support charitable distributions of proceeds from bingo to individuals or other organizations may include:

- Invoices, receipts, or other proof of payment for actual expenses incurred for these purposes
- Calendars, floor plans, or other information used to pro-rate any expenses where only a portion of the expense is considered a legitimate exempt use of charitable distributions

TAC § 402.502



Charitable Distribution Records (Other)

Other records organizations must maintain include:

- Organization meeting minutes
- Charitable purposes documentation

TAC § 402.502



Perpetual Inventory Records

Perpetual Inventory records must be maintained for bingo disposable bingo cards (paper) and pull-tab bingo tickets.

The licensed authorized organization may be held responsible for the gross receipts and prizes associated with missing or unaccounted for disposable bingo cards and pull-tab bingo tickets.

TAC § 402.511



Inventory Records – Paper

Perpetual Inventory - Disposable Bingo Card Sales (FORMID 79)

Perpetual Inventory - Disposable Bingo Cards (paper) shall contain:

- Organization's or unit's name and taxpayer number
- Serial and series number and the color of the paper or border, using descriptors from top sheet for UPS pads
- Number of faces (ON) and number of sheets (UP)
- Number of sheets or UPS pads for each serial/series number remaining after each occasion
- Occasion date(s) the paper was used
- Number of sheets or packs sold, missing or damaged by date; and initials of person entering the information per occasion



Inventory Records – Pull Tabs

Pull-Tab Perpetual Inventory and Purchase Log (FORMID 84)

Perpetual Inventory of pull-tab bingo tickets shall contain:

- Organization's or unit's name and taxpayer number
- Date of purchase
- Form number
- Serial number
- Number of tickets per deal
- Number of tickets sold, missing or damaged by occasion date
- Number of tickets remaining if the deal is closed
- Occasion date(s) when the tickets were sold



Other Records

Other records that may be requested depending on the project include:

- Sales Journal (FORMID 76) or other document containing that information
- Cash Disbursements Journal (FORMID 77) or other document containing that information
- Copies of bingo Quarterly Reports filed by the unit or organization and documentation to support the amount reported on each line



Commonly Used Forms in Audit

These commonly used forms are located on our website and may be used as they are or be customized for each individual organization's use.

- Bingo Quarterly Reports (FORMID 68 for single organization or 69 for accounting unit) **(must not be altered)**
- Charitable Distribution Details for Conductor and Unit Member (FORMID 129) **(must not be altered)**
- Occasion Cash Reports (FORMID 72)
- Occasion Schedule of Prizes (FORMID 73)
- Floor Sales by Usher (FORMID 74 or 75)
- Sales Journal (FORMID 76)
- Cash Disbursements Journal (FORMID 77)
- Perpetual Inventory - Disposable Bingo Card Sales (FORMID 79)
- Pull-Tab Perpetual Inventory and Purchase Log (FORMID 84)



- Audit question: Please contact the assigned auditor or Regional Audit Coordinator.
- CBOD Website: www.txbingo.gov