



Texas Lottery Commission

Internal Audit Services

AN INTERNAL AUDIT OF:

Charitable Bingo Operations Division Regulatory Enforcement Processes

Report No. 20-002

November 30, 2020

This report provides management with information about the condition of risks and internal controls at a specific point in time. Future changes in environmental factors and actions by personnel will impact these risks and internal controls in ways that this report cannot anticipate.



McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS



Audit Report Highlights

CBOD Regulatory Enforcement Processes

Why Was This Review Conducted?

This audit was performed as part of the approved FY 2020 Annual Internal Audit Plan.

Audit Objectives and Scope

The objective of this audit was to assess Charitable Bingo Operations Division's (CBOD) internal controls and processes in place to ensure that identified instances of non-compliance with the Bingo Enabling Act (BEA) and/or Administrative Rules (Rules) are enforced in a consistent manner. The audit period was September 1, 2016 through March 31, 2020 (FY17-20).

Audit Focus

This audit focused on the following areas:

- Identifying, tracking, and monitoring instances of regulatory noncompliance noted through CBOD audits, inspections, and desk reviews.
- Identifying, tracking, and monitoring instances of negative net proceeds, charitable distribution noncompliance, and negative net proceeds waiver requests.
- Identifying, tracking, and monitoring instances of noncompliance noted through charitable bingo complaints and investigation handled by TLC's Enforcement Division.
- CBOD's Compliance Department's processes for gathering and performing reviews of noncompliance documentation.
- Recording and collection of penalties assessed.
- Working with TLC's Legal Services for regulatory noncompliance case file reviews, administrative actions, and settlement agreements.
- Charitable bingo violation and enforcement order correspondence retention.

Roles and Responsibilities

CBOD is responsible for regulating all aspects of licensed charitable bingo activities. The CBOD Compliance Department is responsible for administering sanctions such as administrative penalties to individuals and organizations that

violate the Bingo Enabling Act and/or the Administrative Rules. While violations flow through Compliance Department they are identified by CBOD Audit Department and TLC Enforcement who receives and investigates complaints from the public. TLC's Office of Controller (OC) is responsible for recording and depositing deposits prepared by CBOD. TLC's Legal Services Division recommends the final determinations, drafts penalty letters, and corresponds with individuals and organizations.

Audit Conclusions

CBOD's Compliance Department is functioning as a liaison instead of proactively identifying, monitoring, and tracking noncompliance cases. The Compliance Department function deteriorated to this role when the two prior CBOD directors departed from the agency and special projects were assigned to the department's staff.

Currently, CBOD's Compliance Department staff liaison between the departments that identify and investigate violations and TLC's Legal Services Division, who communicates directly with charitable bingo organizations and bingo workers. CBOD's Compliance Department staff has placed responsibility on these departments to notify them by email when they have regulatory violation documents prepared and ready for submission. The CBOD Compliance Department staff then review the documents, prepare a package for the CBOD Director's review, and include a copy of the Master Violation List. This process has contributed to diminished efforts of continuous monitoring.

We also noted that responsibility for negative net proceeds and charitable distribution violations was transferred to the Compliance Department function but staff have not taken measures to assess the areas inherited, develop processes for this and reach out for training on BOSS.

Additionally, fines and penalties are assessed for enforcement actions; however, the Compliance Department does not have tools in place to determine penalties receivable nor do Compliance Department staff ensure that the fees collected are the fees assessed or agreed upon.



We wish to thank all employees for their participation in this audit.

Number of Findings by Risk Rating

High	Medium	Low	Total
4	0	0	4

CBOD does not have written procedures that define responsibilities and frequency of activities for key compliance functions. Additionally, the Master Violations List, which documents the regulatory requirements and sanctions to be imposed, is maintained by CBOD's Audit Department rather than CBOD's Compliance Department.

We also noted that CBOD does not track compliance data to identify historical violation trends and correlations between audit and inspections completed, education provided and CBOD staffing levels.

Internal Control Rating

Major Improvement Needed for CBOD Compliance Department processes. We did not identify any findings related to CBOD Audit Department, TLC Enforcement Division, TLC Legal Services, or TLC Office of Controller processes in handling CBOD regulatory enforcement activities.

What Did We recommend?

We recommend that CBOD take the following actions to improve internal controls over the compliance function:

- The CBOD Compliance Department should return to proactive regulatory violation oversight activities. (*Business Objective Table 1*)
- Create written procedures for compliance monitoring activities. (*Business Objective Table 2*)
- Reassign responsibilities of maintaining the Master Violations List from CBOD Audit Department staff to CBOD Compliance Department staff. (*Business Objective Table 2*)
- Establish data points and require reporting then begin analyzing the data to identify compliance trends and correlations. (*Business Objective Table 4*)
- CBOD should work with Information Resources to modify CAMP to include a final determination outcome, assessed penalty amount and amount collected so that they can be tracked. (*Business Objective Table 4*)
- CBOD Compliance Department staff should monitor assessed penalty collection status and follow-up on payments not made in a timely manner. (*Business Objective Table 4*)



INTRODUCTION



McConnell & Jones LLP (MJ) serving as the outsourced internal audit function (Internal Audit) for the Texas Lottery Commission (TLC) performed an internal audit of the Bingo Enforcement Orders.

We performed this audit as part of the approved FY 2020 Annual Internal Audit Plan. This audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained accomplishes that requirement.

Pertinent information has not been omitted from this report. This report summarizes the audit objective and scope, our assessment based on our audit objectives and the audit approach.

OBJECTIVE



The purpose of this audit was to assess internal controls and processes in place to ensure that instances of non-compliance with the Bingo Enabling Act (BEA) and/or Administrative Rules (Rules) are enforced in a consistent manner.

We designed audit procedures to:

1. Determine if procedures for CBOD Compliance Department activities are documented, implemented, understood, and followed.
2. Determine if CBOD's written procedures that include clear responsibilities for the compliance function.
3. Determine if CBOD's Compliance Department has processes in place to monitor potential and active violations of organizations and individuals.
4. Determine if CBOD's Audit Department and TLC 's Enforcement Division have processes in place to enter audit findings and jurisdictional complaints into the agency's Compliance Activity Monitoring Processes system (CAMP) and refer to CBOD Compliance for compliance review and action.
5. Determine if processes and written procedures were in place to collect fines and penalties assessed resulting from Bingo Enabling Act and Administrative Rule violations.
6. Determine if processes and written procedures are in place to verify that non-monetary restrictions and/or warnings are monitored and tracked.

SCOPE



This audit period was September 1, 2016 through March 31, 2020. Some test procedures were performed as of the fieldwork date. This work product was at a point in time evaluation that cannot address the inherent dynamic nature of subsequent changes to the process and procedures reviewed.



PROCEDURES PERFORMED



We conducted interviews, business process walkthroughs, reviews of written policies and procedures, reviewed documents and sampled supporting documentation.

CONCLUSION AND INTERNAL CONTROL RATING



This audit identified findings that resulted in an overall internal control rating of **Major Improvement Needed** for CBOD's Compliance function processes. *Exhibit 1* describes the internal control rating.

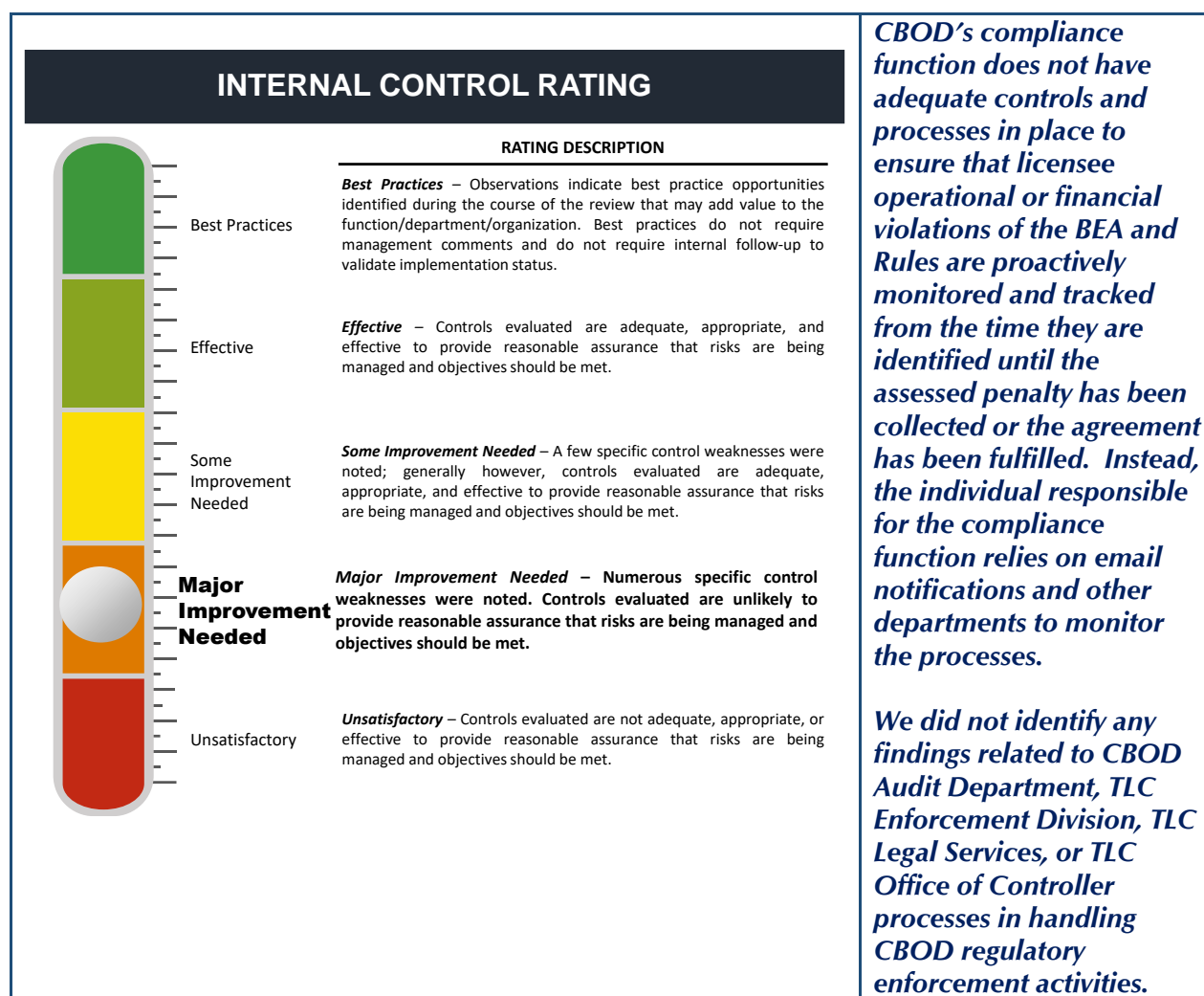


Exhibit 1: Internal control rating description.







OBSERVATION AND RISK RATING SUMMARY



Exhibit 2 provides a summary of our audit observations. See the business risk section of this report for a discussion of all issues identified, recommendations and management responses.

Number	Observation	Risk Rating
1	<p>Written Policies and Procedures – High Risk</p> <p>CBOD’s Compliance Department does not have updated written procedures for key functions that provide enough detail to ensure compliance processes are performed accurately, consistently, and complete. Additionally, responsibility for maintaining the Master Violations List resides with CBOD Audit Department staff instead of the CBOD Compliance Department staff.</p> <p> Recommendations:</p> <ol style="list-style-type: none"> 1. CBOD should create and update written procedures for compliance monitoring activities. These procedures should include identifying individuals responsible for performing activities, frequency of review and monitoring and detail proactive measures to identify violations. 2. CBOD Compliance procedures should reflect steps to monitor, update and close CAMP cases for the division. 3. CBOD should reassign responsibility for maintaining the Master Violations List from CBOD Audit Department staff to CBOD Compliance Department staff. 	
2	<p>CBOD Compliance Department Monitoring Processes – High Risk</p> <p>CBOD’s Compliance Department staff do not have processes in place to proactively monitor identified violations from inception to dissolution. Instead, the process is dependent upon CBOD departments, TLC Enforcement and Legal Services staff to send email notification about a complaint, audit finding or case status. We also noted that CBOD Compliance Coordinator does not monitor negative net proceeds. Finally, monitoring CAMP and assigning cases is ineffective. The CAMP management report provided showed opened cases assigned to individuals who have separated from the agency. There were also cases that were not assigned to anyone.</p> <p> Recommendations:</p> <ol style="list-style-type: none"> 1. CBOD Compliance Coordinator should actively monitor audit completion to ensure that audit findings are entered into CAMP timely. 	



Number	Observation	Risk Rating
	<ol style="list-style-type: none"> CBOD Compliance Coordinator should actively monitor BOSS to identify when organizations have negative net proceeds. CBOD Compliance Coordinator should monitor CAMP cases to ensure that all cases are assigned to an individual and reassigned if the individual leaves the agency. Consider requesting the agency's IR Department to send alert notifications when a case is not assigned or is assigned to an individual that has moved positions within the agency or separates. CBOD Compliance Coordinator should generate a CAMP tracking status report (or a dashboard) that identifies the status and location of every complaint, audit finding, and case related to CBOD regulatory responsibilities. CBOD Compliance Coordinator should generate BOSS reports to track, monitor and act on Negative Net Proceeds (NNP), Charitable Distributions (CD) and Conductor Waivers for NNP and CD 	
3	<p><i>Compliance Case Evaluation and Penalty Assessments – High Risk</i></p> <p>The number of cases submitted to TLC Legal Services declined during the past three fiscal years. However, the cause cannot be determined because CBOD experienced significant staff turnover during the period, the number of completed audits declined and in-person training was provided to organizations. We noted that CBOD does not perform trend analysis to identify compliance trends and data is not maintained to allow correlation analysis to be performed to determine the relationship between audit activities (audits and game inspections), staffing levels and administrative action activities.</p> <p> Recommendation:</p> <ol style="list-style-type: none"> Establish data points and require reporting of the points. Begin analyzing the data to identify compliance trends and correlations. Report on compliance trends and correlations at least annually. 	
4	<p><i>Recording and Collecting Assessed Fines and Penalties – High Risk</i></p> <p>Assessed fines and penalties for administrative actions are not recorded as a liability and are not tracked until the payment is received. CBOD's Compliance Department staff do not monitor assessed penalties to ensure that they are collected, and the organization submits the correct amount. Additionally, we noted instances of unpaid assessed penalties, over payments and under payments. We provided the details to CBOD for research.</p> <p> Recommendations:</p> <ol style="list-style-type: none"> CBOD should work with Information Resources to modify CAMP to include a final determination outcome, assessed penalty amount and amount collected so that they can be tracked. 	



Number	Observation	Risk Rating
	2. CBOD Compliance Department staff should monitor assessed penalty collection status and follow-up on payments not made in a timely manner.	

Exhibit 2: Observation and Recommendation Summary.






BACKGROUND



This section of the report provides an overview of the CBOD Compliance Program.

The Charitable Bingo Operations Division is responsible for regulating all aspects of licensed charitable bingo activities. The CBOD Compliance Department is responsible for administering sanctions such as administrative penalties to individuals and organizations that violate the Bingo Enabling Act and/or the Administrative Rules. The objectives for applying an administrative penalty are to protect the public, encourage compliance with the Bingo Enabling Act and the Administrative Rules, deter future violations, offer opportunities for rehabilitation as appropriate, punish violators and deter others from committing violations. While violations flow through the CBOD Compliance Department they are initiated by the CBOD Audit Department who identify audit findings game inspecting violations and TLC's Enforcement Division who receives and investigates complaints from the public. Additionally, TLC's Office of Controller (OC) is responsible for recording and depositing deposits prepared by CBOD. TLC's Legal Services Division recommends final determinations, drafts penalty letters, and corresponds with individuals and organizations.

Exhibit 3 summarizes key activities that CBOD should have in place and the associated division/area owner of the process/function. We noted that CBOD's Compliance Department staff are not performing most of the activities that they should be.

Process/Function	CBOD Compliance	CBOD Audit	CBOD Director	CBOD Accounting	TLC Enforcement	TLC Legal Services
Maintain Master Violations List	 See business objective #2					
Develop CBOD's audit plan for fiscal year						
Ensure that each planned audit for the fiscal year is entered into CAMP for tracking						
Monitor audit completion to						



Process/Function	CBOD Compliance	CBOD Audit	CBOD Director	CBOD Accounting	TLC Enforcement	TLC Legal Services
determine if findings require administrative action	See business objective #1					
Enter completed audit findings into CAMP						
Enter jurisdictional complaints into CAMP						
Monitor CAMP for cases referred	See business objective #1					
Close non-jurisdictional complaints in CAMP						
Identify financial violations due to negative net proceeds and charitable distributions	See business objective #1					
Receives waiver requests for financial violations	See business objective #1					
Reviews and approves waiver requests for financial violations						
Track and monitor waiver requests for financial violations	See business objective #1					
Update/close CAMP cases when audits are completed, with no findings identified	See business objective #1					



Process/Function	CBOD Compliance	CBOD Audit	CBOD Director	CBOD Accounting	TLC Enforcement	TLC Legal Services
Update CAMP cases when audits are completed with findings identified						
Prepare documents for Compliance Coordinator, CBOD Director, and Legal Services Review (completed audits with findings and investigated jurisdictional complaints)						
Ensure identified violations are evaluated consistently and penalties are justified.	 See business objective #3					
Correspond with violator						
Update correspondence when/if agreement is made						
Refer case to CBOD for closeout						
Receives and posts penalty fee payments to accounts						
Record assessed penalty liability and monitor penalties for payment	 See business objective #3					
Close CAMP case when						



Process/Function	CBOD Compliance	CBOD Audit	CBOD Director	CBOD Accounting	TLC Enforcement	TLC Legal Services
requirements are met	See business objective #1					
Monitor and report noncompliance trends and correlations.	See business objective #4					

Exhibit 3: Key activities in the violation identification and referrals of the CBOD Compliance function.

- Division/area is performing process/function as intended
- Lack of internal controls for process/function OR the process/function is not performed
- Process/function is performed but internal control deficiencies were noted

Exhibit 4 provides a depiction of the current responsibilities of the divisions/areas that contribute to the CBOD compliance program.



Exhibit 4: Roles and Responsibilities of the CBOD Compliance Program

* Indicates a process/activity that should be performed by the Compliance Department staff but currently is not.

** Indicates the process is not currently performed



BINGO COMPLIANCE PROGRAM BUSINESS OBJECTIVES, RISKS, FINDINGS AND MANAGEMENT RESPONSE



This section of the report provides a summary of applicable business objectives, risks, and controls in place to ensure that CBOD's compliance program is effective and efficient. Each table also includes our assessment of internal controls for the respective business risk, our recommendations to address deficiencies noted and management's response.

1 BUSINESS OBJECTIVE: Charitable Bingo Compliance Monitoring Activities

Business Objective	To ensure that CBOD has processes and internal controls in place to proactively monitor and track potential and active violations of the BEA or Administrative Rules by organizations and individuals, including verification of non-monetary restrictions and/or warnings.
Business Risk	<ul style="list-style-type: none"> ➤ CBOD may not have processes and internal controls in place to monitor identified instances of BEA and Administrative Rule violations. ➤ The agency may not have processes and internal controls in place for audit findings and jurisdictional complaint centralized recording, monitoring, and tracking. Each entry into the system is considered a "case". ➤ CBOD's Audit Department staff may not enter audit findings into CAMP upon completion of the audit. ➤ CBOD's Compliance Department staff may not have processes in place to proactively check CAMP for case assignments. ➤ CBOD's Compliance Department staff may not have processes in place to identify financial violations (derived from Negative Net Proceeds and Charitable Distributions) and enter them into CAMP to track and monitor violation occurrences.
Management Controls in Place	<ul style="list-style-type: none"> ➤ CBOD Internal Audit Department perform audits and inspections. ➤ TLC Enforcement Division staff log and investigate complaints received. ➤ The agency enters audits, audit findings and complaints received into CAMP and then uses this database to track the respective case as it progress through disposition.
Control Tests	<ul style="list-style-type: none"> ➤ Interviewed key process owners. ➤ Reviewed Annual Audit Plans. ➤ Reviewed FY16-20 CAMP violation and case history.
Control Assessment	<ul style="list-style-type: none"> ➤ CBOD's Compliance Department staff do not have processes in place to proactively monitor identified violations from inception to dissolution. Instead, the process is dependent upon CBOD departments, TLC Enforcement and Legal Services staff to send email notification about a complaint, audit finding or case status.



1 BUSINESS OBJECTIVE: *Charitable Bingo Compliance Monitoring Activities*

- When requesting support for the financial violations being monitored the CBOD Compliance Coordinator was unable to produce the documents requested. CBOD Accounting Department staff were also not monitoring negative net proceeds and providing the information to the CBOD Compliance Department staff because the responsibility had been transferred to CBOD Compliance Department.
- Monitoring CAMP and assigning cases is ineffective. The CAMP management report provided showed opened cases assigned to individuals who have separated from the agency. There were also cases that were not assigned to anyone.

Recommended Actions

1. CBOD Compliance Coordinator should actively monitor audit completion to ensure that audit findings are entered into CAMP timely.
2. CBOD Compliance Coordinator should actively monitor BOSS to identify when organizations have negative net proceeds.
3. CBOD Compliance Coordinator should monitor CAMP cases to ensure that all cases are assigned to an individual and reassigned if the individual leaves the agency.
4. CBOD Compliance Coordinator should generate a CAMP tracking status report (or a dashboard) that identifies the status and location of every complaint, audit finding, and case related to CBOD regulatory responsibilities.
5. CBOD Compliance Coordinator should generate BOSS reports to track, monitor and act on:
 - a. Negative Net Proceeds (NNP)
 - b. Charitable Distributions (CD)
 - c. Conductor Waivers for NNP and CD

Management Response and Action Plan

CBOD Management concurs with the recommendations. Actions were initiated and will continue to address implementing the recommendations. The actions taken included a review of reports available in CAMP to show unassigned, assigned and referred cases to use as a template. The Net Proceeds and Waiver procedure, CB-AC-049 was completed, submitted, approved and posted. The development of additional Compliance Department procedures was assigned to the Compliance Coordinator with a due date of April 30, 2021. The reassignment of maintaining the Master Violations List from the Audit Department to the Compliance Department has occurred.

Updated Compliance Department procedures will reflect steps to monitor, update, and close CAMP cases for the division in addition to identifying individuals responsible for performing activities, frequency of review and monitoring as well as proactive measures to identify violations.

A Project Workbook will be updated with each recommendation, the person or persons assigned, the expected completion date and status updates until completion. The Bingo Director will require a bi-monthly



1 BUSINESS OBJECTIVE: *Charitable Bingo Compliance Monitoring Activities*

report from the Compliance Department Coordinator on the status of each recommendation.

Expected Completion Date: May 30, 2021.

2 BUSINESS OBJECTIVE: *Compliance Policy and Procedures*

Business Objective	To ensure that CBOD has documented procedures that include responsibilities, authority, process, and timelines regarding identifying, assessing, and monitoring regulatory violations and the final determination.
Business Risk	<ul style="list-style-type: none"> ➤ CBOD may not have comprehensive written procedures in place to document internal controls and processes for monitor BEA and Administrative Rules compliance by organizations and individuals. ➤ CBOD may not have processes in place which determine roles and responsibilities of identifying, reviewing, and monitoring violations from instances of non-compliance with BEA and Rules. ➤ CBOD may not have roles and responsibilities clearly defined for the Compliance Department staff to ensure key functions and processes are performed.
Management Controls in Place	➤ None
Control Tests	<ul style="list-style-type: none"> ➤ Requested written policies and procedures. ➤ Reviewed CAMP compliance data. ➤ Reviewed Master Violations List. ➤ Interviewed key process owners.
Control Assessment	<ul style="list-style-type: none"> ➤ CBOD Compliance does not have updated written procedures for key functions that provide enough detail to ensure compliance processes are performed accurately and consistently. ➤ The responsibility for maintaining the Master Violations List resides in CBOD's Audit Department rather than CBOD's Compliance Department.
Recommended Actions	<ol style="list-style-type: none"> 1. CBOD should create and update written procedures for compliance monitoring activities. These procedures should include identifying individuals responsible for performing activities, frequency of review and monitoring and detail proactive measures to identify violations. 2. CBOD Compliance procedures should reflect steps to monitor, update and close CAMP cases for the division. 3. CBOD should reassign responsibility for maintaining the Master Violations List from CBOD Audit Department staff to CBOD Compliance Department staff.



2 BUSINESS OBJECTIVE: *Compliance Policy and Procedures*

Management Response and Action Plan

CBOD management concurs with the recommendation. The Bingo Director and Compliance Department Coordinator have discussed these tasks and responsibilities and the Director has followed up with the Coordinator in writing to confirm these tasks and responsibilities and expectations going forward. The Compliance Coordinator has begun to monitor these items and will continue to generate the necessary reports to track and monitor the various compliance activities.

A Project Workbook will be updated with each recommendation, the person or persons assigned, the expected completion date, and status updates until completion. The Bingo Director will require a bi-monthly report from the Compliance Department Coordinator on the status of each recommendation.

Expected Completion Date: June 15, 2021.

3 BUSINESS OBJECTIVE: *Compliance Case Evaluation and Penalty Assessments*

Business Objectives

1. To ensure processes and internal controls are in place to evaluate compliance cases in a consistent manner.
2. To ensure that sanctions and administrative penalties are applied in a fair, just, and consistent manner.
3. To ensure process are in place to monitor organization's compliance with administrative settlement agreements.
4. To ensure that processes and internal controls are in place to record, track and collect assessed penalties in a complete, accurate and timely manner.

Business Risk

- ➔ CBOD may not enforce administrative actions consistently and justly for all organizations and individuals.
- ➔ CBOD Compliance may not review and refer cases to TLC Legal Services timely.
- ➔ Administrative orders/settlements may not be tracked to ensure that the organization complies with the agreement.
- ➔ Assessed penalties may not be recorded and tracked to ensure that the penalty is collected in a complete, accurate and timely manner.
- ➔ Analysis of administrative actions taken may not be performed to identify violation trends, administrative action and penalty assessment trends, and correlation or compliance violations identified compared to audits completed and staffing levels.

Management Controls in Place

- ➔ CBOD developed a Master Violations List that is used by staff to determine proposed actions to include in the case file when submitting the file to TLC Legal Services for review.



3 BUSINESS OBJECTIVE: *Compliance Case Evaluation and Penalty Assessments*

	<ul style="list-style-type: none"> ➤ TLC Legal Services reviews case files prepared by CBOD to ensure that the case is substantiated, is a violation of the BEA or Administrative Rule, and draft the administrative action notification letter. ➤ TLC Legal Services staff and CBOD Compliance Department staff work closely together when a case is contested, or settlement agreements are determined. ➤ All CBOD contested cases that go through the administrative hearings process are provided to the TLC Commissioners for approval of CBOD's recommended actions. ➤ All CBOD settlement agreements are provided to the TLC Commissioners for approval of CBOD's recommended actions. ➤ CBOD Compliance Department staff maintain copies of administrative settlement and penalty letters.
Control Tests	<ul style="list-style-type: none"> ➤ Interviewed key process owners. ➤ Reviewed FY16-20 CAMP violation history. ➤ Reviewed administrative penalty letters. ➤ Reviewed Master Violations List.
Control Assessment	<ul style="list-style-type: none"> ➤ The number of cases submitted to TLC Legal Services declined during the past three fiscal years. However, the cause cannot be determined because CBOD experienced significant staff turnover during the period, the number of completed audits declined and in-person training was provided to organizations. ➤ CBOD does not perform trend analysis to identify compliance trends. ➤ Data is not maintained to allow correlation analysis to be performed to determine the relationship between audit activities (audits and game inspections), staffing levels and administrative action activities.
Recommended Actions	<ol style="list-style-type: none"> 1. Establish data points and require reporting of the points. 2. Begin analyzing the data to identify compliance trends and correlations. 3. Report on compliance trends and correlations at least annually.
Management Response and Action Plan	<p>CBOD Management concurs with the recommendation. The Charitable Bingo Director and Compliance Department, along with other CBOD staff will work with the agency Administration Division, Information Resources Department to create or identify the appropriate data, develop procedures to conduct the data analysis and reporting recommended. The CAMP system currently can generate reports upon request for each violation code derived from completed audits or complaint investigations which could be used to identify trends of non-compliance.</p> <p>As noted above, a Project Workbook will be updated with each recommendation, the person or persons assigned, the expected completion date and status updates until completion. The Bingo Director will require a bi-monthly report from the Compliance Department Coordinator on the status of each recommendation.</p>



3 BUSINESS OBJECTIVE: *Compliance Case Evaluation and Penalty Assessments*

Expected Completion Date: May 1, 2021.

4 BUSINESS OBJECTIVE: *CBOD Recording and Collection of Assessed Fines and Penalties*

Business Objective	To ensure that processes and internal controls are in place to record, monitor and collect assessed penalties resulting from BEA violations.
Business Risk	<ul style="list-style-type: none"> ➤ CBOD may not have a process in place to record and monitor assessed penalties in CAMP or BOSS. ➤ CBOD may not impose penalties when violations occur. This could result in organizations continuing to violate BEA regulations. ➤ CBOD may not have a process in place for the CBOD Director to review recommendations for penalties to be assessed. ➤ CBOD may not notify organizations in a timely manner of penalties assessed.
Management Controls in Place	<ul style="list-style-type: none"> ➤ CBOD's Compliance Department staff forward a copy of the final penalty letter which documents the penalty assessed to CBOD's Accounting Department staff. ➤ CBOD's Accounting Department staff record the penalty payments received according to the amount received and the information provided by CBOD's Compliance Department staff. ➤ TLC's Office of Controller records penalty payments received into the agency's financial system and notates the name of the individual or organization submitting the payment.
Control Tests	<ul style="list-style-type: none"> ➤ Interviewed key process owners. ➤ Reviewed administrative penalty letters. ➤ Reviewed penalty payment reports provided by TLC's Office of Controller and verified the payments against the administrative penalty letters issued.
Control Assessment	<ul style="list-style-type: none"> ➤ Assessed fines and penalties for administrative actions are not recorded as a liability and are not tracked until the payment is received. ➤ CBOD's Compliance Department staff do not monitor assessed penalties to ensure that they are collected, and the organization submits the correct amount. ➤ We noted instances of unpaid assessed penalties, over payments and under payments. We provided the details to CBOD for research.
Recommended Actions	<ol style="list-style-type: none"> 1. CBOD should work with Information Resources to modify CAMP to include a final determination outcome, assessed penalty amount and amount collected so that they can be tracked. 2. CBOD Compliance Department staff should monitor assessed penalty collection status and follow-up on payments not made in a timely manner.



4 BUSINESS OBJECTIVE: *CBOD Recording and Collection of Assessed Fines and Penalties*

Management Response and Action Plan

CBOD Management concurs with the recommendation. The Charitable Bingo Director and Compliance Department will continue to work with the agency Information Resources staff to submit requests for system changes and to automate certain reports which will aid in the monitoring of penalties and collection.

As noted above, a Project Workbook will be updated with each recommendation, the person or persons assigned, the expected completion date and status updates until completion.

Expected Completion Date: May 1, 2021.