





**McCONNELL & JONES LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

# **INTERNAL AUDIT SERVICES**



## **STATUS REPORT TO THE COMMISSIONERS**

**JUNE 21, 2018**

**INFORMATION ITEM – NO ACTION REQUIRED**



## Internal Audit Activities

Internal Audit Services' activities during this period (April 1, 2018 through May 31, 2018) include:

- Completed the Unclaimed Prizes Audit
- Issued draft report on the Enforcement Division Background Checks and Case Investigation Processes
- Participated in CBOD paperwork reduction committee meetings
- Worked with CBOD audit staff to complete the revised bingo audit program and auditor training
- Completed the Personal Identifiable Information Handling Audit
- Commenced the Social Responsibility Audit

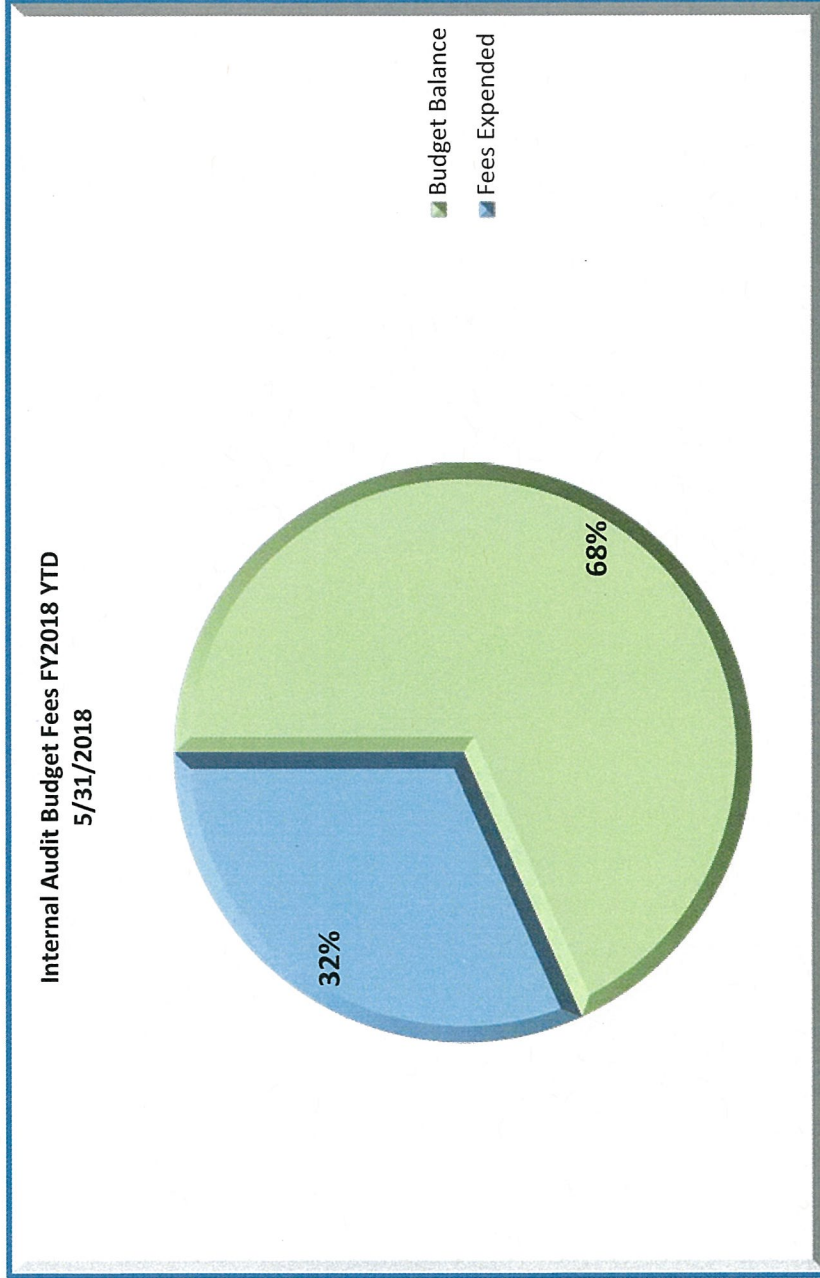
# Fiscal Year 2018 Internal Audit Plan Status

Activity #	Audit	Planning	Fieldwork	Draft Report	Mgmt. Comments	Final Report	Issued
1	CBOD Education Program						
2	Personal Identifiable Information Handling						
3	Social Responsibility						
4	Drawing Equipment Maintenance						
5	Unclaimed Prize Processes						
6	Instant Game Closing Processes						
7	Main and Mail Room Processes						
8	Follow-Up On Prior Audit Findings						
9	Monitor of Fraud/Complaint Hotlines Lines						
10	External Audit / Review Assistance						
11	Update Risk Assessment & Develop 2019 Audit Plan						
12	Annual Audit Report						

Legend: Not Started In-Progress  
 Completed Continuous



# FY 2018 Internal Audit Budget as of May 31, 2018



*MJ is cognizant of the importance of managing the approved hours and budget. As such we are diligent about staying within the estimated hours per audit and activity. There may be instances where audits/activities are over or under estimated hours and we will adjust the audit plan budget accordingly to stay within the total approved budget.*



## Anticipated Activities Next Period

- Finalize the CBOD Education Program Audit Report
- Issue the Personal Identifiable Information Handling Audit Report
- Issue Social Responsibility Audit Report
- Complete Drawing Equipment Maintenance Audit
- Complete Instant Game Closing Audit
- Complete Mailroom Process Audit
- Complete Annual Risk Assessment and Draft FY 2019 Annual Internal Audit Plan

The first part of the document discusses the importance of maintaining accurate records in a business context. It highlights how proper record-keeping can lead to better decision-making and operational efficiency. The text emphasizes the need for consistency and transparency in all financial and operational transactions.

Key points mentioned include the benefits of digital record-keeping, the role of internal audits, and the importance of regular data backups. The document also touches upon legal requirements for record retention and the potential consequences of non-compliance.

In the second section, the author explores various strategies for improving productivity and workflow. This includes the use of project management tools, delegation techniques, and the importance of clear communication. The text provides practical advice on how to prioritize tasks and manage time effectively.

The final part of the document focuses on the importance of continuous learning and professional development. It encourages readers to stay updated with industry trends and to invest in their own skills. The author concludes by emphasizing the value of a growth mindset and the importance of seeking feedback from colleagues and mentors.



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# INTERNAL AUDIT SERVICES



## AUDIT REPORT SUMMARY

**JUNE 21, 2018**

**ACTION ITEM**





# Summary of Audit Outcomes

Report #	Report Title	Audit Rating	# of Recommendations	Comments
17-004	Enforcement Division Background Check and Case Investigation Process	<ul style="list-style-type: none"> <li>Effective Internal Controls</li> </ul>	None	The Enforcement Division implemented DPS recommendations and improved their internal controls over processes and documents.
18-002	Charitable Bingo Operations Division Education Program	N/A – This was a consulting and advisory engagement.	Eight	There is a need to revamp the current Education and Training Program. There are opportunities to improve the overall content and dissemination of the training program so that it is more relevant and innovative.
18-005	Unclaimed Prizes	<ul style="list-style-type: none"> <li>Effective Internal Controls</li> <li>Best Practice Processes</li> </ul>	None	Unclaimed prizes are accurately accounted for and funds are transferred in accordance with regulatory requirements and the General Appropriations Act.



# Background Checks and Case Investigation

Audit	Audit Rating	Number of Observations
17-004 Enforcement Division Background Checks and Case Investigation Processes	▪ Effective Internal Controls	0

## Processes Reviewed:

- Background check requests
- Background check processing
- Background check results reporting
- Background check document security
- Case investigation intake, assignments, monitoring and reporting

## Key Agency Risks:

- Data privacy mishandling
- Reporting incorrect background check results

## Recommendations:

1. None



# Bingo Education Program

Audit	Audit Rating	Number of Observations
#18-002 Charitable Bingo Operations Division Education Program	N/A - Consulting and Advisory Engagement	8

*There is a need to revamp CBOD's education program to make the content more relevant and informative.*

The scope included identifying the current processes in place and tools available to determine:

- Education Needs
- Education Program Topics
- Education Resources Available to Stakeholders
- Education Content Delivery Methods
- Education Requirements
- Education Program Monitoring Process
- Education Program Metrics



# Bingo Education Program Cont'd

## **Opportunity #1 – Education and Training Materials**

- 1) Update all training and education materials content to reflect current regulations and statutes. This is essential to the success of the education program.
- 2) Establish a training materials review committee that is comprised of one individual from each CBOD function and is facilitated by the Training and Education coordinator.
- 3) Develop detailed written procedures for tracking, review and updates of all training and education materials.
- 4) Post a summary of legislative changes to the website after each legislative session.

## **Opportunity #2 – Education and Training Delivery Methods**

- 1) Redesign the training and education materials to reflect the audience and learning styles.
  - a. The bingo chairperson training should be a series of pre-recorded webinars or computer-based sessions with each webinar or computer-based session focused on a specific topic. Each webinar or computer-based session should be no longer than 30 minutes long and include videos, interactive questions and examples of operations or forms. The chairperson would need to complete each webinar or computer-based session in order to receive the certificate of completion.
  - b. In-person training should be enhanced to include videos, case studies and interactive exercises. The training should be segmented so that the participants can attend specific sections.
- 2) Develop optional training for bingo workers. This can be in the form of a quick YouTube video of a bingo hall and bingo workers in action with a discussion of the “to-do” and “not to-do”.
- 3) Mandatory training should be developed for bookkeepers. This should be a series of webinars or computer-based sessions that includes videos, interactive questions and examples of required forms.
- 4) All training should be updated and refreshed at least once every two years and when rules or requirements change.
- 5) Regular webinars or computer-based sessions should be established to discuss hot topics and bingo operations.



# Bingo Education Program Cont'd

## **Opportunity #3 – CBOD Website**

1) Contract with a professional web developer to redesign the CBOD website. The website's homepage should be designed in a manner that the content is organized according to the respective user's purpose for visiting the website.

## **Opportunity #4 - Education and Training Function Staffing**

- 1) During the time of our fieldwork there was an additional position added to CBOD organization. We recommend that the Education and Training function report directly to this position.
- 2) Reiterate the expectations, duties, roles and responsibilities with each Education and Training staff person to ensure that each individual is clear on their role in the success of the Commission's objectives.
- 3) Hold the Education and Training function staff accountable for developing the robust Education and Training Program and updating content according to project plans established. In observation #1.
- 4) Task the training materials review committee with ensuring that updated materials are provided to the Education and Training function in a timely manner.
- 5) Establish an education and training component whereby CBOD's auditors in Austin and the regional offices provide training to bingo organizations on the required recordkeeping.



# Bingo Education Program Cont'd

## **Opportunity #5 – Education and Training Function Procedures**

- 1) Develop detailed guidelines for the Education and Training program that describes the goals, responsibilities and expectations for the program. These should include performance metrics that staff should be capturing and reporting on.
- 2) Revise procedure CB-SP-003, Bingo Training Program Management to be more detailed regarding the steps required for outlining, updating, testing and launching all training materials.
- 3) Develop a detailed checklist for the Education and Training function staff to use when creating, reviewing or updating training materials. Require the checklist to be completed for all training material creation, review and updates.

## **Opportunity #6 – Training Content Updates**

- 1) Create an outline of imperative information for the bingo chairperson training modules to serve as the framework for revising the training.
- 2) Create an outline of imperative information for other bingo operations' roles involving the administration of bingo at the hall level such as workers, bookkeepers and organizations in general. Use this outline as the basis for new training materials.
- 3) Develop and retain detailed outlines of training materials that reference specific regulations and statutes. This outline would serve as a checklist going forward for reviewing training content after each legislative session convenes.



# Bingo Education Program Cont'd

## **Opportunity #7 – Training Platform**

- 1) Transition away from the MOODLE platform to the agency's YouTube Channel.
- 2) Work with TLC's Information Resources Department and Media Department to understand and use the agency's YouTube Channel for the training platform.
- 3) Require the Education and Training staff to become proficient with all training tools and methods including PowerPoint, YouTube, video, webinar applications and other computer-based applications. Prepare a professional development plan for the Education and Training function staff that includes attending presentation and computer-based training sessions and conferences.
- 4) Place all YouTube procedures and training materials on CBOD's network drive for knowledge transfer purposes.

## **Opportunity #8 – Education and Training Approach**

- 1) The Education and Training staff should become a proactive resource by periodically notify organizations of the common questions and violations.
- 2) Develop how-to videos and documentation for common questions and concerns to reduce the number of email and telephone inquiries.
- 3) Produce videos, computer-based sessions, and general training protocols to enhance the customer experience.



# Unclaimed Prizes Audit

Audit	Audit Rating	Number of Observations
18-005 Unclaimed Prizes	<ul style="list-style-type: none"> <li>▪ Effective Internal Controls</li> <li>▪ Best Practice Processes</li> </ul>	0

*TLC's processes for identifying, recording, monitoring and reconciling unclaimed prizes results in accurate and timely transfers to designated beneficiaries.*

**Processes Reviewed:**

- Unclaimed prize identification
- Unclaimed prize monitoring
- Unclaimed prize reporting
- Accounting for unclaimed prizes
- Reconciling unclaimed prize account
- Calculating unclaimed prize distributions
- Transferring unclaimed prize funds to the designated organizations
- Compliance with applicable statutes
- Controls around spreadsheets used for the calculations and reporting

**Key Agency Risks:**

- Inaccurate and/or untimely transfer of unclaimed prizes to designated beneficiaries.



The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry, no matter how small, should be recorded to ensure the integrity of the financial statements. This includes not only sales and purchases but also expenses, income, and any other financial activity.

The second part of the document provides a detailed breakdown of the accounting process. It starts with the identification of the accounting cycle, which consists of eight steps: identifying the accounting cycle, analyzing and journalizing the transactions, posting to the ledger, preparing a trial balance, adjusting the accounts, preparing financial statements, and closing the books. Each step is explained in detail, with examples and practical advice.

The third part of the document focuses on the preparation of financial statements. It covers the balance sheet, the income statement, and the statement of owner's equity. It explains how these statements are derived from the accounting records and how they provide a comprehensive view of the company's financial health.

The fourth part of the document discusses the importance of internal controls. It outlines various control procedures, such as segregation of duties, authorization, and documentation, which are essential for preventing errors and fraud. It also discusses the role of the internal auditor in monitoring and evaluating these controls.

The fifth part of the document covers the topic of depreciation. It explains the different methods used to calculate the depreciation of fixed assets, such as the straight-line method, the declining balance method, and the sum-of-the-years-digits method. It also discusses the impact of depreciation on the company's financial statements.

The sixth part of the document discusses the importance of budgeting. It explains how a budget is developed and how it is used to monitor and control the company's financial performance. It also discusses the role of the budget in strategic planning and decision-making.

The seventh part of the document covers the topic of cost accounting. It explains how costs are classified and how they are used to determine the cost of goods sold and the cost of services. It also discusses the importance of cost control and how it can be achieved through various techniques.

The eighth part of the document discusses the importance of tax accounting. It explains how taxes are calculated and how they are reported to the tax authorities. It also discusses the role of the tax accountant in planning and minimizing the company's tax liability.

The ninth part of the document covers the topic of financial ratios. It explains how ratios are calculated and how they are used to evaluate the company's financial performance. It also discusses the importance of trend analysis and how it can be used to identify potential problems.

The tenth part of the document discusses the importance of financial forecasting. It explains how forecasts are developed and how they are used to predict the company's future financial performance. It also discusses the role of the financial manager in monitoring and evaluating these forecasts.



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# INTERNAL AUDIT SERVICES



## UPDATED ANNUAL INTERNAL AUDIT PLAN

**JUNE 21, 2018**

**ACTION REQUIRED**



## FY 2018 Annual Internal Audit Plan

During the audit of the Charitable Bingo Operations Division's education program we were requested to perform an additional review of certain activities. We were also requested to assist CBOD's audit function by reviewing their revised audit program and templates. Additionally, we are participating in CBOD's paperwork reduction sub-committee to advise of potential internal control impacts related to any potential changes.

As a result of these requests we have revised the approved FY 2018 Annual Internal Audit Plan to adjust hours and fees.

The net effect of the revised FY 2018 Annual Internal Audit Plan is shown below and the details are on the following page.

Description	Hours	Fees
Approved	2,241	\$299,873.53
Revised	2,199	\$281,104.05
Difference	(42)	\$(18,769.48)

# Fiscal Year 2018 Internal Audit Plan Revision and Status

Description	Approved		Revised		YTD Hours		Balance May 31, 2018	
	Hours	Fees	Hours	Fees	Hours	Fees	Hours	Fees
	CBOD Education Program	280.00	\$ 35,233.60	430.00	\$ 57,629.20	418.00	\$ 54,410.30	12.00
Personal Identifiable Information Handling Processes	401.00	\$ 52,142.85	157.00	\$ 22,861.25	43.80	\$ 6,963.42	113.20	\$ 15,897.83
Social Responsibility	387.00	\$ 49,911.29	271.00	\$ 33,676.75	48.50	\$ 5,556.03	222.50	\$ 28,120.72
Drawing Equipment Maintenance	205.00	\$ 26,701.41	190.00	\$ 22,433.30	2.00	\$ 339.68	188.00	\$ 22,093.62
Unclaimed Prize Processes	281.00	\$ 36,896.05	290.00	\$ 32,378.50	78.00	\$ 10,128.80	212.00	\$ 22,249.70
Instant Game Closing Processes	240.00	\$ 31,962.40	240.00	\$ 28,370.80	-	\$ -	240.00	\$ 28,370.80
Mail and Mail Room Processes	184.00	\$ 23,770.56	180.00	\$ 20,591.88	-	\$ -	180.00	\$ 20,591.88
CBOD Communications	-	\$ -	120.00	\$ 20,380.80	58.50	\$ 9,935.64	61.50	\$ 10,445.16
Follow-Up On Prior Audit Findings	145.00	\$ 18,461.25	149.00	\$ 18,452.05	7.50	\$ 1,085.93	141.50	\$ 17,366.12
Monitor Fraud/Complaint Hotlines Lines	8.00	\$ 1,358.72	8.00	\$ 1,358.72	-	\$ -	8.00	\$ 1,358.72
External Audit / Review Assistance	8.00	\$ 1,358.72	8.00	\$ 1,358.72	1.25	\$ 212.30	6.75	\$ 1,146.42
Update Risk Assessment & Develop 2019 Audit Plan	81.00	\$ 11,434.85	91.00	\$ 10,970.25	1.00	\$ 169.84	90.00	\$ 10,800.41
Annual Audit Report	9.00	\$ 1,552.37	9.00	\$ 1,552.37	-	\$ -	9.00	\$ 1,552.37
Audit Communications, Committee Meetings, Project Managem	56.00	\$ 9,089.46	56.00	\$ 9,089.46	37.00	\$ 6,284.08	19.00	\$ 2,805.38
<b>Total</b>	<b>2,241.00</b>	<b>\$ 299,873.53</b>	<b>2,199.00</b>	<b>\$ 281,104.05</b>	<b>695.55</b>	<b>\$ 95,086.02</b>	<b>1,503.45</b>	<b>\$ 186,018.03</b>

