

The following is the third of a series of articles on common violations of the Bingo Enabling Act and Charitable Bingo Administrative Rules. The articles are designed to provide information on the most common violations and provide suggestions on procedures to ensure compliance with the Bingo Enabling Act and Charitable Bingo Administrative Rules. We hope you find the suggestions helpful. Please be aware these are general suggestions only. Specific facts relevant to each case will determine whether or not there is a violation of the Bingo Enabling Act and/or Charitable Bingo Administrative Rules. Please contact us if you have any questions.

Note: Conductor licensees are required to maintain records to substantiate each item of expenditure made. Organizations **must** maintain documentation that all expenditures have been made in accordance with the rules and requirements governing the organization

Common Violations of the Bingo Enabling Act and Charitable Bingo Administrative Rules Related to an Organization's Books and Records

Violation – The organization failed to maintain or properly maintain records to substantiate the contents of each report and specifically, the *Disposable Cards Sales Summary*, in violation of the Bingo Enabling Act, Tex. Occ. Code §2001.505(b)(1).

Suggestions For Ensuring Compliance

The *Disposable Card Sales Summary* is an important record which is recommended to ensure all of an organization's bingo paper is accounted for.

- Periodically compare the *Disposable Cards Sales Summary* to the *Daily Cash Report*. The "# Sold" on the *Disposable Card Sales Summary* for each serial number should match the "# Sets Sold" for each serial number in the "Set Sales" section of the *Daily Cash Report*. We recommend this be done at least once a month and any discrepancies investigated.
- Periodically verify that the number of cards on hand for each series matches the last balance on the *Disposable Card Sales Summary*.

- Develop a system that requires one person to enter information in the "*Disposable Card Sales Summary*" and another person to verify the information is accurate and complete.

Violation – The organization failed to maintain or to properly maintain records to substantiate the contents of each report and specifically, *Cash Disbursements Journal*, in violation of the Bingo Enabling Act, Tex. Occ. Code §2001.505(b)(1).

Suggestions For Ensuring Compliance

- On a regular basis, compare the check registers of the organization's bingo checking account to the *Cash Disbursements Journal* to ensure all checks have been entered on the *Cash Disbursements Journal*.
- Develop a system that requires one person to enter information in the *Cash Disbursements Journal* and another person to verify the information is accurate and complete.

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Final Administrative Actions

Note: "Act" refers to the Bingo Enabling Act.

Heart of Texas Black Chamber of Commerce, Conductor - License Revoked

The Commission entered an order adopting the recommended Findings of Fact and Conclusions of Law of the Administrative Law Judge that the organization:

- Violated § 2001.504 of the Act, which requires that licensed bingo operators file quarterly reports, on or before the fifteenth day of the month succeeding each calendar quarter, quantifying their bingo operations and reporting the amount of bingo prizes paid for the preceding quarter.
- Violated §§ 2001.502 and 2001.504 of the Act, which requires bingo operators to remit to the state, on or before the fifteenth day of the month succeeding each calendar quarter, prize fees equaling five percent of the amounts of prizes awarded.
- Organization owed penalties on the delinquent prize fees pursuant to §§ 2001.508, 2001.510, and 2001.511 of the Act.
- Organization failed to submit a bond in an amount determined by the Commission pursuant § 2001.514 of the Act.
- Violated § 2001.457 of the Act, which requires bingo operators to disburse for charitable purposes an amount not less than 35% of the organization's adjusted gross receipts from the preceding quarter.

FOE Aerie 2753 Bayshore Auxiliary, Conductor - License Renewal Application Denied

The Commission entered an order adopting the recommended Findings of Fact and Conclusions of Law of the Administrative Law Judge that the organization:

- Violated §2001.451(b) of the Act by failing to deposit all funds derived from the conduct of bingo into the bingo account, less the amount awarded as cash prizes.
- Violated §2001.451(d) of the Act by depositing in its bingo account funds other than those from FOE's own conduct of bingo.
- Violated §2001.504 of the Act by falsifying or making false entries in a book or record and the entry related to the sale or distribution of bingo supplies or equipment.
- Violated §2001.504 of the Act by failing to timely remit prize fees, penalties, and interest due for the third quarter of 2000.
- Violated § 2001.451(b) of the Act by making deposits later than the end of the next business day following the day of a bingo occasion on which the receipts were obtained.
- Violated § 2001.560(c) of the Act by failing to provide timely production of records or other information requested by the Commission.
- Violated § 2001.505(a) of the Act by failing to properly report card sales, instant bingo sales, prize fees withheld, bingo interest earned, lease payments to distributors, regular and instant prizes, cost of goods sold, charitable distributions, rent payments, and other expenses.
- Violated § 2001.102(b) of the Act by failing to list all of the bingo workers in the original application or an amended application.
- Violated §§ 2001.452(a) and (b) of the Act by failing to document the organization's taxpayer number on the organization's checks.

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Violation – The organization failed to maintain records to substantiate the contents of each report and specifically, to properly maintain the *Sales Journal*, in violation of the Bingo Enabling Act, Tex. Occ. Code §2001.505(b)(1).

Suggestions For Ensuring Compliance

- On a regular basis, compare the entries in the *Sales Journal* to the *Daily Cash Report* to verify all entries that appear on the *Sales Journal* equal the entries in the corresponding categories on the *Daily Cash Report*.
- Develop a system that requires one person to enter the information on the *Sales Journal* and another person to verify the information is accurate and complete.

Violation – The organization failed to properly maintain records to substantiate the contents of each report and specifically, the *Daily Cash Report*, in violation of the Bingo Enabling Act, Tex. Occ. Code §2001.505(b)(1).

Suggestions For Ensuring Compliance

The most common error is failure to include “Set Sales” or “Floor Sales.”

- On a regular basis, compare the entries in the *Daily Cash Report* to the *Sales Journal* to verify all entries that appear on the *Daily Cash Report* equal the entries in the corresponding categories on the *Sales Journal*.
- Periodically verify that the “Floor Sales” section of the *Daily Cash Report* equals the “Total Sales By Price” section of the *Daily Floor Sales by Usher*.
- Develop a system that requires one person to complete the *Daily Cash Report* and another person to verify that the report is accurate and complete.

Violation – The organization failed to maintain or to properly maintain records to substantiate the contents of each report and specifically, an *Instant Bingo Card Purchase Log*, in violation of the Bingo Enabling Act, Tex. Occ. Code §2001.505(b)(1) and Charitable Bingo Administrative Rule, Tex. Admin. Code §402.554(g)(1).

Suggestions For Ensuring Compliance

- Periodically, verify that the number of cards on hand matches the cards available for sale on the *Instant Bingo Purchase Log* by taking a physical inventory on *Form 3-432 Instant Bingo Inventory*.
- Periodically, verify that all instant bingo cards recorded as sold on the *Daily Cash Report* are posted to the *Instant Bingo Purchase Log* under the column of “Date Sold” until the series (serial) number of the deal is completely sold out or removed from play.

- Develop a system that requires one person to complete the *Instant Bingo Card Purchase Log* and another person to verify that the report is accurate and complete.

Violation – The organization failed to timely produce for examination or audit any book, record, document, or other form of information requested by the Commission, in violation of the Bingo Enabling Act, Tex. Occ. Code §2001.560(c).

Suggestions For Ensuring Compliance

- When an organization receives notification of an audit the process of obtaining all requested documents should be completed prior to meeting with the auditor.
- We suggest that at least one individual associated with the organization be familiar with what books and records are required by the Bingo Enabling Act and the Charitable Bingo Administrative Rules and that a different individual check periodically to verify the location, accuracy, and completeness of these records. Complete and adequate records help ensure the integrity of the bingo games conducted by the organization.
- If you are uncertain about what records are needed, please feel free to contact a Charitable Bingo Operations Division auditor for clarification.

Violation – The organization failed to maintain or properly maintain records to substantiate the contents of each report and specifically, the *Daily Schedule of Prizes*, in violation of the Bingo Enabling Act, Tex. Occ. Code §2001.505(b)(1).

Suggestions For Ensuring Compliance

- Compare the regular bingo and instant bingo “Prize amount” and “Prize Fee” sections of the *Daily Schedule of Prizes* to the “Card Prizes” and “Prize Fee” sections of the *Sales Journal* – the totals should be the same for each day.
- Compare the “Total Regular & Instant Prizes” on the *Daily Cash Report*. The amount should equal the “Prize Amount” total for regular and instant bingo on the *Daily Schedule Of Prizes*.
- Compare the “Prize Fees Withheld” on the *Daily Cash Report*. The amount should equal the “Prize Fee” total for regular and instant bingo on the *Daily Schedule of Prizes*.
- Complete the *Daily Schedule of Prizes* and the *Daily Cash Report* after each occasion and verify that corresponding sections on the two documents have the same figures.
- Develop a system that requires one person to complete the *Daily Schedule of Prizes* and another person to verify that the report is accurate and complete.

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Charitable Bingo Operators Training Program

Betcha I Bingo
2420 W. Irving Blvd., Suite 125
Irving, TX

Bingo
3406 Franklin Avenue
Waco, TX

Richmore Bingo
1306 S. Richey
Pasadena, TX

Knights of Columbus 4315
5721 Rigsby
San Antonio, TX

Knights of Columbus 6174
614 Mohawk
Corpus Christi, TX

Skateland Bingo
1509 Morgan Blvd.
Harlingen, TX

An active member of the organization who is responsible for the conduct of bingo (operator) is required to attend the training program. Under provisions of HB 2519, 78th Regular Legislative Session (effective 09/01/2003), unit managers and designated agents are also required to attend training. Other officers and members may also attend the training program. All attendees must read the Bingo Enabling Act and the Charitable Bingo Administrative Rules prior to the training session. Number of participants is limited and registration will be confirmed on a first come first served basis.

You may register on-line using our website (www.txbingo.org), by e-mail (bingo.services@lottery.state.tx.us), by phone (1-800-246-4677) or by mail: Texas Lottery Commission, P.O. Box 16630, Austin, TX 78761-6630.

Operator Training Program Future Classes

Region: Dallas

Betcha I Bingo 2420 W. Irving Blvd., Suite 125 Irving	09/16/2003 9:00 AM to 4:00 PM	214-492-0909
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Bingo 3406 Franklin Avenue Waco	10/08/2003 10:00 AM to 5:00 PM	254-857-3740
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Region: Houston

Richmore Bingo 1306 S. Richey Pasadena	10/04/2003 10:00 AM to 5:00 PM	713-477-7529
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Region: San Antonio

Knights of Columbus 4315 5721 Rigsby San Antonio	11/20/2003 9:00 AM to 4:00 PM	210-648-0381
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Knights of Columbus 6174 614 Mohawk Corpus Christi	10/29/2003 10:00 AM to 5:00 PM	361-882-3309
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Skateland Bingo 1509 Morgan Blvd. Harlingen	09/30/2003 9:00 AM to 4:00 PM	956-428-4387
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Texas Charitable Bingo Quarterly Report Statistics Second Quarter of 2003 Compared to the First Quarter of 2003

Unaudited figures as of 08/07/03

	03(2)	03(1)	Difference	% Difference
Sales				
Regular	\$71,503,065	\$78,303,869	\$(6,800,804)	-8.69%
Electronic	\$36,395,035	\$38,933,846	\$(2,538,811)	-6.52%
Instant	\$29,522,414	\$29,729,586	\$(207,172)	-0.70%
Total	\$137,420,514	\$146,967,301	\$(9,546,787)	-6.50%
Prizes Awarded				
Regular and Electronic	\$79,328,389	\$81,665,823	\$(2,337,434)	-2.86%
Instant	\$21,250,174	\$21,418,915	\$(168,741)	-0.79%
Total	\$100,578,563	\$103,084,738	\$(2,506,175)	-2.43%
Charitable Distributions	\$7,906,286	\$7,849,978	\$56,308	0.72%
Attendance	5,548,414	5,939,661	(391,247)	-6.59%

Texas Charitable Bingo Quarterly Report Statistics Second Quarter of 2003 Compared to the Second Quarter of 2002

Unaudited figures as of 08/07/03

	03(2)	02(2)	Difference	% Difference
Sales				
Regular	\$71,503,065	\$79,988,185	\$(8,485,120)	-10.61%
Electronic	\$36,395,035	\$36,959,080	\$(564,045)	-1.53%
Instant	\$29,522,414	\$21,378,601	\$8,143,813	38.09%
Total	\$137,420,514	\$138,325,866	\$(905,352)	-0.65%
Prizes Awarded				
Regular and Electronic	\$79,328,389	\$84,773,817	\$(5,445,428)	-6.42%
Instant	\$21,250,174	\$15,040,414	\$6,209,760	41.29%
Total	\$100,578,563	\$99,814,231	\$764,332	0.77%
Charitable Distributions	\$7,906,286	\$8,649,538	\$(743,252)"	-8.59%
Attendance	5,548,414	7,620,856	(2,072,442)"	-27.19%

Violations (continued from pg. 3)

Violation – The organization failed to maintain or properly maintain the records to substantiate the contents of each report and specifically, *Paid Invoice File*, in violation of the Bingo Enabling Act, Tex. Occ. Code §2001.505(b)(1).

Suggestions For Ensuring Compliance

- To fulfill this requirement, it is necessary to maintain a file of paid invoices as documentation of all expenses made from the bingo checking account. This includes, but is not limited to, invoices for bingo supplies, advertising, printing, utilities, bookkeeping services, janitorial services, repairs, and other services.
- Periodically compare the check register of the bingo checking account to the *Paid Invoice File* to verify that an invoice exists for each item of expense and all charitable distributions made.

The *Audit Forms Manual* is designed to assist licensees in maintaining books and records as required by the Bingo Enabling Act and the Charitable Bingo Administrative Rules. The Audit Forms Manual is available on our website at www.txbingo.org in two formats - standard and automated. The automated *Audit Forms Manual* provides a convenient way to complete the required forms using Excel. Basic information, such as organization name, taxpayer number, addresses, quarter, location numbers, etc., is entered in one worksheet and automatically updates all the forms with the information entered. As data is entered in worksheets calculations are automatically done by Excel.

If you would like to receive an *Audit Forms Manual* by mail or if you have questions, please contact us by one of the methods listed in the "How To Contact Us" section on the last page of this issue of *The Bingo Bulletin*.

Violations (continued from pg. 2)

Optimist Club of Downtown Corpus Christi, Conductor - Agreed Order

The Commission entered a Consent Order adopting the Agreed Findings of Fact, Agreed Conclusions of Law and Memorandum of Agreement that the organization:

- Violated § 2001.102(b) of the Act by conducting bingo other than under a license issued under this chapter.
- Violated 16 Tex. Admin. Code § 402.548(f) by not conspicuously displaying a sign that informed the players at that location that they should direct any questions or complaints regarding the conduct of the bingo occasion to the operator listed on the sign or that if the player is not satisfied with the response given by the operator that the player has the right to contact the Commission and file a formal complaint.

Bingo Allocations - 1st Qtr. 2003

On May 16, 2003, 175 local jurisdictions received their bingo allocations for the first quarter of 2003. Allocations for the first quarter of 2003 totaled \$5,138,297.51. The first quarter of 2003 allocations were up 3.37% from the first quarter of 2002.

The top five counties and cities receiving bingo allocations were:

Counties	Cities
Dallas \$157,646.55	San Antonio \$85,727.66
Tarrant \$148,740.81	Dallas \$85,718.67
Harris \$116,712.87	Fort Worth \$83,984.60
Bexar \$104,587.15	Houston \$66,280.62
Hidalgo \$74,009.81	Wichita Falls \$60,779.74

Bingo Allocations - 2nd Qtr. 2003

On August 22, 2003, 169 local jurisdictions were mailed their bingo allocation checks for the second quarter of 2003. Allocations for the second quarter of 2003 totaled \$5,088,398.86. The second quarter of 2003 allocations were up 1.64% from the second quarter of 2002.

The top five counties and cities receiving bingo allocations in 2nd quarter of 2003 were:

Counties	Cities
Dallas \$157,010.36	San Antonio \$85,386.76
Tarrant \$148,291.20	Fort Worth \$81,132.78
Harris \$113,305.67	Dallas \$80,084.20
Bexar \$103,304.91	Houston \$61,046.11
Hidalgo \$ 77,586.49	Wichita Falls \$60,007.31

Charitable Bingo Marks Its 21st Year in Texas

Spring 2003 marked the 21st year of charitable bingo in Texas. Since the inception of charitable bingo:

- Gross receipts have totaled over \$10.5 billion.
- Prizes paid have totaled over \$7.6 billion.
- Approximately \$722 million in charitable distributions have been made.
- \$164.8 million in prize fees have been allocated to local governments where bingo is conducted.

Note: Figures are as of 06/18/03 and are unaudited.

HB 2519 News Flash

The passage of House Bill 2519 (HB 2519) in the 78th Legislative session has significant impact on the conduct of Charitable Bingo in Texas. You can find a link to HB 2519 in the News Alert section of our Web site at www.txbingo.org. If you have questions or would like to obtain a printed copy of HB 2519, please contact us by one of the methods indicated in the "How to Contact Us" section, shown at right.



How To Contact Us

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Texas Lottery Commission
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Telephone: 800-246-4677
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Visit us online at:
www.txbingo.org