

A Message From

Alfonso D. Royal, III
Charitable Bingo Operations Director



Introduction

Since my appointment as the Director of Charitable Bingo, I have been dedicated to making positive changes in the Charitable Bingo Operations Division (CBOD). I have worked diligently to continue to find ways to improve charitable bingo in Texas, for Bingo players, operators and charities. The CBOD is tasked with regulating bingo in Texas, and we also provide authorized organizations the opportunity to raise funds for charitable causes throughout the state.

In my continued commitment to maintaining an open dialogue, I wanted to provide you with updates on some of the recent changes that have been made. I recommend that Bingo charities and operators review this message for pertinent information regarding findings of recent audits and new Bingo rule amendments.

The 83rd Legislature approved funding for additional audit staff to ensure compliance with bingo regulations. During audits and inspections of licensed organizations, auditors noted several common rule and game violations. In this message, you will find the complete findings of these audits.

I discussed in my last message that we are replacing the Automated Charitable Bingo System with the new Bingo Operations Services System, also known as BOSS. The goal of this new system is to improve usability and efficiency. CBOD has been working tirelessly to get this new system operational and with the assistance of a group of stakeholders who participated in a demonstration on January 29, 2015, we were able to incorporate some additional features to better serve us all.

Some of the new features of BOSS will include the ability of licensees to file their quarterly report and supplements, as well as pay prize fees and rental taxes through the [Bingo Services Portal](#), which will be located on the Charitable Bingo website. The first phase of BOSS was released March 30, 2015.

Also, since an amendment to Rule 402.00 that requires maintenance of a final game schedule for all occasions went into effect in January 2014, we have identified that some organizations may have not fully understood the requirements. In order to best serve you, we have provided some information to help licensees stay in compliance with these new provisions.

In the October 2014 message, I reported on an issue with the bingo account ledgers that date more than 10 years old in some instances. The overall effect of the account ledgers is an estimated \$746,000 that is showing as credit balances (monies due to organizations). To recap, those balances are the result of previous bingo leadership that accepted the risk for the incorrect balances, but never took any action to correct it. The process to review and correct those balances began in January 2015. Bingo staff is reviewing all account ledger transaction activity for both active and inactive licenses, including recalculation of license fees (both temporary and regular), amendments, prize fees, and rental taxes, to validate the amounts shown. Licensees (active and inactive) will be provided a summary report of the account review at the conclusion of the review. We anticipate this project to be complete before the end of this fiscal year. There is no action that is required of any licensee at this time.

Also addressed in this message, is information about the use of Frequent Player Reward Systems, use of pull-tab games, new rules that have been added, and changes to the Texas Bingo Quarterly Report.

I want to thank you for your commitment to assisting us with maintaining the integrity of charitable bingo. We have steadily been meeting our goals to continually better the most charitable game in Texas!

Inside This Message

Introduction.....	1
Quarterly Report Online Entry and Payment.....	2
Frequent Player Reward System.....	3
Charitable Bingo Administrative Rules and Guidelines....	3
Common Violations found during Audit Related Activities.....	4
BOSS Status - Key Milestones	5
Multiple-Part Pull-tab Games.....	6
Thank you to our Licensed Pull-tab Manufacturers	6

Charitable Bingo Management Team

Alfonso D. Royal, III
Charitable Bingo Operations
Director

Terry Shankle
Licensing and Accounting
Manager

Worlanda Neal
Executive Assistant

Marshall McDade, Jr. CPA
Audit Manager

Quarterly Report Online Entry and Payment

Beginning the first quarter of 2015 all licensees will be able to file their quarterly report and supplements, as well as pay prize fees or rental taxes, through the Bingo Services Portal which will be located on the Charitable Bingo web site at www.txbingo.org. Prize fee or rental tax payments may be made by the licensees by an electronic funds transfer from the bingo bank account or from the lessor's account.

This new feature is part of our new Bingo Operations-Services System (BOSS). Soon you will be able to file

all applications online, as well as pay for the license fee associated with the applications. By filing online our licensees will know while they're completing an application if there is a problem with the application and be able to correct the issue before submitting it. This will streamline the license issuing process. Of course, there will still be some interaction with the Licensing and Accounting Department on issues that require staff help, but we are hopeful that this online filing option will result in a more efficient application and licensing process.

Changes to the Texas Bingo Quarterly Report

Revisions have been made to the Texas Bingo Quarterly Report and Automated Forms Manual that you should be aware of for the first quarter of 2015. The changes are as follows:

Other Income – Line 11 will now include the following:

Line 11(b) – Unclaimed Customer Account Funds – report unused funds not redeemed by a patron prior to the end of a bingo occasion. Card-minding system rules 402.321 to 402.328 allow an organization through the use of card-minding systems to credit a customer account with deposited funds that can be used to purchase electronic cards on the card-minding device. Patrons can use deposited funds to purchase other bingo products when purchases are made at the cashier stand or mobile point of sale.

Line 11(c) – Equipment and Supplies Sales Amount – Report receipts from the authorized sale of bingo equipment or supplies to another licensed authorized organization.

Charitable Distributions – Line 30 will now include the following:

Charitable Distributions Unclaimed – Amounts reported as Unclaimed Customer Account Funds on Line 11(b) must be distributed to the licensed authorized organization earning those funds. The Unclaimed Customer Account Funds must be used by the licensed authorized organization for its charitable purpose, but it cannot be used as part of the charitable distribution requirement for the next quarter.

Charitable Distributions (Cont'd)

Conductors and Unit Members will also be required to file a Charitable Distribution Details form listing charitable distributions made during the quarter and

showing for each distribution the classification of each distribution.

Frequent Player Reward System – Are they allowed in Charitable Bingo in Texas?

With the increase in audit staff and coverage of site visits at bingo locations, we have encountered what we will label as a *Frequent Player Reward Systems (Systems)*. We have seen different Systems being operated in Texas bingo halls. These Systems could violate bingo statutes and rules, depending on how they are being operated. For example, Systems that randomly select players to receive prizes may violate section 2001.416, Other Games, of the Bingo Enabling Act and Rule 402.211, Other Games of Chance. Further, in November 2010, a previous Charitable Bingo Director published Bingo

Advisory Opinion No. 2011-0913-0001. That opinion reviewed a particular system and found that it could be a prohibited second game of chance. We encourage organizations that utilize these Systems to carefully review the Bingo Enabling Act and Charitable Bingo Administrative Rules to ensure that their System is operated in a legal manner.

Also, please keep in mind penalties may be imposed when an organization gives away as “frequent player prizes” coupons allowing players \$5 off the authorized pull-tab bingo ticket price in violation Rule 402.300(a).

Charitable Bingo Administrative Rules and Guidelines

New Rules Effective February 25, 2015

At the February 5, 2015 open meeting the Texas Lottery Commission adopted amendments to rules 402.400 (General Licensing Provisions), 402.401 (Temporary License), 402.404 (License and Registry Fees), 402.410 (Amendment of a License – General Provisions), 402.411 (License Renewal), and 402.412 (Signature Requirements); and new rule 402.104 (Delinquent Obligations).

The amendments are designed to bring the bingo rules and various business processes and procedures of the bingo division in line with applicable statutes and generally accepted accounting principles. Among other things, the amendments cover how the Commission will handle requests for refunds from licensees, how the Commission will credit overpayments to licensees, how escrow account funds will be utilized, and how licensees will be placed on

administrative hold status.

New rule 402.104 outlines procedures for the collection of delinquent bingo-related obligations owed to the Commission. The rule covers when the Commission will refer a delinquent obligation to the attorney general’s office for collection and when the Commission will utilize the comptroller of public accounts’ warrant hold procedure.

Criminal Conviction Guidelines

Pursuant to §53.025 and §2001.0541 of the Texas Occupations Code, and rule 402.702(l) guidelines regarding the consequences of a licensee’s, registered bingo worker’s, or applicant’s criminal conviction(s) have been issued. These guidelines were posted to the Texas Register on January 30, 2015, as a requirement to comply with enacted Sunset Commission Legislation passed by the 83rd Legislature.

Common Violations found during Audit Related Activities:

During the 83rd Legislature, funding was provided for additional audit staff to ensure compliance with the bingo regulations. From the various audit activities we have identified common violations committed by licensed organizations. To promote voluntary compliance and encourage a self-evaluation of your bingo operations, please review the following to ensure compliance with applicable laws and regulations.

For example, a common finding during a Game Inspection or an Audit is poor record keeping of Inventory for either pull tabs or bingo paper/cards. Perpetual inventory records are required in accordance with Rule 402.301(e)(3)(C) & Rule 402.511(a)(1) for disposable card/paper and Rule 402.300(g)(3) & Rule 402.511(a)(2) for pull-tabs. Not maintaining the required inventory records may result in difficulty in accounting for inventory, and risk the accurate and complete reporting of sales due to poor inventory management. Furthermore, it increases the overall concern of the validity of the sales proceeds reported by the organization.

Common Audit Violations

- **The organization failed to report or properly report items to the Commission on a quarterly report. [BEA 2001.505(a) & Rule 402.600]**
- **The organization failed to maintain or properly maintain records to substantiate the contents of its quarterly report. [BEA 2001.505(b) & Rule 402.325]**
- **A merchandise prize was not valued at its current retail price. [Rule 402.200(f)]**
- **The organization failed to record all transactions for which it received bingo gross receipts on a cash register or point of sale station. [BEA 2001.414(b)]**
- **The organization failed to maintain records to substantiate bingo expenses. [Rule 402.506(a)]**

- **The organization incurred or paid items of expense in connection with the conduct of a game of bingo that were not reasonable or necessarily expended for authorized expenses. [BEA 2001.453(1), BEA 2001.458, & BEA 2001.459]**
- **The organizations failed to maintain required information on their payroll records. [Rule 402.506(b)(4)]**
- **The organization failed to withdraw funds from the bingo account by electronic funds transfer; preprinted, consecutively numbered checks; or withdrawal slips. [BEA 2001.452(a)]**
- **Check(s) or slip(s) were made payable to 'cash', 'bearer', or to a fictitious payee. [BEA 2001.452(a)]**

The organization failed to maintain or properly maintain records to substantiate the use of net proceeds for charitable purposes. [Rule 402.502(c)]

Common Game Inspection Violations

- **Prizes with an aggregate value of more than \$2,500 for bingo games (other than pull-tab bingo and games that award individual prizes of \$50 or less) were offered or awarded for a single bingo occasion. [BEA 2001.420(b)]**
- **A door prize with a value of more than \$250 was offered or awarded. [BEA 2001.420(c)]**
- **Paid pull-tab prize that was not in compliance with the amount of the approved payout structure. [Rule 402.300(a)(11)(E)]**
- **The organization failed to establish and adhere to a written procedure that addresses problems during a bingo occasion concerning: (a) bingo malfunctions; and (b) improper bingo calls or placements. [Rule 402.200 (b)(6)]**

A Message from the Director

Common Game Inspection Violations (Cont'd)

- **The organization failed to establish and make available written procedures that address disputes. Rule 402.200 (m)]**
- **The organization did not list the serial number of the pull-tab bingo tickets sold on the daily cash report. [Rule 402.300(g)(2)]**
- **The organization failed to maintain or properly maintain a final game schedule for a bingo occasion(s). [Rule 402.200 (h)(5)]**
- **A game of chance other than bingo, a raffle conducted under Chapter 2002, on a door prize game, was allowed or conducted during an occasion when bingo was being played. [BEA 2001.416(a) and Rule 402.211]**



BOSS Status – Key Milestones

- The Charitable Bingo Operations Division extended an invitation to a representative group of the bingo industry for a demonstration (demo) of the new Bingo Operations Services System (BOSS). The demo was held in the Texas Lottery Commissions auditorium on January 29, 2015. The object of the demo was to introduce BOSS and obtain feedback relative to the system layout, ease of operation, and friendliness of the system for the user. The project team facilitated the demo and received positive feedback during the demo and through survey results.
- Commission adopted at the February 5, 2015 Commission meeting new and revised rules with an effective date of February 25, 2015. Business rules are being programmed into BOSS to address the impact and results of the rules.
- Bingo Service Portal (BSP) contract executed with Texas.gov in February 2015. Texas.gov will host and facilitate Website payment processing including licensing and prize fees, amendments, and worker registry fees. For the future, we plan to add the option to pay testing fees for Manufacture product review to include pull tab submissions and card-minder installation testing.
- Forms, Reports, and Letter development enhanced for customer efficiencies and better utilization of the BOSS system. (NOTE: beginning December 31, 2015, outdated forms will be rejected and therefore, could compromise or delay license issuance).
- Partial Website release scheduled for late April 2015.
- The following components were implemented in the BSP this month: Regular Applications, Temporary Applications, Worker Registry Applications, and Quarterly Report Filing. While full implementation is scheduled to be done by August 31, 2015, the project team has determined that a scheduled approach will allow for a more successful roll out and training. We thank you in advance for your patience and feedback during the phase in implementation of BOSS.



Multiple-Part Pull-tab Games

Some of the most exhilarating pull-tab games are the [Multiple Part Event](#) or [Multiple Part Instant Ticket](#) games. Games such as Bonus Stingers, Top Dollar/Bottom Dollar, Power-Horse, and Mini-Horse generate a buzz of excitement in

the hall; not only because the style of play is different from the traditional pull-tab games but also because the higher jackpot prizes make them very attractive to players. While we encourage sale of these pull-tabs to benefit the charities, we want to make sure that all the Bingo Enabling Act and Charitable Bingo Administrative Rules are being followed to avoid violations that may result in penalties and fines. In particular, Rule 402.300(h)(8) states that a Multiple Part Event or Multiple Part Instant Ticket is: *An event ticket that is broken apart and sold in sections by a licensed autho-*

rized organization. Each section of the ticket consists of a separate deal with its own corresponding payout structure, serial number, and winner verification.

The Commission reviews and approves all bingo pull-tabs to ensure compliance with statutes and rules which include the Multiple Part Event or Multiple Part Instant Ticket pull-tabs games. These multiple-part games are pre-printed by the manufacturer to comply with the rules on the printing of the payout structures and with individual serial numbers on them, and also include perforations to facilitate the separation of each pull-tab. It is the charitable organization's responsibility to separate these pull-tabs prior to selling them.

Please make sure your hall manager and staff is aware that selling these pull-tabs [un-separated](#) is a violation of the rule and subject to administrative penalties to the persons and charity.

Thank you to our Licensed Pull-Tab Manufacturers

Pull-tabs are an integral element of the Texas charitable bingo market. So much so that the Bingo Division has increased the number of staff available to process large volumes of artwork and pull-tab deal submissions. We appreciate and thank the licensed manufactures for their patience during staff training and recent approval process to address the backlog, which was previously reviewed by only one staff member. We are now current and our goal is for reviews of artwork and deal submissions to be completed within 30 to 45 calendar days of receipt, depending on high peak periods and volume received. Artwork and deal submissions are worked in the order received. Our goal is to [review](#) your product as expeditiously as possible. Any concerns on product that cannot be reviewed within our goal will be communicated promptly to the manufacturer.

Additionally, [Requests for Additional Information \(RAI\)](#) impact the approval process. If you receive a RAI, a response must be made within 10 calendar days of receipt of the e-mail or the submission will be rejected. We encourage manufactures to withdraw a submission in the event they will not be able to meet the 10 day requirement and subsequently submit their product for review when the product meets standards and regulations.

After approval of artwork, one deal per form number must be submitted for testing in accordance with rule 402.300 (b) (4).

As you have probably heard, we are in the process of implementing the new Bingo Operations Services System (BOSS). BOSS will allow manufacturers to

(cont'd on page 7)

A Message from the Director

submit their deal and artwork submissions online and provide the opportunity to submit payment electronically at the time of submission. We will keep the industry updated and let manufacturers know when this particular feature is available and ready for roll out.

On behalf of the Charitable Bingo Operations Division, thank you for your continued support of charitable bingo in Texas.

Closing Remarks

Overall goal of the charitable bingo program is to increase bingo revenues for charitable purposes. This goal considers several factors for a successful equation that are the oversight responsibilities of the charitable organizations: increase gross revenues, reasonable prize payouts to patrons and reasonable or necessary expenses to conduct bingo. Further, if organizations are not generating positive net proceeds for their charitable purposes by means of bingo operations, then the purpose for participating in the bingo program probably is not in the best interest for the organization.

The CBOD encourages each organization to define budgeting goals and performance measures and routinely review bingo financial results to ensure bingo is a viable solution for raising money on behalf of the charity.

While we understand a majority of organizations choose to rely on hall managers to operate their bingo operations, the ultimate responsibility of the charities' bottom line, including preserving the good reputation of the charity, remains with the organization.

Email Account and Website

A reminder to all participants in charitable bingo to keep email addresses current to receive up to date bingo news, status of the BOSS project and legislative updates that impact the bingo industry. To update your email account and subscribe to emails go to. <https://public.govdelivery.com/accounts/tx-bingo/subscriber/new>.

Additionally, routine review of the bingo website is encouraged by all. The bingo website is one of the key tools to provide education to bingo participants and partners. We anticipate a roll out of a new look of the bingo website to better retrieve common *FORMS* and processes used by the industry.

Look for these changes to occur in May 2015.

Finally, over the past several years under previous leadership, processes and practices have been

in place that is contrary to published rules. These processes and practices are no longer part of the Divisions procedures'; we must and will follow our published rules. For example, the seven day requirement on processing temporary license faxed in on the same day an organization would like to play, or the completion of required forms by email with information rather than the form with signature. These are only two examples of numerous processes that were occurring that are no longer acceptable. These processes did not permit the management of staff resources to meet the needs of all licensees in a timely manner. Please review the division rules at http://www.txbingo.org/export/sites/bingo/Regulations_x_Statutes/ for a refresher on bingo processes.