



INTEROFFICE MEMO

Gary Grief, Executive Director

Alfonso D. Royal III, Charitable Bingo Operations Director

To: J Winston Krause, Chairman, Texas Lottery Commission
Carmen Arrieta-Candelaria, Commissioner, Texas Lottery Commission
Peggy Heeg, Commissioner, Texas Lottery Commission
Doug Lowe, Commissioner, Texas Lottery Commission
Robert Rivera, Commissioner, Texas Lottery Commission

From: Alfonso D. Royal III, Charitable Bingo Operations Division Director, Texas Lottery Commission

Date: August 31, 2017

Re: Charitable Bingo Operations Division Output Metrics - July 2017

Licensee Information

<u>License Type</u>	<u>Active</u>	<u>Administrative Hold</u>
Conductor	949	15
Lessor	251	79
Distributor	13	0
Manufacturer	20	0
BingoPlayingLocations	349	0

Licensing

Number of original applications received	5
Number of renewal applications received	77
Number of worker registry applications received	223
Number of original licenses issued	4
Number of renewal licenses issued	92
Number of worker registry badges issued	244
Average Bingo License (Temporary) Processing Time (Days)	6.89
Average Bingo License (Amendments) Processing Time (Days)	9.64
Average Bingo License (Originals) Processing Time (Days)	45.39
Average Bingo License (Renewals) Processing Time (Days)	25.87

Accounting

Number of quarterly reports processed	964	
Total payments received	499	\$7,361,379
Received by mail	306	\$2,470,149
Electronic Payment through Bingo Services Portal	193	\$4,981,230

Audit Services

Number of audits and game inspections completed	17
Number of audits completed	15
Number of game inspections completed	2
Number of complaints received	16
Number of complaint investigations completed	5

Compliance

Number of administrative actions	
Applications Denied	3
Settlement Agreements	3
Agreed Orders	2
Total administrative penalties received	\$3,100
Worker Registry Activity	
Applications Denied	4
Workers Removed	0

Education

Number of individuals receiving education	51
On-line	51
On-site	0

Pull-Tabs

ARTWORK		DEALS	
Submitted	29	Submitted	46
Approved	32	Approved	45
Pending Actions	19	Pending Actions	1
Denied	0	Denied	0
Withdrawn	0	Withdrawn	0
Avg. Review Time	8.22 (days)	Avg. Review Time	1.80 (days)



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Doug Lowe, Commissioner, Texas Lottery Commission
Robert Rivera, Commissioner, Texas Lottery Commission

From: Alfonso D. Royal III, Charitable Bingo Operations Division Director, Texas Lottery Commission

Date: September 18, 2017

Re: Charitable Bingo Operations Division Output Metrics - August 2017

Licensee Information

<u>License Type</u>	<u>Active</u>	<u>Administrative Hold</u>
Conductor	944	14
Lessor	251	79
Distributor	12	0
Manufacturer	20	0
BingoPlayingLocations	349	0

Licensing

Number of original applications received	2
Number of renewal applications received	92
Number of worker registry applications received	184
Number of original licenses issued	4
Number of renewal licenses issued	93
Number of worker registry badges issued	232
Average Bingo License (Temporary) Processing Time (Days)	6.07
Average Bingo License (Amendments) Processing Time (Days)	11.18
Average Bingo License (Originals) Processing Time (Days)	38.79
Average Bingo License (Renewals) Processing Time (Days)	20.04

Accounting

Number of quarterly reports processed	174	
Total payments received	76	\$79,391
Received by mail	70	\$74,312
Electronic Payment through Bingo Services Portal	6	\$5,079

Audit Services

Number of audits and game inspections completed	22
Number of audits completed	15
Number of game inspections completed	7
Number of complaints received	17
Number of complaint investigations completed	20

Compliance

Number of administrative actions	
Applications Denied	1
Settlement Agreements	3
Agreed Orders	4
Total administrative penalties received	\$2,650
Worker Registry Activity	
Applications Denied	3
Workers Removed	0

Education

Number of individuals receiving education	44
On-line	44
On-site	0

Pull-Tabs

ARTWORK		DEALS	
Submitted	33	Submitted	38
Approved	49	Approved	39
Pending Actions	2	Pending Actions	0
Denied	0	Denied	0
Withdrawn	1	Withdrawn	0
Avg. Review Time	13.70 (days)	Avg. Review Time	1.82 (days)

Texas Lottery Commission
Charitable Bingo Operations Division



FY2018 Bingo Annual Audit Plan & Risk Assessment
Conductor Compliance Reviews
Game Inspections

Commissioner J. Winston Krause, Chairman
Commissioner Carmen Arrieta-Candelaria
Commissioner Doug Lowe
Commissioner Peggy A. Heeg
Commissioner Robert Rivera

Alfonso D. Royal III, Director
Joy Bishop, Lead Audit Coordinator

September 1, 2017



INTEROFFICE MEMO

Gary Grief, Executive Director

Alfonso D. Royal III, Charitable Bingo Operations Director

To: Alfonso D. Royal III
Director
Charitable Bingo Operations Division

From: Joy Bishop
Lead Audit Coordinator
Charitable Bingo Operations Division

Date: September 1, 2017

Re: Fiscal Year 2018 Annual Audit Plan and Risk Assessments
Review of Charter

FISCAL YEAR 2018 BINGO ANNUAL AUDIT PLAN AND RISK ASSESSMENT HIGHLIGHTS

FY2018 Conductor Compliance Review (CCR) Risk Assessment

The CCR Risk Assessment used to identify the FY2018 audits of licensed organizations and accounting units has been determined and includes consideration of TEX. OCC. CODE., § 2001.560(c-1)(2)(C) and 16 TEX. ADMIN CODE Rule § 402.703 in its methodology.

The CCR Risk Assessment is prepared utilizing the Bingo Operations Services System (BOSS). Results are exported into an excel spreadsheet that is used to assist in the assigning and monitoring of the audit projects.

Anticipated results of the CCR Risk Assessment strive for the goal to audit the highest-risk licensees within a 4-year time frame and result in substantial audits of organizations with material gross receipts and bingo activity

The overall goal is to continue our focus on financial monitoring. The Audit Department budgeted 200 hours to complete audits of single organizations and 400 hours for accounting units. The budget hours have increased slightly from last year as we have restructured our audit process to include a full year rather than a single quarter. It is anticipated for staff to reduce the hours expended on audit projects with ongoing staff training and professional development, performance reviews, scope considerations, implementation of audit focus BOSS and Compliance Activity Monitoring Process (CAMP) enhancements, and overall efficiencies in the audit process.

The following are the risk factors that were used:

- Gross Receipts
- Expenses as a Percentage of Gross Receipts
- Net Proceeds as a Percentage of Gross Receipts
- Charitable Distributions as a Percentage of Gross Receipts

Based on results of the risk assessment and resource allocation considering 16 Full Time Equivalents (FTEs) when fully staffed, it is projected that 39 audits¹ will be completed. The completion of these audits will provide the following.

- 6.8% coverage of **ALL** 428 active, annually licensed organizations and accounting units in Texas, a decrease of 4.1% over the FY2017 projection of 10.9%, and
- 31.5% for **ALL** active, annually licensed organizations and accounting units with audit coverage within the last five years. This is an increase of 5.9% over the FY2017 projections of 26.6%.

However, due to unforeseen circumstances, changes in the industry, staff vacancies and training needs and legislative requests the projections could change.

Further, adjustments may be deemed necessary by management considering higher priorities within the division such as auditor assistance in special projects, complex audits, or complaint investigations that result in increased use of resources due to substantial expansion of scope and audit procedures.

¹ Audits comprise of both organization and unit audits. The number will increase depending on the number of organizations contained in a unit. Currently, 15 individual conductors and 24 units are planned for an audit in FY2018. If each unit contains 4 organizations that would increase the number of audits by 96 for a total of 135 projected audits for FY2018.

FY2018 Game Inspection (GI) Risk Assessment

The GI Risk Assessment used to identify the FY2018 game inspections of licensed organization has been determined and includes consideration of TEX. OCC. CODE, § 2001.560(c-1)(2)(C) and 16 TEX. ADMIN CODE Rule § 402.705 in its methodology.

The GI Risk Assessment is prepared utilizing BOSS, and the results are exported into an excel spreadsheet that is used to assist in the assigning and monitoring of the inspections.

Anticipated results of the GI Risk Assessment strive for the goal to inspect high risk locations to ensure that bingo is conducted fairly and to promote voluntary compliance with the Commissions regulatory monitoring presence.

The plan estimates 16 hours per GI including travel to quantify the number of game inspections projected. However, hours may be adjusted as additional game inspection procedures are considered to ensure bingo is fairly conducted and efficiencies that may result from BOSS and CAMP enhancements.

The following are the risk factors that were used:

- Gross Receipts Reported for Playing Location
- Time Elapsed Since Last Game Inspection at Location
- Compliance History

Based on results of the risk assessment and resource allocation considering 16 Full Time Equivalent (FTEs) when fully staffed, it is projected that 100 game inspections will be completed. Completing this number of game inspections will provide for 30.2% coverage of the 331 locations where bingo is conducted throughout the state and 98.2% coverage of locations where bingo is conducted within the preceding 5 years. However, due to unforeseen circumstances, impact of staff vacancies additional training needs, management and legislative requests, the projections could change.

FY2018 Performance Measures

Our goal is to achieve the target performance measure expectations. However, due to unforeseen circumstances including staff vacancies, additional training needs, management and legislative requests, the projections could change.

The results of the projections for FY2018 will be used to explain variances during performance measure reporting and gain additional insight to propose realistic targets for the future.

Strategy Measure #	Measure Name	FY 2018 Performance Measure Target
B.1.a	Percentage of Licensees with No Recent Violation	91.00%
B.1.b	Percentage of Bingo Audits Referred for Disciplinary Action	65.00%
B.1.c	Percentage of Complaints Referred for Disciplinary Action	8.00%
B.1.d	Percentage of Documented Complaints Completed Within Six Months	85.00%
B.1.g	Percentage of Organizations Receiving an Audit	21.39%
B.1.h	Percentage of Organizations Receiving an Inspection	31.35%
B.1.3.a	Number of Inspections Conducted	469 ²
B.1.3.b	Number of Bingo Audits and Reviews Completed	100
B.1.3.c	Number of Bingo Complaints Completed	180
B.1.3.d	Dollar Amount of Adjustments to Charitable Distributions by Audit and Inspections	\$15,000
B.1.3.a	Average time for Bingo Complaint Completion (Days)	75
B.1.3.b	Average Cost per Bingo Complaint Completed	\$350
B.1.3.c	Average Time to Conduct Audit (Hours)	200
B.1.3.e	Average Cost per Bingo Audit Completed	\$8,693

² Number of Inspections Conducted includes Bingo Complaints Completed and Electronic Card Minding Site System Connectivity Inspections

REVIEW OF CHARTER

The Audit Charter is posted on the Charitable Bingo Operations Divisions website at: www.txbingo.org

I have reviewed the Audit Charter and do not recommend any enhancements or changes.

Please let me know if you concur with the existing Charter and the FY 2018 Audit Plan by signature approval below. Resource allocation and Plan of Activities follow on the next page.

If you have any questions, concerns or additional recommendations, please let me know.

Thank you for your time and consideration.


Approved

9/1/2017
Date

FY2018
CBOD Audit
Plan of Activities³

		Budgeted Hours	Percent of Direct Time
AUDITS		15,623	72.3%
	Wrap up and completion of FY17 Audits in progress		
	FY2017 Risk Assessment Conductor Compliance Audits identified but not started		
	FY2018 Risk Assessment Conductor Compliance Audits		
	FY2018 Limited Scope and Follow-up Audits		
INSPECTIONS		1,735	8.0 %
	Destructions		
	Game Inspections		
	Site System Inspections		
EQUIPMENT COMPLIANCE TESTING & APPROVAL		900	4.2 %
	Electronic Card-Minding Systems		
	Pull-Tabs		
SPECIAL PROJECTS		3,342	15.5 %
	Training		
	Division Projects assigned by Director		
	Audit Department Special Projects		
Total Direct Hours Budgeted		21,600	

³ Events may arise that could impact planned activity hours due to unforeseen circumstances, such as higher priority activities and overall constraints of demands to the program based on 16 FTEs.