



INTEROFFICE MEMO

Gary Grief, Executive Director LaDonna Castañuela, Charitable Bingo Operations Director

To: Robert G. Rivera, Chairman
Cindy Fields, Commissioner
Mark A. Franz, Commissioner
Erik C. Saenz, Commissioner
Jamey Steen, Commissioner

From: LaDonna Castañuela, Charitable Bingo Operations Division Director

A handwritten signature in black ink that reads "LaDonna Castañuela".

Date: Thursday, October 12, 2023

Re: Item XIII. Report by the Charitable Bingo Operations Director and possible discussion and/or action on the Charitable Bingo Operations Division's activities, including licensing, accounting and audit activities, reports, and special projects.

The following two reports are associated with this tab:

1. CBOD August 2023 Output Metrics; and
2. CBOD September 1, 2023, thru September 28, 2023, Output Metrics; and
3. 2024 Annual Audit Plan and Risk Assessment.

Additional information may be provided at the commission meeting.



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Gary Grief, Executive Director

LaDonna Castañuela, Charitable Bingo Operations Director

To: Robert Rivera, Chairman, Texas Lottery Commission
Cindy Fields, Commissioner, Texas Lottery Commission
Mark Franz, Commissioner, Texas Lottery Commission
Erik Saenz, Commissioner, Texas Lottery Commission
Jamey Steen, Commissioner, Texas Lottery Commission

Date: September 20, 2023

Re: Charitable Bingo Operations Division Output Metrics - August 2023

A handwritten signature in black ink, reading "LaDonna Castañuela".

Licensee Information

<u>License Type</u>	<u>Active</u>	<u>Administrative Hold</u>
Conductor	920	34
Lessor	226	69
Distributor	11	0
Manufacturer	19	0
BingoPlayingLocations	300	0

Licensing

Number of original applications received	1
Number of renewal applications received	54
Number of worker registry applications received	302
Number of original licenses issued	5
Number of renewal licenses issued	57
Number of worker registry badges issued	351
Average Bingo License (Temporary) Processing Time (Days)	2.1
Average Bingo License (Amendments) Processing Time (Days)	3
Average Bingo License (Originals) Processing Time (Days)	75.5
Average Bingo License (Renewals) Processing Time (Days)	6.89

Accounting

Total payments received	43	\$99,270.09
Electronic Payment through Bingo Services Portal	10	\$46,117.65
Received by mail	33	\$53,152.44
Number of quarterly reports processed	129	

Audit Services

Number of audits and game inspections completed	15
Number of audits completed	6
Number of game inspections completed	9
Number of complaints received	11
Number of complaint investigations completed	10

Compliance

Number of administrative actions	
Applications Denied	0
Settlement Agreements	0
Agreed Orders	0
Total administrative penalties received	\$6,200.00
Worker Registry Activity	
Applications Denied	2
Workers Removed	0

Education

Number of individuals receiving education	71
On-line	71
On-site	0



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Gary Grief, Executive Director

LaDonna Castañuela, Charitable Bingo Operations Director

To: Robert Rivera, Chairman, Texas Lottery Commission
Cindy Fields, Commissioner, Texas Lottery Commission
Mark Franz, Commissioner, Texas Lottery Commission
Erik Saenz, Commissioner, Texas Lottery Commission
Jamey Steen, Commissioner, Texas Lottery Commission

Date: September 29, 2023

Re: Charitable Bingo Operations Division Output Metrics - September 2023

A handwritten signature in cursive script that reads "LaDonna Castañuela".

Licensee Information

<u>License Type</u>	<u>Active</u>	<u>Administrative Hold</u>
Conductor	920	34
Lessor	227	69
Distributor	11	0
Manufacturer	19	0
BingoPlayingLocations	300	0

Licensing

Number of renewal applications received	25
Number of worker registry applications received	190
Number of renewal licenses issued	42
Number of worker registry badges issued	212
Average Bingo License (Temporary) Processing Time (Days)	1.91
Average Bingo License (Amendments) Processing Time (Days)	4.1
Average Bingo License (Renewals) Processing Time (Days)	19.67

Accounting

Total payments received	19	\$1,469.38
Electronic Payment through Bingo Services Portal	5	\$563.59
Received by mail	14	\$905.79
Number of quarterly reports processed	121	

Audit Services

Number of audits and game inspections completed	10
Number of audits completed	3
Number of game inspections completed	7
Number of complaints received	7
Number of complaint investigations completed	12

Compliance

Number of administrative actions	
Applications Denied	0
Settlement Agreements	0
Agreed Orders	0
Total administrative penalties received	\$19,000.00
Worker Registry Activity	
Applications Denied	3
Workers Removed	1

Education

Number of individuals receiving education	67
On-line	67
On-site	0

Texas Lottery Commission
Charitable Bingo Operations Division



Fiscal Year 2024
Bingo Annual Audit Plan and Risk Assessment

LaDonna Castañuela, Director
Vivian Cohn, Deputy Director

September 1, 2023

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Charitable Bingo Audit Charter

Introduction

This charter sets forth the framework within which the Charitable Bingo Operations Division's Audit Services Department conducts audit and inspection activities.

Role and Objective

The Charitable Bingo Operations Division (CBOD) Audit Services Department of the Texas Lottery Commission conducts a variety of audit and inspection activities. Its responsibilities are an integral part of CBOD's statutory charge to provide control and supervision over bingo in the state so that bingo is fairly conducted and the proceeds from bingo are used for authorized purposes. The Bingo Enabling Act (BEA) and Charitable Bingo Administrative Rules (Rules) require licensees to operate in accordance with applicable laws and rules. The objective for audit and inspection activities is to determine whether a licensee is in compliance with the BEA and the Rules during the specified review period.

Independence

To permit maintenance of an independent and objective mental attitude necessary in performing audit activities, all Audit Services Department staff shall remain free of influence by any organization or licensee, including in matters of audit selection, scope, procedures, frequency, timing, or report content.

Auditors shall have no direct operational responsibility or authority over any of the activities they review. Accordingly, auditors shall not develop or install systems or procedures, prepare records, or engage in any other activity that assumes management responsibility.

Audit and inspection activities

The Audit Services Department conducts the following audit and inspection activities.

- Audits
 - Conductor Compliance Reviews (CCR)
 - Limited Scope Reviews (LSR)
 - Financial Desk Reviews (FDR)
- Inspections
 - Game Inspections (GI)
 - Game Observations (GO)
 - Destruction Oversight
 - Books and Records
 - Bingo Complaints

Access to Personnel and Records

The Audit Services Department staff shall have unrestricted access to all licensee management and staff including volunteers and all records that are relevant to the designated scope and objectives of the engagement.

Professional Standards

All audit and inspection activities are conducted in accordance with professional standards set forth in the Bingo Audit Methodology and Standards (BAMS) Handbook, which provides a framework for performing high-quality audit work with integrity, objectivity, and independence. CBOD's Audit Services Department conforms to all policies and procedures of the Texas Lottery Commission.

Organizational Structure

Audit Services Department reports to CBOD Deputy Director.

Reporting

Upon conclusion of the audit activity, a draft report is provided to the licensed charitable organization being audited, and the auditee's response, if provided and applicable, is included in the final report. The auditee's response generally includes agreement or disagreement with the findings and recommendations, the timetable for anticipated completion of action to be taken, and an explanation for any recommendations not addressed.

A final written report with the auditee's response is provided to the auditee and distributed as appropriate. A copy of each draft or final audit report is forwarded to the CBOD Director for the Determination Process to consider appropriate administrative penalties and actions that may include revocation of license.

The Audit Services Department may conduct follow-up on audit findings and recommendations as warranted.

Quality Assurance

The Audit Services Department maintains an effective quality assurance review process that includes adequate supervision, training and internal quality review to ensure compliance with agency policies, procedures and professional standards.

Periodic Assessment of Audit Charter

This Audit Charter is reviewed annually to assess its continued adequacy and recommend changes if needed.

Audit Plan

The Audit Services Department (ASD) of the Charitable Bingo Operations Division (CBOD) of the Texas Lottery Commission conducts a variety of audit and inspection activities. The Bingo Enabling Act (BEA) and Charitable Bingo Administrative Rules (Rules) require licensees to comply with all applicable laws and rules. The primary responsibility of CBOD auditors is to conduct audit and inspection activities.

An audit is the formal examination and/or observance of a licensee's accounts, records, and/or business activities by designated employees or representatives of the Commission. Inspections of premises where bingo is being conducted or is intended to be conducted may be performed. The objective for audit and inspection is to determine whether a licensee is in compliance with the BEA and the Rules during the specified review period.

Audit and Inspection Projects

The Audit Plan covers the period September 1, 2023, through August 31, 2024. This plan includes audits and inspections selected based on the results of the Annual Risk Assessment as prescribed by Texas Occupations Code §2001.560(c-1) and other factors. The Audit Services Department identifies which license holders are most at risk of violating the BEA or Rules for audit and inspection projects. To be responsive to continuously changing risks and requests for audit services, the Audit Plan may change based on priorities, audit resources, and circumstances.

Audit Activities

The Audit Services Department conducts audit and inspection activities.

The audit activities encompass three types:

- Conductor Compliance Reviews (CCR) based on the Annual Risk Assessment
- Limited Scope Reviews (LSR) based on the Annual Risk Assessment, follow-up risk, and requests
- Financial Desk Reviews (FDR) based on quarterly risk analysis

The inspection activities encompass five types:

- Game Inspections based on the Inspection Annual Risk Assessment
- Game Observations conducted as part of CCR based on the Audit Annual Risk Assessment
- Inspection activities upon request
 - Destruction Oversight
 - Books and Records
 - Bingo Complaints

Proposed Audit and Inspection Projects

The Audit Services Department budgets as follows:

- Conductor Compliance Reviews: 200 hours for a single organization audit project, 400 hours for an accounting unit project
- Limited Scope Review: 150 hours for a single organization audit project, 250 hours for an accounting unit project
- Financial Desk Review: 100 - 150 hours depending on objectives
- Game Inspections: 10 hours
- Destruction oversight: 25 hours

The Audit Services Department consists of 12 auditors including 1 Lead Audit Coordinator (LAC), 2 Regional Audit Coordinators (RAC), and 9 staff auditors as of 8/1/2023.

Based on the results of the Annual Risk Assessment and current resources, it is projected that 105 audit projects and 128 inspection projects will be completed for FY 2024. The actual number of projects completed could change due to unforeseen circumstances, such as significant changes in the industry, legislative requests, staff vacancies, and management priorities.

FY2024 Estimated Projects

Activity	Type	Number of Projects
Audit	Conductor Compliance Review (CCR)*	48
	Limited Scope Review (LSR)*	26
	Financial Desk Review (FDR)	31
	Total	105
Inspection	Game Inspections (GI)	120
	Game Observations (GO)	15
	Other Inspections Upon Request	2
	Total	137

** Projects in the CCR and LSR encompass both units and organizations.*

Risk Assessment Methodology

The ASD establishes risk categories (high, moderate, and low) for audit and inspection projects. To be responsive to continuously changing risks and requests for audit services, the Audit Plan may change based on priorities and audit resources. Any significant deviation from the approved audit plan should be approved by the Director.

Annual Risk Assessment

The Annual Risk Assessment and Audit Plan involve evaluating financial and licensing information and considering the audit history of the licensed authorized organizations conducting bingo in the state. CCR and LSR are conducted according to the results of the Annual Risk Assessment for Audit. This risk assessment is performed in Excel based on an export of BOSS data using the following Risk Factors and scoring as prescribed in TAC §402.703(b)(2):

- Gross Receipts
- Bingo Expenses
- Net Proceeds
- Charitable Distributions

The goal of the Audit Plan is to review high risk licensees at least every four years. Adjustments to the Audit Plan may be performed if results include a recent audit in progress or a complaint that includes a substantial amount of financial monitoring work performed as part of the scope of the complaint.

The Annual Risk Assessment for Inspection is used to select licensees for Game Inspection projects. The risk assessment is performed in Excel based on an export of BOSS data using the following Risk Factors and scoring as prescribed in BEA Sec. 2001.557(b)(1) and TAC §402.705(a):

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

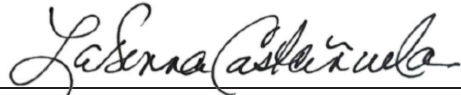
Selections for game inspections are based on the Annual Risk Assessment for Inspections in order to ensure that bingo is conducted fairly and to promote voluntary compliance with our regulatory monitoring presence.

Quarterly Risk Assessment

FDR utilizes quarterly risk assessment to capture most recent risk trends. The objectives and testing for FDR project are based on the risk factors identified in the quarterly risk assessment. A project can consist of up to four objectives for review, one for each risk factor.

The Deputy Director submits an Annual Risk Assessment, Audit Plan, and Audit Charter to the Director for review and approval. The Annual Audit Plan and Audit Charter are provided to the Commission annually as prescribed by BEA Section 2001.560(c-2). The Annual Audit plan includes audits and inspections selected based on the results of the Annual Risk Assessment and resource analysis.

The Audit Charter, Audit Plan, and Risk Assessment are submitted for your approval.



Approved by Bingo Director

8/24/2023

Date