



INTEROFFICE MEMO

Ryan Mindell, Executive Director

LaDonna Castañuela, Charitable Bingo Operations Director

To: Robert G. Rivera, Chairman
Cindy Fields, Commissioner
Mark A. Franz, Commissioner
Clark E. Smith, Commissioner
Jamey Steen, Commissioner

From: LaDonna Castañuela, Charitable Bingo Operations Division Director *LDC*

Date: Tuesday, October 29, 2024

Re: Item XVIII. 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; special projects; the FY 2025 Bingo Annual Audit Plan; and an October 1, 2024, Bingo Advisory Opinion request from Croatoan Inc. (aka Northeast Bingo) (commercial lessor).

The following documents are associated with this tab:

1. CBOD August 2024, Output Metrics;
2. CBOD September 2024, Output Metrics;
3. FY2025 Bingo Annual Audit Plan; and
4. Place Holder for Bingo Advisory Opinion.

Additional information may be provided at the commission meeting.



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To: Robert G. Rivera, Chairman, Texas Lottery Commission
Cindy Fields, Commissioner, Texas Lottery Commission
Mark A. Franz, Commissioner, Texas Lottery Commission
Clark E. Smith, Commissioner, Texas Lottery Commission
Jamey Steen, Commissioner, Texas Lottery Commission

From: LaDonna Castañuela, Charitable Bingo Operations Division Director, Texas Lottery Commission

Date: October 11, 2024

Re: Charitable Bingo Operations Division Output Metrics - August 2024

Licensee Information

<u>License Type</u>	<u>Active</u>	<u>Administrative Hold</u>
Conductor	885	25
Lessor	219	60
Distributor	12	0
Manufacturer	18	0
BingoPlayingLocations	289	0

Licensing

Number of renewal applications received	51
Number of worker registry applications received	228
Number of original licenses issued	2
Number of renewal licenses issued	57
Number of worker registry badges issued	223
Average Bingo License (Temporary) Processing Time (Days)	2.22
Average Bingo License (Amendments) Processing Time (Days)	2
Average Bingo License (Originals) Processing Time (Days)	44
Average Bingo License (Renewals) Processing Time (Days)	11.73

Accounting

Total payments received	42	\$79,159.11
Electronic Payment through Bingo Services Portal	14	\$43,834.99
Received by mail	28	\$35,324.12
Number of quarterly reports processed	151	

Audit Services

Number of audits and game inspections completed	9
Number of audits completed	2
Number of game inspections completed	7
Number of complaints received	12
Number of complaint investigations completed	6

Compliance

Number of administrative actions	
Applications Denied	0
Settlement Agreements	0
Agreed Orders	0
Total administrative penalties received	\$1,900.00
Worker Registry Activity	
Applications Denied	0
Workers Removed	0

Education

Number of individuals receiving education	49
On-line	49
On-site	0



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Jamey Steen, Commissioner, Texas Lottery Commission

From: LaDonna Castañuela, Charitable Bingo Operations Division Director, Texas Lottery Commission

Date: October 11, 2024

Re: Charitable Bingo Operations Division Output Metrics - September 2024

Licensee Information

<u>License Type</u>	<u>Active</u>	<u>Administrative Hold</u>
Conductor	888	25
Lessor	220	60
Distributor	12	0
Manufacturer	19	0
BingoPlayingLocations	291	0

Licensing

Number of original applications received	3
Number of renewal applications received	40
Number of worker registry applications received	214
Number of original licenses issued	3
Number of renewal licenses issued	52
Number of worker registry badges issued	233
Average Bingo License (Temporary) Processing Time (Days)	3.22
Average Bingo License (Amendments) Processing Time (Days)	2
Average Bingo License (Originals) Processing Time (Days)	83
Average Bingo License (Renewals) Processing Time (Days)	25.13

Accounting

Total payments received	12	\$13,571.70
Electronic Payment through Bingo Services Portal	3	\$5,868.34
Received by mail	9	\$7,703.36
Number of quarterly reports processed	83	

Audit Services

Number of audits and game inspections completed	1
Number of audits completed	1
Number of game inspections completed	0
Number of complaints received	15
Number of complaint investigations completed	13

Compliance

Number of administrative actions	
Applications Denied	0
Settlement Agreements	0
Agreed Orders	0
Total administrative penalties received	\$1,000.00
Worker Registry Activity	
Applications Denied	5
Workers Removed	0

Education

Number of individuals receiving education	42
On-line	42
On-site	0

Texas Lottery Commission
Charitable Bingo Operations Division



Fiscal Year 2025
Bingo Annual Audit Plan

LaDonna Castañuela, Director
Vivian Cohn, Deputy Director

September 1, 2024

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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 oversight 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/TAC) 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 the professional standards outlined in the Bingo Audit Manual, which provides a framework for performing high-quality 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 auditee.

A final written report with the auditee's response is provided to the auditee and distributed as appropriate. 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 copy of each 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, which 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 to recommend changes, if needed.

Audit Plan

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.

The Audit Plan is developed based on BEA §2001.560 (c) and is intended to ensure that audit and inspection coverage adequately examines license holders who are at the highest risk of violating bingo regulations and rules.

The Audit Plan covers the period September 1, 2024, through August 31, 2025. This plan includes audits and inspections selected based on the results of the Annual Risk Assessment as prescribed by BEA §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 remain responsive to continuously changing risks and requests for audit services, the Audit Plan may be adjusted 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: 16 hours
- Destruction oversight: 25 hours

The Audit Services Department consists of 13 auditors including one Lead Audit Coordinator (LAC), two Regional Audit Coordinators (RAC), and 10 staff auditors as of 8/1/2024.

The Audit Plan includes audits and inspections selected based on the results of the Annual Risk Assessments for Audit and Inspection and the resource analysis. The audit projects are allocated as follows: 30% CCR, 30% LSR, and 40% FDR for the fiscal year. Based on the results of the Annual Risk Assessment for Audit and current resources, it is projected that 122 audit projects and 94 inspection projects will be completed in FY 2025.

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.

FY2025 Estimated Projects

Activity	Program Type	Number of Projects
Audit	Conductor Compliance Reviews (CCR)*	25
	Limited Scope Reviews (LSR)*	63
	Financial Desk Reviews (FDR)	34
	Total Audit Projects	122
Inspection	Game Inspection (GI)	90
	Game Observation (GO)	2
	Destruction Oversight (D)	2
	Total Inspection Projects	94

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

Risk Assessment

There are three types of Risk Assessments: Annual Risk Assessment for Audit, Annual Risk Assessment for Inspection, and Quarterly Risk Assessment. The Annual Audit Plan includes the results from both the Annual Risk Assessment for Audit and the Annual Risk Assessment for Inspection. The Audit Services Department categorizes risk levels for audit and inspection projects as high, moderate, or low. 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 for Audit

The Annual Risk Assessment for Audit involves 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 16 TAC §402.703(b)(2):

- Gross Receipts
- Bingo Expenses
- Net Proceeds
- Charitable Distributions
- Compliance History (Sunset Recommendation. This risk factor is also added to the current Rule revision.)

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.

Annual Risk Assessment for Inspection

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 §2001.557(b)(1) and 16 TAC §402.705(a):

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

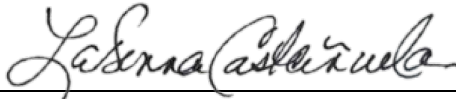
Selections for game inspections are based on the Annual Risk Assessment for Inspections in order to ensure that bingo is conducted fairly and to promote voluntary compliance with our regulatory monitoring presence.

Quarterly Risk Assessment

FDR utilizes a quarterly risk assessment to capture the most recent risk trends. The objectives and testing for FDR projects are based on the risk factors identified in the quarterly risk assessment. These risk factors include charitable distribution, rent, employee expenses, prize payouts, and compliance history. A project can encompass multiple objectives for review.

Annual Audit Plan Review & Approval

The Deputy Director submits this Fiscal Year 2025 Bingo Annual Audit Plan including Audit Charter, Audit Plan, and Annual Risk Assessments to the Director for review and approval. The Bingo Annual Audit Plan is provided to the Commission annually as prescribed by BEA §2001.560(c-2).



Approved by CBOD Director

8/22/2024

Date

Place Holder

Bingo Advisory Opinion request from Croatoan Inc. (aka Northeast Bingo) (commercial lessor).

Materials for this item will be presented at the October 29, 2024, Commission meeting.