

I. EXECUTIVE SUMMARY

In this review we assessed the validity of financial information reported to the City of Rochester and compliance with applicable regulations by organizations conducting bingo games. The Office of Public Integrity selected for examination five of the 12 organizations that conduct bingo games in the City. Additionally, we did an analysis of rent collected by the Bingo Palace to ensure that the City received the required 3% fee from this type of revenue. The results of the review conclude general compliance with regulations, and reported transactions appear accurate and reliable. However, we noted the following exceptions:

- ◆ The Office of Public Integrity noted that four of the five organizations tested had at least one individual working at their bingo games who was not on the approved membership list. State law requires that only individuals approved by the City after Police Department background reviews, work at bingo games.
- ◆ We observed that none of the workers at the Holy Apostles Parish Council bingo game were wearing an identification badge. State law requires all bingo workers to identify themselves by wearing identification badges.
- ◆ The Office of Public Integrity determined that check issuing procedures utilized by St. Stanislaus Parish Council compromise control over cash disbursements.
- ◆ We determined that two organizations made payments for improper expenses. A third organization overpaid an expense by \$99.37.

II. BACKGROUND, OBJECTIVES AND SCOPE

A. Assignment

The Office of Public Integrity routinely examines the detail records of a selection of various organizations licensed by the City of Rochester to conduct bingo games. The work plan for the current fiscal year includes the examination of five of these organizations. As part of this review, we also included an analysis of rent revenue reported to the City by the Bingo Palace.

B. Background

The City of Rochester currently authorizes 12 organizations to conduct bingo games in the City. Each organization normally plays at least once weekly for a total of 18 weekly bingo game occasions, and uses the net proceeds from the games to benefit community-based activities.

State law and City Code strictly regulate all aspects of bingo including bookkeeping requirements and maintenance, record retention, allowable and unallowable expenditures, required amounts of charitable donations, reporting requirements, and game play procedures.

For the calendar year ended December 31, 2006, the City collected \$14,330 in revenue from bingo licensing fees.

C. Objectives And Scope

The objectives of this review were to determine the validity of reported financial information and to verify compliance with applicable regulations.

The Office of Public Integrity randomly selected five organizations for an examination of reported transactions for all games played during the calendar year ended December 31, 2006. We judgmentally selected a sample of expenditures reported during the year by the organizations for testing and determined the validity of each selected transaction. The Office of Public Integrity also performed site inspections for each of these organizations while they conducted bingo games. These organizations are:

Church of the Annunciation
Elmwood Building Fund
Friends of Rochester Hebrew High School Scholarship
Holy Apostles Parish Council
St. Stanislaus Parish Council

Additionally, we completed an analysis of all 2006 rent revenue reported by the organization who operates the Bingo Palace facility to ensure that they properly submitted to the City 3% of the net profit related to this rent revenue.

III. RESULTS OF REVIEW

The results of the review indicate that the organizations generally comply with State and local bingo regulations, and reported transactions appear accurate and reliable. However, we noted exceptions that the following table summarizes:

<u>Organization</u>	<u>Workers Not On Approved Membership Lists</u>	<u>Workers Not Wearing Identification Badges</u>	<u>Improper Expense</u>	<u>Inadequate Controls Over Cash Disbursements</u>
Church of the Annunciation	X			
Elmwood Building Fund	X		X	
Friends of Rochester Hebrew High School Scholarship	X			
Holy Apostles Parish Council	X	X	X	
St. Stanislaus Parish Council			X	X

A. Workers Not On Approved Membership Lists

New York State General Municipal Law requires bingo organizations to submit for approval, a list of all potential bingo workers. The law permits only those approved individuals to work at bingo games. The City maintains a list of approved workers on file.

The Office of Public Integrity noted six individuals working at the Church of the Annunciation bingo game, three individuals working at the Elmwood Building Fund bingo game, five individuals working at the Friends of Rochester Hebrew High School Scholarship bingo game and three individuals working at the Holy Apostles Parish Council bingo game that are not on the approved membership lists for those organizations.

We advised the organizations of the State requirements and they indicated that they would either add these individuals to their approved membership lists, or they would no longer allow them to work at their bingo games.

B. Workers Not Wearing Approved Membership Badges

State Racing and Wagering Board Regulation 5820.4 requires all bingo workers to identify themselves by wearing badges approved by the Racing and Wagering Board. Public Integrity noted that none of the workers at the Holy Apostles Parish Council bingo game were wearing identification badges at the time of our visit.

We informed the organization of this requirement, and they indicated that they will conform in the future.

C. Inadequate Check Issuing Procedures

During the financial review of St. Stanislaus Parish Council, we observed the following situations that compromise control over cash disbursements and do not provide a clear accounting trail of cash activity.

1. We noted that the bookkeeper is an authorized check signer on the bingo account and also wrote checks to himself for payment of his bookkeeping services. Although bookkeeper expenses are valid and authorized by state law, State Regulation 5821.13 states, "The functions of bookkeeper and duly authorized signer of checks shall not be performed by the same person."

Public Integrity made the organization aware of this regulation and the organization informed us that the bookkeeper will cease authorizing checks for disbursements from the bingo account.

2. St. Stanislaus Parish Council writes checks against the regular bingo account to a second, interest-bearing account to earn interest on idle money. Although regulations permit this procedure, State Regulation 5821.11 prohibits disbursements from an interest-bearing account. The proper disbursements procedure required by the State is to transfer money from an interest-bearing account back to the regular bingo account and disburse funds from the regular account only.

Public Integrity observed that this organization is disbursing funds from the interest-bearing account to pay legitimate bingo occasion expenses, however, in a manner contrary to state regulations.

Public Integrity advised the organization of the proper method of cash disbursements and the organization has agreed to discontinue the prior practice.

D. Improper Expenses

State Racing and Wagering Board Regulation 5821.18 describes lawful bingo expenditures. The Office of Public Integrity noted three of the five organizations had improper and unlawful bingo expenditures.

The Holy Apostles Parish Council provided food and beverage to bingo workers during the games, St. Stanislaus Parish Council paid for security expenses related to non-bingo events and the Elmwood Building Fund over-reimbursed a payee \$99.37 more than the sales receipt amount.

Upon our request, the payee returned the overpayment of \$99.37 to the Elmwood Building Fund. We have informed the other two organizations of each of their violations of State regulations and they indicated that they will conform to regulations in the future.

IV. CONCLUSION

The validity of the reported transactions for the organizations tested appears reasonable. However, we noted several occurrences in which organizations were in violation of State regulations to a limited extent. The Office of Public Integrity informed the organizations of these violations, and they agreed to conform to required regulations. Based on these results, Public Integrity does not consider any further testing necessary.