

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 (OPI) selected for examination six of the 11 organizations that conducted bingo games in the City during the 2009 calendar year. Additionally, we performed 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 that reported transactions appear accurate and reliable; however there are several instances of non compliance with regulations. We noted the following exceptions:

- OPI noted that five of the six organizations tested had at least one individual working at their bingo games that was not on their approved membership list. State law requires that only individuals approved by the City, after Police Department background reviews, work at bingo games.
- OPI noted that workers for two of the six organizations tested were not wearing name badges. State law requires that bingo workers wear badges.
- OPI noted that the Miriam and Baruch Elencwajg Foundation bingo organization uses an interest bearing checking account as their Special Bingo Account and makes direct disbursements from this account. State law prohibits writing any checks from an interest bearing account and requires that each licensee maintain at least one regular checking account.
- OPI noted that two of the six organizations tested had a numbered ball displayed on the video monitor and pushed it back into the receptacle. State law requires that once a ball has been removed from the receptacle, it shall not be returned until after the conclusion of the game.
- OPI noted that two of the six organizations tested do not use preprinted consecutive numbered checks. State law requires that all checks must be preprinted and accounted for.
- OPI noted that the current license for the Holy Apostles organization was not conspicuously displayed on the bingo premises, as required by state law. Upon further examination, OPI noted that Holy Apostles did not apply for a license and conducted two bingo occasions on May 4, 2010 without a valid bingo license. State law requires that a valid license be issued to anyone conducting a bingo game.

- We noted nine instances in which Empire Statesmen Inc., did not deposit by the next business day bingo receipts totaling \$9, 351.78. State law requires that deposits from bingo receipts be deposited intact no later than the next business day following the date of the occasion.

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 six of these organizations. Additionally, we included as part of this review, an analysis of rent revenue reported to the City by the Bingo Palace.

B. Background

The City of Rochester currently authorizes 11 organizations to conduct bingo games in the City. Each organization plays at least once weekly for a total of 16 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, 2009, the City collected \$12,209.40 in net 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 six organizations for an examination of reported transactions for all games played during the calendar year ended December 31, 2009. We judgmentally selected a sample of expenditures reported during the year by the organizations for testing and

determined the validity of each selected transaction. OPI also performed site inspections for each of these organizations while they conducted bingo games. These organizations are:

Empire Statesmen Boosters Inc.
 St. Stanislaus Church
 Miriam and Baruch Elencwajg Foundation
 Talmudical Institute Ladies Organization
 Friends of RHHS – Scholarship
 Holy Apostles Church

Additionally, we completed an analysis of all 2009 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 many of the organizations are not in full compliance with State and local bingo regulations. The 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>Displayed Ball Returned To Receptacle</u>	<u>Conducted Bingo Without License</u>	<u>Missing Consecutive Numbered Checks</u>	<u>Untimely Deposits</u>	<u>Workers Not Wearing Identification Badges</u>	<u>Utilizing An Interest Bearing Checking Account</u>
Friends of RHHS - Scholarship	X			X		X	
Empire Statesmen Boosters Inc.	X	X			X		
St. Stanislaus Church			No findings noted				
Miriam and Baruch Elencwajg Foundation	X						X
Talmudical Institute Ladies Organization	X	X		X			
Holy Apostles Church	X		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 four individuals working at the Friends of RHHS – Scholarship bingo game, three individuals working at the Empire Statesmen Boosters bingo game, one individual working at the Elencwajg Foundation bingo game, three individuals working at the Talmudical Institute Ladies Organization bingo game and four individuals working at the Holy Apostles Church 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 either they would add these individuals to their approved membership lists, or they would no longer allow them to work at their bingo games.

B. Displayed Ball Returned To Receptacle

New York State Racing and Wagering Rules and Regulations state that once a ball is removed, no ball shall be returned to the receptacle until after the conclusion of the game. At the Talmudical Institute Ladies Organization and the Empire Statesmen, Inc. Booster games, a bingo ball was pushed back into the receptacle after it came up and was displayed on the video monitor. We advised both organizations of the State requirements and they indicated that they would comply with State rules and regulations regarding this matter.

C. Bingo Occasion Conducted Without Bingo License

Holy Apostles conducted two bingo games on May 4, 2010 without a valid bingo license for either occasion. The organization did not renew their license when the old license expired on April 27, 2010. New York State General Municipal Law (GML) 495a requires that a valid license be issued to anyone conducting a bingo game. New York State GML 483 requires that a current license be conspicuously displayed. The organization was made aware of this finding on May 5, 2010 and submitted their application that day. They also indicated that they would file timely in the future.

D. Missing Consecutive Numbered Checks

We noted missing consecutive check numbers for both Friends of RHHS – Scholarship and Talmudical Institute Ladies Organization (TILO). These organizations do not use preprinted consecutively numbered checks. Instead, they generate checks from their computers, including the check numbers. New York State Racing and Wagering Board Rules and Regulations state that all checks must be accounted for and that all monies be withdrawn by only checks having preprinted consecutive numbers. The organizations have been made aware of this finding.

E. Untimely Deposits

Empire Statesmen Inc. did not deposit by the next business day all bingo receipts for the nine occasions between October 31st and December 26th totaling \$9,351.78. New York State Racing and Wagering Board Rules and Regulations state that all deposits from bingo receipts must be made intact and deposited no later than the next business day following the date of a bingo occasion. The organization has been made aware of this and indicated that deposits will be made according to the State rules and regulations.

F. 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 or the Friends of RHHS–Scholarship bingo game were wearing identification badges at the times of our visits.

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

G. Utilizing an Interest Bearing Checking Account

State Racing and Wagering Board Regulation 5821.8 requires each licensee to maintain one regular checking account for bingo receipts and disbursements. Elencwaig Foundation uses an interest bearing account as their regular bingo account. Additionally, the organization makes direct disbursements from this account which is prohibited per Section 5821.11 of the State regulations.

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

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. Based on these results, the Office of Public Integrity does not consider any further testing necessary.