COMMON AUDIT VIOLATIONS:

I. DEPOSITS

SC Code Section 12-21-4090 "Bingo checking and savings accounts" (A-C)

1. Proceeds from the sale of dabbers (aka manual markers) are <u>not</u> considered income from the conduct of bingo. These deposits are considered "other funds" and should <u>not</u> be deposited in the bingo checking account.

2. Deposits from bingo operation must be deposited on a timely basis, i.e. no more than one business day following the day of the bingo occasion on which the receipts were obtained.

The term "business day" in the SC Bingo law is <u>not</u> synonymous with "Bingo <u>operation</u> day". For SCDOR audit purposes, "Business Day" is defined as Monday through Friday, less all federal holidays; although individual working hours may differ, and particular firms may choose staggered schedules, the conventional business day is 9 A.M. to 5 P.M.

3. "Other funds" (i.e., funds other than from bingo operation) should not be deposited in the bingo account unless there is a deficit, and then both the organization and the promoter shall deposit a loan equal to fifty percent of the deficit. Refunds from vendors, reimbursements, and re-deposits from NSF checks are acceptable to deposit into the bingo checking account, and should be recorded on the "Bank Reconciliation for Bingo Checking Account" page of the quarterly report RD-9.

4. Employee payroll checks must <u>not</u> be deposited in the bingo account. Employee payroll checks are not considered "funds derived from the conduct of bingo".

5. Cashing of checks for the purpose of "cash back" in the bingo account is <u>not</u> considered "funds derived from the conduct of bingo".

6. Loan documentation must be maintained by the organization and accounted for on the quarterly financial report.

II. DISBURSEMENTS

SC Code Section 12-21-4090 "Bingo checking and savings accounts" (D-F)

SC Code Section 12-21-4100 "Record Keeping and reporting requirements" (A&B)

1. Electronic payments must be authorized by a duly authorized representative of the licensed nonprofit organization and promoter in writing.

Examples of disbursements that are acceptable to be drafted without an authorization from the bingo account are:

- Payments to SCDOR for Tax on Bingo Paper
- Federal Payroll Tax
- State Payroll Tax

- State Withholding Tax
- Bank Fees
- Check re-order (i.e. Harland Check)

2. The **<u>nature</u>** of the payment noted on the face of the check must be descriptive and explanatory of the disbursement. A truncated version of the "payee" or an account number in the "memo" section of the check is not an acceptable description of the nature of the payment.

3. Dabbers cannot be purchased from the bingo checking account, and are not considered necessary and reasonable bona fide expenses incurred and paid in connection with the conduct of bingo.

4. Coffee, coffee cups, creamer, sugar, etc. cannot be purchased from the bingo checking account, and are not considered necessary and reasonable bona fide expenses incurred and paid in connection with the conduct of bingo.

III. REPORTING REQUIREMENTS

SC Code Section 12-21-4100. Record Keeping and reporting requirements

1. The quarterly reports may <u>not</u> be submitted on an accrual or modified cash basis, the instructions provided on the quarterly bingo report specifically state "MUST BE ON SCDOR FORMS USING CASH BASIS ACCOUNTING".

2. Cash over/under may **<u>not</u>** be reported as an expense on the quarterly Form RD-9. This is not considered a necessary or reasonable bona fide bingo expense, and should **<u>not</u>** be paid from the bingo checking account.

3. On the quarterly Form RD-9, Schedule A, the "Adjusted Gross Income" column plus the "Withholding Tax" column must equal the "Amount Deposited" column. Cash over/under should not flow through the bingo checking account, and should not affect the amount deposited from bingo operation.

4. All <u>expenses made and to be made</u>, must be reported on the RD-9, i.e. accounts payable, promoter's fees due, etc.

5. "Accounts Payable" over 15 days, is considered a loan and accrual basis, therefore loan documentation is required along with a loan deposit into the bingo checking account equal to fifty percent by both the promoter and organization.

6. Substantiation for information reported on the RD-9 includes but is not limited to:

- Invoices and/or receipts for all disbursements made from the bingo checking account
- Bingo checking account Bank Statements (both checking and saving)
- Credit card statements, if applicable
- Both Federal and State Payroll and Prize Withholding returns and unemployment returns

- W-2, W-3, 1099, and/or W-2G forms
- Deposit slips for all deposits made to the bingo checking account
- Checks or check copies including voided checks for the bingo checking account
- Electric bingo tickets and/or point of sale receipts
- "daily sheets" which should include the following information:
 - a) date of bingo operation
 - b) game type
 - c) **<u>individual</u>** game inventory count (in and out)
 - d) prize payout information (per game)
 - e) number of winners (per game)
 - f) sales/amount to be deposited (per game)
 - g) total number of games played per bingo operation
- Programs for each day of bingo operation
- "caller sheets" which should include the following information:
 - a) date of bingo operation
 - b) game type and/or game number
 - c) **<u>announced</u>** prize payout amount
 - d) number of winners per game

IV. ELECTRONICS

SC Code Section 12-21-4007. Site System and Electronic Dabber Specifications

SC Revenue Ruling #04-11. Bingo Ticket Standards

SC Code Section <u>12-21-4007(A)(1)(c)</u> "print a summary report for each session containing:"

1. The "Electronic Bingo Tickets" must have a point of sale receipt attached **or in lieu of the receipt**, must have all of the pertinent information (as required by SC Revenue Ruling #04-11. Bingo Ticket Standards) recorded directly on the electronic bingo ticket.

2. The summary report for each session must contain the following information:

- a. The date and time of the report;
- b. The name of the site;
- c. The date of the session;
- d. The sequential session number;
- e. The number of transactions;
- f. The number of voided transactions;
- g. The number of electronic bingo card images downloaded or activated;
- h. The number of devices used;
- i. The total gross proceeds; and
- j. Any other information required by the department.

V. OTHER

SC Code Section 12-21-4000(15). Procedures applicable to the conduct of bingo

- 1. Promotions of special events are limited to \$200 in cash or merchandise per session, not to be paid out of the bingo checking account, and are not included in the total payouts for a session.
- 2. Promotions must <u>not</u> require any consideration for participation.
- 3. Promotions must <u>not</u> require an additional charge to players to participate.

SC Code Section 12-21-3940(C). License to conduct bingo

- 1. Any change in session hours must be forwarded to the department, in writing, within thirty (30) days of the change, i.e. closed for any reason including bad weather, holidays, family emergencies, etc.
- SC Code Section 12-21-4020. Classes of bingo licenses (B-C)
- 1. Class B license holders may <u>not</u> pay out prizes exceeding eight thousand dollars (\$8,000) per session.
- 2. Class C license holders may <u>not</u> pay out more than six (6) jackpots per session. The jackpots may not exceed one hundred fifty dollars (\$150.00). Other offered prizes must be for twenty dollars or less.