

BOARD OF COUNTY COMMISSIONERS
SARPY COUNTY, NEBRASKA

RESOLUTION ACCEPTING INDEPENDENT ACCOUNTANTS REPORT OF KENO LOTTERY OPERATIONS

WHEREAS, pursuant to Neb. Rev. Stat. §23-104(6) (Reissue 1997), the County has the power to do all acts in relation to the concerns of the County necessary to the exercise of its corporate powers; and,

WHEREAS, pursuant to Neb. Rev. Stat. §23-103 (Reissue 1997), the powers of the County as a body are exercised by the County Board; and,

WHEREAS, pursuant to section 35-616 et. seq. of the Department of Revenue regulations, compliance procedures are required for Sarpy County Keno Lottery operations; and,

WHEREAS, the required procedures have been performed for Advanced Gaming Technologies, Inc. keno lottery operations by the firm of Orizon CPAs LLC, for the year ended June 30, 2010; and,

NOW, THEREFORE, BE IT RESOLVED, By the Sarpy County Board of Commissioners, that the attached Independent Accountants Report of Advanced Gaming Technologies, Inc. keno lottery operations is hereby accepted and the Sarpy County Clerk is hereby directed to file such report.

DATED this 28th day of September, 2010.

MOVED by Rich Jansen, seconded by Rusty Hike, that the above Resolution be adopted. Carried.

YEAS:	NAYS:	ABSENT:
<u>[Signature]</u>	<u>none</u>	<u>none</u>
<u>[Signature]</u>	_____	_____
<u>[Signature]</u>	_____	ABSTAIN:
<u>[Signature]</u>	_____	<u>none</u>
_____	_____	_____

Attest:

SEAL



[Signature]
County Clerk

Sarpy County Board of Commissioners

1210 GOLDEN GATE DRIVE
PAPILLION, NE
593-4155
www.sarpy.com

ADMINISTRATOR Mark Wayne
DEPUTY ADMINISTRATOR Scott Bovick
FISCAL ADMIN./PURCHASING AGT. Brian Hanson



COMMISSIONERS

Rusty Hike District 1
Joni Albrecht District 2
Tom Richards District 3
Pat Thomas District 4
Rich Jansen District 5

MEMO

To: Sarpy County Board

From: Brian Hanson

Re: Keno Report

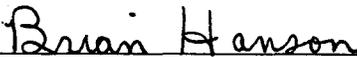
Attached is a copy of the Independent Accountants' Report for Sarpy County Keno operations. Orizon CPA's performed the required compliance procedures. The main finding is as follows:

1. The monthly summary reports prepared by the Lottery Operator did not agree with the totals recorded on the keno system transaction logs. The keno system transaction logs yielded a total handle of \$13,204 more than the monthly summary reports. This results in an additional \$957 being owed to the County of Sarpy and an additional \$1,849 being owed to the Lottery Operator. In addition, the 51C's, which were filed using information from the monthly summary reports, inaccurately reported the total handle. The \$13,204 of additional handle results in an additional \$264 of tax being owed to the State of Nebraska.

The County's operator has been contacted and will remit the additional funds due to the County. The operator will take steps to ensure that the error will not be repeated.

I recommend approval of the attached Resolution that will accept the Independent Accountants' Report prepared by Orizon CPA's.

September 24, 2010



Brian E. Hanson

BEH/dp

cc: Mark Wayne
Deb Houghtaling
Scott Bovick

COUNTY/CITY LOTTERY COMPLIANCE PROCEDURES REPORT

COUNTY OF SARPY

07/01/09 THROUGH 6/30/10

**This document is an official public record of the State of Nebraska, issued by
the County of Sarpy.**

DATE OF ISSUANCE SEPTEMBER 15, 2010

**Brian Hanson, Fiscal Administrator
Sarpy County, Nebraska**

ORIZON CPAs LLC
CERTIFIED PUBLIC ACCOUNTANTS
16924 FRANCES STREET, SUITE 210
OMAHA, NEBRASKA 68130



402 330/7008/PHONE
330/6851/FAX
www.orizongroup.com

September 15, 2010

INDEPENDENT ACCOUNTANT'S REPORT

**Board of Commissioners
Sarpy County, Nebraska**

We have performed the compliance procedures as specified in the attached report, to which Sarpy County, Nebraska has agreed, to test keno operations of the Sarpy County, Nebraska for the year ended June 30, 2010. We have performed these procedures solely to assist Sarpy County, Nebraska in monitoring their compliance with applicable provisions of the Nebraska County and City Lottery Act. Sarpy County, Nebraska is responsible for compliance with those requirements. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion, on compliance with applicable provisions of the Nebraska County and City Lottery Act and City Lottery Regulations and the terms and conditions of the Lottery Operator's contract. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information of Sarpy County, Nebraska's management and the Nebraska Department of Revenue – Charitable Gaming Division for the purpose listed in the first paragraph, and is not intended to be, and should not be, used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Orizon CPAs LLC
ORIZON CPAs LLC

COMPLIANCE PROCEDURES AND FINDINGS

COMPLIANCE REQUIREMENT (MANUAL BALL DRAW METHOD): An unannounced observation of the keno activity shall be made at least annually for all Sponsors who utilize a manual ball draw method for selection of winning numbers during the conduct of a keno lottery.

EXCEPTIONS/COMMENTS:

This step is not applicable because the County of Sarpy uses a computer generated ball draw method instead of a manual ball draw method.

COMPLIANCE REQUIREMENT (AUTOMATED BALL DRAW METHOD): Verify that keno management personnel have performed on a next day basis a review of all no read and duplicate number occurrences. Sponsors must also verify that keno management personnel of the Lottery Operator or Sales Outlet Location have performed on a next day basis a review of the game draw for a minimum of 10 percent of the games run for the previous day. A written log of such reviews must be maintained by the Lottery Operator or Sales Outlet Location where the automated ball draw equipment is in use.

EXCEPTIONS/COMMENTS:

This step is not applicable because the County of Sarpy uses a computer generated ball draw method instead of an automated ball draw method.

COMPLIANCE REQUIREMENT (MANUAL AND AUTOMATED BALL DRAW METHODS): View the video tape or digital recording for a minimum of five games for each month (from at least two different weeks within each month) to determine that the following items are in compliance with the regulations:

- a. The video tape or digital recording must have a clear image to show the empty rabbit ears or wheel, date and time, and full rabbit ears or wheel. The video tape or digital recording must also show the game number or the time and date which will relate to the game number.
- b. The winning numbers drawn per the video tape or digital recording must agree to the draw ticket prepared by a lottery worker, in the case of a manual ball draw, and the winning numbers recorded on the transaction log. Verify that all discrepancies were reported to the Nebraska Department of Revenue, Charitable Gaming Division, by the Lottery Operator, Sales Outlet Location, or Sponsor. Report all discrepancies not previously reported directly to the Nebraska Department of Revenue, Charitable Gaming Division. Compare the time of the video tape or digital recording to the transaction log; also examine any procedures which would allow the Lottery Operator or Sales Outlet Location the opportunity to affect the outcome of the keno game.

- c. The video tapes must be retained and may not be reused until the Sponsor has performed the compliance procedures on the tapes and has released the tapes.

EXCEPTIONS/COMMENTS:

This step is not applicable because the County of Sarpy uses a computer generated ball draw method instead of a manual or automated ball draw method.

- * **COMPLIANCE REQUIREMENT:** Verify the accuracy of monthly game summary information provided by the Lottery Operator by tracing the gross proceeds and prize payouts from the keno systems transaction log to the monthly summary information.

PROCEDURES/FINDINGS:

The gross proceeds and prize payouts from the monthly summary information provided by the Lottery Operator were compared to the totals recorded on the keno system transaction logs. The monthly summary reports prepared by the Lottery Operator did not agree with the totals recorded on the keno system transaction logs. The keno system transaction logs yielded a total handle of \$13,204 more than the monthly summary reports. This results in an additional \$957 being owed to the County of Sarpy and an additional \$1,849 being owed to the Lottery Operator. In addition, the 51C's, which were filed using information from the monthly summary reports, inaccurately reported the total handle. The \$13,204 of additional handle results in an additional \$264 of tax being owed to the State of Nebraska.

EXCEPTIONS/COMMENTS:

None.

- * **COMPLIANCE REQUIREMENT:** Determine that the gross proceeds of the keno lottery, less prizes paid in cash are deposited into a separate bank account of the Sponsor or Lottery Operator. Monthly trace the deposits per the daily cash summary and the transaction log to the keno operations bank account to determine that the proper amount has been deposited within a commercially reasonable time frame and report any discrepancies.

PROCEDURES/FINDINGS:

The gross proceeds of the keno lottery, less prizes paid in cash were deposited into a separate bank account of the Lottery Operator. The deposits per the daily cash summary and the transaction log were traced to the keno operations bank account and the following discrepancies were detected.

	<u>Date of Deposit</u>	<u>Correct Deposit</u>	<u>Actual Deposit</u>	<u>Difference</u>
a.	08/05/09	\$ 306.50	\$ 306.40	\$ -0.10
b.	09/25/09	72.20	72.21	0.01
c.	10/01/09	187.04	187.08	0.04
d.	12/28/09	270.75	270.79	0.04

All deposits were made in a commercially reasonable time frame.

When reconciling the total deposits in the operating account, it was noted that there are unexplained additional deposits in the amount of \$1,289.

EXCEPTIONS/COMMENTS:

A sample of five deposits per month per location, were selected for testing of this requirement.

- * **COMPLIANCE REQUIREMENT:** Examine any cash overage or shortage in excess of \$25 per keno writer per shift/day and report unexplained and unresolved discrepancies and irregularities.

PROCEDURES/FINDINGS:

There were no overages or shortages in excess of \$25 per keno writer per shift/day which were not previously reported to the Department. We reviewed the monthly sales journals prepared by the Lottery Operator for each location, tracing deposits as stated in the compliance requirement above and noting no overages or shortages over \$25.

EXCEPTIONS/COMMENTS:

None.

- * **COMPLIANCE REQUIREMENT:** The computer-generated prize pay table(s) for all types of wagers must agree with the published prize pay table(s). Verify that the Lottery Operator has a procedure to maintain a log of all updates and changes to the prize pay tables and that the active prize pay tables on the keno system agree with the published prize pay tables.

PROCEDURES/FINDINGS:

The active prize pay tables on the keno system were examined on 7/30/10 and agreed with the published prize pay tables. We reviewed the log of all updates and changes to the prize pay tables maintained by the Lottery Operator.

EXCEPTIONS/COMMENTS:

None.

- * **COMPLIANCE REQUIREMENT:** Examine the financial security provided for prize payments to verify that funds are guaranteed and in compliance with the regulations.

PROCEDURES/FINDINGS:

The financial security provided for prize payments was examined on 7/30/10 and is in the form of two letters of credit totaling \$175,000. The beneficiary of the letters of credit is the County of Sarpy and the expiration date of the letters of credit is 6/15/11. The value of the financial security is greater than the top prize offered, which is \$50,000.

We reviewed the supporting documentation for the letters of credit, which agreed to the amount stated above.

EXCEPTIONS/COMMENTS:

None.

COMPLIANCE REQUIREMENT: Ensure that all lottery records are maintained as prescribed in Schedule 59 - County/City Lottery Records approved by the Records Management Division of the Secretary of States office and Regulation 35-622.

FINDINGS:

Lottery records are maintained as prescribed in Schedule 59 - County/City Lottery Records. The (printed/electronic medium) transaction logs, outside tickets with pay tickets (net winnings of \$1,500 or more) and void tickets are stored at 3915 Harrison Street, Bellevue, NE.

EXCEPTIONS/COMMENTS:

None.

COMPLIANCE REQUIREMENT: Sponsor must file a Nebraska County/City Lottery Report, Form 35K, for the annual period corresponding to the Sponsor's fiscal year. The report must be filed with the Charitable Gaming Division within 90 days of the end of the Sponsor's fiscal year.

FINDINGS:

The Nebraska County/City Lottery Annual Report and Form 35K covering the period 07/01/09 through 06/30/10 are attached.

* Compliance test performed by Orizon CPAs LLC – See Independent Accountant's Report.

NEBRASKA DEPARTMENT OF REVENUE

**Nebraska
County/City Lottery
Annual Report**

Form 35K



C H A R I T A B L E G A M I N G

Forms can also be accessed and completed on our Web site: www.revenue.ne.gov/gaming

PLEASE DO NOT WRITE IN THIS SPACE

Name of County/City/Village (Sponsor)
COUNTY OF SARPY

Nebraska Identification Number
35—806323

Name of Lottery Operator
ADVANCED GAMING TECHNOLOGIES, INC.

Lottery Operator's E-Mail Address

Method of Accounting

Cash

Accrual

Other

PART A — INCOME, EXPENSES/DISBURSEMENTS, PROFIT AND INTEREST

Income:

1	Gross proceeds.....	1	\$	2,088,621	00
2	Prizes paid.....	2		1,653,551	00
3	Net proceeds (line 1 minus line 2).....	3		435,070	00
4	Overage or (Shortage).....	4			
5	Adjusted net proceeds.....	5		435,070	00

Expenses/Disbursements:

6	Lottery operator commissions.....	6	\$	292,407	00
7	State lottery taxes.....	7		41,772	00
8	License fees.....	8		100	00
9	Audit and legal fees.....	9		3,650	00
10	Other expenses/disbursements (attach itemized list).....	10			
11	Total expenses/disbursements (total of lines 6 through 10).....	11		337,929	00

Net Profit:

12	Total available for distribution (line 5 minus line 11).....	12	\$	97,141	00
13	Total interest earned (total of line 3, page 2).....	13		0	00
14	Total available for community betterment (line 12 plus line 13).....	14		97,141	00

PART B — MISCELLANEOUS INFORMATION

15	Amount owed to the sponsor at the end of the period.....	15	\$	13,765	00
16	Amount owed to the lottery operator at the end of the period.....	16	\$	83,462	00

Under penalties of law, I declare that as a governing official of the county/city/village of SARPY I have examined this report, including accompanying schedules and statements, and to the best of my knowledge and belief, it is complete, true and accurate.

This report will be/was made available to the residents of the county/city/village of SARPY on 9/30/2010 Date

sign here

Signature of Preparer JODI L. RINNE Date 16924 FRANCES ST #210 Daytime Telephone Number (402) 330-7008
Print Name of Preparer JRINNE@ORIZONGROUP.COM Address OMAHA, NE Zip Code 68130
E-Mail Address

Signature of Governing Official BRIAN HANSON Title FISCAL ADMINISTRATOR Daytime Telephone Number (402) 593-2349
Print Name of Governing Official BHANSON@SARPY.COM Address 1210 GOLDEN GATE DR #1132 PAPHILLION, NE Zip Code 68046
E-Mail Address

This report and statements are due within 90 days of the end of the reporting period.
Mail to: NEBRASKA DEPARTMENT OF REVENUE, P.O. BOX 94855, LINCOLN, NE 68509-4855

NEBRASKA SCHEDULE I — Bank Account Information

• Attach this page to Form 35K (page 1)

Name of County/City/Village (Sponsor) as Shown on Form 35K
COUNTY OF SARPY

Nebraska Identification Number
35— 806323

- Enter information from bank statements for each account maintained for revenues and disbursements from county/city lottery (keno)
- Attach additional sheet(s) if necessary

Bank account name.....	KENO OPERATIONS BANK ACCOUNT	PRIZE RESERVE BANK ACCOUNT	PROGRESSIVE JACKPOT ACCOUNT	BIG WINS BANK ACCOUNT	COMMUNITY BETTERMENT ACCOUNT	OTHER BANK ACCOUNT
Bank account number (last four digits)	0297			0388		

ACCOUNT ACTIVITY FOR THE PERIOD COVERED BY THIS REPORT

1 Balance at fiscal year or short period beginning date <u>7/1/2009</u>	1	\$ 32,884 00	\$	\$	\$ 718 00	\$ 113,486 00	\$
2 Deposits.....	2	589,033 00			155,327 00	157,233 00	
3 Interest earned	3						
4 Subtotal (total of lines 1 through 3).....	4	\$ 621,917 00	\$ 0 00	\$ 0 00	\$ 156,045 00	\$ 270,719 00	\$ 0 00
5 Disbursements (checks and withdrawals)	5	581,956 00			155,531 00	154,786 00	
6 Balance at fiscal year or short period ending date <u>6/30/2010</u> (line 4 minus line 5) ...	6	\$ 39,961 00	\$ 0 00	\$ 0 00	\$ 514 00	\$ 115,933 00	\$ 0 00
7 Amount of lottery (keno) cash on hand or outstanding deposits as of the start of fiscal year or the short period starting <u>7/1/2009</u> (see instructions).....	7					\$ 16,255 00	
8 Amount of lottery (keno) cash on hand or outstanding deposits as of the end of fiscal year or the short period ending <u>6/30/2010</u> (see instructions).....	8					15,440 00	
9 Prizes paid by check and withdrawals for keno cash (i.e. fills) during the reporting period.....	9					151,860 00	
10 Deposits into the keno operations account other than daily keno receipts (i.e. transfers from prize reserve, operator, community betterment or any other accounts, etc.) Attach itemized schedule	10					0 00	
11 Other disbursements from the keno operations account (Attach itemized schedule).....	11					0 00	
12 Total community betterment expenditures paid from the community betterment bank/fund	12					\$ 110,000 00	

Use the space below to highlight these expenditures:

Total community betterment expenditures is made up of quarterly allotments to the Sarpy County Economic Development Corporation (SCEDC).

Amount Owed to Lottery Operator at the End of the Period

	<u>Balance Due</u>	<u>Paid</u>	<u>Amount Owed</u>
Beginning Balance			\$ 68,627
Jun-09		\$ (25,725)	42,902
Jul-09	\$ 21,343	(15,155)	49,091
Aug-09	23,723	(12,648)	60,166
Sep-09	23,199	(28,914)	54,451
Oct-09	25,664	(20,671)	59,444
Nov-09	22,912	(21,214)	61,143
Dec-09	23,979	(24,249)	60,873
Jan-10	22,032	(27,510)	55,394
Feb-10	25,318	(29,456)	51,257
Mar-10	26,767	(33,235)	44,789
Apr-10	25,331	(15,142)	54,978
May-10	27,784	(23,655)	59,107
Jun-10	24,355		83,462

Form 35K, page 1, Line 16