

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 2012), 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 2012), 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 HSMC - Orizon, for the year ended June 30, 2014; 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.

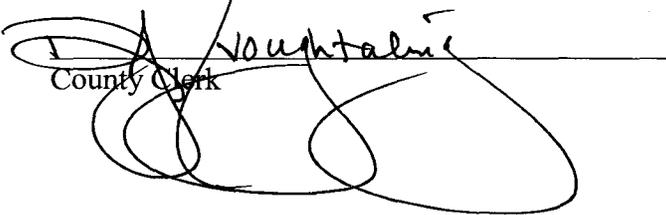
The above Resolution was approved by a vote of the Sarpy County Board of Commissioners at a public meeting duly held in accordance with applicable law on the 30th day of September, 2014.


 Sarpy County Board Chairman

Attest:

SEAL




 County Clerk

Sarpy County Board of Commissioners

7

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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
Jim Thompson District 2
Tom Richards District 3
Jim Nekuda District 4
Jim Warren 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. HSMC - Orizon performed the required compliance procedures. The report shows that all compliance requirements were met except for a few bank deposits that were off by small amounts. The deposit variations did not impact the County's revenues.

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

September 26, 2014



Brian E. Hanson

BEH/mg

cc: Mark Wayne
Deb Houghtaling
Scott Bovick
John Hassett

COUNTY/CITY LOTTERY COMPLIANCE PROCEDURES REPORT

COUNTY OF SARPY

07/01/13 THROUGH 6/30/14

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

DATE OF ISSUANCE JULY 30, 2014

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

HSMC ORIZON LLC
CPAs, BUSINESS & TECHNOLOGY CONSULTANTS
16924 FRANCES STREET
OMAHA, NEBRASKA 68130



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July 30, 2014

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, 2014. 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.

HSMC Orizon LLC
HSMC ORIZON 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 information agreed with the totals recorded on the keno system transaction logs.

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.	02/04/14	\$ 7.95	\$ 7.99	\$ 0.04
b.	04/29/14	292.86	292.87	0.01
c.	06/16/14	94.40	97.40	3.00

All deposits were made in a commercially reasonable time frame.

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. 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 uncorrected 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 7/23/14 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 7/30/14 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 6/15/15. 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 10308 S. 23rd 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:

A copy of the Nebraska County/City Lottery Annual Report Form 35K covering the period 07/01/13 through 06/30/14, which was filed electronically, is attached.

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

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Charitable Gaming - Annual Report - Form 35K Annual Report Confirmation

COUNTY OF SARPY
806323
06/30/2014

Print a copy for your records

FOR THE TAX PERIOD ENDING	06/30/2014
Method of Accounting	Accrual

PART A--INCOME, EXPENSE/DISBURSEMENTS, PROFIT AND INTEREST

Income:

1 Gross proceeds	1894254
2 Prizes Paid	1595232
3 Net proceeds (line 1 minus line 2)	399022
4 Overage or Shortage (enter a negative for shortage)	0
5 Adjusted Net Proceeds	399022

Expenses/Disbursements:

9/24/2014

Attach itemized list of expenses and amounts

6 Lottery operator commissions	279195
7 State lottery taxes	39884
8 License fees	100
9 Audit and legal fees	0
10 Other expenses/disbursements	0
11 Total expenses/disbursements (total of lines 6 through 10)	319179
Net Profit:	
12 Total available for distribution (line 5 minus line 11)	79843
13 Total interest earned (from Schedule I)	0
14 Total available for community betterment (line 12 plus line 13)	79843

PART B--MISCELLANEOUS INFORMATION

15 Amount owed to the sponsor at the end of the period	12007
16 Amount owed to the lottery operator at the end of the period	84765

NEBRASKA SCHEDULE I - Bank Account Information

Enter information from bank statements for each account maintained for revenues and disbursements from county/city lottery (keno)

ACCOUNT ACTIVITY FOR THE PERIOD COVERED BY THIS REPORT**Keno Operations Bank Account**

1 Balance at fiscal year or short period beginning date	36912
2 Deposits	562251
3 Interest earned	0

9/24/2014

4 Subtotal (total of lines 1 through 3)	599163	7 Amount of lottery (keno) cash on hand or outstanding deposits as of the start of fiscal year or the short period	12908
5 Disbursements (checks and withdrawals)	573701	8 Amount of lottery (keno) cash on hand or outstanding deposits as of the end of the fiscal year or short period	16197
6 Balance at fiscal year or short period ending date	25462	9 Prizes paid by check and withdrawals for keno cash (i.e. fills) during the reporting period	155309
Prize Reserve Bank Account			
1 Balance at fiscal year or short period beginning date	0	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.)	8530
2 Deposits	0		
3 Interest earned	0		
4 Subtotal (total of lines 1 through 3)	0	Attach itemized list of expenses and amounts <u>View</u>	
5 Disbursements (checks and withdrawals)	0	11 Other disbursements from the keno operations account	8916
6 Balance at fiscal year or short period ending date	0	Attach itemized list of expenses and amounts <u>View</u>	
Progressive Jackpot Account			
1 Balance at fiscal year or short period beginning date	0	12 Total community betterment expenditures paid from the community betterment bank/fund	90000
2 Deposits	0		
3 Interest earned	0		
4 Subtotal (total of lines 1 through 3)	0		
5 Disbursements (checks and withdrawals)	0		
6 Balance at fiscal year or short period ending date	0		
Big Wins Bank Account			
1 Balance at fiscal year or short period beginning date	842		
2 Deposits	159208		
3 Interest earned	0		

4 Subtotal (total of lines 1 through 3)	160050
5 Disbursements (checks and withdrawals)	159556
6 Balance at fiscal year or short period ending date	494

Community Betterment Account

1 Balance at fiscal year or short period beginning date	74122
2 Deposits	154588
3 Interest earned	0
4 Subtotal (total of lines 1 through 3)	228710
5 Disbursements (checks and withdrawals)	132740
6 Balance at fiscal year or short period ending date	95970

Other Bank Account

1 Balance at fiscal year or short period beginning date	0
2 Deposits	0
3 Interest earned	0
4 Subtotal (total of lines 1 through 3)	0
5 Disbursements (checks and withdrawals)	0
6 Balance at fiscal year or short period ending date	0
Comments	

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Amount Owed to Lottery Operator at the End of the Period

	<u>Balance Due</u>	<u>Paid</u>	<u>Amount Owed</u>
Beginning Balance			\$ 64,481
Jun-13		\$ (26,931)	37,550
Jul-13	\$ 20,214	(20,823)	36,941
Aug-13	21,929	(22,453)	36,417
Sep-13	19,103	(15,427)	40,093
Oct-13	21,237	(26,590)	34,740
Nov-13	21,513	(20,592)	35,661
Dec-13	24,283	(26,264)	33,680
Jan-14	22,333	(18,589)	37,424
Feb-14	21,161	(24,025)	34,560
Mar-14	26,165	(22,435)	38,290
Apr-14	28,672	(16,196)	50,766
May-14	31,391	(18,607)	63,550
Jun-14	21,215		84,765 Form 35K, page 1, Line 16

Amount Owed to Lottery Sponsor at the End of the Period

Jun-14	<u>12,007</u>	Amount owed for June 2013 and paid in July 2013
	<u>\$ 12,007</u>	Form 35K, page 1, Line 15

Other Deposits (Non-Keno Revenue)

09/17/13	\$ 133	Correction of an errant transfer disbursed in December 2012
09/27/13	301	Deposit made to balance 2012-2013 short/overs
01/14/14	54	Transfer from the Big Win account
01/14/14	39	Correction of an errant deposit January 2014
04/04/14	6,177	Correction of an errant transfer disbursed in March 2014
05/27/14	418	Correction of an errant transfer disbursed in May 2014
06/16/14	<u>1,408</u>	Correction of an errant transfer disbursed in June 2014
	<u>\$ 8,530</u>	Form 35K, page 2, Line 10

Other Disbursements

07/11/13	\$ 2,331	Reversed deposits in July 2013
03/15/14	6,177	Errant transfer disbursed out of the account
05/27/14	<u>408</u>	Errant transfer disbursed out of the account
	<u>\$ 8,916</u>	Form 35K, page 2, Line 11