

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,

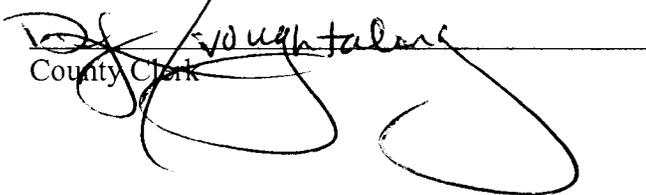
WHEREAS, the required procedures have been performed for Advanced Gaming Technologies, Inc. keno lottery operations by the firm of HSMC - Orizon, for the year ended June 30, 2013; and,

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 13th day of October, 2013.


Sarpy County Board Chairman

Attest:
SEAL 


County Clerk

Deb Houghtaling Sarpy County Clerk

Renee Lansman
Chief Deputy

1210 Golden Gate Drive #1250 • Papillion, Nebraska 68046-2895
Phone: 402-593-2105 • Fax: 402-593-4471 • Website www.Sarpy.com • Email: Clerk@sarpy.com

October 3, 2013

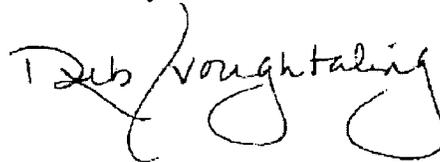
NE Dept. of Revenue
Charitable Gaming Commission
PO Box 94855
Lincoln NE 68509-4855

RE: Audit of Keno Lottery Operations

The Sarpy County Board of Commissioners by resolution dated October 1, 2013 accepted the annual audit for the year ended 6/30/13 having been performed by the firm of Orizon CPA's, LLC. A copy of the accepting resolution is enclosed.

The Sarpy County Fiscal Administrator has instructed that subject audit be provided to the Charitable Gaming Commission. Thank you.

Sincerely,



Debra J. Houghtaling
Sarpy County Clerk

Enclosure

COUNTY/CITY LOTTERY COMPLIANCE PROCEDURES REPORT

COUNTY OF SARPY

07/01/12 THROUGH 6/30/13

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

DATE OF ISSUANCE SEPTEMBER 17, 2013

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

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



402.330.7008 / PHONE
402.330.6851 / FAX
www.hsmcorizon.com

September 17, 2013

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, 2013. 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.	07/19/12	\$ 176.25	\$ 172.25	\$ -4.00
b.	02/06/13	244.10	243.10	-1.00

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 7/24/13 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 7/09/12 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 6/15/13. 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:

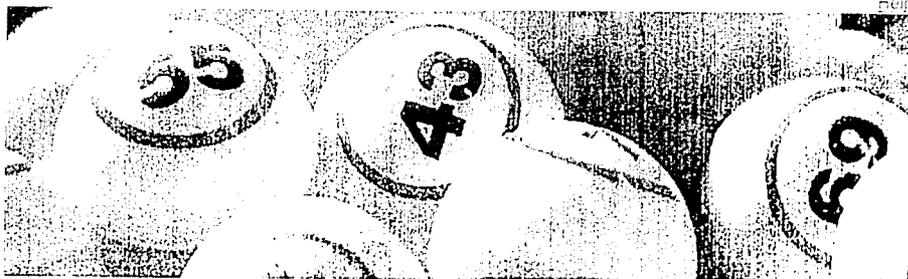
A copy of the Nebraska County/City Lottery Annual Report Form 35K covering the period 07/01/12 through 06/30/13, which was filed electronically, is attached.

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

Nebraska Department of
REVENUE



CHARITABLE GAMING



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

COUNTY OF SARPY
806323
06/30/2013

Print a copy for your records

FOR THE TAX PERIOD ENDING 06/30/2013

Method of Accounting Accrual

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

Income:

1 Gross proceeds 2097739

2 Prizes Paid 1629166

3 Net proceeds (line 1 minus line 2) 468573

4 Overage or Shortage (enter a negative for shortage) 0

5 Adjusted Net Proceeds 468573

Expenses/Disbursements:

6 Lottery operator commissions 293683

7 State lottery taxes 41955

8 License fees 0

9 Audit and legal fees 0

10 Other expenses/disbursements 0

11 Total expenses/disbursements (total of lines 6 through 10) 335638

Net Profit:

12 Total available for distribution (line 5 minus line 11) 132935

13 Total interest earned (from Schedule I) 0

14 Total available for community betterment (line 12 plus line 13) 132935

PART B--MISCELLANEOUS INFORMATION

15 Amount owed to the sponsor at the end of the period 12202

16 Amount owed to the lottery operator at the end of the period 64481

NEBRASKA SCHEDULE I - Bank Account Information

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

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

TOTAL COMMUNITY BETTERMENT EXPENDITURES IS MADE UP OF QUARTERLY ALLOTMENTS OF \$22,500 TO THE SARPY COUNTY ECONOMIC DEVELOPMENT CORPORATION (SCEDC).

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ACCOUNT ACTIVITY FOR THE PERIOD COVERED BY THIS REPORT

Keno Operations Bank Account

1 Balance at fiscal year or short period beginning date	41727
2 Deposits	606486
3 Interest earned	0
4 Subtotal (total of lines 1 through 3)	648213
5 Disbursements (checks and withdrawals)	611301
6 Balance at fiscal year or short period ending date	36912

Prize Reserve 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

Progressive Jackpot 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

Big Wins Bank Account

1 Balance at fiscal year or short period beginning date	1007
2 Deposits	126314
3 Interest earned	0
4 Subtotal (total of lines 1 through 3)	127321
5 Disbursements (checks and withdrawals)	126479
6 Balance at fiscal year or short period ending date	842

Community Betterment Account

1 Balance at fiscal year or short period beginning date	48521
2 Deposits	161376
3 Interest earned	0
4 Subtotal (total of lines 1 through 3)	209897
5 Disbursements (checks and withdrawals)	135775
6 Balance at fiscal year or short period ending date	74122

Other Bank Account

7 Amount of lottery (keno) cash on hand or outstanding deposits as of the start of fiscal year or the short period	13772
8 Amount of lottery (keno) cash on hand or outstanding deposits as of the end of the fiscal year or short period	12908
9 Prizes paid by check and withdrawals for keno cash (i.e. fills) during the reporting period	123630
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.)	13778
Attach itemized list of expenses and amounts <u>View</u>	
11 Other disbursements from the keno operations account	13730
Attach itemized list of expenses and amounts <u>View</u>	
12 Total community betterment expenditures paid from the community betterment bank/fund	90000

Amount Owed to Lottery Operator at the End of the Period

	<u>Balance Due</u>	<u>Paid</u>	<u>Amount Owed</u>
Beginning Balance			\$ 86,867
Jun-12		\$ (31,295)	55,572
Jul-12	\$ 20,290	(30,858)	45,004
Aug-12	27,255	(27,548)	44,711
Sep-12	22,272	(29,318)	37,665
Oct-12	23,860	(20,138)	41,388
Nov-12	23,515	(34,964)	29,939
Dec-12	27,004	(22,483)	34,460
Jan-13	27,616	(10,306)	51,770
Feb-13	22,220	(37,515)	36,475
Mar-13	27,081	(27,164)	36,392
Apr-13	25,493	(24,062)	37,823
May-13	25,204	(20,419)	42,608
Jun-13	21,873		64,481 Form 35K, page 1, Line 16

Amount Owed to Lottery Sponsor at the End of the Period

Jan-13	\$ 512	Additional amount owed to the sponsor due to transposition
Jun-13	<u>11,690</u>	Amount owed for June 2013 and paid in July 2013
	<u>\$ 12,202</u>	Form 35K, page 1, Line 15

Other Deposits (Non-Keno Revenue)

8/23/2012	\$ 133	Amount errantly deposited twice for a day's activity
9/20/2012	20	Deposit of a service guaranteed payment
10/2/2012	251	Amount errantly deposited twice for two days' activity
11/6/2012	5,543	Correction of an errant transfer disbursed in October 2012
1/18/2013	20	Deposit of a service guaranteed payment
6/5/2013	7,670	Correction of an errant transfer disbursed in May 2013
6/24/2013	<u>141</u>	Transfer from the Big Win account
	<u>\$ 13,778</u>	Form 35K, page 2, Line 10

Other Disbursements

8/30/2012	\$ 133	Correction of a deposit made twice in August 2012
10/9/2012	251	Correction of two deposits made twice in October 2012
10/26/2012	5,543	Errant transfer disbursed out of the account
12/11/2012	133	Amount errantly disbursed and corrected in September 2013
5/14/2013	<u>7,670</u>	Errant transfer disbursed out of the account
	<u>\$ 13,730</u>	Form 35K, page 2, Line 11

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



<p><u>COMMISSIONERS</u> Rusty Hike District 1 Jim Thompson District 2 Tom Richards District 3 Jim Nekuda District 4 Jim Warren District 5</p>

MEMO

To: Sarpy County Board

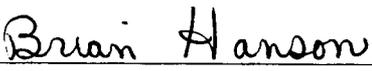
From: Brian Hanson

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. In addition, a transposition error was made in the remittance of Sarpy County's commission for January 2013. The operator will remit an additional \$512 to Sarpy County.

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

September 27, 2013



Brian E. Hanson

BEH/mg

cc: Mark Wayne
Deb Houghtaling
Scott Bovick
John Hassett