

Shayle Duffield

From: Fraser Cowan, Sandy GPEB:EX <Sandy.FraserCowan@gov.bc.ca>
Sent: Wednesday, October 19, 2022 10:36 AM
To: Shayle Duffield
Subject: [EXTERNAL]PAC audit question
Attachments: 2021 Charitable Compliance Bulletin.pdf

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Shayle Duffield:

Thank you for your email questions regarding PACs and audits. I have attached a general Compliance Bulletin that may provide some additional details for your organization review. I have responded to your specific questions below:

- 1. How often do PAC's get audited? Who audits them? What are they looking for? Are PAC's at risk of losing gaming grant if they are audited and not following best practices?*

The Compliance Division of the Gaming Policy Enforcement Branch conducts audits to ensure that Community Gaming Grant funds and Licensed Gaming proceeds are used for eligible purposes in accordance with the Community Gaming Grant Program Guidelines and Licensed Charitable Gaming Rules.

An organization may occasionally be selected for an audit for a range of reasons, which include, but are not limited to:

- Specific selection criteria that are directly attributable to risk factors.
- The result of a complaint received from the public.
- Concerns regarding an organization's reporting and/or submitted applications.

There is no set time for how often a Pac get audited.

In regards to our audit work, we would review your organization's gaming records (i.e. Gaming bank account, cancelled cheques/EFT transactions, invoices, reports to the Branch such as your organization's annual Gaming Account Summary Report and applicable licensed reports (EGERRs) to ensure accurate and complete reporting. We are ensuring your organization is using the applicable funds for eligible purposes, and practicing good financial internal controls, and that your organization meets all the eligible criteria for grants/licences. Our audit report findings would identify any non-compliance findings.

It is possible that material/severe findings are reported that cause future loss of grant funds/licences such as not having the proper eligibility structure (at application time), financial internal control issues, or other material non-compliance practices. But more often our audit findings/recommendations are brought forward to the Pac Board and accepted going forward.

I hope this email assists your organization, if your organization has further questions please contact the Auditor.

Thanks,
Sandy

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Gaming Policy and Enforcement Branch

Gaming Compliance Overview

The purpose of this bulletin is to summarize the common deficiencies related to Community Gaming Grants and Licensed Gambling Events. We have listed common deficiencies along with key recommendations to ensure your organization is aware of compliance requirements listed in Community Gaming Grants – Program Guidelines and Licensed Charitable Gaming Rules.

The overview of key recommendations section can act as a checklist for your organization to ensure you are compliant with the standards listed.

List of Common Deficiencies

- Gaming cheques issued are not dually signed, with a minimum of one board member of the organization.
- Electronic transfers from the gaming account are not supported by written board authorization and specific required details of what the funds are reimbursing from other non-gaming accounts.
- Gaming account cheques are pre-signed.
- Disbursements from the gaming account are not for direct delivery of approved programs or approved as part of the licensed gaming application process.
- Gaming funds, such as licensed gaming proceeds, gaming donations from service clubs and portions of GST rebates applicable to Gaming disbursements are not deposited into the organization's gaming account.
- Unlicensed gaming activities (raffles, bingo, 50/50) were conducted.
- No or late submission of Gaming Event Revenue Reports for licensed events.
- No or late submission of Gaming Account Summary Reports.
- Board member receives remuneration for board member volunteer duties.
- Reported volunteer hours and other in-kind contributions not recorded or records not retained.
- No acknowledgment of Province of BC funding on promotional materials /website.

Key Recommendations for Compliance

Security of Assets

- All gaming transaction records including transactions and in-kind donation records, should be retained for a period of five years from the end of the fiscal year in which the revenue was disbursed/reported.
- Access to records should be limited to authorized individuals.
- Access controls such as locked safes, filing cabinets, drawers should be in place to safeguard records/assets (cash for example).
- Sign in sheets should be used when records are removed from secured premises, where appropriate

Segregation of Duties

- Avoid giving one-person control over all stages of a process. For example, the following tasks should generally not be performed by the same individual:
 - Writing and signing cheques or vouchers and receiving, recording, securing, and depositing cash and other receipts.
 - Requesting, authorizing, verifying, and recording expenditures.

The following suggestions demonstrate segregation of duties:

- Have bank statements and cancelled cheques mailed to the organization's President, or equivalent, for review (if they are not also the Treasurer).
 - Require board members to initial bank statements, cancelled cheque print outs and reconciliations.
 - Require the board member signing officer(s) to initial the supporting documents for gaming disbursements to show they reviewed the documents.
 - Ensure board meeting minutes adequately comment on financial review and cash balances.
 - The payee (whether staff or board member) should not be one of the signing officers for that disbursement.
- All board members should review financial documentation (e.g. financial statements, budgets, bank statements, cleared cheques, etc.) on a regular basis, ask questions about the organization's finances and follow up on unexpected results or variances.
 - If possible, it is recommended that the Treasurer not be granted signing authority, in order to ensure appropriate segregation of duties.

Licensed Gaming

- Members of the organization, including board members responsible for the conduct and management of the ticket raffle and employees of contracted gaming services providers are not permitted to purchase tickets for that raffle or play bingo.
- A licensee that could generate \$250,000 or more in gross revenue through the gaming event licence must also ensure:
 - The person responsible for running the gaming event and the person responsible for gaming event finances are separate individuals.
 - Both individuals are Registered Gaming Workers with GPEB.
- Tickets must not be distributed to persons who have not agreed to sell or buy them.
- Licensees must reconcile the number of sold, voided and unsold tickets with the number in the draw container, to ensure that only eligible tickets form part of the draw.
- All draws must be open to all ticket holders, who wish to be present at the draw without additional charge.
- At the time of the draw(s), a list of winners must be completed, signed, and witnessed by at least two volunteers; one of whom is a board member or delegate from the organization.
- Organizations eligible for Class A licenses (gaming event or series of gaming events that project more than \$20,000 in gross revenue) may apply to use an Electronic Raffle System (ERS) to conduct their ticket raffles. If an application to use ERS is approved by Licensing, a license may be issued that authorizes the organization to:
 - Sell and distribute tickets electronically, including printing and distributing tickets in person.
 - Determine prize winners using an electronic random number generator.
 - Distribute prizes to winners online.
- The ERS service provider must be registered with GPEB.

Financial Controls

- The organization must maintain a separate Gaming Account for the exclusive purpose of receiving, holding, and disbursing gaming funds, including any gaming funds received through licensed gaming, Community Gaming Grants, or gaming fund donations from Service Clubs.
- Cheques for the Gaming Account must have the organization's full name and the words "Gaming Account" printed on them.
- All cheques issued against the gaming account must have dual signatures and be signed by a minimum of one board member of the organization unless a formal exception has been approved by the Executive Director, Community Gaming Grants Branch.

- Cheques are never to be pre-signed – this negates the control of dual signatures.
- Ensure cheques are issued in sequential order to provide a safety measure for control of assets.
- Spoiled cheques should be retained and clearly marked “VOID”.
- Gaming account cheques must not be made payable to “Cash” or “Petty Cash.”
- The use of electronic transfers must be authorized in writing by two current unrelated board members. The authorization document must identify the specific purpose and maximum dollar amount permitted for each electronic transfer and must be retained with the gaming records.
- Cash should be accounted for upon receipt and verified by a second individual and secured until deposit.
- Cash received should be deposited as soon as practical.
- Cash receipts should be reconciled to bank deposits by an individual independent of cash collections and done on a regular basis.

Reporting Requirements

- Ensure organizations submit a Gaming Event Revenue Report (GERR) for all licensed gaming events within 90 days from the expiry of the licence. GERR submitted by mail, fax or email are no longer accepted. GERRs must be submitted online using the Gaming Online Service at <https://www.gaming.gov.bc.ca/licensing/reportListSearch.do>
- Ensure organizations submit a Gaming Account Summary Report (GASR) within 90 days from their fiscal year end. GASRs may be submitted via email to gaming.licensing@gov.bc.ca

Organization Structure Requirements

- Ensure all board members are volunteers and do not receive remuneration/financial benefit for their services.
- Ensure that organization’s voting membership is more than 2:1 ratio of board members.
- Ensure at least 2/3 board members are democratically chosen by the voting membership.

Did You Know?

- The Community Gaming Grant program adapted policies and procedures to address the immediate impacts of COVID-19 on B.C.'s not-for-profit sector; several program criteria were relaxed or adapted to provide flexibility and ensure organizations continued to be eligible for funding. Temporary changes to the 2021 Community Gaming Grants include:
 - Organizational financial eligibility criteria relating to operating surplus will not be enforced for returning applicants affected by COVID-19. Return applicants with more than 50% operating surplus will not have their funding levels negatively impacted if they are unable to meet this criterion.
 - Program eligibility requirement for programs to have been delivered for 12 months at the time of application will be waived for return applicants whose program delivery was interrupted due to COVID-19. The 12 months requirement will also be waived for new programs responding to COVID-19-related community needs.
 - Program financial eligibility criteria related to government funding will not be enforced for returning applicants affected by COVID-19. Return applicants with more than 75% of program funding from government sources will not have their funding levels negatively impacted if they are unable to meet this criterion.

- Currently, Chase the Ace draws are not eligible to be licensed in BC because they do not meet the requirements of BC's Rules for Ticket Raffles.

- Organizations cannot advertise a gaming event until it has received a gaming licence for that event.

- All applications must be submitted online using the "Online Service" link on the GPEB website at: <https://www.gaming.gov.bc.ca/gaming/common/Welcome.do?start=true>

- To check the status of an application once submitted, please see: <https://www.gaming.gov.bc.ca/gaming/report/WebReports.do>

- To amend, cancel or withdraw a licence, organizations must submit a written request to: gaming.licensing@gov.bc.ca

- Licensees may apply to use an ERS by selecting the Licensed Online Gaming (LGO) option within the online application and submitting the required documents; an addendum (<https://www2.gov.bc.ca/assets/gov/sports-recreation-arts-and-culture/gambling/licences/form-addendum-licensed-gaming-online.pdf>) and the contract with their service provider via email to gaming.licensing@gov.bc.ca