

Attention Organizations that Sell Bingo Gift Certificates

Internal Control Procedures

A possible theft of gambling funds was recently uncovered involving unreported sale of bingo gift certificates. These internal control procedures outline recommended procedures for preventing this type of theft from your organization.

Background – Some organizations that conduct paper bingo, especially those in a “bingo hall” setting, sell bingo gift certificates. These certificates can then be used to purchase bingo paper at future occasions. This is allowed by statute and rule provided that bingo gift certificates are only sold at the permitted premises where the bingo is conducted.

Bingo Coupons vs. Bingo Gift Certificates – Bingo coupons are used to discount the price of bingo paper. Bingo coupons are given to potential customers free of charge. Bingo gift certificates are sold to potential customers and are redeemed by players on a “same as cash” basis. Bingo gift certificates should not be used to discount the price of bingo paper, while bingo coupons should not be sold.

Requirement – Minnesota Rule 7861.0320, Subp. 1A, requires organizations to establish and implement internal control procedures that ensure that all “gambling revenue transactions are recorded properly and completely to maintain accountability for assets”. In other words, the rule requires that your organization sufficiently track the sale and redemption of bingo gift certificates and the deposit of gift certificate proceeds to prevent lawful gambling fund theft.

Recommended Procedure for Tracking Bingo Gift Certificates – Statute and rule require very specific internal control procedures (for example, all gambling account checks must be signed by two active members). For bingo gift certificates, it’s been left to the organizations to implement their own internal controls provided that they are sufficient to account for that income. The specific procedures below are not required at this time, although they may be in the future. If your organization has a different method for tracking bingo gift certificates that provides security equal to or better than the procedures below, you may continue to use them.

However, these are the procedures we highly recommend. If you’re familiar with the conduct of raffles, you’ll notice many similarities between tracking the sale of raffle tickets and the sale of bingo gift certificates.

- 1) Your gift certificates should be consecutively numbered and the numbers should not be used more than once. For example, if your organization wants to sell \$10 gift certificates, you could have a printer print up 200 of them that are numbered 1 – 200. When you need to order 200 more, start the numbering at 201 and go to 400.
 - a. Keep a copy of the invoice that shows how many gift certificates were printed. If someone in your organization prints them up on a computer, have that person give you a signed document stating how many and which numbers were printed and the selling price listed on the gift certificates.
 - b. Each bingo gift certificate should include your organization’s name and license number, the cost/redemption value of the gift certificate (the selling price of the gift certificate should equal the redemption value), and the name and permit number of the premises where the gift certificate may be redeemed (must be same location as where the gift certificates are sold).
- 2) Complete a “Bingo Gift Certificate Tracking Worksheet”. This form is an Excel spreadsheet form available on the Gambling Control Board’s website. You enter the range of gift certificate numbers that were printed and the form creates a numbered checklist for each ticket. This form will function as a “perpetual inventory” for your bingo gift certificates. To access this worksheet go to www.mn.gov/gcb, “Bingo” tab, then bottom right.
- 3) As each gift certificate is sold, the seller will enter the sell date next to that number on the Bingo Gift Certificate Tracking Worksheet.

- 4) As each gift certificate is redeemed, the seller will enter the redeemed date next to that number on the Bingo Gift Certificate Tracking Worksheet.
- 5) At the end of each occasion, an organization employee or volunteer:
 - a. verifies that the value of gift certificates sold matches the amount listed on form LG905, Admission Sales Summary/Bingo Paper. If your organization conducts bar bingo and uses form LG920, you will need to modify the LG920 form to account for the sale and redemption of bingo gift certificates; and
 - b. counts the actual gift certificates that were redeemed and matches that amount to the amount on form LG905, Admission Sales Summary/Bingo Paper.
- 6) At the end of each month, an organization employee or volunteer who is not involved in the sale or redemption of bingo gift certificates must conduct a physical inventory of unsold gift certificates (count the actual unsold gift certificates in the organization's possession and compare that to the amount listed as unsold on the Bingo Gift Certificate Tracking Worksheet).

Reporting the Sale of Bingo Gift Certificates on Monthly LG100A and G1 Tax Return – The value of gift certificates sold is listed as income on the bingo occasion records for that day, and as a result, the value of bingo gift certificates sold are included as bingo gross receipts in the month that the gift certificates are sold. When the gift certificates are redeemed, they're reported on the occasion records in the same way as bingo coupons. As such, the value of gift certificates redeemed is subtracted from the occasion's gross receipts. In other words, the net receipts tax on bingo gift certificates is applied when the gift certificates are sold – not when they are redeemed. No adjusting entries are required on the LG100F, Lawful Gambling Fund Reconciliation, to account for the sale and redemption of bingo gift certificates.

Other Things to Keep in Mind

- It will be easier to properly track your bingo gift certificates if you only offer one denomination. In other words, just sell \$20 certificates (or whatever denomination you choose). If somebody wants to purchase a \$100 gift certificate, sell them five \$20 certificates. This is easier than doing a separate tracking for \$20 certificates and \$100 certificates.
- Allow the certificates to be treated the same as cash for the purchase of bingo paper. For example, don't say that a \$10 certificate can only be used toward the purchase of a \$20 packet. If you want to discount the price of a certain packet, this should be done with a free coupon that's available to all players.
- Indicate on the gift certificate that it may only be redeemed for the purchase of bingo paper. A bingo gift certificate may not be redeemed for any other form of lawful gambling, concession items, cash, or any other product.
- Design your gift certificates in a way that avoids easy duplication. For example, print them on card stock, use multiple colors, sign each certificate in ink, etc. This will discourage potential counterfeiters.
- Minnesota law generally prohibits the sale of gift cards/gift certificates that have an expiration date.