

7861.0320 ORGANIZATION OPERATIONS, ACCOUNTS, REPORTS, AND RECORDS.

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Subp. 9. **Fund loss report or request for a profit carryover adjustment due to fund loss.** When an organization has a fund loss by questionable means of its inventory or cash, including prizes paid from a game not conducted in compliance with statute and rule, the organization must use the following procedures.

- A. The organization must file a report with local law enforcement authorities within:
 - (1) five days of discovering the loss; or
 - (2) 24 hours of discovering a loss from a pull-tab dispensing device.
- B. The organization must submit one of the following to the board within 60 days of discovering the loss:
 - (1) documentation that its gambling account was reimbursed for the amount of the fund loss from a source of nongambling funds and the date the loss was reported to the organization's membership; or
 - (2) a request for a profit carryover adjustment due to a fund loss. If the organization does not submit the request within 60 days of discovering the loss, the board will not consider the request.
- C. An organization that submits a request to the board for a profit carryover adjustment due to a fund loss must use a form prescribed by the board. The request must contain, at a minimum:
 - (1) organization's name, address, license number, premises permit number, and effective date of the premises permit where the loss occurred;
 - (2) monetary value of the loss or total amount of prizes paid from a game not conducted in compliance with statute and rule;
 - (3) how and when the loss occurred;
 - (4) how the assets were secured when the loss occurred;
 - (5) whether the current status of the law enforcement investigation is active, inactive, or closed;
 - (6) whether any portion of the loss has been or will be paid by insurance or restitution and, if so, the anticipated amount to be paid and dates of payment;
 - (7) internal controls in place when the loss occurred and any changes made to the internal controls and personnel to prevent future losses;
 - (8) date the loss was reported to the membership;
 - (9) signatures of the chief executive officer and gambling manager; and
 - (10) before the request will be considered by the board, the organization must provide the board with copies of:
 - (a) the local law enforcement report or a letter showing that the organization has requested a copy of the report;
 - (b) a copy of the Schedule B2, if any, and the lawful gambling fund reconciliation showing how the loss was reported; and
 - (c) minutes from the meeting at which the fund loss was reported to the membership.
- D. The board must consider the following items when approving or denying a request for a profit carryover adjustment due to a fund loss:

- (1) security procedures and internal controls in effect when the loss occurred;
- (2) how assets were secured when the loss occurred;
- (3) whether established internal controls were followed by the organization's employees;
- (4) timely filing of the local law enforcement report;
- (5) whether the information in the request was complete;
- (6) when the loss occurred, whether an organization employee was in control of the board must identify the relevant facts it used to determine that the organization failed to meet the procedural requirements of subsections (A) through (C) or that it failed to establish adequate internal controls as listed in subsection (D). the cash, inventory, or prizes paid from a game not conducted in compliance with statute and rule;
- (7) whether the cash, inventory, or prizes paid from a game not conducted in compliance with statute and rule were accessible to nonorganization employees; and
- (8) if the loss occurred after business hours, how the organization protected and controlled the cash or inventory.

E. If the board denies a request for a profit carryover adjustment due to a fund loss, The organization must reimburse its gambling account for the amount of the fund loss. The organization must submit proof of reimbursement to the board within 90 days of the board's final determination unless subject to the conditions of subsection (G).

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F. The board must reconsider a request for a profit carryover adjustment due to a fund loss when an organization presents new information that the organization could not have discovered before the board's initial consideration of the request.

G. If the board denies a request for a profit carryover adjustment due to a fund loss, and the required reimbursement under subsection (E) is equal to or greater than \$10,000, then the board's decision will be subject to automatic review by the Compliance Review Group. The organization must submit proof of reimbursement to the board within 90 days of the Compliance Review Group's final determination.