

CHAPTER 8122
DEPARTMENT OF REVENUE
LAWFUL GAMBLING; ANNUAL AUDITS AND REVIEWS

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8122.0100 SCOPE; PURPOSE.

Minnesota Statutes, section 297E.06, subdivision 4, mandates that the commissioner of revenue prescribe standards for the annual audit and review of certain organizations licensed to conduct lawful gambling in Minnesota. The purpose of this chapter is to set minimum standards for these annual audits and reviews.

Statutory Authority: *MS s 270.06*

History: *20 SR 1482*

8122.0150 DEFINITIONS.

Subpart 1. **Scope.** The terms used in this chapter are defined in Minnesota Statutes, chapter 297E, unless separately defined under this part.

Subp. 2. **Accrual basis.** "Accrual basis" means the method of accounting in which revenue is recognized in the period earned and expense is recognized in the period incurred.

Subp. 3. **Audit.** "Audit" means the examination of accounting records with the expression of an opinion on whether the financial statements of the organization present fairly, in all material respects, the financial position, results of operations, and its cash flows, in conformity with the regulatory basis of accounting.

Subp. 4. **Certified public accountant; CPA.** "Certified public accountant" or "CPA" means a person who is licensed as a certified public accountant by the Minnesota Board of Accountancy.

Subp. 5. **Cash basis.** "Cash basis" means the method of accounting in which revenues are recognized when actually received and expenses are recognized when actually disbursed.

Subp. 6. **Ending inventory.** "Ending inventory" means the cost of unopened pull-tab and tipboard deals, paddlewheels, unused bingo paper or sheets, and the cost of pull-tab, tipboard, and paddlewheel games in play on the last day of the month. Sales tax is excluded from ending inventory.

Subp. 7. **Licensed public accountant; LPA.** "Licensed public accountant" or "LPA" means a person who is licensed as a licensed public accountant by the Minnesota Board of Accountancy.

Subp. 8. **Material weakness.** "Material weakness" means a reportable condition in which the design or operation of the specific internal control structure elements do not reduce to a relatively low level the risk that material errors or irregularities could occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Subp. 9. **Regulatory basis.** "Regulatory basis" means a method of accounting other than generally accepted accounting principles. All receipts, allowable expenses, and lawful purpose expenditures are determined using the cash basis method of accounting with the exception of the cost of the games and taxes imposed under Minnesota Statutes, section 297E.02, subdivisions 1 and 6 (ten percent tax and combined receipts tax), which are recognized on the accrual basis method of accounting.

Subp. 10. **Reportable condition.** "Reportable condition" means significant deficiencies in the design or operation of the internal control structure which could adversely affect

the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Subp. 11. **Review.** "Review" means the expression of a limited assurance, based on performing inquiry and analytical procedures, that there are no material modifications that should be made to the financial statements for the statements to be in conformity with the regulatory basis of accounting.

Subp. 12. **Year.** "Year," when used in defining an audit or review period, means the organization's fiscal year used for filing federal form 990 or 990-T (Unrelated Business Income Tax).

Statutory Authority: *MS s 270.06*

History: *20 SR 1482*

8122.0200 ACCOUNTANTS QUALIFICATIONS.

Subpart 1. **License required.** An accountant must be an independent certified public accountant or independent licensed public account in good standing with the Minnesota State Board of Accountancy and licensed to practice in Minnesota.

Subp. 2. **Standards of independence.** The CPA and LPA shall maintain objectivity and be free of the appearance of conflicts of interest when discharging professional responsibilities needed to perform the audit or review. CPAs and LPAs shall adhere to the standards of objectivity and independence as established in the American Institute of Certified Public Accountants professional standards.

In addition, for purposes of this subpart, an individual CPA or LPA who is a member of an organization, or the accounting firm the individual belongs to, must not perform the organization's annual audit or review if one or more of the following occurred during the fiscal year:

- A. the CPA or LPA was an employee of the organization;
- B. the CPA or LPA was an officer of the organization, such as treasurer, executive director, chief executive officer, gambling manager, or president;
- C. the CPA or LPA served on the board of directors for the organization;
- D. the CPA or LPA served on a gambling committee or other committee with oversight or decision-making authority over gambling business transactions, other than in a member's capacity to approve gambling business transactions presented at monthly membership meetings as required under Minnesota Statutes, chapter 349; or
- E. in connection with the organization general fund, gambling fund, or any other organization fund, the CPA or LPA prepared or reconstructed accounting record source documents, consummated transactions, had custody over assets, exercised authority, or unduly exercised authority on behalf of the organization by assuming the role of employee or management.

Statutory Authority: *MS s 270.06*

History: *20 SR 1482*

8122.0250 DUE DATE; EXTENSIONS.

The annual audits and annual reviews required are due on or before the last day of the sixth month following the organization's fiscal year end or on an extended due date.

A written request to file the annual audit or annual review after the required due date must be submitted to the Department of Revenue by the required annual audit or annual review due date. The request must be signed by the organization's chief executive officer, gambling manager, or the independent accountant performing the audit. The request must include the:

- A. organization's name;
- B. organization's license number;
- C. organization's fiscal year end;
- D. reason for the request; and
- E. expected completion date.

An automatic 30-day extension will be granted in each fiscal year. Second requests for an extension or requests for extensions exceeding 30 days will be granted only upon a showing of reasonable cause. "Reasonable cause" shall mean cases where the reasons for the filing delay are beyond the control of the organization. Acceptable reasons for granting an additional extension include, but are not limited to:

(1) delay or failure to file was due to serious illness or death of the accountant or a key member of the accountant's staff;

(2) delay or failure to file was due to erroneous information given the organization by a department of revenue employee; or

(3) delay or failure to file was caused by the destruction by fire or other casualty of the organization's place of business or business records.

Statutory Authority: *MS s 270.06*

History: *20 SR 1482*

8122.0300 COMMUNICATION OF ILLEGAL ACTS, MATERIAL ERRORS, AND IRREGULARITIES.

An organization is responsible to communicate illegal acts, material errors, and irregularities to the Department of Revenue in writing within ten days of notification from auditors that such acts, errors, or irregularities exist. The organization must include a copy of all correspondence or notes taken during meetings between the independent auditors and the licensed organization specifically detailing the illegal acts, material errors, and irregularities.

Statutory Authority: *MS s 270.06*

History: *20 SR 1482*

8122.0350 ACCOUNTING RECORDS.

All licensed organizations are required to maintain records that account for the assets, liabilities, and fund balance of their lawful gambling operation. These records must also account for their gambling revenue, prize payouts, allowable expenses, and lawful purpose expenditures.

If, in the opinion of the independent CPA or the independent LPA engaged to conduct the annual financial audit or review, the licensed organization has not maintained proper accounting records in a form that can be audited or reviewed, the accountant must either:

A. notify the organization in writing of the deficiencies that exist and the corrective action required, with an estimate of the cost to generate auditable records or the reason the cost cannot be estimated; or

B. terminate the audit engagement.

Statutory Authority: *MS s 270.06*

History: *20 SR 1482*

8122.0400 ACCOUNTANT'S WORKPAPERS AND COMMUNICATIONS; ACCESS AND RETENTION.

Subpart 1. Workpapers. Workpapers are the records kept by the independent CPA or independent LPA of the procedures followed, tests performed, information obtained, and conclusions reached pertinent to the examination and review of the financial statements of a licensed gambling organization. Workpapers must include, but are not limited to, work programs, analyses, memoranda, letters of confirmation and representation, management letters, abstracts of organization documents, and schedules or commentaries prepared or obtained by the accountant in the course of the audit and that support the accountant's opinion or assurance.

Subp. 2. Communications. Communications are written documentation or notes of oral contacts between the independent CPA or independent LPA and an organization. The communication with the organization must include, but is not limited to, matters relating to the auditor's responsibility, significant accounting policies, the process used in obtaining management judgments, significant audit adjustments, auditor responsibilities for other information, auditor disagreements with organization's management, auditor views on audit-

ing and accounting matters for which other auditors were contacted, major issues discussed with management prior to retention, and any difficulties encountered while performing the audit.

Subp. 3. **Access and retention.** Every licensed gambling organization required to file an audit or review shall require the accountant, through the licensed gambling organization, to make available for review by the Department of Revenue the workpapers and communications with the organization prepared in the conduct of the audit. The licensed gambling organization shall require that the accountant retain the workpapers for a period of not less than 3-1/2 years after the opinion date of the audit report.

Statutory Authority: *MS s 270.06*

History: *20 SR 1482*

8122.0450 TERMINATION OF AUDIT ENGAGEMENT OR REVIEW.

If for any reason the audit engagement or review is terminated by either the licensed organization or the independent accountant prior to its completion and filing of the annual financial audit report or financial review report, the accountant is, within ten days of termination, required to make a written report to the Department of Revenue detailing the reason or reasons for the termination.

Statutory Authority: *MS s 270.06*

History: *20 SR 1482*

8122.0500 LESS THAN A 12-MONTH AUDIT OR REVIEW.

An organization whose license is active, discontinued, terminated, or expired at the organization's fiscal year end, is required to complete and file an audit or a review, if the organization's gross receipts exceed \$50,000 as specified in Minnesota Statutes, section 297E.06.

In the year an organization commences gambling activity, the audit or review required may cover the operations of the organization for a period of less than 12 months.

In the year an organization's license expires, is discontinued, or terminated, the audit or review will be through the organization's fiscal year end, unless the organization's license termination plan has been approved by the Gambling Control Board prior to the fiscal year end. In this circumstance, the organization has the option of performing the required audit or review through the license termination plan approval date, or another date specified by the organization that is between the approval date and the last day of the fiscal year.

Statutory Authority: *MS s 270.06*

History: *20 SR 1482*

8122.0550 AUDIT.

Subpart 1. **Minimum requirements.** The annual financial audits must be prepared on the regulatory basis of accounting and contain, at a minimum, an opinion, financial statements, supplemental schedules, a report on internal controls, a response to internal controls report, and other information as noted.

Subp. 2. **Opinion.** An audit opinion expressed in accordance with generally accepted auditing standards regarding the fairness of the presentation of the financial statements must be properly signed and dated by the CPA or LPA firm who performed the audit. The address of the accounting firm must be listed.

Subp. 3. **Financial statements.** The financial statements must be comparative financial statements showing the current year and previous year's financial information, unless it is a first year engagement for the accounting firm in which case the preparation of comparative statements is optional. The statements must be presented in a format prescribed by and acceptable to the commissioner of revenue. The financial statements required are as follows:

A. The statement of assets, liabilities, and fund balance must include all assets, liabilities, and the fund balance of the gambling operations as follows, if applicable:

- (1) all game starting banks;
- (2) all gambling checking accounts;

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- (3) all savings accounts;
- (4) all certificates of deposit and other negotiable instruments;
- (5) inventory from pull-tabs, tipboards, paddlewheels, bingo, and raffles, in play and unused;
- (6) fund losses;
- (7) excess cash shortages to be reimbursed;
- (8) other assets specifically identified;
- (9) accrued Minnesota ten percent gambling tax;
- (10) accrued combined receipts taxes;
- (11) unpaid cost of games, plus sales tax;
- (12) loans from all sources;
- (13) other liabilities specifically identified; and
- (14) fund balance (profit carryover).

B. The statement of revenue and expense must include revenues and expenses from the gambling operations and include, at a minimum:

(1) gross receipts detailed by game type, such as bingo, pull-tabs, tipboards, paddlewheels, and raffles, including ideal or actual gross receipts from games found to be missing or unreported, respectively;

(2) actual prizes paid out detailed by game type including ideal or actual prizes from games found to be missing or unreported, respectively;

(3) interest income;

(4) gross profit;

(5) allowable expenses;

(6) lawful purpose expenditures detailed by ten percent tax, combined receipts tax, unrelated business income tax, federal form 730 and form 11C tax, federal and state income taxes, real estate taxes, and donations; and

(7) board-approved expenditures.

C. The statement of changes in fund balance must include, at a minimum:

(1) beginning fund balance (profit carryover);

(2) profit or loss for the year;

(3) ending fund balance (profit carryover); and

(4) other adjustments.

D. The annual audit must include notes to the financial statements. The notes to the financial statements must include, at a minimum:

(1) nature of organization;

(2) basis of presentation of the financial statements;

(3) related party activity;

(4) restrictions on assets;

(5) subsequent events;

(6) uncertainties;

(7) commitments such as mortgages, rent, donations, or all taxes not paid or not filed, if material;

(8) contingent liabilities;

(9) board-approved expenditures;

(10) games tested and results: of the games tested, state if the games tested included games with unsold tickets, if games were tested from all active sites and the types of games tested, such as pull-tabs and tipboards; and

(11) a list of all forms of gambling conducted by the organization which must be confirmed by the chief executive officer.

Subp. 4. Supplemental schedules. The annual audit must include the following supplemental schedules:

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A. An allowable expense comparison schedule that compares the actual allowable expense amount to the statutory limit set for allowable expenses. The schedule must include, at a minimum:

- (1) gross profit for the year;
- (2) total allowable expense limit. Determined by multiplying the gross profit for the year by 50 percent. If bingo was conducted during the year, list the gross profit from bingo and multiply by four percent. The two amounts added together determine the total allowable expense limit;
- (3) allowable expenses expended, which is the total amount of actual allowable expenses from the revenue and expense statement; and
- (4) expenses below or above the allowable limit, which is the amount by which the allowable expenses expended is below or above the statutory total allowable expense limit.

B. The annual audit must include a reconciliation of the gambling operations bank accounts to the reported profit carryover. The reconciliation must include, at a minimum:

- (1) a comparison of the audited fund balance (profit carryover) made to the Department of Revenue's fund balance (profit carryover) as of the fiscal year end;
- (2) any difference between the adjusted gambling fund balance and the fund balance (profit carryover) is a variance; and
- (3) any or all of the items that identify the variance if known.

C. The annual audit must include a reconciliation between the number of pull-tab, paddlewheel, and tipboard games played to the number of pull-tab, paddlewheel, and tipboard games reported on schedule B, Report of Non-bar Coded Games Played, Destroyed or Lost, or B-2, Report of Bar Coded Games Played, Destroyed or Lost, for the fiscal year audited. The schedule must include, at a minimum:

- (1) the cost and number of games in beginning inventory;
- (2) the cost and number of games purchased during the year audited;
- (3) the cost and number of games available during the year audited;
- (4) the cost and number of games in ending inventory as of the last day of the organization's fiscal year end;
- (5) the cost and number of games used which is determined by subtracting the ending inventory from total games available;
- (6) the number of games reported as played, lost, or destroyed on schedule B, Report of Non-bar Coded Games Played, Destroyed or Lost, or B-2, Report of Bar Coded Games Played, Destroyed or Lost; and
- (7) calculate the difference between the games determined as played and games reported as played, lost, or destroyed on schedule B, Report of Non-bar Coded Games Played, Destroyed or Lost, or B-2, Report of Bar Coded Games Played, Destroyed or Lost.

Subp. 5. Sampling and testing; closed games. Closed games and occasions must be tested independently by the CPA or LPA based upon criteria set by the CPA or LPA within professional standards. The sampling and testing of tipboard, pull-tab, paddleticket, bingo, and raffle closed games must meet the following requirements:

A. When a minimum sample size is required, the random or systematic method of sampling will be used. When a minimum sample is expanded, the expanded portion of the sample may use random, systematic, or haphazard methods. When a minimum sample is not required, the sample method may be random, systematic, or haphazard. The following chart of gross receipts will be used to determine the minimum size of a sample for closed pull-tab and tipboard games.

Gross Receipts		Minimum Sample Size	
\$0	to	\$999,999	10 games
\$1,000,000	to	\$2,499,999	20 games
\$2,500,000	to	\$4,999,999	30 games
over \$5,000,000			40 games

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There is no minimum sample size requirement for testing paddletickets, bingo, and raffles. Closed games and occasions will be sampled independently by the CPA or LPA using judgment based on professional standards.

B. Closed tipboard and pull-tab games selected in the sample will be tested for the following minimum criteria:

(1) each game specified in the sample was available from closed-deal storage;

(2) the following items as reported on schedule B, Report of Non-bar Coded Games Played, Destroyed or Lost, or B-2, Report of Bar Coded Games Played, Destroyed or Lost, must be compared against test results for the same items, and differences shown:

- (a) ideal gross receipts;
- (b) ideal prizes;
- (c) total value of unsold tickets;
- (d) gross receipts;
- (e) total value of prizes paid;
- (f) net receipts;
- (g) cash in hand;
- (h) cash long or short; and
- (i) date removed from play;

(3) each deposit ticket meets the gambling receipt deposit requirements in Minnesota Statutes, section 349.19, subdivision 2;

(4) each deposit was recorded at the bank within four business days after the game was completed;

(5) each prize receipt form was properly completed for prizes awarded of \$50 or more and for last sale prizes of \$20 or more;

(6) each redeemed prize winning ticket was adequately defaced; and

(7) each game flare is easily available from storage.

C. The results of closed game sampling and testing must be provided to the organization upon a request from the organization.

Subp. 6. Report on internal control structure and other matters.

A. A report about internal control structure reportable conditions observed, or evidenced by testing, during the course of an audit, that could affect the organization's ability to record, process, summarize, and report financial data must be submitted. The report shall elevate a condition to that of a material weakness when the magnitude of the condition is considered material in relation to the financial statements being audited. This report must follow and the department adopts and incorporates by reference the most recent edition of the internal audit standards as provided by audit section 325.11 of the American Institute of Public Accountants - "The Standards of Field Work - Communication of Internal Control Structure Related Matters Noted in an Audit," published June 1, 1994. This incorporation is not subject to frequent change and is available to the public through the Minitex interlibrary loan system. If no reportable conditions or material weaknesses are detected, a report must be submitted stating that no material weaknesses were detected. This report is required under subpart 1.

A list of the types of gambling audit reportable condition or material weakness to include in this report follows in subitems (1) to (12). This list is illustrative, and not all-inclusive:

- (1) absence of appropriate segregation of duties;
- (2) inadequate provision for safeguarding of inventory, cash, or other assets;
- (3) excessive cash shortages or overages;
- (4) material delinquent taxes due to state or federal taxing authorities;
- (5) lack of required accounting records maintained;
- (6) lack of or inaccurate preparation of bank reconciliations or gambling fund reconciliations;
- (7) material differences between games played and games reported as played;

(8) nonuse or inaccurate use of perpetual or physical inventories for all forms of gambling engaged in;

(9) lack of specific required identification for tracking and accountability of deposit tickets;

(10) material underreporting or overreporting of allowable expenses, lawful purpose expenditures, or board-approved expenditures;

(11) failure to properly account for and report fund losses, form LG-250, Fund Loss Report; and

(12) inattention to and lack of correction to prior year reportable conditions and material weaknesses.

B. A regulatory checklist questionnaire must be included with the report from item A, on a form prescribed by the commissioner. Responses to questions on this checklist must be based on findings and information collected during the course of the audit.

Subp. 7. **Organization's response to report on internal control structure.** The licensed organization shall file with the Department of Revenue a response to the reportable conditions item by item, including any remedial action taken or proposed by the organization. This response may be submitted with the annual audit or review or be filed separately within 60 days after the due date of the annual audit or review. The response must include the following items:

A. Any profit carryover variance as shown on the reconciliation of profit carryover supplemental schedule must be identified. All identified variances which require amendments to tax returns must be amended and submitted to the Department of Revenue along with supporting documentation. The response must indicate if such amendments have been submitted to the Department of Revenue.

Variances which require adjustments instead of amendments should be adjusted by sending a letter to the Department of Revenue requesting an adjustment along with supporting documentation.

Unidentified variances must be investigated by the organization and identified.

B. If the comparison of games played to games reported on schedule B, Report of Non-bar Coded Games Played, Destroyed or Lost, or B-2, Report of Bar Coded Games Played, Destroyed or Lost, shows a difference, the organization must respond to the reportable conditions item by identifying and stating if the game difference was due to the games being:

- (1) missing or lost;
- (2) destroyed, with state approval;
- (3) played and unreported; or
- (4) reported in following month.

C. Specific items as noted on the internal control structure report must be responded to.

If no response is received from the organization, the organization must submit to the Department of Revenue a copy of the audit management letter upon request.

Subp. 8. **Other.** The annual audit must contain the following items:

- A. the organization's license number on the front of the audit report; and
- B. the Minnesota ID number on the front of the audit report.

Statutory Authority: *MS s 270.06*

History: *20 SR 1482*

8122.0600 REVIEW.

Subpart 1. **Minimum requirements.** The annual financial reviews must be prepared on the regulatory basis of accounting and contain, at a minimum, an expression of limited assurance, financial statements, supplemental schedules, and other information as noted.

Subp. 2. **Limited assurance.** An expression of limited assurance regarding the financial statements must be submitted and must be properly signed and dated by the CPA or LPA firm who performed the review. The expression of limited assurance must also include the address of the accounting firm that performed the review.

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Subp. 3. **Financial statements.** The financial statements must be comparative financial statements showing the current year and previous year's financial statements, unless it is a first year engagement for the accounting firm in which case the preparation of comparative statements is optional. The financial statements required are as follows:

A. The statement of assets, liabilities, and fund balance, regulatory basis, must include all assets, liabilities, and the fund balance of the gambling operations as follows, if applicable:

- (1) all game starting banks;
- (2) all gambling checking accounts;
- (3) all savings accounts;
- (4) all certificates of deposit and other negotiable instruments;
- (5) inventory from pull-tabs, tipboards, paddlewheels, bingo, and raffles (in play and unused);
- (6) fund losses;
- (7) excess cash shortages to be reimbursed;
- (8) other assets;
- (9) accrued Minnesota ten percent gambling tax;
- (10) accrued combined receipts taxes;
- (11) unpaid cost of games plus sales tax;
- (12) loans from all sources other than gambling;
- (13) other liabilities; and
- (14) fund balance (profit carryover).

B. The statement of revenue and expense must include revenues and expenses from the gambling operations and include, at a minimum:

- (1) gross receipts detailed by game type, such as bingo, pull-tabs, tipboards, paddlewheels, and raffles, including ideal or actual gross receipts from games found to be missing or unreported respectively;
- (2) interest income;
- (3) actual prizes paid out, detailed by game type, including ideal or actual prizes from games found to be missing or unreported, respectively;
- (4) gross profit;
- (5) allowable expenses;
- (6) lawful purpose expenditures detailed by ten percent tax, combined receipts tax, unrelated business income tax, federal form 730, Monthly Federal Wagering Tax, and form 11C, Federal Wagering Tax Stamp, federal and state income taxes, real estate taxes, and donations; and
- (7) board-approved expenditures.

C. The statement of changes in fund balance must include, at a minimum:

- (1) beginning fund balance (profit carryover);
- (2) profit or loss for the year; and
- (3) ending fund balance (profit carryover).

D. The annual review must include notes to the financial statements. The notes to the financial statements must include at a minimum:

- (1) nature of organization;
- (2) basis of presentation of the financial statements;
- (3) related party activity;
- (4) restrictions on assets;
- (5) subsequent events;
- (6) uncertainties;
- (7) commitments such as mortgages, rent, donations, or all taxes not paid or not filed if material;
- (8) contingent liabilities;

(9) board-approved expenditures; and

(10) list all forms of gambling conducted by the organization which should be confirmed by the chief executive officer.

Subp. 4. **Supplemental schedules.** The annual review must include the following supplemental schedules:

A. The allowable expense comparison schedule comparing the actual allowable expense amount to the statutory limit set for allowable expenses. The schedule must include, at a minimum:

(1) gross profit for the year;

(2) total allowable expense limit, determined by multiplying the gross profit for the year by 50 percent. If bingo was conducted during the year, list the gross profit from bingo and multiply by four percent. The two amounts added together determine the total allowable expense limit;

(3) allowable expenses expended which is the total amount of actual allowable expenses from the revenue and expense statement; and

(4) expenses below or above the allowable limit which is the amount by which the allowable expenses expended is below or above the statutory total allowable expense limit.

B. The annual review must include a reconciliation of the gambling operations bank accounts to the reported profit carryover. The reconciliation must include, at a minimum:

(1) a comparison of the audited fund balance (profit carryover) made to the Department of Revenue's fund balance (profit carryover) as of the fiscal year end;

(2) any difference between the adjusted gambling fund balance and the fund balance is a variance; and

(3) any or all of the items that identify the variance, if known.

C. The list of games in ending inventory must include all pull-tab, tipboard, and paddlewheel games in play and unused as of the last day of the fiscal year reviewed.

Subp. 5. **Other.** The annual review must contain the following items:

A. the organization's license number on the front of the review report; and

B. the Minnesota ID number on the front of the review report.

Statutory Authority: *MS s 270.06*

History: *20 SR 1482*

8122.0650 FAILURE TO FILE OR FAILURE TO MEET REQUIREMENTS.

Subpart 1. **Failure to file.** If an organization fails to file the required annual audit or review, the Department of Revenue will request the delinquent items. If the organization fails to respond to the request and correct the delinquency, the Gambling Control Board will be informed and a suspension of the organization's gambling activity will be requested. An organization may also be ineligible for relicensing until the delinquent reports are submitted. The Gambling Control Board may also issue fines for noncompliance with the annual audit and review requirements. See Minnesota Statutes, sections 349.151, subdivision 4, paragraph (a), clause (9), and 349.155, subdivision 4.

Subp. 2. **Failure to meet requirements.** If the audit or review fails to comply with all or part of the audit or review requirements, the audit or review will be deemed deficient and not satisfying the annual audit or review requirements. If an organization fails to file the required annual audit or review or fails to comply with any part of the requirements for the annual audit or review, the Department of Revenue will request the delinquent items. If the organization fails to respond to the request and correct the delinquency, the Gambling Control Board will be informed and a suspension of the organization's gambling activity will be requested. An organization may also be ineligible for relicensing until the delinquent reports are submitted. The Gambling Control Board may also issue fines for noncompliance with the annual

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audit and review requirements. See Minnesota Statutes, sections 349.151, subdivision 4, paragraph (a), clause (9), and 349.155, subdivision 4.

Statutory Authority: *MS s 270.06*

History: *20 SR 1482*