

# **BINGO REVENUE**

STATE OF NEVADA  
GAMING CONTROL BOARD  
GAMING AUDIT PROCEDURES MANUAL

**BINGO REVENUE**

**BINGO GAMES TERMINOLOGY**

The following terminology is applicable to bingo games revenue:

<b>Bingo agent</b>	An employee who collects money from patrons for payment of bingo boards.
<b>Bingo board</b>	The instrument purchased and played by the customer; sold by bingo agents or through the bingo cage.
<b>Blower</b>	Piece of equipment which contains the bingo balls before they are drawn during the course of the game.
<b>Caller of the game</b>	Employee who calls to the customers the numbers of the balls as they are being drawn from the blower.
<b>Caller's payout sheet</b>	Document prepared by caller of the game which contains same information as indicated on the cashier's payout sheet.
<b>Cashier's payout sheet</b>	Document prepared by an individual in the bingo cage which contains payouts for individual games of each session, by type of board played.
<b>Continuous bingo</b>	Where a customer pays a small amount for each bingo game played and there is no limit as to the number of games played consecutively. Bingo agents are usually used to collect money from patrons.
<b>Coverall game</b>	Specific type of game in which customer must cover all numbers on the board, usually under a specific amount of called numbers, in order to win.
<b>Daily bingo summary</b>	Document prepared by the accounting department showing the results of all sessions' activity. Such information normally includes, by session, total write, total payouts, net win, and overs/shorts based on cash turn-in.
<b>Letter "X" game</b>	Specific type of game in which customer must "bingo" with a letter "X" in order to win.

STATE OF NEVADA  
GAMING CONTROL BOARD  
GAMING AUDIT PROCEDURES MANUAL

**BINGO REVENUE**

<b>Lottery</b>	<b>NRS 462.105.</b> Lottery means any scheme for the disposal or distribution of property, by chance, among persons who have paid or promised to pay any valuable consideration for the chance of obtaining that property, or a portion of it, or for any share or interest in that property upon any agreement, understanding or expectation that it is to be distributed or disposed of by lot or chance, whether called a lottery, raffle or gift enterprise, or by whatever name it may be known. The term lottery does not include a promotional scheme conducted by a licensed gaming establishment in direct association with a licensed gaming activity, contest or tournament. All lotteries except for charitable lotteries are illegal in Nevada.
<b>Random Number Generator (RNG)</b>	Device used to randomly select bingo numbers. The RNG is used in place of a blower. This type of equipment alone is considered associated equipment and, when connected to a bingo game, is considered to be a gaming device and must be approved by the Board and Commission. Additionally, there are MICS that specifically relate to the use of random number generators.
<b>Session (or party) bingo</b>	Where a customer purchases bingo boards for a set number of bingo games (i.e., for a session).
<b>Session summary recap</b>	Document prepared by bingo supervisor at the end of the session which summarizes the results of the session. Normally includes beginning and ending board inventory, cash turn-in payouts, and net win/loss.

**GENERAL**

Bingo is a counter game which uses the draw of balls with numbers and letters to record the balls selected. A game begins with 75 balls in the blower, and balls are drawn until one player completes a predetermined letter/number pattern on a bingo card. **Regulation 6.110(3)** states that for a counter game such as bingo, revenue is computed as the money accepted by the licensee on events or games that occur during the month, less money paid out during the month to patrons on winning wagers.

In the computation of gross revenue pursuant to **NRS 463.3715** there are certain items which may or may not be deducted as losses. Any prizes, premiums, drawing, benefits or tickets that are redeemable for money or merchandise or other promotional allowance, except money or tokens paid at face value directly to a patron as the result of a specific wager, **must not be deducted** as losses from winnings at any game except a slot machine. The amount of cash paid to fund periodic payments **may be deducted** as losses from winnings for any game. The actual cost to the licensee of any personal property distributed to a patron as the result of a specific legitimate wager **may be deducted** as a loss, but not travel expenses, food, refreshments, lodging or services. A licensee who provides a patron with additional play at bingo as the result of an initial wager **may deduct** as losses from winnings all money or tokens paid directly to that patron as a result of such additional play.

Pursuant to **NRS 463.0161(2)** the term “gross revenue” does not include:

STATE OF NEVADA  
GAMING CONTROL BOARD  
GAMING AUDIT PROCEDURES MANUAL

**BINGO REVENUE**

- Counterfeit facsimiles of money, chips, tokens, wagering instruments or wagering credits.
- Any portion of the face value of any chip, token or other representative of value won by a licensee from a patron for which the licensee can demonstrate that it or its affiliate has not received cash.
- Cash taken in fraudulent acts perpetrated against a licensee for which the licensee is not reimbursed.
- Cash received as entry fees for contests or tournaments in which patrons compete for prizes, except for a contest or tournament conducted in conjunction with an inter-casino linked system.
- Cash provided by the licensee to a patron and subsequently won by the licensee, for which the licensee can demonstrate that it or its affiliate has not been reimbursed.

It is important for the auditor to understand how bingo revenue flows through a casino's operations (i.e., so that the audit can be properly planned and performed). Therefore, it is important that the auditor read the casino's internal control system, submitted to the Board, which describes in significant detail how bingo revenue flows through a casino's operations.

**FREE PLAY AND PROMOTIONAL ITEMS**

The authoritative bases for the tax treatment of free play and promotional items can be found in **NRS 463.0161**, **NRS 463.3715** and **Regulation 6.110**. The following chart summarizes the accounting treatment of some typical promotional items:

<u>Item</u>	<u>Proper Accounting Treatment</u>
Match Play/Discount Wagering	Only cash received in bingo card sales, deduct all payouts
Free Play Wagering (Negotiable)	\$0 in bingo card sales, deduct all payouts ➡
Free Play Wagering (Nonnegotiable)	\$0 in bingo card sales, deduct all payouts ➡
Non-Cash Prizes	Total \$ amount in bingo card sales, deduct cost of prizes
Promotional Activity Reimbursed by a Third Party	Total \$ amount in bingo card sales, deduct all payouts
Tournaments/Contests/Drawings	No effect on revenue if not part of an inter-casino linked system
Tournaments which include elements of a normal wager	Total \$ amount in bingo card sales, deduct all payouts, but <b>NOT</b> tournament prizes
Appeasement Payouts (Payments made on non-winning tickets in response to customer complaints)	<b>NOT</b> deductible

➡ Use of this tax treatment is allowable only if specific record keeping requirements are adhered to.

**IN-HOUSE PROGRESSIVE PAYOFF SCHEDULES**

STATE OF NEVADA  
GAMING CONTROL BOARD  
GAMING AUDIT PROCEDURES MANUAL

**BINGO REVENUE**

**Regulation 5.110** addresses in-house progressive payoff schedules. The regulation states that progressive payoff schedules may have limits. Also, the payout indicators (progressive meters) cannot be turned back except for a payout to a customer, the meter going over the progressive limit, or a documented malfunction. The progressive amounts may be transferred to a similar game but this must also be documented. Progressive payoff schedules may be given away through a concluding contest, tournament or promotion if conducted with a game similar to the game from which the amounts are distributed. For the purposes of auditing gaming establishments, no work typically needs to be done with regard to inter-casino linked progressive payoff schedules - this responsibility lies with the operator of the system.

**INTER-CASINO LINKED SYSTEMS**

Inter-casino linked bingo systems are simply bingo games at multiple locations which are linked to a common non-progressive or progressive jackpot or multiple-location player tracking/bonusing systems (excluding player tracking run by a licensee solely for its affiliates). Some inter-casino linked systems are owned and operated entirely by affiliated casinos. Others are operated by a third party for numerous affiliated or unaffiliated casinos. The overall revenue accounting for inter-casino linked systems is really no different than it is for any other bingo game. Write is still the total dollar amount accepted by the casino on games that occur during the month, and payouts are still all the cash awards made to a patron on a winning wager.

**NRS 463.3715(5)** became effective June 22, 1995. This statute specifically allows licensees to deduct their pro rata share of a payout from a game played in an inter-casino linked system except for a payout made in conjunction with a card game. This means that all payouts (including the non-progressive ones that licensees are reimbursed for) associated with the system are deductible. The amount of the deduction must be based upon the written agreement among licensed gaming establishments participating in the inter-casino linked system and the operator of the system. Additionally, all cash prizes and the value of noncash prizes awarded during a contest or tournament conducted in conjunction with an inter-casino linked system are also deductible on a pro rata basis to the extent of the compensation received for the right to participate in that contest or tournament. A participating licensee must have had an active gaming license at any time during the month in which a payout was awarded to be entitled to a deduction. If large progressive payouts are paid out over time, pursuant to **Regulation 5.115**, only the amount of cash used to fund the payout may be deducted from revenue.

**TYPES OF CONTROLS**

Sales of bingo cards can be handled in essentially one of two ways:

1. Patrons may purchase bingo cards through a bingo cage before the session starts; or
2. Patrons may purchase bingo cards for a game from bingo agents during the session (i.e., continuous bingo).

The MICS outline the specific controls that licensees must follow for both ways. When a bingo cage is used, bingo sales would generally be measured by the change in the inventory of cards. When a bingo agent collects money from the patrons, procedures must be

STATE OF NEVADA  
GAMING CONTROL BOARD  
GAMING AUDIT PROCEDURES MANUAL

**BINGO REVENUE**

established to ensure that money (wagers) collected from the patrons is recorded as sales. One way to accomplish this is to have a second person independently calculate sales by game and compare this calculation to the amount previously recorded by the bingo agent.

**COMPUTERIZED BINGO**

Typically, bingo is played using regular bingo cards which are made of cardboard or paper. However, some licensees use electronic devices (sometimes referred to as “cardminders”) which store the information normally shown on the face of the cards. There are electronic cards with bar codes which are read by the devices and some where the licensee downloads the card information into the bingo device used by the patron. The degree of automation varies by type of system. However, regardless of the extent of automation, all manual procedures required by the MICS must still be performed. The bingo device is merely a convenience to the patron in that entering a called number once will post that number to all bingo boards, and the device will alert the player of a bingo. The device also allows the patron to play numerous boards that could not all be played manually.