

Revenue Notice # 92-08 Lawful Gambling - Annual Audit of Licensed Organizations

(Update: Revenue Notice #92-08 has been revoked by Revenue Notice #07-04.)

Minnesota Statutes § 349.19, subd. 9, as amended by 1991 legislation, states that an organization licensed to conduct lawful gambling in Minnesota must have an independent accountant licensed by the state of Minnesota perform an annual financial audit of its lawful gambling activities and funds. The legislation requires the commissioner of revenue to prescribe the standards for the audit as well as the filing requirements related to the audit.

The Department of Revenue issued Revenue Notice #91-14, 'Annual Audit of Organizations Licensed to Conduct Lawful Gambling,' on October 7, 1991. The Department has since received inquiries related to this subject and is therefore issuing this Supplementary Revenue Notice.

1) A number of questions have centered around the relationship between an independent accountant and the organization licensed to conduct lawful gambling. What relationship can the accountant have with the gambling organization? Can an accountant who is a member of the organization perform the annual audit?

A licensed CPA or LPA who is a member of the organization may perform the audit if he or she is not an employee of the organization and does not perform entries in any original books of entry for the General Fund or Gambling Fund (for example: check books, journals, reconciliations). The accountant cannot hold office or be on the board of the organization (for example: president, vice-president, treasurer, or other officer of the organization; or gambling manager, CEO or bookkeeper for the licensed gambling). A CPA who prepares the organization's tax returns can perform the annual audit as long as that person only prepares tax returns from financial records prepared by someone else. An accountant who makes management decisions, writes checks or does the organization's bookkeeping would be ineligible to perform the annual audit.

2) Should the annual audit refer to the organization's gambling license number and Minnesota taxpayer identification number?

Yes, all annual audits must contain the organization's lawful gambling license number and Minnesota taxpayer identification number.

3) Can an organization obtain an extension for filing the annual audit?

The Revenue Department is routinely granting extension requests for reasonable cause until March 31, 1992, upon receipt of a written request from the organization. These requests are being granted because this is the first year that the annual audit is required to be filed and because the information set forth in Revenue Notice #91-14 was not released until October 7, 1991.

4) What is the annual audit period?

The annual audit period is the fiscal year of the organization, which is the time period used for filing federal form 990 or 990-T. It is not the licensing period or the combined receipts tax period.

5) Should the audit report reconcile the organization's ending profit carryover per the audit to the ending profit carryover per Revenue Department Lawful Gambling System records?

Yes, on a supplemental schedule that must be included as part of the organization's financial audit report.

/S/

Michael E. Boekhaus

Director, Appeals & Legal Services

Dated : February 18, 1992

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