

North Dakota Office of the State Auditor

North Dakota Racing Commission

Audit Report for the Biennium Ended June 30, 2019

Client Code 670



North Dakota State Auditor
Joshua C. Gallion



Why We Conducted this Audit

The purpose of this audit was to determine financial transactions including expenditures were made in accordance with law and appropriation requirements.

What We Found

This audit did not identify any exceptions or defaults.

KEY PERSONNEL

State Auditor's Office Staff

Robyn Hoffmann, CPA, Audit Manager
Dustin Walcker, Audit Supervisor
Elizabeth Rogers, Auditor
Breck Hendrickson, Auditor

Client Staff Contacts

Jack Schulz, Director
Gail Allensworth, Administrative Officer

Contents

<i>Transmittal Letter</i>	<i>1</i>
<i>Audit Results</i>	<i>2</i>
<i>Statutory Audit Requirements</i>	<i>2</i>
<i>Conclusion</i>	<i>2</i>
<i>Internal Control</i>	<i>2</i>
<i>Scope</i>	<i>2</i>
<i>Methodology</i>	<i>2</i>
<i>Authority and Standards</i>	<i>3</i>
<i>Financial Statements</i>	<i>4</i>
<i>Statement of Revenues and Expenditures</i>	<i>4</i>
<i>Statement of Appropriations</i>	<i>5</i>



STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
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BISMARCK, NORTH DAKOTA 58505

Transmittal Letter

August 9, 2019

Members of the North Dakota Racing Commission

Mr. Jack Schulz, Director

We are pleased to submit this audit of the North Dakota Racing Commission for the biennium ended June 30, 2019. This audit resulted from the statutory responsibility of the State Auditor to audit or review each state agency once every two years. The same statute gives the State Auditor the responsibility to determine the contents of these audits.

The primary consideration in determining the contents of these audits is to produce informative audits to improve government. Statutory audit requirements are an important part of these audits and are addressed by our standard audit objective. Additionally, whenever possible additional audit objectives are included to increase responsiveness and effectiveness of state government.

Robyn Hoffmann, CPA, was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 239-7291. We wish to express our appreciation to Director Schulz and his staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

/S/

Joshua C. Gallion
State Auditor

cc: Legislative Audit and Fiscal Review Committee
Chris Kadrmas, Legislative Council Fiscal Analyst

Audit Results

Statutory Audit Requirements

The objective related to our statutory audit requirements is:

Are there any exceptions to report relating to statutorily required audit testing?

Statutorily required audit testing includes: performing the post audit of financial transactions, detecting and reporting any defaults, determining that expenditures have been made in accordance with law, appropriation acts, and emergency commission action, and evaluating blanket bond coverage. Defaults are defined as failures to do something required by duty or law. Bonding coverage provides insurance to state agencies for any default or wrongful act on the part of any public employee or public official.

Conclusion

No exceptions to our statutorily required audit testing were identified.

Internal Control

We gained an understanding of internal controls and concluded as to the adequacy of their design. We also tested the operating effectiveness of those controls we considered necessary based on our assessment of audit risk.

Auditors are required to report deficiencies in internal control that are significant within the context of the objectives of the audit. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect: misstatements in financial or performance information, violations of laws and regulations or impairments of effectiveness or efficiency of operations, on a timely basis. Considering both qualitative and quantitative factors, we did not identify any deficiencies in internal control that were significant within the context of our audit objectives and based upon the audit work performed.

Scope

This audit of the Racing Commission is for the biennium ended June 30, 2019.

The Racing Commission's sole location is its Bismarck office which was included in the audit scope.

Methodology

To meet this objective, we:

- Performed detailed analytical procedures including computer-assisted auditing techniques. These procedures were used to identify high-risk transactions and potential problem areas for additional testing.
- Interviewed appropriate agency personnel.

- Queried the ConnectND (PeopleSoft) system for data analysis. Significant evidence was obtained from ConnectND.
- Observed the Racing Commission's processes and procedures.
- Inspected documentary evidence.
- Tested compliance with appropriation laws and regulations. Where necessary, internal control was tested which included selecting representative samples to determine if controls were operating effectively and if laws were being followed consistently.
- Reviewed adequacy of blanket bond coverage by comparing coverage to state bonding guidelines.
- Performed an analysis and selected a sample of high-risk transactions, including receipts, expenditures and restricted funds, for further testing.
- Inspected meeting minutes.

In aggregate, there were no significant limitations or uncertainties related to our overall assessment of the sufficiency and appropriateness of audit evidence.

Authority and Standards

This biennial performance audit of the Racing Commission has been conducted by the Office of the State Auditor pursuant to authority within North Dakota Century Code Chapter 54-10.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The criteria used to evaluate internal control is published in the publication *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States (Green Book, GAO-14-704G). Agency management must establish and maintain effective internal control in accordance with policy of the Office of Management and Budget (OMB Policy 216).

Financial Statements

Statement of Revenues and Expenditures

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Revenues and Other Sources:</u>		
Racing Taxes	\$681,292	\$1,038,231
Breakage	382,268	416,847
Licenses and Registration Fees	72,750	64,505
Purged Out/Unclaimed Tickets	23,759	20,198
Interest and Investment Earnings	2,544	1,269
Total Revenues and Other Sources	<u>\$1,162,613</u>	<u>\$1,541,050</u>
<u>Expenditures and Other Uses:</u>		
Racing Promotion Grants	\$452,500	\$487,504
Breeder Award Payments	273,163	275,000
Salaries and Benefits	204,289	191,887
Purse Supplements	170,000	270,000
Operating Fees and Services	81,255	49,497
Professional Fees and Services	66,322	62,863
Travel	16,590	12,545
Professional Development	9,700	14,850
IT Data Processing and Communications	9,571	10,755
Building Rental	8,696	8,695
Miscellaneous Expenses	4,973	3,240
Office Supplies	1,530	1,500
Postage	1,313	1,614
Total Expenditures and Other Uses	<u>\$1,299,902</u>	<u>\$1,389,950</u>

Source: ConnectND Financials

Statement of Appropriations

For the Biennium Ended June 30, 2019

Expenditures by Line Item:	Final Appropriation	Expenditures	Unexpended Appropriation
Racing Commission	<u>\$542,178</u>	<u>\$496,452</u>	<u>\$45,726</u>
Total	<u>\$542,178</u>	<u>\$496,452</u>	<u>\$45,726</u>
Expenditures by Source:	Final Appropriation	Expenditures	Total
General	\$379,621	\$379,620	\$1
Other	<u>162,557</u>	<u>116,832</u>	<u>45,725</u>
Total	<u>\$542,178</u>	<u>\$496,452</u>	<u>\$45,726</u>

Source: ConnectND Financials

You may obtain audit reports on the internet at:

www.nd.gov/auditor

or by contacting the Office of the State Auditor at:

Email: ndsao@nd.gov

Phone: (701) 328-2241

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