



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

North Dakota Racing Commission

For the Biennium Ended June 30, 2021

Client Code 670





WHAT WE LOOKED AT AND WHY

North Dakota state law (54-10-01) requires that our team perform an audit once every two years. This includes a review of financial transactions and determining that expenditures are correct. Our audits report any errors, internal control weaknesses or potential violations of law identified in significant or high-risk functions of the agency.

WHAT WE FOUND

This audit did not identify any areas of concern.

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KEY PERSONNEL

Lindsey Slappy
AUDIT MANAGER

Jason Kovacevich
AUDITOR

HAVE QUESTIONS? ASK US.

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Introduction

North Dakota Racing Commission

January 25, 2022

We are pleased to submit this audit of the North Dakota Racing Commission for the ended June 30, 2021. 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. Whenever possible, additional audit objectives are included to increase responsiveness and effectiveness of state government.

Lindsey Slappy was the audit manager for this engagement. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 328-2241. We wish to express our appreciation to the Racing Commission staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

/S/

JOSHUA C. GALLION
NORTH DAKOTA STATE AUDITOR

TERMS USED IN REPORT

Appropriation: An amount authorized by the North Dakota Legislative Assembly to be spent for a specific purpose.

Blanket Bond Coverage: Insurance to state agencies for any default or wrongful act on the part of any public employee or public official.

ConnectND: The accounting system for North Dakota.

Emergency Commission: Group of elected officials that have the authority to transfer or expend money appropriated by the North Dakota Legislative Assembly. Additional information can be found in N.D.C.C. Chapter 54-16.

Internal Control: Policies and procedures that ensure reliable financial reporting, safeguard assets, promote accountability and efficiency, and prevent fraud.

Noncompliance: Failure to act in accordance with a wish or command.

North Dakota Administrative Code (N.D.A.C.): The codification of all rules of state administrative agencies.

North Dakota Century Code (N.D.C.C.): Collection of all the statutes passed by the North Dakota Legislative Assembly.

Performance Audit: Engagements that provide objective analysis, findings, and conclusion to assist management and those charged with governance and oversight to improve program performance and operations, reduce costs, facilitate decision making, and contribute to public accountability.

Session Laws: Published after each regular and special legislative session and contain the laws enacted during that session.

Audit Results

PRIMARY OBJECTIVE

Are there any errors, internal control weaknesses, or potential violations of law for significant and high-risk functions of the agency?

CONCLUSION

No areas of concern were identified.

INTERNAL CONTROL

As required by auditing standards, we planned our audit work to assess the effectiveness of those internal controls that were significant to our audit objectives. Specifically, our work related to internal control included the following components and underlying principles based on guidance issued by the U.S. Government Accountability Office.

The specific internal control testing completed for this audit objective is identified below:

- Segregated preparation and approval of expenditures in ConnectND is tested statewide in the State of North Dakota Annual Financial Report.
- Confirmed no changes were made to the ConnectND edit checks that limit budget overspending.
- Breeders Fund grants were given to horses that applied and were approved for registration by the Racing Commission.
- Expenditures made using the Horse Racing Promotion Fund were approved by the Racing Commission.
- Expenditures made using the Horse Racing Purse Fund were approved by the Racing Commission.

SCOPE

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

METHODOLOGY

To meet this objective, we:

- Used non-statistical sampling and the results were projected to the population.
- Interviewed appropriate agency personnel.
- Observed and documented the Racing Commission's processes and procedures.
- Obtained and analyzed financial data from ConnectND to determine areas of risk.
- Reviewed non-appropriated expenditures to ensure the Racing Commission had legislative approval.
- Reviewed adjustments to the Racing Commission's appropriations from the emergency commission to ensure expenditures made relating to the adjustments complied with the intent of the adjustments.
- Selected a random sample of expenditures paid out of non-restricted funds to ensure there was documentation to support the purchase and that the purchase was reasonable and for a lawful and official purpose of the agency. (N.D.C.C. 44-08-08-05.1).
- Selected a random sample of expenditures paid out of the Breeders' Fund to ensure grants were made to owners of horses that were registered with the Racing Commission. (N.D.A.C. 69.5-01-09-02).

- Selected a random sample of expenditures paid out of the Horse Racing Purse Fund to ensure grants were for the intended purpose of supplementing horse racing purses at live race meets held within the state of North Dakota (N.D.A.C. 69.5-01-10-02), all payments were supported, and the grant was approved by the Racing Commission.

in the Federal Government issued by the Comptroller General of the United States (Green Book, GAO-14-704G).

- Selected a random sample of expenditures paid out of the Horse Racing Promotion Fund to ensure grants and expenditures were made for legal purposes of the fund and supporting documentation or receipts were held. (N.D.A.C. 69.5-01-09-02).

- Reviewed adequacy of blanket bond coverage by comparing coverage to state bonding guidelines (N.D.C.C. 26.1-21-08, N.D.C.C. 26.1-21-10(1)).

- Analyzed expenditures paid out of the Horse Racing Promotion Fund to ensure the Racing Commission did not use more than 25% of the fund's revenues to pay for operating expenses. (N.D.C.C. 53-06.2-11(6)).

- Analyzed expenditures paid out of the Breeders' Fund to ensure that the Commission did not use more than 5% of the yearly accumulated revenue to pay for costs to administer the fund. (N.D.A.C. 69.5-01-09-03).

AUTHORITY AND STANDARDS

This biennial 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. 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 standards used to evaluate internal control are published in the publication Standards for Internal Control



Responses to LAFRC Audit Questions

1. WHAT TYPE OF OPINION WAS ISSUED ON THE FINANCIAL STATEMENTS?

Revenues, expenditures and appropriation information was not prepared by the Racing Commission in accordance with generally accepted accounting principles so an opinion is not applicable. The agency's transactions were tested and included in the state's basic financial statements on which an unmodified opinion was issued.

2. WAS THERE COMPLIANCE WITH STATUTES, LAWS, RULES, AND REGULATIONS UNDER WHICH THE AGENCY WAS CREATED AND IS FUNCTIONING?

Yes.

3. WAS INTERNAL CONTROL ADEQUATE AND FUNCTIONING EFFECTIVELY?

Yes. We did not identify any deficiencies in internal control that were significant within the context of our audit objectives.

4. WERE THERE ANY INDICATIONS OF LACK OF EFFICIENCY IN FINANCIAL OPERATIONS AND MANAGEMENT OF THE AGENCY?

No.

5. HAS ACTION BEEN TAKEN ON FINDINGS AND RECOMMENDATIONS INCLUDED IN PRIOR AUDIT REPORTS?

There were no recommendations included in the prior audit report.

6. WAS A MANAGEMENT LETTER ISSUED? IF SO, PROVIDE A SUMMARY BELOW, INCLUDING ANY RECOMMENDATIONS AND THE MANAGEMENT RESPONSES.

No, a management letter was not issued.



LAFRC Audit Communications

7. IDENTIFY ANY SIGNIFICANT CHANGES IN ACCOUNTING POLICIES, ANY MANAGEMENT CONFLICTS OF INTEREST, ANY CONTINGENT LIABILITIES, OR ANY SIGNIFICANT UNUSUAL TRANSACTIONS.

There were no significant changes in accounting policies, management conflicts of interest, contingent liabilities, or significant unusual transactions identified.

8. IDENTIFY ANY SIGNIFICANT ACCOUNTING ESTIMATES, THE PROCESS USED BY MANAGEMENT TO FORMULATE THE ACCOUNTING ESTIMATES, AND THE BASIS FOR THE AUDITOR'S CONCLUSIONS REGARDING THE REASONABLENESS OF THOSE ESTIMATES.

The Racing Commission's revenues, expenditures and appropriation information does not include any significant accounting estimates.

9. IDENTIFY ANY SIGNIFICANT AUDIT ADJUSTMENTS.

Significant audit adjustments were not necessary.

10. IDENTIFY ANY DISAGREEMENTS WITH MANAGEMENT, WHETHER OR NOT RESOLVED TO THE AUDITOR'S SATISFACTION RELATING TO A FINANCIAL ACCOUNTING, REPORTING, OR AUDITING MATTER THAT COULD BE SIGNIFICANT TO THE FINANCIAL STATEMENTS.

None.

11. IDENTIFY ANY SERIOUS DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT.

None.

12. IDENTIFY ANY MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION.

This is not applicable for audits conducted by the Office of the State Auditor.

13. IDENTIFY ANY MANAGEMENT CONSULTATIONS WITH OTHER ACCOUNTANTS ABOUT AUDITING AND ACCOUNTING MATTERS.

None.

14. IDENTIFY ANY HIGH-RISK INFORMATION TECHNOLOGY SYSTEMS CRITICAL TO OPERATIONS BASED ON THE AUDITOR'S OVERALL ASSESSMENT OF THE IMPORTANCE OF THE SYSTEM TO THE AGENCY AND ITS MISSION, OR WHETHER ANY EXCEPTIONS IDENTIFIED IN THE SIX AUDIT REPORT QUESTIONS TO BE ADDRESSED BY THE AUDITORS ARE DIRECTLY RELATED TO THE OPERATIONS OF AN INFORMATION TECHNOLOGY SYSTEM.

ConnectND Finance and Human Capital Management (HCM) are high-risk information technology systems critical to the Racing Commission.

Financials

Revenues and Expenditures

REVENUES AND OTHER SOURCES	JUNE 30, 2021	JUNE 30, 2020
Racing Taxes	\$ 1,255,745	\$ 819,078
Breakage Revenue	368,396	267,047
Permits and Fees	76,180	63,070
Unclaimed Tickets	15,980	14,489
Investment Earnings	1,839	3,519
Transfers in	-	1,000
Total Revenue and Other Sources	\$ 1,718,140	\$ 1,168,203

EXPENDITURES AND OTHER USES	JUNE 30, 2021	JUNE 30, 2020
Grants	\$ 1,092,850	\$ 794,741
Salaries and Benefits	216,787	193,074
Operating Fees and Services	101,442	37,821
Professional Services	56,739	73,163
Travel	18,446	9,401
IT Expenses	15,110	8,157
Rent	8,696	8,696
Professional Development	8,580	9,056
Miscellaneous Expenses	6,944	5,327
Repairs	1,605	1,884
Total Expenditures and Other Uses	\$ 1,527,199	\$ 1,141,320

Source: ConnectND Financials

Appropriations

For the Biennium Ended June 30, 2021

	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATION
Expenditures by Line Item			
Racing Commission	\$ 569,995	\$ 491,508	\$ 78,487
Totals	\$ 569,995	\$ 491,508	\$ 78,487

	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATION
Expenditures by Source			
General	\$ 403,030	\$ 403,030	\$ -
Other	166,965	88,478	78,487
Totals	\$ 569,995	\$ 491,508	\$ 78,487

Source: ConnectND Financials




**NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION**

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