

September 2008

RACING COMMISSION ADMINISTRATOR'S ACCOUNT

This memorandum summarizes the following:

1. State Auditor's office audit finding;
2. Statutory authority for the administrator's account for breeder's awards;
3. Administrator's bond coverage; and
4. Other accounts similar to the administrator's account.

STATE AUDITOR'S OFFICE AUDIT FINDING

The State Auditor's audit report for the Racing Commission for the years ended June 30, 2007 and 2006 identified a lack of internal controls over the administrator's account for breeder's awards. The account is a checking account established by the administrator at a local bank, not the Bank of North Dakota, and is not included in the state accounting system. In September 2007 the account had grown to approximately \$49,000 and at times exceeded the FDIC coverage of \$100,000. In addition, the administrator is not a state employee, and, therefore, not bonded through the Insurance Department.

STATUTORY AUTHORITY

North Dakota Century Code Section 53-06.2-05 authorizes the Racing Commission to adopt rules for the administration, implementation, and regulation of activities conducted pursuant to NDCC Chapter 53-06.2. North Dakota Administrative Code Section 69.5-01-09-03 allows for the transfer of funds from the breeder's fund to the account of the fund administrator.

ADMINISTRATOR'S BOND COVERAGE

Based on information received from the Racing Commission, the commission does not require the

administrator to be bonded. Beginning in December 2008, the Racing Commission will provide payment for breeder's awards through the state accounting system. The administrator will continue to calculate the breeder's award amounts. The administrator's bank account is anticipated to be closed by December 2008 after all previously written checks have cleared the account.

SIMILAR ACCOUNTS

Based on information received from the State Auditor's office, the North Dakota Beef Commission has a checking account established by the commission at a local bank that is not included in the state accounting system. The checking account is used for the beef gift certificate program. Individuals write checks to the North Dakota Beef Commission and receive a check from the gift certificate account for the same amount. The checks are to be used for the purchase of beef-related products at grocery stores or restaurants; however, the checks may be deposited in a recipient's bank account, cashed, or used for any other purchase. Although no state funds are used for the beef certificate program, the State Auditor's audit report for the North Dakota Beef Commission for the years ended June 30, 2007 and 2006 identified a lack of internal controls over the gift certificate checking account. The checking account had a balance of approximately \$35,000 due to outstanding checks--some of which were issued more than one year ago. The commission's response to the recommendation regarding the gift certificate checking account indicates the commission plans to close the checking account and begin using an account at the Bank of North Dakota.