

2024



GAMING NEWS
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Official Newsletter of the North Dakota Office of Attorney General, Gaming Division

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Introduction

From Training and Communications Specialist, Kathleen Moch

Happy Spring from the North Dakota Office of Attorney General, Gaming Division. I am Kathleen Moch and was recently hired at the beginning of 2024. I am filling the role as the Training and Communications Specialist and am beginning to learn all things gaming. Currently, I am working closely with the auditors to learn about the different game types and forms necessary to complete in order for charitable organizations to be compliant.

I started the newsletter in January, and as stated in it, I will be sending these out quarterly to let you know of the many updates or news events in gaming. This quarter's newsletter features a legislative update, a section on twenty-one chips and drop box procedures, compliance issues, a tax section, and much more. You can always access this newsletter on the Attorney General's website found at attorneygeneral.nd.gov/licensing-and-gaming.



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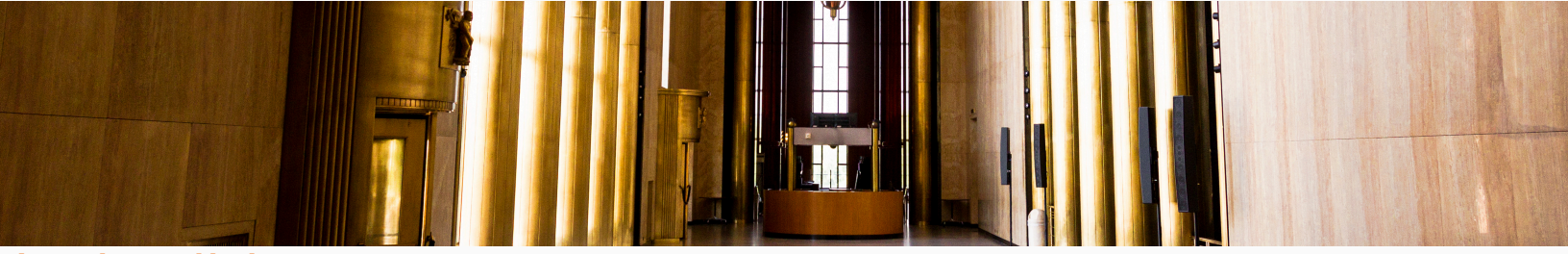
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- Licensing

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Legislative Update

FROM DIVISION DIRECTOR, DEB MCDANIEL

During the 2023 legislative session, Senate Bill 2304 was passed. This bill contained a requirement that a comprehensive, statewide, charitable gaming study take place. The 18-member Interim Judiciary Committee is overseeing the study.

The next meeting for the Judiciary Committee is scheduled for Wednesday, June 19, 2024. The notice indicates that statewide charitable gaming is on the agenda; however, the agenda has not been posted yet.

This study must include input from the following:

- The Attorney General's office.
- Stakeholders from large and small charitable organizations.
- Local political subdivisions that authorize sites (county or city).
- Gaming equipment manufacturers and distributors.
- Gambling addiction counselors.
- Other industry leaders.



In addition, the study must evaluate the following:

- The economic impact of charitable gaming on the state in urban and rural areas.
- Gambling addiction and treatment services currently available.
- The civic benefit of charitable gaming to the communities most closely related to the gaming sites.
- How site authorization is approved and renewed.
- A charity's ability to have equitable access to sites.
- Gaming tax structure.
- Public support for charitable gaming.
- Statewide local restrictions placed on charitable gaming.
- Gaming expansion.
- Site locations where gaming is taking place.
- Charitable gaming proceeds and the eligible use of these proceeds, which includes the percentage of proceeds allowed to conduct charitable gaming and the mission of the organizations.
- Placement of gaming activity within a gaming site, including where electronic pull tab devices are placed.
- Rental rates paid by organizations to alcoholic beverage establishments.
- The authority the Attorney General has to regulate alcoholic beverage establishments.

The website for the Judiciary Committee and information regarding the gaming study, meeting dates, and other documents can be found using this link.





Early History of Gambling in the US

FROM TRAINING AND COMMUNICATIONS SPECIALIST, KATHLEEN MOCH

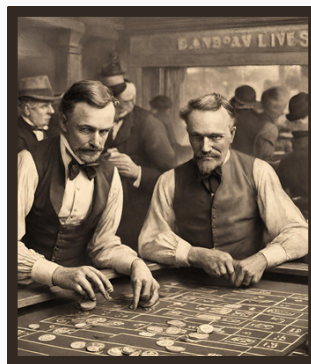
The North Dakota State Library has a wealth of interesting books. Recently, I visited and found the non-fiction book titled Roll the Bones: The History of Gambling by David G. Schwartz. In it, Mr. Schwartz notes gambling all throughout the world, but the history of gambling, especially in the United States, was of most interest.

In all reality, gambling is a part of our society. In colonial days, people would hold lotteries and raffles without any controls placed on by the government; however, seeing that these types of gambling could benefit the public and could finance specific governmental improvements or needs, the colonies took over and began to regulate. According to Schwartz, an early game of chance took place in Massachusetts, “...when the colony sought to raise £7,500 to protect the seacoast and the northern borders against the French.” Similarly, Rhode Island colony used lotteries to, “...build a poorhouse, expand a church, ransom a sailor who had fallen into the hands of the French, pave streets, and compensate a jailor whose prisoners had enlisted in the colonial army without paying for their board.”

Schwartz goes on to note that as the colonies were fighting for independence, the Second Continental Congress tossed around an idea to have lotteries help fund the war effort. However, the larger, \$50,000 winning tickets would be paid by loan certificates. After taking into account inflation, the government decided the lottery would not obtain a substantial windfall of monies even if the sell of patriotism was pushed.

Later, as noted by Schwartz, when constructing Washington, D.C., the federal government did use a lottery to help fund the building of the city. In fact, George Washington purchased the first ticket with a top prize being a hotel in our nation’s capital.

In conclusion, gambling and the intended uses as listed in North Dakota Century Code § 53-06.1-11.1, does have the ability to benefit the people of our great state. Whether by assisting the performing arts, combatting juvenile delinquency, or providing funds for the health and welfare of injured or disabled veterans, to name a few, the charitable organizations in the state continue to do good works.



AUDIT

Common Violations Noted in Audit or Compliance Reviews

FROM AUDIT SUPERVISOR, LAURA GLEICH

The auditing section of the gaming division works diligently to keep the organizations in compliance. However, with the many rules and requirements, sometimes certain administrative codes are overlooked. The following lists common violations the auditors are seeing:



N.D.A.C. § 99-01.3-03-09(1),(2),(3),(5),&(6) – An organization is required to have a person who does not have sole access to the deals of pull tabs, paper bingo cards, rolls of tickets, casino chips, and betting chips, complete an annual reconciliation of the inventory. The reconciliation must be documented by this person and include a comparison of the inventory counted to the master and/or site inventory records and any differences resolved. The annual Reconciliation of Inventories form (SFN 17937) may be used to document this reconciliation.



N.D.A.C. § 99-01.3-03-09(4)&(6) – An organization is required to have a person who does not have sole access to the gaming cash banks and who does not have sole signatory authority of the gaming account, complete an annual reconciliation of the cash banks. The reconciliation must be documented by this person and include an independent physical count of each cash bank, reconciled, and compared to the Ideal Cash Bank Master Record (SFN 52534), and any differences resolved. The annual Reconciliation of Ideal Cash Banks form (SFN 52532) may be used to document this reconciliation. **Note:** This is not required for any loan a bar may have for redeeming winning pull tabs or electronic pull tab credit ticket vouchers.

DREW H. WRIGLEY
NORTH DAKOTA ATTORNEY GENERAL

RECONCILIATION OF IDEAL CASH BANKS
NORTH DAKOTA OFFICE OF ATTORNEY GENERAL
GAMING DIVISION
SFN 52532 (8-2023)

Organization _____
Reconciliation Completed _____

Game Type _____	Game Type _____
Game Identifier/Name of Game _____	Game Identifier/Name of Game _____
Current Cash Amount of Bank (per count) \$ _____	Current Cash Amount of Bank (per count) \$ _____
Plus: _____	Plus: _____

Forms can be searched on the ND Attorney General's website at www.nd.attorneygeneral.gov

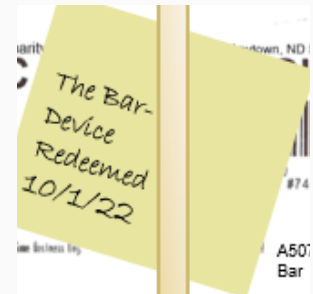
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AUDIT

Common Violations Noted in Audit or Compliance Reviews

From previous page.



N.D.A.C. § 99-01.3-03-10(7) - Every gaming organization must have at least one person in place to audit a closed game or the daily activity, within a reasonable time, which includes verifying the redeemed winning tickets, the number and value of unsold tickets when the games are closed, the number of and total dollar value of all credit ticket vouchers redeemed, gross proceeds, prizes, adjusted gross proceeds, and cash profit.

The person completing the audit of the activity must meet all criteria listed below (Bolded items note administrative rule changes as of 1/1/23):

- Did not conduct the game
- Did not have sole access to the games in play
- Did not have sole access to the total receipts or cash profit for the game's or day's activity.
- May not have sole signatory authority of the gaming account
- May not have sole electronic access to the gaming account other than to view account information and may not be able to make electronic deposits, withdrawals, or transfers into or out of the account
- **May not audit a closed game or daily activity that was conducted by a common household member, spouse, child, parent, brother, or sister of the audit person**
- **For twenty-one or paddlewheel with a table, the activity may not be audited by a person who is a member of the drop box cash count team.**

N.D.A.C. § 99-01.3-06.1-05(5) - For electronic pull tabs, if an organization has established a cash reserve bank for the buyback of credit ticket vouchers, an accounting of the starting and ending cash on hand must be completed for each interim period visit. The runner cash reserve bank is considered to be an employee cash bank and must be documented with the starting cash amount, recording any cash issued out or returned to the reserve, and the ending cash amount. The Electronic Pull Tab Devices Runner Cash Reserve Bank Report (SFN 61540) must be used to document the cash bank.





Proper Drop Box Procedures

FROM THE AUDIT SECTION OF GAMING

Twenty-One has been a sanctioned charitable game type in North Dakota since 1981. However, a common problem the audit section sees is a lack of proper drop box procedures within organizations. Because of this, a brief explanation of appropriate handling and counting of the drop box will be given as a reminder.

First, used drop boxes must be removed from a twenty-one table by the end of the day's activity. The drop box must be locked in a safe storage place. If only the shift manager is working, the drop box still must be moved to a safe storage area; however, the contents must be counted by two people at a later time. The cash must be removed and counted before the drop box can be used for another day's activity. When empty, the drop box may be stored in a safe storage area or on a twenty-one table.

In regard to counting, a drop box must be opened by a two-person count team. According to the rules, certain stipulations of the persons, who must be independent of one another, must be in place. This team may be:

- An independent person and a gaming employee.
- Two representatives of a financial institution, accounting firm, security agency, or security company.
- Two nongaming employees.
- Two gaming employees provided that one of the employees did not conduct games at the same site on the day of the activity and day of the count.



The count team may not be two persons who have a direct supervisor and subordinate relationship and may not be a common household member, spouse, child, parent, brother, or sister of the other count team member, except when using an independent contractor. A count team member may not be the person who is responsible for auditing the twenty-one activity.

The key to the lock of the drop box must be controlled by one count team member who may not access the drop box unless both count team members are present. If there are two separate locks that secure the contents of a drop box, the key to the second lock must be controlled by the other count team member. In summation, controls must ensure that no one person may be able to access the drop box contents by themselves.

Each person must independently count the drop box cash in the presence of the other person and resolve any differences between the counts if any exist. These counts must be documented with initials and dated by both count team members.

For further information or guidance, please refer to N.D.A.C. § 99-01.3-08-14 or call the Attorney General's Office. We are here to help.





TAX TIME

Tax Section

FROM TAX SUPERVISOR, PATTY WONDRA

In this quarter’s newsletter, the tax section would like to address another common area of confusion when using the online tax return filing system.

A lot of organizations have seasonal or one time event sites that don’t have activity every quarter and wonder why they’re getting the error when they don’t select any game types for that site. That’s because the checkbox is still checked next to the site name in Part I Gaming Activity. To rectify receiving this error, click on the words “Part I – Gaming Activity” in the left hand navigation. This will bring you to your site listing. Uncheck the box next to the site that didn’t have any gaming activity during the quarter. This will prevent you from being able to select any game types for this site and the error should go away. Note that you may still enter gaming expenses for the site even though there was no gaming activity reported.

Sites

Please indicate all sites that had Gaming Activity within the quarter you are reporting for. You can complete this by making sure there a checkmark next to that site. Please provide the gaming expense amount that occurred within each site for the quarter you are reporting on regardless if Gaming Activity did or did not occur at that site.

GOLDEN LAKE ACRES - (046)A	<input type="checkbox"/>
Site Expenses	\$ <input type="text"/>
RUMORS TAVERN - (295)B	<input checked="" type="checkbox"/>
Site Expenses	\$ 63114.77

Interpretation of Eligible Use Regarding Real Property

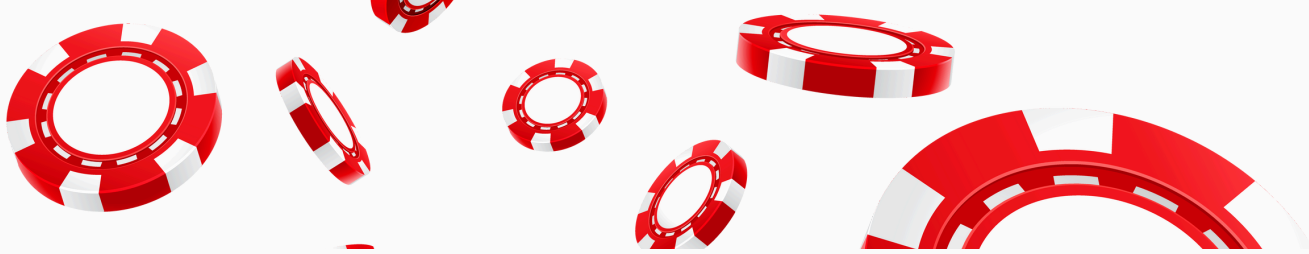
Previously, the interpretation of eligible use regarding real property allowed for the net proceeds to be disbursed to a nonprofit that owns real property. The nonprofit organizations could then make improvements to and maintain that property.

However, the interpretation of the law has now changed. Instead, net proceeds may only be used by a licensed gaming organization to make improvements to and maintain real property owned by the licensed gaming organization unless otherwise stated in the law.

The purpose behind the change in interpretation is that if an organization sells real property in which the net proceeds were for improvements or maintenance, the proceeds from the sale of said property, up to the amount of net proceeds used, must be disbursed to other eligible uses.

Examples of nonprofit organizations, if they do not have a state gaming license, that are no longer eligible to receive net proceeds for real property improvements are golf courses, community centers, and fraternal and veteran organizations.





When the Chips are Down

FROM INVESTIGATOR JACOB MARSCHNER
 NORTH DAKOTA BUREAU OF CRIMINAL INVESTIGATION, GAMING DIVISION

The North Dakota games of chance administrative rules have specific rules regarding chip design when conducting twenty-one. The following brief tutorial may be used to help assist organizations to ensure that compliance is met.

Non-Compliant

Casino Chips as per N.D.A.C. § 99-01.3-08-03:

1.No card suits or any other card suit markings should be on the chips.

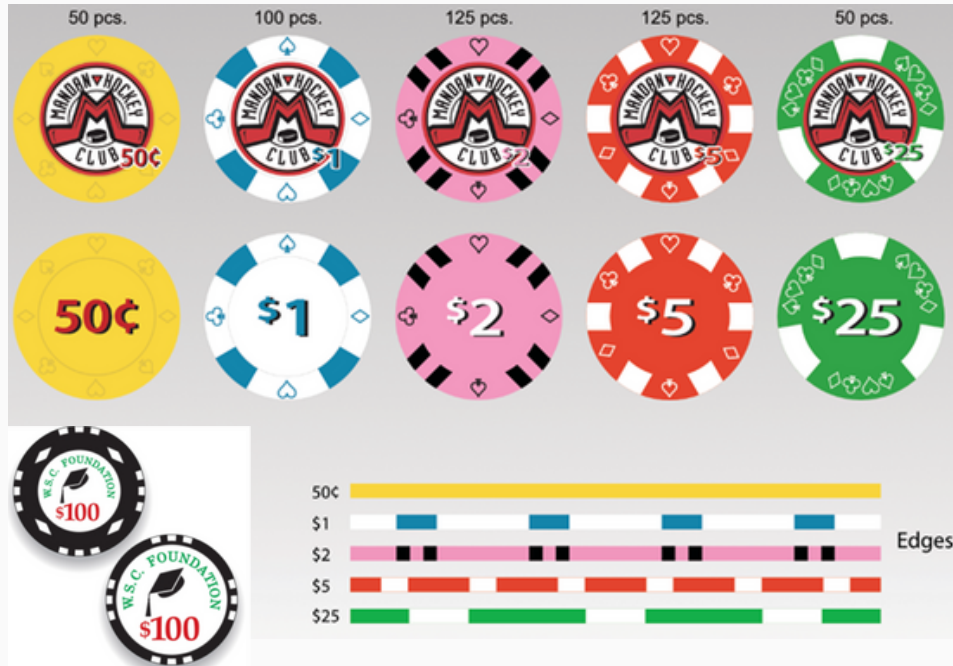
2. Have the charitable organization’s name on one side with the value of the chip on the other.

3. The organization name/logo must be imprinted directly on the primary color chip with no white background.

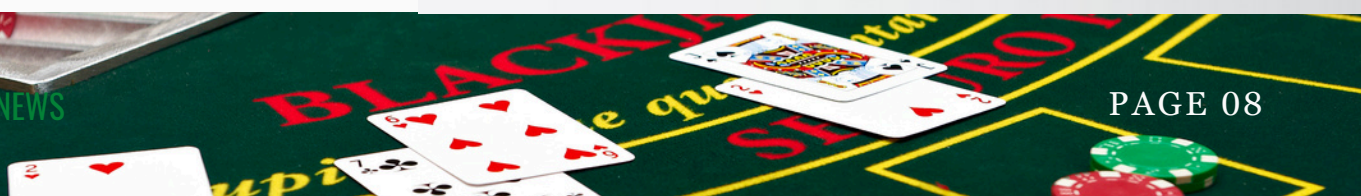
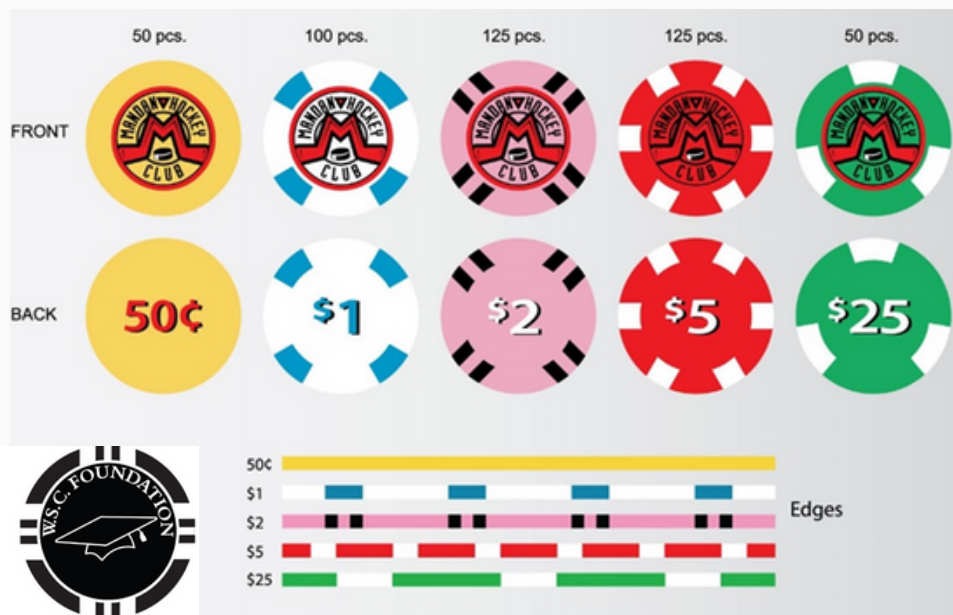
4. Have equally spaced edge spots.

5. Only use these primary colors with values:

- 50¢ mustard yellow chip with no edge spots.
- \$1 white chip with four solid edge spots.
- \$2 pink chip with four split edge spots. These two split portions of an edge spot must be the secondary color and the middle space may either be the primary pink color or a third color.
- \$5 red chip with six solid edge spots.
- \$25 green chip with eight white solid edge spots OR three white solid edge spots.
- \$100 black chip with four white triple split edge spots.



Compliant





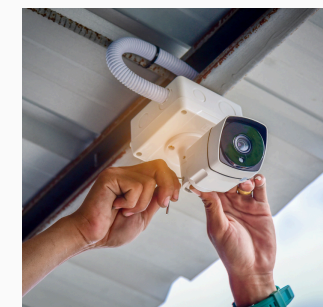
Uptick in Burglaries

FROM SPECIAL AGENT, ROB SANDERSON
NORTH DAKOTA BUREAU OF CRIMINAL INVESTIGATION, GAMING DIVISION

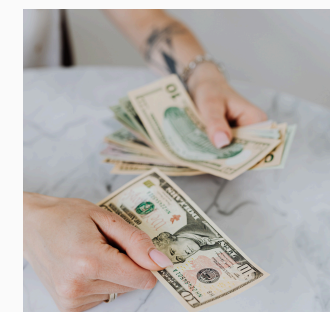
The Gaming Division has received reports of bar burglaries in the last couple months. These burglaries have happened in several cities and have targeted both large and small sites. Except for two, most of the burglaries do not appear to be linked. Some of the burglaries have cost the charities a significant amount of money, and in other burglaries, the criminals didn't get anything. The Gaming Division would again like to remind charities to work with your sites to find every possible means to deter criminals from attempting to burglarize your site or your charity. You may ask yourself how your charity can minimize the loss due to burglary. If so, here are some helpful tips.



Safes - Get a large at least Level II safe for the site. If possible, secure it to the floor. In several burglaries, the suspects brought a dolly to the crime scene to wheel the safes out. We have also seen burglars be very quick with a crowbar on smaller safes. Larger safes have been passed over due to complication of breaking into the safe or taking too much time. Criminals are on an internal clock; they want to get in and out as fast as possible. One way to do this is to make it harder for them to succeed.



Good Cameras - Purchase visible cameras that can deter criminals from attempting break-ins. Criminals can break the server linked to the cameras or can smash the cameras. Burglars will also use face coverings in an attempt to disguise themselves. With a good camera system, burglars will think twice about breaking into that bar.



Visibility - Is your money out in the open, or are large sums of cash visible when paying out a winner? If someone down on their luck can see thousands of dollars that could potentially be easily accessed, then maybe that will prompt them to try to steal the cash. Find ways to not have large sums of money exposed to the public. Don't do money counts when the bar is open or busy. If that is not possible, find a safe and secure area to count the money.

Continued on the following page.





Uptick in Burglaries

From previous page.



Routine - Switch up your routine. Don't always count or complete interim visits on the same days or the same times. If the criminal element knows your routines, it will make it easier for you to be robbed. Consider completing interim visits multiple times during the week to have less money available at a site.



Think Safety - Work with your teams and sites to always be thinking about safety. Have a quarterly meeting to discuss if there are any weaknesses in security. Remember, your staff at the sites are seeing things on a daily/nightly basis, so use them as a resource. If you or your staff feel something is fishy, the intuition is usually right. Act upon these suspicions, call a supervisor, and take extra steps to be safe. Look outside in the parking lot prior to walking to your vehicle; if there is someone in that area, ask someone to walk you to your car. Make sure people are not loitering in the gaming areas when you are doing counts or closing for the night.

In conclusion, taking some extra precaution can save your charity time and money in the long run. Please be safe and continue to make charitable gaming successful for your charity and the people of North Dakota.

E-Tab Kiosk Update

As noted in the last newsletter, the ND Attorney General's Office, Gaming Division, directed by the State Gaming Commission, started a credit ticket voucher redemption kiosk test in December.

In January, there were three locations, and now in May, there are a total of twenty locations in eleven different municipalities throughout North Dakota including the cities of Bismarck, Fargo, Oakes, Casselton, Grand Forks, Dunseith, Bisbee, Selz, Coleharbor, Gwinner, and St. John. A limited number of kiosks has been set by the Gaming Division as this is still in a trial period and not yet approved.

Written guidelines and forms for organizations were created, and employees of the Gaming Division are working closely with manufacturers, distributors, and organizations during the installation and subsequent interim visits so that completion of recordkeeping forms is done properly. In addition, organizations continue to monitor and evaluate the benefits to the kiosks.

A survey will later be sent to the organizations regarding the advantages and disadvantages of the e-tab kiosks.



Process for Obtaining & Completing Permits

FROM ADMINISTRATIVE ASSISTANT, NICKI BEHM

When looking to obtain a permit, there are several steps that an organization must take.

First, organizations must complete the Application for a Local Permit or Restricted Event Permit as on the attorney general's website. To find this, go to the North Dakota Attorney General's website, click Licensing and Gaming, Licensing, Charitable Gaming, then scroll to the Local or Restricted Events Permit section at the bottom. Only click the form labeled as SFN 9338. The other form, SFN 17926, is to be completed by the city or county contact person ONLY. You may follow this link for help: <https://attorneygeneral.nd.gov/licensing-and-gaming/licensing/charitable-gaming/>.

Once you download the application, make sure to fill in the specific dates of the event(s), site name, site physical address, each itemized prize with the retail value of each itemized prize listed individually, and the intended uses of gaming proceeds. Cash drawings must have a percentage of proceeds or a breakdown of the cash prizes listed. If there are multiple event dates or prizes that do not fit on the form, a separate sheet must be submitted with the application that provides a list of all event dates and/or prizes. The dates of activity and dates authorized must only be the range of actual dates for the event(s)- first event date through last event date- and does not need to include the dates the organization is selling raffle tickets. The list of what will be donated or purchased is required to be listed for the application. If prizes are donated, have a deadline of what will be donated to prepare a final list.

After you complete the application, take this to the local city or county auditor for approval of the location of the event. Permits correspond to jurisdiction, so if an event is within city limits, the city auditor would receive the application, and if the event is held outside city limits, the county auditor would receive the application.

The city or county will then go through their process of approval. If approved, the city or county will send the permit, application from the organization, and any attachments to the Gaming Division within 14 days of issuance.



The permits must have final approval from the AG's office prior to the first event date. No permits will be issued after the event occurred.

A local permit must be based on a fiscal year, July first to June thirtieth or on a calendar year basis. The permit issued with tickets sold may not exceed one year before the raffle drawing. Permits may be issued for a period of up to 12 months.

There are specific prize restrictions that many organizations fail to comply with that lead to a rejection of the permit. Please use the following guideline when thinking about prizes:

- A single prize CANNOT exceed \$8,000. Please note that this is based on retail value.
- If a prize is donated, the retail value must be included.
- The total of all prizes based on retail value CANNOT exceed \$40,000 for all games per year.
- If the total value exceeds the \$40,000 limit, an organization may either reduce the prizes to the set limit or may apply for a state gaming license with the North Dakota Attorney General's Office. Please know that the application process for a state gaming license will take at a minimum six months to complete.

DID YOU KNOW

According to § 99-01.3-12-03, regarding a bar redeeming a winning pull tab, it is the responsibility of the bar employee to check the serial numbers of all pull tabs. This is done by checking the Dispensing Devices-Record of Serial Numbers form, SFN 18619. If a bar employee fails to check a redeemed ticket's serial number, they will, "...absorb a loss related to a counterfeit or lost pull tab, redeemed pull tab that was not bought at the site, and loss or theft of the temporary loan of funds." With the criminal element's attempt at being more clever, this is an important step to remember.





INTERNAL CONTROL



Internal Control Manuals

FROM TRAINING AND COMMUNICATIONS SPECIALIST, KATHLEEN MOCH

In late March, an email was sent to all gaming organizations, requesting a current Internal Control Manual (ICM). According to N.D.A.C. § 99-01.3-03-01 (2) & (3), “A governing board of the organization shall establish a written system of internal control, comprised of accounting and administrative controls. An organization may not permit any unauthorized person as determined by the governing board from reviewing this system.” Furthermore, if the attorney general’s office deems the internal control manual as inadequate, an organization shall address the deficiencies.

An important point to note is that ICMs do not apply to organizations that only conduct a calcutta, raffle, sports pool, paddlewheels without a table, or poker, or is involved only in conducting no more than two events during the fiscal year.

Accounting controls must include procedures and records that meet the following objectives:

- Transactions executed as authorized by management.
- Proper recording of gaming activity.
- Access to cash, games, and other assets is permitted as authorized by management.
- Assets recorded on records are periodically compared to actual assets, and any differences are resolved.
- A description of the interrelationship of employee functions and their division of responsibilities.

A sample of an ICM is provided on our website; however, we ask that this is used as a guide, not as your own internal control manual.

