STATE OF NORTH DAKOTA

OFFICE OF ATTORNEY GENERAL

AUDITING 101

TYPES OF GAMING AUDITS

AUDITS

- Scheduled routine audit
- Reactive audits due to theft or complaint
- Problems noted with gaming tax return information
- Requested by the gaming organization
- Audit of one quarter of activity; however, may be expanded if needed



3 Types of Gaming Audits

- Comprehensive Audit
- In-Office Audit
- Compliance Review

COMPREHENSIVE AUDITS

Process

- Unannounced site reviews
- Gaming Manager is notified and audit field work date scheduled
- Letter is mailed to the Top Official
- Auditors meet with the organization directly to start audit
  - conduct interview
  - complete physical inventory of all games with a state gaming stamp, bingo paper, and deals in play reports for Etabs
  - site inspections including observing count team procedures
  - pick up all records, game pieces, and credit ticket vouchers required for the audit

COMPREHENSIVE AUDITS

Process

- Complete audit work and draft audit report
- Set up time for in-person post audit conference with Governing Board Members to review draft audit report
- Post audit training
- Finalize audit report and any adjustments to the gaming tax return due to the audit
- Possible Notice of Violation or Administrative Complaint

IN-OFFICE AUDITS

Process

- Organization is notified and letter mailed to Top Official
- Auditors conduct phone interviews
- Organization completes physical inventory of all games with a state gaming stamp, bingo paper, and deals in play reports for Etabs
- Records, game pieces, and credit ticket vouchers required for audit are mailed or dropped off at the Gaming Division Office
- Complete audit work and draft audit report

IN-OFFICE AUDITS

Process

- Draft audit report issued to the organization
- Post audit conference through Teams or in-person at Gaming Division office
- Post audit training
- Finalize audit report and any adjustments to the gaming tax return due to the audit
- Possible Notice of Violation or Administrative Complaint

COMPLIANCE REVIEWS

Process

- Organization is notified by phone and letter mailed to Top Official
- Auditors conduct phone interviews
- Records, game pieces, and credit ticket vouchers selected for review are mailed or dropped off at the Gaming Division office
- Focused reviews
  - Compliance with certain North Dakota Gaming Laws and Administrative Rules
  - Compliance with recordkeeping requirements for game types conducted
  - Eligible use review
  - Bank account review
  - Any other specific areas

COMPLIANCE REVIEWS

Process

- Findings letter issued to the organization
- Organization may request to go through findings letter
- Post audit training
- Finalize and make any adjustments to the gaming tax return due to the review
- Possible Notice of Violation or Administrative Complaint

COMPREHENSIVE & IN-OFFICE AUDIT

OBJECTIVES

- Reconcile outstanding gaming stamps
- Determine if gaming activity was properly reported on the quarterly gaming tax return
- Review gaming bank account(s) to determine if cash profit generated from games was deposited
- Determine compliance with North Dakota Century and Administrative Code
- Determine if system of internal administrative and accounting controls are adequate
- Determine if eligible use disbursements from the trust account(s) were properly used
- Any other specific areas – Ex. Review of gaming expenses

COMPLIANCE REVIEWS

OBJECTIVES

- Compliance with certain North Dakota Century and Administrative Code
- Compliance with recordkeeping requirements for game types conducted
- Eligible use review
- Bank account review
- Any other specific areas – Ex. Review of gaming expenses

REVIEW OF GAME TYPES CONDUCTED

4 areas when a game type is reviewed:

- Gross Proceeds
- Prizes
- Adjusted Gross Proceeds
- Cash Profit
  - Depends on the game type as to how each area is determined
  - Determine if each area is able to be audited and reliable
  - Reviewing recordkeeping for complete and accurate information and required initials
    - ✓ Starting and ending cash banks (including IOU's)
    - ✓ Starting and ending counts (Ex. bingo cards, double roll ticket sales, etc.)
  - Are adjustments to the gaming tax return required

REVIEW OF GAMING ACCOUNT(S)

Review of Gaming Account(s) includes:

- Identifying any withdrawals and deposits made into the gaming account(s)
  - Gaming expenses – Rent paid to lessors, payroll, gaming supplies, etc.
  - Checks or authorized withdrawals to establish, increase, or replenish gaming cash banks
  - Checks to establish lessor loans
  - Gaming prizes paid (Ex. Bingo, raffles, etc.)
  - Identify each gaming deposit made or any other deposits
    - ✓ Compare gaming deposits to cash profit for each site/game and in total
    - ✓ Compare gaming deposits to adjusted gross proceeds for each site/game and in total



PREPARING FOR AN AUDIT

INDEPENDENT AUDIT PERSON

- 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
- Does not have signatory authority of the gaming account
- Does not have electronic access to the gaming account other than to view account information and may not make electronic deposits, withdrawals, or transfers in or out of the account
- Is not a common household member, spouse, child, parent, brother, or sister of the person conducting the activity

INDEPENDENT AUDIT PERSON

- Audits daily activity, including recounting the winning pull tab tickets, any unsold pull tabs, number of and total value of all redeemed and credit ticket vouchers
- Reviews daily accounting records for accuracy, completeness, and required initials
- Verifies **gross proceeds**, **prizes**, **adjusted gross proceeds**, and **cash profit**
  - ✓ Depends on the game type being audited as to how each is determined
- Posts daily activity to summary reports
- Verifies deposits to bank statements
- Verifies the audit has been completed by initialing and dating all accounting records
- Completed for all activity conducted by the organization – not only "main" activity (ex. raffles, prize boards, poker, etc. need to be audited)

These steps are always required, not only when there is a "problem."

MANUALS & BANK ACCOUNTS

Current Copy of Written:

- Policy manual
- Internal Control Manual

Bank Accounts:

- Gaming, Trust, and All Other General Account(s)
  - including bank statements, canceled checks, validated deposit slips
  - check registers, which include deposit, check/ACH detail, and account balances
  - includes investments, CD's, savings, etc.
  - bank statements one month prior to first day of the audit period and one month after the last day of the audit period

RECORDKEEPING FORMS

For Each Game Type Conducted:

- Refer to the North Dakota Administrative Code applicable game type chapter
- Recordkeeping requirements are addressed as last section of each game type chapter
- Invoices/receipts documenting any merchandise prizes

BANK DEPOSITS

- Deposits must be made within 3 banking days following the day of the activity
- Deposit slip or deposit summary must include required information for the game type
- All deposits into the gaming account(s) must be identified as to the source of the funds.

DROP BOX CASH COUNT

Twenty-One & Paddlewheel W/Table

- Must be opened by a two person count team who are independent of each other
- The drop box may not be accessible or counted by one individual
- Count team members may be:
  - Independent person and a gaming employee
  - Two representatives of financial institution, accounting firm, security agency, or security company
  - Two nongaming employees
  - Two gaming employees, provided that one does not conduct games at the site
- The key to the lock securing the contents of a drop box must be controlled by one count team member who may not access the drop box unless both count team members are present.

DROP BOX CASH COUNT

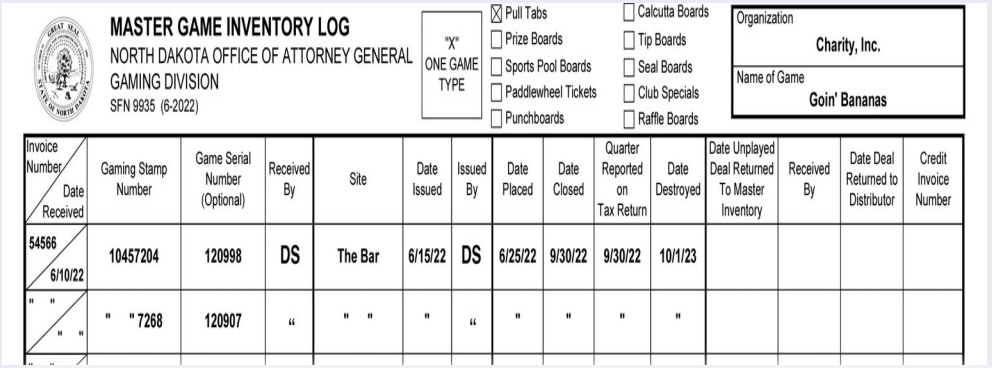
Twenty-One & Paddlewheel W/Table

- Count team members may not be:
  - Two individuals who have a direct supervisor subordinate relationship
  - A common household member, spouse, child, parent, brother, or sister of the other count team member, except when using an independent contractor
  - The individual responsible for auditing the twenty-one or paddlewheel w/table activity

INVENTORY RECORDS

Inventory Records

- Required for each game type
  - Any deals or games with a state gaming stamp
  - Paper bingo cards
  - Double roll tickets
  - Casino and betting chips
- Identifies all gaming inventory received, location, and physical count
- Master and/or Site Inventory Logs required
  - Organization's inventory control system
  - Number of gaming sites
  - Game type



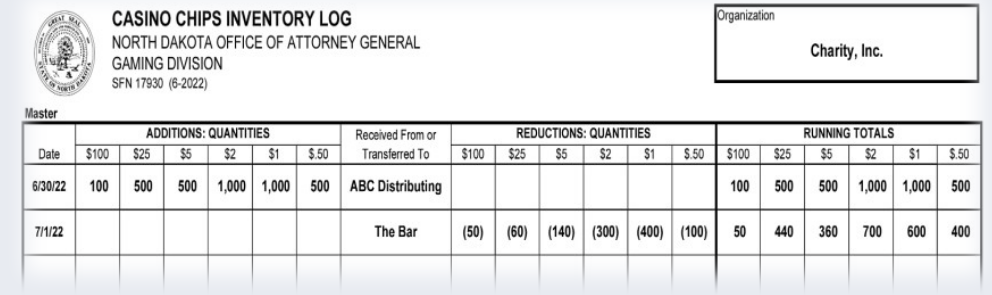
MASTER GAME INVENTORY LOG
NORTH DAKOTA OFFICE OF ATTORNEY GENERAL
GAMING DIVISION
SFN 9935 (6-2022)

"X" ONE GAME TYPE

☒ Pull Tabs ☐ Prize Boards ☐ Sports Pool Boards ☐ Paddlewheel Tickets ☐ Punchboards
☐ Calcutta Boards ☐ Tip Boards ☐ Seal Boards ☐ Club Specials ☐ Raffle Boards

Organization: Charity, Inc.
Name of Game: Goin' Bananas

Invoice Number / Date Received	Gaming Stamp Number	Game Serial Number (Optional)	Received By	Site	Date Issued	Issued By	Date Placed	Date Closed	Quarter Reported on Tax Return	Date Destroyed	Date Unplayed Deal Returned To Master Inventory	Received By	Date Deal Returned to Distributor	Credit Invoice Number
54566 / 6/10/22	10457204	120998	DS	The Bar	6/15/22	DS	6/25/22	9/30/22	9/30/22	10/1/23				
" " / " "	" " 7268	120907	"	" "	"	"	"	"	"	"				

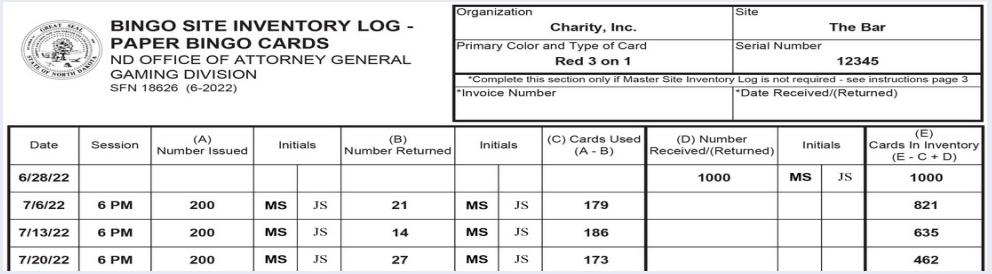


CASINO CHIPS INVENTORY LOG
NORTH DAKOTA OFFICE OF ATTORNEY GENERAL
GAMING DIVISION
SFN 17930 (6-2022)

Organization: Charity, Inc.

Master

Date	ADDITIONS: QUANTITIES $100	$25	$5	$2	$1	$.50	Received From or Transferred To	REDUCTIONS: QUANTITIES $100	$25	$5	$2	$1	$.50	RUNNING TOTALS $100	$25	$5	$2	$1	$.50
6/30/22	100	500	500	1,000	1,000	500	ABC Distributing							100	500	500	1,000	1,000	500
7/1/22							The Bar	(50)	(60)	(140)	(300)	(400)	(100)	50	440	360	700	600	400



BINGO SITE INVENTORY LOG - PAPER BINGO CARDS
ND OFFICE OF ATTORNEY GENERAL
GAMING DIVISION
SFN 18626 (6-2022)

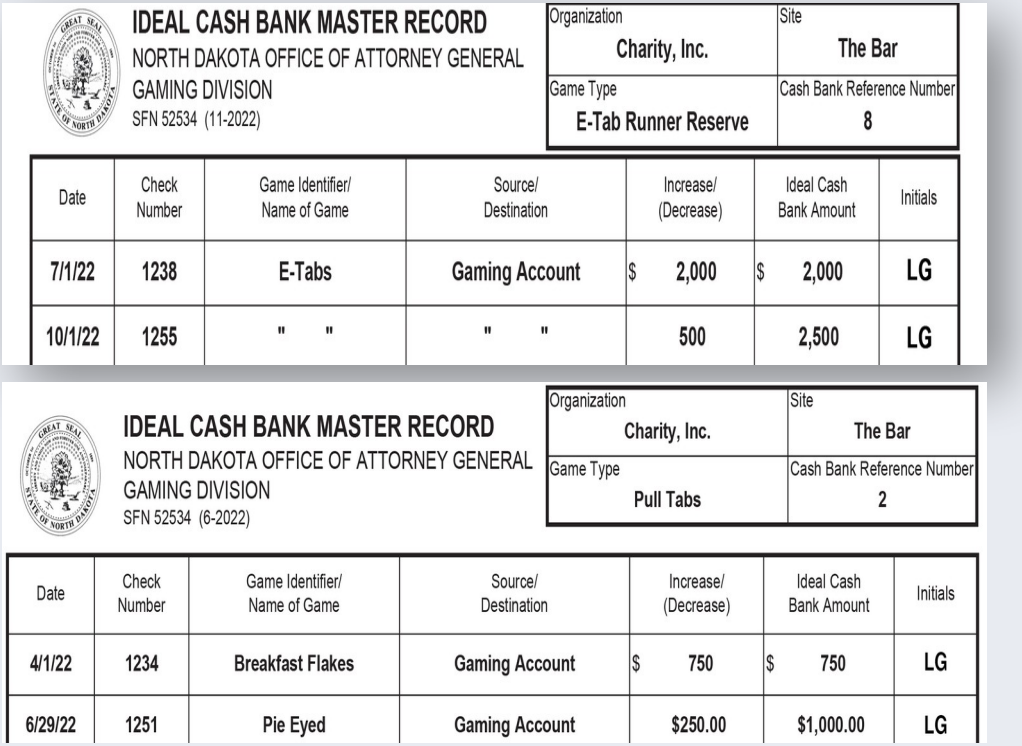
Organization: Charity, Inc. | Site: The Bar
Primary Color and Type of Card: Red 3 on 1 | Serial Number: 12345
*Complete this section only if Master Site Inventory Log is not required - see instructions page 3
*Invoice Number | *Date Received/(Returned)

Date	Session	(A) Number Issued	Initials		(B) Number Returned	Initials		(C) Cards Used (A - B)	(D) Number Received/(Returned)	Initials		(E) Cards In Inventory (E - C + D)
6/28/22									1000	MS	JS	1000
7/6/22	6 PM	200	MS	JS	21	MS	JS	179				821
7/13/22	6 PM	200	MS	JS	14	MS	JS	186				635
7/20/22	6 PM	200	MS	JS	27	MS	JS	173				462

IDEAL CASH BANK MASTER RECORDS

Ideal Cash Bank Master Records

- Required for all organization gaming cash banks
  - Documents the ideal cash bank amount for each gaming cash bank
  - Documents any permanent increases and decreases
  - Alcoholic beverage establishment loan amount is optional



IDEAL CASH BANK MASTER RECORD
NORTH DAKOTA OFFICE OF ATTORNEY GENERAL
GAMING DIVISION
SFN 52534 (11-2022)

Organization	Site
Charity, Inc.	The Bar
Game Type	Cash Bank Reference Number
E-Tab Runner Reserve	8

Date	Check Number	Game Identifier/ Name of Game	Source/ Destination	Increase/ (Decrease)	Ideal Cash Bank Amount	Initials
7/1/22	1238	E-Tabs	Gaming Account	$ 2,000	$ 2,000	LG
10/1/22	1255	" "	" "	500	2,500	LG

IDEAL CASH BANK MASTER RECORD
NORTH DAKOTA OFFICE OF ATTORNEY GENERAL
GAMING DIVISION
SFN 52534 (6-2022)

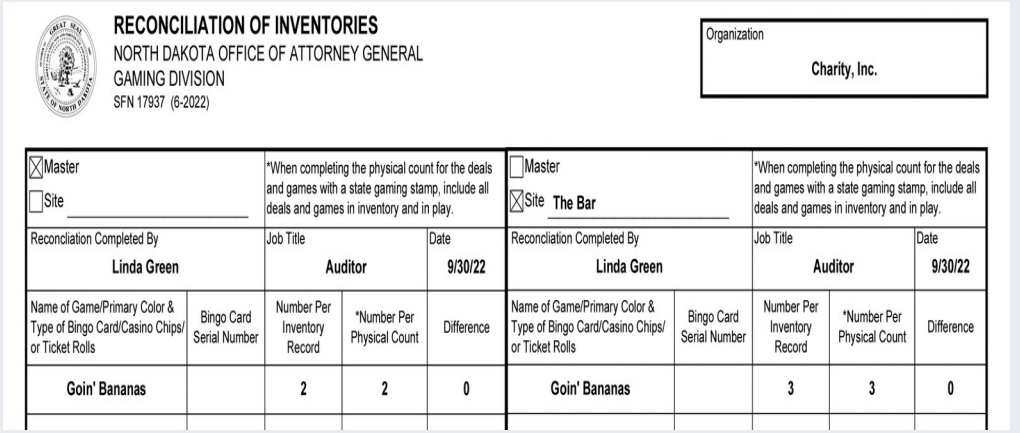
Organization	Site
Charity, Inc.	The Bar
Game Type	Cash Bank Reference Number
Pull Tabs	2

Date	Check Number	Game Identifier/ Name of Game	Source/ Destination	Increase/ (Decrease)	Ideal Cash Bank Amount	Initials
4/1/22	1234	Breakfast Flakes	Gaming Account	$ 750	$ 750	LG
6/29/22	1251	Pie Eyed	Gaming Account	$250.00	$1,000.00	LG

RECONCILIATION OF INVENTORIES

Inventory Reconciliation

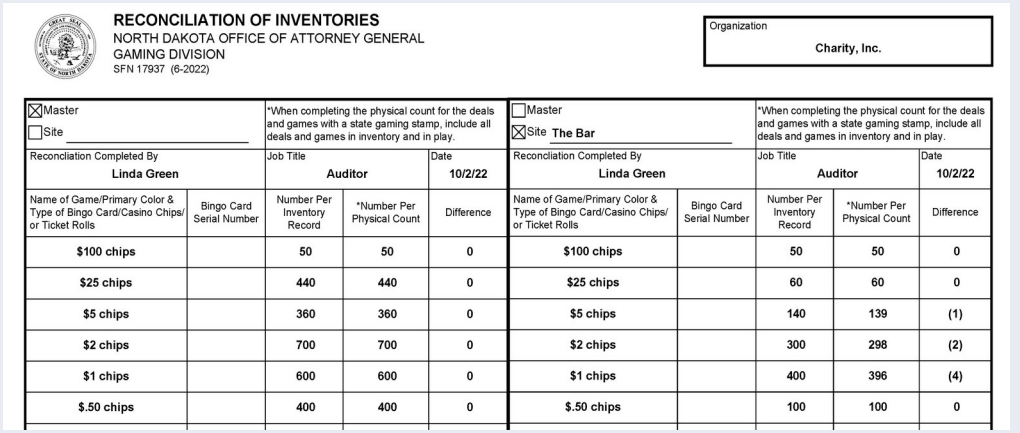
- Must be completed annually (minimum)
  - Must be completed by a person who does not have sole access to the inventory
  - Compare the physical count of inventory to the quantities on the inventory logs
  - Resolve any differences



RECONCILIATION OF INVENTORIES
NORTH DAKOTA OFFICE OF ATTORNEY GENERAL
GAMING DIVISION
SFN 17937 (6-2022)

Organization: **Charity, Inc.**

☒ Master ☐ Site		*When completing the physical count for the deals and games with a state gaming stamp, include all deals and games in inventory and in play.			☐ Master ☒ Site The Bar		*When completing the physical count for the deals and games with a state gaming stamp, include all deals and games in inventory and in play.		
Reconciliation Completed By: Linda Green		Job Title: Auditor		Date: 9/30/22	Reconciliation Completed By: Linda Green		Job Title: Auditor		Date: 9/30/22
Name of Game/Primary Color & Type of Bingo Card/Casino Chips/ or Ticket Rolls	Bingo Card Serial Number	Number Per Inventory Record	*Number Per Physical Count	Difference	Name of Game/Primary Color & Type of Bingo Card/Casino Chips/ or Ticket Rolls	Bingo Card Serial Number	Number Per Inventory Record	*Number Per Physical Count	Difference
Goin' Bananas		2	2	0	Goin' Bananas		3	3	0



RECONCILIATION OF INVENTORIES
NORTH DAKOTA OFFICE OF ATTORNEY GENERAL
GAMING DIVISION
SFN 17937 (6-2022)

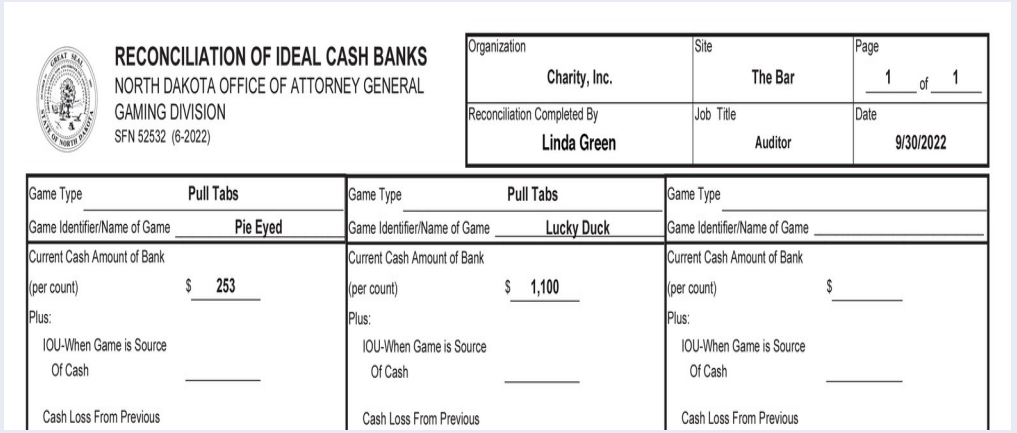
Organization: **Charity, Inc.**

☒ Master ☐ Site		*When completing the physical count for the deals and games with a state gaming stamp, include all deals and games in inventory and in play.			☐ Master ☒ Site The Bar		*When completing the physical count for the deals and games with a state gaming stamp, include all deals and games in inventory and in play.		
Reconciliation Completed By: Linda Green		Job Title: Auditor		Date: 10/2/22	Reconciliation Completed By: Linda Green		Job Title: Auditor		Date: 10/2/22
Name of Game/Primary Color & Type of Bingo Card/Casino Chips/ or Ticket Rolls	Bingo Card Serial Number	Number Per Inventory Record	*Number Per Physical Count	Difference	Name of Game/Primary Color & Type of Bingo Card/Casino Chips/ or Ticket Rolls	Bingo Card Serial Number	Number Per Inventory Record	*Number Per Physical Count	Difference
$100 chips		50	50	0	$100 chips		50	50	0
$25 chips		440	440	0	$25 chips		60	60	0
$5 chips		360	360	0	$5 chips		140	139	(1)
$2 chips		700	700	0	$2 chips		300	298	(2)
$1 chips		600	600	0	$1 chips		400	396	(4)
$.50 chips		400	400	0	$.50 chips		100	100	0

RECONCILIATION OF IDEAL CASH BANKS

Ideal Cash Bank Reconciliation

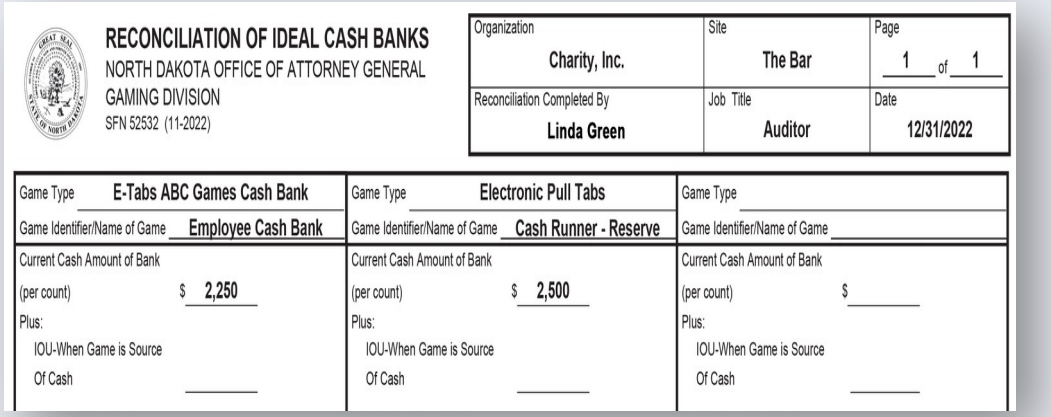
- Must be completed annually (minimum)
  - Completed by a person who does not have sole access to the cash banks and does not have sole signatory authority of the gaming account
  - Compares physical count of the cash to the Ideal Cash Bank Master Record
  - Resolve any differences



RECONCILIATION OF IDEAL CASH BANKS
NORTH DAKOTA OFFICE OF ATTORNEY GENERAL
GAMING DIVISION
SFN 52532 (6-2022)

Organization	Site	Page
Charity, Inc.	The Bar	1 of 1
Reconciliation Completed By	Job Title	Date
Linda Green	Auditor	9/30/2022

Game Type: Pull Tabs	Game Type: Pull Tabs	Game Type:
Game Identifier/Name of Game: Pie Eyed	Game Identifier/Name of Game: Lucky Duck	Game Identifier/Name of Game:
Current Cash Amount of Bank (per count) $ 253	Current Cash Amount of Bank (per count) $ 1,100	Current Cash Amount of Bank (per count) $
Plus: IOU-When Game is Source Of Cash	Plus: IOU-When Game is Source Of Cash	Plus: IOU-When Game is Source Of Cash
Cash Loss From Previous	Cash Loss From Previous	Cash Loss From Previous



RECONCILIATION OF IDEAL CASH BANKS
NORTH DAKOTA OFFICE OF ATTORNEY GENERAL
GAMING DIVISION
SFN 52532 (11-2022)

Organization	Site	Page
Charity, Inc.	The Bar	1 of 1
Reconciliation Completed By	Job Title	Date
Linda Green	Auditor	12/31/2022

Game Type: E-Tabs ABC Games Cash Bank	Game Type: Electronic Pull Tabs	Game Type:
Game Identifier/Name of Game: Employee Cash Bank	Game Identifier/Name of Game: Cash Runner - Reserve	Game Identifier/Name of Game:
Current Cash Amount of Bank (per count) $ 2,250	Current Cash Amount of Bank (per count) $ 2,500	Current Cash Amount of Bank (per count) $
Plus: IOU-When Game is Source Of Cash	Plus: IOU-When Game is Source Of Cash	Plus: IOU-When Game is Source Of Cash

ELIGIBLE USES

Disbursements From Trust Account(s)

- Contact information for recipients of net proceeds/donations
- Any written requests
- Invoices or receipts supporting the use of net proceeds
  - Recipients asked to provide documentation of use of the funds
  - Is the ultimate end use of the funds an eligible use



ANY QUESTIONS?



THANK YOU

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