

LOUISIANA STATE RACING COMMISSION

EXECUTIVE DEPARTMENT  
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
PROCEDURAL REPORT  
ISSUED SEPTEMBER 23, 2020

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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Louisiana State Racing Commission



September 2020

Audit Control # 80200044

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## Introduction

The primary purpose of our procedures at the Louisiana State Racing Commission (LSRC) was to evaluate certain controls the LSRC uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds.

## Results of Our Procedures

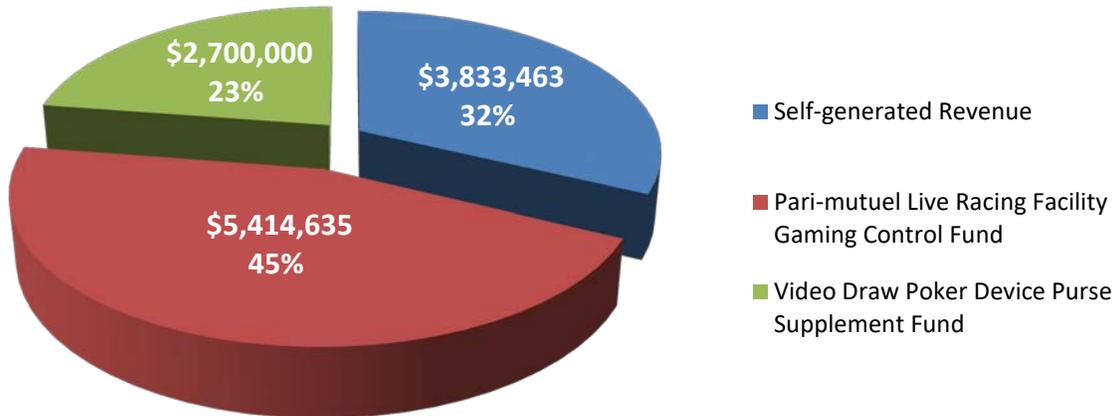
We evaluated the LSRC's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of the LSRC's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to self-generated revenues, statutorily required distributions, travel expenditures, fuel card expenditures, and payroll and personnel.

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## Revenue

There are three sources of revenue at the LSRC - Pari-mutuel Live Racing Facility Gaming Control Fund (Gaming Control Fund); Video Draw Poker Purse Supplemental Fund (Video Draw Poker Fund); and fees and self-generated revenue (Exhibit 1). A portion of the funds collected and deposited into the Gaming Control Fund by the Office of State Police (OSP) is appropriated to the LSRC for administrative expenditures. The Video Draw Poker Fund includes fees collected by OSP and appropriated to the LSRC for distribution to licensed racing associations and the Louisiana Quarterhorse Breeders Association in accordance with Louisiana Revised Statute (R.S.) 27:439. Fees and self-generated revenue consists of tax revenues derived from horse racing wagers, track attendance fees, and fees for permits, licenses, fines, appeals, and tests.

**Exhibit 1**  
**Louisiana State Racing Commission,**  
**2019 Revenue - \$11,948,098**



**Source:** Fiscal Year 2019 ISIS Data

We reviewed certain controls over the LSRC's self-generated revenue collections, documented our understanding of those controls, and reviewed selected transactions. Based on the results of our procedures, the LSRC has controls in place to ensure that self-generated revenues are properly collected, deposited, recorded, and are in compliance with applicable Louisiana Revised Statutes.

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## Statutorily Required Distributions

### Video Draw Poker Device Purse Supplement Fund

Funds deposited in the Video Draw Poker Fund are fees collected by the OSP from owners of video draw poker devices. Monies in this fund are annually appropriated to the LSRC and are allocated as follows: two-thirds of the funds are allocated and provided to licensed racing associations in the state which conduct live horse racing; and one-third of the funds are allocated and provided to the Louisiana Quarterhorse Breeders Association. We verified the required distributions were made in the correct amounts by the LSRC. Based on the results of our procedures, the LSRC has complied with R.S. 27:439(B).

### Off-track Betting (OTB) Self-generated Revenue

R.S. 4:218(A) authorizes the LSRC to collect a license fee of 1.5% of total amounts wagered at OTB facilities. It further requires the LSRC to distribute 14% of the OTB fees to the Louisiana Thoroughbred Breeders Association or the Louisiana Quarterhorse Breeders Association in proportion of the amounts wagered on each breed and 33% to the Louisiana Board of Regents. The LSRC is allowed the remaining 53% to cover administrative costs. We reviewed the LSRC's distribution of OTB fees and verified that the required distributions were made in the

correct amounts to the horse breeder associations and the Board of Regents. Based upon our procedures, the LSRC has complied with R.S. 4:218(A).

### Breeder Awards

R.S. 4:165(A) and (B) require the LSRC to pay breeder awards to owners of stallions when the stallion produces Louisiana-bred offspring that place first, second, or third in Louisiana races for quarter horses or Louisiana and certain out-of-state stake races for thoroughbred horses. Payments by the LSRC are to be made to the respective breeders association from available funds of the commission. Per R.S. 4:165(A), the annual distribution for thoroughbred horse breeder awards is the greater of \$700,000 or three-tenths of 1% of annual gross pari-mutuel wagers placed on all horse races in Louisiana. Per R.S. 4:165(B), the annual distribution for quarter horse breeder awards is \$800,000. We reviewed the LSRC's distribution of breeder awards and verified that the required distributions were made in the correct amounts to the respective horse breeders associations. Based upon our procedures, the LSRC has complied with R.S. 4:165(A) and (B).

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## **Travel Expenditures**

The LSRC participates in the state of Louisiana's Travel Controlled Billed Account (CBA) program. Under this program, the LSRC has a credit account which can be used to purchase allowed transactions and services related to travel. Allowed transactions include, but are not limited to, hotel lodging, rental cars, and conference registration expenditures. We obtained an understanding of the LSRC's controls over access to and use of the CBA as well as controls over travel reimbursements to LSRC employees. We analyzed travel expenditures and reimbursements to employees for the period July 1, 2018, through December 31, 2019, and reviewed selected transactions. Based on the results of our procedures, the LSRC had adequate controls in place to ensure travel expenditures were approved and made for proper business purposes; sufficient documentation was maintained to support travel expenditures; and travel expenditures were properly reconciled to invoices and receipts.

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## **Fuel Card Expenditures**

The LSRC participates in the state of Louisiana's Fueltrac Card program for auto maintenance for its state vehicle and uses corporate fuel cards for purchases of fuel for its state vehicle and vehicle rentals. We obtained an understanding of the LSRC's controls over access to and use of these cards.

We analyzed the corporate fuel card transactions for the period July 1, 2018, through December 31, 2019, and reviewed selected transactions and supporting documents, including receipts, logs, and credit card statements. Based on the results of our procedures, the LSRC had adequate controls to ensure that purchases were approved and were for proper business purposes; sufficient documentation was maintained to support purchases; and purchases were properly reconciled to receipts and vehicle logs.

## Payroll and Personnel

Salaries and related benefits comprised approximately 36% of the LSRC's expenditures in fiscal year 2019. We obtained an understanding of the LSRC's controls over the time and attendance function and reviewed selected employee time statements and leave records. Based on the results of our procedures, the LSRC had adequate controls in place to ensure timely review and approval of employee time statements and leave requests, employees were paid the amounts authorized, and leave taken was properly accounted for.

## Trend Analysis

We compared the most current and prior-year financial activity using the LSRC's Annual Fiscal Reports and/or system-generated reports and obtained explanations from the LSRC's management for any significant variances. We also prepared an analysis of the LSRC's revenues and expenditures over the last five fiscal years to identify trends, as shown in Exhibit 2. Revenues and expenditures have remained relatively consistent over the past five fiscal years.

**Exhibit 2**  
**Revenues and Expenditures,**  
**By Fiscal Year (FY)**



**Source:** Fiscal Year 2015 through 2019 ISIS Data

Under Louisiana Revised Statute 24:513, this report is a public document and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large, stylized initial "D".

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

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LSRC2020



## APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana State Racing Commission (LSRC) for the period from July 1, 2018, through June 30, 2020. Our objective was to evaluate certain controls the LSRC uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. The scope of our procedures, which is summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit or review the LSRC's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. The LSRC's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated the LSRC's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the LSRC.
- Based on the documentation of the LSRC's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures on selected controls and transactions relating to self-generated revenues, statutorily required distributions, travel expenditures, fuel card expenditures, and payroll and personnel.
- We compared the most current and prior-year financial activity using the LSRC's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from the LSRC's management for any significant variances that could potentially indicate areas of risk.

The purpose of this report is solely to describe the scope of our work at the LSRC and not to provide an opinion on the effectiveness of the LSRC's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purpose.