LOUISIANA STATE RACING COMMISSION

EXECUTIVE DEPARTMENT
STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED AUGUST 19, 2015

LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

ASSISTANT LEGISLATIVE AUDITOR
FOR STATE AUDIT SERVICES
NICOLE B. EDMONSON, CIA, CGAP, MPA

DIRECTOR OF FINANCIAL AUDIT
ERNEST F. SUMMERVILLE, JR., CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Four copies of this public document were produced at an approximate cost of $3.20. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at www.lla.la.gov. When contacting the office, you may refer to Agency ID No. 3517 or Report ID No. 80140012 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Elizabeth Coxe, Chief Administrative Officer, at 225-339-3800.

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

August 19, 2015

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Charles E. "Chuck" Kleckley,
Speaker of the House of Representatives
Mr. Charles A. Gardiner, III, Executive Director
Louisiana State Racing Commission

Dear Senator Alario, Representative Kleckley, and Mr. Gardiner:

This report provides the results of our procedures at the Louisiana State Racing Commission (LSRC) for the period from July 1, 2012, through June 30, 2014. Our objective was to evaluate certain controls that LSRC uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide overall accountability over public funds. I hope this report will benefit you in your legislative and operational decision-making processes.

We would like to express our appreciation to the management and staff of LSRC for their assistance during our work.

Sincerely,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

JCT:EMS:BQD:EFS:aa

LSRC 2014

1600 NORTH THIRD STREET • POST OFFICE BOX 94397 • BATON ROUGE, LOUISIANA 70804-9397
WWW.LLA.LA.GOV • PHONE: 225-339-3800 • FAX: 225-339-3870

Louisiana Legislative Auditor
Daryl G. Purpera, CPA, CFE

Louisiana State Racing Commission

August 2015

Audit Control # 80140012

Introduction

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

The mission of LSRC is to supervise, regulate, and enforce all statutes concerning horse racing and pari-mutuel wagering for live horse racing on-track, off-track, and by simulcasts; to collect and record all taxes due to the state of Louisiana; to safeguard the assets of LSRC; and to perform administrative and regulatory requirements by operating LSRC activities including annual budget formulation and execution, regulatory and veterinary daily activities and supervision, and promotion of horse breeding in Louisiana.

Results of Our Procedures

We evaluated LSRC's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of LSRC's internal controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to revenue collections, statutory distributions, and payroll expenditures.

Current-Year Finding

Noncompliance with Statutory Distribution Requirements

LSRC failed to ensure compliance with the requirements of Louisiana Revised Statute (R.S.) 4:218(A)(2), which requires the distribution of 33% of license fees collected from off-track wagering facilities to the Board of Regents. As a result, the Board of Regents has not received more than $15 million for distribution to public and private institutions of higher education, based on available financial records for the period July 1996 through April 2015.

R.S. 4:218(A) authorizes LSRC to collect a license fee of 1.5% of total amounts wagered at off-track wagering facilities (OTB fees). It further requires LSRC to distribute 14% of the OTB fees to horse breeders associations and 33% to the Board of Regents. LSRC is allowed to retain the remaining 53% to cover administrative costs. LSRC made the required distributions to the horse breeders associations; however, management explained that since 1990, the distributions to the Board of Regents have not been made because management did not have a mechanism in place to send funds to the Board of Regents, and there was no appropriation for the Board of Regents to receive those funds.

In reviewing the fiscal year 2014 LSRC budget request, budgeted expenditures under the self-generated means of finance are equal to the total self-generated revenue projection, which includes OTB fees. The budgeted expenditures include the 14% payments to the horsemen groups in compliance with R.S. 4:218(A)(1); however, it does not include any reference to the 33% distribution to the Board of Regents.

In years when revenues exceeded expenditures, LSRC reverted excess self-generated revenues to the Department of the Treasury (Department). We obtained LSRC reversion data for the six most recent fiscal years (2009-2014). Per the Department, amounts reverted in fiscal years 2010, 2011, and 2014 were less than the 33% of OTB fees required to be sent to Board of Regents; therefore, it appears that LSRC spent a portion of the funds authorized for distribution to the Board of Regents during these three years. As a result, LSRC spent more than the 53% of OTB fees it is authorized to retain by law.

LSRC should work with the Office of Planning and Budget and the Board of Regents for adequate resolution of this issue and ensure that the 33% distribution to Board of Regents is included in all future budget requests.

The Commission concurs in part that the distribution of license fees collected from OTBs to the Board of Regents under R.S. 4:218(A)(2) has not been paid as the statute was written; but does not concur that as a result, the Board of Regents did not receive more than $15 million for distribution to public and private institutions of higher education. The Commission maintained that this statute has never been funded or appropriated by the legislature; and the Board of Regents has not once sought to collect funds from the statute in the 28 years since the statute has been in existence. LSRC also maintained that $4.2 million in excess revenues have been returned to the State General Fund over the past five years, which could have been sent to the Board of Regents "…if it was the Legislature's will." Finally, LSRC maintained that "…there are simply no excess revenues to fund Higher Education or anything else. All of the Racing Commission's Self-Generated revenue is paid out in breeder awards to horsemen in the state that is mandated by other statutes. The balance is used to fund Personnel Services." (See Appendix A).

Additional Comments: LSRC is statutorily obligated to distribute to the Board of Regents 33% of the one and one-half percent license fee it collects under R.S. 4:218(A), which equates to more than $15 million from July 1996 through April 2015.

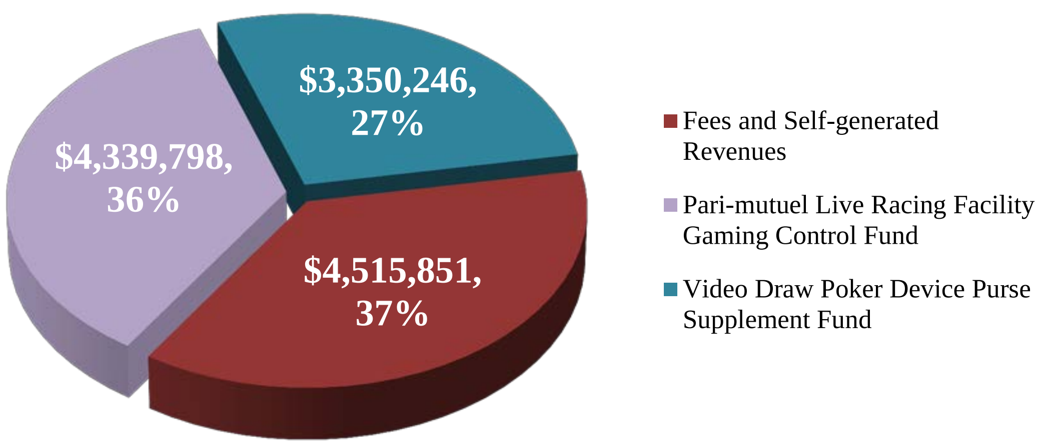
Absent legislative amendment of R.S. 4:218(A), LSRC is restricted by the provisions of R.S. 4:218(A)(3) to only retain 53% of the one and one-half percent license fee it collects. Our procedures disclosed that the excess revenues returned by LSRC were less than the 33% of OTB fees required to be sent to the Board of Regents in three of the last six fiscal years, indicating that

LSRC spent more than the 53% of OTB fees it is authorized by law to retain. As appropriation bills are not allowed to contain substantive provisions, no appropriation of funds to LSRC can be construed as amending or otherwise modifying the statutory allocations under R.S. 4:218(A).

Revenue

There are three sources of revenue at 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. A portion of the funds collected and deposited into the Gaming Control Fund by the Office of State Police (OSP) is appropriated to LSRC for administrative expenses. The Video Draw Poker Fund includes fees collected by OSP and appropriated to LSRC for distribution to licensed racing associations and horse breeders associations in accordance with R.S. 27:439. Fees and self-generated revenue consists of tax revenue, and fees for permits, licenses, fines, appeals, tests, etc.

Exhibit 1
Louisiana State Racing Commission
2014 Budgeted Revenue



Source: HB 1 of the 2013 Regular Legislative Session

Our auditors reviewed certain controls over self-generated revenue collections, documented our understanding of those controls, and reviewed selected transactions. Based on the results of our procedures, LSRC has controls in place to ensure that self-generated revenues are properly collected, deposited, and recorded.

Statistical Distributions

Video Draw Poker Device Purse Supplement Fund

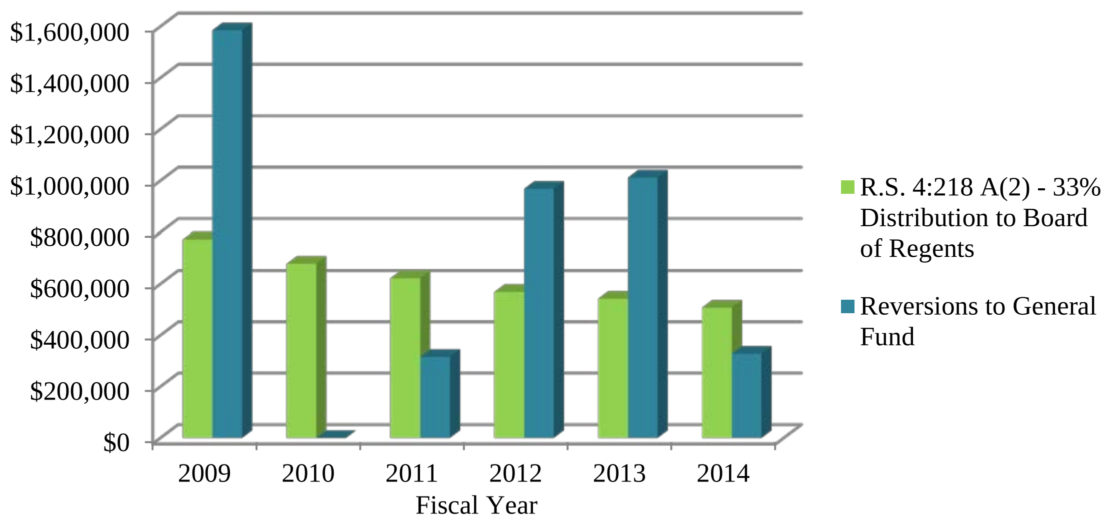
Funds deposited in the Video Draw Poker Fund are appropriated to LSRC annually and distributed, pursuant to R.S. 27:439(B), to licensed racing associations and horse breeders associations. Our auditors reviewed the transfers of appropriated revenue and verified the required distributions were made by LSRC. Based on the results of our procedures, LSRC has complied with R.S. 27:439(B).

Self-generated Revenue

R.S. 4:218(A) authorizes LSRC to collect a license fee of 1.5% of total amounts wagered at off-track wagering facilities (OTB fees). It further requires LSRC to distribute 14% of the OTB fees to horse breeders associations, 33% to the Board of Regents, and the LSRC is allowed the remaining 53% to cover administrative costs. Our auditors reviewed LSRC's distribution of OTB fees.

Based on our review, LSRC made the required distributions to the horse breeders associations; however, no distributions have been made to the Board of Regents. Based on the results of our procedures, we reported a finding on Noncompliance with Statutory Distribution Requirements.

Exhibit 2
Required Distributions to Board of Regents
Versus Actual Reversions to General Fund



Source: Revenue data was obtained from the statewide accounting system (ISIS). State Treasury confirmed reversions to the State General Fund.

<u>Other Required Distributions</u>

Pari-mutuel wagering pool taxes, other than OTB fees described above, from live and live simulcast racing that are due to the Louisiana Thoroughbred Breeders Association, the Louisiana Quarter Horse Breeders Association, and the Horsemen's Benevolent and Protective Association, are paid by the racetracks directly to the associations. Our auditors obtained and documented an understanding of LSRC's procedures in place to monitor the calculated distributions to the horsemen groups. Based on our review, LSRC uses computer-generated daily handle reports from each facility to ensure that accurate and timely allocations are made in accordance with applicable laws and regulations.

Payroll Expenditures

Payroll and related benefits account for approximately 35% of overall expenditures; therefore, our auditors obtained and documented an understanding of LSRC's controls over payroll processing and reviewed selected payroll transactions. Based on the results of our procedures, LSRC has controls in place to ensure that payroll transactions are properly recorded based on certified and approved time sheets and in accordance with applicable laws and regulations.

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

APPENDIX A: MANAGEMENT'S RESPONSE

LSRC's response includes 34 pages of attachments which are not included in this report. The attachments are on file for public viewing in the Legislative Auditor's office.

LOUISIANA STATE RACING COMMISSION

August 14, 2015

Ms. Erin M. Sindelar, CPA
Audit Manager
Louisiana Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804

Via electronic mail &
Original via U.S. Postal Mail

RE: *Response to LLA Finding of Non-Compliance With Statutory Distribution Requirements*

Dear Ms. Sindelar:

The Louisiana State Racing Commission (hereinafter, "the Commission") respectfully submits this response to the Legislative Auditors finding of noncompliance with statutory distribution requirements, particularly of La. R.S. 4:218 (A)(2), as it pertains to a 33% distribution out of Off Track Betting (OTB) self-generated revenue to the Board of Regents.

At the outset, the Commission concurs in part, insofar as La. R. S. 4:218(A)(2), which requires a distribution of license fees (self-generated revenues) collected from OTBs to the Board of Regents, has not been paid as the statute was written. The statute was enacted twenty-eight years ago and has, through no fault of the Commission, never been appropriated, funded, or applied for the reasons explained below. At all times, the Commission was prohibited from making any distribution to the Board of Regents for many reasons, none of which were its own. A complete discussion of the history of the statute's enactment, subsequent changes in the statutory scheme, decisions made by others with authority to evaluate and make budget decisions for the Commission, dramatic declines in racing self-generated revenue immediately subsequent to the statute's enactment, and the lack of the financial ability to currently fund La. R.S. 4:218 (A)(2) are essential to the Commission's response.

However, the Commission does not concur with the LLA's finding that the Board of Regents did not, as a result, receive more than $15 million for distribution to public and private institutions of higher education. Evidence of the distributions to higher education and the Board of Regents, pursuant to the legal mechanisms in place at the time, appears below. Those distributions went from racing to higher education through the **State General Fund**, the only mechanism in place at that time and since. The Commission, in accordance with the state's legal mechanism to distribute, during that time, has since the enactment of La. R. S. 4:218(A)(2), reverted to the General Fund for distribution all excess revenue over budget.

Additionally, the LLA's statement that the Board of Regents did not receive more than $15 million dollars from the Commission creates to the uninformed reader less than an accurate analysis of the history of the statute, the financial realities of the time and the legislatively approved decisions made by those in positions to do so, and could create an unjust negative public opinion. The LLA's finding does not consider the entire story or the "big picture" of why La. R. S. 4:218(A)(2) has never been funded or appropriated by the legislature, even in action in this latest 2015 legislative session. These past clean financial audits support the Commission's position and the Legislature's most recent interpretation of the statute.

At all times discoverable through historical data, in research conversations and documents attached from those in charge of the Commission's budget at the time, and evidence of distributions to the Board of Regents from racing from other means and mechanisms, the Commission respectfully offers that the plain meaning of the statute has never, could never, and can never be complied with as written.

Since 1987, the LLA's office has conducted several (5 that are discoverable from the LLA website) audits of the Commission where "tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities" and/or "reviews of related laws and regulations applicable to LSRC (the Commission) were reviewed extensively. No such finding of non-compliance, until this year and latest legislative session, was ever mentioned or found.

Thus, La. R.S. 4:218(A)(2) has remained "dormant" for its entire twenty-eight year existence. It is also essential to the present inquiry, and of no coincidence, to note that the Board of Regents during the statute's twenty-eight year existence has never anticipated, called for, or were ever able to receive the distributions contemplated by the statute. Not once in twenty eight years has the Board of Regents sought to collect funds from the statute. And in this latest legislative session, once an amendment to the Commission's budget sought to tax the Commission the equivalent of five years of distributions pursuant to the statute, the Division of Administration included in its own package an amendment to remove the same and it was approved by the Legislature. This also evidences the most recent and historical expressions of the legislative will that this statute has never been or can be complied with.

And finally, the factor that seals the fate of La. R.S. 4:218(A)(2) and that was clearly recognized by the Department of Economic Development (LDED) while in charge of all the Commission's budget decisions was that even if the Commission would have attempted to comply with a statute that did not have a legal mechanism to transfer funds, was that there is no self-generated revenue with which to comply. This is obviously why those with authority (the Legislature, the Division of Administration, the Office of Planning & Budget, and LDED when the statute was enacted) could not place this request in any past budget request. And it is equally obvious that this twenty-eight year old dormant statute could not be funded or appropriated by every approval of every Commission budget by past legislatures since.

Once discussed, it is the Commission's request that the Legislative Auditor's office rescind its finding of noncompliance.

HISTORY OF OFF TRACK BETTING, RACING REVENUE, AND THE GENERAL FUND

When La. R.S. 4:218 was enacted in 1987, horseracing was an “on-track” sport. A person wishing to attend the races had only one choice, to go to a racetrack in Louisiana to enjoy, view, and wager at that particular track. There were no other off-track wagering offerings. There was no wagering offered on any of the following: No full card simulcast of races broadcast from one Louisiana track to another Louisiana track with the ability to wager, no broadcast of Louisiana races to out-of-state residents with the ability to wager, no broadcast of out-of-state races into Louisiana with the ability of Louisiana residents to wager.

When La. R.S. 4:218 was enacted in 1987, the well-intentioned supporters who lobbied the Louisiana Legislature thought that, by creating the ability to wager on both Louisiana races as well as out of state races at satellite locations, interest in Louisiana races would increase. This increased exposure of Louisiana races would raise more revenue for purses, and therefore increase revenue to the State of Louisiana. However, despite the good intentions to increase purse sizes for the owners, trainers, jockeys and the state ultimately, the state’s revenue and the Commission’s self-generated revenue began to plummet. (See Attachment #1, Historical Perspective of Self-Generated Revenues vs. Expenses).

Prior to the enactment of La. R. S. 4:218, the Commission’s excess revenue after expenditures was returned to the **State General Fund** to be appropriated to the many recipients of the Legislature’s will. Higher education, including the Board of Regents, benefitted greatly from horse racing dollars. In fiscal year 1987/1988, the year of the statute’s enactment, the Commission returned $10,504,000 to the state’s General Fund. Much of that reverted revenue went to the Board of Regents and Higher Education.

It is also significant to note that every year the Racing Commission has reverted back annually to the **State General Fund** enough money to satisfy and comply with the intent of La. R.S. 218(A)(2). (See chart below). Within the last five fiscal years, the Racing Commission has reverted back to the General Fund a total of $ $4,208,091.00. The chart below provides the amounts of money returned to the State General Fund by the Louisiana State Racing Commission for the past five years, that could have been reverted back to the Board of Regents if it was the Legislature’s will.

THE COLLEGE AND UNIVERSITY RACING FEE FUND

FYE	La. R.S. 4:218A(2)	LSRC SGR
2014	507,839.03	327,680.00
2013	542,531.74	1,011,667.00
2012	568,653.14	967,653.00
2011	622,448.62	315,979.00
2010	678,010.09	0
2009	772,379.00	1,585,112.00
Totals	**3,691,861.62**	**4,208,091.00**

As is required when the Louisiana Legislature enacts a statute that makes distributions to other entities such as the Board of Regents, there must be a concomitant statutory “mechanism” by which funds can be transferred from the giving entity to the receiving entity. Once that mechanism is established, the Louisiana Legislature annually votes on and appropriates monies out of the State General Fund from the giving entity to the receiving entity. In 1987, the year La. R.S. 4:218 was enacted, there was a mechanism in place where Higher Education and the Board of Regents could only accept General Fund dollars, rather than Self-Generated revenues. That mechanism was the "University and College Racing Fee Fund", whereby **State General Fund** dollars could come from the Commission and be distributed to the Board of Regents and other institutions of higher education. However, research indicates that there has never been, since the enactment of La. R. S. 4:218(A)(2) a mechanism put in place by the legislature that would allow the Racing Commission to distribute **self-generated revenue** to the Board of Regents nor was there created a mechanism allowing the Board of Regents to receive **self-generated revenue** from the Commission.

When La. R.S. 4:218 was enacted, the mechanism in place to distribute funds from the Commission to the state's General Fund to higher education was the "College and University Racing Fee Fund", a statutory dedicated fund established by Act 473 of 1976 that was formerly housed in La. R.S. 4:163. (See Attachment #2, State of Louisiana Notes to Financial Statements, June 30, 1982). After credit to the state's Bond and Redemption Fund, the remainder of the Commission's excess revenue after expenses was transferred by the State Treasury for appropriation by the Legislature to Higher Education management boards in the state.

Therefore, in 1987 when La. R.S. 4:218 was enacted, there was a mechanism in place to distribute funds from the Commission's excess revenue once reverted to the **State General Fund** not only to the Board of Regents but also to many institutions of Higher Education in the state. Not only was a mechanism in place, but millions of dollars **were distributed** to the Board of Regents and numerous institutions of higher learning from the College and University Racing Fee Fund from the state's General Fund. (See Attachment #3, Act 18 from HB 1, Fiscal Year 1987/1988, pps. 30-53).

In 1990, when La. R.S. 4:163 that created the University and College Racing Fee Fund was repealed, it was not replaced with any other statute providing a legal mechanism whereby Higher Education or the Board of Regents could receive **Self-Generated funds** from the Commission (those funds set forth in La. R.S. 4:218). Nor was there a mechanism enacted by the Legislature replacing La. R.S. 4:163 where the Board of Regents and Higher Education could receive **General Fund** dollars from the Commission.

RACING COMMISSION AS SUB-AGENCY OF LOUISIANA DEPARTMENT OF ECONOMIC DEVELOPMENT

Prior to 1987, and until the early 2000's, the Commission operated under the purview of the Department of Economic Development (LDED). LDED prepared and tightly controlled the Commission's budget, issued all breeder award payments, performed the Human Resources and Information Technology functions. The Commission staff would meet every few months with LDED for a "status on the budget" confab. Each year, the Commission staff would meet with LDED officials to budget requests for the upcoming fiscal year budget. LDED would either grant or deny budget request items. (See Attachment #1, Historical Perspective of Self-Generated Revenues vs. Expenditures).

As of 1987, the recollection of those at LDED (as is shown in the email from May 21, 2010), was that the Board of Regents did not have the proper mechanism to accept Self-Generated Revenue, and therefore, that the Board of Regents could not accept or request the appropriation of any monies that would have been given to it pursuant to La. R.S. 4:218. (See Attachment #4, email from LDED Fiscal Staff).

Exactly why a mechanism for making Board of Regents payments under La. R. S. 4:218 (A)(2) was not changed to reflect the intent of the statute is unknown to the Racing Commission.

The Racing Commission was never a party to which statutes were funded and appropriated prior to and subsequent to the enactment of La. R.S. 4:218 while under the purview of LDED. Conversations with former LDED officials indicate that at the time of the enactment of La. R.S. 4:218, the state was facing a fiscal crisis, and decisions of what to fund and how to fund caused certain statutes to be appropriated and funded, while others that remained "on the books" have never been appropriated, funded, and have remained dormant. The Racing Commission was historically told that La. R.S. 4:218 was one of those that was "no longer appropriated and funded." Also and of no coincidence is that as time passed, those in positions of budget authority (the Division of Administration/Office of Planning and Budget) realized that Self-Generated revenue no longer existed, not only to fund the Board of Regents, but to fully support the expenses of the Racing Commission. One can only assume that as time passed after the passage of La. R. S. 4:218, Self-Generated funds were no longer available and, therefore, the statute was not funded nor were funds appropriated. (See Attachment #1, Historical Perspective of Self-Generated Revenues vs. Expenditures). Thus, if the statute was not appropriated or funded, this became the latest expression of the legislative will and was and is, the law.

CONCLUSION

Should the Legislature choose to take the Commission's excess revenues reverted to the State General Fund and distribute it to Higher Education and/or the Board of Regents, it, at its discretion, can and has distributed funding through "line items" in the Executive Budget to whomever the Legislature chooses to receive them.

As to Self-Generated revenues to which La. R.S. 4:218(A)(2) mandates distribution, there are simply no excess revenues to fund Higher Education or anything else. All of the Racing Commission's Self-Generated revenue is paid out in breeder awards to horsemen in the state that is mandated by other statutes. The balance is used to fund Personnel Services. Due to the continuing decline of Self-Generated revenues, critical decisions by the Legislature, the Division of Administration and the Office of Planning and Budget will have to be made. Either horsemen in the state will be denied payment of breeder awards that are mandated by other statutes or the Commission would lose many critical positions that would decimate the regulation of horseracing in Louisiana.

Although the LLA's finding that due to the Commission's "non-compliance", distributions were not made to the Board of Regents, the twenty-eight year history of the statute reveals that payments contemplated by the statute were never made. A true and common-sense analysis of the history of the statutory mechanisms in place at the time and the common-sense decisions made by those in authority at the time to do so, reveal that only through the Commission's excess revenue and only through the **State General Fund** could and can those distributions be made. These revelations, facts, and history reveal the common-sense reasons why the Commission could not nor can it comply with the statute. There was, at the time, no mechanism in place. There was no self-generated revenue to distribute. And regrettably today, there is no mechanism in place, and no self-generated revenue to distribute.

For all the reasons stated above, the Louisiana State Racing Commission respectfully requests the rescinding of the draft finding of non-compliance and recommends the repeal of La. R.S. 4:218(A)(2).

With kind regards, I remain

Sincerely,

s/ Charles A. Gardiner
Charles A. Gardiner II
Executive Director

CG
Enclosure
cc: Commissioners

APPENDIX B: SCOPE AND METHODOLOGY

We conducted certain procedures at the Louisiana State Racing Commission (LSRC) for the period from July 1, 2012, through June 30, 2014. Our objective was to evaluate certain internal controls LSRC uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide overall accountability over public funds. The scope of our procedures, which are 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 LSRC's annual fiscal reports, and, accordingly, we do not express an opinion on those reports. 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 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 LSRC.

- Based on the documentation of LSRC's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to self-generated revenue collections, statutory distributions, and payroll expenditures.

- We compared the most current and prior-year financial activity using LSRC's annual fiscal reports and/or system-generated reports and obtained explanations from LSRC management for any significant variances.

The purpose of this report is solely to describe the scope of our work at LSRC and not to provide an opinion on the effectiveness of 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 purposes.