

LOUISIANA STATE RACING COMMISSION

EXECUTIVE DEPARTMENT  
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
PROCEDURAL REPORT  
ISSUED APRIL 5, 2017

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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Louisiana State Racing Commission



April 2017

Audit Control # 80160138

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## 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 self-generated revenue collection; certain statutory distributions; LaCarte, travel, and Fueltrac card expenditures; and other nonpayroll expenditures.

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## Follow-up on Prior-year Finding

Our auditors reviewed the status of the prior-year finding reported in a procedural report dated August 19, 2015. We determined that LSRC included the required distribution of 33% of license fees collected from off-track wagering facilities to the Board of Regents in the 2017 budget and, in October 2016, LSRC began making the quarterly transfers. As a result, the prior-year finding related to noncompliance with statutory distribution requirements has been resolved.

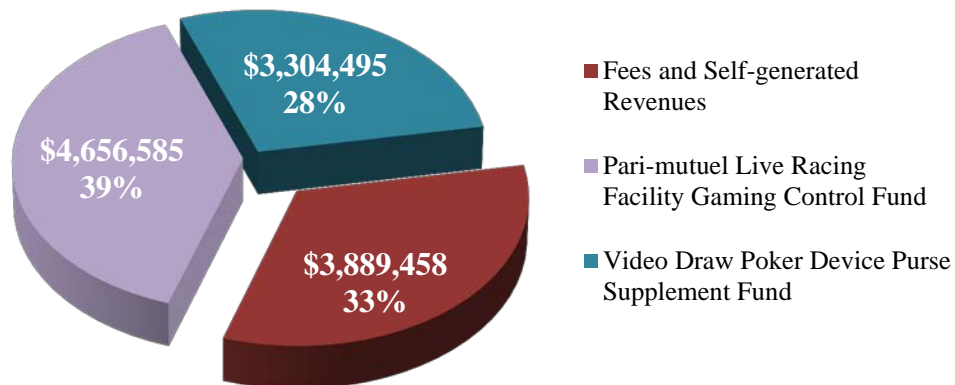
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## Revenue

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 operating expenditures.

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 Louisiana Revised Statute (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 2016 Revenue**  
**Total: \$11,850,538**



**Source:** Integrated Statewide Information System

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.

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## Statutory Distributions

### Video Draw Poker Device Purse Supplement Fund

Funds deposited in the Video Draw Poker Fund are fees collected by OSP from owners of video draw poker devices. A portion of these funds based on the number of thoroughbred race days

conducted statewide annually is appropriated to LSRC 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 LSRC is allowed the remaining 53% to cover administrative costs. Our auditors reviewed LSRC's distribution of OTB fees.

LSRC made the required distributions to the horse breeders associations; however, no distributions were made to the Board of Regents during our audit period. However, in response to our prior-year finding, LSRC added the required distributions to its 2017 budget during our audit period and, in October 2016, began making the required 33% distributions. As of February 2017, \$209,525 has been transferred to the Board of Regents.

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## **Purchasing Card, Travel, and Fuel Card Expenditures**

LSRC participates in the State of Louisiana's LaCarte purchasing card program for supplies and administrative expenses; the travel card program including CBA accounts for travel expenditures; and the Fueltrac card program for fuel purchases and minor vehicle repairs and maintenance. Due to the inherent risks that exist with these cards/accounts, we obtained an understanding of LSRC's controls over the use of cards and CBA accounts.

We analyzed LaCarte, travel, and Fueltrac card transaction listings to identify any unusual or high-risk transactions. Selected transactions were reviewed to ensure that purchases were approved and made for proper business purposes; sufficient documentation was maintained to support purchases; and purchases were properly reconciled to invoices and receipts. LSRC has adequate controls in place over these high-risk transactions to ensure that they are adequately supported, appropriately authorized, and accurately recorded.

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

Respectfully submitted,



Daryl G. Purpera, CPA, CFE  
Legislative Auditor

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LSRC 2016



## APPENDIX A: SCOPE AND METHODOLOGY

We conducted certain procedures at the Louisiana State Racing Commission (LSRC) for the period from July 1, 2014, through June 30, 2016. 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 purchasing card, travel, and fuel card 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.