

LOUISIANA STATE RACING COMMISSION

EXECUTIVE DEPARTMENT
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Louisiana State Racing Commission

June 2018

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Introduction

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

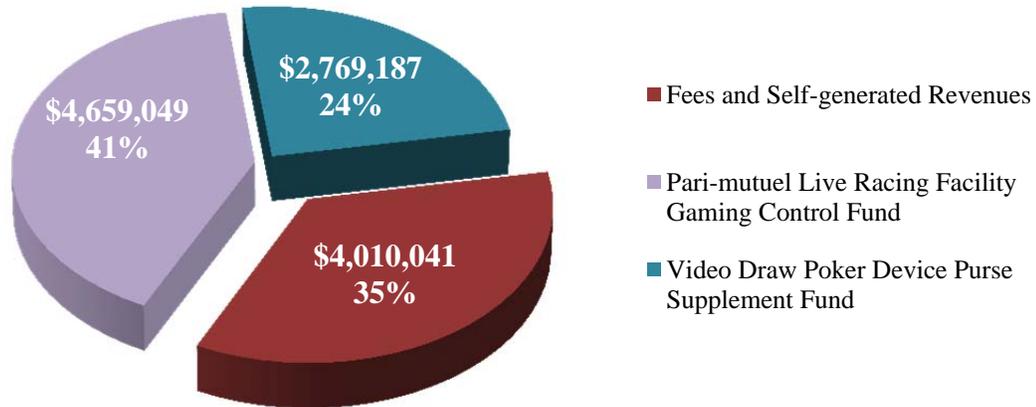
Results of Our Procedures

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 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; non-payroll expenditures, including LaCarte and travel expenditures; and payroll expenditures.

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 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
2017 Revenue - \$11,438,277



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.

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 and verified that the required distributions were made to the horse breeder associations and the Board of Regents by LSRC. Based upon our procedures, LSRC has complied with R.S. 4:218(A).

Purchasing Card and Travel Card Expenditures

LSRC participates in the State of Louisiana's LaCarte Purchasing Card Program for supplies and administrative expenses, and the travel card program including CBA accounts for travel expenditures. Due to the inherent risks that exist with these cards/accounts, we obtained an understanding of LSRC's controls over the use of LaCarte cards and CBA accounts.

We reviewed two reports issued by the Office of State Procurement and Travel during the period under review. The Travel Card Program Compliance Review was issued January 3, 2017, covering transactions from July 2016 through September 2016. The P-Card Compliance Review was issued July 20, 2017, covering transactions from June 2016 through June 2017. We reviewed LSRC's responses to noted instances of noncompliance and determined that LSRC implemented corrective action. We also performed a review of selected travel card transactions and ensured they were adequately supported, appropriately authorized, and accurately recorded.

Non-payroll Expenditures

Our procedures included an analysis of detailed transactions classified as other charges and professional services contract payments. We determined that these transactions were properly authorized and recorded, adequately supported, and in compliance with applicable contracts, laws, and regulations.

Payroll Expenditures

We performed an analysis of payroll transactions. We determined that LSRC had adequate controls to ensure timely review and approval of employee time statements and overtime requests, to ensure employees were paid the amounts authorized, and to ensure leave was granted and accounted for properly.

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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APPENDIX A: SCOPE AND METHODOLOGY

We conducted certain procedures at the Louisiana State Racing Commission (LSRC) for the period from July 1, 2016, through June 21, 2018. Our objective was to evaluate certain 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, certain statutory distributions, non-payroll expenditures including LaCarte and travel expenditures, 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.