

EXECUTIVE DIGEST

OFFICE OF RACING COMMISSIONER

INTRODUCTION

This report, issued in December 1998, contains the results of our performance audit* of the Office of Racing Commissioner (ORC), Department of Agriculture.

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*.

BACKGROUND

ORC has responsibilities relating to the licensing, enforcement, and regulation of horse race meetings* in Michigan and of the persons involved in those race meetings in accordance with Sections 431.301 - 431.336 of the *Michigan Compiled Laws* (the Horse Racing Law of 1995). The Racing Commissioner is appointed by the Governor, by and with the advice and consent of the Senate, for a term of four years.

Revenue from authorized pari-mutuel wagering* taxes, license fees, and other miscellaneous fees is remitted to the State Treasurer for credit to the Michigan Agriculture Equine Industry Development Fund. A portion of this

revenue is restricted for agriculture and equine industry development programs, for fairs* , and for Michigan-bred winning horses. The pari-mutuel racing program contributed approximately \$12.9 million in pari-mutuel wagering taxes and other revenue to the State in calendar year 1997. In addition, approximately \$1.8 million in uncashed winning ticket money was submitted to the Unclaimed Property Division, Department of Treasury.

During 1997, ORC licensed 9 racetracks, 1 of which did not conduct horse races. One racetrack closed down during 1997.

As of June 30, 1998, ORC had 56 full-time employees. ORC also employs seasonal employees, including veterinarians employed on a contractual basis for each race meeting at the racetracks. ORC's main office is in Livonia. Field offices are located at each racetrack. ORC recorded expenditures of approximately \$3.2 million for the calendar year ended December 31, 1997.

**AUDIT OBJECTIVES
AND CONCLUSIONS**

Audit Objective: To assess the effectiveness and efficiency of ORC in administering its licensing functions in accordance with statutory and administrative licensing requirements.

Conclusion: Our assessment disclosed that ORC was effective and efficient in administering its licensing functions in accordance with statutory and administrative licensing requirements.

Audit Objective: To assess the effectiveness of ORC in administering horse drug-testing functions in accordance with statutory and administrative requirements.

Conclusion: Our assessment disclosed that ORC was effective in administering horse drug-testing functions in accordance with statutory and administrative requirements.

Audit Objective: To assess the effectiveness of ORC in administering the cash receipts and the revenue collection processes.

Conclusion: Our assessment disclosed that ORC was effective in administering the cash receipts and the revenue collection processes.

Audit Objective: To assess the effectiveness of ORC in administering the simulcasting* process.

Conclusion: Our assessment disclosed that ORC was effective in administering the simulcasting process.

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine the program and other records of the Office of Racing Commissioner. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our methodology included testing records and activities for the period of October 1, 1995 through June 30, 1998. In developing our audit methodology, we conducted a preliminary survey of ORC's operations. This included discussions with ORC staff regarding ORC's functions, responsibilities, policies and procedures, simulcasting,

wagering tax revenues, horse drug testing, the licensing process, and the complaint process.

To assess the effectiveness and efficiency of ORC in administering licensing functions in accordance with statutory and administrative licensing requirements, we tested and analyzed licensing files and license inventory records.

To assess the effectiveness of ORC in administering horse drug-testing functions in accordance with statutory and administrative requirements, we tested and analyzed drug-testing files. We also reviewed and tested controls related to the taking and processing of drug-testing samples.

To assess the effectiveness of ORC in administering the cash receipts and the revenue collection processes, we reviewed and tested controls related to receipt forms, daily cash reconciliation forms, and licensee fines. We also reviewed and tested the racetracks' submission of State wagering taxes and uncashed winning ticket money.

To assess the effectiveness of ORC in administering the simulcasting process, we analyzed the permit application and approval process that is required before a race meeting licensee can simulcast horse races. We examined pari-mutuel audits performed by public accounting firms, daily audit reports submitted by racetracks, and weekly audit reports submitted by public accounting firms. We analyzed the submission of required revenue and expenditure reports to ORC by local units of government. We also analyzed ORC's submission of annual reports to the Governor.

PRIOR AUDIT
FOLLOW-UP

The agency had complied with the 5 prior audit recommendations included within the scope of our current audit.