

# **LBA Financial Audit Report Summary:**

**Pari-Mutuel Commission Audit Report For the Nine Months Ended March 31, 2005**

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## **Reporting Entity And Scope**

The reporting entity of this audit and audit report is the New Hampshire Pari-Mutuel Commission. The period covered is the nine months ended March 31, 2005.

The report describes the financial activity of the Pari-Mutuel Commission, as it existed during the period under audit. Unless otherwise indicated, reference to the PMC or Commission refers to the Pari-Mutuel Commission.

## **Organization**

The Pari-Mutuel Commission is a six-member body of part-time Commissioners appointed by Governor and Council. Each Commissioner holds the office for a term of three years and until a successor has been appointed. The Pari-Mutuel Commission's operations include an administrative office and laboratory in Concord, N.H. and employee presence at each of the horse and dog racetracks operating in the State.

The Pari-Mutuel Commission was established in 1982 by Chapter 42:140, Laws of 1982, which amended RSA 284 by combining the former State Racing and State Greyhound Racing Commissions. Effective January 1, 2005, the Commission also became responsible for Bingo and Lucky 7 administration, licensing, and enforcement through the enactment of Chapter 257:16 of the Laws of 2004.

At March 31, 2005, the Commission employed 16 full-time and 59 part-time employees.

## **Responsibilities**

The Pari-Mutuel Commission regulates thoroughbred and harness horse racing and greyhound dog racing through the licensing of those entities that conduct the races and those individuals that are directly involved with the animals, including owners, trainers, jockeys, etc.

The Pari-Mutuel Commission operates the State's racing laboratory. The laboratory performs tests to determine that race results are not influenced by the administration of drugs prohibited by the Commission.

The Pari-Mutuel Commission collects the taxes imposed on the entities licensed to conduct horse and dog racing in New Hampshire and simulcast horse and dog racing at out-of-state venues pursuant to RSA 284:23. In addition, the Commission collects associated license fees and racing fines and all unclaimed ticket monies remitted by entities conducting races.

As noted above, effective January 1, 2005, the Pari-Mutuel Commission became responsible for Bingo and Lucky 7 administration, licensing, and enforcement. Prior to January 1, 2005, those responsibilities were shared between the Lottery Commission and the Department of Safety.

## **Funding**

The financial activity of the Pari-Mutuel Commission is accounted for in the General Fund and the Lottery Fund of the State of New Hampshire. A summary of the Commission's revenues and expenditures/expenses in the General and Lottery Funds for the nine months ended March 31, 2005 is shown in the following schedule.

### **Summary Of Revenues And Expenditures/Expenses For The Nine Months Ended March 31, 2005**

	<b>General Fund</b>	<b>Lottery Fund</b>
Unrestricted Revenue	\$ 3,815,247	
Restricted Revenue	<u>314,869</u>	
Total Revenues	\$ 4,130,116	\$ 593,498
Total Expenditures/Expenses	<u>\$ 1,662,932</u>	<u>\$ 78,026</u>
<b>Excess (Deficiency) Of Revenues Over (Under) Expenditures/Expenses</b>	<u>\$ 2,467,184</u>	<u>\$ 515,472</u>

The auditor's report on the Pari-Mutuel Commission's financial statements was qualified with respect to the lack of presentation of the financial position of the Pari-Mutuel Commission in the government-wide and fund financial statements.

The audit report includes the auditor's report on internal control over financial reporting and on compliance and other matters and an auditor's report on management issues. The following is a list of the comments in the report.

### ***Internal Control Comments***

## *Reportable Conditions*

### Administrative Issues

- Reason For Lack Of Oversight Of Lakes Region Track Licensing Should Be Established
- Reconciliations Should Be Performed
- Official Headquarters Of Employees Should Be Reviewed
- The PMC Should Establish Formal Risk Assessment Policies And Procedures
- Formal Fraud Prevention, Deterrence, And Detection Program Should Be Established
- Forms Of Acceptable Licensee Sureties Should Be Reviewed
- Equipment Inventory Control Procedures Should Be Improved

### Receipts/Revenue Issues

- Effectiveness Of Review And Approval Controls Over Recording Of Revenues Should Be Regularly Monitored
- Receipts From Normal Operations Should Be Recorded And Reported As Revenues
- Breakage Revenue Should Be Reported Gross Of Amounts Paid Back To Tracks
- Tax And Breakage Receipts Should Be Processed More Frequently
- Controls Should Be Improved Over Lucky 7 Remittances
- Revenue Collection And Processing Controls Should Be Improved

### Expenditure/Expense Issues

- Purchasing Controls Should Be Strengthened
- Policies And Procedures Must Be Established For Reviewing Benefit Eligibility Status Of Part-Time Employees
- Risks Associated With Related Party Transactions Should Be Considered
- Transactions Should Be Accurately And Timely Posted To Proper Accounts
- Budgetary Controls Should Not Be Bypassed
- Disagreements With Vendors Should Be Resolved

- Bills Should Be Paid Timely

***Compliance Comment***

*State Compliance*

- Statements Of Financial Interests Should Be File

***Management Issues Comment***

- Effectiveness Of Capping Lab Fees Should Be Reviewed
- Continued Need For Calculator Positions Should Be Reviewed
- Veterinarians Should Be Paid As State Employees/Officials And Not As Vendors