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Audit Report of the
Nebraska Racing Commission
July 1, 1999 through June 30, 2000

Report Highlights

Comments and Recommendations

- Internal Control Over Receipts
- Contractual Services
- Drug Abuse Program Fund
- Spending Authority Exceeded
- Track Distribution Fund Payments
- License Costs
- Internal Control Over Fixed Assets

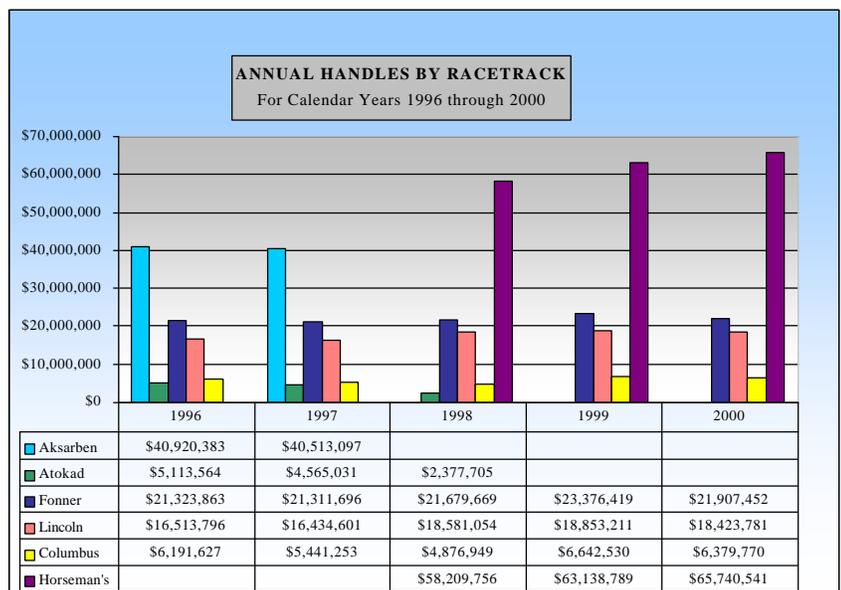
The Nebraska State Racing Commission consists of three members appointed by the Governor for three-year terms. They meet approximately three times per year to approve licenses for live horse racing and simulcasting, adopt administrative rules, and conduct administrative hearings. The members are not paid, but are reimbursed for their expenses. The operations of the State Racing Commission are financed from daily track license fees, admission taxes, and occupational license fees. In addition, each licensed racetrack is required to pay the Commission two-tenths of one percent of the gross sum wagered. This percentage changed to four-tenths of one percent effective August 28, 1999.

Our report included seven Comments and Recommendations outlining various concerns. The Comments and Recommendations were based upon auditing standards relating to internal controls and compliance with State laws. Specific areas of concern included:

- One person had the ability to perform all phases of the receipts and receivables processes at the racetracks. Internal control over receipts and receivables should also be improved in the Commission’s office in Lincoln.
- The Commission paid approximately \$90,000 to the Department of Administrative Services – Information Management Services (DAS - IMS) for contractual services. The contract for the services did not stipulate the total dollar amount of the contract. The dollar amount paid by the Commission did not agree to the dollar amount stated in the work order between the vendor and DAS – IMS. Also, there was no documentation to support the payment of lodging for a DAS - IMS employee.

• Neb. Rev. Stat. Section 2-1203, R.R.S. 1997, requires fines assessed for violations of Racing Commission rules or regulations be paid into a fund for alcohol and drug rehabilitation services for horseracing industry participants. Nebraska Constitution Article VII, Section 5 requires such fines be paid over to respective counties and be appropriated for the use and support of the common schools. The fund balance of the Drug Abuse Program Fund 2364 as of June 30, 2000 totaled \$52,196.

- The Commission’s expenditures exceeded their appropriations by \$63,561. One document incorrectly identified a disbursement in the amount of \$13,810 for the prior fiscal year.
- Two payments for the fiscal year ending June 30, 2000 were not distributed monthly as required by State Statute. The total untimely distributions were \$34,030.
- The Commission did not have supporting documentation for the basis for the fees charged. Costs related to the issuance of the licenses were not included in the fees.
- Only one person maintained the fixed asset records, added and deleted items, prepared surplus property forms, performed the annual physical inventory, and reviewed the “Account Code 4800 Expenditures Not on Inventory” listing. There was no additional review by another person who was independent of the process.



We have detailed our findings and the Commission’s responses in the Comments and Recommendations section of the report. See our website at www.auditors.state.ne.us.