

**ATTESTATION REPORT
OF THE
STATE RACING AND GAMING COMMISSION
JULY 1, 2023, THROUGH JUNE 30, 2024**

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Issued on October 28, 2024

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STATE RACING AND GAMING COMMISSION

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STATE RACING AND GAMING COMMISSION

BACKGROUND

The State Racing and Gaming Commission (Commission) was established approximately three years ago pursuant to LB 561 (2021), which is codified at Neb. Rev. Stat. § 2-1201 (2024 Neb. Laws, L.B. 839, §1). The purpose of the Commission is set out at Neb. Rev. Stat. § 2-1201.01 (Reissue 2022), as follows:

The purpose of the commission is to provide statewide regulation of horseracing and games of chance as defined in the Nebraska Racetrack Gaming Act in order to prevent and eliminate corrupt practices and fraudulent behavior, and thereby maintain a high level of integrity and honesty in the horseracing industry of Nebraska and the operation of games of chance in Nebraska, and to insure that all funds received by the commission are properly distributed.

Per Neb. Rev. Stat. § 2-1201 (2024 Neb. Laws, L.B. 839, § 1), the Commission consists of seven members appointed by the Governor, subject to approval by the Nebraska Legislature, who receive compensation of \$1,000 per month, which may be adjusted every two years in an amount not to exceed the change in the Consumer Price Index for Urban Wage Earners and Clerical Workers. Commissioners also may receive reimbursement of expenses incurred in the performance of their duties.

Section 2-1201 provides also that commissioners may be removed for cause by the Governor. One member of the Commission is appointed from each congressional district, and the remaining four Commission members are appointed at large. No more than four members may belong to the same political party, no more than three members may reside in the same congressional district, and no more than two members may reside in any one county. Commission members are prohibited from having any financial interests in any licensed racetrack enclosure or authorized gaming operator as defined in the Nebraska Racetrack Gaming Act for the duration of his or her term.

The Commission is directed by Neb. Rev. Stat. § 2-1202 (2024 Neb. Laws, L.B. 839, § 2) to employ an executive director, subject to approval of the Governor.

As of June 30, 2024, the Commission had issued authorized gaming operator licenses to the following four casinos in Nebraska:

1. Harrah's Columbus, NE Racing & Casino
2. Grand Island Casino Resort
3. Warhorse Gaming - Lincoln
4. Warhorse Gaming - Omaha

STATE RACING AND GAMING COMMISSION

KEY OFFICIALS AND AGENCY CONTACT INFORMATION

State Racing and Gaming Commission Members

Name	Title
Dennis Lee	Chairman
Shane Greckel	Vice-Chairman
Janell Beveridge	Commissioner
Jeffrey Galyen	Commissioner
Helen Abbott Feller	Commissioner
Tony Fulton	Commissioner
Chris Stinson	Commissioner

State Racing and Gaming Commission Management

Name	Title
Casey Ricketts	Interim Executive Director; Director of Compliance
Rita Pracht	Accounting & Finance Manager

State Racing and Gaming Commission
3401 Village Drive, Suite 100
Lincoln, NE 68516
racingcommission.nebraska.gov

STATE RACING AND GAMING COMMISSION

SUMMARY OF COMMENTS

During our examination of the State Racing and Gaming Commission (Commission), we noted certain deficiencies and other operational matters that are presented here. The following comments are required to be reported in accordance with *Government Auditing Standards*: Comment #5 (“Segregation of Duties Over Revenues and Issuance of Licenses”), which is considered to be a significant deficiency, and Comment #1 (“Insufficient Oversight of Gaming Tax Revenues and Authorized Gaming Operators”), which is considered to be a material weakness.

These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the following areas:

1. ***Insufficient Oversight of Gaming Tax Revenues and Authorized Gaming Operators:*** Despite collecting \$19,766,818 of gaming taxes during the fiscal year ending June 30, 2024, the Commission’s oversight of such a significant amount of money was lackluster at best, but oftentimes completely nonexistent. We noted numerous instances in which the Commission failed to follow its own administrative rules and regulations, as well as neglected to review adequately the documentation received from authorized gaming operators to ensure that the State was receiving the proper amount of gaming tax revenue.
2. ***State Vehicle Usage:*** Commission employees drove State-owned vehicles 57,166 miles during the fiscal year ended June 30, 2024. Until March 2024, the Commission did not review Global Positioning System (GPS) location data to ensure that the vehicle usage was appropriate. Even after March 2024, the Commission’s review procedures were performed only sporadically and not formally documented. Consequently, we noted numerous locations visited by Steven Anderson, the Commission’s Director of Enforcement, that did not appear reasonable, including trips to **Walmart, Grumpy Mugs Coffee House, Cabela’s, and pawn shops**. The Commission could provide no documentation to support the legitimacy of these trips.

Moreover, based on GPS locations and times, Mr. Anderson does not appear to have been consistently working or using leave for at least 40 hours per week, as required by Neb. Rev. Stat. § 84-1001(1) (Reissue 2014). We noted that Mr. Anderson received \$11,095 in wages for which no documentation could be provided to support that he had worked the 278.88 hours required to earn that compensation.

Furthermore, Mr. Anderson and another Commission employee drove State-owned vehicles 13,137 miles for commuting purposes, even though the requisite approval from the Department of Administrative Services was not obtained.

3. ***Travel Issues:*** The Commission’s former Executive Director, Tom Sage, received \$1,875 for travel expense reimbursements that were either improper or lacked sufficient documentation to allow for a determination as to whether the reimbursement was reasonable and necessary. We noted further that other Commission employees were reimbursed for improper mileage, lodging, meals, and parking costs, totaling \$869.
4. ***Segregation of Duties over Revenues and Issuance of Licenses:*** The Commission lacked an adequate segregation of duties over both the revenue process and the issuance of licenses. Additionally, the Commission not only failed to provide any supporting documentation for how licensing fees were determined but also charged fees that were never established in its own administrative rules and regulations. During the fiscal year ended June 30, 2024, the Commission received a total of \$3,647,414 in licensing revenues.

STATE RACING AND GAMING COMMISSION

SUMMARY OF COMMENTS

(Concluded)

5. **Expenditure Issues:** The Commission paid \$239,677 out of the Racetrack Gaming Fund and \$24,194 out of the Racing Commission Cash Fund for office space rental costs. No documentation was available to support how the Commission determined this funding split to be reasonable. Additionally, we noted the Commission provided Valentino's pizza at a lunch meeting that did not appear allowable under State law, payments not made within the time frame mandated by Neb. Rev. Stat. § 81-2403 (Reissue 2014) and contracts that were not reviewed by legal counsel.
6. **EnterpriseOne Timesheets:** The Commission utilized the timesheet functionality in the State's accounting system (EnterpriseOne). Two employees were able to approve their own timesheet in the system. Additionally, the system did not track accurately who approved timesheets. The Commission's personal services expenditures totaled \$2,271,075 during the fiscal year ended June 30, 2024.
7. **Lack of Segregation of Duties Over Capital Assets:** The Commission lacked an adequate segregation of duties over capital assets. One person was able to add assets to inventory records, surplus and dispose of assets, and perform the annual inventory. No documented secondary review of capital asset reports was performed by an independent person without capital asset access in the accounting system.
8. **Deposit Support:** The Commission did not document when money was received; therefore, we were unable to determine if the receipts tested were deposited with the State Treasurer within the time frame mandated by State law.

More detailed information on the above items is provided hereinafter. It should be noted that this report is critical in nature, containing only our comments and recommendations on the areas noted for improvement and does not include our observations on any accounting strengths of the Commission.

Draft copies of this report were furnished to the Commission to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this report. Responses that indicate corrective action has been taken were not verified at this time but will be verified in the next examination.

STATE RACING AND GAMING COMMISSION

COMMENTS AND RECOMMENDATIONS

1. Insufficient Oversight of Gaming Tax Revenues and Authorized Gaming Operators

Despite collecting \$19,766,818 of gaming taxes during the fiscal year ended June 30, 2024, the State Racing and Gaming Commission’s (Commission) oversight of such a significant amount of money was lackluster at best and oftentimes nonexistent at worst. The Commission lacked the technical skills to successfully fulfill this critical task.

Neb. Rev. Stat. § 9-1203 (Reissue 2022) imposes a 20% gaming tax and makes the Commission responsible for collecting and accounting for that revenue, as follows:

An annual gaming tax is imposed on gross gaming revenue generated by authorized gaming operators within licensed racetrack enclosures from the operation of all games of chance equal to twenty percent of such gross gaming revenue. The gaming commission shall collect the tax and shall account for and remit such tax as set forth by law.

The Commission has promulgated extensive administrative rules and regulations – codified in Title 296 of the Nebraska Administrative Code (NAC) – to help ensure a high level of integrity and honesty in the operation of games of chance in Nebraska. Nevertheless, we noted numerous instances of the Commission failing to follow those formal guidelines. In particular, the Commission neglected to review and utilize effectively information and documentation obtained from authorized gaming operators to ensure not only receipt of the proper amount of gaming tax imposed by statute but also compliance with the provisions of the Nebraska Racetrack Gaming Act, which is set out at Neb. Rev. Stat. §§ 9-1101 to 9-1118 (Reissue 2022; Supp. 2023; 2024 Neb. Laws, L.B. 1317, § 48; 2024 Neb. Laws, L.B. 1317, § 49), and other applicable statutes and administrative regulations.

Review of Financial Statement Audit Reports

Title 296 NAC 7.004.01A provides the following:

The Commission will direct an audit to be performed of the annual financial statements of the holder of an Authorized Gaming Operator License including a report on the Internal Control System communicating any reportable conditions and material weaknesses noted during the audit. Upon written notice by the Executive Director other procedures or reports may be required. The annual audit will be performed by an independent certified public accountant who is or whose firm is licensed in the State of Nebraska. The independent certified public accountant who performs the annual audit shall be approved by the Commission, and the selection may be based on the recommendation of the holder of an Authorized Gaming Operator License.

(Emphasis added.) The Commission could provide no documentation whatsoever that any level of review of the required audit reports was completed.

During the Auditor of Public Account’s (APA) examination, we performed a more detailed review of the audit reports and attempted to verify the reasonableness of gaming tax revenues received by the Commission based on revenues reported in the audited financial statements. The results of that testing are shown in the following table:

	Warhorse - Lincoln	Warhorse - Omaha	Grand Island	Columbus*	Total
Revenues per Audit Report	\$ 52,933,360	\$ 274,744	\$ 29,362,424	\$ 7,000,000	\$ 89,570,528
Projected CY 2023 Gaming Tax Revenue (20%)	10,586,672	54,949	5,872,485	1,400,000	17,914,106
Actual CY 2023 Gaming Tax Revenue	10,307,608	44,779	5,985,288	1,476,184	17,813,859
Variance	\$ (279,064)	\$ (10,170)	\$ 112,803	\$ 76,184	\$ (100,247)

* Audited financial statements report in millions, which could contribute to the variance noted.

There may be reasonable explanations for the variances shown above; nevertheless, prior to the APA’s inquiries, the Commission made no attempt whatsoever to perform its own reconciliation of the gaming operator taxes received. Not surprisingly, the Commission was also unable to explain the variances without obtaining further information from each authorized gaming operator. The Commission may want to consider working collaboratively with the APA to seek a legislative solution to transfer responsibility for this serious task to the APA.

STATE RACING AND GAMING COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Insufficient Oversight of Gaming Tax Revenues and Authorized Gaming Operators (Continued)

Moreover, the CPA firm that completed the audit of the Grand Island Resort Casino was not licensed in the State of Nebraska, as specifically required by Title 296 NAC 7.004.01A.

Finally, the financial statement audit reports were prepared on a calendar year basis, not a fiscal year basis. Title 296 NAC 9.001.02C states: “The taxable year will be calculated between July 1 of the previous year to June 30 of the year the tax is being reported.” Section 9.001.02D goes on to say the following:

Three (3) months following the end of the tax year, all annual reports, to include, but not limited to, an annual independent audit of financial statements, will be due to the Commission Office.

Review of Weekly Gaming Tax Supporting Documentation

Each authorized gaming operator was required to submit a “weekly tax report,” as prescribed by the Commission, along with documentation from each operator’s accounting system to support the amounts reported therein. The Commission’s procedures ensured only that the underlying supporting documentation provided agreed to the amounts reported on the weekly tax report. These weekly tax reports were then used to determine the gaming taxes owed by each authorized gaming operator for that month.

Upon asking the Commission simple questions, such as what the amounts on these reports represented, the criteria used by each authorized gaming operator to generate the reports, etc., it became abundantly clear to the APA that the Commission lacked even the most basic understanding of the information being reported. Without such a basic level of understanding, the Commission was woefully unprepared to ensure, with any level of confidence, that the authorized gaming operators were paying the appropriate amount of gaming taxes.

Review of Quarterly Gross Gaming Revenue Reports

The Commission received quarterly Gross Gaming Revenue Reports from each authorized gaming operators, as required by Title 296 NAC 7.003.01. Like the annual financial statement audit reports, the Commission could provide no documentation that any level of review of these quarterly reports was completed. It would seem prudent, at a minimum, for the Commission to perform reasonable procedures to: 1) review the accuracy of the reported amounts; and 2) utilize those reported amounts to verify the accuracy of the gaming taxes remitted by each authorized gaming operator.

The APA attempted to utilize these quarterly reports to recalculate the amount of gaming taxes that were paid by each casino during the fiscal year ending June 30, 2024. As detailed in the table below, unexplained variances were noted for all but one authorized gaming operator:

	Warhorse - Lincoln	Warhorse - Omaha	Grand Island
Q3 2023	\$ 12,867,312	\$ -	\$ 7,122,979
Q4 2023	13,334,087	223,896	8,102,266
Q1 2024	13,976,189	266,936	8,398,878
Q2 2024	13,997,440	227,830	8,124,452
Total per Quarterly Reports	\$ 54,175,028	\$ 718,662	\$ 31,748,575
Expected 20% Gaming Tax	10,835,006	143,732	6,349,715
Actual Gaming Tax	10,850,046	138,922	6,673,080
Variance	\$ 15,040	\$ (4,810)	\$ 323,365

Review of Internal Control and Compliance Audits

Except as noted below for Warhorse Omaha, the Commission received internal control and compliance audit reports from authorized gaming operators, as required by the following administrative rules and regulations:

STATE RACING AND GAMING COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Insufficient Oversight of Gaming Tax Revenues and Authorized Gaming Operators** (Continued)

Title 296 NAC 4.006.01: Authorized Gaming Operators will have their Internal Control System independently audited at least once annually with the results documented in a written report. Reports will be maintained and available to the Commission.

Title 296 NAC 4.006.03: The Commission, or third-party auditor will be responsible for auditing the Authorized Gaming Operator's compliance with all laws and regulations, including those standards in the licensee's approved Internal Control System.

Title 296 NAC 7.004.01D: Quarterly compliance reports by independent certified public accountants or qualified Authorized Gaming Facility personnel that have been approved by the Executive Director. The Executive Director will require quarterly compliance reports to be prepared and procedures performed by independent certified public accountants or Commission personnel

No documentation could be provided to support that the Commission reviewed any of these reports to determine what, if any, follow-up action might be necessary to address any issues noted therein.

In addition to being a sound business practice, such follow-up is specifically required by Title 296 NAC 4.006.07, which provides the following:

Follow-up observation and examinations will be performed to verify that corrective action has been taken regarding all instances of noncompliance cited by the independent audits, or by the Commission. The verification will be performed within six (6) months following the date of notification.

Furthermore, the Warhorse Omaha casino opened in November 2023. However, at the time of the APA's examination in July 2024, no quarterly compliance reports had been completed for that location, as required by Title 296 NAC 7.004.01D.

Timing of Gaming Tax Remittances to the State of Nebraska

The Commission's administrative rules and regulations contain conflicting provisions regarding the required timing of gaming tax remittances to the State of Nebraska by the authorized gaming operators.

Title 296 NAC 7.009.06 requires weekly remittances and provides the following:

The reporting form must be received in the Commission office by noon on Wednesday following the week's end. The moneys owed, according to the reporting form, must be received in the treasurer's office by 11 a.m. on the Thursday following the week's end.

(Emphasis added.) However, Title 296 NAC 9.001.03B allows for monthly remittance of gaming taxes and states: "Authorized Gaming Operators must pay such tax by the fifteenth of each month to the Racing and Gaming Commission." (Emphasis added.)

The Commission's procedures during the period examined required only monthly remittances. Had the Commission required weekly remittances, the State may have realized additional interest income on this money.

Commission Annual Report Not Completed

The Commission is required by Title 296 NAC 3-002.01 to review its license fee structure annually and include that analysis in its annual report. The Commission was unable to provide documentation that this analysis occurred. In fact, Commission staff could not even remember the last time that an annual report of the Commission was completed.

STATE RACING AND GAMING COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Insufficient Oversight of Gaming Tax Revenues and Authorized Gaming Operators** (Concluded)

Given that gaming tax revenues totaled nearly \$20 million during the fiscal year ending June 30, 2024, along with the expectation of that number continuing to rise dramatically as more casinos open and/or expand their operations in Nebraska, it is crucial for the Commission to execute effective oversight through the implementation of strong internal controls to ensure the State of Nebraska receives the proper amount of gaming tax revenue, and the Commission and authorized gaming operators comply with all relevant statutory and regulatory requirements.

Without such oversight, there is a significantly increased risk of the State of Nebraska, as well as counties and cities that receive a portion of gaming taxes, not receiving the statutorily designated amount of those revenues. Furthermore, the likelihood of non-compliance occurring and remaining undetected is also significantly increased.

We recommend the Commission take immediate action to ensure sufficient oversight is provided for authorized gaming operators and to confirm the State of Nebraska receives the proper amount of gaming tax revenues. Such oversight should require, at a minimum, the following:

- A timely, detailed, and documented review is completed of the annual financial statement audits, internal control audits, compliance audits, and any other report provided to the Commission, and follow-up procedures are completed timely for any concerns noted during the review thereof. The Commission may want to consider working collaboratively with the APA to seek a legislative solution to transfer responsibility for this serious task to the APA.
- The Commission obtains the requisite level of understanding necessary to ensure the financial reports submitted to the Commission by the authorized gaming operators are appropriate and include all gross gaming revenues, as defined by State law.
- Any conflicting provisions within the Commission's Rules & Regulations are identified and addressed timely.
- A documented review of the Commission's license fee structure is completed annually and included in the Commission's annual report.

Commission Response: The Nebraska Racing and Gaming has expanded its team to enhance the review and documentation process. Until June 2024, we relied on a single individual for all financial matters. We are now collaborating with other jurisdictions to support our learning gaming financials. Additionally, we are reviewing proposed changes to the rules and regulations for Titles 294 and 296. The 2023 Annual Report is complete and will be submitted to the Governor's Office during the week of October 21st, following a comprehensive review by the Commission.

2. **State Vehicle Usage**

During the fiscal year ended June 30, 2024, the Commission leased four permanently assigned State vehicles through the Transportation Services Bureau (TSB). Those vehicles had Global Positioning System (GPS) tracking devices installed, which logged all locations driven; however, until March 2024, the Commission did not receive, much less review, this GPS location information to ensure the leased vehicles were being used appropriately and only for travel required for essential State business. Even after the Commission began to receive the GPS location information in March 2024, no formal, detailed, and documented review of this information was completed.

STATE RACING AND GAMING COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **State Vehicle Usage** (Continued)

During the fiscal year ended June 30, 2024, the Commission paid TSB \$30,083 and drove the leased State vehicles a total of 57,166 miles. The Commission's deficient monitoring procedures and lack of a formal acceptable vehicle use policy for State vehicles allowed the following issues to occur and remain undetected.

Personal Residences

We noted that two Commission employees drove State-owned vehicles a total of 13,137 miles for commuting purposes, keeping the vehicles at their personal residences overnight. This was done without the requisite approval from the Director of the Department of Administrative Services.

One of the Commission's vehicles was assigned to Steven Anderson, the Commission's Director of Enforcement. During our initial review of the GPS location data, it quickly became evident that Mr. Anderson's vehicle was being kept overnight at his personal residence in Ceresco, Nebraska. On rare occasions, Mr. Anderson traveled to locations "in the field" and did not work at the Commission's office in Lincoln, Nebraska. More often than not, however, Mr. Anderson used the State-owned vehicle to commute between his home in Ceresco and the Commission's office in Lincoln. We noted that the vehicle was driven 5,126 miles, occurring over 147 days, for commuting purposes. Further details regarding Mr. Anderson's use of the vehicle are provided below.

Another Commission employee, who was on Mr. Anderson's Enforcement Division team, also kept a State-owned vehicle at his personal residence in David City, Nebraska, overnight. This employee used this vehicle more frequently to travel to locations outside of the Commission's Lincoln office; nevertheless, we still noted 5,806 miles, occurring over 102 trips, for which the employee commuted between his home and the Commission's Lincoln office.

Upon being appointed as the Commission's Interim Executive Director in March 2024, Casey Ricketts completely revoked Mr. Anderson's ability to take the State-owned vehicle home overnight. She also revoked the other employee's ability to take the vehicle home overnight, instead requiring the vehicle to be parked at the Nebraska Department of Transportation's yard in David City (located only one mile from the employee's personal residence). Although the car was no longer parked at his personal residence, the employee subsequently drove another 40 trips, totaling 2,205 miles, between his home in David City and the Commission's Lincoln office – all of which appears to have been for personal commuting.

Executive Order 99-01, signed by Governor Mike Johanns on March 31, 1999, contains the following:

2. *The use of all state-owned vehicles will be strictly limited to conducting official business of the state. Any private use of a state-owned vehicle, including commuting to and from work, shall be cause for disciplinary action in accordance with Neb. Rev. Stat. § 81-1024 (Reissue 1994).*

3. *No employee will be allowed to drive a state-owned vehicle home except for the reasons set forth below:*

* * * *

(e) If an agency head determines there is a special circumstance for an employee to take a vehicle home on a regular basis, a written request may be sent to the Director of Administrative Services. Written requests shall include: the employee's job title; vehicle license number; the type of vehicle; and the reason for the request. If it is an on-call situation, the history of the frequency of the use per vehicle should be included.

Neb. Rev. Stat. § 81-1024 (Reissue 2014) prohibits personal use of State-owned vehicles, as follows:

No officer or employee of the State of Nebraska shall use any motor vehicle owned by the State of Nebraska for any personal use whatsoever. Any officer or employee who violates any of the provisions of this section shall be deemed guilty of a Class V misdemeanor, and in addition thereto the officer or employee shall be deemed guilty of official misconduct in office for palpable omission of duty, and upon conviction thereof the court shall have the power to add to the judgment that any officer or employee so convicted shall be removed from office or employment.

STATE RACING AND GAMING COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

2. State Vehicle Usage (Continued)

It should be noted that the Commission specifically requested that both vehicles be “blind plated,” meaning that they had regular passenger license plates instead of State license plates.

The Commission also requested that the vehicles not have the standard State of Nebraska decal. Consequently, the average taxpayer would have no idea that either vehicle was owned and paid for by the State of Nebraska. After being appointed Interim Executive Director in March 2024, Casey Ricketts rescinded these requests, resulting in regular State plates and State of Nebraska decals being affixed to the vehicles.

Fringe Benefit Not Added to Taxable Wages

Although its vehicles were used for commuting purposes, the Commission did not add a \$1.50 per trip taxable fringe benefit to either employee’s taxable wages.

When asked, the Commission stated that the vehicle usage by these employees fell under the “Qualified nonpersonal use vehicles” provisions in IRS Publication 15-B (2024), which states the following:

All of an employee's use of a qualified nonpersonal use vehicle is a working condition benefit. A qualified nonpersonal use vehicle is any vehicle the employee isn't likely to use more than minimally for personal purposes because of its design. Qualified nonpersonal use vehicles generally include all of the following vehicles . . . Unmarked vehicles used by law enforcement officers if the use is officially authorized. Any personal use must be authorized by the employer, and must be related to law-enforcement functions, such as being able to report directly from home to an emergency situation. Use of an unmarked vehicle for vacation or recreation trips can't qualify as an authorized use. . . .

The Commission had not completed a detailed analysis, or even provided a good explanation, for how these employees’ use of the State-owned vehicles fell within the above provision. In fact, according to the Commission, it is very rare that an Enforcement Division employee would be required to report directly from home to an emergency situation.

Unsupported Locations Driven

The GPS logs for the Commission vehicle used by Mr. Anderson revealed that he had driven to locations that appear unrelated to his duties as the Director of Enforcement. We notified Mr. Anderson of this information, providing him with an opportunity to explain, as well as offer any related supporting documentation for, the Commission business that required him to visit the locations in question.

See **EXHIBIT A** for details of these locations, Mr. Anderson’s explanations, and the inconsistencies noted by the APA in those responses.

Despite repeated requests from the APA for documentation to support the explanations provided, Mr. Anderson failed to offer even a single record pertaining to any of the trips.

Set out below are but a few particularly interesting locations visited by Mr. Anderson while using the State-owned vehicle, with details of all questionable trips contained in **EXHIBIT A**.

- On July 11, 2023, Mr. Anderson was tracked to the Walmart store located at 3400 N. 85th St., Lincoln, NE, from 2:51 p.m. to 3:10 p.m. In response to the APA’s inquiry, he initially claimed to have stopped there to purchase lunch at a nearby Subway fast food restaurant and to obtain fuel from an adjacent pump. The APA found this explanation to be disingenuous because there is no Subway at this location, nor did Mr. Anderson use his Voyager fuel card to make any fuel purchases on this date. After being made aware of these glaring inconsistencies, Mr. Anderson changed his story completely – claiming instead that he “guesses” the trip to Walmart was made either to order chicken for a late lunch or because he pulled into the parking lot to take a telephone call.

STATE RACING AND GAMING COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

2. State Vehicle Usage (Continued)

- Between 6:55 a.m. and 8:40 a.m. on July 14, 2023, Mr. Anderson made three trips from his personal residence to Grumpy Mugs coffee shop in Ceresco. Originally, Mr. Anderson explained that the address for Grumpy Mugs coffee shop was actually the address for his personal residence. After the APA responded that the two addresses were different, Mr. Anderson admitted that he stopped at the coffee shop “on his way to work.”

Despite claiming to have stopped at the coffee shop “on his way to work,” the GPS logs for the rest of day indicate that Mr. Anderson never arrived at work on this date. Instead, the next location that the vehicle visited was 2121 S. 56th St., Lincoln, NE, which is the address for Children’s Specialty Pediatric Clinic, from 9:11 a.m. to 9:40 a.m. According to Mr. Anderson, this stop was for “pizza hut for lunch.” Such could not have been the case, however, because the nearby Pizza Hut did not open until 10:30 a.m., well after Mr. Anderson had departed. The APA remains unclear as to the purpose of this trip.

From 9:58 a.m. to 11:49 a.m., the vehicle was at an unknown location, as the GPS log recorded only “Lincoln, NE 68526.” Mr. Anderson provided no explanation for this address.

The last stop of the day before returning home was again at Walmart at 3400 N. 85th St., Lincoln, NE, from 12:13 p.m. to 12:27 p.m. Mr. Anderson’s explanation for this stop was again for “fuel.” Similar to the July 11 visit there, though, his Voyager fuel card was not used on this date. Once more, after further inquiry, he changed his story by claiming instead to have purchased lunch from Walmart.

In light of the above, the APA asked Mr. Anderson to detail his specific activities on July 14th, as no legitimate Commission business could be ascertained from the GPS logs. As usual, Mr. Anderson declined to comment or provide supporting documentation for any work supposedly performed on this day. Furthermore, Mr. Anderson was back home for the day by 12:50 p.m. Interestingly, though, no vacation leave was used on this date. The “Purpose of Trip Log” completed by Mr. Anderson stated the purpose of these trips was “INV” (investigation). It remains unclear what “investigations” were occurring at Children’s Specialty Clinic (or a Pizza Hut that was closed for business, as claimed by Mr. Anderson), Walmart, and “Lincoln, NE 68526.”

- On November 1, 2023, from 9:27 a.m. to 9:39 a.m., Mr. Anderson was at 1004 W. 2nd St., Grand Island, NE, which is the address for the GI Loan Pawn Shop; however, Mr. Anderson stated that he was at Wells Fargo Bank to get cash. The APA noted that 12 minutes appeared to be an unusually long time simply to make a withdrawal. Furthermore, other Commission representatives could not think of any official business that would have occurred at a pawn shop.

Mr. Anderson stopped at other pawn shops on November 14. His vehicle was at two AAA Ultimate Pawn Shop locations in Lincoln (1126 N. 27th St., Lincoln, NE, and 366 N. 48th St., Lincoln, NE). Mr. Anderson’s explanation was that other investigators were using his vehicle to conduct an investigation. However, no Commission representative could recall instances of other employees driving the vehicle assigned to Mr. Anderson, nor any legitimate “investigations” occurring at pawn shops.

The numerous inconsistencies in the explanations that Mr. Anderson provided to the APA give rise to concerns regarding apparent attempts by him to mislead the APA regarding the true nature of the trips at issue.

Neb. Rev. Stat. § 84-305.02 (Cum. Supp. 2022) provides the following, in relevant part:

Any person who . . . willfully obstructs or hinders the conduct of an audit, examination, or related activity by the Auditor of Public Accounts, or who willfully misleads or attempts to mislead any person charged with the duty of conducting such audit, examination, or related activity shall be guilty of a Class II misdemeanor.

STATE RACING AND GAMING COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

2. State Vehicle Usage (Continued)

Purpose of Trip Not Documented

In addition to being unable to provide the APA with any supporting documentation for the purpose of his trips, Mr. Anderson failed to include a detailed explanation for the purpose of each trip made on the “Purpose of Trip Log,” as specifically required by Neb. Rev. Stat. § 81-1025(1) (Reissue 2014). For each of the numerous trips undertaken most days, Mr. Anderson typically recorded only one very generic entry: “INV” (investigation).

Shown below is an image of the “Purpose of Trip Log” for Mr. Anderson’s vehicle during the month of July 2023. The APA noted similarly nonspecific “Purpose of Trip Log” entries for other Commission vehicles. Generally, Commission employees were only recording “INV” or the general location driven, not the specific purpose of each trip.

VEHICLE INFORMATION		TRANSPORTATION SERVICES BUREAU			
License #	Equip. #	PURPOSE OF TRIP LOG			
23328	104028	July 23			
Vehicle Description:		Per 81-1025, purpose of trip must be recorded each time the vehicle is used. The Purpose of Trip log must be retained by the assigned agency. This is the supporting documentation for the E-travel log.			
2023 Ford Fusion		21554			
DAY OF MONTH	PURPOSE OF TRIP	DRIVER'S SIGNATURE	DAY OF MONTH	PURPOSE OF TRIP	DRIVER'S SIGNATURE
3	INV	Steve Anderson			
5	INV	Steve Anderson			
6	Casino Columbus	Steve Anderson			
7	Governors Breakfast	Steve Anderson			
10	INV	Steve Anderson			
11	INV	Steve Anderson			
12	INV	Steve Anderson			
13	INV	Steve Anderson			
14	INV	Steve Anderson			
17	INV	Steve Anderson			
18	INV	Steve Anderson			
19	INV	Steve Anderson			
20	INV	Steve Anderson			
21	INV	Steve Anderson			
24	INV	Steve Anderson			
25	Cagand Island	Steve Anderson			
26	Columbus	Steve Anderson			
27	Investigation	Steve Anderson			
28	INV	Steve Anderson			
31	INV	Steve Anderson			

Neb. Rev. Stat. § 81-1025 (Reissue 2014) sets out the following requirements for using a State-owned vehicle:

(1) Each operator of a bureau fleet vehicle shall report the points between which the bureau fleet vehicle traveled each time used, the odometer readings at such points, the time of arrival and departure, the necessity and purpose for such travel, the license number of such vehicle, and the department to which such vehicle is assigned.

* * * *

(2)(b) State agencies leasing or renting bureau fleet vehicles from the bureau pursuant to sections 81-1008.01 and 81-1010 shall be required to report bureau fleet vehicle usage pursuant to subsection (1) of this section on travel forms prescribed by the chief of the transportation services bureau. (Emphasis added.)

Time Worked

Because two of the Commission’s vehicles were assigned to specific employees, we attempted to verify the hours worked, according to the employees’ timesheets, to the times those vehicles were being driven.

Mr. Anderson was an overtime-exempt employee and, therefore, did not document hours worked each day; instead, he recorded only leave used. We attempted to determine hours worked each day by determining when he arrived at the Lincoln office, or when he left for an out-of-town trip, and when he left the Lincoln office to return home for the day, or when he arrived home from an out-of-town trip. We also determined sick and vacation leave used.

STATE RACING AND GAMING COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

2. State Vehicle Usage (Continued)

Based on the outcome of these procedures, we concluded that Mr. Anderson was consistently working and using leave for fewer than 40 hours each week. Specifically, we noted a total of 278.88 fewer hours worked than required by law between July 2023 and February 2024, when Mr. Anderson's access to the State vehicle was revoked. Despite offering Mr. Anderson multiple opportunities to present the auditors with supporting documentation to substantiate that he had worked these seemingly missing hours, no such information was provided. Instead, Mr. Anderson offered only the following explanation:

Although the vehicle doesn't show the hours I am willing to explain as best I can. First I am an early riser my alarm goes off at 5 am and by 5:30 am I am reviewing and responding to emails from home before leaving for the office, I also review the security and surveillance logs most mornings before arriving at the office. I was allowed by the previous director to count this as work time. Also another point is that casinos operate 7 days a week 365 days a year, some 24 hours a day. I would receive calls of incidents or jackpot verification approvals after core office hours in the evenings, weekends or holidays many of which were handled over the phone and I didn't travel to the casino locations. Although there was not a mechanism in place to accurately track these hours I was allowed to flex my time as needed. I see times where the vehicle didn't move at all, on these times I would have chosen to drive my personal vehicle so that I could attend events that were occurring during my personal time after work hours. So that also brings me to racing and especially the Columbus race track where I would drive my personal vehicle on weekends to work the race and the travel onto my hunting lease or to my parents residence after my work hours were completed. I also see a period in January where there are no hours showing this was due a blizzard and sub-zero temperatures and I chose to drive my personal vehicle as it was 4 wheel drive until I could get the state car started and to TSB for a battery replacement. Finally the previous director allowed us to work from home if we asked to for various reasons. Also there was not a mechanism in place to accurately track this but the Director allowed it for several managers and staff.

I hope this gives you explanation enough as we were and still are a new agency learning how to operate with initially little procedure and policy in place as we were rapidly growing to keep pace with the Industry.

Given his hourly pay rate of \$39.784, Mr. Anderson appears to have been paid \$11,095 for which the Commission lacked adequate documentation to support that he had, in fact, earned this compensation.

Included in these missing hours was time that Mr. Anderson supposedly worked on September 28, 2023. According to information obtained through the State's health insurance plan, Mr. Anderson submitted a claim for services provided on this date. Despite having a medical appointment on this date, Mr. Anderson recorded no sick leave for it. Nevertheless, according to GPS logs, he returned home for the day by 12:37 p.m., after working approximately 3.75 hours.

The other Commission employee who was assigned a vehicle, one of Mr. Anderson's direct subordinates, did not document the specific times worked each day, but he did record for Mr. Anderson's approval the total number of hours worked daily. When attempting to verify the time recorded for this employee, we noted numerous days for which his timesheets claimed more hours worked than what was indicated by the GPS logs, but other days when the opposite was the case.

Although there may be reasonable explanations for the apparent discrepancies between this employee's timesheet and the GPS logs, the fact remains that the Commission was not adequately monitoring vehicle usage to ensure that the times and locations being driven were appropriate. Given that the timesheets were approved by Mr. Anderson, who clearly had issues with adequately documenting his own time worked, but also the specific inconsistencies noted, one must question if a thorough review of this employee's work hours occurred prior to approval, or if Mr. Anderson merely "rubber stamped" the timesheets without subjecting them to any scrutiny.

STATE RACING AND GAMING COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **State Vehicle Usage** (Concluded)

Neb. Rev. Stat. § 84-1001(1) (Reissue 2014) provides the following:

All state officers and heads of departments and their deputies, assistants, and employees, except permanent part-time employees, temporary employees, and members of any board or commission not required to render full-time service, shall render not less than forty hours of labor each week except any week in which a paid holiday may occur.

Good internal controls require procedures to ensure the following: 1) employees do not drive State-owned vehicles to and from their homes without the proper authorization; 2) the use of a State-owned vehicle for commuting purposes is designated as a taxable fringe benefit and included in the employee's taxable wages, or a detailed basis for why such action is not necessary is documented by the Commission; 3) the purpose of travel for each employee's trip with a State-owned vehicle is properly documented, as required by law; 4) appropriate oversight of State-owned vehicle usage is provided through detailed, timely, and documented reviews of GPS location data; and 5) Commission employees provide truthful and detailed answers to questions posed by the APA, making available supporting documentation needed to verify those responses.

Without such procedures, there is a significantly increased risk for not only misuse of State-owned vehicles but also loss, theft, or abuse of public property and funds.

We recommend the Commission implement procedures to ensure: 1) employees do not drive State-owned vehicles to and from their homes without the proper authorization; 2) the use of a State-owned vehicle for commuting purposes is designated as a taxable fringe benefit and included in the employee's taxable wages, or a detailed basis for why such action is not necessary is documented by the Commission; 3) the purpose of travel for each employee's trip with a State-owned vehicle is properly documented, as required by law; 4) appropriate oversight of State-owned vehicle usage is provided through detailed, timely, and documented reviews of GPS location data; and 5) Commission employees provide truthful and detailed answers to questions posed by the APA, making available supporting documentation needed to verify those responses.

Commission Response: In March 2024, the use of take-home cars was revoked. The agency now has a check-out procedure, and any trips to a residence must be approved in writing by a supervisor. All vehicles are classified as pool cars, and staff are required to complete the appropriate logs detailing their destinations. Previously, some investigations indicated "INV" as directed by their supervisor, but this practice has changed. We will begin documenting our monthly reviews of all GPS logs. As a regulatory agency, we must hold ourselves to a higher standard. Unfortunately, this was not always the case. The individual mentioned is no longer with the agency.

3. **Travel Issues**

We noted numerous issues during our testing of the Commission's travel-related expenditures – in particular, the travel reimbursements made to the former Executive Director, Tom Sage, who submitted eight reimbursement requests between July and December 2023, totaling \$21,409. These reimbursements were for attendance at seven out-of-state conferences and one in-state conference. The Commission lacked adequate procedures to ensure that all travel-related expenditures of the Commission were reasonable, necessary, and adequately documented, as explained in further detail below.

The Commission's travel-related expenditures during the fiscal year ended June 30, 2024, totaled \$148,240.

Former Executive Director Travel Reimbursements

The following table identifies the eight conferences attended by the former Executive Director, for which he received reimbursement during the examination period.

STATE RACING AND GAMING COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

3. **Travel Issues** (Continued)

Travel Start Date	Travel End Date	# of Days	Conference Title	Conference Location
6/25/2023	6/29/2023	5	Association of Racing Commissioners International (ARCI) Summer Meeting	Indianapolis, IN
7/11/2023	7/16/2023	6	National Council of Legislators from Gaming States Summer Meeting	Denver, CO
7/25/2023	7/30/2023	6	National Conference on Gambling Addiction & Responsible Gambling	Washington DC
8/14/2023	8/17/2023	4	The Racing & Gaming Conference at Saratoga	Saratoga Springs, NY
10/1/2023	10/4/2023	4	Nebraska Sheriff's Association & Police Officer Association of Nebraska Law Enforcement Conference	Kearney, NE
10/8/2023	10/13/2023	6	Global Gaming Exposition	Las Vegas, NV
10/31/2023	11/5/2023	6	Caribbean Racing & Regulatory Conference	San Juan, Puerto Rico
12/3/2023	12/8/2023	6	ARCI Board Meetings, and Global Symposium on Racing	Tucson, AZ
Total Days		43		

We noted that \$1,875 was improperly reimbursed to Mr. Sage – or, at the very least, lacked sufficient documentation to allow for a determination as to the reasonableness and necessity of the payment. The following information details the issues noted during our testing:

- On numerous occasions, Mr. Sage arrived at the conference early and/or stayed for additional days after it had ended. The Commission was unable to provide any documentation to support why these additional travel days were reasonable and necessary.
 - The Association of Racing Commissioners International (ARCI) Summer Meeting in Indianapolis, Indiana, ended on June 27, 2023; however, Mr. Sage did not return until June 29, 2023. Excess costs incurred on June 28 totaled \$241.
 - According to its agenda, the three-day National Conference on Gaming Addiction & Responsible Gambling, which was held in Washington, D.C., ended on July 28, 2023; however, Mr. Sage did not return until July 30, 2023. Excess costs incurred on July 29 totaled \$316.
 - The Caribbean Racing & Regulatory Conference in San Juan, Puerto Rico, took place on November 2 and 3, 2023. Mr. Sage left for this conference on October 31 and did not return until November 5. Excess costs incurred on October 31 and November 4 totaled \$815.
- The Commission was unable to provide documentation to support that the daily hotel lodging rates paid while Mr. Sage was in San Juan, Puerto Rico, were reasonable. That rate ranged from \$198 to \$347 per day. The per diem lodging rate established by the U.S. Department of Defense for San Juan, Puerto Rico, was \$167 day, which the APA used to determine a reasonable rate. Overall, the lodging costs exceeded the U.S. Department of Defense rate by \$474.
- Mr. Sage earned \$21 in “Uber Cash” rewards from utilizing Uber while attending the various conferences. Mr. Sage applied this “Uber Cash” towards the cost of future Uber rides while attending conferences; however, he was reimbursed for the full cost of these rides, not the amount actually paid after the “Uber Cash” rewards were applied.

STATE RACING AND GAMING COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

3. **Travel Issues** (Concluded)

- We noted that one mileage reimbursement was for 12 miles more than the distance actually driven by Mr. Sage. At the \$0.655 mileage reimbursement rate, this error resulted in an excess \$8 being reimbursed.
- One expense reimbursement document, totaling \$5,704, lacked the signature of either the supervisor or approver.

Other Travel-Related Expenditure Issues

- Two Commission employees attended the same conference; however, one employee's lodging costs were only \$796, while the other employee's lodging costs were \$1,500. The Commission was unable to provide any documentation to support why the excess \$704 was reasonable.
- One Commission employee was reimbursed for the cost of parking a rental vehicle at a hotel for two days after the vehicle had been returned. Parking costs at the hotel were \$46 per day, resulting in unnecessary costs of \$92.
- The Commission paid \$3,981 to Fairfield Inn & Suites for 36 nights between February 4, 2024, and March 10, 2024, while the State Racing Steward was working in Nebraska. However, the contract between the Commission and the State Racing Steward covered only the period February 4, 2024, through February 29, 2024. No formal, written extension was executed to cover the additional days after the original end date of the agreement.
- One mileage reimbursement tested included 468 miles at \$0.67 per mile. However, the actual mileage that should have been reimbursed totaled only 374 miles. The 94-mile variance resulted in an excess \$63 being reimbursed.
- One employee charged food costs of \$10 to his hotel bill. However, this employee also received the daily meal per diem reimbursement. Therefore, it appears unreasonable for the employee to have been reimbursed also for the food costs included on the hotel bill.

Good internal controls and sound business practices require procedures to ensure that all travel-related expenditures of the Commission are reasonable, necessary, and adequately documented.

Without such procedures, there is an increased risk for the loss, theft, or misuse of State funds.

A similar finding was noted during our prior attestation for the period ending June 30, 2017.

We recommend the Commission implement procedures to ensure that all travel-related expenditures are reasonable, necessary, and adequately documented. Such procedures should include a detailed review of all expense reimbursement requests, which should be completed prior to reimbursement being made.

Commission Response: In March 2024, we implemented a new policy and travel forms for both in-state and out-of-state travel. The process requires supervisor approval, followed by division head approval, and final approval from the Executive Director for out-of-state trips. We are adding a requirement that if someone wishes to extend their trip for personal reasons, they must obtain prior approval and provide an estimate for the return flight (based on a typical travel day). Reimbursement will be limited to the initially approved amount, even if the actual flight costs more. This measure ensures we do not reimburse for non-work-related days or unapproved travel. Additionally, we are now utilizing Hotel Engine, which is being adopted by state agencies.

STATE RACING AND GAMING COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Segregation of Duties over Revenues and Issuance of Licenses

The Commission issued numerous different licenses to the various individuals and entities involved in the racing and gaming industry in Nebraska, charging fees for doing so. The license fees collected by the Commission during the fiscal year ended June 30, 2024, totaled \$3,647,414.

During testing, we noted that the Commission lacked an adequate segregation of duties over both the revenue process and the issuance of licenses, as detailed below:

- One individual had control over opening and sorting mail, handling and depositing cash receipts, and issuing licenses. No initial control was established over cash receipts, nor was there a separate reconciliation of cash receipts received to the amount deposited with the State Treasurer.
- The Commission was unable to provide any documentation whatsoever to support 90 licenses that were issued in the system but subsequently voided.
- One individual had the ability to prepare and mail invoices without any oversight or separate approval of that process. According to the Commission, a review is performed of licenses issued and the amount of licensing fees collected each month; however, the Commission was unable to provide any documentation to support that such a review occurred or what it entailed.
- Checks were not restrictively endorsed immediately upon receipt.

Furthermore, we noted numerous issues with the fees actually set and charged by the Commission for the issuance of these licenses.

- The Commission was unable to provide any documentation whatsoever to support how it determined the fee amounts charged for each type of racing and gaming license – if not otherwise specified in State statute – or why that fee was reasonable. Additionally, the racing license fees set out in the Commission’s administrative rules and regulations, specifically Title 294 NAC 10.007, have not been reviewed or updated since 2007.
- The Commission charged \$15 for a “Video/Photofinish” license; however, per 294 NAC 10.007.01, the applicable provision of the Commission’s administrative rules and regulations, the fee for a “Photo-Finish Operator” license ranges from \$25 to \$100, depending on the number of race days. The Commission issued 15 such licenses – all for \$15 apiece – during the fiscal year ended June 30, 2024.
- During the fiscal year ended June 30, 2024, the Commission issued 160 racing licenses, comprised of 16 different types. None of the \$5,020 in fees charged for those licenses was specified in either State statute or the Commission’s administrative rules and regulations.

Neb. Rev. Stat. § 84-901(2) (Cum. Supp. 2022) provides the following:

Rule or regulation shall mean any standard of general application adopted by an agency in accordance with the authority conferred by statute and includes, but is not limited to, the amendment or repeal of a rule or regulation. Rule or regulation shall not include (a) internal procedural documents which provide guidance to staff on agency organization and operations, lacking the force of law, and not relied upon to bind the public, (b) guidance documents as issued by an agency in accordance with section 84-901.03, and (c) forms and instructions developed by an agency. For purposes of the act, every standard which prescribes a penalty shall be presumed to have general applicability and any standard affecting private rights, private interests, or procedures available to the public is presumed to be relied upon to bind the public. Nothing in this section shall be interpreted to require an agency to adopt and promulgate rules and regulations when statute authorizes but does not require it[.]

STATE RACING AND GAMING COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Segregation of Duties over Revenues and Issuance of Licenses (Concluded)

(Emphasis added.) Based on the above statutory language, a rule or regulation: 1) is a “standard of general application”; 2) has “the force of law”; 3) is “relied upon to bind the public”; and 4) affects “the private rights, private interests, or procedures available to the public” and, therefore, is “presumed to be relied upon to bind the public.”

It is reasonable to conclude that any requirement for individuals or entities involved in the racing and/or gaming industry to be licensed, as well as to pay a fee for that license, meets all of the above four descriptive characteristics of a formal administrative rule or regulation.

Additionally, in *Mogis v. Lyman-Richey Sand & Gravel Corp.*, 90 F. Supp. 251 (D. Neb. 1950), the United States District Court for the District of Nebraska, Omaha Division, addressed whether rates charged by the Nebraska State Railway Commission were subject to the Act as formal rules. The court made the following observation:

First, 'rates' are rules of general application because they affect all who wish to ship between any given points.

Id. at 253. The same reasoning must be true for licensing fees charged by the Commission – as they also affect “all who wish to” work in the racing and/or gaming industry. Consequently, any licensing fees not statutorily mandated should be specified in the Commission’s administrative rules and regulations.

A similar finding was noted in the last three audit reports for the periods ended June 30, 2005; December 31, 2011; and June 30, 2017.

A good internal control plan requires an adequate segregation of duties or compensating procedures, including the preparation of an initial listing of monies received and a review of voided transactions, to ensure that no one individual is in a position both to perpetrate and to conceal errors or irregularities when issuing licenses and preparing deposits. Such procedures should also require: 1) restrictively endorsing checks immediately upon receipt; 2) a periodic, documented review of fee rates; 3) the maintenance of supporting documentation for how fee amounts are determined to ensure their reasonableness, necessity, and sufficiency to cover the costs of the Commission’s operations; and 4) charging fees in accordance with the rates set by the Commission’s administrative rules and regulations.

Without such procedures, there is an increased risk for not only the loss, theft, or misuse of State funds but also the charging of inappropriate licensing fees.

We recommend the Commission implement an adequate segregation of duties or compensating procedures, including the preparation of an initial listing of monies received and a review of voided transactions, to ensure that no one individual is in a position both to perpetrate and to conceal errors or irregularities when issuing licenses and preparing deposits. Such procedures should also require: 1) restrictively endorsing checks immediately upon receipt; 2) a periodic, documented review of fee rates; 3) the maintenance of supporting documentation for how fee amounts are determined to ensure their reasonableness, necessity, and sufficiency to cover the costs of the Commission’s operations; and 4) charging fees in accordance with the rates set by the Commission’s administrative rules and regulations.

Commission Response: We are now endorsing checks immediately upon receipt and adding them to the check register. We are currently reviewing fees and have ensured that all license categories listed in the rules and regulations for Titles 294 and 296 are accurately reflected in our licensing database.

STATE RACING AND GAMING COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

5. Expenditure Issues

During testing of the Commission’s expenditures, we found an overall lack of procedures for ensuring that such disbursements of State funds were both appropriate and supported by adequate documentation. Specifically, we noted the following:

- The Commission was unable to provide any documentation regarding how office space rental costs were allocated between the Racetrack Gaming Fund, and the Racing Commission Cash Fund. During the fiscal year ended June 30, 2024, \$239,677 was paid from the Racetrack Gaming Fund, and \$24,194 was paid from the Racing Commission Cash Fund. Office space rental costs totaled \$263,871.
- A payment of \$225 was made in October 2023 to Valentino’s restaurant using a Commission purchasing card. This expenditure was for the purchase of four jumbo pizzas, one family lasagna, one family primavera, two family garden salads, garlic breadsticks, cinnamon breadsticks, three two-liter bottles of pop, one two-liter bottle of unsweetened tea, and a \$35 tip.

According to the Commission, this purchase was to pay for lunch at a staff meeting attended by 14 employees that occurred prior to a regular Commission meeting.

Such a catered lunch meeting does not appear allowable under State law or State accounting policy, as a staff meeting held at the Commission’s main Lincoln office constitutes a “day-to day operation” of the commission. Neb. Rev. Stat. § 81-1174(8) (Cum. Supp. 2022) provides the following:

No personal maintenance expenses shall be allowed to any state officer, state employee, or member of any commission, council, committee, or board of the state when such expenses are incurred in the city or village in which the residence or primary work location of such individual is located, except that individuals required to attend official functions, conferences, or hearings within such location, not to include normal day-to-day operations of the department, agency, commission, council, committee, or board, may be paid or reimbursed in accordance with policies established by the Director of Administrative Services. The approval to attend a function, conference, or hearing shall be obtained from the director of the department, agency, commission, council, committee, or board prior to an individual's attendance at such function, conference, or hearing.

Furthermore, the Nebraska State Accounting Manual, AM-005, Section 22, “State Employee Expenses While Not in Travel Status,” (01/2021) provides the following, in relevant part:

These payments are only allowable under State Statute 81-1174 for attendance at official functions, conferences or hearings, not to include normal day-to-day operations of the department, agency, commission, council, committee, or board. These reimbursements shall be accounted for by using object code 571600, and reviewed for each employee based on IRS guidance. State Accounting Travel Policy #6 Meals contains instructions for this review.

- Two vendor payments tested were not made within 45 days, as required by Neb. Rev. Stat. § 81-2403(1) (Reissue 2014), as follows:

Except as provided in subsection (2) of this section, each agency shall make payment in full for all goods delivered or services rendered on or before the forty-fifth calendar day after (a) the date of receipt by the agency of the goods or services or (b) the date of receipt by the agency of the bill for the goods or services, whichever is later, unless other provisions for payment are agreed to in writing by the creditor and the agency.

(Emphasis added.) The Commission was unable to provide supporting documentation for either the “date of receipt by the agency of the goods or services” or “the date of receipt by the agency of the bill for the goods or services.” Therefore, the APA used the invoice date. The following table provides details of the delinquent payments noted:

STATE RACING AND GAMING COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

5. **Expenditure Issues** (Concluded)

Vendor	Invoice Date	Payment Date	Amount	# of Days
Jacks Uniforms & Equipment	1/10/2023	9/25/2023	\$ 148	258
Comfort Suites	1/12/2023	1/2/2024	98	355
Total			\$ 246	

- No documented review was performed by legal counsel for two contracts tested. One of these contracts was with Mike Corey to provide racing steward services, and the other contract was with Industrial Laboratories for lab tests.

Good internal controls and sound business practices require procedures to ensure the following: 1) documentation is maintained to support how costs are split between multiple funding sources; 2) any payments made by the Commission are allowable under State law and State accounting policy; 3) vendor payments are made within the time frame mandated by State statute; and 4) a documented legal review is completed for all contracts entered into by the Commission.

Without such procedures, there is an increased risk for the loss, theft, or misuse of State funds.

We recommend the Commission implement procedures to ensure: 1) documentation is maintained to support how costs are split between multiple funding sources; 2) any payments made by the Commission are allowable under State law and State accounting policy; 3) payments are made within the time frame mandated by State statute; and 4) a documented legal review is completed for all contracts entered into by the Commission.

Commission Response: We are now documenting how our costs are split between multiple funding sources. With a year of experience behind us, we can better assess our cost allocation. We have addressed the p-card incident and removed the individual from the card. We acknowledge two missed payments that exceeded the statutory timeframe, which occurred during the transition when our finance manager took over. We are taking steps to ensure this does not happen again. Additionally, we have implemented a review process for all contracts, ensuring they are reviewed by legal prior to being sent out.

6. **EnterpriseOne Timesheets**

The Commission utilized EnterpriseOne (E1), the State’s accounting system, to record employee hours worked and leave used each day. We noted the following concerns:

- E1 did not accurately track who approved timesheets in the system. Each employee is assigned a supervisor in the system who is responsible for approving that employee’s timesheets. However, supervisors were allowed to set up delegates in the system to approve timesheets in the supervisor’s absence. The system did not record who actually approved the timesheet; if a delegate approved a timesheet, the system would record the assigned supervisor as the approver. Furthermore, there was no audit trail of delegates in E1.

The Commission lacked any procedures outside of the system for documenting when a timesheet was approved by a delegate. Consequently, there was no way to identify definitively who approved each timesheet in the system.

- Both the Human Resources Manager and the Accounting & Finance Manager for the Commission were designated as delegates of their supervisor. Consequently, these employees had the ability to approve their own timesheets.

STATE RACING AND GAMING COMMISSION

COMMENTS AND RECOMMENDATIONS

(Continued)

6. **EnterpriseOne Timesheets** (Concluded)

Personal Services expenditures of the Commission totaled \$2,271,075 during the fiscal year ended June 30, 2024.

A good internal control plan requires procedures to ensure that the approval of timesheets is documented accurately for subsequent review, and employees are not permitted to approve their own timesheets.

Without such procedures, there is an increased risk for the loss of State funds.

We recommend that, until E1 records accurately the approval of timesheets, the Commission should implement procedures for documenting the supervisory review and approval of timesheets outside of the system. We further recommend employees be denied access to the system for approving their own timesheets.

Commission Response: This issue has been rectified. Supervisors are now required to email HR with a screenshot of the approved timecards and certify their approval of the timesheets. In emergencies, we delegate timecard approval to another manager. As the interim, I delegated this responsibility to HR, my direct report, since she handles payroll. This setup could potentially allow her to approve her own paysheet. However, we anticipate that with the arrival of a Deputy Director, we will be able to resolve this situation effectively.

7. **Lack of Segregation of Duties Over Capital Assets**

The State's accounting system, EnterpriseOne (E1), lacks an established segregation of duties over capital assets recorded therein. The three Commission employees with system access to capital asset functions were able, therefore, to perform all procedures without a secondary individual being required to approve transactions. Accordingly, compensating controls, such as a documented review of the Additions and Retirements Report by an individual without system access to capital asset functions in the system, should be implemented to ensure that no one individual is able to conceal errors or irregularities.

No such review of the Additions and Retirements Report occurred during the period examined.

As of June 30, 2024, the Commission had assets with a total original value of \$86,836 reflected in E1.

Furthermore, our testing also revealed the following:

- The "Fixed Asset with No Cost Integrity Report," which was generated from E1 during audit fieldwork in July 2024, included three assets originally acquired in June 2023 through March 2024. The Commission did not take timely action to address the items noted on the report, such as posting costs to assets or documenting why it was not appropriate to do so.
- Despite claiming to have reviewed the "Unposted Fixed Asset Transaction Report," the Commission was unable to provide any documentation that such a review took place during the period examined.
- The Commission was unable to provide supporting documentation for the acquisition date entered in E1 for all five asset additions tested, with a total cost of \$14,307. The accounting system uses the acquisition date to calculate depreciation.

A good internal control plan requires procedures to ensure that an adequate segregation of duties is maintained, so no one individual is able both to perpetrate and to conceal errors or irregularities. Such procedures should ensure that assets are recorded properly in E1 by requiring timely action to address any items identified on integrity reports generated from the system and maintaining supporting documentation for acquisition dates entered into the system by the Commission.

STATE RACING AND GAMING COMMISSION

COMMENTS AND RECOMMENDATIONS

(Concluded)

7. **Lack of Segregation of Duties Over Capital Assets** (Concluded)

Without such procedures, there is an increased risk for not only loss, theft, or misuse of State property but also assets being reflected improperly on financial reports of the Commission and the State of Nebraska.

A similar finding was noted during our previous attestation of the Commission for the fiscal year ended June 30, 2017.

We recommend the Commission implement procedures to ensure an adequate segregation of duties is maintained, so no one individual is able both to perpetrate and to conceal errors or irregularities. Such procedures should ensure that assets are recorded properly in E1 by requiring timely action to address any items identified on integrity reports generated from the system and maintaining supporting documentation for acquisition dates entered into the system by the Commission.

Commission Response: This issue has been resolved. We now have two individuals authorized to input information: one adds assets to the inventory, while the other processes payments to assign costs to those assets. Each division head is responsible for conducting the annual inventory.

8. **Deposit Support**

The Commission did not document when money was received; therefore, we were unable to determine if the receipts tested were deposited with the State Treasurer within the time frame mandated by State law.

Neb. Rev. Stat. § 84-710 (Cum. Supp. 2022) provides the following, in relevant part:

It shall be unlawful for any executive department, state institution, board, or officer acting under or by virtue of any statute or authority of the state, including the State Racing and Gaming Commission, to receive any fees, proceeds from the sale of any public property, or any money belonging to the state or due for any service rendered by virtue of state authority without paying the same into the state treasury within three business days of the receipt thereof when the aggregate amount is five hundred dollars or more and within seven days of the receipt thereof when the aggregate amount is less than five hundred dollars. . . .

(Emphasis added.) Good internal controls require procedures to ensure that adequate documentation is maintained to support when the Commission both receives money and remits those funds to the State Treasurer.

Without such procedures, the Commission is unable to support compliance with § 84-710, increasing the risk for loss, or misuse of funds.

We recommend the implementation of procedures for documenting when the Commission both receives money and remits those funds to the State Treasurer.

Commission Response: We now utilize a check register that details when the checks are received and deposited.



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STATE RACING AND GAMING COMMISSION

INDEPENDENT ACCOUNTANT'S REPORT

State Racing and Gaming Commission
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of the State Racing and Gaming Commission (Commission) for the fiscal year ended June 30, 2024. The Commission's management is responsible for the Schedule of Revenues, Expenditures, and Changes in Fund Balances based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is based on the accounting system and procedures set forth in Note 1, in all material respects. An examination involves performing procedures to obtain evidence about the Schedule of Revenues, Expenditures, and Changes in Fund Balances. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balances for the fiscal year ended June 30, 2024, is based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services, as set forth in Note 1, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the Schedule of Revenues, Expenditures, and Changes in Fund Balances; fraud that is material, either quantitatively or qualitatively, to the Schedule of Revenues, Expenditures, and Changes in Fund Balances; and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Revenues, Expenditures, and Changes in Fund Balances or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards*, and those findings, along with the views of management, are described in the Comments Section of the report.

The purpose of this report is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances, as described in paragraph one above. Accordingly, this report is not suitable for any other purpose. This report is a matter of public record, and its distribution is not limited.

October 15, 2024



Mike Foley
Auditor of Public Accounts
Lincoln, Nebraska

STATE RACING AND GAMING COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2024

	Racing Commission Cash Fund 23610	Track Distribution Fund 23620	Racetrack Gaming Fund 23650	Common School Fund 61270	Totals (Memorandum Only)
REVENUES:					
Taxes	\$ 384,125	\$ 61,408	\$ 19,766,818	\$ -	\$ 20,212,351
Sales & Charges	70,134	-	3,577,280	-	3,647,414
Miscellaneous	5,796	320	128,380	63,550	198,046
TOTAL REVENUES	460,055	61,728	23,472,478	63,550	24,057,811
EXPENDITURES:					
Personal Services	122,693	-	2,148,382	-	2,271,075
Operating	174,714	-	812,932	-	987,646
Travel	47,729	-	100,511	-	148,240
Capital Outlay	2,373	-	50,596	-	52,969
Government Aid	-	61,408	4,941,704	-	5,003,112
TOTAL EXPENDITURES	347,509	61,408	8,054,125	-	8,463,042
Excess (Deficiency) of Revenues Over (Under) Expenditures	112,546	320	15,418,353	63,550	15,594,769
OTHER FINANCING SOURCES (USES):					
Sales of Assets	-	-	20,716	-	20,716
Deposit to Other Funds (NOTE 7)	-	-	(14,825,114)	-	(14,825,114)
Deposit to Common Fund	-	-	-	(63,550)	(63,550)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(14,804,398)	(63,550)	(14,867,948)
Net Change in Fund Balances	112,546	320	613,955	-	726,821
FUND BALANCES, JULY 1, 2023	149,850	9,753	3,295,876	-	3,455,479
FUND BALANCES, JUNE 30, 2024	<u>\$ 262,396</u>	<u>\$ 10,073</u>	<u>\$ 3,909,831</u>	<u>\$ -</u>	<u>\$ 4,182,300</u>
FUND BALANCES CONSIST OF:					
General Cash	\$ 265,011	\$ 16,735	\$ 3,919,397	\$ -	\$ 4,201,143
Due to Vendors	(2,570)	(6,662)	(9,566)	-	(18,798)
Received - Not Vouchered	(45)	-	-	-	(45)
TOTAL FUND BALANCES	<u>\$ 262,396</u>	<u>\$ 10,073</u>	<u>\$ 3,909,831</u>	<u>\$ -</u>	<u>\$ 4,182,300</u>

The accompanying notes are an integral part of the schedule.

STATE RACING AND GAMING COMMISSION

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2024

1. Criteria

The accounting policies of the State Racing and Gaming Commission (Commission) are on the basis of accounting prescribed by the State of Nebraska Director of the Department of Administrative Services (DAS).

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2014), the duties of the Director of DAS include the following:

The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes[.]

In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 2014), the State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes EnterpriseOne, an accounting resource software, to maintain the general ledger and all detailed accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by the DAS State Accounting Division (State Accounting) and are available to the public.

The financial information used to prepare the Schedule of Revenues, Expenditures, and Changes in Fund Balances was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned, regardless of the timing of related cash flows. State Accounting does not require the Commission to record all accounts receivable and related revenues in EnterpriseOne; as such, the Commission's Schedule does not include all accounts receivable and related revenues. In a like manner, expenditures and related accounts payable are recorded in the general ledger as transactions occur. As such, the Schedule includes those expenditures and related accounts payable posted in the general ledger as of June 30, 2024, and not yet paid as of that date. The amount recorded as expenditures on the Schedule, as of June 30, 2024, **does not** include amounts for goods and services received before June 30, 2024, which had not been posted to the general ledger as of June 30, 2024.

The Commission had accounts receivable not included in the Schedule of \$68,055 from unpaid miscellaneous licensing fees. Additionally, see Note 8 regarding unpaid Authorized Gaming Operator license fees. State Accounting did not require the Commission to record its receivables on the general ledger, and these amounts are not reflected in revenues or fund balances on the Schedule. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

The following fund types are established by the State and used by the Commission:

20000 – Cash Funds – account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes.

60000 – Trust Funds – account for assets held by the State in a trustee capacity. Expenditures are made in accordance with the terms of the trust.

The following major revenue account classifications are established by State Accounting and used by the Commission:

STATE RACING AND GAMING COMMISSION

NOTES TO THE SCHEDULE

(Continued)

1. **Criteria** (Concluded)

Taxes – Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. Taxes recorded as revenue for the Commission consist of pari-mutuel wagering taxes and gaming taxes. See Note 7 for additional information regarding gaming taxes.

Sales & Charges – Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees.

Miscellaneous – Revenue from sources not covered by other major categories, such as investment income and fines for violations of the Commission’s rules and regulations.

The following major expenditure account classifications are established by State Accounting and used by the Commission:

Personal Services – Salaries, wages, and related employee benefits provided for all persons employed by the Commission.

Operating – Expenditures directly related to a program’s primary service activities.

Travel – All travel expenses for any State officer, employee, or member of any commission, council, committee, or board of the State.

Capital Outlay – Expenditures that result in the acquisition of or an addition to capital assets. Capital assets are resources of a long-term character, owned or held by the government.

Government Aid – Payment of Federal and/or State money to governmental subdivisions, State agencies, local health and welfare offices, individuals, etc., in furtherance of local activities and accomplishment of State programs.

Other significant accounting classifications and procedures established by State Accounting and used by the Commission include the following:

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts. Cash accounts are also included in fund balance and are reported as recorded in the general ledger.

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions are recorded as expenditures, resulting in a decrease to fund balance.

Other Financing Sources – Proceeds of fixed asset dispositions, and deposits of fines into the Common School Fund. See additional information in Note 6 and 7.

2. **Reporting Entity**

The Commission is a State agency established under and governed by the laws of the State of Nebraska. As such, the Commission is exempt from State and Federal income taxes. The Schedule includes all funds of the Commission included in the general ledger.

The Commission is part of the primary government for the State of Nebraska.

STATE RACING AND GAMING COMMISSION

NOTES TO THE SCHEDULE

(Continued)

3. Totals

The Totals “Memorandum Only” column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information because interfund balances and transactions have not been eliminated.

4. General Cash

General cash accounts are under the control of the State Treasurer or other administrative bodies, as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State’s Investment Council, which maintains an operating investment pool for such investments. Interest earned on those investments is allocated to funds based on their percentage of the investment pool.

5. Capital Assets

Capital assets include land, buildings, equipment, improvements to buildings, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Under State Accounting policies, expenditures for such capital assets are not capitalized as an asset in the funds used to acquire or construct them. Rather, costs of obtaining the capital assets are reflected as expenditures in the general ledger and are reported as such on the Schedule.

However, State Accounting does adjust such expenditures and reports the capital assets as assets for the State of Nebraska in the Annual Comprehensive Financial Report (ACFR). In addition, the Commission takes an annual inventory, recording in the State Accounting System all equipment that has a cost of \$5,000 or more at the date of acquisition, and all computers.

For the ACFR, the State requires the Commission to value all capital assets at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, equipment that has a cost of \$5,000 or more at the date of acquisition and has an expected useful life of more than two years is capitalized. Depreciation expenses are reported in the ACFR in the funds used to acquire or construct them for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend the asset’s life is not capitalized.

Equipment is depreciated in the ACFR using the straight-line method with estimated useful lives of 5-10 years.

Capital asset activity of the Commission recorded in the State Accounting System for the fiscal year ended June 30, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets				
Equipment	\$ 33,867	\$ 52,969	\$ -	\$ 86,836
Less accumulated depreciation for:				
Equipment				<u>30,387</u>
Total capital assets, net of depreciation				<u>\$ 56,449</u>

STATE RACING AND GAMING COMMISSION

NOTES TO THE SCHEDULE

(Concluded)

6. Deposits to Common Fund

As defined in Nebr. Const. Art VII Sec. 5, fines and penalties are to be paid to the County Treasurer where the fine was levied. The Commission assesses fines, which are recorded in the Common School Fund. Fines, totaling \$63,550, were deposited to the Common School Fund by the Commission during the fiscal year ending June 30, 2024.

7. Gaming Tax

Pursuant to Neb. Rev. Stat. § 9-1203 (Reissue 2022), a gaming tax of 20% is imposed on gross gaming revenue generated by authorized gaming operators within licensed racetrack enclosures in the State of Nebraska. The Commission is assigned responsibility for collecting and remitting such tax as set forth by law. Per Neb. Rev. Stat. § 9-1204 (Reissue 2022), 75% of the gaming tax imposed is remitted to the State Treasurer and credited as follows: 2.5% to the Compulsive Gamblers Assistance Fund; 2.5% to the General Fund; and 70% to the Property Tax Credit Cash Fund. The remaining 25% is remitted to the County Treasurers of the counties where licensed racetrack enclosures are located. If the licensed racetrack enclosure is located within an incorporated municipality, the 25% paid to the County Treasurer is split equally between the county and the municipality where the licensed racetrack enclosure is located. If the licensed racetrack enclosure is not located within an incorporated municipality, the full amount received is retained by the county.

The total gaming tax received by the Commission is reflected on the Schedule of Revenues, Expenditures, and Changes in Fund Balances as tax revenue in the Racetrack Gaming Fund. The portion remitted to the various State funds in accordance with § 9-1204 is reflected as Deposits to Other Funds, and the portion remitted to the counties and cities is reflected as government aid expenditures.

The following table details the distribution of gaming taxes during the fiscal year ended June 30, 2024.

State General Fund	\$ 494,170
Compulsive Gamblers Assistance Fund	494,170
Property Tax Credit Cash Fund	13,836,774
Lancaster County	1,340,403
City of Lincoln	1,340,403
Hall County	819,904
City of Grand Island	819,904
Platte County	543,701
City of Columbus	45,937
Douglas County	15,726
City of Omaha	15,726
Total	\$ 19,766,818

8. Authorized Gaming Operator License Fees

Authorized gaming operators are required to obtain an Authorized Gaming Operator License from the Commission. The fee for an Authorized Gaming Operator License is \$5,000,000. Per Neb. Rev. Stat. § 9-1106(6) (Supp. 2023), each Gaming Operator is allowed to pay the license fee over a period of five years, with \$1,000,000 due at the time the license is issued. As of June 30, 2024, the Commission had issued four Authorized Gaming Operator Licenses and received \$7,000,000, leaving \$13,000,000 still owed to the Commission.

9. Subsequent Event

On October 16, 2024, Governor Pillen approved the appointment of Casey Ricketts as the permanent Executive Director of the Commission.

STATE RACING AND GAMING COMMISSION
SUMMARY OF UNSUBSTANTIATED TRIPS
For the Fiscal Year Ended June 30, 2024

EXHIBIT A

Date	Time Arrived	Time Departed	Location	Initial Explanation (copied verbatim)	APA Inconsistencies Noted	2nd Explanation (copied verbatim)	APA Notes
7/10/2023	11:28 AM	12:27 PM	Guildford St, Waverly, NE 68462	<i>NSP investigations meeting</i>	- APA requested more detailed information in order to verify the legitimacy of this meeting	<i>I believe this was with the Colonel and I also believe Casey [Ricketts] went with me on that trip as a meet and greet for agency other NSP were in attendance</i>	Ms. Ricketts could only remember a lunch meeting with NSP on this date.
7/11/2023	2:51 PM	3:10 PM	3400 N. 85th St. Lincoln, NE 68507 (Walmart)	<i>Subway for lunch and fuel</i>	- Per Voyager card history, no fuel was purchased on this date - There is no Subway at this location	<i>I would guess I ordered chicken to eat on a late lunch or pulled into the parking lot to take a phone call and I must not have gotten fuel there I honestly don't remember every minute of my day</i>	Appears to have stopped at Walmart for personal errands on his way home, as only other stop for the day was at his personal residence.
7/14/2023	7:00 AM 7:18 7:54	7:06 AM 7:21 8:40	413 S. 2nd St. Ceresco, NE (Three tips to Grumpy Mugs coffee shop)	<i>my residence in Ceresco</i>	- This was not the address for Mr. Anderson's residence.	<i>I stopped and got coffee at Grumpy Mugs in Ceresco local coffee shop on my way to work</i>	As noted below, Mr. Anderson did not go to the office at all on 7/14/23.
7/14/2023	9:11 AM	9:40 AM	2121 S 56th St, Lincoln, NE 68506	<i>pizza hut for lunch</i>	- Pizza Hut location does not open until 10:30 AM, well after Mr. Anderson departed this location	<i>I may have pulled into the parking lot to take a phone call for a conference call or something to that nature. I do not know but that is the most likely what took place</i>	Remains unclear why Mr. Anderson would have driven 20 miles just to take a phone call in the Pizza Hut parking lot.
7/14/2023	12:13 PM	12:27 PM	3400 N. 85th St. Lincoln, NE 68507 (Walmart)	<i>fuel</i>	- Per Voyager fuel card activity, no fuel was purchased on this day	<i>I was on lunch break and would sometimes get food from Walmart. That is my best guess usually I ordered chicken which sometimes it would have to be made.</i>	Appears this trip was potentially for personal errands. Mr. Anderson returned home for the day after this stop.
7/24/2023	7:29 AM	8:30 AM	1515 N 84th St, Lincoln, NE 68505 (Hy-Vee)	<i>meeting with NSP Colonel</i>	- APA requested more detailed information in order to verify the legitimacy of this meeting	<i>We [Mr. Anderson and NSP Colonel Bolduc] occasionally meet for coffee at the Caribou coffee location to discuss various law enforcement topics</i>	No supporting documentation could be provided to support the legitimacy of this alleged meeting.
7/25/2023	11:02 AM	11:32 AM	3535 13th St W, Grand Island, NE 68803	<i>T bones steakhouse for supper</i>	- T Bones Steakhouse is not located at this address - Stop at this location was not during normal supper times	<i>It would be lunch at Buffet House that is my normal lunch time</i>	Explanation appears reasonable; however, different than that originally provided to the APA
10/3/2023	10:30 AM	10:59 AM	3600 E Highway 30, Kearney, NE 68847 (Cabela's)	<i>NSA/POAN conference for required continuing education hours</i>	- Unclear how trip to Cabela's was related to the NSA/POAN conference, or other Commission business	<i>I was checking on equipment pricing I would assume for the agency. The agency did not purchase anything we were looking for company Carhartt coats for the investigators and having them try them on at Cabela's since they were all at the conference. We ended up buying them elsewhere</i>	No supporting documentation could be provided to verify this was in fact a work related trip rather than a personal shopping trip to Cabela's.

STATE RACING AND GAMING COMMISSION
SUMMARY OF UNSUBSTANTIATED TRIPS
 For the Fiscal Year Ended June 30, 2024

EXHIBIT A

Date	Time Arrived	Time Departed	Location	Initial Explanation <i>(copied verbatim)</i>	APA Inconsistencies Noted	2nd Explanation <i>(copied verbatim)</i>	APA Notes
11/1/2023	9:00 AM	9:18 AM	1016 Diers Ave N, Grand Island, NE 68803	<i>Pizza ranch for lunch</i>	- Pizza Ranch does not open until 11:00 AM	<i>n/a</i>	Purpose of this trip remains unclear; No supporting documentation could be provided for the purpose of this trip.
11/1/2023	9:27AM	9:39 AM	1004 W. 2nd St, Grand Island, NE 68803 (GI Loan Pawn Shop)	<i>Went to Wells Fargo to get cash</i>	- GPS location was for the GI Loan Pawn Shop, not the Wells Fargo ATM - 12 minutes appears to be an excessive amount of time to get cash	<i>n/a</i>	No supporting documentation could be provided to verify this explanation.
11/14/2023	1:20 PM	1:24 PM	1126 N 27th St, Lincoln, NE 68503 (AAA Ultimate Pawn Shop)	<i>Investigators using vehicle for investigation</i>	- Other Commission representatives could not remember any legitimate investigations occurring at a pawn shop, nor could they remember any other investigators using Mr. Anderson's vehicle.	<i>n/a</i>	No supporting documentation could be provided to support the investigation occurring at the pawn shop.
11/14/2023	1:31 PM	1:39 PM	366 N 48th St, Lincoln, NE 68504 (AAA Ultimate Pawn Shop)	<i>Investigators using vehicle for investigation</i>	- Other Commission representatives could not remember any legitimate investigations occurring at a pawn shop, nor could they remember any other investigators using Mr. Anderson's vehicle.	<i>n/a</i>	No supporting documentation could be provided to support the investigation occurring at the pawn shop.