



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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December 17, 2025

Ms. Casey Ricketts, Director  
Nebraska Racing and Gaming Commission  
3401 Village Drive, Suite 100  
Lincoln, Nebraska 68516

Dear Ms. Ricketts:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska (State), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 17, 2025. In planning and performing our audit of the financial statements, we considered the State's system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

In connection with our audit described above, we noted a certain internal control or compliance matter related to the activities of the Nebraska Racing and Gaming Commission (Commission) or other operational matter that is presented below for your consideration. The comment and recommendation, which has been discussed with the appropriate members of the Commission's management, is intended to improve internal control or result in other operating efficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Draft copies of this management letter were furnished to the Commission to provide management with an opportunity to review and to respond to the comments and recommendations contained herein. The formal response received has been incorporated into this management letter. *Government Auditing Standards* require the auditor to

perform limited procedures on the responses. The response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it. A response that indicates corrective action has been taken was not verified at this time, but it will be verified in the next audit.

The following is our comment and recommendation for the year ended June 30, 2025.

### **Insufficient Oversight of Gaming Tax Revenues**

The Commission collected \$40,267,768 of gaming taxes during the fiscal year ended June 30, 2025; however, the Commission continues to lack adequate oversight procedures over these funds. In particular, the Commission neglected to review and utilize effectively information and documentation obtained from authorized gaming operators, such as audited financial statements, to ensure receipt of the proper amount of gaming tax imposed by statute.

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.*

We selected one monthly receipt received in July 2024, totaling \$528,188, from the Grand Island Casino and Resort. The Grand Island Casino and Resort reported \$2,640,940 in revenue during the period; however, the Commission did not have adequate procedures to ensure this amount of revenue was appropriate. The Commission's current procedures consist of two processes: 1) compare monthly reports received to quarterly printed financial statements; and 2) compile weekly reported amounts into a tracking spreadsheet to verify the accuracy of monthly, quarterly, and annual reports. We noted the following issues with these processes:

- The quarterly printed financial statements are not audited to verify their accuracy. The Commission has engaged an auditor to assist with a review of the financial reports; however, this review appears to consist only of comparing various system reports to each other. We did not note any procedures completed to determine if the system reports are accurate and contain all the appropriate revenue.
- The comparison between the monthly reports received to quarterly printed financial statements is only reviewed on a "reasonableness" basis and does not include a review of variances between the two reports to ensure that the exact amount of taxes paid is accurate.
- The compiled tracking spreadsheet is not verified to the annual financial audits required by Title 296 of the Nebraska Administrative Code (NAC) for accuracy.

In addition to the requirement for an annual financial audit, Title 296 NAC 4.006.01 requires an audit of each casino's internal control system to be completed at least annually. For the Grand Island Casino and Resort, a report covering the period of January through March 2025 was provided; however, there was no documentation that this audit was reviewed.

A proper system of internal control requires the Commission to execute effective oversight through the implementation of strong procedures 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 noncompliance occurring and remaining undetected is also significantly increased.

We recommend the Commission take 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.

*Commission Response: The Commission appreciates your recommendation and agrees that strong oversight is essential to ensuring authorized gaming operators remain compliant and that the State of Nebraska receives all gaming tax revenues owed.*

*Following the previous audit, the Commission retained a third-party accounting firm through the RFP process to evaluate our current procedures and provide formal recommendations. That firm has completed its evaluation, and we expect to receive its formal recommendations by the end of January 2026. Implementation of those recommendations will begin within two weeks of receipt.*

*To further strengthen our oversight framework, the Commission has also added a third auditor dedicated to reviewing the financial statements and gaming tax submissions of each licensed casino. These actions reflect the Commission's continued commitment to transparency, accountability, and the responsible administration of gaming operations across the state.*

\* \* \* \* \*

It should be noted that this letter is critical in nature, as it contains only our comment and recommendation and does not include our observations on any strengths of the Commission.

Our audit procedures were designed primarily to enable us to form an opinion on the Basic Financial Statements. Our audit procedures were also designed to enable us to report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. Our objective is, however, to use our knowledge of the Commission and its interaction with other State agencies and administrative departments gained during our work to make comments and suggestions that we hope will be useful to the Commission.

The purpose of this letter is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or compliance.

This communication is intended solely for the information and use of management, the Governor and State Legislature, others within the Commission, Federal awarding agencies, pass-through entities, and management of the State of Nebraska and is not suitable for any other purposes. However, this communication is a matter of public record, and its distribution is not limited.



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