

OPERATIONAL AUDIT

OKLAHOMA HORSE RACING COMMISSION

BREEDING DEVELOPMENT FUND

For the period July 1, 2007 through June 30, 2010



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary Jones, CPA, CFE

**Audit Report of the
Oklahoma Horse Racing Commission
Breeding Development Fund**

**For the Period
July 1, 2007 through June 30, 2010**



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

November 2, 2011

TO THE OKLAHOMA HORSE RACING COMMISSION

This is the audit report of the Oklahoma Horse Racing Commission – Breeding Development Fund for the period July 1, 2007 through June 30, 2010. The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

**Oklahoma Horse Racing Commission
Breeding Fund – Operational Audit**

Background

The Oklahoma Breeding Development Fund Special Account (the Breeding Fund) at the Oklahoma Horse Racing Commission (the Agency) is an incentive fund which increases income for Oklahoma horse racing and breeding enterprises. Purse supplements, stallion and broodmare awards are paid to owners and breeders of qualifying accredited Oklahoma-bred horses through a system of restricted and open company races at Oklahoma racetracks. The Breeding Fund receives monies from unclaimed tickets, breakage, gaming activities, and registration and transfer fees for Oklahoma-bred horses.

Oversight is provided by the nine-member Horse Racing Commission (the Commission). Commissioners serve terms of six years and are appointed by the governor.

Commission members are:

Becky Goumaz.....	Chair
Brandon Burton, Esq.....	Vice-Chair
Mel Bollenbach.....	Secretary
Wayne Carter	Member
Malcolm Savage, Esq.	Member
Jim Bowers	Member
Phillip Kirk	Member
Ran Leonard.....	Member
Joe Lucas	Member

**Purpose, Scope, and
Sample Methodology**

This audit was conducted in response to 3A O.S. § 208.3.E, which requires the State Auditor and Inspector’s Office to audit the Oklahoma Breeding Development Fund Special Account.

The audit period covered was July 1, 2007 through June 30, 2010.

Sample methodologies can vary and are selected based on the audit objective and whether the total population of data was available. Random sampling is the preferred method; however, we may also use haphazard sampling (a methodology that produces a representative selection for non-statistical sampling), or judgmental selection when data limitation prevents the use of the other two methods. We selected our samples in such a way that whenever possible, the samples are representative of the populations and provide sufficient evidential matter. We identified specific attributes for testing each of the samples. When appropriate, we projected our results to that population.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

Objective - To determine whether the Agency’s internal controls provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records, and whether financial operations complied with 3A O.S. § 208.3.B and 3A O.S. § 208.3B.7.

Conclusion

The Agency’s internal controls provide reasonable assurance that revenues and expenditures were accurately reported in the accounting records.

Financial operations complied with 3A O.S. § 208.3.B – Breeding Fund expenditures allowed by statute, and 3A O.S. § 208.3B.7 – 10% of Breeding Fund revenues may be used by the Agency for administrative expenses related to the fund.

Methodology

To accomplish our objective, we performed the following:

- Obtained an understanding of internal controls related to the receipting and expenditure processes through discussions with Agency personnel, observation, and review of documents;
- Tested controls which included:
 - Discussing with staff and observing to ensure funds were properly secured prior to deposit;
 - Reviewing a random sample of 60 deposits (totaling \$356,243) to determine whether:
 - Revenues were deposited and posted into the PeopleSoft accounting system in a timely manner;
 - Funds were receipted or monitored by an independent party;
 - Reviewing a random sample of nine monthly reconciliations to ensure they were completed accurately and were reviewed by an independent party;
 - Reviewing voucher tracking materials and tracing 18 weekly voucher logs to voucher numbering tracking spreadsheets to determine whether Breeding Fund vouchers were pre-numbered and their sequence was tracked;
 - Reviewing a random sample of 60 expenditures (totaling \$36,963) from the audit period to determine whether:
 - The race program was approved by the officiating steward;
 - Payment information and completed vouchers were properly reviewed;
 - Reviewing an additional selection of 10 marketing and research expenditures (totaling \$18,325) to determine whether they were properly approved;
- Reviewed a random selection of 70 expenditures (totaling \$55,288) to determine whether the payments were for purposes allowed by 3A O.S. § 208.3.B;

**Oklahoma Horse Racing Commission
Breeding Fund – Operational Audit**

- Reviewed the Breeding Fund administrative expenses to ensure any expenditure was for administration of the Breeding Fund program and that not more than 10% of the prior year's receipts were spent for this purpose in any fiscal year.

There were no exceptions noted as a result of these procedures.



OFFICE OF THE STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BOULEVARD, ROOM 100

OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV