



**Auditor of State
Betty Montgomery**

**OHIO STATE RACING COMMISSION
FRANKLIN COUNTY**

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Auditor of State Betty Montgomery

REPORT OF INDEPENDENT ACCOUNTANTS ON APPLYING AGREED-UPON PROCEDURES

Mr. Sam Zonak, Executive Director
Ohio State Racing Commission
77 South High Street, 18th Floor
Columbus, Ohio 43215

Dear Mr. Zonak:

We have performed the procedures enumerated below, which were agreed to by the Ohio State Racing Commission (the Commission)'s management, solely to assist the Commission in determining the amount of funds possibly overpaid from the Combined Simulcast Horse Racing Purse Fund (CAS Fund 5C4), such payments made in accordance with requirements set forth in Ohio Revised Code (ORC) Section 3769.089 for the period from July 1, 2002 through May 31, 2005. Management is responsible for the Commission's compliance with these requirements. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures discussed below for the purpose for which this report was requested or for any other purpose.

In accordance with ORC Section 3769.089, during the period under review the Commission collected a portion of the moneys wagered on simulcast racing programs at the seven commercial racetracks and two off-track simulcast wagering facilities in the state of Ohio. These funds were deposited into CAS Fund 5C4, and on a monthly basis were redistributed to the seven commercial race tracks (the two off-track facilities only pay into the fund) based on percentages prescribed by the ORC. In letters dated June 2 and June 6, 2005, the Commission informed us they had detected a shortage of available money in the fund to meet their monthly redistribution obligation. Based on their preliminary reviews they felt this shortage was due to internal accounting errors over the past three years which led to overpayments to the racetracks. As a result, the Commission requested us to perform various agreed-upon procedures in order to determine when and where these overpayments may have occurred. These procedures (as stated in our Letter of Arrangement) and related findings are detailed below.

Procedure No. 1 – We will compare amounts reported on the daily reports submitted by the tracks to the corresponding amounts reported on the detailed Combined Simulcast Horse Racing Purse Fund Monthly spreadsheets (monthly detail spreadsheets) and document any and all variances.

The seven racetracks and two off-track facilities are required by the Commission to prepare daily reports documenting the amounts they collected from simulcast wagering and the percentage of those collections they are required to submit to the Commission. These reports are then sent to the Commission accompanied by a check for the corresponding amount. The checks are deposited into Fund 5C4, and the amounts shown on the reports are entered by the Fund's administrator onto a monthly detailed spreadsheet which lists all nine entities submitting reports. We performed the agreed-upon procedure stated above by obtaining each daily report submitted by all nine entities for the period under review, and comparing the amount shown on the daily report to the amount entered by the administrator on the corresponding monthly detail spreadsheet, noting all variances and researching the reason for the variance where possible.

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Results - We noted variances on all 35 monthly detail spreadsheets prepared during the period. Twenty-three of the 35 monthly variances were less than \$1,000, and based on our review and discussions with the Commission could likely be attributed to either data entry errors by the administrator or adjustments made by the tracks. However, 12 of the monthly variances exceeded \$1,000, and while for most of these instances we could not determine a reason for the variance, based on discussions with the Commission they assert the variances occurred because the numbers were entered incorrectly on the monthly spreadsheet by the fund administrator. For the period under review the amounts shown on the Commission's monthly detail spreadsheets exceeded the amounts submitted by the tracks by \$193,039. See Exhibit A for additional details.

Procedure No. 2 – We will compare amounts reported on the daily reports to the corresponding revenue receipts and supporting documentation (i.e. check copies) and document any and all variances.

As indicated above, the seven racetracks and two off-track facilities prepare and submit to the Commission daily reports on all simulcast wagering activity, accompanied by checks for the portion of the wagering activity they are required to deposit with the Commission. The checks are then deposited into CAS Fund 5C4. We performed the agreed-upon procedure stated above by reviewing each daily report submitted by all nine entities for the period under review, as well as all accompanying supporting documentation (either check stubs or copies of the actual checks), and comparing the amounts shown to the amount deposited on the revenue receipt deposited with the Treasurer of State.

Results

There were no errors or exceptions noted in our comparison of the amounts reported on the daily reports to the corresponding revenue receipts and supporting documentation.

Procedure No. 3 – We will compare totals from the monthly detail spreadsheets to the Combined Simulcast Horse Racing Purse Fund Monthly Summary Reports (monthly summary reports) and document any and all variances.

As indicated above, after the fund administrator has received all of the daily reports and corresponding checks from each of the nine submitting entities for a given month (usually by the middle of the following month), she enters the amounts reported into the monthly detail spreadsheet. This spreadsheet is also used to calculate the amounts that are to be redistributed to the seven racetracks. Once these calculations are complete, the administrator prepares a monthly summary report which lists all nine entities, the amounts they paid into the fund, and the amounts that are to be redistributed to the seven race tracks. This summary report is then given to the Executive Director, who ensures that the amount collected agrees to the amount being disbursed, and approves payment. We performed the agreed-upon procedure stated above by comparing each of the 35 monthly detailed spreadsheet totals for the period under review to the totals shown on the monthly summary report.

Results

There were no errors or exceptions noted in our comparison of the totals reported on the monthly detailed spreadsheets to the monthly summary reports. It should be noted, however, that the amounts entered on the monthly summary report reflect the incorrect amounts noted in Procedure No. 1 above. See Exhibit B for additional details.

Procedure No. 4 – We will sample 20 monthly disbursements selected haphazardly from the Simulcast Horse Racing Purse Fund (Fund 5C4) and recompute the mathematical accuracy of the disbursements.

As indicated above the monthly detail spreadsheet used by the administrator calculates the amounts due to be redistributed to the seven race tracks for each month. These amounts are then included on the monthly summary report given to the Executive Director, and once he approves the disbursement amounts they are given to the Commission's fiscal officer for vouchering and disbursement. We performed the agreed-upon procedure stated above by haphazardly selecting four months from the period under review (September, 2002; March, 2003; July, 2004; and May, 2005) and recalculating the amounts that should have been distributed during those months to the seven race tracks, and comparing our calculations to the actual disbursements.

Results

For three of the months selected (September, 2002; July, 2004; and May, 2005), the only variance noted for each month was the amount distributed to Beulah Park. Based on discussions with Commission personnel, they indicated these variances were due to the fact that Beulah has historically calculated the amount they owed incorrectly, so the administrator re-calculates the amount that Beulah should have paid, and adjusts their corresponding redistribution accordingly. For the fourth month selected for testing (March, 2003), we noted discrepancies with the amounts distributed to all seven tracks. Based on discussions with Commission personnel it was determined these discrepancies were caused by adjustments the Commission made to address discrepancies from previous months.

As a result of these variances, we proceeded to compare the calculated disbursements for all 35 months of the period under review to the actual disbursements. This comparison indicated that total actual disbursements to the seven racetracks for the period July 1, 2002 through May 31, 2005 were \$6,884 more than the amounts shown on the spreadsheet. Based on our review and discussions with the Commission we could not determine a reason for this variance. See Exhibit C for additional details.

Procedure No. 5 – We will scan listings of all disbursements made from the Simulcast Horse Racing Purse Fund to determine whether disbursements were made to any vendors other than the seven designated tracks.

Although ORC Section 3769.089 (F) indicates that "...moneys to the credit of the fund, including interest earned thereon, may be used by the commission for the costs of administering" the fund, the Commission's position to date has been that all moneys collected from the seven tracks and two off-track facilities are to be redistributed, and that only interest earnings are used for administrative costs such as payroll expenses. As a result, this procedure was designed to ensure that the shortage in the funds was not due to additional expenditures not reflected on the administrator's spreadsheets. We performed the agreed-upon procedure stated above by obtaining downloads from CAS of all Fund 5C4 expenditures for the period under review, and scanning them to determine whether any disbursements other than redistributions or payroll expenses were made, and that any payroll charges did not exceed the amount of interest earned.

Results

There were no errors or exceptions noted for this procedure.

Procedure No. 6 – We will, if necessary due to missing or incomplete records, confirm amounts sent and received by any of the seven tracks and compare amounts to the corresponding amounts on the monthly detail spreadsheets.

Results

There were no missing or incomplete records that required us to confirm amounts with any external parties.

Summary

The results of our agreed-upon procedures indicate a total variance of \$199,923 between the redistribution amounts calculated by the Commission and the amounts actually disbursed during the period July 1, 2002 and May 31, 2005. As such, it appears the Commission distributed \$199,923 more than they received from the racetracks. We recommend the management of the Commission implement whatever policies and procedures they deem necessary to increase the likelihood that all moneys due the Simulcast Horse Racing Purse Fund are deposited properly and intact, that all amounts received have been calculated correctly, and that the amount of all redistributions disbursed from the Fund agree to and do not exceed the corresponding deposit amount.

On November 17, 2005, we held an exit conference with the following Commission personnel:

Sam Zonak – Executive Director
Norman Barron – Commission Chairman
Tom Zaino – Commission Member
John Izzo – Provisional Deputy Director
Tom Lamb – Fiscal Officer

The attendees were given an opportunity to respond to this Agreed-Upon Procedures Report. Their written response, which did not note any objections to the report but simply detailed the corrective actions taken by the Commission, was evaluated and no changes to the report were deemed necessary. A copy of their response may be obtained from Sam Zonak, Executive Director, at (614) 466-2757.

We were not engaged to, and did not, perform an audit of the Simulcast Horse Racing Purse Fund, the objective of which would be the expression of an opinion on the fund. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the Executive Director and the members of the Ohio State Racing Commission, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

August 1, 2005

Exhibit A

Ohio State Racing Commission Comparison of Racetrack Daily Report Deposits to Commission Monthly Detail Reports July 1, 2002 to May 31, 2005

	Total Deposits Per Commission Monthly Detail Report	Total Deposits Per Racetrack Daily Reports	Difference
Jul-02	\$1,031,593	\$1,031,873	(\$280)
Aug-02	\$1,366,208	\$1,366,325	(\$117)
Sep-02	\$1,545,286	\$1,544,874	\$412
Oct-02	\$1,433,562	\$1,433,178	\$384
Nov-02	\$1,328,590	\$1,328,215	\$375
Dec-02	\$1,541,758	\$1,541,477	\$282
Jan-03	\$2,138,472	\$2,137,538	\$934
Feb-03	\$1,974,275	\$1,964,726	\$9,549
Mar-03	\$1,876,212	\$1,872,837	\$3,375
Apr-03	\$1,165,984	\$1,165,565	\$419
May-03	\$1,293,148	\$1,284,469	\$8,680
Jun-03	\$1,238,578	\$1,238,017	\$561
Jul-03	\$1,109,670	\$1,118,174	(\$8,504)
Aug-03	\$1,306,072	\$1,305,634	\$438
Sep-03	\$1,433,964	\$1,434,404	(\$440)
Oct-03	\$1,436,052	\$1,436,693	(\$642)
Nov-03	\$1,377,954	\$1,377,620	\$335
Dec-03	\$1,441,415	\$1,434,425	\$6,990
Jan-04	\$1,890,287	\$1,891,528	(\$1,241)
Feb-04	\$1,855,365	\$1,854,466	\$899
Mar-04	\$1,999,892	\$2,006,986	(\$7,094)
Apr-04	\$1,337,527	\$1,335,492	\$2,035
May-04	\$1,288,685	\$1,270,980	\$17,705
Jun-04	\$1,374,451	\$1,221,912	\$152,540
Jul-04	\$995,143	\$995,402	(\$259)
Aug-04	\$1,200,140	\$1,199,414	\$726
Sep-04	\$1,287,898	\$1,287,336	\$562
Oct-04	\$1,271,773	\$1,262,632	\$9,141
Nov-04	\$1,226,718	\$1,226,443	\$275
Dec-04	\$1,231,600	\$1,237,164	(\$5,564)
Jan-05	\$1,862,790	\$1,862,659	\$131
Feb-05	\$1,838,841	\$1,838,702	\$139
Mar-05	\$1,970,546	\$1,970,412	\$134
Apr-05	\$1,256,559	\$1,256,479	\$80
May-05	\$1,029,880	\$1,029,800	\$80
TOTAL	\$50,956,889	\$50,763,850	\$193,039

Exhibit B

**Ohio State Racing Commission
Comparison of Commission Monthly Detail Report Deposits
to Monthly Summary Report Deposits
July 1, 2002 to May 31, 2005**

	Total Deposits Per Commission Monthly Detail Report	Total Deposits Per Commission Monthly Summary Report	Difference
Jul-02	\$1,031,593	\$1,031,593	\$0
Aug-02	\$1,366,208	\$1,366,208	\$0
Sep-02	\$1,545,286	\$1,545,286	\$0
Oct-02	\$1,433,562	\$1,433,562	\$0
Nov-02	\$1,328,590	\$1,328,590	\$0
Dec-02	\$1,541,758	\$1,541,758	\$0
Jan-03	\$2,138,472	\$2,138,472	\$0
Feb-03	\$1,974,275	\$1,974,275	\$0
Mar-03	\$1,876,212	\$1,876,212	\$0
Apr-03	\$1,165,984	\$1,165,984	\$0
May-03	\$1,293,148	\$1,293,148	\$0
Jun-03	\$1,238,578	\$1,238,578	\$0
Jul-03	\$1,109,670	\$1,109,670	\$0
Aug-03	\$1,306,072	\$1,306,072	\$0
Sep-03	\$1,433,964	\$1,433,964	\$0
Oct-03	\$1,436,052	\$1,436,052	\$0
Nov-03	\$1,377,954	\$1,377,954	\$0
Dec-03	\$1,441,415	\$1,441,415	\$0
Jan-04	\$1,890,287	\$1,890,287	\$0
Feb-04	\$1,855,365	\$1,855,365	\$0
Mar-04	\$1,999,892	\$1,999,892	\$0
Apr-04	\$1,337,527	\$1,337,527	\$0
May-04	\$1,288,685	\$1,288,685	\$0
Jun-04	\$1,374,451	\$1,374,451	\$0
Jul-04	\$995,143	\$995,143	\$0
Aug-04	\$1,200,140	\$1,200,140	\$0
Sep-04	\$1,287,898	\$1,287,898	\$0
Oct-04	\$1,271,773	\$1,271,773	\$0
Nov-04	\$1,226,718	\$1,226,718	\$0
Dec-04	\$1,231,600	\$1,231,600	\$0
Jan-05	\$1,862,790	\$1,862,790	\$0
Feb-05	\$1,838,841	\$1,838,841	\$0
Mar-05	\$1,970,546	\$1,970,546	\$0
Apr-05	\$1,256,559	\$1,256,559	\$0
May-05	\$1,029,880	\$1,029,880	\$0
TOTAL	\$50,956,889	\$50,956,889	\$0

Exhibit C

Ohio State Racing Commission Comparison of Commission Monthly Summary Report Disbursement Amounts to Actual Disbursements July 1, 2002 to May 31, 2005

	Total Actual Disbursements Per CAS	Total Disbursements Per Commission Monthly Report	Difference
Jul-02	\$1,031,544	\$1,031,593	(\$48)
Aug-02	\$1,366,208	\$1,366,208	\$0
Sep-02	\$1,545,126	\$1,545,286	(\$161)
Oct-02	\$1,433,191	\$1,433,562	(\$372)
Nov-02	\$1,328,296	\$1,328,590	(\$293)
Dec-02	\$1,541,435	\$1,541,758	(\$324)
Jan-03	\$2,138,294	\$2,138,472	(\$178)
Feb-03	\$1,974,046	\$1,974,275	(\$229)
Mar-03	\$1,875,906	\$1,876,212	(\$306)
Apr-03	\$1,163,032	\$1,165,984	(\$2,952)
May-03	\$1,292,974	\$1,293,148	(\$174)
Jun-03	\$1,238,570	\$1,238,578	(\$9)
Jul-03	\$1,109,670	\$1,109,670	(\$0)
Aug-03	\$1,306,072	\$1,306,072	(\$0)
Sep-03	\$1,433,964	\$1,433,964	\$0
Oct-03	\$1,436,052	\$1,436,052	\$0
Nov-03	\$1,377,954	\$1,377,954	\$0
Dec-03	\$1,441,415	\$1,441,415	(\$0)
Jan-04	\$1,890,287	\$1,890,287	(\$0)
Feb-04	\$1,855,772	\$1,855,365	\$407
Mar-04	\$1,999,892	\$1,999,892	\$0
Apr-04	\$1,344,277	\$1,337,527	\$6,750
May-04	\$1,288,685	\$1,288,685	\$0
Jun-04	\$1,374,430	\$1,374,451	(\$21)
Jul-04	\$995,003	\$995,143	(\$140)
Aug-04	\$1,199,903	\$1,200,140	(\$238)
Sep-04	\$1,287,543	\$1,287,898	(\$356)
Oct-04	\$1,271,507	\$1,271,773	(\$266)
Nov-04	\$1,233,175	\$1,226,718	\$6,457
Dec-04	\$1,231,431	\$1,231,600	(\$169)
Jan-05	\$1,862,669	\$1,862,790	(\$121)
Feb-05	\$1,838,708	\$1,838,841	(\$133)
Mar-05	\$1,970,446	\$1,970,546	(\$100)
Apr-05	\$1,256,498	\$1,256,559	(\$60)
May-05	\$1,029,800	\$1,029,880	(\$80)
TOTAL	\$50,963,773	\$50,956,889	\$6,884



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OHIO STATE RACING COMMISSION

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 30, 2005**