



**Office of the Washington State Auditor**  
**Pat McCarthy**

# **Accountability Audit Report**

## **Washington Horse Racing Commission**

**For the period July 1, 2013 through June 30, 2017**

**Published October 19, 2017**

**Report No. 1020049**





**Office of the Washington State Auditor**  
**Pat McCarthy**

October 19, 2017

Mr. Douglas Moore, Executive Secretary  
Washington Horse Racing Commission  
Olympia, Washington

**Report on Accountability**

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Commission operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the Commission's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

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## AUDIT SUMMARY

### Results in brief

In the areas we audited, Commission operations complied with applicable requirements and provided adequate safeguarding of public resources. The Commission also complied with state laws and regulations and its own policies and procedures in the areas we examined.

### About the audit

This report contains the results of our independent accountability audit of the Washington Horse Racing Commission from July 1, 2013 through June 30, 2017.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the Commission's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Cash receipting Pari-mutuel tax revenue
- Cash receipting – licensing and fees
- Disbursements
- Restricted funds
- Travel

## RELATED REPORTS

### Financial

We perform an annual audit of the statewide basic financial statements, as required by state law (RCW 43.09.310). Our opinion on these financial statements is included in the Comprehensive Annual Financial Report (CAFR) prepared by and available from the Office of Financial Management.

The CAFR reflects the financial activities of all funds, organizations, institutions, agencies, departments and offices that are part of the state's reporting entity. That report is issued by the Office of Financial Management in December of each year and can be found at [www.ofm.wa.gov](http://www.ofm.wa.gov).

A summary of the audit for the period ending June 30, 2017, can be found at: <http://www.sao.wa.gov/resources/Pages/AnnualReports.aspx>

### Federal programs

In accordance with the Single Audit Act, we annually audit major federal programs administered by the state of Washington. Rather than perform a single audit of each agency, we audit the state as a whole. The results of that audit are published in a report issued by the Office of Financial Management in March of each year.

## INFORMATION ABOUT THE COMMISSION

The Washington Horse Racing Commission was created by the state Legislature in March 1933. The Commission is required to license, regulate and supervise all horse racing in the state. The Commission is composed of three members appointed by the Governor. Members serve six-year terms and may serve more than one term. One member must be an active breeder of race horses in the state. In addition, four members of the Legislature are appointed ex officio Commission Members. These are nonvoting members whose duties are to assist in the policymaking functions of the Commission, to collect data deemed essential to future legislative proposals and to exchange information with the Commission. Two of these ex officio members are appointed by the President of the Senate, one from each party, and two are appointed by the Speaker of the House, also one from each party. Ex officio members serve two-year terms and may be reappointed. The Commission appoints an Executive Secretary to act as Chief Operating Officer. The Secretary is responsible for the day-to-day operations of the Commission, implementation of policies and enforcement of Commission rules.

The Commission employs approximately 17 individuals, most of whom are seasonal. The Commission has a main office in Olympia and maintains satellite offices during the racing season at Emerald Downs in Auburn and Sun Downs in Kennewick. Approximately 70 percent of the Commission's annual revenues are generated from taxes on pari-mutuel wagering at the race tracks and at off-track betting sites. The remaining 30 percent comes primarily from licensing fees. The current 2017-2019 biennium operating budget is approximately \$5.8 million.

Contact information related to this report	
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*Information current as of report publish date.*

## Audit history

You can find current and past audit reports for the Washington Horse Racing Commission at <http://portal.sao.wa.gov/ReportSearch>.

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
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