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STATE COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

September 23, 1999

Mr. Kenneth Noe, Jr.
Chairman and Chief Executive Officer
New York Racing Association, Inc.
P.O. Box 90
Jamaica, NY 11417

Re: Report 99-Y-40

Dear Mr. Noe:

To assist in your oversight of the New York Racing Association's (NYRA) Year 2000 compliance progress, we reviewed selected steps being taken by NYRA, as of July 8, 1999 (with selected information updated to September 2, 1999), to make the Totalisator, Financial, Racing Administration, and Horsemen's Bookkeeper systems Year 2000 compliant. These four systems are considered by NYRA as high priority systems.

The Totalisator System is NYRA's main wagering system. It accepts transactions from wagering terminals, calculates odds, performs cash accounting and control functions, calculates winnings based on official results, and formats data for display on field tote boards and television monitors. The Totalisator System exchanges data with 58 other racetracks and gambling institutions in Atlantic City and Las Vegas through a standard protocol shared among racetracks known as Inter Tote System Protocol (ITSP). The Totalisator System, which is programmed and operated by Autotote, a contractor, has significant built-in redundancy (two back-up computers, each capable of immediately assuming the role of the primary computer) and back-up power.

The Financial System provides NYRA's financial services for business operations including accounting transaction processing, financial reporting, bank reconciliation, general ledger, accounts payable, accounts receivable, and fixed-asset management. This system is a commercial accounting/financial package and operates on a database server.

The Racing Administration System maintains a statistical database of all horses, including information on past performance, and is used to produce the racing programs. It interfaces with Equibase, a third-party database which keeps track of past performance of all race results for all racetracks. The Racing Administration System is provided and maintained by an outside contractor, McKinnie Systems.

The Horsemen's Bookkeeper System keeps track of purses and amounts paid to jockeys, trainers and owners. It is also a bookkeeping/banking system, with daily withdrawals and deposits made in the horse owner's account. The Horsemen's Bookkeeper System interfaces with the Racing Administration System for information on purse distributions, and is also provided and maintained by the same contractor.

The steps we selected for review pertained to Year 2000 project planning and management, Year 2000 system testing, identification and correction of system data exchanges, and the establishment of contingency plans for continuing important business and service functions in the event of a Year 2000-related failure.

The objective of our review was to assess whether NYRA appears to be taking the necessary steps to address Year 2000 problems related to the Totalisator, Financial, Racing Administration, and Horsemen's Bookkeeper systems. To complete our review we interviewed NYRA personnel and we reviewed NYRA documents. Based on these interviews and document reviews, we completed a Year 2000 questionnaire (see the attached Tables) to assess specific Year 2000 issues. Unlike an audit, a review does not include testing or verification of information and records provided by NYRA and does not include a review of internal controls. Therefore, we cannot conclude whether the Totalisator, Financial, Racing Administration, and Horsemen's Bookkeeper systems are or will be Year 2000 compliant in a timely manner.

The results of our review show that NYRA is taking many of the steps necessary to address Year 2000 problems related to the four systems. For example:

- NYRA has an agency-wide Year 2000 plan and a Year 2000 Task Force monitoring the Year 2000 project which meets with the individual departments' management, the audit committee, and the trustees. NYRA is participating in an industry group's (Thoroughbred Racing Association) Year 2000 monitoring committee, which is monitoring compliance and testing by the major "Tote" system suppliers.
- All four systems are reported Year 2000 compliant, per vendor certification. A test plan was developed for the Totalisator System and NYRA officials tested it in April 1999. Final non-Year 2000 changes will be made and tested by September 1999. A full upgrade is expected by October 1, 1999.
- Although, as of July 8, 1999, there were no written test plans for the Financial, Racing Administration, and Horsemen's Bookkeeper systems, some Year 2000 testing had occurred. During the course of our review, NYRA developed and implemented test plans for these three systems and provided us the plans and test results.

- An overall Year 2000 compliance schedule is maintained, which lists the systems reviewed.
- Data exchanges have been identified and are considered compliant. As of July 8, 1999, NYRA had not tested the data exchanges and did not have compliance certification for the ITSP (Totalisator) and Equibase (Racing Administration) data exchanges. During the course of our review, NYRA tested Equibase and the interface between the Racing Administration and Horsemen's Bookkeeper systems. NYRA also obtained a compliance certificate for Equibase. At a July 30, 1999 meeting between the Thoroughbred Racing Association and three tote companies, it was decided that ITSP will be tested in September 1999.
- There is a vendor Year 2000 contingency plan for Totalisator.

We did, however, note the following items which NYRA may want to consider:

- NYRA does not have a compliance definition for three of the systems (Financial, Racing Administration, and Horsemen's Bookkeeper).
- Although NYRA has an agency-wide Long Term Disaster Recovery Plan for environmental disasters, back-up systems, daily back-up, hard copy back-ups, manual systems, and power back-up, NYRA does not have written Year 2000 contingency plans for three of the systems reviewed. We encourage NYRA to develop written Year 2000 contingency plans for the systems reviewed.

Major contributors to this report were Robert Mehrhoff, Richard Perreault, and Mark Geller.

Your comments to this review are welcome. We wish to express our appreciation to the management and staff of the New York Racing Association for the courtesies and cooperation extended to our staff during this review, and hope that it is helpful to your Year 2000 monitoring and oversight responsibilities.

Very truly yours,

Frank J. Houston
Audit Director

cc: Sid Dhanoa
Gary Davis

**NEW YORK RACING ASSOCIATION, INC.
YEAR 2000 ASSESSMENT QUESTIONNAIRE
TOTALISATOR SYSTEM**

TABLE I

A colored "traffic light" legend is included in the table below to assist management in focusing an appropriate level of attention on the issues identified in the Status and Comments sections of the Review Findings.

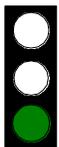
Legend:

	Status/Comments contain matters which may be of immediate concern to management.		Status/Comments contain matters which management may wish to consider.		Status/Comments do not contain issues which require immediate management consideration.
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Review Findings:

	YEAR 2000 STEPS	STATUS	COMMENTS
	A. PROJECT PLANNING & MANAGEMENT		
	A1. Is there a written Year 2000 Project Plan (Plan) and does it include/identify steps needed to correct the system in question?	Yes	NYRA has an written agency-wide Year 2000 project plan which includes all systems.
	A2. Does the Plan (or any other available record) define what is meant by "compliance" when describing systems at the agency which are Year 2000 ready?	Yes	NYRA has no written definition of compliance for this system, but the vendor, Autotote, does.
	A3. Is there a written schedule covering the time frame for achieving compliance for the system in question?	Yes	NYRA has a Year 2000 compliance schedule for this system.
	A4. Is progress toward completion of the schedule for the system in question being monitored?	Yes	NYRA has a Year 2000 Task Force that includes the Information Services Director and the Internal Audit Director. They meet with the vendors and department management. They also meet with the audit committee and trustees.

TABLE I (Cont'd)

	YEAR 2000 STEPS	STATUS	COMMENTS
	A5. Is the system in question meeting the schedule (no significant slippage being reported)?	Yes	The vendor certified this system as compliant. NYRA tested for Year 2000 compliance with the assistance of their CPA firm on April 10, 1999. Non-Year 2000 enhancements specific to NYRA are being made, and a full upgrade will occur and be tested in September 1999. Full implementation is expected by October 1, 1999.
	B. TEST PLANS		
	B1. Is there a documented test plan and does it include/identify steps needed to ensure that the system in question will process as expected after it has been corrected to comply with Year 2000?	Yes	NYRA has a written Year 2000 test approach for Totalisator, a vendor test plan, and maintains test results.
	C. DATA EXCHANGES		
	C1. Have all data exchange partners/interfaces for the system in question been identified and included on a written inventory record?	Yes	NYRA has a list of data exchanges.
	C2. Have data exchange interfaces been considered in the overall Year 2000 Project Plan and the test plan covering the system in question?	Yes	Data exchanges to Off Track Betting, 58 other racetracks, and Atlantic City and Las Vegas occurs through Inter Tote System Protocol (ITSP) which services all race tracks. The protocol requires 4-digit years for compliance. ITSP will be tested by the Thoroughbred Racing Association during September 1999.
	D. CONTINGENCY PLANS		
	D1. Is there a written business contingency plan in place for the system in question and does the plan specify steps for completing vital business functions if the system in question is noncompliant or inoperable for Year 2000 purposes?	Yes	The vendor (Autotote) has a Year 2000 contingency management plan for the Totalisator System. In addition, Totalisator is designed with two levels of redundancy, with three computers that serve as back-ups to each other and can act as the primary processor. The system has hard copy printouts and power back-up (UPS and a generator). They have business continuance insurance/assurance and the vendor provides 24-hour on-line support.

**NEW YORK RACING ASSOCIATION, INC.
YEAR 2000 ASSESSMENT QUESTIONNAIRE
FINANCIAL SYSTEM**

TABLE II

A colored "traffic light" legend is included in the table below to assist management in focusing an appropriate level of attention on the issues identified in the Status and Comments sections of the Review Findings.

Legend:

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Review Findings:

	YEAR 2000 STEPS	STATUS	COMMENTS
	A. PROJECT PLANNING & MANAGEMENT		
	A1. Is there a written Year 2000 Project Plan (Plan) and does it include/identify steps needed to correct the system in question?	Yes	NYRA has an agency-wide Year 2000 written project plan, which includes all systems.
	A2. Does the Plan (or any other available record) define what is meant by "compliance" when describing systems at the agency which are Year 2000 ready?	No	NYRA has no compliance definition for this system.
	A3. Is there a written schedule covering the time frame for achieving compliance for the system in question?	Yes	NYRA has a Year 2000 compliance schedule indicating actual or anticipated compliance dates.
	A4. Is progress toward completion of the schedule for the system in question being monitored?	Yes	NYRA has a Year 2000 Task Force that includes the Information Services Director and the Internal Audit Director. They meet with the vendors and department management. They also meet with the audit committee and trustees.

TABLE II (Cont'd)

	YEAR 2000 STEPS	STATUS	COMMENTS
	A5. Is the system in question meeting the schedule (no significant slippage being reported)?	Yes	The Financial System has been compliant since July 15, 1996 and has been certified by the vendor.
	B. TEST PLANS		
	B1. Is there a documented test plan and does it include/identify steps needed to ensure that the system in question will process as expected after it has been corrected to comply with Year 2000?	Yes	There was no test plan as of July 8, 1999. We were informed that some Year 2000 testing was performed by the NYRA Information Services Director in January 1999, but it was not documented. However, on July 26, 1999, during the course of our review, NYRA developed and implemented a test plan for this system and provided us the plan and test results.
	C. DATA EXCHANGES		
	C1. Have all data exchange partners/interfaces for the system in question been identified and included on a written inventory record?	NA	There are no external interfaces.
	C2. Have data exchange interfaces been considered in the overall Year 2000 Project Plan and the test plan covering the system in question?	NA	There are no external interfaces.
	D. CONTINGENCY PLANS		
	D1. Is there a written business contingency plan in place for the system in question and does the plan specify steps for completing vital business functions if the system in question is noncompliant or inoperable for Year 2000 purposes?	No	NYRA has an agency-wide Long Term Disaster Recovery Plan. The Financial System's database gets dumped to another system and is also backed-up on tape. Eventually, another system will be installed at NYRA's Belmont Race Track to back-up this application taking advantage of NYRA-NET. However this plan does not discuss Year 2000 issues.

**NEW YORK RACING ASSOCIATION, INC.
YEAR 2000 ASSESSMENT QUESTIONNAIRE
RACING ADMINISTRATION SYSTEM**

TABLE III

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Review Findings:

	YEAR 2000 STEPS	STATUS	COMMENTS
	A. PROJECT PLANNING & MANAGEMENT		
	A1. Is there a written Year 2000 Project Plan (Plan) and does it include/identify steps needed to correct the system in question?	Yes	NYRA has a written agency-wide Year 2000 project plan, which includes this system.
	A2. Does the Plan (or any other available record) define what is meant by "compliance" when describing systems at the agency which are Year 2000 ready?	No	NYRA does not have a compliance definition for this system.
	A3. Is there a written schedule covering the time frame for achieving compliance for the system in question?	Yes	NYRA has a written schedule indicating the completion/due dates.
	A4. Is progress toward completion of the schedule for the system in question being monitored?	Yes	NYRA has a Year 2000 Task Force that includes the Information Services (IS) Director and the Internal Audit Director. They meet with the vendors and department management. They also meet with the audit committee and trustees.

TABLE III (Cont'd)

	YEAR 2000 STEPS	STATUS	COMMENTS
	A5. Is the system in question meeting the schedule (no significant slippage being reported)?	Yes	The system was considered compliant as of May 20, 1998. A certification letter dated June 28, 1999 has been received from the vendor.
	B. TEST PLANS		
	B1. Is there a documented test plan and does it include/identify steps needed to ensure that the system in question will process as expected after it has been corrected to comply with Year 2000?	Yes	NYRA had no test plan for this system, as of July 8, 1999. We were informed that NYRA had performed date-change tests in April 1999, but no supporting documentation was provided. However, on July 26, 1999 during our review, a test plan was developed and implemented by NYRA and the plan and test results were provided.
	C. DATA EXCHANGES		
	C1. Have all data exchange partners/interfaces for the system in question been identified and included on a written inventory record?	Yes	The system interfaces with Equibase (an outside database of historical race results). The system also provides the Horsemen's Bookkeeper System with purse distributions data.
	C2. Have data exchange interfaces been considered in the overall Year 2000 Project Plan and the test plan covering the system in question?	Yes	NYRA informed us Equibase is compliant, but they had not received a compliance letter, as of July 8, 1999. In addition, Equibase and the interface with the Horsemen's Bookkeeper System had not been tested. However, during the course of our review, Equibase provided NYRA with a compliance statement, and NYRA tested the interfaces with Equibase and the Horsemen's Bookkeeper System as part of its July 26, 1999 test.
	D. CONTINGENCY PLANS		
	D1. Is there a written business contingency plan in place for the system in question and does the plan specify steps for completing vital business functions if the system in question is noncompliant or inoperable for Year 2000 purposes?	No	NYRA has a Long Term Disaster Recovery Plan which provides a dual hardware and a tape back-up. Also, NYRA informed us that system functions can be done manually, with the data entered from hard copy sources. However, the Disaster Plan does not discuss Year 2000 issues.

**NEW YORK RACING ASSOCIATION, INC.
YEAR 2000 ASSESSMENT QUESTIONNAIRE
HORSEMEN'S BOOKKEEPER SYSTEM**

TABLE IV

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Review Findings:

	YEAR 2000 STEPS	STATUS	COMMENTS
	A. PROJECT PLANNING & MANAGEMENT		
	A1. Is there a written Year 2000 Project Plan (Plan) and does it include/identify steps needed to correct the system in question?	Yes	NYRA has a written agency-wide Year 2000 project plan which includes this system.
	A2. Does the Plan (or any other available record) define what is meant by "compliance" when describing systems at the agency which are Year 2000 ready?	No	NYRA has no compliance definition for this system.
	A3. Is there a written schedule covering the time frame for achieving compliance for the system in question?	Yes	NYRA has a schedule indicating system completion/due dates.
	A4. Is progress toward completion of the schedule for the system in question being monitored?	Yes	NYRA has a Year 2000 Task Force including the Information Services (IS) Director and the Internal Audit Director. They meet with vendors and the department managers. They also meet with audit committee and trustees.

TABLE IV (Cont'd)

	YEAR 2000 STEPS	STATUS	COMMENTS
	A5. Is the system in question meeting the schedule (no significant slippage being reported)?	Yes	The system has been compliant since May 15, 1997, per NYRA's compliance schedule. The vendor sent NYRA a compliance letter dated June 28, 1999.
	B. TEST PLANS		
	B1. Is there a documented test plan and does it include/identify steps needed to ensure that the system in question will process as expected after it has been corrected to comply with Year 2000?	Yes	As of July 8, 1999, NYRA had no test plan. Internal Audit had a system audit follow-up planned, and planned to confirm testing done by the vendor. During our review on July 26, 1999, NYRA developed and implemented a test plan with the participation of Internal Audit. Documentation of the plan and test results were provided.
	C. DATA EXCHANGES		
	C1. Have all data exchange partners/interfaces for the system in question been identified and included on a written inventory record?	Yes	The Horsemen's Bookkeeper System exchanges data with the Racing Administration System, receiving a file with purse amounts.
	C2. Have data exchange interfaces been considered in the overall Year 2000 Project Plan and the test plan covering the system in question?	Yes	As of July 8, 1999, NYRA had not tested the interface between the Racing Administration and Horsemen's Bookkeeper Systems. However, on July 26, 1999 during the course of our review, a test plan was developed and implemented. It included the interface with the Racing Administration System.
	D. CONTINGENCY PLANS		
	D1. Is there a written business contingency plan in place for the system in question and does the plan specify steps for completing vital business functions if the system in question is noncompliant or inoperable for Year 2000 purposes?	No	NYRA has an agency-wide Long Term Disaster Recovery Plan. This plan includes maintenance of a redundant server at another NYRA site, which is scheduled to back-up automatically utilizing NYRA-NET. However, the plan does not discuss Year 2000 issues.