

H. CARL McCALL
STATE COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

December 12, 1996

Mr. Kenneth Noe
Chairman and President, Board of Trustees
New York Racing Association, Inc.
Aqueduct Racetrack
Jamaica, NY 11417

Re: Report 96-F-17

Dear Mr. Noe:

According to the State Comptroller's Authority as set forth in Section 1, Article V of the State Constitution, Section 8, Article 2 of the State Finance Law, and Section 258 of the Racing, Pari-mutuel Wagering and Breeding Law, we reviewed the actions taken by officials of the New York Racing Association, Inc. (NYRA) and the New York State Department of Taxation and Finance, as of October 22, 1996, to implement the recommendation included in our prior audit report, 94-S-16. Our prior audit report, which was issued on October 27, 1994, addressed NYRA's contract with Autotote Systems, Inc. (Autotote) for the period January 1, 1992 through August 25, 1993.

Background

NYRA, a not-for-profit corporation, operates New York State's three major thoroughbred race tracks (Aqueduct Racetrack, Belmont Park and Saratoga Race Course). NYRA has contracted with Autotote, a Delaware-based firm, to provide the computer equipment and programming services necessary to record, process and report the handle generated by both on-track and off-track bets. During 1995, NYRA paid Autotote \$1.5 million for the use of its automated betting stations and the computer terminals assigned to NYRA cashiers. The Autotote system is on-line with the State Department of Taxation and Finance's computer system, enabling Taxation and Finance personnel to be aware of the amount of pari-mutuel tax due on a daily basis.

Summary Conclusion

In our prior audit, we found that although Taxation and Finance is responsible for monitoring the integrity of the pari-mutuel tax calculation, it did not take an aggressive role in system monitoring. Computer program changes made by Autotote did not receive prior approval by Taxation and Finance. Rather, NYRA notifies Taxation and Finance after changes are made.

In our follow-up review, we found that no progress has been made in implementing our recommendation. Taxation and Finance does not pre-approve all program changes. They rely upon Autotote or the subsequent system-generated reports to inform them of program change implementation.

Summary of Status of Implementation

NYRA officials have not implemented the prior audit recommendation.

Follow-up Observations

Recommendation

Refer all proposed Autotote systems program changes to the Tax Department for pre-implementation approval.

Status - Not Implemented

Agency Action - NYRA and Autotote officials have taken no actions to implement this recommendation. Furthermore, Taxation and Finance officials do not believe that pre-approval of all program changes is necessary since they are unaware of any instances where program changes affecting pari-mutuel tax and payouts have been implemented prior to their auditors actually testing the changes.

Auditors' Comments - We believe that Taxation and Finance should approve program changes to ensure the integrity of the pari-mutuel tax calculation. If NYRA does not inform Taxation and Finance of all system changes, problems affecting the recording and reporting of on-track handle, and thus the amount of tax collected, may not be detected.

Major contributors to this report were Carmen Maldonado, Frank Russo, Brian Reilly and Joseph Smith.

We would appreciate your response to this report within 30 days, indicating any action planned or taken to address the unresolved matter discussed in this report. We also thank the management and staff of the New York Racing Association for the courtesies and cooperation extended to our staff during the review.

Yours truly,

David R. Hancox
Director of State Audits

cc: Patricia A. Woodworth