



February 9, 2018

2018 FEB 12 PM 2:42

Mr. Gerald Dube, Director of Administration
Racing Commission
8505 Cross Park Drive, Suite 110
Austin, TX 78754



Re: Audit Delegation Request 476-2018-002

Dear Mr. Dube:

In accordance with Texas Government Code, Section 321.020, the State Auditor's Office delegates to the Racing Commission (Commission) the authority to employ a private auditor to provide internal audit services related to the economy, effectiveness, and efficiency of the Commission's financial management and operations, as described in your online request submitted February 5, 2018.

This delegation of authority is subject to the following:

1. The services provided should be performed in accordance with the Texas Internal Auditing Act (Texas Government Code, Chapter 2102).
2. This delegation of authority is effective for a period of one year from the date of this letter (End Date). Any contract entered into under this delegation of authority with a term that extends beyond the End Date, or any option to renew the contract beyond the End Date, should be subject to the renewal of this delegation of authority by the State Auditor.
3. The Commission will notify the State Auditor's Office if an amendment to the contract significantly alters any contract terms, including, but not limited to, the scope of work to be performed and the term of the contract.
4. The Commission will comply with applicable law, policies and procedures in the procurement of audit services, the expenditure of funds under the contract, and all other aspects of forming and administering the contract with the private auditor.
5. The Commission will ensure that the State Auditor's Office promptly receives a copy of any report resulting from a peer review of the private auditor that is received by the private auditor after entering into the contract with the Commission.

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6. Any contracts entered into under this delegation of authority should include the following language: The Contractor understands that acceptance of state funds under this contract acts as acceptance of the authority of the State Auditor's Office to conduct an audit or investigation in connection with those funds. The Contractor further agrees to cooperate fully with the State Auditor's Office in the conduct of the audit or investigation, including providing all records requested. The Contractor will ensure that this clause concerning the State Auditor's Office's authority to audit state funds and the requirement to cooperate fully with the State Auditor's Office is included in any subcontracts it awards. Additionally, the State Auditor's Office shall at any time have access to and the rights to examine, audit, excerpt, and transcribe any pertinent books, documents, audit documentation, and records of the Contractor relating to this contract.
7. If the terms of the agreement with the private auditor are set forth only in an engagement letter, the engagement letter will include the language quoted in #6 above.
8. A signed copy of the contract or contract amendment should be provided to the State Auditor's Office within two weeks of execution. You may send it electronically to auditdelegation@sao.texas.gov or send a hard copy to the attention of Audit Delegation. Additionally, a copy of final audit reports should be provided to the State Auditor's Office upon completion. Texas Government Code, Section 2102.0091, requires that internal audit reports be filed with the State Auditor's Office, the Sunset Advisory Commission, the budget division of the Governor's Office, and the Legislative Budget Board not later than the 30th day after the date the report is submitted to the state agency's governing board or the administrator of the state agency if the state agency does not have a governing board. Internal audit reports may be sent to the State Auditor's Office electronically to iacoordinator@sao.texas.gov or a hard copy may be sent to the attention of Internal Audit Coordinator. Please include the audit delegation request number 476-2018-002 with all submissions and related correspondence.

If you have any questions, please contact Michael Clayton, Audit Manager, or me at (512) 936-9500.

Sincerely,



Verma L. Elliott, CPA, CIA, CGAP, MBA
Assistant State Auditor