

INTERNAL AUDIT OF DRUG TESTING

AS OF DECEMBER 09, 2014

AT THE

TEXAS RACING COMMISSION

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Audit Committee and Commissioners  
Texas Racing Commission  
Austin, Texas

We have conducted the internal audit (audit) of the Drug Testing processes of the Texas Racing Commission (Commission) as of December 09, 2014. Our objectives were to determine the reliability and integrity of information, compliance with policies, procedures, laws, and regulations, efficiency and effectiveness of operating procedures, and safeguarding of assets. The results of our audit disclosed that the Commission has implemented good controls over the drug testing processes. The report that accompanies this letter summarized our comments.

We appreciate the courtesy and cooperation shown by the management of the Texas Racing Commission during the course of this engagement.

*Monday N. Rufus, P.C.*

December 09, 2014  
Austin, Texas

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## **Executive Summary**

The Texas Racing Commission was created in the Second Called Session of the 69<sup>th</sup> Legislature and approved by a state-wide referendum in November 1987. Article 179e, V.T.C.S., created the Texas Racing Commission and authorizes the Commission to:

1. Oversee the Texas Bred Incentive Programs for horses and greyhounds;
2. Evaluate applications and award licenses for pari-mutuel racetracks in Texas;
3. Oversee the construction and renovation of major horse tracks, major greyhound tracks, and numerous smaller horse tracks and county fair tracks throughout the State;
4. License, regulate, and enforce all aspects of pari-mutuel wagering and participants in pari-mutuel racing; and
5. Provide state and local revenues.

The Texas Racing Commission regulates all aspects of pari-mutuel horse and greyhound racing through licensing, on-site monitoring, and enforcement. The Texas Racing Act (Article 179e, Vernon's Civil Statutes) sets out the Commission's responsibilities with respect to the operations of pari-mutuel racetracks.

The Texas Racing Act allows pari-mutuel wagering on horse and greyhound racing and provides for the strict regulation and control of pari-mutuel wagering in connection with that racing. Principal responsibilities of the Commission under the Texas Racing Act are to administer and enforce all laws, rules, and regulations affecting horse racing, greyhound racing, and pari-mutuel wagering and also adjudicate disciplinary matters arising from the enforcement of those laws and regulations dealing with horse racing and greyhound racing and pari-mutuel wagering.

For fiscal year 2014, the Texas Legislature appropriated the Commission a budget of \$8,315,406 with 52.6 Full-Time-Equivalent (FTEs) employees. In fiscal year 2015, the appropriated budget was \$8,315,407 with 52.6 FTE employees. The Commission has seven (7) veterinarians and three (3) barn supervisors at the six (6) racetracks collecting specimen samples which are sent to Texas A&M Veterinary Medical Diagnostic Laboratory (TVMDL) for drug testing. The Commission's five (5) Investigation section members are also involved in racetrack racing drug violations and inspections. During fiscal year 2014, there were four (4) horse and two (2) greyhound racetracks in operation.

The Commission is authorized by §3.16 of the Racing Act to conduct pre-race and post-race testing to determine whether a prohibited substance was present in a race animal. Racing Commission Rule 319.3014(b) authorized the Commission's Executive Director to promulgate a classification for prohibited drugs, chemicals, and other substances and a recommended schedule for disciplinary action. The classification of substances is based largely on the Uniform Classification Guidelines for Foreign Substances issued by the Association of Racing Commissioners International. The recommended penalties are based on the model rules of the Association of Racing Commissioners International. The Commission racetrack stewards review each violation according to the individual circumstances of the case and must be judged on the evidence and the credibility of the witnesses. Penalties imposed by stewards are intended to best accomplish the Commission's goals of protecting the health and safety of the participants in racing and ensure integrity of pari-mutuel racing.

At the time of the audit, there were four (4) equine and two (2) greyhound active racetrack locations in the state:

Equine Racetracks:

1. Gillespie County Fair & Festivals Association (Fredericksburg)
2. Lone Star Park at Grand Prairie (Grand Prairie)
3. Retama Park (San Antonio)
4. Sam Houston Race Park (Houston)

Greyhound Racetracks:

1. Gulf Greyhound Park (La Marque)
2. Valley Race Park (Harlingen)

The Deputy Executive Director supervises personnel directly responsible for regulating the conduct of live racing and is responsible for the following teams: licensing, investigations, veterinarians/drug testing, stewards/judges, pari-mutuel wagering, and compliance.

The Chief Veterinarian oversees the Veterinarians/Drug Testing program by supervising the veterinarians and test barn supervisors working at the racetracks. In implementing the Commission's race animal drug testing program, the employees inspect all race animals before each race to ensure they are sound to compete in the race. They also inspect the horse stable and greyhound kennel areas for animal health and safety issues.

The Chief Investigator's team members, who are licensed peace officers, conduct investigations on animal drug positives and other illicit activities that could affect the integrity of pari-mutuel racing. Additionally, as part of the Commission's efforts to prevent rule violations that endanger the health and safety of race animals and participants, and discipline licenses who commit these violations, the investigators work closely with the Department of Public Safety certified personnel to conduct effective compliance inspections and expand their efforts to detect and maintain the integrity of racing in Texas.

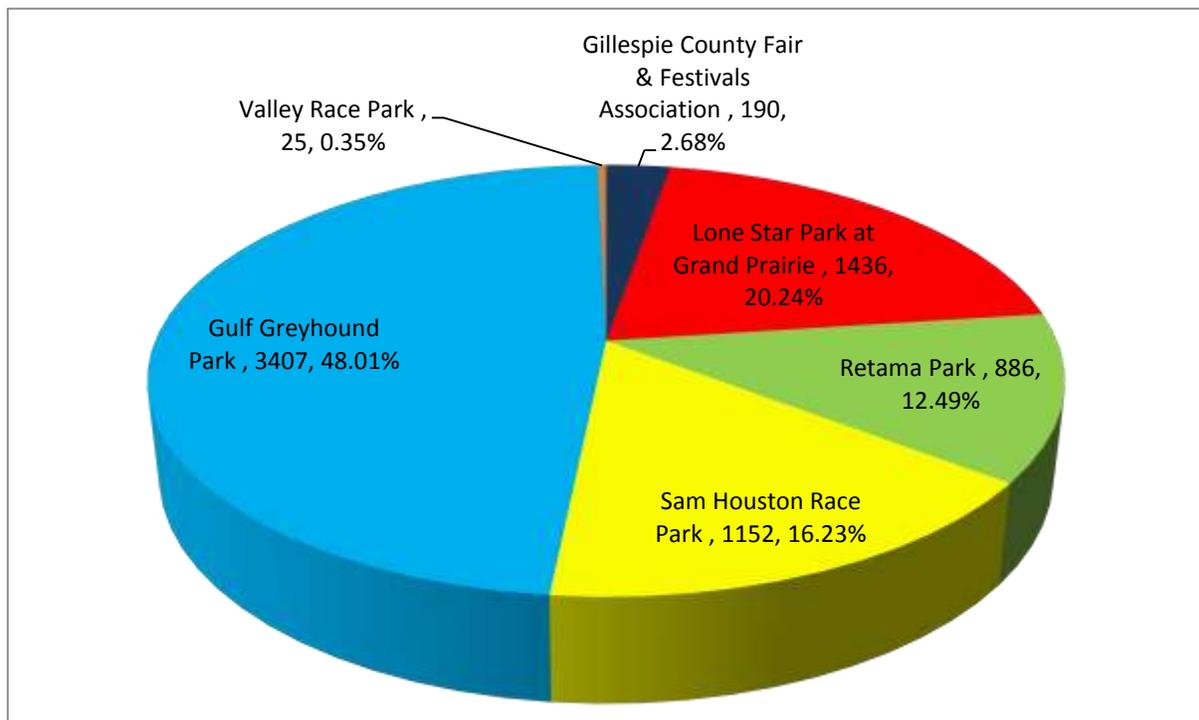
To implement the drug testing program, the Texas Racing Commission (Commission) has a Memorandum of Understanding (MOU) with the Texas A&M Veterinary Medical Diagnostic Laboratory (TVMDL) regarding drug testing of race animals for the Commission. Under the MOU the Commission is to supervise and ensure that the racetrack associations collect and properly ship the specimen samples to TVMDL for drug testing.

In fiscal year 2014, there were 7,906 drug tests conducted on 43,022 animals that raced at the state's approved racetracks. Of the 43,022 animals that raced, 15,350 were horses and 27,672 were greyhounds. Drug testing resulted in 7,835 negative and 71 positive drug samples. All the of 71 positive samples were for horses tested with no positive drug samples for the greyhounds tested.

Racetrack Drug Samples : Fiscal Year 2014

	<u>Equine</u>	<u>Greyhound</u>	<u>Total</u>
1. Gillespie County Fair & Festivals Association	190		190
2. Lone Star Park at Grand Prairie	1436		1436
3. Retama Park	886		886
4. Sam Houston Race Park	1152		1152
5. Gulf Greyhound Park		3407	3407
6. Valley Race Park		25	25
Total	<u>3664</u>	<u>3432</u>	<u>7096</u>

Racetrack Drug Samples : Fiscal Year 2014



## **Internal Audit Results**

The Commission has drug testing processes in place to provide reasonable assurance that the Texas Racing Act and Texas Racing Commission Rules are being enforced at the racetracks in the state.

Written drug testing policies and procedures have been developed by the Commission in implementing the drug testing program to prevent rule violations that endanger the health and safety of race animals, participants, and other illicit activities that could affect the integrity of pari-mutuel racing.

There were no deficiencies detected in the audit of the drug testing policies and procedures that are significant to the objectives of this audit.

## **Objectives**

The primary objectives of the internal audit were:

1. Reliability and Integrity of Information
2. Compliance with Policies, Procedures, Laws, and Regulations
3. Efficiency and Effectiveness of Operating Procedures
4. Safeguarding of Assets

## **RESULTS**

### **Internal Audit Objective 1: Reliability and Integrity of Information**

- a. All Commission veterinarians involved in drug testing at the horse and greyhound racetracks are currently licensed by the Texas State Board of Veterinary Medical Examiners.
- b. Veterinarians and test barn supervisors at racetracks supervise the test technicians who obtain specimen samples which are sent to the TVMDL for drug testing.
- c. All specimen samples sent to a testing laboratory are delivered to the laboratory in a timely manner and by a method that ensures the integrity of the specimen samples.
- d. All animal drug testing cost invoices submitted by the Texas Veterinary Medical Diagnostic Laboratory (TVMDL) are reviewed for accuracy and reconciled by Commission personnel to the drug sampling reports prior to payment by the horse and greyhound associations.

### **Internal Audit Objective 2: Compliance with Policies and Procedures, Laws, and Regulations**

- a. There are written drug testing policies and procedures for equine and greyhound race animals.
- b. There are written procedures for veterinarians and test barn supervisors at racetracks to supervise the test technicians who obtain specimen samples which are sent to the TVMDL for drug testing.
- c. There are written Commission horse and greyhound racetrack chain of custody procedures for monitoring the specimen samples collection process in order to prevent tampering with drug testing samples or results.
- d. The Commission has written policies and procedures used to reconcile animals specimen samples collected at racetracks and sent for drug testing to TVMDL.

*Internal Audit Objective 3: Efficiency and Effectiveness of Operating Procedures*

- a. Daily Sampling Worksheets of collected specimen samples at racetracks are being timely inputted into the Commission database by Commission personnel at the racetrack.
- b. TVMDL personnel will notify the Commission's Director of Investigations if there is suspicion of tampering when a racetrack specimen sample is received at the lab. The Director of Investigations team will investigate the situation when the notification is received.
- c. All negative and positive drug testing results are processed by TVMDL, reported to and received timely by the Commission in accordance with the Memorandum of Understanding requirements.
- d. All racetrack specimen samples which test positive for drugs by TVMDL, are reported directly to the Commission's Director of Investigations for an investigation to be conducted on each positive drug sample.
- e. The Commission has the Texas Racing Act and Rules of Racing (December 2014) on the agency's website which are accessible to the public.

*Internal Audit Objective 4: Safeguarding of Assets*

- a. Any suspicion of tampering with specimen samples submitted for drug testing to the lab is immediately investigated by the Commission to ensure the integrity and validity of the specimen samples.
- b. Copies of all drug testing invoices submitted by the Texas Veterinary Medical Diagnostic Laboratory for payment are reviewed for accuracy and reconciled by Commission personnel to the each racetrack's Daily Sampling report listing the animals selected for drug testing.
- c. All specimen samples tested positive by TVMDL are reported directly to the Commission Director of Investigations for immediate investigation in order to protect the race animals and participants at the racetracks.
- d. The Commission's written chain of custody procedures are in place for racetrack personnel to follow at equine and greyhound racetracks for monitoring the specimen samples collection process to prevent tampering with drug testing samples or results.

There are no deficiencies detected in the drug testing policies and procedures that are significant to the objectives of this audit.

## **Appendix 1**

### **Objective and Scope**

#### **Objective**

The primary objectives of the internal audit were to determine the following:

- *Reliability and Integrity of Information*
- *Compliance with Policies, Procedures, Laws, and Regulations*
- *Efficiency and Effectiveness of operating procedures*
- *Safeguarding of assets*

#### **Scope**

The scope of the audit work included ensuring compliance with the Texas Racing Act, Texas Racing Commission Rules of Racing, drug testing of race animals operating policies and procedures, and the Memorandum of Understanding (MOU) between the Commission and Texas A&M Veterinary Medical Diagnostic Laboratory (TVMDL). The scope included interviews with the Commission's Deputy Director for Racing Oversight, Director of Investigations, and appropriate division staff. Racetrack specimen sampling collection forms and reports, policies and procedures, and other pertinent reports and documents were tested for accuracy and compliance.

#### **Methodology**

Meetings were held with the Deputy Director for Racing Oversight, Chief Veterinarian, and the Director of Investigations to obtain documents and reports relating to the processes and functions used at the racetracks by Commission personnel in collection of specimen samples sent to the TVMDL for drug testing and in identifying controls in place to ensure the drug testing process is monitored, reviewed, and in compliance with the Texas Racing Act, Racing Commission Rules, and the MOU between the Commission and TVMDL.

Information collected and reviewed included the following:

- Texas Racing Act
- Texas Racing Commission Rules of Racing
- Agency Drug Testing Procedures for horses and greyhounds (Effective November 2014)
- List of all specimen samples collected for drug testing during Fiscal Year 2014.
- Texas Racing Commission Website
- Memorandum of Understanding between Texas Racing Commission and Texas A&M Veterinary Medical Diagnostic Laboratory (FY 2015)
- Texas Racing Commission Strategic Plan (2015-2019)
- Internal Auditors Reports
- State Auditor's Office Audit Reports
- General Appropriation Act (FY 2014-2015)

Procedures and tests conducted included the following:

- Interviewed Commission executive management and staff to obtain an understanding of the drug testing processes and controls.
- Reviewed Texas Racing Act, Texas Racing Commission Rules of Racing, and the Memorandum of Understanding between Commission and TVMDL who provides drug tests of race animals for the Texas Racing Commission.
- Randomly selected test samples of horse and greyhound racetrack drug tests processed from fiscal year 2014 for compliance testing.
- Tested drug tests processed for compliance with the Texas Racing Act laws, Texas Racing Commission Rules of Racing, and MOU between Commission and TVMDL.
- Tested processed drug tests for supporting documentation and compliance with the Drug Testing Procedure manual.
- Tested for accuracy of racetrack specimen samples submitted to TVMDL for drug testing to number of drug tests invoiced for payment.
- Reviewed a sample of the Commission's investigation case(s) of positive drug tests results for compliance with recommended penalties for medication violations.

Criteria Used included the following:

- Texas Racing Act laws
- Texas Racing Commission Rules of Racing
- Memorandum of Understanding between Texas Racing Commission and Texas A&M Veterinary Diagnostic Laboratory
- Texas Racing Commission Website
- Review of Other pertinent reports and documents

### **Other Information**

Our audit was conducted in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit also conforms with the Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing*.

## Appendix 2

### Background Information

The Texas Racing Commission was created in the Second Called Session of the 69<sup>th</sup> Legislature and approved by a state-wide referendum in November 1987. Article 179e, V.T.C.S., created the Texas Racing Commission and authorizes the Commission to regulate all aspects of pari-mutuel horse and greyhound racing through licensing, on-site monitoring, and enforcement. Statute and rule require the Commission to:

- License racetracks that offer racing and the people directly involved with pari-mutuel wagering who work at the racetracks or own race animals.
- Allocate race dates, supervise the conduct of all races, monitor the health and safety of the race animals, and conduct drug tests to ensure the animals race without prohibited substances.
- Oversee all pari-mutuel wagering activity, approve simulcasts, test the totalisator systems (complex computer systems that tally and calculate pari-mutuel wagers), and ensure the proper allocation and distribution of revenue generated by pari-mutuel wagering.
- Administer the Texas-Bred Incentive Program, which provides economic incentives to support a healthy and vigorous breeding industry in the state.

The Racing Act allows pari-mutuel wagering on horse and greyhound racing and provides for the strict regulation and control of pari-mutuel wagering in connection with that racing.

Principal responsibilities of the Commission are to:

1. Adopt rules and regulations for conducting racing involving wagering;
2. Administer and enforce all laws, rules, and regulations affecting horse racing, greyhound racing, and pari-mutuel wagering;
3. Adjudicate disciplinary matters arising from the enforcement of those laws and regulations dealing with horse racing and greyhound racing and pari-mutuel wagering; and
4. Regulate and supervise each racing meeting conducted in the state of Texas, the operations of racetracks, and the participants in a race meeting.

Extensive rulemaking authority is granted to the Commission throughout the Racing Act. The rulemaking authority vested in the Texas Racing Commission is authorized for administration and enforcement purposes.

The Racing Commission consists of seven members appointed by the governor with the advice and consent of the Senate to serve overlapping six year terms. Five members must represent the general public and have general knowledge of business or agribusiness. At least one of those appointed members may be a veterinarian, and being licensed as a veterinarian satisfies the requirement that the person have general knowledge of business or agribusiness. One member must have special knowledge or experience related to horse racing and one member must have special knowledge or experience related to greyhound racing. In addition to the appointed members, there are two ex-officio members, the Chair of the Public Safety Commission and the Comptroller of Public Accounts. The Governor appoints the chair and the members elect the vice-chair.

The Commission appoints an Executive Director to supervise the agency's daily activities as a whole and manages the agency's two divisions and its information team. The Agency's operating budget is prepared and approved by the Commission on an annual basis, whereas the State legislative appropriation request is determined every two years. Both the budget and appropriations are reviewed and approved by the State Legislature.

The agency's structure consists of Licensing, Investigations, Veterinarian/Drug testing, Stewards/Judges, Pari-mutuel Wagering, and Compliance who report to the Deputy Executive Director, who reports to the Executive Director.

Although the Commission's budget is approved by the legislature, it does not receive any General Revenue funds from the State for its operations. Revenues are primarily from license fees and fines, uncashed winning wagers, and breakage from wagering at greyhound races. Approximately fifty percent (50%) of the expenditures are passed through the Agency to the official breed registries for the Texas Bred Incentive Program. Funds collected by the Agency are directly utilized in operations, and not passed on to the State.

## **Appendix 3**

### **Report Distribution**

As required by Government Code Section 2102.0091 copies of this report should be filed with the following:

#### **Governor's Office of Budget and Planning**

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#### **Texas Racing Commission**

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Ronald F. Ederer, Vice -Chair

Gary P. Aber, DVM

Gloria Hicks

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John T. Steen III

Vicki Smith Weinberg

#### **Ex-Officio Members**

Cynthia Leon, Chair, Public Safety Commission

Susan Combs, Comptroller of Public Accounts

#### **Texas Racing Commission Management**

Chuck Trout, Executive Director