



Review of Slot Machine Revenues

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Office of the County Auditor
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Executive Summary

This report presents the results of our evaluation of management's controls over slot machine revenues received from Mardi Gras Gaming, Pompano Park Racing and Gulfstream Park (collectively referred to as pari-mutuel facilities).

We concluded, the County accepts slot machine revenues from pari-mutuel facilities without verification.

We recommend the Board direct the County Administrator to implement procedures to ensure slot machine revenues received are reconciled with the pari-mutuel revenue reports generated by the Florida Department of Business and Professional Regulation (DBPR), Division of Pari-Mutuel Wagering.

Purpose, Scope and Methodology

Our objectives were to determine whether controls exist to ensure slot machine revenues are remitted in accordance with the agreements and are properly recorded and expended. To accomplish our objectives, we:

- reviewed the agreements between Broward County and the Pari-mutuel facilities,
- interviewed Accounting staff to obtain an understanding of procedures used to process slot machine revenues,
- obtained and reviewed the State's process for reconciling slot machine revenues reported by pari-mutuel facilities to DBPR, Division of Pari-Mutuel Wagering, (the agency responsible for regulating pari-mutuel facilities), and
- recalculated slot machine revenues due to the County for October through December 2008.

Our review focused on slot machine revenues received for fiscal year 2008.

Background

In 2005 Broward County voters authorized operation of slot machines at the following pari-mutuel facilities located in Broward County:

- Mardi Gras Racetrack and Gaming Center
- Gulfstream Park Racing Association
- Dania Jai Alai (No slot machines at this time)
- Pompano Park Racing

Pari-mutuel facilities began slot operations in Broward County during fiscal year 2007. Three of the pari-mutuel facilities have contracts with Broward County which require monthly payments to the County of 1.5% of gross slot machine revenues. Since inception of slot machine operations at the pari-mutuel facilities, the County has received approximately \$6.4 million in revenues (\$2 million, \$3.6 million and \$800,000 in fiscal years 2007, 2008 and 1st quarter of 2009, respectively). The number of slot machines in each facility and the amount collected by the County during **fiscal year 2008** is provided in Table 1 below:

Table 1: Number of Slot Machines and County Revenues for fiscal year 2008

Number of Machines/Revenue	Pompano	Mardi Gras	Gulfstream	Total
Number of slot machines	1,500	1,443	825	3,768
County Revenues from Slot Machines	\$1,811,784	\$1,159,737	\$591,791	\$3,563,312

Source: Slot Revenue Report submitted to Accounting Division

Slot Machine Revenue Collection Process

Monthly, each facility remits a check with a spreadsheet (daily revenue stream) to the County's Accounting Division for the County's portion of slot machine revenue for the month. Accounting staff prepares its own spreadsheet for each facility to document the cash receipt number, date the check was logged in, check number and amount, and recalculates the County's portion to determine the accuracy of the check, i.e., 1.5% of gross slot revenues generated. Slot revenues are booked in the County's General Fund and are used to support generally funded services identified in the agreement such as Mass Transit, law enforcement, human services, and tourism promotion programs.

The State Revenue Monitoring Process

Staff of the DBPR stated that state tax auditors are assigned to each pari-mutuel facility. The auditors perform daily reconciliations to the facility's revenue monitoring system. In addition, financial examiner analysts in Tallahassee perform monthly reconciliations of pari-mutuel slot machine revenues. The State generates revenue reports which are posted on the State's website at www.myflorida.com.

Finding and Recommendations

Finding

The County accepts slot machine revenues from pari-mutuel facilities without verification.

Sound business practice dictates that the County should have measures in place to verify the revenues reported by the pari-mutuel facilities. Each month, the County's Accounting Division receives and processes slot machine revenues from Mardi Gras Gaming, Pompano Park Racing, and Gulfstream Park. The Accounting staff re-perform the calculation of the County's share of gross slot machine revenues based on the amounts reported by each pari-mutuel facility.

The County does not compare the reported gross slot revenues with the State of Florida nor does the County receive annual audited financial statements for each of the pari-mutuel facilities as required by Article 9, section 9.1 of the Agreement. Reconciliation of reported revenues to audited financial statements or to the gross revenues on the State's website would effectively reduce the risk of under reported revenues.

Recommendations

We recommend the Board of County Commissioners direct the County Administrator to:

1. Implement procedures to ensure slot machine revenues received are reconciled with the pari-mutuel revenue reports generated by the Florida DBPR, Division of Pari-Mutuel Wagering.
2. Obtain annual audited financial statements from all pari-mutuel facilities in accordance with Article 9, Section 9.1 of the Agreements.