

Hon. George Maragos
Comptroller

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To: Beaumont Jefferson, Acting Treasurer

From: Joy M. Watson

Date: April 19, 2012

Re: Limited Review of Nassau County's Belmont Park Racetrack Admission Tax Revenue

Nassau County receives a share of admissions tax revenue from the Belmont Park Racetrack ("Belmont Park"), which is located primarily in Nassau County, and partially in Queens County. The Nassau County Comptroller's Office's Field Audit Section ("Field Audit Section") performed a limited review of the admission tax revenues received for race meets held at Belmont Park during the period January 2007 through December 31, 2010. As shown in Appendix I, the County reflects annual admission tax revenues for race meets at Belmont Park as follows: \$56,391 for 2007; \$65,721 for 2008; \$50,759 for 2009; and \$60,043 for 2010.

Background:

The New York Racing Association, Inc. ("NYRA") collects a 3% admission tax for racing events held at Belmont Park Racetrack pursuant to Title 11, Chapter 12 of the New York City ("NYC") Administrative Code.¹ The tax is added to the price of admission and is collected by the NYRA from patrons at the time of ticket sale, with the exception of those patrons issued free passes. Each NYRA location holding an event is required to remit a NYC Horse Race Admissions Tax Return ("Tax Return") and all accompanying documents, including payment to the NYC Department of Finance ("NYC Finance Department") on or before the tenth day after the close of each race meeting covered by the period. Racing at Belmont Park occurs yearly from May to July (the Spring meet) and from September to October (the Fall meet). If the NYRA

¹ N.Y.C. Admin. Code 11-1202.

fails to collect the tax, the racing association itself is responsible for paying the amount of the tax, which is based on daily attendance.

The NYC Finance Department is required to remit seventy five percent (75%) of all revenues resulting from the imposition of the admission tax to the County of Nassau within sixty days after collection by the NYC Finance Department. The County Treasurer's Office is responsible for the receipt and accounting for admission tax revenues and the NYC Finance Department remits the revenue directly to the County's Treasurer's Office.

Scope, Objectives and Methodology:

The scope of our review included an examination of Nassau County's procedures covering the collection and accounting for the County's share of admission tax receipts for race meets held at Belmont Park in 2007 through 2010. The objective of our review was to verify the accuracy and timeliness of the admission tax revenues remitted to Nassau County, ensure any past-due amounts were identified and collected and to determine if the NYRA paid the appropriate penalties and interest for any late tax return filings or payments.

Our approach included reviewing the procedures, applicable laws and examining documents and records. Additionally, key personnel in the NYC and the NYRA Finance Departments and the Treasurer's Office were interviewed. The NYC Horse Race Admissions Tax Return was reviewed for mathematical accuracy and to determine that the supporting schedule(s) adequately validated the information entered on the Tax Returns. We reviewed the County's internal controls to determine if there was proper County oversight of the admission tax revenue collection process to ensure that missing, past due and/or inaccurate amounts were identified and collected in a timely manner.

We believe our review provides a reasonable basis for the review findings and recommendations discussed below.

Summary of Significant Findings:

We found that the Treasurer's Office did not provide oversight over the collection of admission tax revenues during the audit period. The employee in the Treasurer's Office responsible for the receipt and accounting for admission tax revenues stated that the Tax Return(s) and the accompanying schedule(s) were not included with the remittance to the County. The employee also explained that there was no reconciliation of the payments received with the timeframes associated with the spring and fall meets to ensure that revenues were remitted to the County for all race meets. Consequently, it appears that the County has not received adequate support for the revenues submitted to the County. As such it is not able to identify past due amounts and/or determine the accuracy of the amounts paid to Nassau County. In addition it does not permit a review of the reporting of the amounts due Nassau County by the Treasurer's Office, instead relying on the processes of NYRA and the NYC Finance Department.

Our review also revealed that the admission tax revenues due were routinely paid to the County in a tardy manner. For example, the payment due the County for the 2010 fall race meet was remitted in June 2011, after a telephone call was made from the Field Audit Section of the Comptroller's Office to the Manager of the Horse Racing Section of the New York City Department of Finance, thus the payment of \$51,702 was considerably delayed. We also noted that the Treasurer's Office had not received the County's share of the admission tax collected by NYRA for two of the nine race meets which were held in 2008 and 2009, which totaled \$8,951. Our follow-up discussions revealed that the Treasurer's Office was not aware that revenues had not been received for the entire time the meets were held in these years

As a result of our analysis, the Treasurer's Office followed up with the NYC Finance Department and requested remittance of the outstanding monies owed to the County for 2008 and 2009 race meets. Subsequently, in August of 2011 the Treasurer Office received a portion of the amount due (\$4,303) but as of the date of this letter, \$4,648 remains outstanding.

Our review also revealed that the admission tax receipts were based on attendance figures that we could not corroborate; the NYRA had not been assessed penalties and interest for late filings; and the NYC Horse Race Admissions Tax Return were not always signed, dated and notarized.

Findings:

Our review and reconciliation of admission tax revenues (See Appendix I) posted to the County's books and the NYC Horse Race Admissions Tax Return and/or accompanying schedules provided to us by the NYC Finance Department and NYRA for the spring and fall meets held at Belmont Park in 2007 through 2010, revealed the following:

- The NYC Finance Department did not always send the County a check for its 75% share of admission tax receipts within the 60 day statutory period after the NYC Finance Department received the payment from NYRA. There were several instances where the County received the funds months after the 60 day deadline. The Treasurer's Office did not follow-up with the NYC Finance Department when the 60 day deadline had elapsed, which negatively impacted the County's revenue, cash flow and use of funds. For the most part, the County only received the payment after a call was placed to the NYC Finance Department.

For example, the County did not receive a payment for the 2010 fall meet which was held from September 11, 2010 to October 31, 2010 until a call was made to the NYC Department of Finance by the County Comptroller's Office Field Audit Section in June 2011. As a result of this call, the Treasurer's Office received a check totaling \$51,702 which was posted to NIFS on June 13, 2011.

- The Treasurer's Office does not reconcile the payments received from the NYC Department of Finance to the timeframes associated with the spring and fall meets to ensure missed payments are identified and collected. The lack of a reconciliation resulted in less revenue to the County in 2008 and 2009.

Our review of the tax receipts posted to the Nassau Integrated Financial System (“NIFS”), the County’s accounting system, for the 2008 and 2009 race meets held at Belmont Park revealed that the County had not received any payments from April 30, 2008 through May 31, 2008 for the spring meet and September 11, 2009 through October 25, 2009 for the fall meet. Based on NYC Horse Race Admissions Tax Return obtained from the NYC and NYRA Finance Departments, the amounts still owed to the County for 2008 and 2009 totaled \$4,303 and \$4,648, respectively. As a result of our review, the Treasurer’s Office followed up with the NYC Finance Department and requested remittance of the outstanding monies owed to the County for 2008 and 2009 race meets. Subsequently, in August of 2011 the Treasurer Office received a portion of the amount due, \$4,303, but as of the date of this letter, \$4,648 remains outstanding.

- The NYRA Finance Department did not always meet the filing deadline and did not compute and enter penalties and interest on the designated lines of the Tax Return. The NYC Finance Department accepted the late filings and did not attempt to assess the penalties and interest. The assessment of penalties and interest helps to discourage late filing and nonpayment of the total amount due from the NYRA Finance Department. This resulted in less revenue, in the form of penalties and interest, to the County².
- A Treasurer’s Office employee stated that the Tax Return(s) and the accompanying schedule(s) were not included with the remittance to the County. Consequently, there was no support to substantiate the accuracy of the amounts remitted. The employee did not follow up with the NYC Finance Department to obtain this information.
- The admission tax receipts reported on the NYC Horse Race Admissions Tax Return that we were provided were based on attendance figures by type and cost of admission tickets as shown on an accompanying schedule. Supporting documentation was not provided by the NYRA to validate the attendance reported on this schedule and we were unable to independently locate any data to corroborate the attendance. As a result, the County cannot be certain it has received the appropriate amount of revenue.
- The NYC and NYRA Finance Departments did not always provide the auditors with both the Tax Return and all accompanying schedules and the documents that were provided were not consistently signed, dated and/or notarized as required according to the forms and the instructions posted on the NYC Finance Department’s website for completing the Tax Return.

Recommendations:

We recommend that the Treasurer’s Office:

² For the period May 1, 2007 thru October 31, 2010, total estimated penalties and interest are \$9,903 of which Nassau County’s portion would be estimated at \$7,427.

- take the necessary steps to collect the past due amount of \$4,648 relating to 2009;
- develop an oversight process, to ensure that the remittances received by the County cover all months during which race meets are held at Belmont Park;
- formally request that the NYC Finance Department provide the complete Tax Return, which is signed, dated and notarized, with the remittance;
- formally notify the NYC Finance Department before the 60 day deadline expires and request the remittance;
- request that the NYRA provide supporting documentation to substantiate the attendance data shown on the Tax Return since it is the basis for determining the admission tax due that was entered on the Tax Return;
- perform a formal reconciliation of the admission tax collected as shown on the Tax Return and the payments received and posted to the County's books to ensure that the County received its 75% share and any missing payments or incorrect amounts are identified, followed-up and resolved in a timely manner; and
- pursue the assessment of interest and penalties on the NYRA Finance Department when it fails to meet the 10 day deadline so that the County receives its 75% share.

The matters in this report have been discussed with the Treasurer's Office during this audit. On March 23, 2012 we submitted a draft report to the department with a request for comments. The department's comments were received on April 3, 2012 and are included as Appendix II to this report.

Appendix I

**Summary of Horse Race Admission
NYC Horse Race Admissions Tax Return
Belmont Park Racetrack
2007-2010**

Per NYRA Tax Return and/or Supporting Schedule				Nassau County Records			
Time Period	Total Admission Receipts	3% Admissions Tax Rounded	Date Notarized by NYRA	Nassau County Share 75%	Payments Received from NYC	Date Posted in NIFS*	Over (Under) Paid
5/1/07-5/31/07	\$ 221,102	\$ 6,633	5/7/07	\$ 4,975	\$ 4,975	7/25/07	-
6/1/07-6/30/07	369,298	11,079	7/10/07	8,309			
7/1/07-7/22/07	1,587,926	47,638	8/10/07	35,729	44,038	9/18/07	-
9/7/07-9/30/07	185,719	5,572	10/10/07	4,179			
10/1/07-10/21/07	142,200	4,266	11/5/07	3,199	7,378	12/14/07	-
Total 2007	\$ 2,506,245	\$ 75,188		\$ 56,391	\$ 56,391		-
4/30/08-5/31/08	\$ 191,236	\$ 5,737	6/5/08	\$ 4,303	\$ 4,303	8/27/11	-
6/1/08-6/30/08	703,642	21,109	7/9/08	15,832		11/3/08	
7/1/08-7/18/08	1,902,792	57,084	8/11/08	42,813	\$ 58,645		-
9/6/08-9/30/08	118,652	3,560	10/10/08	2,670			
10/10/08-10/26/08	4,557	137	11/10/08	103	2,773	1/30/09	-
Total 2008	\$ 2,920,879	\$ 87,627		\$ 65,721	\$ 65,721		-
4/29/09-7/28/09	\$ 12,388	\$ 372	Not Notarized	\$ 279			
4/29/09-7/28/09	4,136	124	Not Notarized	93			
4/29/09-7/28/09	2,239,401	67,182	Not Notarized	50,387	\$ 50,759	1/26/10	-
9/11/09-10/25/09	206,576	6,197	Not Notarized	4,648	Not Received	Not Received	(4,648)
Total 2009	\$ 2,462,501	\$ 73,875		\$ 55,407	\$ 50,759		\$ (4,648)
4/30/10-7/18/10	\$ 333,030	\$ 9,991	8/5/2010	\$ 7,493			
September 2010	Not provided	1,130	Not Notarized	848	\$ 8,341	12/23/10	-
9/11/10-10/31/10	2,270,005	68,100	12/2/2010	51,075	51,702	6/13/11	627
Total 2010	\$ 2,603,035	\$ 79,221		\$ 59,416	\$ 60,043		\$ 627

* NIFS is the Acronym for Nassau Integrated Financial System (Nassau County's General Ledger).

Appendix II

EDWARD P. MANGANO
COUNTY EXECUTIVE



BEAUMONT A. JEFFERSON
ACTING COUNTY TREASURER

COUNTY OF NASSAU
OFFICE OF THE COUNTY TREASURER
240 OLD COUNTRY ROAD
MINEOLA, NEW YORK 11501-4248

April 3, 2012

Ms. Joy M. Watson
Deputy Comptroller for Audits and Special Projects
Nassau County Comptroller
240 Old Country Road, 2nd Floor
Mineola, NY 11501

Dear Ms. Watson:

We reviewed the findings and recommendations from the Limited Review of Nassau County's Belmont Park Racetrack Admission Tax Revenue, performed by the Comptroller's Office. This function was transferred from the Comptroller's Office to the Treasurer's Office in June, 2003 (Exhibit I). The function was assumed as a collection and posting of the Belmont admission tax only. The following is our response to the findings and recommendations (in blue):

Findings:

Our review and reconciliation of admission tax revenues (See Appendix I) posted to the County's books and the NYC Horse Race Admissions Tax Return and/or accompanying schedules provided to us by the NYC Finance Department and NYRA for the spring and fall meets held at Belmont Park in 2007 through 2010, revealed the following:

- The NYC Finance Department did not always send the County a check for its 75% share of admission tax receipts within the 60 day statutory period after the NYC Finance Department received the payment from NYRA. There were several instances where the County received the funds months after the 60 day deadline. The Treasurer's Office did not follow-up with the NYC Finance Department when the 60 day deadline had elapsed, which negatively impacted the County's revenue, cash flow and use of funds. For the most part, the County only received the payment after a call was placed to the NYC Finance Department.

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For example, the County did not receive a payment for the 2010 fall meet which was held from September 11, 2010 to October 31, 2010 until a call was made to the NYC Department of Finance by the County Comptroller's Office Field Audit Section in June 2011. As a result of this call, the Treasurer's Office received a check totaling \$51,702 which was posted to NIFS on June 13, 2011.

- The Treasurer's Office does not reconcile the payments received from the NYC Department of Finance to the timeframes associated with the spring and fall meets to ensure missed payments are identified and collected. The lack of a reconciliation resulted in less revenue to the County in 2008 and 2009.

Our review of the tax receipts posted to the Nassau Integrated Financial System ("NIFS"), the County's accounting system, for the 2008 and 2009 race meets held at Belmont Park revealed that the County had not received any payments from April 30, 2008 through May 31, 2008 for the spring meet and September 11, 2009 through October 25, 2009 for the fall meet. Based on NYC Horse Race Admissions Tax Return obtained from the NYC and NYRA Finance Departments, the amounts still owed to the County for 2008 and 2009 totaled \$4,303 and \$4,648, respectively. As a result of our review, the Treasurer's Office followed up with the NYC Finance Department and requested remittance of the outstanding monies owed to the County for 2008 and 2009 race meets. Subsequently, in August of 2011 the Treasurer Office received a portion of the amount due, \$4,303, but as of the date of this letter, \$4,648 remains outstanding.

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- A Treasurer's Office employee stated that the Tax Return(s) and the accompanying schedule(s) were not included with the remittance to the County. Consequently, there was no support to substantiate the accuracy of the amounts remitted. The employee did not follow up with the NYC Finance Department to obtain this information.
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- The NYC and NYRA Finance Departments did not always provide the auditors with both the Tax Return and all accompanying schedules and the documents that were provided were not consistently signed, dated and/or notarized as required according to the forms and the instructions posted on the NYC Finance Department's website for completing the Tax Return.

Recommendations:

We recommend that the Treasurer's Office:

- take the necessary steps to collect the past due amount of \$4,648 relating to 2009;
- develop an oversight process, to ensure that the remittances received by the County cover all months during which race meets are held at Belmont Park;
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- perform a formal reconciliation of the admission tax collected as shown on the Tax Return and the payments received and posted to the County's books to ensure that the County received its 75% share and any missing payments or incorrect amounts are identified, followed-up and resolved in a timely manner; and
- pursue the assessment of interest and penalties on the NYRA Finance Department when it fails to meet the 10 day deadline so that the County receives its 75% share.

Treasurer's Office Response to Findings and Recommendations

The Treasurer's Office contacted the New York Racing Association ("NYRA") [see Exhibit II] to request copies of the tax returns and supporting documentation that is currently submitted to the New York City Department of Finance ("NYCDOF") at the end of the Spring and Fall racing season. A spreadsheet will be used to track the approximate dates that returns from NYRA should be submitted and payments from NYCDOF should be received. We will follow up with the appropriate agencies if the return or payment is not received with thirty (30) days of the forecasted date. We will conduct a reconciliation of tax returns and payments received and posted to Nassau County's financial system.

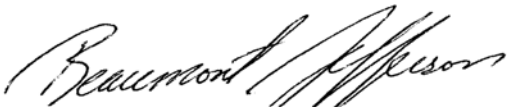
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We contacted the New York City Department of Finance and were unable to determine the department or person who would enforce the late payment penalties and interest. We also contacted them regarding the \$4,648 past due amount, and continue to follow up on the payment.

We are confident that the tracking of the race meets to determine payment due dates and the receipt of the tax return directly from NYRA will assist in the timely receipt of payment and an improved reconciliation of the Belmont Racetrack admission tax.

Please contact me if you need any further information or clarification.

Sincerely,



Beaumont A. Jefferson
Acting County Treasurer

BAJ/sl

Encl.

cc: Tim Sullivan, Deputy County Executive for Finance
Jo-Ann Greene, Director of Field Audit
Vincent Abbatiello, Assistant Director of Field Audit

The exhibits are not included by mutual agreement with the Treasurer's Office and are on file in the Comptroller's Office.