

NYRA Criticized Again in New State Audit

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The New York Racing Association is masking financial troubles and is not taking steps state auditors have urged in the past to right its fiscal condition, the state's chief fiscal watchdog said Jan. 24.

State Comptroller Thomas DiNapoli criticized NYRA for not controlling staff and outside consultant costs, and said any financial breaks NYRA will catch this year from revenue from video lottery terminals at Aqueduct will only serve to cover up its structural budget problems.

“More than a year after my office's last audit and real-time financial monitoring of NYRA, the organization still has much work to do to carry out the reforms we recommended,” DiNapoli said.

The comptroller said NYRA is poised to “squander” VLT revenue, in part because the racing corporation has failed to conduct his idea of a “top-to-bottom” review of its operations.

NYRA has not fully carried through on nine recommendations state auditors previously identified as areas for NYRA to improve. The comptroller noted NYRA is expecting to lose \$19.7 million on its racing operations in 2012 — that number is not specifically contained in the actual audit report — but said its overall net revenue is expected to increase by \$48 million as a result of VLT funding from the Aqueduct casino that opened last fall.

DiNapoli said NYRA took a number of steps, including cutting staff and ending an expensive contract with an outside “integrity” counsel, but that it failed to perform an

analysis, for example, on what kind of staffing levels would be appropriate for each of its departments.

He said NYRA, while it has cut some costs in the area, still needs to look into charging horse owners for transporting horses to and from its three tracks. The audit said NYRA has also not implemented in any substantial way "surprise" cash counts of mutuel department clerks.

In a written statement, NYRA said it took "very seriously" the recommendations made by DiNapoli in two audits last year. It said it had made "great strides" in improving fiscal operations based on those audits, including a number of cost-saving measures.

"NYRA has and will continue to maintain financial discipline. To implement all of the recommendations made in the 2010 audit reports inside of a year would have required more money and resources than NYRA could prudently spend at that time, but we fully understand the importance of this process and remain committed to completing it," NYRA said.

NYRA also took exception to a claim by DiNapoli that it will lose \$19.7 million in racing operations this year. It called the claim "misleading," and said the figure was never--despite claims by DiNapoli's office--discussed with NYRA management. NYRA said its 2012 budget projects \$19 million in net income "not a net loss." NYRA said operating income from just its racing operations--without counting VLT revenues--is expected to be \$1.4 million for the coming year.

NYRA said its use of VLT proceeds is guided by state law, and that its fiscal operations are overseen by a state oversight board. "NYRA is committed to the highest standards of corporate governance, , and management," NYRA said in the statement.

While noting some fiscal improvements, DiNapoli's auditors raised ongoing worries.

"We are concerned with the limited responsiveness to our prior audit report recommendations, particularly because NYRA may have less incentive to be attentive to cost savings initiatives as its financial condition improves with the influx of VLT revenues," the audit report said.

The audit raised the recent error by NYRA "uncovered during an ongoing state audit of the New York State Thoroughbred Breeding and Development Fund" of overcharging bettors on pari-mutuel takeout over a 15-month period. The embarrassing mistake brought in \$2 million in additional revenue to NYRA, which is being required to pay back what it can to bettors.

"That such an error could remain unchecked by NYRA for such a period of time further increases our concerns over NYRA's fiscal management," the audit states.

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