



Commonwealth of Massachusetts  
Office of the State Auditor  
Suzanne M. Bump

*Making government work better*

Official Audit Report – Issued August 17, 2011

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**Massachusetts Thoroughbred Breeders Association, Inc.**  
For the period January 1, 2010 through December 31, 2010



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**INTRODUCTION**

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The Massachusetts Thoroughbred Breeders Association, Inc. (MTBA) is a non-profit organization whose purpose is to promote, develop, and encourage the breeding of Thoroughbred horses in the Commonwealth. In accordance with Chapter 11, Section 12 and Chapter 128, Section 2 (g) of the Massachusetts General Laws, we have conducted an audit of certain activities of the MTBA for the period January 1, 2010 through December 31, 2010.

The objectives of our audit were to review and analyze controls over cash receipts and cash disbursements to determine whether they are adequate to safeguard funds; conduct transaction testing to determine whether revenues and expenditures are reasonable, allowable, and applicable to the program and are in compliance with laws, rules, and regulations; and determine whether the program is being operated and administered as intended by its enabling legislation, Chapters 128 and 128A of the Massachusetts General Laws. In addition, we reviewed MTBA's progress in addressing the issue noted in our prior audit report (No. 2007-1352-3O).

Based on our audit, we have determined that, during the 12-month period ending December 31, 2010, MTBA has maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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**PRIOR AUDIT RESULT RESOLVED – LATE FILINGS OF TAX FORMS**

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**3**

Our prior audit report disclosed that MTBA owed the Internal Revenue Service (IRS) approximately \$73,000 in interest and penalties for failing to file tax returns in a timely manner. Our follow-up review revealed that MTBA was able to resolve the tax matter with the IRS. The IRS removed all penalties and interest due for failing to file the required tax information.

## INTRODUCTION

### *Background*

The Massachusetts Thoroughbred Breeders Association, Inc. (MTBA) is a non-profit organization whose purpose is to promote, develop, and encourage the breeding of Thoroughbred horses in the Commonwealth. A 12-member Board of Directors, which oversees all operations of MTBA, contracts with a Financial Director to oversee the day-to-day operations and an outside independent public accounting firm to prepare the monthly and annual financial statements for the agency.

For the period of January 1, 2010 through December 31, 2010, MTBA revenues totaled \$738,861 and expenditures totaled \$713,881. MTBA is primarily funded by one percent of the handle of all live and simulcast racing and three and one half percent of the purses paid for live racing at Sterling Suffolk Racecourse Limited Partnership (Suffolk Downs). The following is a summary of revenues and expenditures for the period January 1, 2010 to December 31, 2010:

<b>Beginning Balance, January 1, 2010</b>		<b>\$ 64,941</b>
<b>Revenues</b>		
Handle	\$426,979	
Purse	276,078	
Stakes Racing Fees	22,200	
Donations	7,853	
Membership Dues	5,000	
Interest	<u>751</u>	
Total Revenues		<u>\$738,861</u>
<b>Expenditures</b>		
Awards	\$618,625	
Professional Fees	70,000	
Board Meeting Costs	12,046	
Office Expenses	5,475	
Donations	3,913	
Liability Insurance	1,763	
Program Expenses	1,059	
Professional Dues	<u>1,000</u>	
Total Expenditures		<u>\$713,881</u>
<b>Ending Balance, December 31, 2010</b>		<u><u>\$89,921</u></u>

***Audit Scope, Objectives, and Methodology***

In accordance with Chapter 11, Section 12 and Chapter 128, Section 2(g) of the Massachusetts General Laws, we have conducted an audit of certain activities of the MTBA for the period January 1, 2010 through December 31, 2010.

The objectives of our audit were to review and analyze controls over cash receipts and cash disbursements to determine whether they are adequate to safeguard funds; conduct transaction testing to determine whether revenues and expenditures are reasonable, allowable, and applicable to the program and are in compliance with laws, rules, and regulations; and determine whether the program is being operated and administered as intended by its enabling legislation, Chapters 128 and 128A of the Massachusetts General Laws. In addition, we reviewed MTBA's progress in addressing the issue noted in our prior audit report (No. 2007-1352-3O).

We conducted this performance audit in accordance with generally accepted government auditing standards. 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 finding and conclusions based on our audit objectives.

To achieve our audit objectives, we reviewed MTBA's internal policies and procedures. We reviewed applicable laws, rules, and regulations and examined MTBA's financial records to ensure that expenses incurred, award payments made, and revenues reported were reasonable, allowable, properly authorized, and recorded in compliance with applicable laws, rules, and regulations. We determined whether revenues received from Suffolk Downs were properly recorded and disbursed in accordance with regulations. Also, we determined what corrective measures MTBA took to address the audit issue noted in our prior audit report.

Based on our audit, we have determined that, during the 12-month period ending December 31, 2010, MTBA has maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

**AUDIT RESULTS****PRIOR AUDIT RESULT RESOLVED – LATE FILINGS OF TAX FORMS**

Our prior audit report (No. 2007-1352-3O) of the Massachusetts Thoroughbred Breeders Association, Inc. (MTBA) disclosed that MTBA owed the Internal Revenue Service (IRS) approximately \$73,000 in interest and penalties for failing to file tax returns in a timely manner. Specifically, during tax years 1996, 2001, and 2004, MTBA did not file IRS Form 990 within the timeframe required by the IRS. Form 990 is a return filed for organizations exempt from income tax that, in MTBA's case, is required to be filed annually by May 15. MTBA also did not file Form 1099 for tax years 2000 and 2001 in a timely manner.

Our follow-up review revealed that MTBA was able to resolve the tax matter with the IRS. The IRS removed all penalties and interest due for failing to file the required tax information. We reviewed the tax filings for 2009 and 2010 and found that MTBA submitted the appropriate tax information within the allowable timeframes.