INTRODUCTION

Standardbred Owners of Massachusetts, Inc. (SOM) is a nonprofit organization whose purpose is to promote, develop, and encourage, through the Massachusetts Standardbred Breeding Program (SBP), the breeding of Standardbred horses in the Commonwealth by offering cash prizes to breeders of such horses. SOM is the representative organization of Standardbred breeders and owners and has been approved by the Massachusetts State Racing Commission (SRC) to administer the SBP in accordance with the provisions of Chapter 128, Section 2(j), of the Massachusetts General Laws. SOM, from time to time and in consultation with the SRC and the Department of Food and Agriculture, is to set the percentages for purses and stallion awards to be awarded to breeders of Standardbred horses. According to various provisions in the law, a percentage of the handle of all live and simulcast racing at Plainridge Racecourse is to be transferred to SOM. SOM may expend, annually, up to 8% of such revenue for its administrative expenses. For the period January 1, 2010 through December 31, 2010, SOM revenues totaled $282,610 and SOM expenditures totaled $262,278.

In accordance with Chapter 11, Section 12 and Chapter 128, Section 2(j) of the General Laws, we have conducted an audit of certain activities of SOM 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, 128A, and 128C of the General Laws.

Our tests in the above-mentioned areas disclosed no material weaknesses. Based on our review, we have concluded that, for the period January 1, 2010 through December 31, 2010, SOM maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.
INTRODUCTION

Background

Standardbred Owners of Massachusetts, Inc. (SOM) is a nonprofit organization incorporated on May 1, 1992. Its purpose is to promote, develop, and encourage, through the Massachusetts Standardbred Breeding Program (SBP), the breeding of Standardbred horses in the Commonwealth by offering cash prizes to breeders of such horses. SOM is the representative organization of Standardbred breeders and owners and has been approved by the Massachusetts State Racing Commission (SRC) to administer the SBP.

In accordance with the provisions of Chapter 128, Section 2 (J), of the Massachusetts General Laws, as amended by Chapter 101 of the Acts of 1992 and Chapter 139 of the Acts of 2001, from time to time and in consultation with the Commissioner of the SRC and the program manager for the Equine Division of the Department of Food and Agriculture, SOM is to set the percentages for purses and stallion awards to be awarded to breeders of Massachusetts Standardbred horses. This legislation was enacted to promote, develop, and encourage the breeding of Standardbred horses in the Commonwealth by offering cash prizes to breeders and owners of Massachusetts-bred Standardbred racehorses and qualified stallions through sire stakes races. Standardbred horses and stallions eligible to participate must be racing horses between the ages of two and three that are sired by a Massachusetts-registered stallion.

According to various provisions in the law, a percentage of the handle of all live and simulcast racing at Plainridge Racecourse is to be transferred to SOM. The share of revenue remitted to SOM totaled $258,610 for the period January 1, 2010 through December 31, 2010. SOM may expend, annually, up to 8% of such revenue for its administrative expenses.

For the period January 1, 2010 through December 31, 2010, SOM revenues totaled $282,610 and SOM expenditures totaled $262,278, as shown in the following chart.
Beginning Balance, January 1, 2010 $16,120

**Revenues**

Plainridge Racecourse Revenue $258,610

Fees:

- Registration Fees $21,450
- Membership Fees 2,550

Total Fees $24,000

Total Revenues $282,610

**Expenditures**

- Purse Awards $237,764
- Stallion Incentive Awards 314
- Operating Expenses 8,360
- Stipends 15,840

Total Expenditures $262,278

Ending Balance, December 31, 2010 $36,452

**Audit Scope, Objectives, and Methodology**

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

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.

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, Chapter 128, 128A and 128C of the General Laws.

To achieve our audit objectives, we reviewed SOM’s internal policies and procedures. We reviewed applicable laws, rules, and regulations and examined SOM’s financial records to ensure that expenses incurred and revenues reported were reasonable, allowable, properly authorized, and recorded in compliance with applicable laws, rules, and regulations. We determined whether revenues received from Plainridge Racecourse were properly recorded and disbursed in accordance with regulations.

Our tests in the above-mentioned areas disclosed no material weaknesses. Based on our review, we have concluded that, for the period January 1, 2010 through December 31, 2010, SOM maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.