

# Audit Highlights



Highlights of Legislative Auditor report on the Nevada Athletic Commission, issued on December 4, 2003. Report #LA04-07.

## Background

The Nevada Athletic Commission was established in 1941 and became a part of the Department of Business and Industry in 1993. The five-member Commission is appointed by the Governor to regulate all contests or exhibitions of unarmed combat held or given in the State of Nevada. The Commission's primary means of regulation is the licensing of all contestants, promoters, managers, seconds, trainers and ring officials who hold or participate in any professional contest or exhibition.

The Commission maintains an office in Las Vegas where it employs an executive director and three staff members. In fiscal year 2002, the Commission regulated 154 events, issued 2,317 licenses, and collected about \$1,830,000 in permit and license fees which were deposited directly to the General Fund. During the same time, the Commission expended approximately \$428,000.

## Purpose of Audit

The purpose of this audit was to evaluate the Commission's financial and administrative practices, including whether activities were carried out in accordance with applicable laws, regulations, and policies. Our audit included a review of the Commission's financial and administrative activities for the fiscal year ended June 30, 2002, and activities through February 2003 for certain issues.

## Audit Recommendations

This report contains eight recommendations to improve the Commission's financial and administrative practices. Specifically, the Commission needs to clarify regulations and develop policies and procedures to improve the efficiency and effectiveness of the promoters' fee collection process. In addition, the Commission should assess only those fees authorized by law, use the outside bank account for its authorized purpose, transfer unclaimed cash performance deposits to the State Treasurer, and ensure performance measures are reliable.

The Nevada Athletic Commission accepted all eight recommendations.

## Status of Recommendations

The Commission's 60-day plan for corrective action is due on March 4, 2004. In addition, the six-month report on the status of audit recommendations is due on September 6, 2004.

# Nevada Athletic Commission

## Department of Business and Industry

## Results in Brief

The Nevada Athletic Commission needs to improve its financial and administrative practices. By clarifying regulations and improving agency revenue collection procedures, the Commission can help ensure promoters' event fees are computed correctly, collected in accordance with statutory requirements, and supported by required documentation. The Commission also needs to ensure all charges to its outside bank account are appropriate. During fiscal year 2002, expenditures totaling about \$2,000 that should have been charged to the Commission's budget account were charged to the bank account. Furthermore, procedures have not been established to ensure unclaimed cash deposits are properly disposed of and that performance measures are reliable.

## Principal Findings

When determining event fees, regulations allow promoters to exclude complimentary tickets totaling up to 4% of the seating capacity. However, regulations and agency procedures do not provide sufficient guidance on how the exemption should be applied. As a result, complimentary ticket exemptions were not always computed equitably and correctly. For example, the Commission allocated the exemption to the most expensive seats, thus reducing the amount paid for an event. In one instance, we estimate the promoter would have paid almost \$1,400 in additional fees if a more equitable method was used.

Commission personnel, instead of the promoter, prepare the event fee filing report and send the report to the promoter for verification and payment. Although these fees must be paid within 10 days of the event, this process results in an average reporting and payment period of 18 days. Furthermore, this process results in the inefficient use of staff resources.

Promoters that sell or lease their broadcasting rights are required to file a copy of the contract with the Commission and pay a percentage of the total amount received, up to a maximum fee of \$50,000. However, the Commission did not have copies of the sales contracts from four promoters that remitted fees totaling \$4,700. Without contracts on file, the Commission cannot confirm the accuracy of these fees.

The Commission improperly used its outside bank account to deposit unauthorized revenue to pay employee overtime and inspector fees totaling \$2,100. These expenditures should have been recorded in the Commission's budget account—not the outside bank account. As a result, these receipts and expenditures were never recorded in the Commission's budget account.

The Commission continues to hold cash performance deposits totaling \$30,000 from promoters who are no longer in business or have not been licensed for more than 3 years. State law requires unclaimed property to be turned over to the State Treasurer's Office.

Two of the agency's four fiscal year 2002 performance measures reported in the Executive Budget were unreliable. These measures reported the number of events regulated and licenses issued and were understated by 18% and 40%, respectively. According to agency personnel, they reported the estimated amounts rather than the actual. Unreliable performance measures can misrepresent the actual results of the Commission's operational and financial activities. As a result, key budget and policy decisions could be based on erroneous and incomplete data.