

OREGON RACING COMMISSION



Response to the Secretary of State (SOS) Audit

The Agency's Value to Oregon

A LITTLE BACKGROUND



Since September 1, 2022, many changes have occurred with the Oregon Racing Commission (ORC).

The ORC will soon have a full slate of Commissioners with current terms of service.

The ORC has also had staffing changes. These changes include:

- Executive Director
- Chief Investigator
- Deputy Steward
- Administrative Assistant

RECOMMENDATIONS FOR GOVERNOR'S OFFICE

- Over the past year, the ORC and Governor's Office has worked hard to recruit highly qualified candidates to the commission. Commissioners include experts in law, horse racing, state government, equine industry, counseling, and addiction.



Vice Chair Margaret Doherty
Term

September 28, 2022 – September 27, 2026



Commissioner Quinn Berry
Term

April 26, 2023 – April 25, 2027



Commissioner Diego Conde
Reappointed Term

June 1, 2021 – May 31, 2025

Two additional Commissioners were appointed by Governor Kotek and are awaiting Senate Confirmation during September 2023 Legislative Days. Their confirmation will bring the ORC to full membership.



POTENTIAL CONFLICT BETWEEN CONSTITUTION AND STATUTES

The SOS audit highlighted ambiguous state gambling laws, and the potential for conflicts between existing statutes authorizing pari-mutuel gambling and Oregon's Constitutional prohibition of casinos.

The ORC welcomes the opportunity to assist the legislature and other stakeholders in tackling these challenges.

SOS Audit Recommendations to the ORC

1. ADD REQUIREMENT(S), EITHER IN POLICY OR RULE TO EVALUATE, NEW AND CHANGES TO, GAME AND WAGERING OPERATIONS TO ENSURE THERE IS NO CONFLICT WITH STATE CONSTITUTION AND STATUTE



Two new rules have been drafted by the staff.



The commission has approved ORC Staff to begin rule making.



A Fiscal & Advisory Committee has been formed and are scheduled to meet and the rules will be filed accordingly.



Rules were reviewed both by DOJ and the SOS Auditing team.



Continuous annual review of process and rules

(c) Reimbursement to the commission for expenses associated with out-of-state

(11) An applicant must maintain all customer account-related documentation for one year, and audio recording for a period of not less than three months.

(12) An applicant may have their site reviewed to ensure that game and wagering conflict with the Oregon Constitution and state statutes prior to approval of the commission.

(a) during ORC audits, reviews will ensure that game and wagering operations d Oregon Constitution and state statutes.

(b) All requests for updates to the plan of operations will include ensuring that g operations do not conflict with the Oregon Constitution or state statutes.

Oregon Racing Commission

Fiscal Impact and Advisory Committee Charter

462-220-0070 (12) Audits to review compliance with Oregon law.

462-220-0030 (2) New license review for compliance with Oregon law.

October 19, 2023





In addition, the Assistant Attorney General at the Department of Justice has been directed on our behalf to assess and confirm that the current licensees comply with state statutes and the Oregon constitution. Since the release of the SOS audit, we have had four meetings with our Assistant Attorney General (AAG) on this subject.

SOS AUDIT RECOMMENDATIONS TO THE ORC

2. Enhance rules and develop policies and procedures for allocating and reviewing the use of Alternative Deposit Wagering hub funds.

Soon after the new Director started, efforts began to correct the lack of accountability and documentation that was required for the non-fair meet hub fund distribution.

This included:

Immediate requirements for additional information on applications

Immediate scheduling and audit of the last fund distributions

Provided clear expectations that new rules and policies would be further developed

**BEFORE THE SOS AUDIT WAS OFFICIAL,
ORC STAFF HAD ALREADY ACTED.**

GOING
FORWARD:
RULES,
POLICIES AND
PROCEDURES

We have further filed an amendment to rules outlining our new requirements for hub fund accountability that is in process, including a fiscal advisory committee that will meet in a few weeks.

receipt of a position submitted to the commission, for purposes and industry.

(3) All requests must be submitted in writing on the official OR form no later than January 1 of each odd numbered year for and include a detailed list of all funds requested, the purpose of the funds will benefit racing in Oregon.

(4) All distributions are subject to Oregon Racing Commission

(5) Changes to the intent of approved allocations must be resub

(6) All unused distributions are to be returned to the ORC within fiscal year they were requested for use.

(7) The commission, or its staff, will be given unrestricted acc



Oregon Racing Commission
Hub Fund Audit Assurance Program – Non-fa

OVERVIEW

INTRODUCTION

General Statement:

The Oregon Racing Commission Staff has established a complex and Hub fund allocations. The program has been developed with consider recommendations from external auditors, research from other jurisdic



OREGON RACING COMMISSION
2025 – 2027
Request for Racing Development (HUB) Funds for
Non-Fair Meets



Applicant Information

Name of Organization:

Name and Title of Organization Representative:

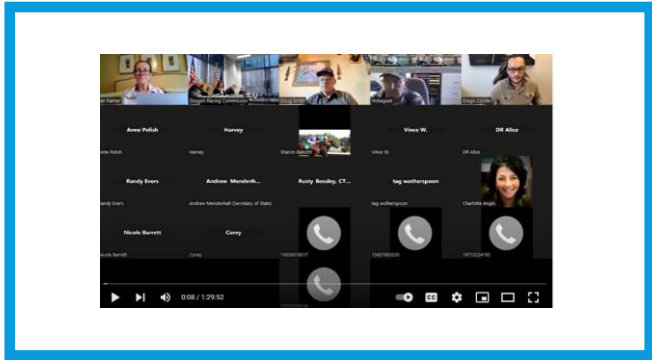
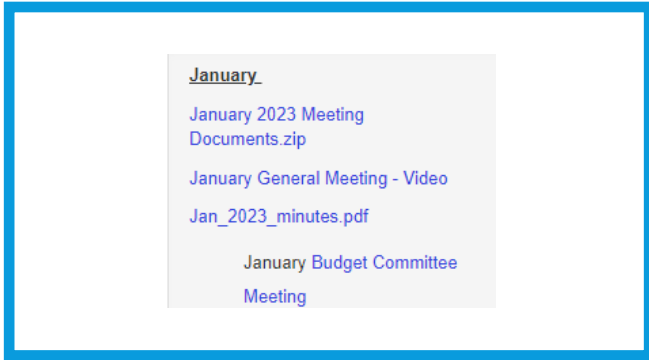
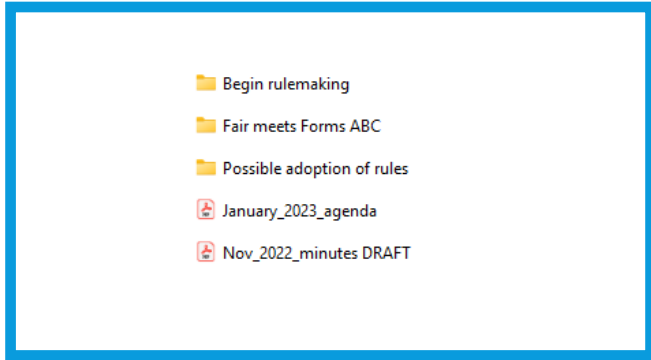
IN ADDITION TO THE RULE CHANGES ORC HAS:

- Further increased requirements for the hub funds application
- Developed an audit assurance program
- Consulted with the SOS Audit Team and the Department of Justice to ensure we address all issues.

SOS Audit Recommendations to the ORC

3. Ensure commission meeting minutes provide clear and transparent communication approval detail, including attachments received by the commission to inform action approval.





Beginning September of 2022, all attachments that were sent out to the commissioners were also sent to our distribution list of interested parties.

Beginning January of 2023, the ORC started posting:

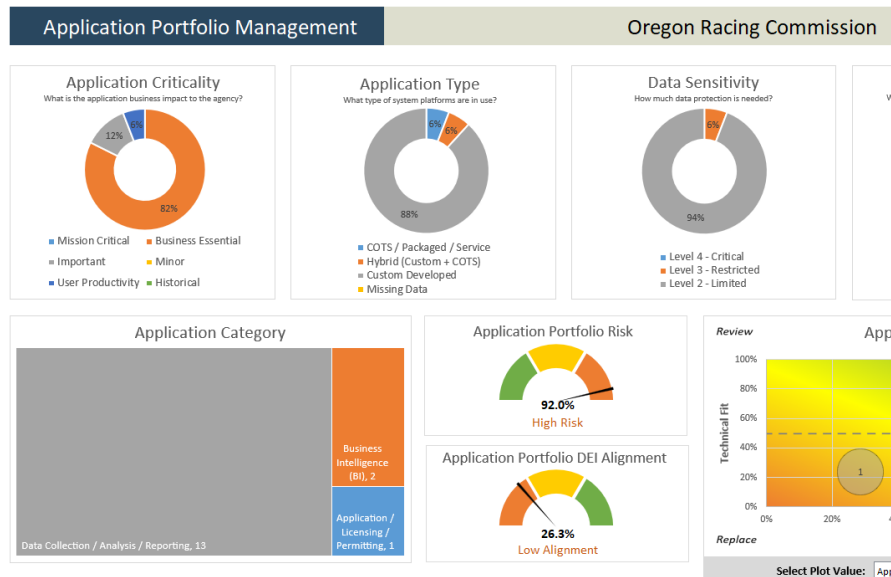
- Full meeting videos
- Written materials (except for confidential documents as provided by law)
- The approved written minutes

SOS Audit Recommendations to the ORC

- 4. Ensure documentation of its licensee reviews are maintained and safeguarded.



In addition, ORC has completed a technology strategic plan which includes further systems which would modernize this process.



In September, the ORC implemented a dual control storage system. The system requires all audit and sensitive documents that are not stored in other systems to be kept on two separate network drives for redundancy. This was a sufficient solution for the SOS Audit team.

A little more about the recommendation on documentation.

This recommendation was based on some of the historic horse racing annual checklists that were missing. The ORC does not take this finding lightly.

However, the auditing program ORC put together far exceeded any other jurisdiction at that time. No other jurisdiction used a similar checklist or had an independent audit assurance program.

The ORC will continue working towards improved documentation practices.



WHAT DO WE HAVE?

Like all jurisdictions, the ORC used a third-party vendor to complete testing any time there was a change with the equipment, the software or any related technology. This included adding code to confirm that no additional changes had been made. All these reports have been maintained.

The ORC developed and used a comprehensive audit assurance program with expertise from Gaming Laboratories International (GLI). They are considered the gold standard.

We have maintained:

- All GLI Audit reports
- All the ORC Certification letters
- All emails approving the verification of the code added to the programs with GLI for each machine
- All third-party tote reports
- All daily fee reports
- All tax verification forms

For clarification, the SOS Audit stated they did not evaluate the Historical Horse Racing Audit Process for Portland Meadows, not that it was unacceptable.

WHAT THE OREGON
RACING COMMISSION
DOES FOR OREGON.

THE OREGON RACING COMMISSION HAS EXPERTISE THAT IS NEEDED IN THE INDUSTRY

1 Senior State Veterinarian

3 Contract Veterinarians

2 Veterinarian Technicians

1 Chief Investigator

1 Investigator

1/2 Admin

1 Program Coordinator

1 Director of Mutuels/Online wagering

1 Supervisor of Pari-mutuels

1 Presiding State Steward

1 Deputy Steward

1 Executive Director

EQUINE WELFARE

- During race days, there are two Oregon Racing Commission Veterinarians on site.
- Prior to each race day every equine athlete is evaluated by one of our veterinarians. This includes but is not limited to:
 - Physically looking at the horse – any findings that could jeopardize the horse requires a scratch from races.
 - Palpitating the legs to look for any sore muscles – any findings results in a scratch.
 - Flexing the legs for any soreness – which would result in a scratch
 - Watching the horse trot up and back to evaluate any gate issues – which would result in a scratch





- Before the race, the veterinarian again watches each horse as they are brought into the paddock prior to the race for any irregular behavior – possibly resulting in a scratch.
- If during the mounting process the jockey feels unsafe, the horse is scratched.
- The veterinarian follows the horses and observes them at the starting gate providing another opportunity to scratch any horses that are seen as unfit.

A person wearing a white lab coat is holding a white petri dish. In the background, there is a rack containing several test tubes. The entire image has a blue tint.

ALL WINNERS ARE TESTED FOR BANNED SUBSTANCES.

RANDOM TESTING IS DONE ON ADDITIONAL HORSES

INVESTIGATION TEAM

- Conducts background checks on all individual licensees
- Inspects Off Track Betting (OTB) Locations
- Routinely inspects Jockey Room, Tack Room, etc. for any banned substances
- Looks for possible animal abuse/unclean or unsafe practices on the back side
- Watches the paddock to ensure that there is safe practices, and no rules are violated
- Monitors the starting gate to assess loading horses and Jockey safety
- Conducts complete investigations for Steward review and resolution.



THE STEWARDS ARE CHARGED TO OVERSEE THE FAIRNESS OF THE RACE MEET.



Closely observing the running of the race for interference, injuries, incidences and issues. Notifying the outriders, track vets, horse ambulance crew and para-medics if a horse or rider are down, or loose horse; and posting the inquiry sign.

Checks for proper gear, placing order of finish, alert staff if any horses seem unsound. Conduct hearings on all questions, disputes, protests, complaints or objections concerning racing matters.

Issue subpoenas for the attendance of witnesses or the production of any records to effectively discharge duties. Administer oaths or affirmations as necessary in connection therewith

PARI-MUTUEL AUDITOR

Some of the duties include:

Oversees:

Pari-mutuel cashiers

Self-service machines

Tote operations

Audits all financials wagered

Calculates payouts to associations, assessed fees and improvement funds



HORSE RACING: Eastern Oregon Livestock Show, Union, Oregon													[----- COMMISSION -----]				
RACING DAY: 1		DATE: 06 June 2014		WEATHER: Sunny								Total	Assoc.	State			
First Post: 4:28 PM		Last Post: 7:48 PM		ATTENDANCE: N/A									22.00%	21.00%	1.00%		
TY	RA	BD	ST	PURSES	WIN	PLACE	SHOW	D.DBL.	QUINELLA	EXACTA	TRIFECTA	TOTAL	22.00%	21.00%	1.00%	BREAK	NET
PE	CE	BD	ST														
MD	1	QH	7	2,000	220.00	114.00	103.00		147.00	62.00	229.00	875.00	192.50	183.75	8.75	7.90	674.60
CL	2	TB	6	2,200	358.00	157.00	119.00		359.00	44.00	417.00	1,454.00	319.88	305.34	14.54	7.22	1,126.90
ALW	3	QH	7	2,200	566.00	239.00	134.00		339.00	32.00	275.00	1,585.00	348.70	332.85	15.85	9.10	1,227.20
MD	4	TB	6	2,100	552.00	151.00	141.00		318.00	84.00	292.00	1,538.00	338.36	322.98	15.38	19.93	1,179.71
CL	5	TB	6	2,100	483.00	179.00	113.00	78.00	282.00	59.00	325.00	1,519.00	334.18	318.99	15.19	16.18	1,168.64
CL	6	TB	7	2,150	661.00	161.00	84.00		370.00	105.00	674.00	2,055.00	452.10	431.55	20.55	5.70	1,597.20
CL	7	TB	5	2,100	654.00	213.00	99.00		423.00	97.00	211.00	1,697.00	373.34	356.37	16.97	8.31	1,315.35

MUTUELS DIRECTOR/ONLINE AUDITOR

Responsible for daily, quarterly and annual audits of the online wagering activities

Audits include but are not limited to:

- Compliance with all ORC Statutes and Rules

- Financial practices and soundness

- IT including security and best practices

- Operations, including policies and procedure reviews

- Facility security

Oregon Racing Commission is a leader in this industry and highly respected



THE BENEFIT TO OREGON FROM REGULATING ONLINE WAGERING

Allows us to be self funded – with the funds coming from outside the state of Oregon

Assist with rules and standards across jurisdictions

Other jurisdictions rely on our expertise

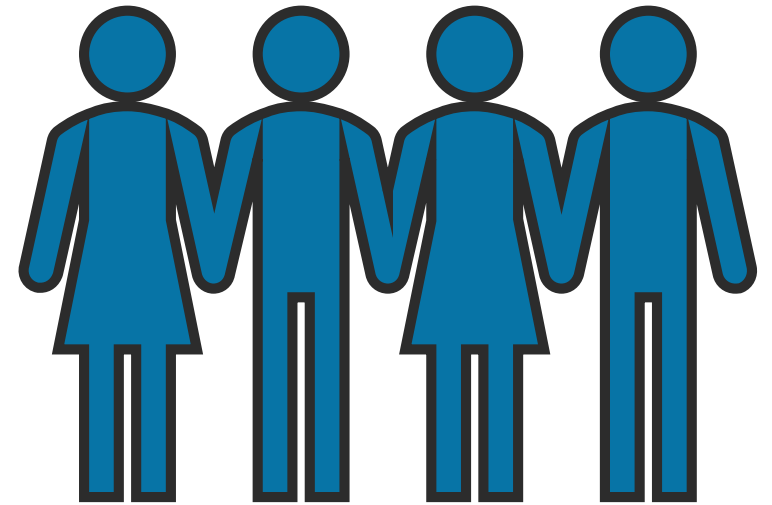
THE OREGON RACING
COMMISSION HAS
EXPERTISE IN ONLINE
WAGERING

CONTRIBUTIONS

\$1.6 million to the General Fund

ECONOMIC IMPACT TO THE RURAL COMMUNITY

- Tillamook County
- Josephine County
- Union County
- Crook County



Serving the Latino community

Most of the Quarter Horse Owners and Trainers are Latino. This is where we are seeing the largest growth in racing.

Most of the Jockeys and many of the backside staff are Latino.

Representative/Vice Chair
Doherty – Tigard

- Extensive legislative experience

Commissioner Berry –
Wallowa

- Counselor with addiction expertise

Nominee Fowler – Eugene

- Committed to animal safety and the reputation of the industry

Nominee Stedman –
Southerland

- Referral from Representative Gomberg/Passionate about animal safety

NEW LEADERSHIP ON THE COMMISSION

Impact to Off-Track betting Locations

Alexander's Sports Lounge
1712 NE Fairview Ave
Fairview, OR 97024
503-665-3400

Portland Meadows
8102 NE Killingsworth St
Portland, OR 97218
503-309-3087

Rialto
529 SW 4th Ave
Portland, OR 97204
503-820-9000

Speakeasy Bar & Grill
15680 SW Upper Boones Ferry Rd
Lake Oswego, OR 97035
503-684-0380

Stadiums
16065 SE McLoughlin Blvd
Oak Grove, OR 97267
503-305-8410

Tom's Bar
3871 SE Division St
Portland, OR 97202
503-233-3739

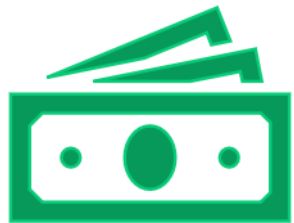
Salem
Capital Cantina
1486 Hawthorne Ave NE
Salem, OR 97301
971-707-4916

Eugene
Emerald Lanes
140 Oakway Road
Eugene, OR 97401
541-342-2611

Bend
Lava Lanes
1555 NE Forbes Rd
Bend, OR 97701
541-318-5656

Ontario
Action's Sports Bar and OTB
490 East Lane, #10
Ontario, OR 97914
541-216-5081

Spending on the backside



Horse Tack

Clothing

Tools

Accessories

Tractors

Radio

Tote

Advertising

Handicapping

Lodging

Fuel

Restaurants

Hardware

Local

Entertainment

Printing

Horse Food

Bedding



Horse boarding



Veterinarian services



Horse Insurance



Property Tax



Facility Maintenance



Professional Dues



Salary, wages and benefits



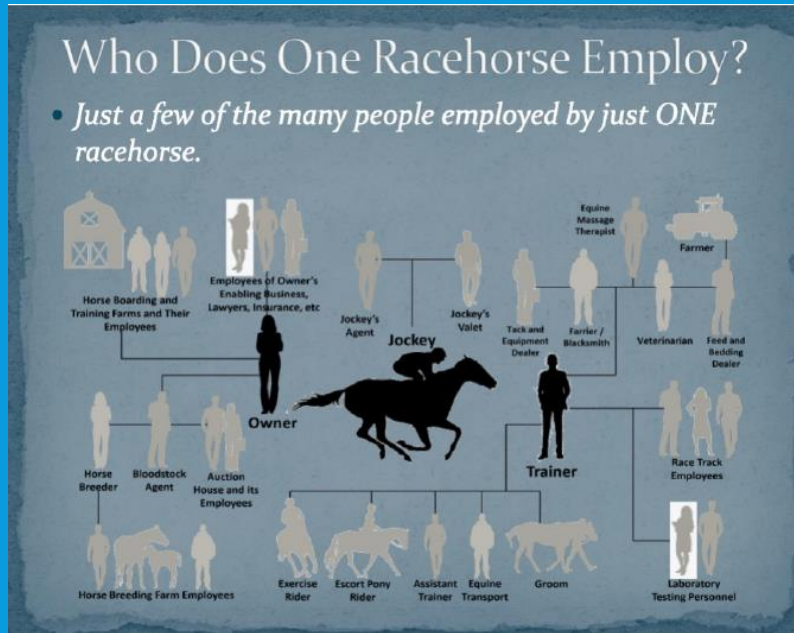
Training fees

AFTER THE MEETS

ABOUT HOW MUCH PER RACEHORSE GOES INTO THE ECONOMY?

Total Per Race Horse Per Year: \$24,980

Total Per Horse Per Year (retired): \$9,316



Race Horse Lifecycle Yearly Spending	
Annual Expenses per Race Horse (Prime)	Dollar Amount
Boarding and Training Fees	\$ 6,000
Health and Veterinary Services during Racing Season	\$ 1,200
Feed	\$ 3,000
Tack, Grooming Supplies, and Other Equipment	\$ 624
Bedding	\$ 1,800
Farmers	\$ 1,800
Professional Dues and Entry Fees	\$ 405
Stud Fees	\$ 343
Veterinary Service	\$ 1,487
Facilities Maintenance	\$ 605
Horse Insurance	\$ 200
Horse Transportation	\$ 273
Staff Travel Expenses	\$ 83
All Other Business Service Expenses	\$ 688
Salary, Wages, and Benefits	\$ 5,473
Cash Value of Perks	\$ 419
Property Taxes	\$ 391
Cost of All Other Goods	\$ 189
Total Per Race Horse Per Year (Prime)	\$ 24,980
Retired Race Horse Expenses	
Boarding	\$ 1,000
Health and Veterinary Services	\$ 1,487
Feed	\$ 3,000
Tack, Grooming Supplies, and Other Equipment	\$ 624
Bedding	\$ 1,800
Farmers	\$ 800
Facilities Maintenance	\$ 605
Total Per Horse Per Year (Retired)	\$ 9,316

Source: Hunden Strategic Partners

PETA's Investigation

**IF ORC GOES AWAY, WE PUSH MORE
PEOPLE TO ILLEGAL RACING.**

The Deadly World of Underground Horse Races

WHAT ELSE HAVE WE BEEN UP TO?

- Increased testing at the race meets
- Increased safety protocols such as increasing AQI standards
- Cleaned up many processes and procedures that were not well established. Some include but are not limited to:
 - IT Strategic Plan, Governance & Committee
 - Orientation Overhaul
 - Diversity Equity and Inclusion Policy and DEI Committee
 - Succession Planning & Steering Committee
 - Emergency Preparedness Planning/Continuation of Operations Plan

Introduced/created or amended 43 rules

Out of the 43, 25 have already been made permanent

Reduced expenses such as going remote when we are not racing

· *Note: The race meets are required to provide office space for us during operations.*



Goals between meets:

- Continue to work with the Governors office and the Department of Justice to do everything in our power to eliminate Greyhound Racing.
- Revamp our medication and safety rules for human and equine alike. This process was started last year.
- Continue to update our administrative rules and policies.
- Invest in additional staff training.
- Work with Legislators to reduce illegal wagering operations.



QUESTIONS?

