



Legislative Requirement:

An Efficiency Audit of the Racing Commission

To address the requirements in Texas Government Code, Section 327.004, the State Auditor's Office reviewed the Racing Commission's use of state resources in the following areas: financial resources, personal and real property assets, technology, and staffing.

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State Auditor

The Racing Commission (Commission) has opportunities to improve efficiency by:

- Reducing its reliance on a limited number of employees incurring significant compensatory time to prevent race cancellations.
- Centralizing its records into one system.

Auditors did not identify any duplication, overlap, or conflict with other state agencies or misalignment between the Commission's rules in the Texas Administrative Code and its statutory authority and mission.

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This audit was conducted in accordance with Texas Government Code, Sections 327.002 and 327.004.



INEFFICIENT STAFFING

The Commission did not maintain sufficient staffing resources to efficiently meet the operational demands of its racing schedule. The staffing imbalance increases the risk of race cancellations, operational disruptions, and associated financial losses.

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INFORMATION TECHNOLOGY

The Commission's decentralized systems created inefficiencies for its management and operations staff and limited staff's ability to quickly access complete and accurate information.

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Summary of Implementation Plan

Auditors made recommendations to address the inefficiencies identified during this audit (see [Page 8](#)).

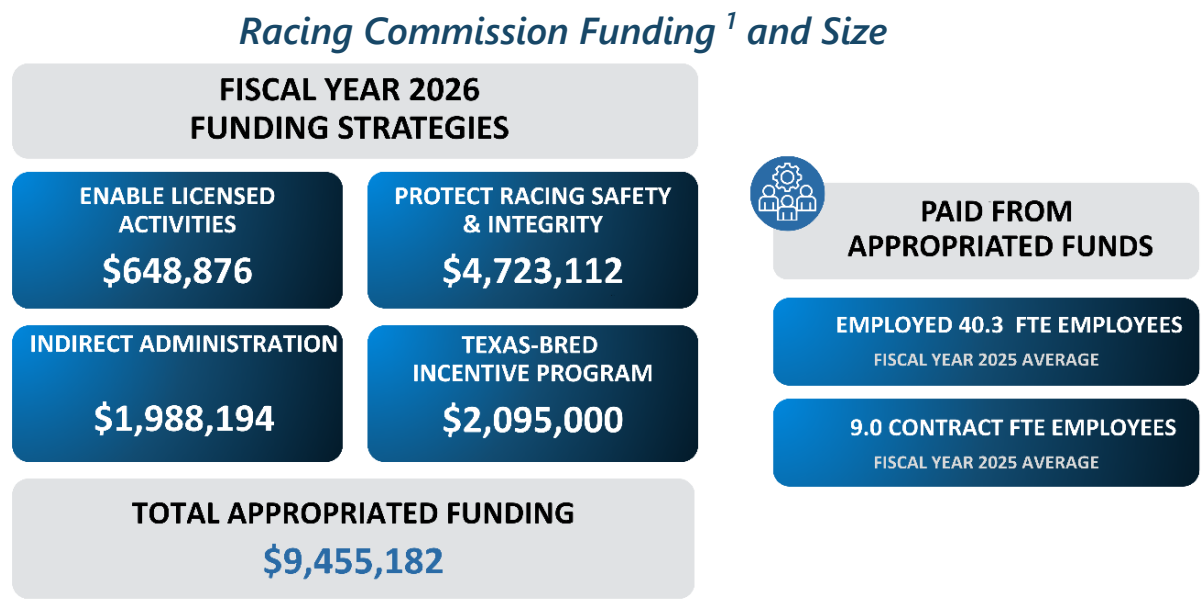
The Commission agreed with the recommendations and provided information on its planned implementation of them (see the Commission's Management Implementation Plan starting on [Page 8](#)).

Background Information

Racing Commission

The Racing Commission (Commission) is a state agency that regulates all aspects of horse racing activities in Texas. Figure 1 shows the Commission’s funding and size.

Figure 1



Source: The General Appropriations Act (89th Legislature); House Bill 500 (89th Legislature, Regular Session); and the Commission’s self-reported full-time equivalent (FTE) data.

¹ Figure 1 presents funding for the Commission’s general operations and excludes supplemental appropriations the Commission also received.



Inefficient Staffing

The Racing Commission (Commission) did not maintain sufficient staffing resources to support the operational demands of the racing schedules. As a result, its staff incurred significant amounts of compensatory time to meet race-day staffing requirements and prevent race cancellations.

The Commission depended on its limited number of employees to consistently incur significant compensatory time to avoid canceling races.

The Commission provided specific services onsite at the four racetracks in Texas hosting live racing events (see Figure 2). The Texas Occupations Code requires the Commission to have at least one veterinarian and three stewards (a steward is a regulatory official who oversees the conduct and integrity of live horse racing) present at all live races; the Commission also provides veterinary technicians at those racing events.

Figure 2



Race schedules may require coverage at multiple tracks on consecutive days and, at times, simultaneous races at different locations. According to the Commission, the minimal staffing for live racing days is typically three veterinarians, four stewards, and six veterinary technicians. Commission staff must also cover training races, work active investigations, and process rulings and address appeals.

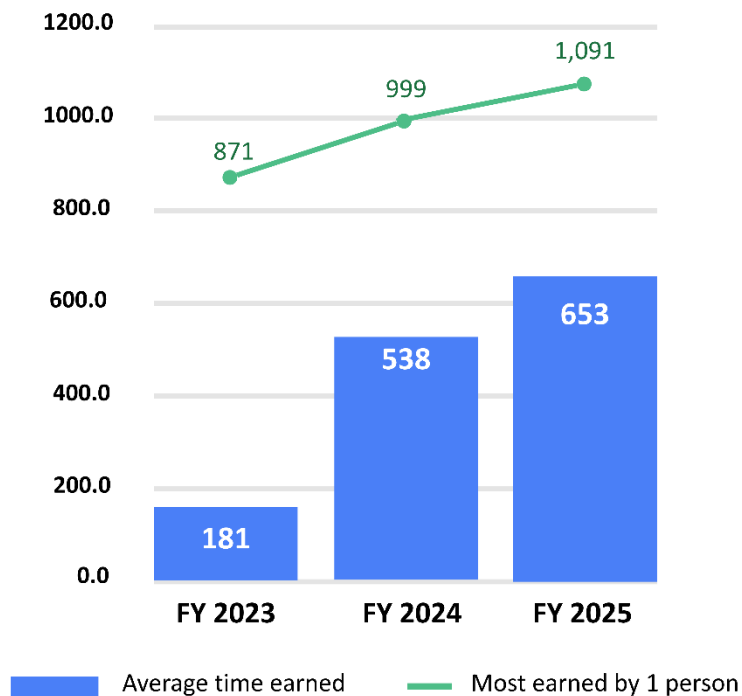
As of January 2026, the Commission employed only one full-time veterinarian. Although the Commission supplemented its workforce with contracted veterinarians and veterinary technicians, that was not sufficient to meet staffing demands.

As a result, Commission operations employees accumulated substantial compensatory time balances. For example, one veterinary technician and one veterinarian each accrued more than 1,000 compensatory hours in a single year, the equivalent of approximately 6 months of 40-hour work weeks.

Figure 3 depicts the average amount of compensatory time earned by the Commission's race-day operations staff.

Figure 3

Average Compensatory Time Earned by Race-day Staff²



Source: The Commission.

² Race-day staff includes only the veterinarians, veterinary technicians, and stewards. During fiscal years 2023 to 2025, race-day staff included between 11 and 12 people.

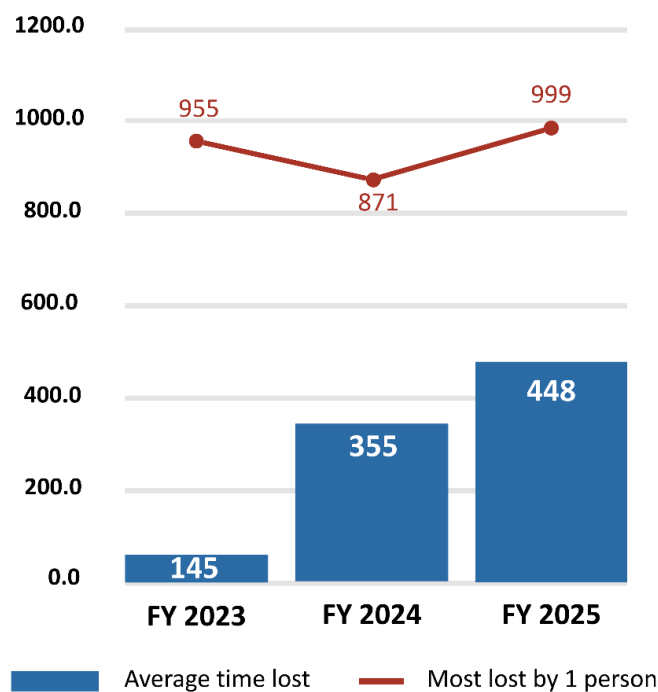
The Commission's reliance on excessive compensatory time accumulation is not an efficient or sustainable long-term staffing strategy.

Although employees' willingness to work additional hours has allowed the Commission to avoid race cancellations, the practice masks the underlying staffing imbalance rather than resolving it.

The Commission's chronically insufficient staffing levels prevented the employees from using much of the leave earned. For example, of 11 race-day staff, the top 5 employees earned between 648 and 999 hours of compensatory time (the equivalent to 16 to 25 standard 40-hour work weeks) in fiscal year 2024, but none of the 5 were able to use any of that earned leave before it expired.³ Figure 4 depicts the average amount of compensatory time lost by race-day operations staff (veterinarians, veterinary technicians, and stewards).

Figure 4

Average Compensatory Time Lost by Race-day Staff



Source: The Commission.

³ Texas Government Code, Chapter 659, states that if an employee does not use state compensatory time within 12 months of when it was earned, the employee loses this time.

If operational demands prevent employees from taking earned leave, the risk of employee fatigue, burnout, injury, and turnover increases. This could further reduce the availability of critical personnel. If qualified staff become unavailable, the Commission may be unable to meet required race-day staffing levels, resulting in race cancellations, operational disruptions, and associated financial losses for the Commission, the State, and racing industry participants.



Information Technology

The Commission's decentralized systems create inefficiencies for its management and operations staff.

The Commission's information technology infrastructure requires staff to use multiple, nonintegrated systems, including a legacy database containing historical information from before 2023, to perform licensing and enforcement functions. As a result, staff must use manual processes to obtain and evaluate information from multiple systems to perform core licensing and enforcement functions, such as issuing occupational licenses, documenting investigative activities, and managing enforcement actions.

The Commission's decentralized information environment contributes to the duplication of data across multiple systems and limits staff's ability to quickly access complete and accurate information. The resulting inefficiencies reduce productivity, divert staff resources from higher-value regulatory activities, and hinder the Commission's ability to effectively manage its licensing and enforcement operations.

Recommendations

The Commission should:

- Develop and implement a staffing strategy to reduce its reliance on the use of compensatory time. The strategy could include:
 - Hiring additional staff.
 - Seeking additional contracts with veterinarians and veterinary technicians.
 - Collaborating with racetracks to reduce or eliminate schedules that require live racing on consecutive days or at multiple racetracks on the same day.
- Review information technology systems that will allow it to centralize its records into one system.

Management's Implementation Plan

Finding: Inefficient Staffing

Management Response:

The Commission agrees that staffing levels and the distribution of responsibilities across certain operational functions have created inefficiencies and increased the Commission's reliance on a limited number of employees to meet the operational demands associated with live racing schedules. The Commission recognizes that this reliance can result in significant compensatory time and creates additional operational risk when employees are unavailable.

The Commission has requested additional resources through its 2028–2029 Legislative Appropriations Request to address identified staffing capacity needs. To the extent implementation requires additional appropriations or authorized FTEs, implementation will be contingent upon legislative approval.

Management is also taking steps to address these concerns through a comprehensive review of staffing levels, workload distribution, operational responsibilities, and scheduling requirements.

The Commission will evaluate:

- Staffing needs based on the demands associated with the live racing calendar and will identify opportunities to better distribute responsibilities, establish appropriate backup coverage, and reduce reliance on individual employees for critical functions. In addition, the Commission will incorporate staffing capacity into its review of proposed live racing schedules and work with racetracks, where practicable, to identify scheduling conflicts that may result from consecutive race days, simultaneous live racing, holidays, or other circumstances that place unusual demands on limited race-day personnel.
- Possibilities to expand or supplement its pool of contracted veterinarians and veterinary technicians when necessary to provide race-day coverage.
- Opportunities to improve workforce planning and cross-training so that essential functions can continue without interruption when individual employees are unavailable. Where appropriate and subject to available funding and authorized FTE levels, the Commission will pursue additional staffing resources or other operational solutions to address identified capacity needs.

Management will also monitor compensatory-time accruals and usage among race-day personnel to identify emerging staffing pressures, evaluate whether corrective measures are reducing reliance on compensatory time, and identify circumstances in which staffing or scheduling adjustments may be necessary.

These efforts are intended to reduce the risk of live race day cancellations and operational disruptions while ensuring that the Commission uses its staffing resources as efficiently as possible.

Finding: Information Technology

Management Response:

The Commission agrees that its decentralized information technology systems have created inefficiencies in the management and operation

of the agency and have limited employees' ability to quickly access complete and accurate information.

The Commission has begun efforts to address this issue by evaluating the agency's information-management needs and planning for a more centralized approach to records and operational information in conjunction with the Department of Information Resources. As part of its 2028–2029 Legislative Appropriations Request, the Commission has submitted an Exceptional Item, Restore Critical Digital Infrastructure to Enable Agency Operations, seeking resources to modernize the Commission's technology infrastructure and establish a more centralized approach to information and records management.

The Commission recognizes that improving its information technology infrastructure is not limited to building a new database or system. Effective implementation also requires clearly defined business processes, appropriate user access, data ownership, standardized procedures, and staff training. Accordingly, management will incorporate these considerations into its technology improvements.

While funding for broader technology modernization remains pending, the Commission will identify authoritative sources of information for key business functions, document existing systems and data repositories, and establish procedures for maintaining and reconciling information across existing systems. These interim measures will also support future data migration and system implementation.

These efforts will allow the Commission to reduce reliance on disconnected systems, improve institutional knowledge, strengthen reporting capabilities, and allow management and staff to make more timely and informed operational decisions.

Overall Management Response

The Commission recognizes that these findings provide an opportunity to strengthen the agency's internal operations as it continues to modernize its systems and prepare for the future needs of the Texas racing industry.

Management will continue to monitor progress on the corrective actions identified and will incorporate these efforts into the Commission's ongoing workforce planning, information technology modernization, and operational improvement initiatives. The

Commission's goal is to ensure that its limited resources are deployed effectively while maintaining the level of regulatory oversight, safety, integrity, and service expected of a state regulatory agency.



Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether the Racing Commission (Commission) is administering selected state resources in an efficient manner according to best practices and applicable requirements.

Scope

The scope of this audit included the Commission's procedures and operations from September 2022 through December 2025.

Internal control was not significant to the audit objective.

Methodology

We conducted this performance audit from January 2026 through July 2026 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.

The following members of the State Auditor's staff performed the audit:



- Krista L. Steele, MBA, CPA, CFE, CIA, CGAP (Project Manager)
- Sam Minty, CFE (Assistant Project Manager)
- Makena Kang
- Robert Pagenkopf, MBA, CPA, CIA, CFE
- Castulo Estevan Villagomez
- Dana Musgrave, MBA, CFE (Quality Control Reviewer)
- Amadou Ngaide, MBA, CIDA, CFE, CICA (Audit Manager)

We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. In addition, during the audit, matters not required to be reported in accordance with *Government Auditing Standards* were communicated to the Commission's management for consideration.

Addressing the Audit Objective

During the audit, we performed the following:

- Interviewed, surveyed, and conducted walkthroughs with Commission management and staff to gain an understanding of the Commission's functions, activities, and processes.
- Identified the relevant criteria:
 - Texas Government Code, Chapters 659, 2001, 2006, and 2007; and Sections 2165.1061 and 2165.104.
 - Texas Occupations Code, Chapters 2021, 2022, 2023, 2025, 2026, 2028, 2030, 2033, and 2034.
 - Texas Administrative Code, Title 16, *Texas Racing Commission*.
 - Texas Administrative Code, Title 1, Rules 122.2 and 122.3.

In addition, to address the requirements for efficiency audits in Texas Government Code, Section 327.004, we performed work in the following areas.

Strategic Planning. Evaluated the Commission's Strategic Plan for fiscal years 2025-2029 and compared the Commission's mission and responsibilities with those of other state agencies.

Financial Resources. Evaluated the Commission's monitoring of its financial efficiency. Reviewed the Commission's financial statements for fiscal years 2022 to 2025; financial data, including vendor payments for fiscal years 2023-2025 and license fees for September 2022 through December 2025, from the Uniform Statewide Accounting System (USAS); contracts; laboratory expenditures for September 2025 to April 2026; and monitoring of funds distributed to breed registries from the Horse Industry Escrow Account and the Accredited Texas-Bred Incentive Program for calendar year 2025.

Operations. Evaluated the Commission's monitoring of its operational efficiency; reviewed its operations at racetracks; and evaluated the results of

interviews, walkthroughs, survey results, and data analysis to identify opportunities for the Commission to improve operational efficiency.

Personal and Real Property. Conducted walkthroughs of Commission's offices, including offices at two racetracks, and reviewed the Commission's fleet asset listing from its non-financial report.

Technology. Reviewed the Commission's current information technology (IT) systems, including its structure and data storage related to key processes. Interviewed key IT personnel and executive staff to gain an understanding of how data fragmentation impacts their key daily operations. Conducted an agency-wide survey with an emphasis on day-to-day IT processes and general technology.

Staffing. Reviewed compensatory time reports from the Centralized Accounting and Payroll/Personnel System (CAPPS) for September 2022 through December 2025. Reviewed information on the Commission's staffing, use of contract employees, employee turnover, and other workforce information published in recent [reports](#) by the State Classification Team within the State Auditor's Office. While those reports are not audits, the data and information presented in them were subject to certain procedures performed by the SAO Classification Team to ensure accuracy.

Data Reliability and Completeness

Auditors independently ran the Commission's expenditures, revenues and vendor payments for September 2022 through December 2025 directly from USAS and verified the parameters and controls used. The data sets were sufficiently reliable for the purposes of this audit.

For the Commission's compensatory time reports, auditors observed Commission staff generating the reports from CAPPS and analyzed key fields for reasonableness and completeness. The data was sufficiently reliable for the purposes of this audit.



Copies of this report have been distributed to the following:

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The Honorable Dustin Burrows, Speaker of the House, Joint Chair

The Honorable Joan Huffman, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Racing Commission

Members of the Racing Commission

Mr. David Holmes, Executive Director



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