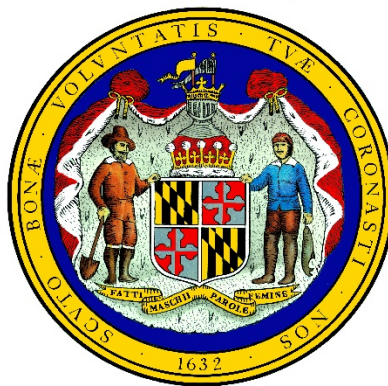


Audit Report

Maryland Department of Labor Division of Racing

April 2026



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

Joint Audit and Evaluation Committee

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

April 10, 2026

Senator Shelly L. Hettleman, Senate Chair, Joint Audit and Evaluation Committee
Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Maryland Department of Labor (MDL) - Division of Racing (DOR) for the period beginning September 1, 2021 and ending January 15, 2026. DOR is responsible for implementing the policies of the Maryland Racing Commission, which regulates the conduct of horseracing and pari-mutuel wagering in the State. DOR is also responsible for the distribution of certain video lottery terminal funds in accordance with certain provisions of State law.

Our audit disclosed that since 2018, DOR had not performed background checks on licensees, as required by State regulations. DOR issues licenses for all individuals working at Maryland racetracks and is required to perform State and national background checks for all licensees. Additionally, DOR did not document its reviews of racing misconduct databases from other jurisdictions for suspension of Maryland licenses.

MDL's response to this audit, on behalf of DOR, is included as an appendix to this report. We reviewed the response and noted agreement to our findings and related recommendations and will notify DOR of any needed clarification to ensure the responses sufficiently address the related findings.

We wish to acknowledge the cooperation extended to us during the audit by DOR.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

Background Information

Agency Responsibilities

The Maryland Department of Labor (MDL) - Division of Racing (DOR) is responsible for implementing the policies of the Maryland Racing Commission (Commission), which operates under the provisions of Title 11 of the Business Regulation Article of the Annotated Code of Maryland. The Commission, which consists of nine members who are appointed by the Governor, is responsible for regulating the conduct of horseracing and pari-mutuel wagering in the State.

DOR is also responsible for the allocation of certain video lottery terminal funds. Specifically, DOR distributes these funds, which are originally collected by the State Lottery and Gaming Control Agency, for the purposes established in the State Government Article, Title 9 of the Annotated Code of Maryland (purse dedication, racetrack facility renewal, and local impact grants).

According to the State's records, during fiscal year 2025, DOR expenditures totaled approximately \$202 million (see Figure 1) which included \$195.7 million in distributions funded by video lottery terminal revenues for grants and capital projects. During the period of June 30, 2022 through June 30, 2025, DOR had vacancy rates that ranged from 0 to 18.2 percent. As of June 30, 2025, approximately 18.2 percent of the total 22 positions were vacant. These vacancies were in positions that were unrelated to the finding in this report.

**Figure 1
MDL – DOR**

Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2025	
	Positions
Filled	18
Vacant	4
Total	22
Fiscal Year 2025 Expenditures	
	Expenditures
Salaries, Wages, and Fringe Benefits	\$ 2,288,090
Technical and Special Fees	907,757
Operating Expenses	198,875,648
Total	\$202,071,495
Fiscal Year 2025 Funding Sources	
	Funding
General Fund	\$ 3,347,317
Special Fund	198,724,178
Total	\$202,071,495

Source: State financial and personnel records

Findings and Recommendations

Licensing

Finding 1

The Division of Racing (DOR) did not perform required verifications of individuals licensed to work at Maryland racetracks resulting in the failure to identify and take corrective action for licensees with criminal backgrounds and past disciplinary action.

Analysis

The Division of Racing (DOR) did not perform required verifications of individuals licensed to work at Maryland racetracks¹ resulting in the failure to

¹ Laurel Park, Pimlico Race Course, Rosecroft Raceway, Timonium Race Course, and Ocean Downs.

identify and take corrective action for licensees with criminal backgrounds and past disciplinary action. DOR issues annual licenses for all individuals working at Maryland racetracks including jockeys, concessionaires, and trainers. State law requires the Maryland Racing Commission (Commission) to conduct criminal background checks and permits the Commission to deny a license to an applicant for any reason it deems sufficient. In addition, State regulations provide that DOR is to suspend or revoke a license if the licensee was suspended or revoked in another jurisdiction.

According to DOR records, during fiscal year 2025 DOR issued 5,746 licenses. We reviewed procedures and controls over the license process, and tested 25 licenses issued between fiscal years 2023 and 2026² and noted the following:

- DOR did not perform required background checks of individuals licensed to work at Maryland racetracks in accordance with state law. We were advised by DOR management that it discontinued background checks in 2018 because its fingerprinting machine broke. In this regard, our test of the 25 licenses disclosed that one 2024 licensee was convicted of battery and malicious destruction of property in 1993 and another 2026 licensee was convicted of possession with intent to distribute an illegal substance in 1986 according to publicly available records. DOR was not aware of the convictions because they had not performed the required background check.
- DOR did not identify and take enforcement action for licensees with licenses that were suspended or revoked in other jurisdictions. We were advised that DOR reviewed national databases (including the Association of Racing Commissioner's International, the federal Horseracing Integrity and Safety Authority, and Horseracing Integrity and Welfare Unit) which included licensees whose licenses were suspended or revoked in other jurisdictions. However, DOR did not document its review or any action taken based on the information in the databases, as required by State regulations.

In this regard, 4 of the aforementioned 25 licensees were suspended in another jurisdiction while maintaining an active license in Maryland. DOR could not document that it identified and suspended these licenses. For example, one of these individuals was licensed in Maryland in 2025 and was suspended 3 different times during the year in other jurisdictions; however, DOR could not

² We selected licenses which required payment of a fee, such as for thoroughbred and harness racing. For each licensee tested, we reviewed Maryland conviction records available online. We did not have access to nationwide conviction records, which are utilized for the required criminal background checks.

document that it identified this activity and/or suspended the individual's license during these periods.

Recommendation 1

We recommend that DOR

- a. conduct required criminal background checks for all licensees and take appropriate action, including for those noted above; and**
- b. identify through national databases licensees that were suspended or revoked in other jurisdictions, document that identification, and take appropriate enforcement action including for those noted above.**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Maryland Department of Labor (MDL) - Division of Racing (DOR) for the period beginning September 1, 2021 and ending January 15, 2026. The audit was conducted 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 findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine DOR's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included cash receipts, racing funds, distribution of video lottery terminal funds, licensing, and certain licensee (racetrack) requirements regarding the reporting and distribution of pari-mutuel wagering revenue.

Our audit did not include certain support services provided to DOR by MDL's Office of the Secretary. These support services (such as payroll, human resources, purchasing, data processing, maintenance of accounting records, and related fiscal functions) are included within the scope of our audit of the MDL - Office of the Secretary.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing

procedures were generally focused on the transactions occurring during our audit period of September 1, 2021 to January 15, 2026, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable, observations of DOR's operations. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine reliability. We determined that the data extracted from these sources were sufficiently reliable for the purposes the data were used during this audit.

We also extracted data from the MDL licensing system, for the purpose of testing license applications and the related approval process. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

DOR's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records; effectiveness and efficiency of operations, including safeguarding of assets; and compliance with applicable laws, rules, and regulations are achieved. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components,

when significant to the audit objectives, and as applicable to DOR, were considered by us during the course of this audit.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes a finding relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect DOR's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes a finding regarding a significant instance of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to DOR that did not warrant inclusion in this report.

The response from MDL, on behalf of DOR, to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise MDL regarding the results of our review of its response.

APPENDIX



OFFICE OF THE SECRETARY
100 S. Charles Street Tower 1, 9th Floor
Baltimore, MD 21201
Portia Wu, Secretary

April 7, 2026

Brian S. Tanen, CPA, CFE
Legislative Auditor
Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore, MD 21201

Dear Mr. Tanen:

The Maryland Department of Labor acknowledges receipt of your correspondence dated March 25, 2026, transmitting the draft audit report prepared by the Office of Legislative Audits.

Enclosed is the Agency Response Form (ARF) addressing the recommendations included in the draft audit report for the *Maryland Department of Labor – Division of Racing*, covering the period from September 1, 2021, through January 15, 2026.

The audit identified one finding with two related recommendations. The Division has implemented corrective actions to address these recommendations, as summarized in the enclosed response.

Thank you for your continued collaboration. Should you have any questions or require additional information, please contact our office or the Maryland Division of Racing.

Sincerely,

A handwritten signature in blue ink, appearing to read "Portia Wu", with a long horizontal flourish extending to the right.

Portia Wu
Secretary of Labor

cc: Christopher L. Merz, Executive Director
Division of Racing

Maryland Department of Labor
Division of Racing
Agency Response Form

Licensing

Finding 1

The Division of Racing (DOR) did not perform required verifications of individuals licensed to work at Maryland racetracks, resulting in the failure to identify and take corrective action for licensees with criminal backgrounds and past disciplinary action.

We recommend that DOR

- a. conduct required criminal background checks for all licensees and take appropriate action, including for those noted above; and**
- b. identify through national databases licensees that were suspended or revoked in other jurisdictions, document that identification, and take appropriate enforcement action, including for those noted above.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 1a	Agree	Estimated Completion Date:3-14-2026	03/14/26
Please provide details of corrective action or explain disagreement.	DOR agrees that it must resume regular background checks of all prospective licensees as required by law. DOR has been actively working to address this issue since January 2025, when the current executive director of the Maryland Racing Commission began his tenure.		

**Maryland Department of Labor
Division of Racing**

Agency Response Form

	A new machine has been procured, staff received training on how to use the machine in February, and fingerprinting resumed on March 14, 2026		
Recommendation 1b	Agree	Estimated Completion Date:	3-3-26
Please provide details of corrective action or explain disagreement.	DOR agrees with the finding and has started taking corrective actions. DOR has started documenting all fines and suspensions for licensees for their lifetimes, rather than deleting the notes once the fine is paid or the suspension is over. From now on, DOR will keep all notes with licensees. DOR will investigate amending COMAR rules regarding data retention for out-of-state suspensions and fines. This process began on March 3, 2026		

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