

State of Arizona
Office
of the
Auditor General

PERFORMANCE AUDIT

**ARIZONA STATE
BOXING
COMMISSION**

Report to the Arizona Legislature
By Debra K. Davenport
Auditor General
September 2000
Report No. 00-18

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

September 29, 2000

Members of the Legislature

The Honorable Jane Dee Hull, Governor

Mr. Patrick McGroder, Chairman
Arizona State Boxing Commission

Transmitted herewith is a report of the Auditor General, A Performance Audit of the Arizona State Boxing Commission pursuant to Laws 2000, Chapter 25. This audit also included a review of the Department of Racing's boxing-related responsibilities. The performance audit was conducted as part of the Sunset review set forth in A.R.S. §41-2951 et seq. I am also transmitting with this report a copy of the Report Highlights for this audit to provide a quick summary for your convenience.

As outlined in its response, the Arizona State Boxing Commission agrees with all of the findings and recommendations. In addition, the new Chairman of the Commission provided my Office with a copy of an action plan to address concerns raised in the report.

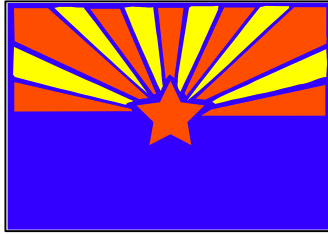
As outlined in its response, the Department of Racing agrees with the finding and recommendations regarding its boxing-related responsibilities.

My staff and I will be pleased to discuss or clarify items in the report.

This report will be released to the public on October 2, 2000.

Sincerely,

Debbie Davenport
Auditor General



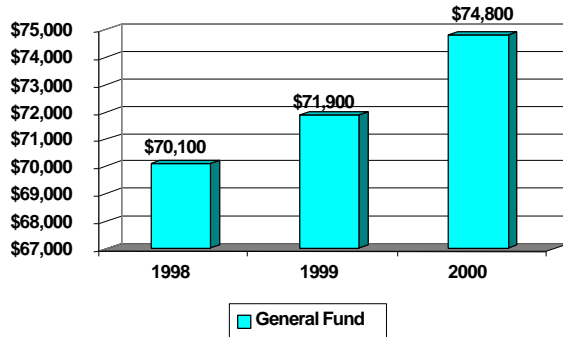
Program Fact Sheet

Arizona State Boxing Commission

Services: The Arizona State Boxing Commission (Commission) is responsible for professional boxing and kick-boxing, nontraditional fighting contests when money or prizes are awarded, and tough man contests when money is awarded. The Commission licenses boxers, promoters, referees, judges, and others involved in the sport. The Commission can take disciplinary action against licensees, including suspending or revoking licenses, and assessing civil penalties.

Revenue: \$74,800

(fiscal year 2000 actual)



Personnel: 1.5 full-time positions, including the executive director and a part-time secretary. The Commission consists of three Governor-appointed members who serve staggered three-year terms.

Facilities: The Commission owns no facilities. Its office is located at 1400 W. Washington Street in Phoenix. Commission meetings are held in the same building.

Equipment: The Commission owns only standard office equipment.

Agency Mission: "To provide the best possible protection, both physically and financially, for all interested parties in the sports of boxing and kick-boxing."



Program Goals: (fiscal year 2000 to 2001)

1. To ensure that all professional boxing events held in the State are sanctioned by the Arizona State Boxing Commission and that all participants are duly licensed.
2. To investigate all allegations of rules violations that may harm the athlete or the public.
3. To maintain the best safety record in the country.

Adequacy of Performance Measures:

Although the Commission's three goals appear to be reasonably aligned with its mission, auditors' review of its performance measures identified the following problems:

- The Commission does not have outcome measures for its goal of sanctioning all professional boxing events and licensing all participants.
- The Commission does not have a performance measure that compares itself to other states for its goal of maintaining the best safety record in the county.

Further, the Commission does not have a comprehensive strategic plan that includes objectives for each goal. Rather, the Commission's plan includes only what it reports on the Arizona Master List of State Government Programs.

SUMMARY

The Office of the Auditor General has conducted a performance audit and Sunset review of the Arizona State Boxing Commission, pursuant to Laws 2000, Chapter 25. This audit also included a review of the Department of Racing's boxing-related responsibilities. The audit was conducted under the authority vested in the Auditor General by Arizona Revised Statutes (A.R.S.) §§41-2951 et seq.

The Arizona State Boxing Commission (Commission) was created in 1982 to provide both physical and financial protection to participants and persons interested in the sport of boxing. In addition, the Commission has regulatory authority over some nontraditional and tough man contests. The Commission shares boxing responsibilities with the Arizona Department of Racing (Department). The Commission licenses boxers, promoters, referees, judges, and others associated with boxing, oversees boxing events, and is responsible for enforcing rules and statutes and resolving complaints. The Department of Racing is responsible for collecting boxing license fees and other revenues owed to the State.

The Commission Needs to Better Ensure That Participants Are Physically and Financially Protected (See pages 9 through 18)

The Commission needs to do more to fulfill its mission to provide for both the physical and financial protection of all boxing participants. First, the Commission must better ensure that boxers meet licensure requirements. Prior to granting a boxing license, the Commission must determine that a boxer has a current medical examination, and grant special permission if the boxer exceeds age guidelines. In addition, the Commission requires boxers to submit a negative HIV test prior to licensure. However, the Commission's files lack documentation of these steps for many licensed boxers.

The Commission must also better ensure that event safety requirements are met. The Commission did not have documentation of required examinations for all boxers at pre-fight weigh-ins, immediately prior to events, and immediately following fights for boxers who were knocked out or otherwise injured. The Commission has also not required referees to undergo physical examinations prior to officiating in boxing events, as required by law. In addition, the Commission conducted random drug tests for only 5 of 13 events. Finally, some contests exceeded safety standards, such as a boxer fighting too soon after his most recent fight without receiving special permission from the Commission.

More can also be done to protect boxers' financial interests. Statutes require promoters to provide at least \$2,000 in medical insurance coverage and \$2,500 in life insurance to boxers or their beneficiaries. These amounts have not been updated since 1980 and required amounts in other states are from almost 4 to 40 times higher. Additionally, although the Commission said it has never received a complaint that a boxer was not paid, some promoter/boxer contracts are not provided by required deadlines or provided at all.

Finally, two statutory changes should be made in the licensing process. First, because the Commission must issue new licenses each year, rather than renewals, statutes require the Commission to perform background checks on promoters and some other licensees each year. Other states issue license renewals and perform subsequent background checks only if they suspect a licensee of criminal behavior. Second, the Commission's Executive Director has been approving and issuing licenses to boxers and other applicants even though he does not have the authority to do so. Executive directors of other states' commissions approve and issue licenses and the Chairman of Arizona's commission said it would not be practical for the Commission to approve all licenses.

**Boxing Revenue Collection
Has Improved But Some
Problems Continue
(See pages 19 through 24)**

Additional improvements in revenue collection are needed to help ensure that the State recovers as much of the cost of boxing regulation as possible. Funding for boxing regulation comes from the General Fund, with license fees and tax receipts from boxing events offsetting less than one-fourth of the total. Some improvements have been made to the process since the 1996 audit (see Auditor General Report No. 96-14). Promoters are now statutorily required to obtain a cash or surety bond prior to licensure to serve as a guarantee should the promoter fail to pay event participants or the required state event taxes. Additionally, the Department of Racing developed a process to issue letters to promoters and the Commission when promoters fail to comply with requirements.

Despite these improvements, several long-term problems continue. Prior to events, promoters continually fail to provide the Department with required documentation necessary to ensure that the State can determine how many tickets were sold in each price category. Promoters also often fail to meet with the Department within the required time frames to calculate and pay the tax.

Both the Department and the Commission can do more to ensure promoter compliance. The Department needs to ensure that it issues noncompliance letters for all events in which noncompliance is identified. Auditors identified 22 revenue-related violations during fiscal year 2000, but the Department notified the Commission of only 6 of those violations through noncompliance letters. The Commission did not take disciplinary action in those instances. When the Commission is notified of violations, it needs to discipline promoters to help ensure future compliance with all requirements. The Commission has the authority to issue fines up to \$1,000 per violation or suspend or revoke licenses, but has never done so.

**Commission Should Have
Authority to Regulate All
Nontraditional and Tough
Man Contests
(See pages 25 through 28)**

The Legislature should consider giving the Commission authority to regulate all nontraditional and tough man contests, including amateur contests. Currently, the Commission has authority to regulate certain boxing and kick-boxing events and professional nontraditional and tough man contests. However, some professional nontraditional contests claim to be amateur and avoid regulation. None of the states auditors contacted make a distinction between amateur and professional nontraditional events. Rather, other states such as New Mexico and Texas, regulate all such events regardless of their amateur or professional status. Providing the Commission with regulatory authority over all nontraditional and tough man contests, including amateur contests, would prevent promoters from avoiding regulation, better enable the Commission to ensure the safety of all contestants, and could increase state revenues.

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INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a performance audit and Sunset review of the Arizona State Boxing Commission (Commission), pursuant to Laws 2000, Chapter 25. This audit also included a review of the Arizona Department of Racing's (Department) boxing-related responsibilities. The audit was conducted under the authority vested in the Auditor General by Arizona Revised Statutes (A.R.S.) §§41-2951 et seq.

Commission Responsibilities

In 1982, the Legislature created the Arizona State Boxing Commission. Statutes state that the Commission's purpose is

“to provide the greatest possible protection, both physical and financial, to participants and persons interested in the sport of boxing.”

A.R.S. §5-227 charges the Commission with responsibility for regulating professional boxing and kick-boxing contests in

Photo 1: Professional Boxing Match



Referee and judges overseeing an Arizona professional boxing match.

Arizona. Further, the Commission has responsibility for regulating nontraditional fighting contests when money or prizes are awarded and tough man contests when money is awarded. Since fiscal year 1997, the Commission has overseen between 13 and 18 events each year, including 3 tough man contests and 1 nontraditional contest. Statutes authorize the Commission to regulate professional boxing, tough man, and nontraditional events by overseeing the events and annually licensing boxers and other contestants and participants, including managers, promoters, judges, referees, and timekeepers. As of June 30, 2000, the Commission licensed 62 boxers and 104 other persons associated with the sport. The Commission may also impose disciplinary actions, including issuing a civil penalty and suspending or revoking a license.

“Nontraditional fighting contests”— are competitions between two or more contestants, with or without gloves, who use any combination of fighting skills including boxing, wrestling, hitting, kicking, martial arts, or other combative full contact techniques. Nontraditional fighting contests may include ultimate fighting, extreme fighting, shoot fighting, and cage fighting. They do not include kick-boxing or any recognized martial arts competition.

“Tough man contests”—are fighting competitions between participants not typically trained as fighters. Contests consist of one-minute rounds in which contestants wear padded gloves but may also use their feet. Tough man contests do not include kick-boxing or any recognized martial arts competition.

Staffing and Budget

The Commission consists of three Governor-appointed board members, who serve staggered three-year terms. To perform its day-to-day operations, the Commission appoints an Executive Director and a part-time secretary. The Department of Racing provides assistance in collecting and depositing boxing revenues from license and gross receipts fee payments calculated from the face value of tickets sold.

Before fiscal year 1993, the Commission was funded from the Arizona State Boxing Commission Fund, into which revenues

The Commission’s revenue comes from the General Fund.

produced from boxing regulation were deposited. Since this revenue source did not sufficiently support commission operations, the Legislature revised the Commission's revenue source to General Fund appropriations. As illustrated in Table 1 (see page 4), for fiscal year 2000, the Commission's appropriation was \$74,800, most of which was expended on personnel. Boxing regulation revenues, including license fees and a 4 percent tax on the face value of tickets sold for each event, are deposited in the General Fund. In fiscal year 2000, the Department collected \$22,868 in boxing revenues from licensees and 13 events.

Recent Federal Boxing Laws Enacted

Due to concerns with boxer safety and the integrity of the boxing industry, during the past four years the federal government has passed two acts regarding boxing regulation and reform:

- **The Professional Boxing Safety Act of 1996** was enacted primarily to provide for boxers' safety and includes criminal penalties for violations of the Act. The Act provides that all professional boxing matches nationwide must be regulated by a boxing commission. If a state does not have a commission, the match must be overseen by another state's commission. In addition, the Act establishes safety standards that must be met for all professional boxing matches. For example, prior to a boxing match, each boxer must provide proof of a physical examination certifying that the boxer is physically fit to safely compete. Further, the Act establishes a national registry of boxers. As part of the registry, all boxers must be issued an identification card every two years that includes a recent photograph and identification numbers. The states report the results of each boxing match to the registry, as well as any suspensions or other important information. Each state commission must also establish procedures to ensure that no boxer is permitted to box while under suspension from any boxing commission, which may be due to a recent knockout or series of consecutive losses, an injury, or failing a drug test.

Federal law requires all professional boxing events to be regulated.

Table 1

**Arizona State Boxing Commission
Statement of Revenues and Expenditures
Years Ended June 30, 1998, 1999, and 2000
(Unaudited)**

	1998	1999	2000
Revenues:			
State General Fund appropriations	<u>\$70,100</u>	<u>\$71,900</u>	<u>\$74,800</u>
Expenditures:			
Personal services	\$41,465	\$41,350	\$43,031
Employee related	11,764	11,961	12,080
Professional and outside services	3,535	3,255	1,985
Travel, in-state	327	616	711
Travel, out-of-state	1,370	1,042	1,333
Other operating	10,983	10,541	10,505
Equipment	<u>656</u>		
Total expenditures	<u>70,100</u>	<u>68,765</u>	<u>69,645</u>
Reversions to the State General Fund		<u>3,135</u>	<u>5,155</u>
Total expenditures and reversions to the State General Fund	<u>\$70,100</u>	<u>\$71,900</u>	<u>\$74,800</u>

Source: The Arizona Financial Information System *Revenues and Expenditures by Fund, Program, Organization, and Object* and *Status of Appropriations and Expenditures* reports for the years ended June 30, 1998, 1999, and 2000.

-
- **The Muhammad Ali Boxing Reform Act** became law in May 2000 and was passed primarily to reform unfair and anticompetitive practices in the professional boxing industry. It includes criminal penalties for violations of the Act. This Act requires the Association of Boxing Commissions (ABC) to develop and approve guidelines for minimal contractual provisions for bout agreements and boxing contracts that state boxing commissions should follow.¹ In addition, it

¹ The Association of Boxing Commissions is an organization of state, tribal, and Canadian boxing commissions whose mission is to promote continual improvement of professional boxing; promote standardization and uniformity of health and safety regulations for boxing; promote standard reporting of boxing contests between members; and encourage communication, cooperation, and uniformity in the supervision and regulation of professional boxing.

requires the ABC to develop and approve guidelines for objective and consistent written criteria for the ratings of professional boxers that should be used by sanctioning bodies and state commissions. Further, it requires promoters to provide state boxing commissions and the boxer with a statement that includes all fees, charges, and expenses that will be assessed on the boxer, including any portion of the boxer's purse that the promoter will receive, and training expenses. Finally, it prohibits a promoter from having a financial interest in the management of a boxer or a manager from having a financial interest in the promotion of a boxer for boxers participating in matches of 10 rounds or more.

1996 Report and Update

Auditor General staff revisited the concerns identified in the Commission's 1996 performance audit (see Report No. 96-14). Below is a summary of the 1996 report's recommendations and their current status:

- **Revenue collection changes needed**—Due to continuing problems with boxing revenue collection, the 1996 report recommended that the Legislature consider continuing the Commission for only three years to ensure the problems are corrected. Further, the report recommended that the Legislature consider revising boxing statutes to require annual cash or surety bonds as a condition of promoter licensure. Moreover, the report recommended that the Department of Racing formally request the Commission to take enforcement action when promoters do not comply with boxing revenue statutes and administrative rules. Finally, the report recommended that the Commission should enforce boxing statutes and administrative rules and should not allow contests to occur if all requirements have not been met.

Current Status: In 1997, the Legislature continued the Commission for three years and subsequently continued it for one more year, until July 2001. In addition, in 1997, the Legislature amended the statutes to require promoters to deposit with the Department of Racing a surety bond or cash bond prior to licensure. The Commission typically sets the

bond amount at \$5,000. However, the Department of Racing has not been formally notifying the Commission of all promoter violations of revenue-related statutes and rules. Moreover, since February 2000, when staffing changes were occurring, the Department of Racing completely stopped sending formal noncompliance letters to the Commission. Finally, when the Commission has been notified that promoters have not met the revenue-related statutes and rules, the Commission has not taken disciplinary action. (See Finding II, pages 19 through 24.)

- **Boxing revenues can be increased**—The 1996 report recommended that the Legislature should consider enhancing boxing revenues to increase the State’s General Fund by a) subjecting closed-circuit television and pay-per-view boxing events to the 4 percent state tax, b) amending statutes so that promoters sponsoring commercially televised events are not allowed to subtract boxers’ purses from the gross receipts before applying the 4 percent tax, and c) allowing the Commission to enter into intergovernmental agreements to regulate events on Indian reservations.

Current Status: The Legislature has not amended statutes to require closed-circuit television and pay-per-view boxing events to be subject to the 4 percent state tax. Further, in 1997 the Legislature amended the statutes to no longer require payment of the 4 percent tax on commercial televised events. Therefore, only the face value of ticket sales is currently subject to the 4 percent tax. However, the Legislature amended the statutes in 1997 to give the Commission authority to enter into intergovernmental agreements with Indian tribes to regulate boxing contests. The Commission has since entered into one such agreement and charged a flat fee for its regulatory activities.

Statutes no longer require payments of tax on commercial televised events.

- **More can be done to protect boxers**—The 1996 report recommended that the Legislature should consider amending the statutes to require that boxers have an annual physical, including an ophthalmological examination. Further, the report recommended that the Commission should a) expand pre-fight examinations to include a review of the boxer’s medical history, b) implement a more active random drug

testing program, and c) formalize its HIV testing requirements in administrative rule.

Current Status: In 1997, the Legislature amended the statutes to require all boxers to provide proof of a current medical examination, including an ophthalmological examination, prior to licensure. However, the Commission has not ensured that all boxers have had such an examination prior to licensure (see Finding I, pages 9 through 18). The Commission has revised its pre-fight examination form to include medical history questions. However, the Commission has not implemented a more active random drug testing program nor formalized its HIV testing requirements in rule (see Finding I, pages 9 through 18).

- **Problems with nontraditional boxing contests need to be addressed**—The 1996 report recommended that the Legislature should consider banning the more extreme nontraditional contests known as “ultimate fighting” and that the Commission should provide the same oversight for nontraditional contests as it does for professional boxing.

Current Status: Although the Legislature did not ban “ultimate fighting,” in 1997 it amended the statutes to prohibit contestants in nontraditional fighting contests from striking other contestants in the spinal column or in the back of the head and from striking with their knees or elbows. Further, the Legislature amended the statutes to require the Commission to regulate nontraditional fighting contests when money or prizes are awarded and tough man contests when money is awarded. However, the Legislature should consider giving the Commission regulatory authority over all nontraditional and tough man contests, including amateur contests (see Finding III, pages 25 through 28).

Audit Scope and Methodology

Audit work focused on the Commission’s administrative, financial, and safety responsibilities, as well as the Department’s role in boxing’s financial aspects. This performance audit and Sunset review includes findings and recommendations as follows:

Introduction and Background

- The need for the Commission to better ensure boxers' physical and financial protection;
- The need for the Department and the Commission to further improve boxing revenue collection; and
- The need for the Legislature to consider extending the Commission's regulatory authority to amateur nontraditional and tough man contests.

Auditors used a variety of methods to study the issues addressed in this report. These methods included interviewing the Executive Director, the commissioners, Department of Racing officials, and physicians; reviewing statutes and administrative rules; and reviewing the Association of Boxing Commissions' safety guidelines. In addition, auditors used other research methods, such as attending five boxing weigh-ins and five boxing events, attending one nontraditional "cage fight" event; reviewing Boxing Commission and Department of Racing event files for all 13 events held in fiscal year 2000; and reviewing the Commission's HIV, drug testing, annual physical examination, event, promoter, and background check files.

This audit was conducted in accordance with government auditing standards.

The Auditor General and staff express appreciation to the Arizona State Boxing Commission, the Executive Director and staff, and the Arizona Department of Racing for their cooperation and assistance throughout the audit.

FINDING I

COMMISSION NEEDS TO BETTER ENSURE THAT PARTICIPANTS ARE PHYSICALLY AND FINANCIALLY PROTECTED

The Arizona State Boxing Commission (Commission) needs to do more to fulfill its mission to provide for both the physical and financial protection of all boxing participants. First, the Commission needs to better ensure all boxers meet minimum physical requirements before they are licensed. Second, the Commission needs to better ensure pre- and post-event safety requirements are met. Finally, more should be done to protect boxers' financial interests.

Commission Must Ensure That Boxers Meet Licensure Requirements

The Commission needs to ensure that all boxers meet minimum physical requirements before they are licensed. Prior to granting a boxing license, the Commission needs to document a number of things related to a boxer's physical ability to compete, such as a current medical examination. However, auditors found that the Commission's files lack documentation of completion of these requirements for many boxers. Further, although the Executive Director currently does not have authority to do so, he has been approving and issuing licenses to boxers and other participants.

Documentation missing for many licensing requirements—The Commission's records lack documentation for many important licensing requirements. Auditors found that the Commission lacked documentation for current medical examinations, HIV test results, and special commission actions allowing boxers over the age of 32 to be licensed.

- **Medical Examinations**—The Commission lacks documentation of current medical examinations for many boxers even though statutorily required. A.R.S. §5-228(F) requires a boxer,

prior to licensure, to supply the Commission with the results of a current medical examination, including an ophthalmological examination. However, for the 163 boxers licensed between January 1999 and June 2000, the Commission's files contain documentation of current medical examinations for only 35 boxers. Seventeen of those 35 lacked an ophthalmological examination.

The Director stated that prior to licensure, he calls other states or otherwise verifies that a boxer has been licensed that year in a state that requires annual physicals and ophthalmological examinations. A.R.S. §5-240 allows the Commission to issue licenses to applicants who are licensed in other states that have requirements substantially equivalent to Arizona's. However, the Commission has not established which states' licenses it will honor and has no documentation that it verified licensure in any other state. The Commission could establish reciprocal agreements with other state commissions whose licensing requirements are substantially equivalent to Arizona's. If the Commission establishes reciprocal agreements with other states, it could verify and document that an applicant was licensed in one of those states and issue a license without receiving a copy of a recent, thorough medical examination. However, when boxers have not been licensed by such a state in a given year, the Commission must obtain a copy of a current medical examination, including an ophthalmological examination, prior to licensure.

- **HIV Tests**—Since 1994, the Commission has required boxers to submit a negative HIV test result prior to licensure; however, the Commission lacks documentation of these tests for most boxers, and this requirement has not been codified in rule. For the 163 licenses issued between January 1999 and June 2000, the Commission has a record of only 35 negative HIV tests.¹ Similar to the medical examinations, the Commission's Executive Director stated that he often calls other states or verifies that a boxer is licensed in a state that requires HIV tests. However, the Commission has not established reciprocal agreements with other states. Further, reciprocal agreements with other states that require HIV

HIV test requirement still not in rule.

¹ None of the boxers tested were HIV-positive.

tests may be difficult because the Commission has not yet codified requirements for HIV testing in its own administrative rules. The Commission should codify requirements for HIV testing in its administrative rules. Additionally, when boxers have not been licensed by a state that has a reciprocal agreement with Arizona, the Commission should ensure that boxers supply documentation of a recent negative HIV test before they are licensed.

- **Boxers Over Age 32**—Boxing licenses have been granted to applicants who exceed maximum age requirements without obtaining Commission approval. R4-3-401 states that no boxer over the age of 32 shall be granted a boxing license except by special action of the Commission. However, between January 1999 and June 2000, licenses were issued to 24 boxers over the age of 32 without the Commission taking special action to assess the boxers' demonstrated competence, status as a boxer, and physical condition. Auditors were able to identify only one case in which the Commission took special action to approve a boxing license for a boxer who was over age 32. The Commission is currently drafting new rules that will allow boxers up to age 36 to obtain a license without special permission; however, 7 of the 24 boxers who were granted licenses without special Commission action were over age 36.

The Executive Director does not have authority to issue licenses.

Executive Director approves and issues licenses—The Executive Director has been approving and issuing licenses to boxers and others even though he does not have the statutory authority to do so. A.R.S. §5-227 states that the Commission may delegate financial and accounting functions to the Director but that the Commission shall have sole control and authority to determine if boxing-related licenses should be granted. However, the Commission Chairman indicated that it may be impractical for the Commission to approve boxers' and some others' licenses, such as managers and corner assistants, since these licenses are typically issued at the weigh-in the day before the fight. Executive directors of other state commissions, such as California, Nevada, New Jersey, and New York approve and issue licenses and refer only those situations that need special action to the commission,

such as boxers who exceed maximum age requirements. The Legislature should consider amending A.R.S. §5-227 to allow the Commission to delegate licensing authority to the Executive Director.

Commission Must Better Meet Event Safety Requirements

In addition to ensuring that boxers meet licensure requirements, the Commission must better ensure that event safety requirements are met. The Commission has not ensured that all boxer pre- and post-fight physicals and referee physicals are conducted and documented. In addition, the Commission has conducted random drug tests for only a small number of the events held in fiscal year 2000. Finally, some boxer safety standards were exceeded without the Commission's approval.

Records lacking for event physicals—The Commission does not have records for all boxer physical examinations that are required prior to and following each boxing event. In addition to medical examinations required prior to licensure, boxers are required to be examined at the weigh-in (typically held the day before the event) and again immediately prior to the event. Weigh-in physicals check such things as a boxer's blood pressure, heart, vision, reflexes, nervous system, and hands; and check for hernias, drugs, and alcohol. Brief physicals are also conducted immediately prior to an event and consist of the physician verifying that the boxer is still fit to fight. Boxers who are knocked out or otherwise injured must also be examined by a physician immediately following their fight. However, auditors found that records of weigh-in physicals were missing for 3 of the 13 events held in fiscal year 2000, and most pre-fight and post-fight physicals are never documented. To better ensure boxer safety, the Commission should ensure that it completes and documents all required examinations of boxers prior to each event as well as post-fight physicals for all fighters knocked out or otherwise injured.

Referee physicals not being conducted—The Commission has not required referees to undergo physical examinations prior to officiating in boxing events as required by law. A.R.S. §5-233(A)

requires referees to be examined by a licensed physician prior to entering the ring and that the examining physician shall immediately file a written report of the examination with the Commission. Auditors did not find documentation of any physical examinations of referees in the Commission's files. Further, one physician often used by the Commission for boxing events stated that he had never been asked to examine a referee prior to a boxing event. Physicals are necessary to ensure that the referee's blood pressure, reflexes, and vision are good enough to allow him to officiate over a fight and to stop the fight if necessary. States such as California and Texas require pre-fight physicals of referees. California also requires annual physicals prior to referee licensure. The Commission should ensure that all referees receive physical examinations by a licensed physician prior to officiating in any Commission-regulated event. These examinations should be documented in the Commission's files.

Drug tests not performed at several boxing events.

Few random drug tests performed—In fiscal year 2000, random drug tests were performed in only 5 of the 13 boxing events the Commission regulated. For the events at which boxers were tested, the Commission tested between 1 and 4 contestants and a total of 11 boxers were tested out of 132 contestants.¹ Random drug tests help enhance boxer safety by deterring boxers from using performance-enhancing drugs and reduce the likelihood of drug-impaired boxers fighting who may have difficulty protecting themselves during a match. Other states conduct more extensive drug testing. For example, New York and New Jersey test all boxers at all events. Other states, such as Michigan and Nevada, test all boxers in main event or title fights and other boxers at their discretion. The Commission Chairman stated that he would like the Commission to randomly test the boxers in one contest per event, but said that it does not have the budget for that level of testing. Drug testing costs approximately \$35 per boxer. However, in other states, including Nevada and Texas, the promoter pays for drug tests. To better ensure boxer safety, the Commission should implement a more intensive drug testing program and adopt a rule to require promoters to pay for the cost of drug tests.

¹ One boxer tested positive for drugs in fiscal year 2000 in Arizona.

Some safety standards exceeded without Commission authority—Some contests exceeded boxer safety standards without receiving special permission from the Commission. Before allowing contests to occur, the Commission must verify that all boxers are eligible and that opponents are appropriately matched. For example, the Commission must verify that a boxer has not fought too recently and that opponents are within acceptable weight ranges of each other. The Commission may grant special permission when it feels it is appropriate to make exceptions to those rules. However, in two cases, the Executive Director gave special permission to exceed these standards, but does not have the authority to do so.

- In June 2000, a boxer was allowed to fight four days after he had fought in another state. R4-3-403 requires that boxers must wait a minimum of five days between fights unless the Commission takes special action. The Commission did not grant special permission, but the Executive Director allowed the fight to proceed. The Executive Director said that he witnessed the boxer's previous fight and allowed him to fight four days later because he was scheduled to fight against a boxer making his professional debut. However, the boxer in question lost badly, receiving several strong punches to the head, and was subsequently suspended for 30 days as a safety precaution.
- In November 1999, two boxers were allowed to fight whose weights were not within acceptable ranges of each other, but the Commission did not give its approval. One boxer was seven-and-a-half pounds lighter than his opponent and weighed less than 135 pounds. The lighter boxer won this fight, but R4-3-203(D) states that boxers must be within six pounds of each other if the lighter boxer is less than 135 pounds, unless approval of both contestants and the Commission is obtained.

The commissioners, not the Executive Director, should approve exemptions to rules when they feel it is appropriate and boxer safety will not be compromised.

More Can Be Done to Protect Boxers' Financial Interests

In addition to better ensuring the physical safety of boxers, more can be done to protect boxers' financial interests. First, the Legislature should consider increasing the minimum amounts of medical and life insurance coverage that promoters provide for boxers. Second, the Commission can better protect boxers financially by collecting all promoter/boxer contracts by the time of the weigh-ins. Finally, the Commission can do more to ensure it is aware of any licensees with criminal histories by obtaining subsequent background check information as needed.

Insurance coverage requirements are too low—The requirements for mandatory medical and life insurance coverage, in case of accidental death for boxers, have not been updated for many years and should be increased. A.R.S. §5-233(C) requires promoters to provide \$2,000 in medical insurance coverage to boxers for injuries sustained during boxing matches, and \$2,500 in life insurance payable to the boxer's beneficiary in case of accidental death resulting from injuries sustained during a boxing match. These requirements have not been updated since 1980 and other states require significantly higher medical and life insurance. Auditors interviewed representatives from five state boxing commissions and found that required medical insurance coverage ranged from \$7,500 in New York to \$50,000 in Nevada, and required life insurance coverage ranged from \$20,000 in Texas to \$100,000 in New York.¹ To better financially protect boxers in the case of injuries and their beneficiaries in the case of accidental death, the Legislature should consider amending A.R.S. §5-233(C) to increase the minimum amount of medical and life insurance coverage promoters are required to obtain for boxers.

Many states require greater medical and life insurance coverage.

Some promoter/boxer contracts not received—Some promoter/boxer contracts are not provided by required deadlines or provided at all. Rules require promoters to file all boxer contracts with the Commission by the time of the weigh-in. Promoter/boxer contracts are necessary to ensure that all boxers are paid the amount agreed to with the promoter. If boxers are not

¹ Auditors interviewed representatives from boxing or athletic commissions in California, Nevada, New Jersey, New York, and Texas.

paid, the Commission can discipline the promoter or place a claim against the promoter's surety bond in order to pay the boxers. According to the Commission, it has never received a complaint that a boxer was not paid. However, for the 13 boxing events the Commission regulated in fiscal year 2000, promoters provided all contracts in a timely manner to the Commission for only 4 events. Promoters failed to provide the Commission with all boxer contracts for 3 events and provided them late for 2 events. Auditors were unable to determine when the promoters provided the contracts for 4 other events. The Commission should ensure that it has all boxers' contracts by the time of the weigh-in and should date-stamp them when received. The Commission should consider disciplinary action when promoters fail to comply with these requirements or not allow the fight to take place.

Background check information—The Commission has not obtained annually updated background information for promoters and other licensees prior to licensure, as currently required by statute. A.R.S. §5-228 requires that prior to licensure, promoters, boxing managers, judges, referees, and matchmakers are to provide fingerprints and background information that is then used to conduct a background check through the Arizona Department of Public Safety. Background checks can help to protect boxers' financial interests because, for example, the Commission may refuse to issue a license to a promoter or manager if the applicant has committed dishonest, fraudulent, or deceitful acts. Under current statutes, the Commission does not issue license renewals, but issues new licenses each year. Therefore, many licensees must submit to an updated background check each year. However, the Commission had documentation of annual background checks prior to licensure for only 3 of the 53 licensees required to have background checks who were licensed in calendar years 1999 and 2000. The Executive Director stated that he obtains the results of background checks before the Commission grants an initial license, but he does not perform background checks prior to issuing subsequent licenses.

Other states issue license renewals and perform subsequent background checks only if they suspect a licensee of criminal behavior. The Legislature should consider amending A.R.S. §5-230 to allow the Commission to issue annual renewal licenses

and perform subsequent background checks upon renewal when determined necessary.

Recommendations

To better ensure that boxers meet all licensure requirements:

1. The Arizona State Boxing Commission should establish which states' licenses it will honor through reciprocal agreements and document cases in which it issues a license to a boxer licensed in one of those states.
2. For each boxer not licensed through a reciprocal agreement, the Arizona State Boxing Commission should ensure that it receives a copy of a current, thorough medical examination, including ophthalmological examination, prior to licensure.
3. The Arizona State Boxing Commission's administrative rules should codify requirements for HIV tests prior to licensure.
4. To better ensure that no boxer infected with HIV participates in boxing matches in Arizona, the Arizona State Boxing Commission should ensure that it receives a recent negative HIV test before licensing each boxer not licensed through a reciprocal agreement with another state.
5. The Arizona State Boxing Commission should not grant licenses to boxers over the maximum age in rule without taking special action.
6. The Legislature should consider amending A.R.S. §5-227 to allow the Arizona State Boxing Commission to delegate licensing authority to its Executive Director.

To better ensure that all event safety requirements are met:

7. The Arizona State Boxing Commission should ensure that all physical examinations required at weigh-ins and immediately prior to each fight are conducted and documented.

8. The Arizona State Boxing Commission should ensure that post-fight physicals are conducted and documented after each fight for all fighters knocked out or otherwise injured.
9. The Arizona State Boxing Commission should ensure that all referees receive physical examinations by a licensed physician prior to officiating in any Commission-regulated event. These examinations should be documented in the Commission's files.
10. The Arizona State Boxing Commission should implement a more intensive drug testing program.
11. The Arizona State Boxing Commission should adopt a rule to require promoters to pay for drug tests.
12. The commissioners, not the Executive Director, should approve exemptions to rules when they feel it is appropriate and will not compromise boxer safety.

To better protect boxers' financial interests:

13. The Legislature should consider amending A.R.S. §5-233(C) to increase the minimum amount of medical and life insurance coverage promoters are required to obtain for boxers.
14. The Arizona State Boxing Commission should ensure that it has all boxers' contracts by the time of the weigh-in and date-stamp them when received.
15. The Arizona State Boxing Commission should take disciplinary action when promoters fail to provide all boxers' contracts by the time of the weigh-in or not allow the event to take place.
16. The Legislature should consider amending A.R.S. §5-230 to allow the Arizona State Boxing Commission to issue annual license renewals and perform subsequent background checks upon renewal when determined necessary.

FINDING II

BOXING REVENUE COLLECTION HAS IMPROVED BUT SOME PROBLEMS CONTINUE

Although some improvements have been made to the boxing revenue collection process, many problems continue. Statutes now require promoters to obtain a cash or surety bond as a condition of annual licensure, and the Department of Racing (Department) has made some efforts to better inform promoters of requirements and inform the Arizona State Boxing Commission (Commission) and promoters when violations occur. Despite these changes, promoters are still often out of compliance with many requirements. Both the Department and the Commission can do more to ensure promoters comply with all requirements.

Problems Have Persisted for Many Years

Because boxing revenues are not sufficient to cover the cost of regulation, the Arizona State Boxing Commission is supported by the General Fund. Therefore, it is important that proper controls are in place to ensure that the State recovers as much of the cost of regulating boxing as possible. Without proper controls, the State cannot be assured that it receives all required taxes from promoters. Problems with boxing revenue collection have been identified in several previous Sunset reviews. A 1981 Sunset review by the Auditor General reported that the Athletic Commission (precursor to the Boxing Commission) had failed to require promoters to pay state tax on gross receipts from ticket sales (see Report No. 81-20). A 1991 Sunset review by the Joint Legislative Budget Committee found that the Commission had failed to collect revenues in a timely manner, and subsequently, the responsibility of tax revenue collection was transferred from the Commission to the Department. After revenue collection

Boxing revenues do not cover costs of regulation.

Three previous Sunset reviews found problems with revenue collection.

responsibilities were transferred to the Department, a 1996 Auditor General report found that the Department and the Commission were not adequately communicating to ensure promoters were in compliance with revenue-related statutes and rules (see Report No. 96-14).

Some Improvements Made in Revenue Collection

Some improvements have been made to the boxing revenue collection process that provide a greater ability to enforce compliance and to better inform promoters of their responsibilities. For example:

- **Cash or surety bonds required**—A.R.S. §5-228(E) now requires promoters to obtain a cash or surety bond prior to licensure to serve as a guarantee should the promoter fail to pay event participants or the required state event tax. The Commission has typically set the bond amount at \$5,000. In December 1999, the Department placed a claim on the bond of one promoter who failed to pay the required tax and failed to pay event participants. The Department had copies of all required bonds for the 13 events held in fiscal year 2000.
- **Letters of noncompliance**—Since the 1996 audit, the Department began issuing noncompliance letters to promoters and the Commission in some cases when a promoter failed to comply with all revenue-related requirements.
- **Department plays a more active role with promoters**—A Department representative now attends most pre-fight weigh-ins to collect necessary documents, informs promoters of payment deadlines, and schedules meeting times with promoters to calculate and collect the required tax. Previously, Department representatives did not conduct these activities. These interactions with promoters allow the Department to know immediately if a promoter has complied with all requirements.

Many Long-Term Problems Continue

Despite these efforts to improve the revenue collection process, promoters continue to violate requirements related to ticket accountability and tax payment.

Notarized ticket manifests are not provided prior to events—

Boxing promoters continually fail to provide the Department with notarized ticket manifests from the ticket printer prior to boxing events, as required by R19-2-603. A ticket manifest is a report from the ticket printer showing the total number of tickets printed in each price category. The manifest is used in conjunction with unsold tickets to determine the total number of tickets sold in order to calculate the amount of tax the promoter must pay to the State. Promoters failed to comply with this requirement for 9 of the 13 events held during fiscal year 2000. For those 9 events, manifests were either provided after the weigh-in or were not notarized. If notarized ticket manifests are not provided prior to the event and do not include the total number of tickets printed, the Department cannot accurately calculate and verify the number of taxable tickets that were printed and sold, and, therefore, cannot be sure all required taxes were paid to the State.

Meetings to calculate revenue and tax are often late or never held—

The Department and promoters often fail to meet within three days following a boxing event to account for ticket sales, as required by rule. R19-2-606 requires promoters to meet with Department representatives within three working days after a boxing event to account for the number of tickets sold. The Department determines the number of tickets sold by subtracting the number of unsold tickets provided by the promoter from the number of tickets printed as reported on the ticket manifest. During fiscal year 2000, these meetings did not occur within the required 3 working days for 6 of 13 events. For those six events, meetings were held late or never happened. Without the information obtained at these meetings, the Department cannot accurately calculate the amount of tax owed to the State and must rely on unverifiable information provided by the promoter. Additionally, failing to hold these meetings usually means there will be a delay in payment of the 4 percent tax on sold tickets.

Many tax payments are not paid in a timely manner—Although it does not result in significant lost revenues to the State, the Department often receives payment of required taxes after the deadline. A.R.S. §5-104.02 requires promoters to pay 4 percent of the gross receipts from the face value of tickets sold within 10 days of the event.¹ The Department's files indicate that promoters paid this tax within the required 10-day time frame for only 6 of the 13 events held in fiscal year 2000. For 5 other events, payments were made between 12 and 52 business days following the event. Further, for one event, the promoter did not pay the full tax owed for nearly six months.² Finally, for one event, the promoter's bond was cashed in because the payment was not made.

Department and Commission Can Do More to Ensure Promoter Compliance

Both the Department and the Commission can do more to ensure promoters comply with the revenue-related requirements outlined in statute and rules. The Department has not issued noncompliance letters for many events in the previous fiscal year and has not notified the Commission of all instances of noncompliance. When the Commission has been notified of violations, it has not adequately used its authority to discipline promoters and ensure future compliance with all requirements.

The Department did not notify the Commission of all violations—The Department did not issue noncompliance letters for many events in fiscal year 2000 for which revenue-related violations had occurred and did not notify the Commission of all instances of noncompliance. The Department's written policies regarding the collection of boxing revenue state that a noncompliance letter shall be signed by the Director and sent to the

The Department failed to notify the Commission of many violations.

¹ The 4 percent tax is applied after deduction of city, state, and federal taxes.

² The promoter made an initial payment shortly after the event, but the amount owed was in dispute. The issue was later resolved by the Commission and the promoter paid the remaining amount owed.

The Commission may fine promoters up to \$1,000 per violation.

Commission, the Commission's Executive Director, and the promoter whenever a violation occurs. However, the Department did not issue noncompliance letters for five regulated boxing events in fiscal year 2000 that had violations. Four of those events took place since February 2000. According to the Department, this may have been due to turnover in the position responsible for collecting boxing revenue. Additionally, four of the Department's five noncompliance letters sent in fiscal year 2000 failed to identify all violations that had occurred. For events held during fiscal year 2000, auditors identified 22 revenue-related violations, such as failing to provide notarized ticket manifests and failing to pay taxes by required deadlines, but the Department's noncompliance letters identified only 6 violations. To ensure that these problems do not continue, the Department should provide training to new employees in charge of collecting boxing revenue and ensure that noncompliance letters identify all violations that have occurred.

The Commission should take formal action to ensure compliance—When the Commission has been notified of noncompliance with revenue-related statutes and rules, it has not used its authority to discipline promoters. When violations occur, A.R.S. §5-235.01 allows the Commission to suspend or revoke licenses and fine licensees up to \$1,000 per violation. The Commission may even obtain injunctions to halt events if violations occur. However, since 1996, the Commission has never fined promoters, has not suspended or denied promoters' licenses for revenue-related noncompliance, and continues to allow events to be held when violations have occurred. The Commission said it uses more informal means, such as a telephone call, to ensure that all promoters eventually comply with requirements. The Commission should use its authority when appropriate to fine, suspend, or otherwise discipline promoters who violate revenue-related requirements to better ensure future compliance.

Recommendations

1. The Department of Racing should ensure that the Department employee responsible for collecting boxing revenue receives adequate training to perform all boxing revenue collection tasks appropriately.
2. The Department of Racing should ensure that letters of noncompliance are sent to the Commission and to the promoter whenever violations occur.
3. The Department of Racing should ensure that letters of noncompliance identify all violations that have occurred.
4. The Arizona State Boxing Commission should enforce boxing statutes and administrative rules by using its statutory authority to fine promoters and/or suspend or revoke licenses when appropriate.

FINDING III

COMMISSION SHOULD HAVE AUTHORITY TO REGULATE ALL NONTRADITIONAL AND TOUGH MAN CONTESTS

The Arizona State Boxing Commission (Commission) should have the authority to regulate all nontraditional and tough man contests. Under current Arizona law, amateur nontraditional and tough man contests are not subject to any regulation. However, some professional nontraditional events claim to be amateur and avoid regulation by the Commission. Providing the Commission regulatory authority over all nontraditional and tough man contests, including amateur contests, would prevent promoters from avoiding regulation, better enable the Commission to ensure the safety of all contestants, and could increase state revenues.

Commission Required to Regulate Certain Events

Statutes require the Commission to regulate certain boxing, kick-boxing, tough man, and nontraditional contests, but not all of them. First, the Commission is required to regulate all professional boxing and kick-boxing events when money or prizes valued at more than \$35 are awarded. Second, the Commission is required to regulate amateur boxing and kick-boxing events if they are *not* conducted by a school, college, university, government unit, fraternal benefit society, private martial arts school, or nonprofit association, such as an Olympic organization, that has standards and regulations for the physical safety of the participants that are at least equal to the Commission's requirements. Finally, the Commission is required to regulate nontraditional contests when money or prizes are awarded and tough man contests when money is awarded. However, if money or prizes are not awarded, those contests are considered to be amateur contests and are not subject to any regulation from the State or any other standard-setting body.

Some Events May Avoid Regulation

Because amateur nontraditional events are not subject to regulation in Arizona, some professional nontraditional events may claim to be amateur and avoid regulation by the Commission. The Commission said that it has been told by promoters that many nontraditional events in Arizona are amateur. Auditors identified five nontraditional events held in Arizona between May and August 2000 that were not regulated by the Commission. Auditors attended one of those events in June 2000 and found that it should have been regulated by the Commission since trophies and medals were awarded. Following is a description of the event:

- The June 2000 event was a nontraditional fighting contest advertised as an “extreme cage fight.” The contests were held between competitors trained in various fighting techniques including martial arts, kick-boxing, and street fighting in an eight-sided steel cage. Contestants wrestled but also struck their opponents’ legs, abdomen, and head using their hands, feet, and knees. A referee was present in the cage and the contests were scored by judges; however, all events

Photo 2: Cage Fighting



Nontraditional events include ultimate fighting, extreme fighting and cage fighting.

ended when one competitor was either knocked out or quit after being placed in a “submission hold.” Submission holds

are applied to an opponent's neck or joint, and are applied until the opponent forfeits by tapping the mat. The event included one contest between a male and a female competitor. Trophies were awarded to winners of most contests while losers were awarded medals.

By not regulating events within its jurisdiction, the Commission cannot ensure the safety of contestants and may put the State at risk. Without regulation, there is no assurance that contestant safety requirements, such as physical examinations, the presence of a ringside physician, and health insurance for each contestant are met. As a result, the State may have some liability for any injuries incurred at these events. For example, in 1994, the State of Louisiana contributed \$270,000 toward a settlement with the family of a tough man contestant who died following a contest the state did not appropriately regulate.

Regulatory Authority over Amateur Events Would Be Beneficial

Providing the Commission regulatory authority over all tough man and nontraditional events, including amateur contests, would be beneficial. This authority would prevent promoters from avoiding regulation by claiming their events are amateur, better enable the Commission to ensure the safety of contestants in all nontraditional and tough man contests, and could increase state revenues.

Events could not avoid regulation—Extending the Commission's regulatory authority to amateur nontraditional and tough man contests would eliminate promoters' ability to avoid regulation by claiming professional events are amateur. None of the other states auditors contacted attempt to draw a distinction between amateur and professional for nontraditional events. Some states, such as California and Nevada, have completely banned nontraditional and tough man contests. Other states, such as New Mexico and Texas, regulate all such contests regardless of their amateur or professional status. Both the Commission's Chairman and Executive Director support this increased regulation.

Amateur contestants could be better protected—If the Legislature gave the Commission jurisdiction over all nontraditional and tough man contests, the Commission could better ensure amateur contestant safety. By not regulating all events, the Commission cannot ensure that contests abide by restrictions placed on professional nontraditional events. In 1997, the Legislature placed greater restrictions on professional nontraditional contests by prohibiting contestants from striking each other in the spinal column and in the back of the head and from striking with their knees or elbows. Additionally, the Commission cannot ensure that amateur contestants are in good physical shape and that they are appropriately matched by weight. Further, the Commission cannot limit the number and length of rounds nor require the wearing of protective gear. As a result, amateur contestants face a greater risk of being harmed than contestants in professional events.

Revenues could be increased—Finally, if the Commission regulated all nontraditional and tough man contests, the Commission could become more self-supporting by collecting more licensing and state tax revenues. Although it is unclear how many events are held each year, the Commission would be able to collect licensing fees for the contestants, promoters, and others involved with the events as well as the 4 percent state tax on sold tickets for each event.

Recommendation

1. The Legislature should consider giving the Arizona State Boxing Commission statutory authority to regulate all nontraditional and tough man contests, including amateur contests.

SUNSET FACTORS

In accordance with A.R.S. §41-2954, the Legislature should consider the following 12 factors in determining whether the Arizona State Boxing Commission (Commission) should be continued or terminated.

1. The objective and purpose in establishing the Commission.

Originally boxing was overseen by the Athletic Commission, which was created in 1958 to regulate boxing, sparring, and wrestling matches and exhibitions in Arizona.

In 1982 the Legislature deregulated wrestling and created the Arizona State Boxing Commission to assume Athletic Commission responsibilities. The purpose of the Commission, as stated in the statutes, is “to provide the greatest possible protection, both physical and financial, to participants and persons interested in the sport of boxing.”

Further, in 1997, the Legislature gave the Commission regulatory authority over nontraditional fighting contests when money or other prizes are awarded and tough man contests when money is awarded.

To enable the three-member Commission to fulfill its purpose, statutes authorize the Commission to perform such activities as:

- License all referees, judges, matchmakers, promoters, trainers, ring announcers, timekeepers, ringside physicians, boxers, boxers’ managers, and boxers’ seconds (attendants);
- Revoke a license, suspend a license, and impose a civil penalty on a licensee who violates the Commission’s statutes or rules or for a promoter failing to

comply with the Department of Racing's boxing revenue collection statutes and rules.

2. The effectiveness with which the Commission has met its objective and purpose and the efficiency with which it has operated.

Both the Arizona Department of Racing (Department) and the Commission can improve their effectiveness and efficiency in fulfilling their statutory duties. The Department should ensure that it formally notifies the Commission of all instances of promoter noncompliance with revenue-related statutes and rules. In addition, the Commission should take disciplinary actions against promoters who fail to comply with the statutes and rules. (see Finding II, pages 19 through 24).

Further, the Commission needs to better ensure boxer physical and financial protection by doing such things as ensuring that boxers have required physical examinations before licensure; codifying its existing HIV testing practice; ensuring that pre-fight, weigh-in, and post-fight physicals are conducted on boxers; and ensuring that promoters provide copies of all boxer contracts prior to events (see Finding I, pages 9 through 18).

3. The extent to which the Commission has operated within the public interest.

The Department of Racing and the Commission can do more to operate in the public interest. This audit found that the State may not be receiving the proper amount of boxing revenues and is not always receiving these monies in a timely manner because neither the Department of Racing nor the Boxing Commission have consistently required promoters to comply with statutes and administrative rules governing the accounting and remittance of the tax revenues. Further, the Commission has not taken disciplinary action against promoters who violate these revenue-related statutes and rules to help ensure future compliance (see Finding II, pages 19 through 24).

In addition, the Boxing Commission has not adequately conducted random drug tests of boxers, and has required HIV testing since 1994 even though it has not codified this requirement in rule (see Finding I, pages 9 through 18).

Finally, the Boxing Commission may have placed the State at risk by not regulating all events that statutes currently require it to regulate (see Finding III, pages 25 through 28).

4. The extent to which rules adopted by the Commission are consistent with the legislative mandate.

According to the Governor's Regulatory Review Council (GRRC), the Commission has not adopted many rules needed to achieve the purpose for which it was created. The list of needed rules that GRRC identified is approximately three pages long (the full text has been provided to the Commission). The needed rules include provisions for such things as the boxers' current medical examination form; how the Commission will decide to exercise its discretion to withhold all or part of a purse or other monies payable to any contestant, manager, or second; and licensure by reciprocity.

As part of its review, GRRC also found that the Commission's current rules, with the exception of licensing time frame rules, were adopted in 1981 and some are inconsistent with current law. For example, A.R.S. §5-233(C)(1) requires boxer insurance coverage in the amount of \$2,000 for medical, surgical, and hospital care for injuries sustained in the ring. However, R4-3-410 requires the promoter to obtain only \$1,000 worth of coverage for each boxer.

The Commission opened a rule-making docket on January 3, 2000, and has begun drafting rules. However, the draft rules package does not include rules related to regulation of tough man and nontraditional contests. The Commission should ensure that it adopts rules for these events.

The Department of Racing's draft rules package contains needed changes related to its revenue collection responsibilities. Specifically, the rules repeal the definitions of adjusted gross price and gross receipts and conform the definition of gross receipts to A.R.S. §5-104.02(E), which states that gross receipts means all receipts from the face value of tickets sold. Further, since the State no longer taxes television events, the Department's draft rules no longer require promoters to provide the Department with copies of boxer contracts that contain purse amounts that were previously subtracted from television receipts.

5. The extent to which the Commission has encouraged input from the public before adopting its rules, and the extent to which it has informed the public as to its actions and their expected impact on the public.

The Commission has not made significant rule changes since 1981 so there has not been an occasion for public input in drafting proposed rules.

The Commission complies with Open Meeting Laws by having a statement on file at the Secretary of State's Office regarding posting locations and maintaining both public and executive session meeting minutes.

6. The extent to which the Commission has been able to investigate and resolve complaints that are within its jurisdiction.

In fiscal years 1998, 1999, and 2000, the Commission's records indicate that it received no public complaints. However, in those same years, the Commission's records indicate that it filed eight complaints, primarily against boxers for failing drug tests. The Commission entered into consent agreements with some of these boxers, requiring suspensions and fines. However, the Commission has failed to file complaints and take disciplinary action against promoters who have violated revenue-related statutes and rules (see Finding II, pages 19 through 24).

7. **The extent to which the attorney general or any other applicable agency of state government has the authority to prosecute actions under the enabling legislation.**

Pursuant to A.R.S. §41-192(A)(1), the Attorney General's Office is authorized to prosecute actions and represent the Board.

8. **The extent to which the Commission has addressed deficiencies in its enabling statutes which prevent it from fulfilling its statutory mandate.**

Laws 1997, Chapter 294, made a number of changes to the boxing statutes, including:

- Eliminating the tax on commercial televised events;
- Requiring the Commission to regulate nontraditional contests when prizes or money are awarded and tough man contests when money is awarded; and
- Requiring promoters to annually deposit with the Department of Racing a cash bond or surety bond.

9. **The extent to which changes are necessary in the laws of the Commission to adequately comply with the factors listed in the Sunset review statute.**

As discussed in Finding I, pages 9 through 18, the Legislature should consider making three statutory changes that could ensure better physical and financial protection for boxers:

- Amending A.R.S. §5-227 to allow the Commission to delegate licensing authority to the Executive Director except under special circumstances;
- Amending A.R.S. §5-230 to allow the Commission to issue annual license renewals and perform subse-

quent background checks upon renewal when determined necessary; and

- Amending A.R.S. §5-233(C) to increase the minimum amount of medical and life insurance coverage promoters are required to obtain for boxers.

Further, as discussed in Finding III, pages 25 through 28, the Legislature should consider giving the Commission regulatory authority over all nontraditional and tough man contests, including amateur events.

10. The extent to which termination of the Commission would significantly harm the public health, safety, or welfare.

Terminating the Commission would not significantly harm the public health, safety, and welfare although it could have varying effects on boxer safety. The Professional Boxing Safety Act of 1996 requires that all professional boxing events be supervised by a boxing commission. Therefore, if Arizona did not have a commission, a promoter would have to make arrangements for another state's commission to oversee the Arizona event. The event would have to comply with the regulatory guidelines established by the Association of Boxing Commissions as well as any additional relevant professional boxing regulations and requirements of the regulating state. As a result, regulation either could be more stringent or less stringent than Arizona's current boxing requirements. However, Arizona having its own boxing commission better ensures that appropriate boxing regulations and requirements are in place and helps ensure consistency between events. Forty-five states currently have boxing or athletic commissions that regulate boxing.

11. **The extent to which the level of regulation exercised by the Commission is appropriate and whether less or more stringent levels of regulation would be appropriate.**

This audit found that the Boxing Commission has sufficient statutory authority to regulate boxing events but the Legislature should consider giving the Commission regulatory authority over all nontraditional and tough man contests, including amateur contests (see Finding III, pages 25 through 28).

12. **The extent to which the Commission has used private contractors in the performance of its duties and how effective use of private contractors could be accomplished.**

The Commission uses private contractors for drug testing and rule-writing services. However, the Commission does not have a contract with the current drug testing company and should obtain one through the appropriate procurement procedures. In addition, the State Procurement Office indicated that the Commission should develop a process to determine who is qualified to work events as a referee, inspector, timekeeper, judge, or physician. Even though the promoter pays these individuals, the Commission selects them for each event. The process should also include criteria for who is selected to participate in which events.

Finally, the State Procurement Office indicated that it provides training to agencies on appropriate procurement procedures, and the Commission's Executive Director has not yet attended this training.

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Agency Response

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September 26, 2000

Debra K. Davenport
Auditor General
2910 N. 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Davenport:

A response to the Auditor General's Performance Audit Report by your staff is enclosed. The Commission wishes to thank you for the opportunity to meet with you and your staff prior to the release of the final draft.

Sincerely,

John H. Montano
Executive Director

FINDING I

COMMISSION NEEDS TO BETTER ENSURE THAT PARTICIPANTS ARE PHYSICALLY AND FINANCIALLY PROTECTED

The Arizona State Boxing Commission (Commission) has ensured that all licensed boxers meet minimum physical requirements. As a rule boxers are licensed at the time of weigh-ins, the day prior to the event. All boxers are examined at the weigh-in by the Commission doctor. The weighing of the contestants does not start until all contestants are examined and cleared by the Commission doctor. The Commission has four (4) inspectors and at least three of them are at all weigh-ins to ensure that the contestants are examined.

The 1996 Audit Report recommended that the Commission expand boxer physicals to include medical history and an eye examination, A.R.S. §5-228.(F) states that the boxer must submit the results of a recent medical examination on forms **furnished** or **approved** by the Commission, and that the forms must include an eye examination.

In keeping with the 1996 Audit recommendations, the Executive Director conferred with Commission Physician, Dr. Charles Howard and jointly revised the physical forms to conform with the recommendations. The forms currently furnished by the Commission do meet the requirements outlined in A.R.S. §5-228.(F).

The Director is attempting to standardize a medical form that can be used in Nevada, California and New Mexico, as well as in Arizona, to alleviate extra hardships for young boxers.

The Commission has not received any reports of boxers not being paid the contractual amount. This is a direct result of the Commission doing everything in its power to protect the boxers' financial interests.

COMMISSION MUST INSURE THAT BOXERS MEET LICENSURE REQUIREMENTS:

Commission must ensure that boxers meet licensure requirements

The Commission concurs that some documentation may not have been in the designated files, however, not one boxer has competed in Arizona with out the proper medical examinations.

A.R.S. 224.(A) states that the Commission may appoint an executive director and other personnel as required to perform the duties prescribed by the Commission.

The Commission has operated in this manner since its inception in 1958, it would be impractical to perform the duties in any other manner.

Finding I

A. MEDICAL EXAMINATIONS

- 1) A.R.S. 5-240 provides for the commission to practice reciprocity with other states, acting on this premise I exercised this authority for the licensure of the licensees indicated in this report, although the current physical forms furnished by the Commission do meet the prescribed requirements. The recommendation would provide an added safety net for our young boxers.

B. HIV TESTS

- 1) The Commission concurs that HIV testing should be implemented in rule.

C. BOXERS OVER 32 YEARS OF AGE

- 1) The Director initiated the rule requiring boxers over 32 years of age to get special action from the Commission in 1985, the rule was changed from 36 years to 32 years because boxers were not given the medical examinations in every state as in the present. It is important to note that no boxer was ever allowed to box in Arizona, if there was even the remotest chance that his performance would be compromised by his age.

D. COMMISSION MUST BETTER MEET EVENT SAFETY REQUIREMENTS

Records lacking for event physicals

- 1) The statement that the Commission has not ensured that all boxer pre-fight and post fight physicals and referee physicals are **not conducted** or documented, is inaccurate. No boxer in Arizona has ever stepped into the ring without a medical examination! There is no Commission rule or statute that requires a boxer to be examined after the fight, the post fight examination is an exercise that was implemented to ensure that boxers with possible injuries were reported to the Commission so that a follow up could be done. I have since implemented a form approved by the ABC to record the post fight examination. The examination form used at the weigh-in is the same form used when the doctor re-examines the boxer one hour prior to the fight, there is no separate form. If the doctor finds any change in the boxer, he will not be allowed to compete.

Of the three missing files referred to in the report, two were and are in the file,

Finding I

and the third is filed with the annual physical files. The Commission is currently trying to standardize a Physical Examination Form.

Referee physicals not being conducted

Referee examinations were a common practice to my knowledge, however, no documentation has been reported in the past. If some referees were not examined by the doctor it was as a result of oversight not because of deliberate intent. Referee physical forms have been implemented.

Few random drug tests performed

The Commission concurs that random tests are a necessity. Arizona Drug Screening & Investigations tested boxers in 8 of the 13 boxing events in fiscal year 2000, a total of 38 boxers were tested. The Commission is staying within the policy of random drug testing. Note: The information for these numbers became available after the auditors finished their final draft and was not able to be put in the report.

The Commission is in agreement in requesting that the promoter pay for the tests, as long as the Commission has control of the testing agency and the boxers tested.

Some safety standards exceeded without Commission authority

- 2) The auditor makes reference to a bout that took place on June 27, 2000, between Jaime Bretado and Joey Ruelas a pro debut fighter. Bretado's previous fight was on June 23, 2000, against Joseph Brady a knew fighter with a 1-0 record, I witnessed the fight and Bretado lost on points. The Director brought this fight to the attention of the auditor, explaining the procedures and method used to determine compatibility between boxers and the difference between boxers records. The Commission is disappointed that the auditor chose to point out a technicality that would have gone unnoticed if it had not been brought to his attention, instead of accentuating the positive procedures the Commission uses to ensure competitive and safe fights. The auditors routinely compare Arizona with California and they have a three day waiting period. Again this is a president that has been in place for years, and the Director is executing the duties delegated by the Commission. Please note that The Commission would not have allowed Bretado to fight if the Director hadn't seen his previous fight.

The auditor is correct, boxers often lose fights and do receive strong punches

Finding I

to the head, and yes, I suspended the boxer for thirty days as a safety precaution, however, there is nothing in the rules that say we have to we do it for the boxer.

- 3) The bout in question regarding weight differences in no way compromised the safety of any of the fighters. The heavier boxer could have run around the building twice and would have been within the weight range, as is the case in many matches. The Commission has delegated the duties of the weigh-ins to the Director and the spirit and intent of the rule is to ensure that safe matches are approved.

The smaller fighter was more experienced and both camps agreed to the match. Please note that this practice has been ongoing since the inception of the Boxing Commission.

Rule R4-203.D.- would require a Commission meeting during the weigh-in to approve a weight difference between two contestants.

A.R.S. §5-224.A.- Reads, The Commission may appoint an executive secretary, deputies and other personnel as required, to perform the duties as prescribed by the Commission.

D. MORE CAN BE DONE TO PROTECT BOXERS' FINANCIAL INTERESTS

Insurance requirements are to low

- 1) The Commission concurs that the insurance coverage is too low. The Commission should introduce legislation to raise the minimum insurance coverage.
- 2) The Commission concurs that in some instances all contracts are not delivered to the Commission at the time of the weigh-in. In some cases an opponent does not come in until the day of the fight or because of transportation problems arrives late the day of the weigh-in. There has been one case where the promoter did not fulfill the contract, and that promoter was brought before the Commission and was ordered to pay.

Finding I

Background check information

- 1) The finding is correct, we have been requesting background checks when the applicant first applies for his license. I concur that A.R.S. §5-230. should be amended to allow the Commission to issue renewals.

RECOMMENDATIONS

To better ensure that boxers meet all licensure requirements:

1. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.
2. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.
3. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.
4. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.
5. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.
6. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

To better ensure that all event safety requirements are met:

7. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.
8. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.
9. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Recommendations

10. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.
11. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.
12. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

To better protect boxers' financial interests:

13. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.
14. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.
15. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.
16. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

FINDING II

BOXING REVENUE COLLECTION HAS IMPROVED SLIGHTLY BUT MANY PROBLEMS CONTINUE

A. PROBLEMS HAVE PERSISTED FOR MANY YEARS

The Commission concurs that problems have existed for many years. In 1981 the Commission didn't have an office. The Commission was a 90-10 Board and subsisted on the revenue from 2% tax and what was collected in licenses which usually amounted to between \$3000.00 to approximately \$5000.00. This was the budget we had to work with to identify and sanction all rules violations which included possible non-payment of gross receipts. Incidentally, there was no money for staff.

By 1991, approximately 10 years had passed since our last audit, (I can't remember if we had an audit in between) we had acquired an office, a part time Director and a part time secretary. The Commission concurs we did have problems collecting revenues on time, however, they were collected.

The Commission concurs, by 1996 revenue collections were delegated to the Racing Department, and we did have communication problems, the problems stemmed from the interpretation of responsibilities; however, all revenues were collected. Between 1991 and 1996, the Commission lost the .5 FTE (Typist III). The position was reinstated the following year. We were severely under funded that year because I still kept the .5 FTE and cannibalized from the rest of the budget. The Commission concurs, it did have a slight problem collecting revenues in a **timely** manner for that performance audit.

B. SOME IMPROVEMENTS MADE IN REVENUE COLLECTION

Cash or surety bonds required

The Commission concurs

Letters of noncompliance

The Commission concurs

Department plays a more active role with promoters

The Commission concurs

Finding II

C. MANY LONG-TERM PROBLEMS CONTINUE

Notarized ticket manifests are not provided prior to events

The Commission concurs

Meetings to calculate revenue and tax are often late or never held

The Commission concurs

Many tax payments are not paid in a timely manner

The Commission concurs

D. DEPARTMENT AND COMMISSION CAN DO MORE TO ENSURE PROMOTER COMPLIANCE

The Commission concurs

The Department did not notify the Commission of all violations

The Commission concurs

The Commission should take formal action to ensure compliance

The Commission has contacted the promoters when they fail to meet deadlines, however, the possibility of imposing sanctions, such as, fines and or suspensions may be an option. The Commission would have to weight the severity of the violation and and the cost to the state to hold disciplinary hearings for minor infractions.

RECOMMENDATIONS

1. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.
2. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.
3. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Recommendations

4. The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

FINDING III

A. COMMISSION NEEDS TO REGULATE ALL EVENTS WITHIN ITS JURISDICTION

The Commission concurs

B. COMMISSION REQUIRED TO REGULATE CERTAIN EVENTS

The Commission concurs

C. SOME EVENTS MAY AVOID REGULATION

The Commission concurs

D. REGULATORY AUTHORITY OVER AMATEUR EVENTS WOULD BE BENEFICIAL

The Commission concurs

E. AMATEUR CONTESTS COULD BE BETTER PROTECTED

The Commission concurs

F. REVENUES COULD BE INCREASED

The Commission concurs

RECOMMENDATION

- 1) The finding of the Auditor General is agreed to and the audit recommendation will be implemented.
- 2) The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Recommendation

- 3) The finding of the Auditor General is agreed to and the audit recommendation will be implemented.
- 4) The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

SUNSET FACTORS

The Commission concurs with all of the Auditor's Sunset Factors except for the first part of #10. The State could contract with another State and use the ABC rules, however, the ABC rules do not provide for the promoter to post event bonds, they do not have a standard contract for boxers. The ABC does not regulate Tough man or Non-traditional Fighting contests. The public would suffer from unscrupulous promoters who advertise and sell tickets to bogus events and don't present the events.

Goldstein & McGroder, Ltd.
Professional Corporation
2200 East Camelback Road, Suite 221
Phoenix, Arizona 85016-3456

Patrick J. McGroder III
Philip T. Goldstein
Suzanne P. Clarke

Telephone (602) 957-1500
Telecopier (602) 956-9294
pmcgroder@aol.com

September 25, 2000

Via Fax (602-553-0051)

Deborah K. Davenport
Auditor General

Re: Boxing Commission

Dear Deborah,

Attached is a copy of my memo and recommendations with regard to the Boxing Commission.

Thank-you.

Sincerely,

Patrick J. McGroder III
PJM:df
Enclosure

Memo

To: John Montano, Executive Director
Chairman: Michael Preston Green
Commissioner: Sally Garza Fernandez

From: Patrick J. McGroder III

Date: 9-8-00

Subject: Boxing Commission

Re: Auditor General Report

I've now had over a year and a half to evaluate the state of the Boxing Commission in Arizona. Its been a pleasure working with you during this time.

Attached are a series of recommendations that I wish to make which I believe would improve the efficiency and reputation of an already outstanding regulatory commission.

RECOMMENDATIONS:

1. THE COMMISSION SHOULD ESTABLISH A BLUE RIBBON MEDICAL ADVISORY BOARD SELECTED FROM THE FOLLOWING SPECIALTIES:

SPORTS MEDICINE
NEUROLOGY
NEURORADIOLOGIST
CARDIOLOGY
INTERNAL MEDICINE
OPHTHALMOLOGY
ORAL SURGERY

2. THE COMMISSION SHOULD AUTHORIZE AN ANNUAL ONE DAY WORKSHOP/SEMINAR COVERING ALL COMMISSION RULES, REGULATIONS AND REQUIREMENTS

PARTICIPATION REQUIRED ON A BIENNIAL BASIS OF THE FOLLOWING CATEGORIES OF COMMISSION LICENSEES:

PROMOTERS	INSPECTORS
JUDGES	TIMEKEEPERS
REFEREES	PHYSICIANS
MANAGERS	

3. THE COMMISSION SHOULD REQUIRE AND MAINTAIN FILE STANDARDIZATION

A. FIGHTERS - WHAT EACH FILE SHOULD CONTAIN

1. APPLICATION
2. MEDICAL REQUIREMENTS
3. HIV TESTING REQUIREMENTS
4. AGE RESTRICTION REQUIREMENTS FOR BOXERS OVER AGE 36 (CURRENTLY 32)
5. LICENSURE
6. PRE-FIGHT WEIGH-INS

7. DRUG TESTS
8. FIGHT RECORD

B. PROMOTERS

1. APPLICATION
2. FINANCIAL INFORMATION
3. LICENSURE
4. CONTRACTS WITH VENUE AND FIGHTERS
5. COMPLAINTS

C. REFEREES

PHYSICAL EXAMS

4. THE COMMISSION (IF THEY HAVE LEGAL AUTHORITY) SHOULD RAISE LIMITS OF MEDICAL INSURANCE COVERAGE & LIFE INSURANCE, IF NOT, SEEK LEGISLATIVE MANDATE

PJM RECOMMENDATION: \$100,000 MED COVERAGE
 \$100,000 LIVE COVERAGE

5. STATUTORY CHANGES TO BE RECOMMENDED BY THE COMMISSION TO THE LEGISLATURE
 - (A) INSTITUTE LICENSE RENEWAL VS. NEW LICENSE EVERY YEAR FOR ALL LICENSEES
 - (B) EMPOWER THE COMMISSION'S EXECUTIVE DIRECTOR TO APPROVE AND ISSUE LICENSES TO APPLICANTS UNDER SET GUIDELINES
6. THE COMMISSION SHOULD IMPLEMENT PROCEDURAL CHANGES TO IMPROVE BOXING REVENUE COLLECTION AS RECOMMENDED BY THE AUDITOR GENERAL
 - (A) REQUIRE PRE-FIGHT MEETING WITH DEPARTMENT OF RACING & PROMOTER

(B) COMMISSION NEEDS TO DISCIPLINE PROMOTERS WHO ARE OUT OF COMPLIANCE

7. THE COMMISSION SHOULD DEFINE CLEARLY THE SCOPE OF COMMISSION'S JURISDICTION AND EXPAND IT WHERE NECESSARY

(A) NONTRADITIONAL CONTESTS

(B) OTHER EVENTS

8. THE COMMISSION SHOULD REVIEW THE STATUS OF INTERGOVERNMENTAL AGREEMENTS AND ENCOURAGE THE DEVELOPMENT OF MUTUAL INTEREST OF TRIBAL GOVERNMENTS

9. THE COMMISSION SHOULD ENCOURAGE THE PROMOTION OF QUALITY BOXING IN ARIZONA

COMMISSION SHOULD MAINTAIN A PRO-ACTIVE ROLE

A. MEET WITH GOVERNOR

B. MEET WITH DEPARTMENT OF COMMERCE

C. MEET WITH SPORTS AUTHORITIES AND COMMISSIONS

D. TALK TO NEW VENUES

10. THE COMMISSION SHOULD FORMALIZE ITS DRUG TESTING PROGRAM

REMAIN RANDOM

REQUIRE PROMOTER TO PAY EXPENSES RELATED THERETO

11. THE COMMISSION SHOULD MEMORIALIZE AND MAKE PUBLIC ANY RECIPROCAL AGREEMENTS IT HAS WITH ANY OTHER STATES

12. THE COMMISSION SHOULD STUDY WAYS TO MAKE ITSELF FINANCIALLY SELF-SUFFICIENT OBTAINING THE NEED FOR STATE FUNDING:

(A) YEARLY BUDGETS SHOULD BE PROPOSED AND
ADOPTED PRIOR TO FISCAL YEAR

(B) CONCESSION FEES & CHARGES SHOULD BE
REVIEWED

ARIZONA DEPARTMENT OF RACING

JANE DEE HULL
GOVERNOR



RITA FRESQUEZ
ACTING DIRECTOR

September 21, 2000

Office of the Auditor General
Debbie K. Davenport, CPA
Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Re: Performance Audit of the Arizona State Boxing Commission
Department of Racing Written Comments

Dear Ms. Davenport:

The Department of Racing has reviewed the draft report prepared by the Auditor General's office which contains portions of the performance audit of the Arizona State Boxing Commission and we would like to comment on a few items.

- 1) Since the implementation of the requirement that promoters provide a cash or surety bond prior to licensure, revenue has not only been collected timely and completely, but the State actually received the money in advance. There has only been one instance when the amount collected was insufficient to cover the taxes. The money collected for the bond for this event was the amount set by the Boxing Commission.

An additional benefit of the bond requirement is that, if there is a dispute over the amount determined to be due to the State between the Department and the promoter, the money is held in a bond account until the dispute is settled. In essence, the State receives all revenue up front.

The Department has collected 100% of the bond deposit amounts set by the Commission prior to boxing events from the time this rule became effective.

- 2) The report states that "Notarized ticket manifests are not provided prior to events". The rule states that the notarized manifest must be provided at the weigh-in. In more than one instance, the notarized manifest was provided prior to the event but after the weigh-in and was cited by the auditors as a violation which should have been reported in a noncompliance letter.

3877 N. 7th Street, Suite 201
Phoenix, AZ 85014
(602) 277-1704
FAX: (602) 277-1165

"AN EQUAL EMPLOYMENT OPPORTUNITY / AFFIRMATIVE ACTION EMPLOYER"

Regarding the recommendations to be published by the Auditor General's office in reference to the audit of the Arizona State Boxing Commission, the Department has the following statements:

- 1) For recommendation number one, the finding of the Auditor General is agreed to and the audit recommendation will be implemented. In addition to the recommendation that the Department ensure that the employee responsible for collecting boxing revenue be appropriately trained, we plan to implement the following:
 - a. The Department will develop new procedures to cross train other employees to perform the required boxing duties in the event that the boxing position becomes vacant for any reason.
 - b. The Department will review and update the existing checklist for boxing events.
 - c. The Department will write up desk procedures to be followed by the person performing the duties of the boxing position and changes will be updated as they become effective.
- 2) For recommendation number two, the finding of the Auditor General is agreed to and the audit recommendation will be implemented. In addition to the recommendation that the Department ensure that the letters of noncompliance are sent to the Commission and to the promoter whenever violations occur, we plan to implement the following:
 - a. The Department will review and revise the current letters of noncompliance for completeness and accuracy.
 - b. The Department will create a different noncompliance letter for each event involved with revenue collection procedures. For example, there will be a noncompliance letter for the weigh-in referencing whether all requirements were met (i.e. notarized manifest received). There will be separate noncompliance letters for required meetings for tax collection.
 - c. The goal of the Department is to ensure that, by separating the violations according to the different revenue collection events, they will be reported as they occur rather than waiting until the checklist has been completed.
- 3) For recommendation number three, the finding of the Auditor General is agreed to and the audit recommendation will be implemented. In order to ensure that letters of noncompliance identify all violations that have occurred, the Department plans to implement the following:
 - a. The Department will use the revised checklist prior to, during and after the boxing event to identify all violations so that they can be reported to the Commission and the promoter.
 - b. The Department will use the updated noncompliance letters to report all violations as they occur rather than waiting for the checklist to be completed prior to sending out letters.

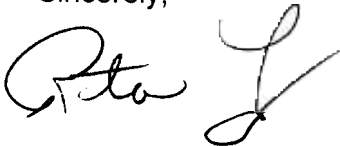
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- c. The Department will maintain a communication log in each file for every event listing who was contacted, the date and the time, for what reason, using what medium (email, phone, etc.) and the outcome of the communication effort. If printed output is available, it will be attached.
 - d. The goal of the Department is to improve communications between the promoters and ourselves and also with the Boxing Commission to help to reduce the number of violations that occur and that subsequently have to be reported.
- 4) Recommendation number four does not apply to the Department of Racing and thus we abstain from either agreeing to or disagreeing with the recommendation and/or implementation.

If you have any questions or need any more information, please feel free to contact me at (602) 277-1704.

Sincerely,



Rita Fresquez
Acting Director

RF:plh

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Other Performance Audit Reports Issued Within the Last 12 Months

99-20	Arizona State Board of Accountancy	00-9	Arizona Naturopathic Physicians Board of Medical Examiners
99-21	Department of Environmental Quality—Aquifer Protection Permit Program, Water Quality Assurance Revolving Fund Program, and Underground Storage Tank Program	00-10	Department of Agriculture—Food Safety and Quality Assurance Program and Non-Food Product Quality Assurance Program
99-22	Arizona Department of Transportation A+B Bidding	00-11	Arizona Office of Tourism
00-1	Healthy Families Program	00-12	Department of Public Safety—Scientific Analysis Bureau
00-2	Behavioral Health Services—Interagency Coordination of Services	00-13	Arizona Department of Agriculture Pest Exclusion and Management Program
00-3	Arizona’s Family Literacy Program	00-14	Arizona Department of Agriculture State Agricultural Laboratory
00-4	Family Builders Pilot Program	00-15	Arizona Department of Agriculture Commodity Development Program
00-5	Department of Agriculture—Licensing Functions	00-16	Arizona Department of Agriculture Pesticide Compliance and Worker Safety Program
00-6	Board of Medical Student Loans	00-17	Arizona Department of Agriculture Sunset Factors
00-7	Department of Public Safety—Aviation Section		
00-8	Department of Agriculture—Animal Disease, Ownership and Welfare Protection Program		

Future Performance Audit Reports

Department of Economic Security—Division of Developmental Disabilities

Department of Corrections—Security Operations