



Oklahoma Horse Racing Commission
2800 N. Lincoln Blvd., Suite 100
Oklahoma City, OK 73105

January 27, 2026

To: Chairman Brian Burget and Commissioners of the Oklahoma Horse Racing Commission

From: Amanda English, Interim Executive Director

Re: Oklahoma-Bred Program (Oklahoma Breeding Development Fund Special Account) — Reconciliation Findings, Technology Risk, Corrective Actions, and Path Forward

Chairman Burget and Commissioners:

This letter transmits and provides context for the enclosed materials regarding the Oklahoma-Bred Program and the Oklahoma Breeding Development Fund Special Account (“OKBred Fund”). The OKBred Fund exists to provide purse supplements and related awards for qualifying Oklahoma-bred horses, consistent with statutory and regulatory direction. These materials were determined not to be protected from disclosure under the Open Records Act on 1/27/2026

The enclosed documents reflect serious, longstanding control and technology issues that materially impaired the integrity, auditability, and operational security of the systems used to process OKBred-related transactions. They also reflect the immediate and continuing corrective actions taken by the current Commission and executive leadership team—most of whom were not in place during the period in which these conditions developed—to reduce risk, stabilize operations, and protect funds that the Commission is obligated to safeguard as a fiduciary.

Attachments:

1. Email to Attorney General Drummond
2. General Counsel Memo to Exec. Dir.
3. Redacted Audit of Ok. Bred. Program
4. OMES Summary of Work-to-Date

Background and why this review was initiated

Former Executive Director Dr. John Chancey identified irregularities and risk indicators in the OKBred processes and supporting technology environment and initiated review activity, including external engagement and audit support.

That work culminated in the enclosed reconciliation report, which sought to (a) determine the accurate balance of the OKBred Fund as of June 30, 2025, and (b) evaluate the internal controls and processes used to manage the account.

Separately, the Commission's technology environment—particularly the legacy “Binkley” application supporting core operations and processing large volumes of transactions—was identified as outdated, structurally fragile, and insufficiently governed, with security risks requiring immediate action.

Importantly, these conditions did not arise recently. The Executive Summary describes them as the result of years of deferred upgrades and limited investment in core systems under prior administrations, rather than failures attributable to the current leadership team.

Summary of reconciliation findings and why they matter

The reconciliation report documents material control failures and record-integrity issues in the period **January 1, 2022 through June 30, 2025**, including weaknesses that increased the opportunity for error and potential fraud. It should be noted that these system weaknesses have existed for over a decade, and during this period no financial audit was conducted.

Key reported findings include:

- **Payee integrity failures:** Multiple checks cleared the bank where payee information was missing from OHRC reports or did not match the payee who actually received funds (examples are listed in the report).
- **Aggregate amount variance:** For the period reviewed, the report calculates that checks clearing the bank were **\$893,112 higher** than amounts recorded/reported in Binkley, leaving a cumulative unreconciled discrepancy.
- **Checks “cancelled” in Binkley after clearing:** The report identifies **65 checks totaling \$118,532** that were marked as cancelled/voided in Binkley (recorded as \$0 disbursements) despite having been paid by the bank—an extreme deficiency because it allows cleared payments to effectively disappear from internal records.
- **Out-of-sequence and missing checks:** Numerous instances of missing or out-of-sequence checks, including checks that cleared the bank but were not listed on OHRC reports—undermining completeness and audit trail reliability.

Using bank-cleared activity as a primary source and applying stated assumptions where system data was unreliable, the report estimates an adjusted June 30, 2025 OKBred Fund balance of **\$9,397,139** (including outstanding checks) and an “actual” balance of **\$9,588,506** (excluding outstanding checks).

Assessment of the reconciliation work against best practices

The enclosed reconciliation report is best understood as a **reconstruction and reconciliation project**, not a traditional GAAP financial statement audit performed under GAAS/GAGAS that results in an auditor’s opinion on financial statements.

Work that aligns with sound practice (strengths):

- The report explicitly recognizes that internal system data was unreliable and appropriately uses **bank-cleared checks** and **check image review** as higher-reliability evidence sources for validating payees, amounts, dates, and endorsements.
- It documents a clear set of procedures: issued-versus-cleared comparisons, anomaly identification, physical image review, and sample testing.
- It translates control weaknesses into concrete recommendations consistent with standard internal control principles: segregation of duties, audit trails, access controls, reconciliation rigor, and check-sequence controls.

Material ways it deviates from “audit-level” best practice (limitations the Commission should understand):

- The report does **not** present itself as an independent GAAS/GAGAS audit with a formal opinion, defined materiality, or a stated standard of assurance; instead, it provides findings, estimates, and recommendations based on described procedures and assumptions.
- Because Binkley data was unreliable, the report necessarily relies on **allocations and assumptions** (e.g., prorating differences by breed) that may be reasonable for estimating balances but are not a substitute for a fully auditable system-of-record.
- The report describes “random sample testing” but does not fully specify a statistical sampling design, expected error rate, or precision—elements that are common in higher-assurance engagements.

For these reasons, the reconciliation should be treated as a serious, credible warning and a necessary reconstruction of what can be reliably determined from available evidence—but **not** the final word on causation, responsibility, or the full extent of exposure. Additional independent work may be warranted depending on Commission direction and law-enforcement or oversight needs.

Corrective actions taken by current leadership and current risk posture

Beginning in 2024 and accelerating immediately upon the seating of Chairman Burget and the arrival of new leadership in June 2025, OHRC took multiple steps to secure the Binkley environment and reduce the opportunity for undetected changes to financial transactions.

Actions described in the June 20, 2025 security memo include:

- Engagement with OMES for urgent assistance and planning to secure the system, including implementation of **change logging** and **access changes requiring supervisor approval** for modifications.
- Consultation with state cybersecurity personnel regarding the feasibility of retroactive reviews and confirmation that ongoing audit efforts were appropriate.
- Legal consultation with OMES senior counsel emphasizing rapid securing of the system and implementation of change logs, while avoiding actions that could increase immediate risk of financial loss.
- Briefings to Commission leadership and state oversight to ensure awareness and alignment on the risk and the remedial plan.

The Executive Summary further documents operational stabilization steps that have occurred through coordinated OHRC–OMES work:

- Standing coordination meetings with OMES technical staff;
- Prioritized remediation backlog and transparent tracking;
- Additional development capacity;
- Implementation of database history tables to log and track data changes (improving auditability); and
- Active work to transfer domain and certificate governance to OMES, while securing and maintaining continuity of current services during the transition.

Taken together, these measures have materially reduced the risk that the OKBred Fund could be impacted by undetected system modifications or informal control practices, while acknowledging that the underlying legacy architecture remains a fundamental risk until modernization or replacement occurs.

Path forward: modernization and governance

The reconciliation report's recommendations and the Executive Summary's technology findings converge on the same conclusion: the State cannot prudently rely indefinitely on an outdated, unsupported, single-point-of-failure system for mission-critical operations and high-dollar financial processing.

Accordingly, OHRC leadership is proceeding on two parallel tracks:

1. **Short-term stabilization and security hardening** of the existing environment, with continued OMES coordination and oversight improvements already underway.
2. **Procurement and implementation planning** for modernization/replacement, including development of a request for proposal (RFP) to address system reliability, auditability, internal controls, security governance, and long-term sustainability—recognizing this may take several months to complete responsibly.

Closing

The Commission has an obligation to protect these funds and maintain public trust in the Oklahoma-Bred Program. The documents enclosed reflect (1) serious inherited conditions that impaired financial controls and system integrity, and (2) swift, deliberate, and well-documented actions by the current Commission and leadership team to contain risk and put the agency on a sustainable path forward.

I welcome Commission direction on next steps, including whether to pursue additional independent assurance work beyond reconciliation, and what further governance or funding commitments are appropriate to complete modernization.

Respectfully submitted,



Amanda English
Interim Executive Director
Oklahoma Horse Racing Commission

Attachments:

Email to Attorney General Drummond
General Counsel Memo to Exec. Dir.
Redacted Audit of Ok. Bred. Program
OMES Summary of Work-to-Date

From: [Michael Copeland](#)
To: [John Chancey](#)
Cc: [Gentner Drummond](#)
Subject: RE: EEOC complaints/Horse Racing Commission
Date: Wednesday, July 2, 2025 5:16:00 PM
Attachments: [image001.png](#)

Good afternoon Dr. Chancey,

Thank you for forwarding Attorney General Drummond's inquiry regarding the Oklahoma Horse Racing Commission's (OHRC) compliance with the legal advice provided by his staff. I want to assure you and General Drummond that the OHRC is fully adhering to the guidance provided by the Attorney General's office, and I have been including the AG's Staff on all emails related to [REDACTED] [REDACTED] to give them a chance to object to any decision they deem appropriate.

However, I have significant concerns about the implications of the staff's guidance, and I believe it is important to provide context to ensure General Drummond is fully informed of the challenges this agency faces in respect to the advice his staff is offering.

As the new General Counsel for the OHRC, with over 25 years of legal practice across multiple jurisdictions and an unblemished professional record, I immediately identified several serious operational and financial vulnerabilities within the agency in the three weeks I have been employed here. These issues, particularly those surrounding [REDACTED] [REDACTED] [REDACTED] role, pose substantial risks to the OHRC's fiduciary responsibilities and institutional integrity. Below, I outline just one example to illustrate the gravity of our situation:

- **Oklahoma Breeding ("Okie Bred") Program Oversight:** [REDACTED] [REDACTED] has directly overseen the Okie Bred program and agency IT for nearly a decade, managing this program that disburses approximately \$500,000 weekly in funds we are obligated to safeguard.
- **Security Vulnerabilities:** Despite the large sums of money moving through the system, the Okie Bred system lacks security controls, allowing employees to alter data fields without detection. This vulnerability has led to multiple documented breaches over the past decade, resulting in the misappropriation of funds. Recent reports suggest approximately \$1 million annually are unreconcilable, though some of this may be related to the inability to properly complete an audit of the program, discussed below.
- **Audit Challenges:** Efforts to audit the fund, initiated by you (Dr. Chancey) roughly a year ago upon suspecting irregularities, have been hampered by the poor condition of the applications, preventing reconciliation of accounts.
- **Failure to Protect the Funds:** For nearly a decade, [REDACTED] [REDACTED] has, at best, failed to protect the funds under her care, and it doesn't appear that she took reasonable efforts to make the Commission aware of the seriousness of the systems vulnerabilities. Right now, it is impossible to state with certainty whether her

actions were simply gross mismanagement or if it was intentional.

Upon discovering these issues, you and I began taking immediate steps to protect the funds, including efforts to strengthen the technical controls and investigate potential mismanagement. Under normal circumstances, prudent legal practice would involve suspending [REDACTED] [REDACTED] with pay pending a thorough investigation. Even absent overwhelming evidence of criminal misconduct, her extreme mismanagement of the program and the risk she put those funds in would more than justify her termination. It's difficult to see how any reasonable legal opinion on that could differ, and I am unsure why none of the attorneys from the OHRC or the AG's office advised the Commission of these obvious dangers sooner.

However, despite the enormous fiduciary liability we are now exposed to, the Attorney General's staff has explicitly directed against terminating or even investigating [REDACTED] [REDACTED] *past conduct*, directing us to instead focus solely on her *future* policy violations for any possible discipline. Furthermore, when we attempted to limit [REDACTED] [REDACTED] access to our fiduciary's funds, we received vague warnings that the Attorney General's office might withdraw representation if her job duties were altered, (though what the staff believes are her appropriate duties remains unclear to us, all things considered.) Thus, our agency is caught in a Hobson's Choice, where following the AG's staff advice exposes us to exponentially more liability related our fiduciary obligation to protect funds.

Unfortunately, the above is just one of many examples of [REDACTED] [REDACTED] past actions that warrant close scrutiny. Since joining the OHRC three weeks ago, and discovering the long years of mismanagement here, my primary focus has been to protect the agency's assets and uphold our fiduciary duties, and I am troubled by the possibility that future inquiries may question why [REDACTED] [REDACTED] was not removed from her position sooner. I don't know what the answer to that question was prior to my arrival, but the answer today is that [REDACTED] [REDACTED] remains in an executive position at the OHRC because the Attorney General's staff demands that we not fire [REDACTED] [REDACTED] for any of her past misconduct. I want to be sure that General Drummond is aware of this when he asks us for our assurances that we are following his staff's advice.

While I respect the Attorney General's staff and their focus on mitigating liability related to the EEOC complaints, their guidance appears to prioritize this concern over the far greater risks posed by continued vulnerabilities in the Okie Bred program, and the other numerous issues facing this agency. Their advice is unmoored from the facts on the ground. Their approach does not adequately address the OHRC's obligation to safeguard millions of dollars in public and industry funds. I am concerned that adhering to their advice exposes the agency to significant liability, and I believe General Drummond would share this concern if fully apprised of the situation.

To address this, I respectfully request that General Drummond instruct his staff to consider the broader risks alongside the EEOC-related concerns. A more balanced approach is needed to enable us to fulfill our obligations to the racing and breeding industry and the public. The EEOC complaint appears to me to have been tactical, but regardless, it is not our primary or most grave danger.

In conclusion, I can confirm that the OHRC is complying with the Attorney General's staff's legal advice. However, I believe this advice is exacerbating our potential liability rather than reducing it. Our compliance with their advice is impossible to reconcile with the serious risks facing the agency, and I believe if the Attorney General knew how deep the problems within

the agency runs, given his office's statutory responsibility to advise the Commission, he would instead recommend his staff change their posture to one that more effectively helps us address the severe problems we are experiencing.

Beyond that, I am unclear what legal advice the AG's staff believes we may not have followed, but I am available to discuss this matter further or provide additional details as needed.

As per our discussion, I've included General Drummond on this email for his information.

Respectfully,



OKLAHOMA
Horse Racing
Commission

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State of Oklahoma
Oklahoma Horse Racing Commission

Memorandum

To: Dr. John Chancey

From: Michael Copeland, General Counsel

Date: June 20, 2025

Subject: Actions Taken to Secure the Binkley System and Protect OKBred Program Funds

Introduction

The Oklahoma Horse Racing Commission (OHRC) is committed to ensuring the integrity and security of the Binkley system, which processes funds for the OKBred program and handles licensing applications. This memorandum outlines the proactive steps taken by the OHRC to address recently identified security concerns with the Binkley system, demonstrating our diligence in safeguarding the funds entrusted to us and maintain operational reliability.

Background

The Binkley system has been a critical tool for the OHRC, facilitating licensing and OKBred program payouts. In May 2023, Dr. Chancey was appointed Executive Director of the OHRC. Approximately one year into his tenure, Dr. Chancey identified potential security vulnerabilities in the Binkley system, prompting immediate action to investigate and address these concerns.

Actions Taken to Secure the Binkley System

1. Initiation of Security and Financial Reviews (June 2024)

Upon suspecting potential security issues, Dr. Chancey promptly requested assistance from the Office of Management and Enterprise Services (OMES) for security assessments and software upgrades. Concurrently, he sought a financial audit of the Binkley system and OKBred program through the State Auditor and Inspector (SAI). The OHRC formally approved a forensic audit of the OKBred program during the April 2024 Special Meeting.

2. Forensic Audit Findings and Response (Spring 2025)

The forensic auditor provided an update indicating unreliability in the Binkley system, including evidence of undetected modifications to financial transactions. These preliminary findings were referred to the Oklahoma

State Bureau of Investigation (OSBI) for further review, reflecting the OHRC's commitment to transparency and accountability.

3. Immediate Request for OMES Assistance (June 13, 2025)

Based on the audit's preliminary findings, on Friday, June 13, 2025, Dr. Chancey and I contacted OMES to request urgent assistance in securing the Binkley system. We specifically asked for an audit of past security violations and coordination of any additional measures deemed necessary. OMES committed to developing an expedited plan to ensure the system's integrity.

4. Consultation with Cyber Command (June 16, 2025)

On Monday, June 16, 2025, I conducted a Teams call with Cyber Command security engineers Bob Goddard, Anton Bondarev, Cameron Couch, and Russel Cole to explore the feasibility of a retroactive audit of changes made within the Binkley system. While Cyber Command indicated their focus was on online intrusions and lacked the capacity for such an audit, they endorsed our ongoing audit efforts, reinforcing the appropriateness of our approach.

5. Legal Consultation with OMES Senior Attorney (June 16, 2025)

On the same day, I consulted with Matt LaFon, senior attorney at OMES, to seek guidance on the appropriate response to the suspected vulnerabilities. Mr. LaFon advised prioritizing rapid securing of the system and implementing change logs to track modifications. He recommended against public notification at this stage to mitigate the risk of financial loss, advice we incorporated into our strategy.

6. Development of a Security Implementation Plan (June 18, 2025)

On June 18, 2025, German Khanagov from OMES contacted Dr. Chancey to outline a plan to secure the Binkley system. To avoid disrupting the licensing process during the racing season, OMES proposed implementing access changes within three weeks, by early July 2025. These changes will ensure that no modifications to the Binkley system can be made without supervisor approval. Additionally, OMES committed to immediately implementing a change log to record all system modifications, including the identity of the user and details of the change. We promptly sent an email to OMES to initiate this process.

7. Engagement with Commission Leadership (June 18–19, 2025)

On June 18, 2025, Dr. Chancey and I met with Commissioner Brian Burget to discuss the Binkley system security concerns and our response plan. A broader discussion was scheduled for the executive session of the OHRC meeting on June 19, 2025. Due to an issue with the meeting notice and citation, the discussion was tabled. However, following the meeting, Attorney General Nikki Batt was individually briefed on the situation to ensure alignment with state oversight.

8.

Conclusion

The OHRC has taken swift and comprehensive measures to address security concerns with the Binkley system. By initiating audits, engaging with state

agencies, consulting legal and technical experts, and implementing a robust plan to secure the system, we have acted diligently to protect the OKBred program funds and maintain the trust placed in us. We will continue to monitor the situation closely and ensure that all recommended security enhancements are fully implemented by early July 2025.

Respectfully,
Michael Copeland
General Counsel
Oklahoma Horse Racing Commission

Report on the Reconciliation of the Oklahoma Bred (OKBred) Account

Prepared By: Shanna Dutton

Period Reviewed: January 1, 2022 – June 30, 2025

Date Finalized: December 17, 2025

Introduction

A comprehensive reconciliation of the Oklahoma Bred (OKBred) account began in May 2025. The objective of this project was to determine the accurate balance of the OKBred fund as of June 30, 2025, and to evaluate the internal controls and processes associated with the management of the account. As part of this work, financial data and operational reports were requested and obtained from the following agencies:

- Oklahoma Horse Racing Commission (OHRC)
- Oklahoma State Treasurer (OST)
- Oklahoma State Auditor & Inspector (OSAI)
- Office of Management and Enterprise Services (OMES)

Early in the process, it became clear that the OKBred account's operational structure lacked sufficient financial controls, system support, and interdepartmental oversight. These weaknesses directly contributed to reporting inconsistencies and increased the opportunity for error and potential fraud.

This report presents the results of the reconciliation, significant findings, and recommended actions to strengthen the integrity of the OKBred financial processes going forward.

Overview of Current Processes and System Limitations

OHRC manages the OKBred account using the Binkley system—a software platform with minimal internal controls that has not been actively supported or updated for several years. OHRC does not have the capability to independently administer the system; instead, an OMES representative is required to run reports, maintain system functionality, and export data.

Key process observations:

- OHRC employees issue checks internally and also prepare deposits for the bank.
- Despite handling deposits and issuing checks, OHRC does **not** receive the bank statements.
- OST receives the bank statements and matches cleared checks only to a list of check numbers provided by OHRC.
- The matching process does *not* include verification of payee names. Since OHRC provides OST with an editable spreadsheet, the payee and amount fields could be altered without detection, creating a significant control vulnerability.
- Prior to this reconciliation, no comprehensive review existed to match actual cleared checks to the original authorized payees.

While the initial scope of this project was not to investigate potential fraud, the weaknesses identified necessitated testing procedures designed to provide reasonable assurance that improper or unauthorized payments could be detected.

Procedures Performed

The following steps were taken to reconcile the account and validate check activity:

1. **Obtained Check Registers and Cleared Check Lists**
 - Check data was exported from Binkley by OMES.
 - OST provided the listing of all checks that cleared the bank.
 2. **Compared Issued vs. Cleared Checks**

This comparison identified:

 - Outstanding checks (including stale dated that have not been cancelled or voided)
 - Cleared checks missing from the Binkley register
 - Amount discrepancies
 - Checks with mismatched or missing payees
 3. **Analyzed Physical Check Images**

Access to OST's imaging system allowed review of actual cleared checks, including:

 - Payee name
 - Dollar amount
 - Issue date
 - Endorsements
 4. **Random Sample Testing**

Selected checks from the review period were evaluated for accuracy and compliance. Multiple anomalies were found.
-

Significant Findings

1. Checks With Missing or Incorrect Payee Information

The following checks represent instances where payee information was either missing entirely from OHRC records or did not match the payee who actually received the funds:

- **#269185** – Issued 1/12/23, paid to [REDACTED] for \$4,800 (not listed on any OHRC report)
- **#269391** – Issued 3/22/23, paid to [REDACTED] for \$1,650 (OHRC listed payee as [REDACTED])
- **#270968** – Issued 5/24/23, paid to [REDACTED] for \$857 (not listed on any OHRC report)
- **#278940** – Issued 10/30/24, paid to [REDACTED] for \$2,041 (OHRC listed payee as [REDACTED])
- **#279593** – Issued 11/27/24, paid to [REDACTED] for \$300 (not listed on any OHRC report)

These discrepancies highlight a breakdown in the integrity of the check issuance and reporting process.

2. Dollar Amount Variances Totaling \$893,112

Between January 1, 2022 and June 30, 2025, the aggregate amount of checks that cleared the bank was **\$893,112 higher** than the amounts reported in Binkley. This variance represents a cumulative unreconciled discrepancy between bank-cleared activity and amounts recorded in the Binkley system for the period reviewed.

Because the Binkley system did not record these excess dollar amounts, it was not possible to determine which race dates or race numbers the additional funds were intended to cover.

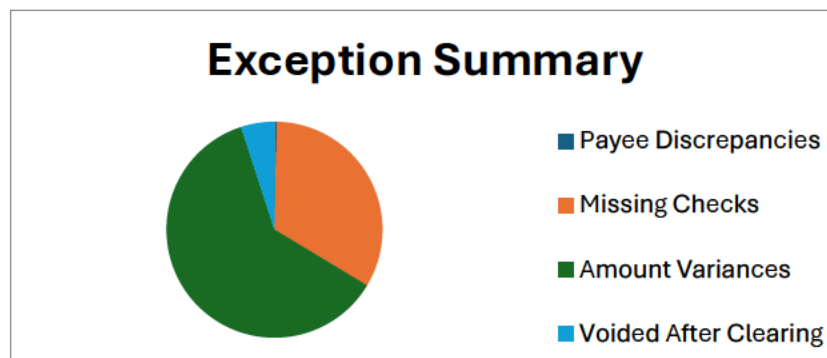
3. Checks Voided in Binkley After Clearing

A total of 65 checks, amounting to **\$118,532**, were marked as “cancelled” (voided) in the Binkley system and reflected as \$0 disbursements, despite having previously been paid by the bank. This discrepancy between bank payment records and Binkley entries resulted in a **\$118,532 understatement** of recorded disbursements.

This issue represents an extreme control deficiency, as it allows cleared payments to disappear from the agency’s internal records.

4. Out-of-Sequence and Missing Checks

During the review of issued and cleared checks, numerous instances were identified where checks were out of sequence or entirely missing from the Binkley reports. Check sequences are a fundamental control mechanism, and gaps or unexplained breaks in numerical order indicate that checks may have been issued without proper authorization or recording. In several cases, checks that cleared the bank were not listed in any OHRC report, further complicating the reconciliation process and increasing the risk that unauthorized or improper payments could be made without detection. Missing or out-of-sequence checks create a significant vulnerability to both error and fraud, as they limit the agency’s ability to ensure completeness of disbursements, verify proper oversight, and maintain a reliable audit trail.



Reconciliation Methodology and Assumptions

Due to substantial data inconsistencies, the account balance as of June 30, 2025 required several calculated assumptions. These were developed using the most reliable data sources available:

- Amount differences between cleared and reported checks were allocated to breeds on a prorated basis using Binkley's reported payouts.
- Administrative expenses were distributed equally among all breeds.
- Only the actual cleared check amounts were used in the reconciliation.
- All checks—including those that were cancelled but cleared—were included in the analysis. Since these checks were cancelled in Binkley, there is no longer breed or amount information available to use for the reconciliation.
- Additional activity such as PTC transfers and miscellaneous breed allocations was verified through reports from the OHRC Shedrow website.
- Deposits were reconciled using correct amounts reported by the tracks and registration/fee records when Binkley values were incorrect.

Based on these procedures, the **estimated adjusted OKBred account balance on June 30, 2025 is \$9,397,139** (outstanding checks are included in the calculation) and the **actual balance is \$9,588,506** (outstanding checks are excluded in the calculation).

As part of the reconciliation, the OKBred account balances were also analyzed and adjusted by breed to reflect the actual cleared amounts rather than the reported amounts from Binkley. The adjusted balances are as follows: **Thoroughbred \$1,112,731, Quarterhorse \$10,240,156, and Paints and Appaloosas (\$1,645,848)**. In addition, there is **\$118,532 that could not be allocated to any breed**. These funds represent the checks that were cancelled in Binkley after they had cleared the bank. Because the checks were voided, the supporting information indicating the original amounts and associated breeds was no longer available, preventing accurate allocation. This highlights a key reconciliation challenge and underscores the need for improved record retention and tracking of voided transactions.

OKBred Account Reconciliation

	<u>TB</u>	<u>QH</u>	<u>P&A</u>	<u>Unallocated</u>	<u>Total</u>
12/31/21 Balance as reported by OHRC:					
Fair Meadows	116,227	125,812	82,938		324,977
Remington Park	121,997	3,285,454	377,119		3,784,571
Will Rogers Downs	208,933	191,367	30,906		431,207
	<u>447,158</u>	<u>3,602,633</u>	<u>490,963</u>		<u>4,540,754</u>
<i>Plus Deposits:</i>					
2022					
Fair Meadows	328,816	291,029	62,568		682,413
Remington Park	2,872,730	3,799,540	320,545		6,992,815
Will Rogers Downs	838,229	595,570	65,510		1,499,310
Registrations & Fees	60,500	122,533	18,683		201,715
2023					
Fair Meadows	437,247	235,061	65,398		737,705
Remington Park	2,846,686	3,992,034	316,005		7,154,725
Will Rogers Downs	838,229	595,570	65,510		1,499,310
Registrations & Fees	68,875	124,533	13,938		207,345
2024					
Fair Meadows	420,075	131,804	48,768		600,647
Remington Park	2,876,826	3,841,723	323,377		7,041,926
Will Rogers Downs	993,180	205,099	60,362		1,258,642
Registrations & Fees	49,425	128,038	24,338		201,800
2025					
Fair Meadows	876,098	26,098	10,434		912,629
Remington Park	1,706,869	2,364,429	200,492		4,271,790
Will Rogers Downs	924,260	160,565	17,953		1,102,778
Registrations & Fees	27,550	89,855	10,940		128,345
<i>Less Checks Issued and Cleared (includes Outstanding Checks):</i>					
1/1/22-12/31/22	4,202,019	2,799,863	1,001,543		8,003,425
1/1/23-12/31/23	4,506,069	2,889,793	1,098,072		8,493,934
1/1/24-12/31/24	4,626,458	2,963,743	1,112,667		8,702,868
1/1/25-6/30/25	2,257,157	1,483,421	578,173		4,318,751
<i>Less Checks cancelled but cleared:</i>					
1/1/22-12/31/22				23,184	23,184
1/1/23-12/31/23				38,495	38,495
1/1/24-12/31/24				34,553	34,553
1/1/25-6/30/25				22,300	22,300
6/30/25 Ending Balance, Adjusted (includes outstanding checks)	1,021,051	10,169,293	(1,674,672)	(118,532)	9,397,139
<i>Outstanding Checks:</i>					
1/1/22-12/31/22	10,039	16,331	3,801		30,171
1/1/23-12/31/23	25,467	20,097	11,791		57,355
1/1/24-12/31/24	47,699	25,807	12,829		86,335
1/1/25-6/30/25	8,475	8,628	403		17,506
6/30/25 Ending Balance, Actual (ouststanding checks excluded)	1,112,731	10,240,156	(1,645,848)	(118,532)	9,588,506

Recommendations for Process Improvement

1. Discontinue Receipt of Cash

Cash receipts present substantial risk and should be eliminated in favor of more secure payment methods.

2. Implement a Modern Accounting and Operating System

Binkley is outdated, unsupported, and structurally inadequate. A new system should include:

- Automated audit trails
- Required dual approval for check issuance
- User-level access controls
- Integrated bank reconciliation functionality

3. Require Daily, Segregated Deposits by Revenue Stream

OKBred deposits should be separate from general OHRC deposits, and further separated by:

- Registration fees
- Payments received from tracks
- Other fee categories

Daily deposits should tie directly to daily activity reports.

4. Strengthen Segregation of Duties

The staff person responsible for issuing checks should not perform or review monthly bank reconciliations.

5. Implement Regular Payee Verification

Before OST performs its cleared-check match, OHRC should review a sample of checks to verify:

- Payee name
- Amount
- Valid check sequence

Actual physical (or imaged) checks should be compared to the list sent to OST.

6. Strengthen Check Controls

To reduce the risks associated with out-of-sequence and unaccounted-for checks, the agency should implement stricter controls over check issuance and monitoring. This includes requiring documented justification for any deviation from sequential ordering, performing monthly check-sequence audits, and ensuring all checks—voided, unused, spoiled, or reissued—are logged and retained in a centralized record. Additionally, an automated check-tracking system should be deployed to prevent the issuance of

checks outside the approved sequence and to flag any gaps for immediate investigation. These measures will improve accountability, strengthen financial oversight, and significantly reduce the opportunity for unauthorized or undocumented payments.

Conclusion

Reconciling the OKBred account was exceptionally complex due to the fragmented nature of the information maintained across multiple agencies and systems. No single report contained all the data necessary to verify transaction amounts, payees, check purposes, or deposit sources. Instead, relevant information was dispersed among reports from OHRC, OST, OMES, and track filings—each using different formats, varying levels of detail, and inconsistent data fields. In many cases, figures that should have matched across reports did not, requiring additional verification through check images, external documentation, or manual recalculation. As a result, the reconciliation process required extensive cross-referencing, reconstruction of transaction activity, and judgment to resolve discrepancies that could not be reconciled through system-generated data alone. This lack of consolidated, accurate reporting significantly increased the time, complexity, and risk associated with determining the true financial position of the OKBred account.

The reconciliation of the OKBred account revealed substantial weaknesses in financial reporting, system reliability, and internal controls. Despite these challenges, the account balance as of June 30, 2025 was reasonably estimated to be **\$9,397,139**.

Addressing the systemic and procedural issues identified in this report is vital to ensuring transparency, safeguarding funds, and restoring confidence in the management of the OKBred program.

Executive Summary – Audit Findings and Corrective Actions

Overview

A recent compliance audit covering the period January 1, 2022 through June 30, 2025 identified several significant findings related primarily to OHRC’s core technology environment. While the findings are serious and valid, they reflect **longstanding, fixable issues** tied to aging systems and historic underinvestment rather than recent operational failures. OHRC leadership has already taken meaningful steps to stabilize risk, improve oversight, and begin remediation.

Key Findings

The audit focused heavily on **Binkley**, OHRC’s primary enterprise application, which supports core operations and processes **millions of dollars in transactions annually**.

In plain terms, the audit found that:

- **Binkley is outdated and unsupported.**
The application is built on **ColdFusion 9**, a platform that is more than a decade old and no longer supported by the vendor. This means security updates, patches, and vendor support are unavailable.
- **Binkley is structurally fragile.**
The application, database, and file storage all run on a **single server**, creating a single point of failure. If that server fails or is compromised, operations would be significantly disrupted.
- **Security risk required immediate action.**
Due to known vulnerabilities, external access to Binkley was disabled to reduce exposure. While necessary for security, this underscores the system’s limitations.
- **Website domain and security certificate management was informal.**
Binkley’s domain name and SSL certificate are held by GoDaddy and registered under an individual employee’s name rather than a centralized, institutional authority (OMES) —creating continuity and governance risk.

These conditions did not arise recently. They are the result of **years of deferred upgrades and limited investment in core systems under prior administrations**, despite the system’s growing importance.

Actions Already Taken

OHRC management has acted proactively to stabilize the environment and address immediate risks:

- Established **bi-weekly technology coordination meetings** between OHRC leadership and OMES technical staff.
- Created a **prioritized backlog** of issues, focusing first on critical (“on fire”) risks.
- Added an additional developer to work down critical items.
- Implemented a **centralized, transparent tracking system** to manage ongoing work and accountability.
- Resolved a substantial number of issues through coordinated efforts by technical staff.
- Added **database history tables** to log and track all data changes, significantly improving auditability and oversight.
- Initiated the process to **transfer the domain name and security certificate** away from GoDaddy and over to OMES. To avoid any service disruption, the current GoDaddy-held domain is secured and paid through the next year.

Path Forward

These findings represent **serious but solvable problems**. The current configuration is **insufficient for an application that supports mission-critical operations and significant financial activity**. Continued reliance on outdated infrastructure is increasingly risky and ultimately more costly.

Moving forward, OHRC will need to:

- Continue stabilizing and securing the existing system in the short term.
- Develop and fund a **modernization or replacement strategy** for Binkley.
- Establish sustainable governance for technology assets and security.

Simply put, maintaining the status quo is **penny-wise and pound-foolish**. Strategic investment now will reduce risk, improve reliability, and protect OHRC’s operations and public trust.

Conclusion

OHRC leadership acknowledges the audit findings, agrees with their substance, and has already demonstrated progress. With commission support and appropriate investment,

OHRC is positioned to correct these issues, modernize its systems, and significantly reduce risk going forward.