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**"Review of the Financial and Administrative  
Activities of the Boxing and Wrestling  
Commission for Fiscal Years 1996 and 1997"**

**May 18, 1998**

## **EXECUTIVE SUMMARY**

### **PURPOSE**

Pursuant to D.C. Code, Section 2-607(f), the District of Columbia Auditor conducted the statutory audit of the Boxing and Wrestling Commission (Commission). During this audit, we reviewed the financial and administrative activities of the Commission for fiscal years 1996 and 1997.

### **CONCLUSION**

Since our last review, the Boxing and Wrestling Commission has again failed to monitor and collect fees required by D.C. Code, Section 2-607(c)(1) for closed circuit telecast of boxing and wrestling events viewed in the District of Columbia. Also, the Commission continued its practice of not requiring promoters to pay the minimum cost incurred by the District for officials assigned to regulate boxing and wrestling events. As a result, the Commission incurred deficits in fiscal years 1996 and 1997 of \$5,921 and \$8,941, respectively.

The Auditor found that the Commission improperly paid officials in the aggregate amount of \$630 for working an event on February 1, 1997. The improper payments occurred as a result of weaknesses in internal controls over payment vouchers.

The Auditor found that the Commission had not established a policy or procedures concerning the duties and responsibilities of officials who are assigned to attend boxing and wrestling events presented on closed circuit telecast. To properly administer this aspect of the Commission's statutory requirement to collect gross receipt fees, the Commission must establish a policy and the necessary procedures to articulate the duties and responsibilities of Boxing and Wrestling Commission officials who are assigned to attend closed circuit telecast of boxing and wrestling events.

As a result of the current audit of the Boxing and Wrestling Commission's operations, the Auditor determined that improvements can be made in the administration and regulation of local boxing, wrestling, and martial arts events, and the collection of gross receipts fees from events that are presented on closed circuit telecast.

### **MAJOR FINDINGS**

1. Boxing and Wrestling Commission's operations resulted in a deficit.
2. The Boxing and Wrestling Commission failed to collect commission fees on pay-per-view events as required by D.C. Code, Section 2-607(c)(1).

3. The Boxing and Wrestling Commission had not established a policy and procedures for collecting gross receipts on closed circuit telecast of boxing, wrestling, and martial arts events presented in the District of Columbia.
4. The Boxing and Wrestling Commission improperly paid officials for a boxing event held on February 1, 1997.

### RECOMMENDATIONS

1. For all future boxing and wrestling events, the Commission provide each promoter with an estimate of the costs the Commission is likely to incur as a result of regulating a boxing, wrestling, or martial arts contest, match, or exhibition. The estimate must include a fair and reasonable percentage for administrative costs.
2. When a promoter is either unwilling or financially unable to pay the estimated costs likely to be incurred by the District to regulate an event, the Commission and the Department of Consumer and Regulatory Affairs should withhold licenses, permits, and other relevant approvals required to stage the event.
3. The Council of the District of Columbia's Committee on Finance and Revenue consider reevaluating the intent and application of D.C. Code, Section 2-607(c)(1).
4. The Corporation Counsel of the District of Columbia issue an official opinion concerning the application of D.C. Code, Section 2-607(c)(1) to boxing and wrestling events presented on pay-per-view, subscription television, and closed circuit telecast.
5. The Boxing and Wrestling Commission establish a policy explaining the purpose, governmental interest served, and the duties and responsibilities of Boxing and Wrestling Commission officials who attend, on behalf of the Boxing and Wrestling Commission, closed circuit telecast of boxing and wrestling events in the District of Columbia.
6. The Boxing and Wrestling Commission, in coordination with the Department of Consumer and Regulatory Affairs, develop an effective and efficient methodology for identifying, beforehand, all closed circuit telecast of boxing, wrestling, and martial arts events in the District of Columbia for the purpose of collecting the fee on gross receipts required by D.C. Code, Section 2-607(c)(1).

7. The Commission request, in writing, that each official who received an improper payment, as noted in Table III for the February 1, 1997 boxing event, refund the District government the full amount of the improper payment.
8. Until each official has refunded the District government the full amount of the improper payment, the Commission preclude these officials from working any future boxing and wrestling events licensed by the District of Columbia Government.
9. The Department of Consumer and Regulatory Affairs process payment vouchers for Boxing and Wrestling Commission officials only if the vouchers are supported by appropriate and sufficient documentation and contain the signature approval of an authorized Boxing and Wrestling Commissioner and an authorized Occupational and Professional Licensing Administration official.

## **PURPOSE**

Pursuant to D.C. Code, Section 2-607(f), the District of Columbia Auditor conducted the statutory audit of the Boxing and Wrestling Commission (Commission). During this audit, the Auditor reviewed the financial and administrative activities of the Commission for fiscal years 1996 and 1997.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

The objectives of the audit were to determine:

1. whether the activities of the Commission were conducted in accordance with D.C. Code, Sections 2-601 through 2-610, the rules and procedures of the Commission, and other applicable District of Columbia laws and regulations;
2. whether the financial activities of the Commission were fully recorded and reported in accordance with generally accepted accounting principles; and
3. whether internal controls related to administrative activities were adequate to safeguard the assets of the Commission.

To accomplish these objectives, the Auditor reviewed D.C. Code, Sections 2-601 through 2-610 and the rules and regulations of the Commission. The Auditor also examined the Commission's records of cash receipts and disbursements. Further, the Auditor examined the internal controls used to protect assets, and issue licenses and permits for boxing and wrestling events.

The audit was performed in accordance with generally accepted government auditing standards and included such tests of the records as were deemed necessary.

## **BACKGROUND**

District of Columbia Law 1-20 entitled, "District of Columbia Boxing and Wrestling Commission Act," was enacted by the Council of the District of Columbia on October 8, 1975. The law established the Boxing and Wrestling Commission to license and regulate boxing, wrestling, and martial arts events within the District of Columbia. On September 29, 1988, the "District of Columbia Boxing and Wrestling Commission Act" was amended by D.C. Law 7-169 entitled, "District of Columbia Boxing and Wrestling Commission Act Amendment Act of 1988." This amendment authorized the Commission to promote the District of Columbia as a location for boxing, wrestling, and martial arts events.

The Commission was initially organized within the District's Department of Licenses, Investigations, and Inspections. Under Reorganization Plan Number 1 of 1983, the Commission was transferred to the Department of Consumer and Regulatory Affairs (DCRA) where it now operates under the administrative authority of the Occupational and Professional Licensing Administration (OPLA).

The Commission is composed of three members appointed by the Mayor and confirmed by the Council of the District of Columbia. The chairperson of the Commission serves a three year term, and the two other members serve two and one year terms, respectively.

The Boxing and Wrestling Commission began fiscal year 1996 with three (3) commissioners. On January 15, 1996, the terms of two commissioners expired. Between January 16, 1996 and December 13, 1996, the Commission operated with only one commissioner. This commissioner's term was set to expire on January 15, 1997. On December 13, 1996, the Mayor of the District of Columbia re-appointed the remaining commissioner as chairman of the Commission and appointed two (2) new commissioners. The current chairperson's term expires on January 15, 1999. The terms of the two remaining commissioners expire on January 15, 1999 and January 15, 2000, respectively.

A deputy commissioner is appointed by Commission members to perform administrative duties and to serve as the first chief official at all boxing, wrestling, and martial arts events. The deputy commissioner is responsible for overseeing the functions of all other chief officials such as the chief inspector, chief judge, chief referee, and other chief officials appointed by the Commission to work a boxing, wrestling, or martial arts event.

During the period under review, the Commission was unable to fill the deputy commissioner position. As a result, the Commission has operated without the services of a deputy commissioner since September 1995, with the exception of the month of May 1996 when a new deputy commissioner was appointed. The new deputy commissioner occupied the position for only one month before resigning. The position is currently vacant.

In the absence of a deputy commissioner, the chief inspector, whose normal duties and responsibilities are to oversee the collection of gate receipts, dressing room activity, and the readiness of equipment, has carried out those duties of the deputy commissioner that are solely related to overseeing officials who work boxing and wrestling events. During fiscal years 1996 and 1997, a secretary in OPLA performed the deputy commissioner's administrative duties on behalf of the Commission.

Revenues collected by the Boxing and Wrestling Commission may be derived from:

- (1) fees collected from the issuance of licenses and permits;
- (2) a 5% fee on gross receipts for each professional event staged in the District;  
and
- (3) a 5% fee on the first \$100,000 of gross receipts, and 2% on gross receipts in excess of \$100,000, from or owed for, the presentation of boxing or wrestling events on closed circuit telecast or subscription television viewed within the District, whether or not originating within the District.

The Commission requires each promoter or presenter of a boxing or wrestling event to provide the Commission with a report of gross receipts within 72 hours after an event. The fees charged by the Commission on gross receipts must be collected by the Commission and deposited into the District's General Fund.

## FINDINGS

### BOXING AND WRESTLING COMMISSION'S OPERATIONS RESULTED IN A DEFICIT

The statement of receipts and expenditures in Table I presents the operating results of the Boxing and Wrestling Commission for fiscal years 1996 and 1997. As noted in Table I, the operations of the Boxing and Wrestling Commission resulted in a deficit of \$5,921 for fiscal year 1996 and a deficit of \$8,941 for fiscal year 1997. The deficits incurred by the Commission resulted from expenditures totaling \$21,677 exceeding revenue of \$15,756 in fiscal year 1996, and expenditures totaling \$19,307 exceeding revenue of \$10,366 in fiscal year 1997. Specifically, the deficits resulted from payments made to officials assigned to boxing and wrestling events and administrative costs that exceeded permit fees, licenses fees, and 5% gross receipt fees collected from events.

**TABLE I**  
**BOXING AND WRESTLING COMMISSION**  
**STATEMENT OF RECEIPTS AND EXPENDITURES**  
**FOR FISCAL YEARS 1996 AND 1997**

	<u>FY 96</u>	<u>FY 97</u>
<b><u>Revenue</u></b>		
Licenses & Permits	\$ 2,120	\$ 1,640
5% Gross Receipt Fees	<u>13,636</u>	<u>8,726</u>
<b>Total Revenue</b>	<b><u>\$15,756</u></b>	<b><u>\$10,366</u></b>
<b><u>Expenditures</u></b>		
Fees Paid to Officials	\$ 7,495	\$ 4,400
Fees paid to Deputy Commissioner	465	
OPLA Administrative Costs <sup>1</sup>	14,217	14,907
Miscellaneous <sup>2</sup>	<u>(500)</u>	<u>      </u>
<b>Total Expenditures</b>	<b><u>21,677</u></b>	<b><u>19,307</u></b>
<b>Surplus (Deficit)</b>	<b><u>(\$ 5,921)</u></b>	<b><u>(\$ 8,941)</u></b>

<sup>1</sup> These amounts represent 1/3 of the salary of the Contact Representative in OPLA who performed administrative duties for the Boxing and Wrestling Commission during fiscal years 1996 and 1997. The position is assigned by OPLA to perform administrative duties for three (3) boards and commissions within OPLA: the Boxing and Wrestling Commission; the District of Columbia Social Workers Board; and the District of Columbia Real Estate Appraisal Board. The Contact Representative's salary was \$42,651 for fiscal year 1996, and \$44,721 for fiscal year 1997.

<sup>2</sup> This is a fiscal year 1996 credit of \$500 which represented the reversal of a fiscal year 1995 voucher entered into FMS for which no check was ever issued due to the vendor's nonperformance.

The Boxing and Wrestling Commission licensed and regulated four (4) boxing events and collected gross receipt fees from two (2) closed circuit telecasts of boxing events presented during fiscal year 1996. Together, these six (6) events generated 5% gross receipt fees of \$13,636 and license and permit fees of \$2,120 for total fiscal year 1996 revenue of \$15,756. In fiscal year 1997, the Commission licensed and regulated two (2) boxing events which generated 5% gross receipt fees of \$8,726 and license and permit fees of \$1,640 for total revenue of \$10,366. Of these eight (8) events, five (5) were operated at a gain to the District and three (3) were operated at a loss. These events are presented in Appendix I.

In the fiscal year 1994 report entitled, "Review of the Financial and Administrative Activities of the Boxing and Wrestling Commission for Fiscal Year 1995," the Auditor recommended that the Commission require the promoter of each event to pay, at minimum, the cost incurred by the District to license and regulate an event. Additionally, D.C. Code, Section 2-607(b), in relevant part, states:

*"Such person should pay to the Commission, at the time of the filing of the report, a fee of 5 per centum of the gross receipts realized by such person as a result of holding or conducting the event except that the Commission may require the amount so collected be not less than that necessary for the payment of compensation to the personnel necessary to conduct such contest, match, or exhibition." [Auditor's Emphasis]*

During fiscal years 1996 and 1997, the Commission failed to implement the Auditor's recommendation. As a result, the Commission continued to incur losses and to violate D.C. Code, Section 2-607(b) by subsidizing boxing and wrestling matches, contests, and exhibitions that did not generate sufficient revenue necessary for the payment of compensation to Boxing and Wrestling Commission personnel.

### **Promoter Refused to Pay 5% Fee on Gross Receipts**

The promoter of the event held on October 15, 1995 entitled, "Million Man March," has refused to pay the Boxing and Wrestling Commission the 5% fee of \$577 due on gross receipts of \$11,546 reported as having been earned from this event. The promoter contends that the Commission violated its rules and procedures by issuing unauthorized complimentary tickets to some patrons to attend the "Million Man March" event for which the promoter received no compensation for the unauthorized complimentary tickets. The District of Columbia Auditor reviewed the activities and events surrounding the claim made by the promoter and issued findings in a report dated February 16, 1996 entitled, "Review of the Boxing Event of October 15, 1995 Regulated by the District of Columbia Boxing and Wrestling Commission." The Auditor found that:

*The rules and regulations of the Commission do not authorize the printing or distribution of complimentary tickets by the Commission. Regulation numbers 2123.8, 2210.8 and 2323.8 state that "a minimum of two percent (2%) of the tickets to an event may be complimentary." This rule applies only to the tickets printed by the promoter.*

## **RECOMMENDATIONS**

1. For all future boxing and wrestling events, the Commission provide each promoter with an estimate of the costs the Commission is likely to incur as a result of regulating a boxing, wrestling, or martial arts contest, match, or exhibition. The estimate must include a fair and reasonable percentage for administrative costs.
2. When a promoter is either unwilling or financially unable to pay the estimated costs likely to be incurred by the District to regulate an event, the Commission and the Department of Consumer and Regulatory Affairs should withhold licenses, permits, and other relevant approvals required to stage the event.

### **THE BOXING AND WRESTLING COMMISSION FAILED TO COLLECT COMMISSION FEES ON PAY-PER-VIEW EVENTS AS REQUIRED BY D.C. CODE, SECTION 2-607(c)(1)**

District of Columbia Code, Section 2-607(c)(1) states:

“(c)(1) Every person presenting or showing any boxing or wrestling match, contest, or exhibition on closed circuit telecast or subscription television within the District, whether or not originating within the District, shall, within 72 hours excluding Saturdays, Sundays, and legal holidays after the presentation or showing is over:

(A) File with the Commission a report stating the exact number of tickets sold for the presentation or showing and the gross receipts from the presentation or showing or, if no tickets are sold, the price in money or value paid or owed for the presentation or showing, and any other information the Commission may require; and

(B) Pay to the Commission a fee of 5% of the first \$100,000 of the gross receipts from, or price paid or owed for, the presentation or showing and 2% of any gross receipts or price paid or owed in excess of \$100,000.”

In our audit report entitled, "Review of the Financial and Administrative Activities of the Boxing and Wrestling Commission for Fiscal Year 1995," dated April 1, 1996, the Auditor reported that the Commission had not implemented D.C. Code, Section 2-607(c)(1). This provision of law requires the Commission to monitor boxing and wrestling events presented on closed circuit telecast and subscription television for the purpose of requiring organizations responsible for broadcasting these events within the District of Columbia to pay a fee on the gate receipts or on subscriber fees earned from such events.

During the audit of the Boxing and Wrestling Commission for fiscal years 1996 and 1997, the Auditor found that the Commission did not monitor pay-per-view events televised in the District of Columbia by District Cablevision Limited Partnership (DCLP). District Cablevision Limited

Partnership owns the rights to broadcast cable TV programs in the District of Columbia. DCLP has refused to pay gross receipt fees required by D.C. Code, Section 2-607(c)(1) since it was awarded the District's cable franchise agreement in the early 1980's.

In order to determine the amount of gross receipt fees that may be owed to the District government from pay-per-view boxing and wrestling events televised by DCLP during fiscal years 1996 and 1997, the Auditor obtained from DCLP a listing of boxing and wrestling events, dates of telecast, the number of subscribers purchasing each event, and the amount of gross subscriber revenue earned. According to this information, sixty-three (63) pay-per-view boxing and wrestling events were televised to District subscribers in fiscal years 1996 and 1997. The broadcast of these events earned \$1,626,216 in subscription revenue. Based on the gross subscriber revenue earned by DCLP, and the gross receipt fees required by D.C. Code, Section 2-607(c)(1)(B), the District government may be owed a total of \$38,525 in fees for fiscal years 1996 and 1997. Table II presents fiscal year 1996 and 1997 pay-per-view fees that may be due to the District.

**TABLE II**  
**Fiscal Years 1996 and 1997**  
**Calculation of Gross Receipt Fees on Pay-Per-View Boxing and Wrestling Events**

<u>Percentage Rate Levied Against Gross Revenue</u>	<u>Gross Revenue</u>	<u>Fees Due Commission</u>
Fiscal Year 1996: 5% (First \$100,000)	\$100,000	\$5,000
Fiscal Year 1996: 2% (Amount in excess of first \$100,000)	<u>553,235</u>	<u>11,065</u>
<b>Total FY 1996</b>	<u>\$653,235</u>	<u>\$16,065</u>
Fiscal Year 1997: 5% (First \$100,000)	100,000	5,000
Fiscal Year 1997: 2% (Amount in excess of first \$100,000)	<u>872,981</u>	<u>17,460</u>
<b>Total FY 1997</b>	<u>\$972,981</u>	<u>\$22,460</u>
<b>Grand Total</b>	<u><b>\$1,626,216</b></u>	<u><b>\$38,525</b></u>

Source: Office of the D.C. Auditor

The Office of the Corporation Counsel has taken the position that D.C. Code, Section 2-607(c)(1) does not apply to present day pay-per-view, closed circuit telecast, or subscription television. The Office of the Corporation Counsel further contends that application of D.C. Code, Section 2-607(c)(1) to pay-per-view could be discriminatory against District Cablevision Limited Partnership and its subscribers, and a violation of federal cable laws. As a result of this opinion, it appears that the District of Columbia Council's Committee on Finance and Revenue should consider reevaluating the intent and application of D.C. Code, Section 2-607(c)(1), and determine whether the current provision of law should be amended or repealed. (See Agency Comments Section of the Auditor's report for Office of the Corporation Counsel's opinion entitled, "Application of Boxing and Wrestling Gross Receipts Fee to Cable Pay-Per-View.")

## **RECOMMENDATIONS**

1. The Council of the District of Columbia's Committee on Finance and Revenue consider reevaluating the intent and application of D.C. Code, Section 2-607(c)(1).
2. The Corporation Counsel of the District of Columbia issue an official opinion concerning the application of D.C. Code, Section 2-607(c)(1) to boxing and wrestling events presented on pay-per-view, subscription television, and closed circuit telecast.

### **THE BOXING AND WRESTLING COMMISSION HAD NOT ESTABLISHED A POLICY AND PROCEDURES FOR COLLECTING GROSS RECEIPTS ON CLOSED CIRCUIT TELECAST OF BOXING, WRESTLING, AND MARTIAL ARTS EVENTS PRESENTED IN THE DISTRICT OF COLUMBIA**

District of Columbia Code, Section 2-607(c)(1) requires the Boxing and Wrestling Commission to collect a gross receipts fee on boxing and wrestling events that are televised on closed circuit or subscription television within the District, whether or not originating in the District. Unlike the duties and responsibilities of boxing and wrestling officials assigned to regulate live boxing and wrestling events, the D.C. Code and the rules and regulations of the Commission are silent concerning the duties and responsibilities of officials with regard to closed circuit telecast of boxing, wrestling and martial arts contests, matches, and exhibitions.

During fiscal year 1996, the Commission collected \$2,426 in gross receipt fees on two closed circuit boxing events televised in the District. The first event was televised on March 16, 1996. No officials attended this telecast because the Commission did not learn of the event until after it had occurred. The second event was televised on June 7, 1996. Four (4) Boxing and Wrestling Commission officials attended this closed circuit telecast at a cost of \$275 to the District, however, the officials were unclear of their duties and responsibilities while attending this event.

The Commission should identify, in advance, the dates and locations of closed circuit telecasts of boxing, wrestling, and martial arts events within the District of Columbia for the purpose of collecting gross receipt fees required by D.C. Code, Section 2-607(c)(1). Additionally, in light of the fact that boxing and wrestling officials were paid a fee to attend the March 16, 1996 closed circuit telecast of a boxing event for a purpose not clearly articulated by the Commission, it should establish a policy and necessary procedures to state the purpose for officials attending such events, the governmental interest served, and the duties and responsibilities of Boxing and Wrestling Commission officials while attending such events.

## **RECOMMENDATIONS**

1. The Boxing and Wrestling Commission establish a policy explaining the purpose, governmental interest served, and the duties and responsibilities of Boxing and Wrestling Commission officials who attend, on behalf of the Boxing and Wrestling Commission, closed circuit telecast of boxing and wrestling events in the District of Columbia.
2. The Boxing and Wrestling Commission, in coordination with the Department of Consumer and Regulatory Affairs, develop an effective and efficient methodology for identifying, beforehand, all closed circuit telecast of boxing, wrestling, and martial arts events in the District of Columbia for the purpose of collecting the fee on gross receipts required by D.C. Code, Section 2-607(c)(1).

### **THE BOXING AND WRESTLING COMMISSION IMPROPERLY PAID OFFICIALS FOR A BOXING EVENT HELD ON FEBRUARY 1, 1997**

On February 1, 1997, the Boxing and Wrestling Commission held a boxing event at the Boys and Girls Club, 3401 Benning Road, N.E., Washington, D.C. The weigh-in for the fight was also held on February 1, 1997. Separate sign-in sheets were prepared for officials who worked the weigh-in and for officials who worked the fight. A sign-in sheet is a document used by the Commission to record the names of officials who work an event. Each official is required to sign their name on the sign-in sheet after working an event. Sign-in sheets are approved by a Boxing and Wrestling commissioner and an official of DCRA's Occupational and Professional Licensing Administration (OPLA) before payments to officials are processed by voucher through the District's Financial Management System (FMS).

Payments to boxing and wrestling officials who worked the weigh-in on February 1, 1997 were processed through FMS in May 1997. Payments to boxing and wrestling officials who worked the fight on February 1, 1997 were processed through FMS in June 1997. The Auditor's review of the Commission's FMS 480 expense reports for May and June 1997 showed that seventeen (17) officials were paid for working the weigh-in, however, only six (6) officials' signatures appeared on the sign-in sheet. The Auditor further noted that nineteen (19) officials' signatures appeared on the sign-in sheet for working the fight, however, the FMS 480 expense report showed that twenty (20) payments were actually processed through FMS for these officials.

Based on the sign-in sheets and the FMS 480 expense reports, the Auditor found that eleven (11) officials were improperly paid an aggregate total of \$580 for working the weigh-in. Total payments to the six (6) officials who actually worked the weigh-in should have been \$500. However, the FMS 480 expense report for May 1997 showed payments totaling \$1,080 which included the \$580 in improper payments to the eleven (11) officials who did not work the weigh-in.

The Auditor, also found that another Boxing and Wrestling Commission official was improperly paid an additional \$50 for working the fight. This official received a total of \$100 that was paid in two checks in the amount of \$50 per check for working the same fight. This official was entitled to receive only one check in the amount of \$50. The overpayment resulted from the preparation of duplicate vouchers and the failure of DCRA's accounting office to cancel and void all duplicates.

The improper payments resulted from a deficiency in the Department of Consumer and Regulatory Affairs' system of authorizing and processing Boxing and Wrestling Commission payment vouchers. Payment vouchers for the twelve (12) officials were approved and processed by management without the support of an approved sign-in sheet. Payment vouchers for boxing officials should not have been processed without the proper documentation and signature approval of a Boxing and Wrestling Commission official and an official from OPLA on the sign-in sheet. Table III presents a list of boxing officials who were improperly paid for the event on February 1, 1997.

**TABLE III  
FISCAL YEAR 1997  
OFFICIALS IMPROPERLY PAID FOR BOXING EVENT ON FEBRUARY 1, 1997**

OFFICIALS	VENDOR NUMBER	CHECK NUMBER	CHECK DATE	AMOUNT DUE TO OFFICIAL	CHECK AMOUNT	IMPROPER PAYMENT
Alfred Grant	000046953	DACU64268163	6/27/97	\$0	\$50.00	\$50.00
Kenneth Chevalier	000369546	DACU64268174	6/27/97	0	60.00	60.00
Andre Davis	000080960	DACU64267616	6/27/97	0	50.00	50.00
Thomas Green	000003152	DACU64267504	6/27/97	0	60.00	60.00
Floyd Lumpkin	000046870	DACU64268067	6/27/97	0	50.00	50.00
James McAleer	000046995	DACU64268250	6/27/97	0	50.00	50.00
Stephen Rados	000476416	DACU64268289	6/27/97	0	50.00	50.00
Curtis Rawlings	000348342	DACU64268231	6/27/97	0	50.00	50.00
Maureen Robinson	000381772	DACU64267845	6/27/97	0	50.00	50.00
Lloyd Scaife	000050492	DACU64267792	6/27/97	0	50.00	50.00
Sylvester Stevens	000046896	DACU64267635	6/27/97	0	60.00	60.00
Anthony Harris	000302240	DACU64282018	8/1/97	0	50.00	50.00
<b>TOTALS</b>				<b>\$0</b>	<b>\$630.00</b>	<b>\$630.00</b>

## **RECOMMENDATIONS**

1. The Commission request, in writing, that each official who received an improper payment, as noted in Table III for the February 1, 1997 boxing event, refund the District government the full amount of the improper payment.
2. Until each official has refunded the District government the full amount of the improper payment, the Commission preclude these officials from working any future boxing and wrestling events licensed by the District of Columbia Government.
3. The Department of Consumer and Regulatory Affairs process payment vouchers for Boxing and Wrestling Commission officials only if the vouchers are supported by appropriate and sufficient documentation and contain the signature approval of an authorized Boxing and Wrestling Commissioner and an authorized Occupational and Professional Licensing Administration official.

## **REVIEW OF THE BOXING AND WRESTLING COMMISSION'S COMPLIANCE WITH THE AUDITOR'S PRIOR RECOMMENDATIONS**

On April 1, 1996, the District of Columbia Auditor issued a report entitled, "Review of the Financial and Administrative Activities of the Boxing and Wrestling Commission for Fiscal Year 1995." The Auditor's report contained six (6) recommendations concerning the financial operations and activities of the Boxing and Wrestling Commission. A status of the implementation of the Auditor's previous recommendations is presented below:

### **Recommendation**

The Boxing and Wrestling Commission monitor all future pay-per-view boxing and wrestling events that are televised on cable television or closed circuit telecast within the District of Columbia.

### **Compliance Activity**

The Boxing and Wrestling Commission could not provide, for the period under audit, any evidence showing that the Commission monitored the presentation of pay-per-view and closed circuit telecast of boxing and wrestling events in the District of Columbia.

## **Recommendation**

As required by D.C. Code, Section 2-607(c)(1), the Boxing and Wrestling Commission collect the 5% fee on the first \$100,000 of gross receipts and the 2% fee on gross receipts in excess of \$100,000 from District Cablevision Limited Partnership for all pay-per-view boxing and wrestling events televised in the District during fiscal year 1995, and for prior fiscal years that have not been paid. In addition, the Commission must collect such fees from future events presented or shown on closed circuit telecast or subscription television viewed in the District whether or not originating within the District.

## **Compliance Activity**

The Commission did not collect any gross receipts fees from District Cablevision Limited Partnership during fiscal years 1996 and 1997 for pay-per-view boxing and wrestling events televised in the District of Columbia. However, the Commission did collect a 5% gross receipts fee of \$2,426 on two (2) closed circuit telecast of boxing and wrestling events in the District.

A DCRA accounting officer requested the Corporation Counsel to collect \$19,465 in gross receipts fees from District Cablevision Limited Partnership for pay-per-view boxing and wrestling events viewed in the District during the fiscal year 1994. In response to the request, an assistant Corporation Counsel issued a memorandum on January 21, 1997 in which he raised questions concerning whether the gross receipts fee imposed by D.C. Code, Section 2-607(c)(1) applied to pay-per-view. The assistant Corporation Counsel concluded that the term subscription television did not include pay-per-view and stated, in relevant part, the following:

“Closed circuit telecasting” and “subscription television” are terms of art that apply only to a unique broadcast service that existed at the time the Act was enacted in the 1970s. In fact, pay-per-view did not exist at the time the Act was enacted. It did not arrive in the District until the late 1980s, after what was commonly known as “closed circuit telecast” or “subscription television” had disappeared.”

## **Recommendation**

The Boxing and Wrestling Commission use the cost schedule prepared by the Office of the Auditor in the fiscal year 1994 audit report entitled, “Audit of the Boxing and Wrestling Commission for Fiscal Year 1994,” to estimate the cost of future events to the District government.

### **Compliance Activity**

The Boxing and Wrestling Commission provided inadequate evidence that it used a cost schedule during fiscal years 1996 or 1997 to estimate the cost of boxing and wrestling events staged in the District. In fact, the Commission continued to collect fees from promoters that were insufficient to fully cover the District's expenses in regulating boxing events.

### **Recommendation**

The promoter of each event must be required to pay, at a minimum, the cost incurred by the Commission to license and regulate the event.

### **Compliance Activity**

The Commission has not implemented the Auditor's recommendation to require each promoter to pay, at a minimum, the cost incurred by the Commission to license and regulate a boxing, wrestling, or martial arts event. In fiscal years 1996 and 1997, three (3) boxing events licensed and regulated by the Commission were operated at a loss to the District government.

### **Recommendation**

The Occupational and Professional Licensing Administration perform all licensing, fee collection, and record keeping functions that are currently being performed by the Boxing and Wrestling Commission.

### **Compliance Activity**

In fiscal year 1997, OPLA began performing most of the record-keeping functions of the Boxing and Wrestling Commission, and some of the licensing and fee collection functions. OPLA plans to incorporate all of these functions into its administrative operation during fiscal year 1998. The Auditor has advised OPLA that all cash receipts and expenditures processed for the Boxing and Wrestling Commission must be properly coded, reported, and posted in FMS to the Boxing and Wrestling Commission's accounts, and not included with OPLA's accounts.

### **Recommendation**

Future calculations of the 2% maximum number of complimentary tickets allowed be based on the number of tickets printed rather than the seating capacity of the facility where the event is to be held.

## Compliance Activity

The Boxing and Wrestling Commission did not report the use of any complimentary tickets by the promoters of six events regulated during fiscal years 1996 and 1997.

## CONCLUSION

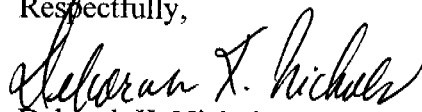
Since our last review, the Boxing and Wrestling Commission has again failed to monitor and collect fees required by D.C. Code, Section 2-607(c)(1) for closed circuit telecast of boxing and wrestling events viewed in the District of Columbia. Also, the Commission continued its practice of not requiring promoters to pay the minimum cost incurred by the District for officials assigned to regulate boxing and wrestling events. As a result, the Commission incurred deficits in fiscal years 1996 and 1997 of \$5,921 and \$8,941, respectively.

The Auditor found that the Commission improperly paid officials in the aggregate amount of \$630 for working an event on February 1, 1997. The improper payments occurred as a result of weaknesses in the Commission's and the Department of Consumer and Regulatory Affairs' internal controls over payment vouchers.

The Auditor found that the Commission had not established a policy or procedures concerning the duties and responsibilities of officials who were assigned to attend boxing and wrestling events presented on closed circuit telecast. To properly administer this aspect of the Commission's statutory requirement to collect gross receipt fees, the Commission must establish a policy and the necessary procedures to articulate the duties and responsibilities of Boxing and Wrestling Commission officials who are assigned to attend closed circuit telecast of boxing and wrestling events.

As a result of the current audit of the Boxing and Wrestling Commission's operations, the Auditor determined that improvements can be made in the administration and regulation of local boxing, wrestling, and martial arts events, and the collection of gross receipt fees from events that are presented on closed circuit telecast.

Respectfully,



Deborah K. Nichols

Interim District of Columbia Auditor

## **APPENDIX**

**Boxing and Wrestling Commission**  
**Statement of Revenue and Expenses by Event**  
**Fiscal Years 1996 and 1997**

Revenue and Expense Categories	Fiscal year 1996 Events							Fiscal year 1997 Events			Grand Total
	Fight For Children 10/12/95	Million Man March 10/15/95	Madness Productions 11/21/95	Prime Entertainment 03/16/96 <sup>1</sup>	Tag Team 05/17/96	J.J. Entertainment 06/07/96 <sup>1</sup>	Total FY 96	Fight For Children 10/10/96	Worldwide Promotions 02/01/97	Total FY 97	
	Gross Gate Receipts	\$165,000	\$11,546	\$42,920	\$5,420	\$4,738	\$43,100	\$272,724	\$166,000	\$8,511	
<b>Revenue:</b>											
5% Commission on Gross Receipts	8,250	577 <sup>2</sup>	2,146	271	237	2,155	13,636	8,300	426	8,726	22,362
License and Permit Fees	800		460	140	580	140	2,120	700	940	1,640	3,760
<b>TOTAL REVENUE</b>	9,050	577	2,606	411	817	2,295	15,756	9,000	1,366	10,366	26,122
<b>Expenses:</b>											
Fees Paid to Officials	1,980	1,640	2,155		1,445	275	7,495	1,840	2,560	4,400	11,895
Fees Paid to Deputy Commissioner	465						465				465
<b>TOTAL EXPENSES</b>	2,445	1,640	2,155		1,445	275	7,960	1,840	2,560	4,400	12,360
<b>SURPLUS/(DEFICIT)</b>	\$6,605	(1,063)	\$451	\$411	(\$628)	\$2,020	\$7,796	\$7,160	(\$1,194)	\$5,966	\$13,762

Source: Boxing and Wrestling Commission

<sup>1</sup> These events were presented on closed circuit television.

<sup>2</sup> The promoter of this event has refused to pay the gross receipts.

**AGENCY COMMENTS**

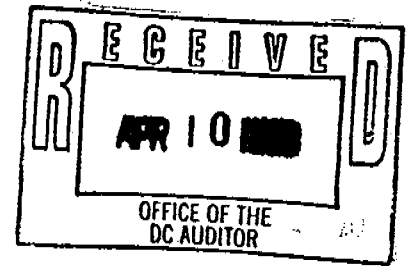
## **AGENCY COMMENTS**

On March 23, 1998, the Office of the District of Columbia Auditor transmitted this report, in draft, to the Department of Consumer and Regulatory Affairs. The Department was requested to provide written comments to the report by the close of business Friday, April 3, 1998.

Comments were received from the Department of Consumer and Regulatory Affairs on April 10, 1998. Where appropriate, changes to the final report were made to reflect the comments. The comments, in their entirety, are appended to this report. Attachments submitted with the agency's comments were too voluminous to include with the final report, however, these documents are available for review in the Office of the Auditor.



APR - 7 1998



MEMORANDUM

TO: Deborah K. Nichols  
Interim District of Columbia Auditor

FROM: W. David Watts  
Director

SUBJECT: Boxing and Wrestling Commission Draft Audit

Attached are the comments of the Department of Consumer and Regulatory Affairs (DCRA) concerning the March 23, 1998 draft audit for the D.C. Boxing and Wrestling Commission. DCRA has carefully reviewed your draft audit and would like to clarify several statements made within the draft report.

If you have any questions, please contact me at 202-727-7120 or the Administrator, R. James Fagelson, for the Occupational and Professional Licensing Administration at 202-727-7480.

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS




OCCUPATIONAL AND PROFESSIONAL  
LICENSING ADMINISTRATION

March 30, 1998

MEMORANDUM

TO : R. James Fagelson  
Administrator

FROM :  Clifford P. Cooks  
Program Manager

SUBJECT : Draft Audit Report

In a meeting on Thursday, March 26, 1998, Cheryl Randall Thomas, Marilyn Thornton and I reviewed the city auditor's draft report of the financial activities and events of the D.C. Boxing and Wrestling Commission for fiscal years 1996 and 1997.

The following inconsistencies and concerns are noted:

Issue 1 - Page 4, Compliance Activity - "The DC Boxing Commission did not collect any commission fees from District Cablevision Limited Partnership during fiscal years 1996 and 1997 for pay-per-view boxing and wrestling events televised in the District of Columbia."

In meetings and discussions on behalf of the D.C. Boxing and Wrestling Commission, DCRA's Accounting Officer, Gladston James, actively pursued collecting fees from District Cablevision for pay-per-view events. The Civil Branch, Enforcement Division, Office of the Corporation Council, in a memorandum to Mr. James, dated January 22, 1997, recommended against pursuing a collection action against DCLP (see attachment).

Issue 2 - Page 5, Compliance Activity - "The Boxing and Wrestling Commission provided no evidence that it used the estimated cost schedule during fiscal years 1996 and 1997 to plan and estimate the cost of boxing and wrestling events."

The Commission uses the attached Pay Allocation preliminary fee reporting document to estimate the cost of boxing and wrestling events. Since the only cost incurred in mounting a professional boxing or wrestling event is payment to officials who monitor, referee and judge the matches during events, this form seems sufficient. And is, in fact, a better predictor of associated costs for events because it is a more detailed document than the format suggested (Appendix C) in the Fiscal Year 1994 Audit Report. The Pay Allocation document is transmitted to DCRA's Accounting Officer to inform him of the projected event costs prior to each scheduled event (see attachment).

Issue 2 (a) - Page 5, Compliance Recommendation - "The promoter of each event must be required to pay, at a minimum, the cost incurred by the Commission to conduct the event."

It is the intention of OPLA to follow the FY'94 Audit recommendation and require that each promoter pay the estimated cost of staffing an event, prior to each event.

Issue 3 - Page 7, Table 1, Boxing and Wrestling Commission Statement of Receipts and Expenditures - It is not clear what expenditures are being calculated for the items labeled under the title "Overhead Cost of OPLA." Further definition is needed for \$43,116 in calculations for FY'96 and FY'97 expenditures of \$41,801.

Issue 4 - Page 19, Payment Voucher Processing - "Payment vouchers for boxing officials should not be processed without the proper documentation and signature approval on the sign-in sheet by the Boxing and Wrestling Commission and an official from OPLA."

Last year, a new event sign-in sheet was created in order to simplify some of the problems that were caused previously by officials who neglected to sign-in after working at events. The new form contains the names and addresses of all currently licensed officials. Previously, officials were required to provide this information on the old sign-in sheet and then, often neglected to sign the form or put their social security numbers on the form. In re-designing the form, the signatory approval information was inadvertently omitted. This problem has been corrected (see attachment).

Attachments

# Memorandum

Government of the District of Columbia

TO: Gladston D. James  
Accounting Officer, DCRA

Dept.: OCC  
Agency: ED:CB:ler

FROM: Luis E. Rumbaut  
Director  
Civil Branch  
Enforcement Division

DATE: January 22, 1997

SUBJECT: Applicability of Boxing and Wrestling Gross Receipts Fee  
to Cable Pay-Per-View

Last year you requested our assistance in enforcing the collection of fees for the Boxing and Wrestling Commission from District Cablevision Limited Partnership. Subsequently we discussed over the telephone the reasons why we had concluded that the Commission should not pursue the collection of such fees. I did not, however, provide you at that time with a statement in writing of the reasons. Recently you requested such a statement, and this memorandum and the memorandum attached thereto respond to that request.

Attached is a memorandum from Assistant Corporation Counsel Stuart Cameron concerning the issue at hand. I agree with the conclusions set forth in the memorandum, and am forwarding it to the Deputy Corporation Counsel for our Division, Robert R. Rigsby. Mr. Rigsby is not in the office today, however, while, as you informed me today, the Commission will be meeting tonight and may take up the issue at that meeting.

I am forwarding the memorandum as a statement of our views up to my level. It is possible that Mr. Rigsby, upon review, would take a different approach. I believe, however, that the memorandum should sufficiently summarize for the Commission the kinds of legal difficulties that may be involved in pursuing the collection of the gross receipts tax at issue. I hope that the memorandum is helpful to the Commission should the latter take up the issue for discussion at its meeting of tonight.

Attachment

# Government of the District of Columbia

OFFICE OF THE CORPORATION COUNSEL

JUDICIARY SQUARE

441 FOURTH ST. NW

WASHINGTON, D. C. 20001



IN REPLY REFER TO:

January 21, 1997

MEMORANDUM TO: Robert R. Rigsby  
Deputy Corporation Counsel  
Enforcement Division

THROUGH: Luis E. Rumbaut  
Director  
Civil Branch *JER*

FROM: Stuart Cameron *SC*  
Assistant Corporation Counsel  
Civil Branch

SUBJECT: Application of Boxing and Wrestling  
Gross Receipts Fee to Cable Pay-Per-View

Gladston D. James, a D.C.R.A accounting officer, has asked our Office to collect a \$19,465.00 gross receipts fee that District Cablevision ("DCLP") allegedly owes the District's Boxing and Wrestling Commission ("Commission") for having televised 40 pay-per-view boxing and wrestling events to District subscribers in fiscal year 1994. See the Boxing and Wrestling Commission Act of 1975, at D.C. Code §2-607(c)(1) (1981) imposing a gross receipts fee on exhibiting events on "closed circuit telecast" or "subscription television."

I have some concerns over whether the gross receipts fee applies to pay-per-view. First, pay-per-view may not be covered by the terms, "closed circuit telecast" and "subscription television," which are not defined in the Act or in its legislative history. Second, imposing the boxing and wrestling gross receipts fee against DCLP could be discriminatory in violation of the federal cable laws.

1. Closed Circuit telecast and subscription television do not include pay-per-view

The Commission argues that "subscription television" includes pay-per-view, because DCLP customers "subscribe" to the service. I disagree.

"Closed circuit telecasting" and "subscription television" are terms of art that apply only to a unique broadcast service that existed at the time the Act was enacted in the 1970s. The service consisted of the broadcasting of public events, such as boxing and wrestling matches, by certain broadcast TV stations to subscribers over the air via encrypted or scrambled signals. The subscribers paid a fee to watch the events at designated locations like the Washington Convention Center or at home using a descrambler box. The FCC describes "subscription television" in its rules governing subscription TV operations as an over the air broadcast service provided by commercial TV stations using encoded signals. See 47 C.F.R. §73.641 et seq.

On the other hand, cable television ("CATV) companies deliver pay-per-view boxing and wrestling matches over cable lines via scrambled or encrypted signals to its subscribers. Because the definition of "subscription television" is limited to an over the air broadcast service provided by commercial TV stations, the term excludes the pay-per-view service that is delivered over cable lines by CATV companies, such as DCLP. In fact, pay-per-view did not even exist at the time the Act was enacted. It did not arrive in the District until the late 1980s, after what was commonly known as "closed circuit telecast" or "subscription television" had disappeared.

2. A boxing and wrestling fee on pay-per-view could be discriminatory in violation of federal cable laws

Also, even if the terms "closed circuit telecast" or "subscription television" were to include pay-per-view, imposing a gross receipts fee on DCLP could be discriminatory in violation of federal cable laws. Federal law limits the amount of the franchise fee that a local government may charge a cable operator to 5% of the operator's gross revenue. See 47 U.S.C. §542. The District already charges the 5% maximum.

The federal cable law provides that where a local government charges a fee that "is unduly discriminatory against cable operators or cable subscribers," the fee will be considered a franchise fee. Accordingly, if the boxing and wrestling gross receipts fee is "unduly discriminatory against DCLP or its subscribers," then adding that fee to the 5% franchise fee that the District already imposes would cause the franchise fee to exceed the allowable limit.

a. The fee could discriminate against DCLP

Imposing the boxing and wrestling gross receipts fee could be viewed as "unduly discriminatory" against DCLP. For instance, Satellite Master Antenna companies ("SMATVs") compete with DCLP in the District of Columbia. SMATVs use a wireless cable technology that relies on satellites to transmit their signals.

Like DCLP, they provide a multi-channel set of programs to District subscribers for a monthly charge. The National Cable Television Association advised me that SMATVs can also provide pay-per-view boxing and wrestling matches. Accordingly, if the boxing and wrestling gross receipts fee is applied to just DCLP, it would have to pay the fee whenever it shows pay-per-view boxing and wrestling events, whereas the SMATVS would not have to whenever they do.

It would probably be both unlawful and impracticable to apply a fee to SMATVs. Such a local fee could be an impermissible burden on interstate commerce. Also, there may be no way of determining the amount of the fee. The SMATV would not know who among its subscribers had watched the boxing and wrestling matches or how often.

b. The fee could discriminate against cable subscribers

Also, the fee could be viewed as "unduly discriminatory" against DCLP subscribers, who watch boxing and wrestling pay-per-view events. DCLP televises boxing and wrestling matches which it carries over its cable lines to its subscribers on a pay-per-view basis. But it also carries the boxing and wrestling matches that programming companies, such as HBO and ESPN, televise. HBO and ESPN include the matches in program packages that they provide to CATV companies, such as DCLP, under license. DCLP provide the HBO and ESPN packages to its subscribers for an extra monthly charge.

As DCLP naturally passes on its costs, including any fees, to its subscribers, DCLP subscribers who watch its pay-per-view boxing and wrestling matches would have to pay the fee, whereas DCLP subscribers who watch the HBO and ESPN televised matches would not. It could be difficult to apply the fee to HBO and ESPN for the same reasons it could be difficult to apply the fee to the SMATVs.

I recommend not pursuing a collection action against DCLP.