

## ☛ 07hr\_JC-Au\_Misc\_pt34



☛ Details: Public Hearing: Audit Report 07-12: An Evaluation: Division of Gaming, Department of Administration

(FORM UPDATED: 08/11/2010)

# WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

## 2007-08

(session year)

## Joint

(Assembly, Senate or Joint)

## Committee on Audit...

### COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

### INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)  
(**ab** = Assembly Bill)                      (**ar** = Assembly Resolution)                      (**ajr** = Assembly Joint Resolution)  
(**sb** = Senate Bill)                              (**sr** = Senate Resolution)                              (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

\* Contents organized for archiving by: Stefanie Rose (LRB) (October 2012)

# Record of Committee Proceedings

## **Joint Legislative Audit Committee**

### **Audit Report 07-12**

Division of Gaming, Department of Administration

October 31, 2007

### **PUBLIC HEARING HELD**

Present: (7) Senators Sullivan, Lassa and Cowles;  
Representatives Jeskewitz, Kerkman, Cullen  
and Parisi.

Absent: (3) Senators Decker and A. Lasee; Representative  
Rhoades.

#### Appearances For

- None.

#### Appearances Against

- None.

#### Appearances for Information Only

- Janice Mueller, Madison — State Auditor, Legislative Audit Bureau
- Paul Stuiber, Madison — Legislative Audit Bureau
- Dan Schooff, Madison — Deputy Secretary, Department of Administration
- Robert Sloey, Madison — Administrator, Division of Gaming, Department of Administration
- Joseph Hunt, Oconomowoc

#### Registrations For

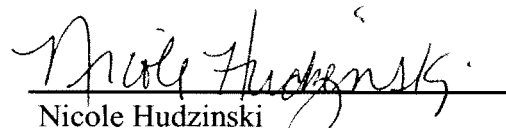
- None.

#### Registrations Against

- None.

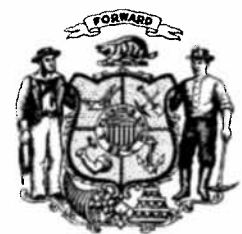
#### Registrations for Information Only

- None.

  
\_\_\_\_\_  
Nicole Hudzinski  
Committee Clerk



# WISCONSIN STATE LEGISLATURE





WISCONSIN STATE LEGISLATURE  
Joint Legislative Audit Committee

Committee Co-Chairs:  
State Senator Jim Sullivan  
State Representative Suzanne Jeskewitz

October 22, 2007

Mr. Arlyn D. Ackley, Sr., Chairman  
Sokaogon Chippewa Community  
3051 Sand Lake Road  
Crandon, Wisconsin 54520

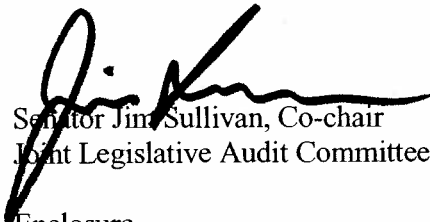
Dear Mr. Ackley:

As indicated on the enclosed hearing notice, the Joint Legislative Audit Committee will hold a public hearing on the Legislative Audit Bureau's evaluation of the *Division of Gaming* (report 07-12), on Wednesday, October 31, 2007, at 1:00 p.m. in Room 411 South of the State Capitol in Madison.

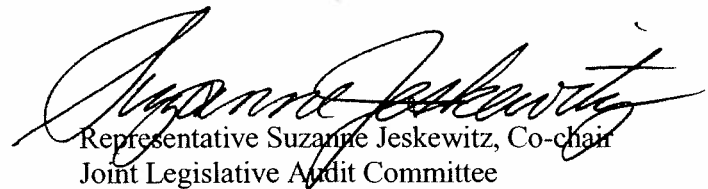
As this report relates to tribal gaming activities in Wisconsin, we invite you to attend the hearing or offer testimony in response to the audit findings on behalf of the Sokaogon Chippewa Community.

Should you choose to attend or testify, please contact Mr. Lewis Rosser in the office of Senator Jim Sullivan at (608) 266-2512 to confirm your participation in the hearing. Thank you.

Sincerely,



Senator Jim Sullivan, Co-chair  
Joint Legislative Audit Committee



Representative Suzanne Jeskewitz, Co-chair  
Joint Legislative Audit Committee

Enclosure

cc: Mr. Ray McGeshick, Sr., Chairman  
Sokaogon Gaming Commission

Ms. Janice Mueller  
State Auditor



WISCONSIN STATE LEGISLATURE  
Joint Legislative Audit Committee

Committee Co-Chairs:  
State Senator Jim Sullivan  
State Representative Suzanne Jeskewitz

October 22, 2007

Mr. Eugene Bigboy, Sr., Chairman  
Bad River Band of Lake Superior Chippewa Indians  
P.O. Box 39  
Odanah, Wisconsin 54861

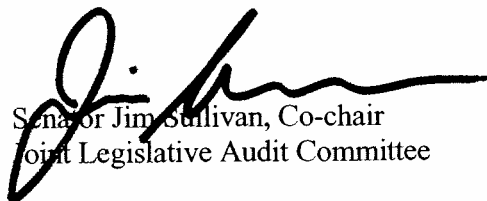
Dear Mr. Bigboy:

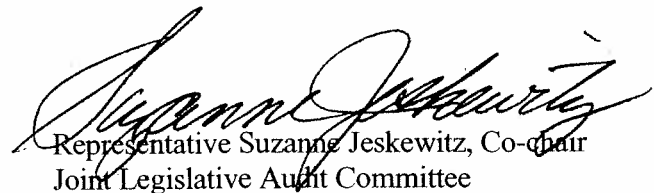
As indicated on the enclosed hearing notice, the Joint Legislative Audit Committee will hold a public hearing on the Legislative Audit Bureau's evaluation of the *Division of Gaming* (report 07-12), on Wednesday, October 31, 2007, at 1:00 p.m. in Room 411 South of the State Capitol in Madison.

As this report relates to tribal gaming activities in Wisconsin, we invite you to attend the hearing or offer testimony in response to the audit findings on behalf of the Bad River Band of Lake Superior Chippewa Indians.

Should you choose to attend or testify, please contact Mr. Lewis Rosser in the office of Senator Jim Sullivan at (608) 266-2512 to confirm your participation in the hearing. Thank you.

Sincerely,

  
Senator Jim Sullivan, Co-chair  
Joint Legislative Audit Committee

  
Representative Suzanne Jeskewitz, Co-chair  
Joint Legislative Audit Committee

Enclosure

cc: Mr. Ray DePerry, Tribal Operations Officer  
Bad River Band of Lake Superior Chippewa Indians

Ms. Janice Mueller  
State Auditor



WISCONSIN STATE LEGISLATURE  
Joint Legislative Audit Committee

Committee Co-Chairs:  
State Senator Jim Sullivan  
State Representative Suzanne Jeskewitz

October 22, 2007

Mr. Robert Chicks, President  
Mohican Nation, Stockbridge-Munsee Band  
P.O. Box 70  
Bowler, Wisconsin 54416

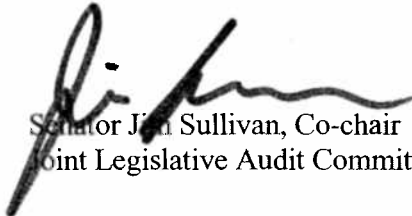
Dear Mr. Chicks:

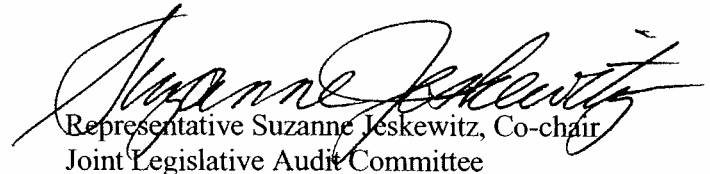
As indicated on the enclosed hearing notice, the Joint Legislative Audit Committee will hold a public hearing on the Legislative Audit Bureau's evaluation of the *Division of Gaming* (report 07-12), on Wednesday, October 31, 2007, at 1:00 p.m. in Room 411 South of the State Capitol in Madison.

As this report relates to tribal gaming activities in Wisconsin, we invite you to attend the hearing or offer testimony in response to the audit findings on behalf of the Mohican Nation, Stockbridge-Munsee Band.

Should you choose to attend or testify, please contact Mr. Lewis Rosser in the office of Senator Jim Sullivan at (608) 266-2512 to confirm your participation in the hearing. Thank you.

Sincerely,

  
Senator Jim Sullivan, Co-chair  
Joint Legislative Audit Committee

  
Representative Suzanne Jeskewitz, Co-chair  
Joint Legislative Audit Committee

Enclosure

cc: Darcy Malone, Chair  
Mohican Gaming Commission

Janice Mueller  
State Auditor



WISCONSIN STATE LEGISLATURE  
Joint Legislative Audit Committee

Committee Co-Chairs:  
State Senator Jim Sullivan  
State Representative Suzanne Jeskewitz

October 22, 2007

Mr. Wilfrid Cleveland, President  
Ho-Chunk Nation  
P.O. Box 667  
Black River Falls, Wisconsin 54615

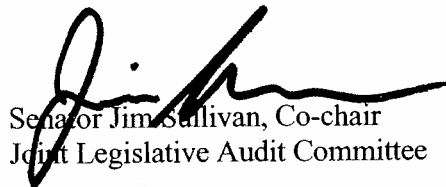
Dear Mr. Cleveland:

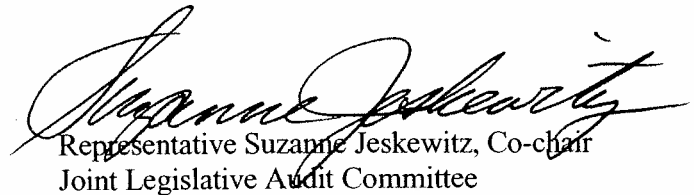
As indicated on the enclosed hearing notice, the Joint Legislative Audit Committee will hold a public hearing on the Legislative Audit Bureau's evaluation of the *Division of Gaming* (report 07-12), on Wednesday, October 31, 2007, at 1:00 p.m. in Room 411 South of the State Capitol in Madison.

As this report relates to tribal gaming activities in Wisconsin, we invite you to attend the hearing or offer testimony in response to the audit findings on behalf of the Ho-Chunk Nation.

Should you choose to attend or testify, please contact Mr. Lewis Rosser in the office of Senator Jim Sullivan at (608) 266-2512 to confirm your participation in the hearing. Thank you.

Sincerely,

  
Senator Jim Sullivan, Co-chair  
Joint Legislative Audit Committee

  
Representative Suzanne Jeskewitz, Co-chair  
Joint Legislative Audit Committee

Enclosure

cc: Ms. Sharon Whitebear, Chairperson  
Ho-Chunk Nation Gaming Commission

Ms. Janice Mueller  
State Auditor



WISCONSIN STATE LEGISLATURE  
Joint Legislative Audit Committee

Committee Co-Chairs:  
State Senator Jim Sullivan  
State Representative Suzanne Jeskewitz

October 22, 2007

Mr. Gerald Danforth, Chairman  
Oneida Tribe of Indians of Wisconsin  
P.O. Box 365  
Oneida, Wisconsin 54155

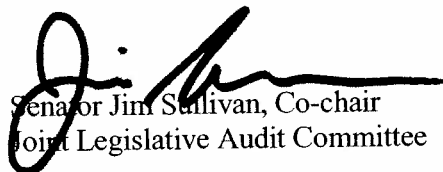
Dear Mr. Danforth:

As indicated on the enclosed hearing notice, the Joint Legislative Audit Committee will hold a public hearing on the Legislative Audit Bureau's evaluation of the *Division of Gaming* (report 07-12), on Wednesday, October 31, 2007, at 1:00 p.m. in Room 411 South of the State Capitol in Madison.

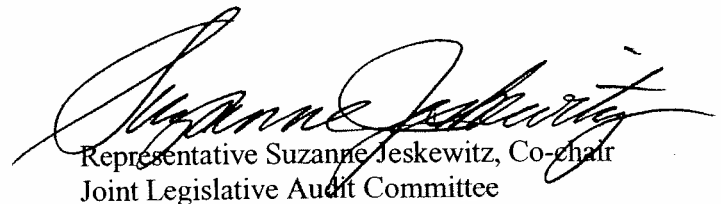
As this report relates to tribal gaming activities in Wisconsin, we invite you to attend the hearing or offer testimony in response to the audit findings on behalf of the Oneida Tribe of Indians of Wisconsin.

Should you choose to attend or testify, please contact Mr. Lewis Rosser in the office of Senator Jim Sullivan at (608) 266-2512 to confirm your participation in the hearing. Thank you.

Sincerely,



Senator Jim Sullivan, Co-chair  
Joint Legislative Audit Committee



Representative Suzanne Jeskewitz, Co-chair  
Joint Legislative Audit Committee

Enclosure

cc: Ms. Louise Cornelius, Executive Director  
Oneida Gaming Commission

Ms. Janice Mueller  
State Auditor

October 22, 2007

SENATOR SULLIVAN  
P.O. Box 7882 • Madison, WI 53707-7882  
(608) 266-2512 • Fax (608) 267-0367

REPRESENTATIVE JESKEWITZ  
P.O. Box 8952 • Madison, WI 53708-8952  
(608) 266-3796 • Fax (608) 282-3624





WISCONSIN STATE LEGISLATURE  
Joint Legislative Audit Committee

Committee Co-Chairs:  
State Senator Jim Sullivan  
State Representative Suzanne Jeskewitz

October 22, 2007

Ms. Victoria A. Doud, President  
Lac du Flambeau Band of Lake Superior Chippewa Indians  
P.O. Box 67  
Lac du Flambeau, Wisconsin 54538

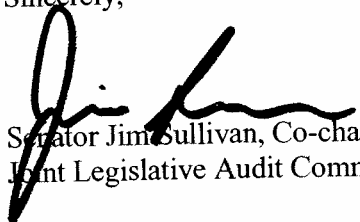
Dear Ms. Doud:

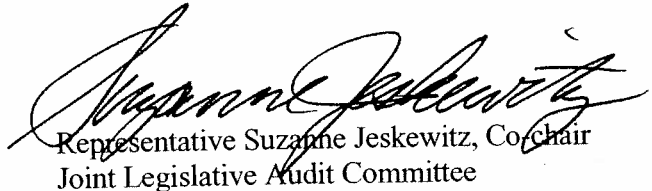
As indicated on the enclosed hearing notice, the Joint Legislative Audit Committee will hold a public hearing on the Legislative Audit Bureau's evaluation of the *Division of Gaming* (report 07-12), on Wednesday, October 31, 2007, at 1:00 p.m. in Room 411 South of the State Capitol in Madison.

As this report relates to tribal gaming activities in Wisconsin, we invite you to attend the hearing or offer testimony in response to the audit findings on behalf of the Lac du Flambeau Band of Lake Superior Chippewa Indians.

Should you choose to attend or testify, please contact Mr. Lewis Rosser in the office of Senator Jim Sullivan at (608) 266-2512 to confirm your participation in the hearing. Thank you.

Sincerely,

  
Senator Jim Sullivan, Co-chair  
Joint Legislative Audit Committee

  
Representative Suzanne Jeskewitz, Co-chair  
Joint Legislative Audit Committee

Enclosure

cc: Ms. Ernestine Rodriguez, Chairperson  
Lac du Flambeau Gaming Commission

Ms. Janice Mueller  
State Auditor



WISCONSIN STATE LEGISLATURE  
Joint Legislative Audit Committee

Committee Co-Chairs:  
State Senator Jim Sullivan  
State Representative Suzanne Jeskewitz

Mr. Harold Frank, Chairman  
Forest County Potawatomi Community of Wisconsin  
P.O. Box 340  
Crandon, Wisconsin 54520

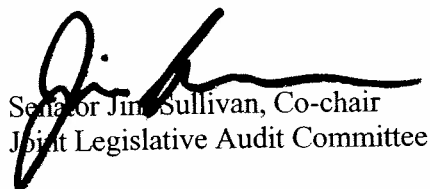
Dear Mr. Frank:

As indicated on the enclosed hearing notice, the Joint Legislative Audit Committee will hold a public hearing on the Legislative Audit Bureau's evaluation of the *Division of Gaming* (report 07-12), on Wednesday, October 31, 2007, at 1:00 p.m. in Room 411 South of the State Capitol in Madison.

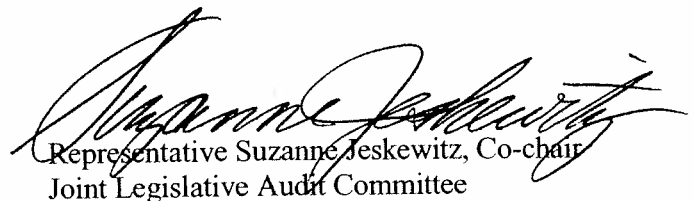
As this report relates to tribal gaming activities in Wisconsin, we invite you to attend the hearing or offer testimony in response to the audit findings on behalf of the Forest County Potawatomi Community of Wisconsin.

Should you choose to attend or testify, please contact Mr. Lewis Rosser in the office of Senator Jim Sullivan at (608) 266-2512 to confirm your participation in the hearing. Thank you.

Sincerely,



Senator Jim Sullivan, Co-chair  
Joint Legislative Audit Committee



Representative Suzanne Jeskewitz, Co-chair  
Joint Legislative Audit Committee

Enclosure

cc: Mr. Nathaniel Gilpin, Jr., Chairman  
Forest County Potawatomi Gaming Commission

Ms. Janice Mueller  
State Auditor

October 22, 2007

SENATOR SULLIVAN  
P.O. Box 7882 • Madison, WI 53707-7882  
(608) 266-2512 • Fax (608) 267-0367

REPRESENTATIVE JESKEWITZ  
P.O. Box 8952 • Madison, WI 53708-8952  
(608) 266-3796 • Fax (608) 282-3624



WISCONSIN STATE LEGISLATURE

Joint Legislative Audit Committee

Committee Co-Chairs:  
State Senator Jim Sullivan  
State Representative Suzanne Jeskewitz

Ms. Hazel Hindsley, Chairwoman  
St. Croix Chippewa Indians of Wisconsin  
24663 Angeline Avenue  
Webster, Wisconsin 54893

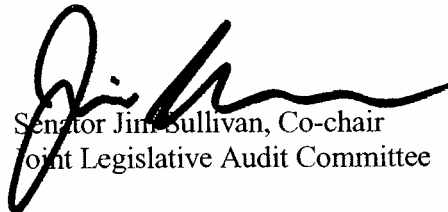
Dear Ms. Hindsley:

As indicated on the enclosed hearing notice, the Joint Legislative Audit Committee will hold a public hearing on the Legislative Audit Bureau's evaluation of the *Division of Gaming* (report 07-12), on Wednesday, October 31, 2007, at 1:00 p.m. in Room 411 South of the State Capitol in Madison.

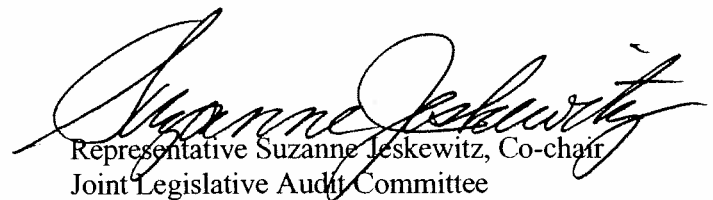
As this report relates to tribal gaming activities in Wisconsin, we invite you to attend the hearing or offer testimony in response to the audit findings on behalf of the St. Croix Chippewa Indians of Wisconsin.

Should you choose to attend or testify, please contact Mr. Lewis Rosser in the office of Senator Jim Sullivan at (608) 266-2512 to confirm your participation in the hearing. Thank you.

Sincerely,



Senator Jim Sullivan, Co-chair  
Joint Legislative Audit Committee



Representative Suzanne Jeskewitz, Co-chair  
Joint Legislative Audit Committee

Enclosure

cc: Commissioners  
St. Croix Chippewa Indians of Wisconsin Gaming Commission

Ms. Janice Mueller  
State Auditor



WISCONSIN STATE LEGISLATURE  
Joint Legislative Audit Committee

Committee Co-Chairs:  
State Senator Jim Sullivan  
State Representative Suzanne Jeskewitz

October 22, 2007

Mr. Michael Morgan, Secretary  
Department of Administration  
101 East Wilson Street, 10<sup>th</sup> Floor  
Madison, Wisconsin 53703

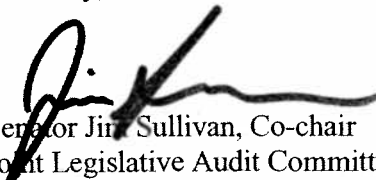
Dear Mr. Morgan:

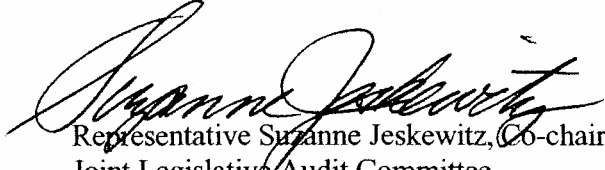
As indicated on the enclosed hearing notice, the Joint Legislative Audit Committee will hold a public hearing on the Legislative Audit Bureau's evaluation of the *Division of Gaming* (report 07-12), on Wednesday, October 31, 2007, at 1:00 p.m. in Room 411 South of the State Capitol.

As this report relates to the activities of the Department of Administration, we ask you, or the appropriate members of your staff, to be present at the hearing to offer testimony in response to the audit findings and to respond to questions from committee members. Please plan to provide each committee member with a written copy of your testimony at the hearing.

Please contact Mr. Lewis Rosser in the office of Senator Jim Sullivan at 266-2512 to confirm your participation in the hearing. Thank you for your cooperation and we look forward to seeing you on October 31<sup>st</sup>.

Sincerely,

  
Senator Jim Sullivan, Co-chair  
Joint Legislative Audit Committee

  
Representative Suzanne Jeskewitz, Co-chair  
Joint Legislative Audit Committee

Enclosure

cc: Mr. Bob Sloey, Administrator  
Division of Gaming  
Department of Administration

Ms. Janice Mueller  
State Auditor



WISCONSIN STATE LEGISLATURE

Joint Legislative Audit Committee

Committee Co-Chairs:  
State Senator Jim Sullivan  
State Representative Suzanne Jeskewitz

Ms. Rose Soulier, Chairwoman  
Red Cliff Band of Lake Superior Chippewas  
88385 Pike Road, Highway 13  
Bayfield, Wisconsin 54814

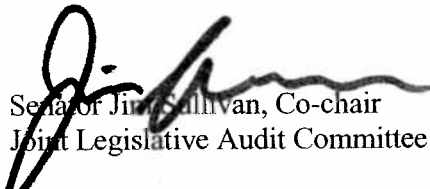
Dear Ms. Soulier:

As indicated on the enclosed hearing notice, the Joint Legislative Audit Committee will hold a public hearing on the Legislative Audit Bureau's evaluation of the *Division of Gaming* (report 07-12), on Wednesday, October 31, 2007, at 1:00 p.m. in Room 411 South of the State Capitol in Madison.

As this report relates to tribal gaming activities in Wisconsin, we invite you to attend the hearing or offer testimony in response to the audit findings on behalf of the Red Cliff Band of Lake Superior Chippewas.

Should you choose to attend or testify, please contact Mr. Lewis Rosser in the office of Senator Jim Sullivan at (608) 266-2512 to confirm your participation in the hearing. Thank you.

Sincerely,

  
Senator Jim Sullivan, Co-chair  
Joint Legislative Audit Committee  
Enclosure

  
Representative Suzanne Jeskewitz, Co-chair  
Joint Legislative Audit Committee

cc: Mr. Larry Deragon, Chairman  
Red Cliff Gaming Commission

Ms. Janice Mueller  
State Auditor

October 22, 2007

SENATOR SULLIVAN  
P.O. Box 7882 • Madison, WI 53707-7882  
(608) 266-2512 • Fax (608) 267-0367

REPRESENTATIVE JESKEWITZ  
P.O. Box 8952 • Madison, WI 53708-8952  
(608) 266-3796 • Fax (608) 282-3624



WISCONSIN STATE LEGISLATURE

Joint Legislative Audit Committee

Committee Co-Chairs:  
State Senator Jim Sullivan  
State Representative Suzanne Jeskewitz

October 22, 2007

Mr. Louis Taylor, Sr., Chairman  
Lac Courte Oreilles Band of Lake Superior Chippewa Indians  
13394 West Trepania Road  
Hayward, Wisconsin 54843

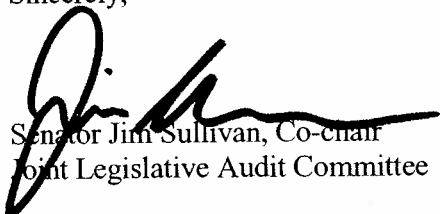
Dear Mr. Taylor:

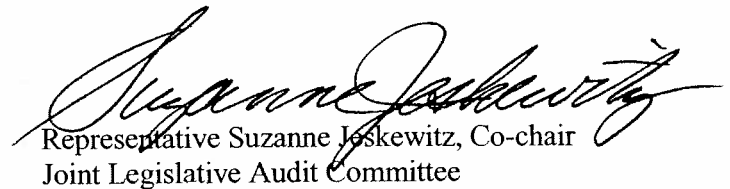
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As this report relates to tribal gaming activities in Wisconsin, we invite you to attend the hearing or offer testimony in response to the audit findings on behalf of the Lac Courte Oreilles Band of Lake Superior Chippewa Indians.

Should you choose to attend or testify, please contact Mr. Lewis Rosser in the office of Senator Jim Sullivan at (608) 266-2512 to confirm your participation in the hearing. Thank you.

Sincerely,

  
Senator Jim Sullivan, Co-chair  
Joint Legislative Audit Committee

  
Representative Suzanne Jeskewitz, Co-chair  
Joint Legislative Audit Committee

Enclosure

cc: Mr. James Smith, Executive Director  
Lac Courte Oreilles Gaming Commission

Ms. Janice Mueller  
State Auditor



WISCONSIN STATE LEGISLATURE

Joint Legislative Audit Committee

Committee Co-Chairs:  
State Senator Jim Sullivan  
State Representative Suzanne Jeskewitz

October 22, 2007.

Ms. Lisa Waukau, Chairperson  
Menominee Indian Tribe of Wisconsin  
P.O. Box 910  
Keshena, Wisconsin 54135

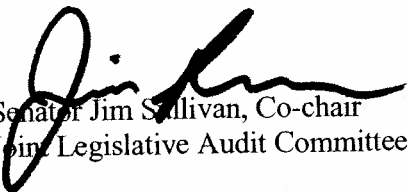
Dear Ms. Waukau:

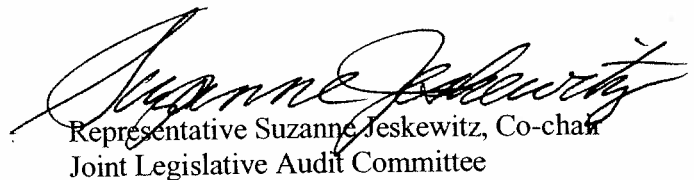
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As this report relates to tribal gaming activities in Wisconsin, we invite you to attend the hearing or offer testimony in response to the audit findings on behalf of the Menominee Indian Tribe of Wisconsin.

Should you choose to attend or testify, please contact Mr. Lewis Rosser in the office of Senator Jim Sullivan at (608) 266-2512 to confirm your participation in the hearing. Thank you.

Sincerely,

  
Senator Jim Sullivan, Co-chair  
Joint Legislative Audit Committee

  
Representative Suzanne Jeskewitz, Co-chair  
Joint Legislative Audit Committee

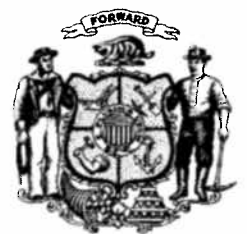
Enclosure

cc: Ms. Lynnette Miller, Executive Director  
Menominee Tribal Gaming Commission

Ms. Janice Mueller  
State Auditor



# WISCONSIN STATE LEGISLATURE





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# Division of Gaming

Legislative Audit Bureau  
October 2007

1

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## Overview

- ◆ The Division is responsible for regulating:
  - tribal gaming operations;
  - pari-mutuel wagering at dog tracks;
  - charitable gaming; and
  - crane games.
- ◆ The Division had 35.35 full-time equivalent positions in FY 2005-06.
- ◆ In FY 2005-06, expenditures totaled \$3.3 million.

2

## Indian Gaming Revenue

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- ◆ Tribal casinos generate revenue from:
  - Class III gaming (electronic gaming devices, blackjack, and other casino-style games);
  - Class II gaming (bingo); and
  - other casino operations, such as hotels and restaurants.

3

## Net Revenues and Profits

---

- ◆ Overall, tribal gaming revenues and profits have increased.
- ◆ Total revenues increased 26.4 percent, growing from \$1.0 billion in 2002 to \$1.3 billion in 2006.
- ◆ Total profits increased 13.3 percent, growing from \$490.8 million in 2002 to \$555.9 million in 2006.
- ◆ Not all tribes experienced growth in revenues or profits.

4

## Enforcement Efforts

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- ◆ Compacts require tribes to identify differences in amounts recorded by meters and amounts counted by casino staff.
- ◆ We found differences in these amounts for every day of 2006.
- ◆ The Division had not routinely reviewed these differences using its data system.

5

## Vendor Certification

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- ◆ The Division certifies vendors that provide casinos with services and equipment.
- ◆ Vendors are required to be certified every two years.
- ◆ The average certification time increased to nearly four years in FY 2004-05, then decreased to two years in the first half of FY 2006-07.

6

## Pari-Mutuel Racing

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- ◆ Dairyland Greyhound Park is Wisconsin's only remaining pari-mutuel racetrack.
- ◆ The amounts wagered decreased from \$69.5 million in FY 2002-03 to \$58.5 million in FY 2005-06.
- ◆ State revenue from racing decreased from \$2.7 million to \$1.9 million over this period.

7

## Other Regulatory Activities

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- ◆ The State's revenue from charitable bingo activities totaled \$2.0 million from FY 2002-03 through FY 2005-06.
- ◆ License fee revenue totaled \$772,400 from raffles and \$77,600 from crane games.

8

## Recommendations

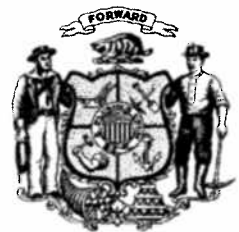
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◆ We recommend the Division:

- Ensure the State's Data Collection System and the casinos' electronic accounting systems are recording and calculating gaming revenue correctly;
- Improve the timeliness of vendor certifications; and
- Determine whether tribes are appropriately identifying, investigating, and documenting differences between amounts recorded by electronic meters and amounts recorded by casino staff.



WISCONSIN STATE LEGISLATURE



# PRESENTATION FOR JOINT AUDIT COMMITTEE

## Report 07-12 Division of Gaming

### SLIDE 1

#### I. Audit Overview

### SLIDE 2

The Division of Gaming in the Department of Administration is responsible for monitoring and regulating tribal gaming operations. The Division also regulates all activities relating to pari-mutuel wagering at dog tracks; charitable gaming, which includes bingo and raffles; and registration of crane games, which are privately owned but regulated by the State.

In FY 2005-06, the Division had an authorized staff of 35.35 positions and spent \$3.3 million to regulate all types of gaming activities.

### SLIDE 3

Wisconsin tribes generate casino revenue in three ways:

- Class III gaming activities, which include electronic gaming devices, blackjack, and other casino-style games;
- Class II gaming, which is bingo; and
- other activities associated with casino operations, including the operation of hotels, restaurants, and gift shops.

### SLIDE 4

Total tribal gaming revenues and profits have increased over time. Total tribal gaming revenues have increased by 26 percent, growing from \$1 billion in 2002 to \$1.3 billion in 2006.

Casino profits, which are revenues in excess of expenditures, increased by 13 percent, growing from \$490.8 million in 2002 to \$555.9 million in 2006.

Payments tribes make to the State under the terms of their compacts have also increased. The State's gaming revenue increased from \$28.5 million in FY 2002-03 to \$121.3 million in FY 2005-06. However, compact disputes with several tribes remain unresolved.

It should be noted, however, that some tribes experienced declining revenues and profits over this period. The compacts entered into between the State and the tribes prevent us from disclosing information other than in the aggregate.

## SLIDE 5

Regulation of Indian gaming protects the interests of casino patrons, who expect the games to be fair, as well as both the tribes and the State, which depend on accurate accounting of revenue from Class III gaming activities to determine payments required under the compacts.

Several important controls are in place to help ensure the integrity of Indian gaming. One important control requires tribes to identify instances in which amounts recorded by a meter in an electronic gaming device differ by at least 3.0 percent and more than \$25 from amounts counted by casino staff.

When tribes identify such differences, the compacts require them to investigate and document the cause, because differences may identify potential theft or fraudulent activity at casinos.

We examined 2006 daily revenue recorded in the Data Collection System, which is a state-run system that stores information on the transactions of gaming devices. We found differences between amounts recorded by electronic meters and amounts counted by casino staff for every day of the year.

In discussing this issue with the Division, we found that it was unaware of almost all of the differences we identified. The Division now believes that most of the differences we identified were caused by programming errors in the Data Collection System and the casinos' electronic accounting systems.

Although the Division reviews many important financial controls implemented by casinos, it had not routinely used the Data Collection System to identify differences between amounts recorded by electronic meters in the gaming devices and amounts collected and counted by casino staff. These data are important in identifying potential irregularities in gaming operations and financial reporting that cannot be identified from other controls the Division reviews.

Moreover, we found that from March 2006 through April 2007, the Division did not review data maintained by casinos to determine whether the tribes had identified, investigated, and documented differences between amounts recorded by electronic meters and amounts counted by casino staff.



In May 2007, as we were conducting our fieldwork, the Division began conducting these reviews again. In its audit response, the Division indicated it is taking steps to correct the data programming problems we identified.

#### **SLIDE 6**

We also reviewed vendor certification issues. Both compacts and statutes require DOA to certify all vendors that provide casinos with gaming-related services and equipment, such as management consulting services and electronic gaming devices. A certified vendor may conduct business with any tribe once it receives certification.

The Division requires vendor recertification every two years. The average time required by the Division to complete initial certifications increased from 14 months in FY 2002-03 to nearly four years in FY 2004-05, then decreased to two years months in the first half of FY 2006-07. *Why?*

We note that significant delays in the process compromise the integrity of Indian gaming because questionable vendors may be able to continue to provide services.

#### **SLIDE 7**

With regard to other gaming activities, Dairyland Greyhound Park, Wisconsin's one remaining racetrack, conducts live greyhound races and broadcasts horse and greyhound races from racetracks in other states. The amounts wagered at Dairyland decreased from \$69.5 million in FY 2002-03 to \$58.5 million in FY 2005-06.

It is unlikely Dairyland will be able to remain in operation if wagering continues to decline. Declines are expected because the market for pari-mutuel racing continues to diminish. State revenue from pari-mutuel racing decreased from \$2.7 million in FY 2002-03 to \$1.9 million in FY 2005-06.

#### **SLIDE 8**

As I noted previously, the Division also licenses charitable organizations that conduct bingo games and raffles and it registers crane games. The State's revenue from bingo activities totaled \$2 million from FY 2002-03 through FY 2005-06. During the same period, its revenue from raffle license fees totaled just over \$772,000, and its revenue from crane games totaled approximately \$78,000.

## SLIDE 9

Our report includes recommendations for the Division to report to the Joint Legislative Audit Committee by January 31, 2008, on steps it has taken to:

- ensure the State's Data Collection System and the casinos' electronic accounting systems are now recording and calculating gaming revenue correctly; and
- continue to improve the timeliness of vendor certifications.

We also include a recommendation for the Division, in every casino audit, to:

- incorporate procedures for determining whether tribes are appropriately identifying, investigating, and documenting differences between amounts recorded by electronic meters and amounts counted by casino staff.

Yesterday, the Division shared with us information showing the changes it has recently made in response to our recommendations. Although we have not independently assessed the accuracy or adequacy of these changes, we will do so in future audits.

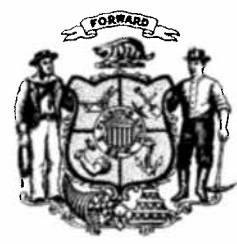
We believe the Division had taken several important steps to improve the information contained in the Data Collection System, improve the timeliness of vendor certifications, and modify its policies and procedures for auditing tribal casinos.

Thank you for your attention. We would be happy to answer any questions the Committee may have.

\*\*\*\*



# WISCONSIN STATE LEGISLATURE



**REPORT TO THE JOINT LEGISLATIVE  
AUDIT COMMITTEE**

**RESPONSE TO THE AUDIT  
OF THE DIVISION OF GAMING (07-12)**

Michael Morgan  
Secretary  
Department of Administration

Robert Sloey  
Administrator  
Division of Gaming



**WISCONSIN DEPARTMENT OF  
ADMINISTRATION**

**JOINT LEGISLATIVE AUDIT COMMITTEE HEARING ON  
THE DIVISION OF GAMING AUDIT (07-12)  
OCTOBER 31, 2007**

**ROBERT SLOEY, DIVISION ADMINISTRATOR**

**INTRODUCTION**

On behalf of the Wisconsin Department of Administration, Division of Gaming, thank you for the opportunity to respond to the Legislative Audit Bureau's biennial performance evaluation. The Division of Gaming wishes to recognize the substantial time and effort that was put forth by the members of the audit team throughout the conduct of the evaluation.

The report to the Joint Legislative Audit Committee recommended two areas for improvement for the Division of Gaming. The report recommended that the Division take steps to ensure that the State's Data Collection System and the casinos' electronic accounting systems related to the recording and calculation of gaming revenue are operating correctly. Secondly, the report recommended that the Division of Gaming closely monitor vendor certifications and increase timeliness in issuing vendor certifications.

**DCS VARIANCE ISSUES**

With regard to the Division's Data Collection System, the report recommended that the Division take steps to ensure that the State's Data Collection System and the casinos' electronic accounting systems related to the recording and calculation of gaming revenue are operating correctly.

Since identification of these issues by the audit bureau, the Division of Gaming has conducted analysis, identified the problems and has implemented the fixes to the DCS system. The Division has been working closely with our information technology professionals over the past several weeks to facilitate the revision of slot accounting extract software for one tribe which will address the remaining report variances identified by the Legislative Audit Bureau. In addition, reports have been rewritten to correctly identify variances and ensure that data in the system accurately reflects data at the gaming operations in the field.

During the period immediately following the release of the report, the Division has independently verified the accuracy of the data contained in DCS for each gaming location by comparing reports produced on site with reports from the system. In addition, the Division has created and implemented a written policy in which DCS data will be verified on a weekly basis and used as a front end tool to identify and monitor investigation of drop variances. Through monitoring of drop variance reports and regular contacts with tribal gaming regulatory personnel, the Division will ensure that data remains accurate and variances are investigated as required by internal control standards. The Division of Gaming will continue to work with accounting system vendors, tribal gaming regulators and state information technology personnel to ensure that the accuracy of all fields in the system is maintained.

**JOINT LEGISLATIVE AUDIT COMMITTEE HEARING ON  
THE DIVISION OF GAMING AUDIT (07-12)  
OCTOBER 31, 2007  
PAGE 2**

*15,000 machines  
all built into the  
system*

**ON-SITE INVESTIGATIONS**

The audit further recommended that the Division of Gaming incorporate procedures for determining whether tribes are appropriately identifying, investigating, and documenting slot drop variances into every casino audit.

The Division is pleased to report that upon identification of the issue by the audit bureau in April 2007, changes were made to the field audit program to verify that variance investigations are being documented. Division of Gaming audits were previously verifying that investigations were taking place and the Division is confident that these investigations were being conducted by tribal gaming regulators, but now documentation will be obtained on all investigations. To ensure that all drop variances are identified, investigated and documented, the new audit procedures require that DCS drop variance reports be generated prior to each audit and that auditors compare DCS information to accounting system reports in the field.

Finally, over the past month Division auditors have returned to all casinos that were audited during the period identified in the report for which drop variances were not reviewed. Drop variance reviews were conducted at each of these locations and we are now confident and can document that drop variances have been investigated by all tribal gaming operations.

**GAMING-RELATED VENDOR INVESTIGATIONS**

The report also recommended that the Division of Gaming closely monitor vendor certifications to ensure that timeliness concerns are being adequately addressed, and report to the Joint Legislative Audit Committee on its efforts to increase timeliness in issuing vendor certifications.

Prior to the release of the report, the Division of Gaming had already taken steps to address the gaming-related contractor application backlog. In July 2007, the Division of Gaming added two LTE investigator positions to address the application backlog and has received approval to add two FTE positions in the SFY 08-09 budget. In addition, the internal policies and procedures were rewritten and contain new standards for vendor investigations and a report template was created to streamline the background investigation process. As a result, the average completion time for original applications has been reduced during 2007 from the 24.5 months identified in the report to 16.6 months and the average time to process renewal applications has been reduced from 18 months to 16.5 months. Additionally, since December 2006, the number of pending original applications has been reduced from 13 to 9 and the number of pending renewals has gone from 19 to 10.

It is important to note that detailed, and often time-consuming gaming-related contractor investigations are essential to determining the fitness of a vendor to conduct business with Wisconsin tribal gaming operations in the State of Wisconsin. The investigations are to determine whether the applicant poses a threat to the integrity of gaming in the state. Vendor applicants often involve large numbers of individuals in jurisdictions around the world and ensuring their fitness for certification requires multiple searches and lengthy

**JOINT LEGISLATIVE AUDIT COMMITTEE HEARING ON  
THE DIVISION OF GAMING AUDIT (07-12)  
OCTOBER 31, 2007  
PAGE 3**

investigations. As the Division of Gaming works to ensure that the application backlog is addressed, these issues must be taken into consideration to ensure that the quality of investigations is maintained.

**CONCLUSION**

Thank you again for the opportunity to respond to this audit and for the careful examination conducted by the Legislative Audit Bureau of the Division of Gaming. The Division of Gaming remains committed to our mission to protect the integrity of all legalized gaming and pari-mutuel wagering in the state by providing exceptional service to our stakeholders - the tribes, gaming vendors, charitable organizations, pari-mutuel license holders and the citizens of the State of Wisconsin.

<b>POLICIES AND PROCEDURES</b>	
Department of Administration Division of Gaming Office of Indian Gaming and Regulatory Compliance	Number: IG 103-01
<b>Subject:</b>	<b>DCS DATA REVIEW AND VERIFICATION</b>
Effective Date: 07/01/2007	Last Revision Date: 10/17/2007

- h. Open the "selection expert" and fill in the following tabs:
- i. "dest\_SAS\_Center\_Site.SAS\_center\_site\_long\_name" – in drop down window select the location.
  - ii. "dest\_Gaming\_Period.end\_datetime" – enter date for which you want to review.
  - iii. "dest\_Period\_Type.description" – select PTD.
  - iv. "@ Drop Variance" – in the drop down window select "is not between" and then enter "-24.99 and 24.99" accordingly.
  - v. "@ Variance Percent" – in the drop down window select "is not between" and then enter "-2.99 and 2.99" accordingly.
- i. Click "ok" and then click "refresh data".
- j. Print off the drop variance report(s) and provide to the compliance auditors for review.
- i. If the report is large save it off on a CD (and/or flash drive) to give to the compliance auditor for review.
    - Each compliance field auditor is assigned a group of gaming locations. A list of which gaming locations are assigned to which auditor is located under G: /GROUP/IG/Information Technology/DCS/Drop Variance Investigations/General./Compliance Auditor assigned Gaming Location.doc."
- k. To run the drop variance report for locations that drop on an irregular basis open the report called "Drop Variance Report – Irregular drop periods (thresholds)".
- l. Open the "selection expert" and fill in the following tabs:



<b>POLICIES AND PROCEDURES</b>	
Department of Administration Division of Gaming Office of Indian Gaming and Regulatory Compliance	Number: IG 103-01
<b>Subject:</b>	<b>DCS DATA REVIEW AND VERIFICATION</b>
Effective Date: 07/01/2007	Last Revision Date: 10/17/2007

- i. "dest\_SAS\_Center\_Site.SAS\_center\_sité\_long\_name" – in drop down window select the location.
- ii. "dest\_Gaming\_Period.end\_datetime" – enter date period for which you want to review.
  - For locations that don't drop daily the Monthly Slot Revenue Summary is necessary to determine how many days a report should be run for. To locate and run the report referred to Section 103-01-04 (1) (a).
- iii. "dest\_Period\_Type.description" – select PTD.
- iv. "@ Drop Variance" – in the drop down window select "is not between" and then enter "-24.99 and 24.99" accordingly.
- v. "@ Variance Percent" – in the drop down window select "is not between" and then enter "-2.99 and 2.99" accordingly.
- m. Click "ok" and then click "refresh data".
- n. After the report appears will need to select the drop date by clicking the "refresh" icon. Click "change parameters". Enter the drop date and click "ok".
- o. Print off the drop variance report(s) and provide to the compliance auditors for review.
  - i. If the report is large save it off on a CD (and/or flash drive) to give to the compliance auditor for review.
    - Each compliance field auditor is assigned a group of gaming locations. A list of which gaming locations are assigned to which auditor is located under G:/GROUP/IG/Information Technology/DCS/Drop Variance Investigations/General./Compliance Auditor assigned Gaming Location.doc."

<b>POLICIES AND PROCEDURES</b>	
Department of Administration Division of Gaming Office of Indian Gaming and Regulatory Compliance	Number: IG 103-01
<b>Subject:</b>	<b>DCS DATA REVIEW AND VERIFICATION</b>
Effective Date: 07/01/2007	Last Revision Date: 10/17/2007

Report Review:

2. The compliance field auditors will review the drop variance reports and key into a spreadsheet the machines with drop variances that are outside the predetermined standard of +/- \$25 and +/- 3%. The spreadsheets are located in G: /GROUP/IG/Information Technology/DCS/Drop Variance Investigations/"by tribe"/"tribe year Drop Variance Summary.xls". The spreadsheet will include each month on a separate tab. A new spreadsheet will need to be created for each new year.
  
3. Upon review of the drop variances and completion of the drop variance spreadsheet the compliance field auditors will notify the OIGRC DCS Revenue Auditor of any machines that have material variances that need to be further addressed. The following criteria should be used by the auditors for determining if a drop variance needs to be further reviewed:
  - a. Any machine with a drop variance of \$500.
  - b. Any machine with a drop variance percent of 15%.
  - c. Any machine with a continuous drop variance for more than 5 days.

Tribal Contact:

4. The OIGRC DCS Revenue Auditor will contact the Tribes and notify them of any material drop variances. The Tribe will be requested to provide the OIGRC with documentation on the drop variance as to whether or not it was investigated.
  
5. Contact with the tribes should be made per the time frames indicated in the "State/Tribe Communication Time Table". (Appendix F)

<b>POLICIES AND PROCEDURES</b>	
Department of Administration Division of Gaming Office of Indian Gaming and Regulatory Compliance	Number: IG 103-01
<b>Subject:</b>	<b>DCS DATA REVIEW AND VERIFICATION</b>
Effective Date: 07/01/2007	Last Revision Date: 10/17/2007

a. Should tribal contact need to be made the contact information is located under G: /GROUP/IG/Information Technology/DCS/Tribal Submissions/"DCS Contact Information".

6. The OIGRC will keep record of any communication made and documentation received from the Tribe's on drop variances.

#### PAR VARIANCE INVESTIGATIONS

1. The DCS Par Variance Report (Appendix Q) is run for each gaming location which provides detailed information regarding the variance between actual and theoretical hold.

a. The Par Variance Report should be run by the compliance auditors before each compliance field audit.

b. On the stand alone computer in the server room open Crystal Reports software application.

c. The Par Variance Report is located under DCS reports on "Datamanager"/Field Audit Reports/Par Variance Report.

d. Open the "selection expert" and fill in the following tabs:

i. "dest\_SAS\_Center\_Site.SAS\_center\_site\_long\_name" – in drop down window select the location.

ii. "dest\_Gaming\_Period.end\_datetime" – enter date for which you want to review.

iii. "dest\_Period\_Type.description" – select YTD.

iv. "dest\_Electronic\_Meter\_Values.games\_played" – select "greater than" and enter 100,000.

<b>POLICIES AND PROCEDURES</b>	
Department of Administration Division of Gaming Office of Indian Gaming and Regulatory Compliance	Number: IG 103-01
<b>Subject:</b>	<b>DCS DATA REVIEW AND VERIFICATION</b>
Effective Date: 07/01/2007	Last Revision Date: 10/17/2007

v. "dest\_Reporting\_Values.percent\_variance" – select "is not between" and enter -2.99 and 2.99.

e. Click "ok" and then click "refresh data".

f. Once the report is finished generating make note of any variances outside the predetermined standard.

g. The tribes should be contacted regarding uncorrected variances exceeding the industry standard par variance of +/-3% and exceeding 100,000 game plays for a period over 30 days. Contact should be made per time frames indicated in the "State/Tribe Communication Time Table". (Appendix F)

i. Should tribal contact need to be made the contact information is located under G: /GROUP/IG/Information Technology/DCS/Tribal Submissions/"DCS Contact Information".

<b>POLICIES AND PROCEDURES</b>	
Department of Administration Division of Gaming Office of Indian Gaming and Regulatory Compliance	Number: IG 102-03
Subject:	<b>FIELD AUDIT PROCEDURES</b>
Effective Date: 07/01/2007	Last Revision Date: 10/17/2007

## 102-03-04 Slot Variance Investigations

### 1. PAR VARIANCES

#### a. Report Generation Prior to Audit.

The **DCS 3% Par Variance Report** is generated for all locations being audited using life to date (LTD) data for the end of month according to the following sample guidelines:

- Starting with the last day of the month for the month in which the last audit ended, run a report for the last day of each month up to the month preceding the start of the current audit. (EXAMPLE: The previous audit ended June 20, 2005 and June 20, 2007 is the date of the current audit. Run 06/30/05, 09/30/05, 12/31/05, 03/31/06, 06/30/06, 09/30/06, 12/31/06, 03/31/07, 05/30/07)
- Ensure that this sample matches the sample dates requested in the audit engagement letter.
- Devices showing variances are selected and added to the sample for meter and PSD testing.

#### b. Field Audit.

- DCS par variance reports are compared to requested par variance reports produced by the gaming facility. Findings are recorded as follows:
  - Devices showing variances on both reports but not investigated are recorded as an audit finding.
  - Devices showing variances on DCS reports only and not investigated are identified and recorded as an audit finding.
  - Devices showing variances on casino reports but not identified by DCS are recorded and documentation is retained in audit workpapers.
- An interview is conducted with the individual(s) responsible for par variance investigations concerning the identification, investigation and documentation of variances.

<b>POLICIES AND PROCEDURES</b>	
Department of Administration Division of Gaming Office of Indian Gaming and Regulatory Compliance	Number: IG 102-03
<b>Subject:</b>	<b>FIELD AUDIT PROCEDURES</b>
Effective Date: 07/01/2007	Last Revision Date: 10/17/2007

- Reports evidencing the identification, investigation and documentation of par variances for the sample period are obtained and retained in audit workpapers.

## 2. DROP VARIANCES

### a. Report Generation Prior to Audit.

The **DCS Drop Variance Report** is generated for all locations being audited using daily drop to date (DTD) data for the end of month according to the following sample guidelines:

- Starting with the last day of the month for the month in which the last audit ended, run a report for the last day of each month up to the month preceding the start of the current audit. (EXAMPLE: The previous audit ended June 20, 2005 and June 20, 2007 is the date of the current audit. Run 06/30/05, 09/30/05, 12/31/05, 03/31/06, 06/30/06, 09/30/06, 12/31/06, 03/31/07, 05/30/07)
- Ensure that this sample matches the sample dates requested in the audit engagement letter.
- Devices showing variances are selected and added to the sample for meter and PSD testing.

### b. Field Audit.

- DCS drop variance reports are compared to requested drop variance reports produced by the gaming facility. Findings are recorded as follows:
  - Devices showing variances on both reports but not investigated are recorded as an audit finding.
  - Devices showing variances on DCS reports only and not investigated are identified and recorded as an audit finding.
  - Devices showing variances on casino reports but not identified by DCS are recorded and documentation is retained in audit workpapers.

<b>POLICIES AND PROCEDURES</b>	
Department of Administration Division of Gaming Office of Indian Gaming and Regulatory Compliance	Number: IG 102-03
Subject:	<b>FIELD AUDIT PROCEDURES</b>
Effective Date: 07/01/2007	Last Revision Date: 10/17/2007

- An interview is conducted with the individual(s) responsible for drop variance investigations concerning the identification, investigation and documentation of variances.
- Reports evidencing the identification, investigation and documentation of drop variances for the sample period are obtained and retained in audit workpapers.

## OIGRC FIELD AUDITS COMPLETED - 2002-2007

TRIBE - LOCATION	FINANCIAL AUDITS	COMPLIANCE AUDITS
Bad River - Bad River Casino	Jun-04	Jun-04
	Oct-05	Oct-05
	Oct-06	Jul-07
Ho-Chunk - Ho-Chunk Casino	Jan-03	Jan-03
	Mar-05	Mar-05
	Nov-06	Jan-07
Ho-Chunk - Rainbow Casino	Jan-03	Jan-03
	Mar-05	Mar-05
	Nov-06	Feb-07
Ho-Chunk - Majestic Pines Casino	Jan-03	Jan-03
	Mar-05	Mar-05
	Dec-06	Mar-07
Ho-Chunk - Whitetail Crossing Casino	Mar-05	Mar-05
	Dec-06	Mar-07
LCO - LCO Casino	Jun-02	Jun-02
	Nov-04	Nov-04
	Sep-06	May-06
LCO - Grindstone Creek Casino	Jun-02	Jun-02
	Nov-04	Nov-04
	Sep-06	May-06
LDF - Lake of the Torches Casino	Jul-02	Jul-02
	May-03	May-03
	Feb-05	Feb-05
	Apr-07	Apr-07
Menominee - Menominee Nation Casino	Jan-02	Jan-02
	Sep-04	Sep-04
	Feb-06	Feb-06
	Mar-07	
Menominee - Crystal Palace Bingo Casino	Jan-02	Jan-02
	Sep-04	Sep-04
	Feb-06	Feb-06
	Mar-07	
Oneida - Oneida Bingo Casino	Aug-04	Aug-02
	Jan-06	Aug-04
	Aug-07	Jan-06
Oneida - Irene Moore Activity Center	Aug-04	Aug-02
	Jan-06	Aug-04
	Aug-07	Jan-06
Mason Street Casino	Aug-04	Aug-02
	Jan-06	Aug-04
	Aug-07	Jan-06
Convenience Store - W180 State Hwy. 54	Aug-04	Aug-02
	Jan-06	Aug-04
	Aug-07	Jan-06
Convenience Store - Lucky U - Hwy 29	Aug-04	Aug-02
	Jan-06	Aug-04
	Aug-07	Jan-06
Convenience Store - Cty Rd. E	Aug-04	Aug-02
	Jan-06	Aug-04
	Aug-07	Jan-06



# OIGRC FIELD AUDITS COMPLETED - 2002-2007

TRIBE - LOCATION	FINANCIAL AUDITS	COMPLIANCE AUDITS
Potawatomi - Potawatomi Bingo Casino	Jun-03 May-05 May-06 Oct-07	Jun-03 May-05 May-07
Potawatomi - Northern Lights Casino	Mar-04 Jun-05 May-06 Sep-07	Mar-04 Jun-05 Jun-07
Red Cliff - Isle Vista Casino	Jul-04 Oct-05 May-07	Jul-04 Oct-05 Sep-07
Sokaogon - Mole Lake Casino	May-04 Aug-05 Feb-07	Feb-04 May-04 Aug-05 Aug-07
St. Croix - St. Croix Casino	Dec-02 Mar-03 Jan-05 Jul-06	Dec-02 Jan-05 Jul-06
St. Croix - Hole in the Wall Casino	Dec-02 Mar-03 Jan-05 Jul-06	Dec-02 Jan-05 Aug-06
St. Croix - Little Turtle Express Casino	Dec-02 Mar-03 Jan-05 Jul-06	Dec-02 Jan-05 Aug-06
Stockbridge-Munsee - Mohican North Star Casino	Mar-02 Oct-04 Apr-06 Jul-07	Mar-02 Oct-04 Apr-06
<b>TOTAL AUDITS JAN 2002 THROUGH OCT 2007</b>	<b>80</b>	<b>73</b>
<b>TOTAL AUDITS THROUGH OCT 2007</b>	<b>153</b>	

# OIGRC VENDOR CERTIFICATIONS - 2002-2007

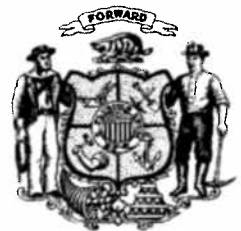
FISCAL YEAR	INITIAL CERTIFICATIONS		RECERTIFICATIONS	
	NUMBER COMPLETED	AVERAGE NUMBER OF MONTHS	NUMBER COMPLETED	AVERAGE NUMBER OF MONTHS
2002-03	1	14.1	3	14.9
2003-04	10	20.2	27	21.5
2004-05	14	47.5	15	40.1
2005-06	13	18.4	30	19.1
2006-07*	1	24.5	3	18
<i>*Per the audit, these figures include July - December 2006 only.</i>				
2006-07	4	12.1	9	13.7
<i>These figures include the entire 2007 state fiscal year.</i>				
July - Oct 2007	3	16.6	6	16.5

AS OF	PENDING CERTIFICATIONS			
	PENDING ORIGINALS	AVERAGE MONTHS PENDING	PENDING RENEWALS	AVERAGE MONTHS PENDING
12/31/2006	13	19.1	19	11.2
10/31/2007	9	15.7	10	13.6

*Investigations?  
Auditors*



# WISCONSIN STATE LEGISLATURE



## Handrick, Diane

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**Subject:** Potawatomi tour  
**Location:** casino  
**Start:** Fri 11/30/2007 10:00 AM  
**End:** Fri 11/30/2007 11:00 AM  
**Recurrence:** (none)

- Potawatomi Tour: November 30 date. This is confirmed and on the calendar from 10-11am. He will email us with details (to the Rep. inbox) George Ermet 259-1212, ext 6

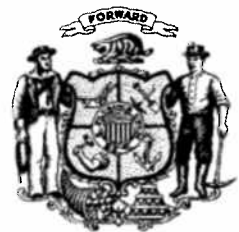
George's cellphone: 414-405-0838

Where to park - valet park

- Attendees - Jeff Crawford - AG for Potawatomi
- Nate Gilpin - Chairman of Potawatomi Gaming Commission
- Paul Baniel - CFO - 5 yrs
- Ken Walsh - Spokesman, Marty Schreiber
- George Ermet - Martin Schreiber & Assoc.
- Lori W., Revenue Audit Mgr. - 14 yrs
- Mike ~~Goodrich~~ <sup>General</sup> ~~Manager~~ Mgr. (1992-Gaming)
- Lawrence Manning, Gaming Commission, 1.5 yrs
- Mary Shephard, Vice Chair, Gaming Commission



WISCONSIN STATE LEGISLATURE





# Forest County Potawatomi Community

P.O. BOX 340 • Crandon, WI 54520

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For Immediate Release: November 7, 2007  
Contact: Ken Walsh, 414.405.1060

## **Potawatomi Elect New Tribal Chairman**

**Crandon, WI** – The Forest County Potawatomi Community elected former Tribal Chairman Phil Shopodock as their new Tribal Chairman on Saturday, November 3.

Chairman Shopodock began his two-year term after being sworn in Monday by the Tribe's Chief Judge, Eugene White-Fish. Shopodock previously served as Potawatomi Chairman in the late 1990s.

"I want to thank the tribal members for their vote of confidence and also thank outgoing Chairman Gus Frank for his service," said Chairman Shopodock. "I am looking forward to working with the Executive Council and tribal department heads."

A six-member Executive Council governs the Forest County Potawatomi Community. The Council includes positions of Chair, Vice-Chair, Treasurer, Secretary and two Council members.

The Chair and two Executive Council members are elected every two years in odd-numbered years. The positions of Vice-Chair, Treasurer and Secretary are elected every two years in even-numbered years. The Executive Council members are elected by tribal members 18 years and older.

Krystal Gouge and Ned Daniels Jr. were also elected as Council members on Saturday.

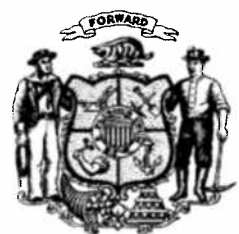
Other members of the Potawatomi Executive Council include Vice Chairman Al Milham, John Alloway, Treasurer, and Lorna Shawano, Secretary.

*The Forest County Potawatomi Community is a federally recognized Native American tribe located in Northeastern Wisconsin with a membership of about 1200. The Potawatomi operate several tribal enterprises, including casinos in Milwaukee and Carter, Wisconsin, and a Health & Wellness Center in Crandon, Wisconsin. The tribe employs nearly 3000 people in its government operations, casino operations, social services and additional business ventures. For more information on the Potawatomi, please visit: [www.fcpotawatomi.com](http://www.fcpotawatomi.com).*

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# WISCONSIN STATE LEGISLATURE





**WISCONSIN DEPARTMENT OF  
ADMINISTRATION**

**JIM DOYLE**  
GOVERNOR

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January 31, 2008

Senator Jim Sullivan  
State Capitol 115 South  
Representative Suzanne Jeskewitz  
State Capitol 314 North  
Madison, WI 53703

Dear Senator Sullivan and Representative Jeskewitz:

The Wisconsin Department of Administration, Division of Gaming, believes the biennial Legislative Audit Bureau evaluation of gaming oversight is an integral part of gaming regulation in Wisconsin that has led to improved policies and practices.

We appreciate the audit process in the most recent biennial Audit Bureau review and we were happy to report to you last October about the steps we took to implement the recommendations of the Audit Bureau report. Although the information we have provided here is similar to the testimony we provided last fall, the audit report called on us to report to you on January 31, 2008, regarding our progress and we are pleased to, again, take this opportunity to provide that information.

**The Division of Gaming closely monitors drop variance reports and the accuracy of the data in the Data Collection System.**

As of June 2007, the Division of Gaming has implemented changes to the field audit program to verify compliance of tribal gaming operations with drop variance investigation standards, and this has been a part of each field compliance audit going forward. Upon identification of this issue by the audit bureau, the Division of Gaming field auditors conducted drop variance audits at each of the locations at which this had not been previously performed. Auditors were able to determine that drop variance investigations were and continue to be conducted at all Wisconsin tribal gaming operations.

In addition, subsequent to the release of the audit report, the Division of Gaming worked closely with the Division of Enterprise Technology and tribal accounting system vendors to evaluate and address inaccuracies in the report data. As of January 2008, all major report discrepancies have been corrected. Finally, procedures were developed and processes have been implemented for the ongoing evaluation and verification of DCS report data outside of the regularly scheduled audits and monthly verification of revenue. Division of Gaming auditors conduct weekly reviews of DCS data to address data irregularities and track variances occurring in the field.



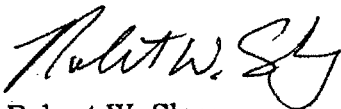
**The Division of Gaming has significantly reduced the investigation time for vendor certification and the number of pending applications.**

The Division of Gaming has taken steps to increase the timeliness of gaming-related contractor certifications. In July 2007, the Division of Gaming added two LTE investigator positions to address the issue and has received approval to add two FTE positions in the SFY 08-09 budget. The new staff have already attended training and current investigative staff are being given additional training. The two permanent FTE investigators will be hired by March 2008.

In addition, the internal policies and procedures have been rewritten and contain new standards for completion of contractor investigations. As a result, the average completion time for original applications was reduced during 2007 from the 24.5 months identified in the report to 12.1 months, and the average time to process renewal applications has been reduced from 18 months to 16.7 months. The Division of Gaming has also reduced the number of pending applicants during 2007 from 32 to 15 and reduced the average pending time from 15.2 months to 10.7 months. These reductions have increased since our original response to the audit and we expect to see continued reductions in times to process these applications during 2008.

I appreciate the opportunity to report our progress in meeting the recommendations contained in the audit of the Division of Gaming. Should there be any questions regarding our response or if additional information is required, please do not hesitate to contact me directly at (608) 270-2560.

Sincerely,



Robert W. Sloey  
Administrator

cc: Janice Mueller





WISCONSIN STATE LEGISLATURE

Joint Legislative Audit Committee

Committee Co-Chairs:  
State Senator Jim Sullivan  
State Representative Suzanne Jeskewitz

May 13, 2008

Mr. Michael Morgan, Secretary  
Department of Administration  
101 East Wilson Street, 10<sup>th</sup> Floor  
Madison, Wisconsin 53701

Dear Mr. Morgan:

As the legislative session draws to a close, we write to acknowledge receipt of your January 2008 follow-up report concerning the recommendations offered by the nonpartisan Legislative Audit Bureau in its audit of the Division of Gaming (report 07-12).

We are pleased to note that, as of January 2008, all major drop variance report discrepancies have been corrected. The Department's efforts to evaluate and address inaccuracies in the report data and to establish ongoing evaluation and verification processes are essential steps taken in response to the audit recommendations.

We also recognize the steps taken to increase the timeliness of gaming-related contractor certifications. Based on newly implemented standards for completion of contractor investigations, we anticipate that the Legislative Audit Bureau will report improved timeliness when it conducts its next biennial audit of the Division of Gaming in 2009.

Thank you for your timely response to the audit recommendations.

Sincerely,

Senator Jim Sullivan, Co-chair  
Joint Legislative Audit Committee

Representative Suzanne Jeskewitz, Co-chair  
Joint Legislative Audit Committee

cc: Mr. Robert W. Sloey, Administrator  
Division of Gaming  
Department of Administration

Janice Mueller  
State Auditor



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**Paul Baniel**  
Chief Financial Officer

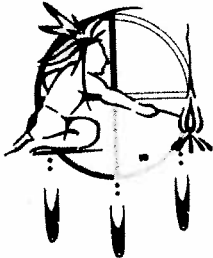
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POTAWATOMI  
(Keeper of the Fire)

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Attorney General

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Potawatomi Community**

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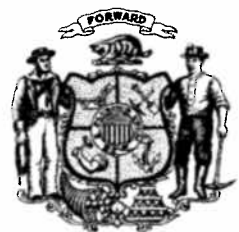
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WISCONSIN STATE LEGISLATURE



Regulatory Act

1988 - Fed Indian Gaming ~~Act~~ allowed gaming in any state that has gaming (lottery, etc.)  
↳ w/compact w/state

3 levels of oversight

- Tribe overseers - Tribe Gaming Commission
- \* - Tribal Gaming Commissions oversee Casinos/Sing Halls
- State overseers ↑
- \* Also - National ~~Indian Gaming~~ ~~Commission~~ Commissioner

2,200 employees in MdW

400 employees in Carter, Forest County

\* Licensing Process - slow

90 - slot machines

↳ 45, technicians

↳ drop/count teams

↳ 5, Revenue/audit team

(8M games played in Oct)