

An Evaluation

Division of Gaming

Department of Administration

2009-2010 Joint Legislative Audit Committee Members

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Janice Mueller
State Auditor

August 10, 2010

Senator Kathleen Vinehout and
Representative Peter Barca, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Vinehout and Representative Barca:

We have completed a biennial performance evaluation of the Department of Administration's (DOA's) Division of Gaming, as required by s. 13.94(1)(eg), Wis. Stats. The Division oversees Indian gaming, pari-mutuel racing, and charitable gaming activities in Wisconsin.

In fiscal year (FY) 2008-09, the Division's expenditures to regulate all three types of gaming activities totaled \$3.1 million in program revenue. We analyzed a judgmental selection of its expenditures over a three-year period and found that reimbursements were sufficiently documented and appear to be reasonable. We note that during this period, \$26,300 in reimbursements were made to an employee for mileage, food, and lodging costs incurred while traveling between his home in Chicago and the Division's office in Madison, where he works as legal counsel. These expenditures warrant careful monitoring to ensure they are reasonable and necessary.

Indian gaming represents the most significant gaming activity in Wisconsin. In 2009, Indian gaming revenue was \$1.3 billion, tribal gaming expenses were \$780.2 million, and tribal gaming profits were \$543.4 million. In FY 2008-09, the State received \$122.2 million from tribes under the revenue sharing provisions of the negotiated gaming compacts.

The Division conducts on-site financial and compliance audits for each tribe to independently verify the amounts wagered on Class III gaming and to ensure that casino operations are consistent with standards established in the gaming compacts. From January 2007 through December 2009, the Division conducted 67 financial audits and 50 compliance audits, and it identified a total of \$4.0 million in tribal underpayments to the State. We analyzed a random selection of working papers associated with audits completed in 2009. The documentation we reviewed was complete and accurate.

In December 2009, the last operating greyhound racetrack in Wisconsin—Dairyland Greyhound Park—was closed. Statutes continue to authorize pari-mutuel racing in the State, but the Division has not received applications from businesses seeking to operate racing venues.

We appreciate the courtesy and cooperation extended to us by the Division. The Division's response follows the appendix.

Respectfully submitted,

Handwritten signature of Janice Mueller.

Janice Mueller
State Auditor

JM/PS/ss

Report Highlights ■

The Division's expenditures were \$3.1 million in FY 2008-09.

The State's revenue from all gaming sources totaled \$124.0 million in FY 2008-09.

Tribal revenue was approximately \$1.3 billion in each year from 2007 through 2009.

From January 2007 through December 2009, the Division conducted 67 financial audits and 50 compliance audits of casinos.

In December 2009, the last greyhound racetrack in Wisconsin ceased operations.

The Division of Gaming in the Department of Administration (DOA) oversees the gaming operations of 11 tribes that have negotiated compacts with the State. The compacts permit Indian gaming in Wisconsin and define regulations for tribal gaming operations. The Division is authorized to regulate pari-mutuel racing, but the last remaining greyhound racetrack in Wisconsin closed in December 2009. The Division also regulates charitable bingo and raffles, and other games that are subject to regulation by the State.

Under 13.94(1)(eg), Wis. Stats., the Legislative Audit Bureau is required to conduct a biennial performance evaluation. In completing our work, we reviewed:

- internal controls and the State's revenue and expenditures related to the regulation of Indian gaming and charitable gaming;
- tribal revenue and expenses related to gaming activities;
- oversight activities of the Division's Office of Indian Gaming, including its use of electronic data systems to monitor tribal gaming operations and its financial and compliance audits;
- pari-mutuel racing, including amounts wagered and the greyhound adoption program; and

- trends in charitable gaming and crane games, which are a form of entertainment in which a player maneuvers a crane or claw to obtain toys or novelties worth \$5 or less.

Staffing and Expenditures

In fiscal year (FY) 2008-09, the Division was authorized 34.35 full-time equivalent (FTE) staff to oversee Indian gaming, pari-mutuel racing, and charitable gaming. In that year, the Division's expenditures were \$3.1 million, three-quarters of which were for the salaries and fringe benefits of staff.

We analyzed a judgmental selection of expenditures from FY 2006-07 through FY 2008-09, including travel expenditures. We found that the Chicago home of the Division's full-time legal counsel has been designated as his office headquarters, and from FY 2006-07 through FY 2008-09 the Division reimbursed this employee \$26,300 for mileage between his home and the Division's office and for food and lodging while he stayed in Madison to work. Division officials believe that the experience and specialized knowledge of this employee justify this unusual arrangement, and they assert that contracting for legal services would have resulted in substantially higher costs. However, this arrangement warrants close monitoring to ensure these expenditures are reasonable and necessary.

State Gaming Revenue

Class III gaming at tribal casinos, including slot machines and table games such as blackjack, is the source of most of the State's revenue from gaming. Pari-mutuel racing and charitable gaming and crane games provide the remaining portion. Revenue from all gaming sources increased from \$52.0 million in FY 2006-07 to \$124.0 million in FY 2008-09, largely because the Ho-Chunk made a one-time \$60.0 million payment in December 2008, as required by a tribal-state compact negotiated in September of that year.

Class III gaming revenue from payments by the tribes that operate casinos was \$122.2 million in FY 2008-09. Separate agreements between the State and the Lac du Flambeau in April 2009 and the Potawatomi in April 2010 allow those tribes to exclude from their net Class III gaming revenue the dollar value of credits a casino gives players to be used in electronic gaming devices. The exclusion of these promotional expenses reduces the State's revenue from the two tribes.

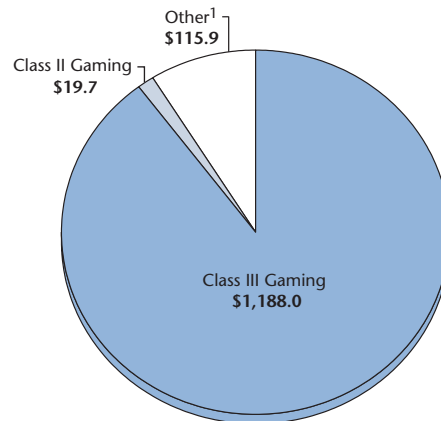
Tribal Revenue from Gaming

Compacts require each tribe to contract for an annual independent audit of its gaming operations and to submit the audit report to the Division and our office. We may release financial information only in aggregated form.

Indian gaming revenue from all sources was approximately \$1.3 billion in each year from 2007 through 2009. Tribes generate gaming revenue primarily from Class III gaming, as shown in Figure 1. Net tribal revenue from Class III gaming, which excludes amounts paid out in winnings, decreased by 2.9 percent from 2007 through 2009.

Figure 1

Sources of Tribal Gaming Revenue 2009 (in millions)



¹ Includes revenue from hotels, entertainment and convention facilities, gift shops, food and beverage sales, and investment earnings.

Tribes incur gaming expenses for general operations, including employee salaries and fringe benefits; promotion and marketing; and depreciation. In aggregate, tribal gaming expenses increased 4.9 percent, from \$743.5 million in 2007 to \$780.2 million in 2009. Tribal gaming profits, or revenue in excess of expenses, decreased 9.4 percent, from \$599.5 million in 2007 to \$543.4 million in 2009.

Enforcement Efforts

The State's 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.

The Division conducts financial and compliance audits to verify tribal compliance with provisions of their compacts. From January 2007 through December 2009, it conducted 67 financial audits and 50 compliance audits. We analyzed a random selection of the Division's working papers and other documentation associated with its 2009 on-site financial and compliance audits of five large casinos. The documents we reviewed were complete and accurate, and they indicated that the Division had followed its audit procedures.

In a prior audit, we expressed concerns that the Division was not independently identifying instances in which amounts recorded by a meter in an electronic gaming device differed by at least 3.0 percent and more than \$25 from amounts counted by casino staff. The compacts require tribes to identify these differences and to investigate and document the cause of each difference. Analyzing these differences is important because differences may identify inaccurate data, malfunctioning gaming devices, or potential fraudulent activity.

Since 2008, the Division has conducted monthly analyses to identify differences. If a difference for a device lasts for more than seven days, or if the Division believes differences are significant, it contacts the tribe to determine the cause. During its on-site audits, the Division now determines whether the tribes have conducted investigations of all remaining unresolved differences.

The compacts and statutes require DOA to certify the vendors that provide casinos with gaming-related products and services. The Division requires vendor recertification every three years. The average time required by the Division to complete initial certifications decreased from 15.0 months in FY 2006-07 to 9.4 months in FY 2008-09. The average time to complete recertifications decreased from 14.3 months to 4.6 months during the same time period.

From FY 2006-07 through FY 2008-09, the Division approved 62 of the 66 applications it received and collected \$738,200 in certification fees. These fees are used to support general program operations.

Other Gaming Activities

In December 2009, Dairyland Greyhound Park, the last greyhound racetrack in Wisconsin ceased operations. The amounts wagered at Dairyland decreased from \$56.9 million in FY 2006-07 to \$38.0 million in FY 2008-09. State revenue from pari-mutuel racing decreased from \$1.5 million to \$1.1 million during the same period.

The Division also licenses charitable organizations that conduct bingo and raffles, and it registers crane games. From FY 2006-07 through FY 2008-09, the State's revenue from bingo activities totaled \$1.5 million. Its revenue from raffle license fees totaled \$634,100, and revenue from crane game registration fees totaled \$49,100.

■ ■ ■ ■

Introduction ■

DOA's Division of Gaming oversees and regulates the gaming activities of 11 tribes.

The Governor is authorized by statutes to negotiate and approve the compacts that permit Indian gaming in Wisconsin and to establish the types of games permitted, regulations for their operation, and standards for the oversight of Indian gaming activities. The first tribal-state compacts were negotiated with 11 tribes in 1991 and 1992, and new compacts have been negotiated with each of the tribes in the following years. Modifications to recent compacts have included requirements for the tribes to make additional payments to the State and changes in the duration of the compacts.

In FY 2008-09, the Division was authorized 34.35 FTE positions.

In FY 2008-09, the Division was authorized 34.35 FTE program revenue-funded positions to provide gaming regulation and oversight. They include:

- Indian gaming program staff, who are responsible both for conducting on-site financial and compliance audits to determine whether casino finances and operations are conducted in accordance with the compacts and for certifying the vendors that provide gaming-related services and equipment to casinos;
- pari-mutuel racing program staff, such as racing stewards who ensure racing requirements are followed, and veterinary staff who ensure the humane treatment of the greyhounds; and

- charitable gaming program staff, who are responsible for licensing bingo and raffle organizations, conducting financial reviews of bingo and raffle gaming operations, and registering crane games.

In conducting our evaluation, we examined the documentation for a sample of the Division’s financial and compliance audit reports, reports used by the Division to monitor gaming activity, and staffing levels. We also interviewed managers and staff in the Division, as well as Department of Justice (DOJ) staff responsible for prosecuting violations of gambling laws in Wisconsin. In addition, we conducted a financial review that examined the Division’s internal controls and analyzed a judgmental selection of expenditures to ensure they were appropriate and in compliance with the State’s accounting policies.

Division Staffing

As shown in Table 1, the Indian gaming program was authorized 17.15 FTE positions in FY 2008-09. They include 8.0 FTE positions filled by staff who supervise and conduct on-site audits of casinos, and 7.0 FTE positions filled by staff who conduct vendor certifications. Previously, the Division had used a contractor to assist it in conducting background investigations of Indian gaming vendors.

2007 Wisconsin Act 20, the 2007-09 Biennial Budget Act, eliminated 2.0 FTE positions for pari-mutuel racing oversight and authorized an additional 2.0 FTE positions in the Indian gaming program to conduct investigations related to vendor certifications. The Dairyland racetrack closed in December 2009, and all 11.50 FTE pari-mutuel racing positions have been vacant since January 2010.

Table 1

Authorized FTE Positions in the Division of Gaming

	FY 2006-07	FY 2007-08	FY 2008-09
Indian Gaming	15.15	17.15	17.15
Pari-Mutuel Racing	13.50	11.50	11.50 ¹
Charitable Gaming ²	5.70	5.70	5.70
Total	34.35	34.35	34.35

¹ All pari-mutuel racing staff finished their employment with the Division by the end of January 2010.

² Includes authorized staff positions for the regulation of bingo, raffles, and crane games.

Division Revenue and Expenditures

Through FY 2008-09, the State received revenue from:

- Indian gaming, which includes payments tribes make under the terms of their compacts with the State;
- pari-mutuel racing, which includes a pari-mutuel tax on amounts wagered at racetracks, racing fees and fines, and unclaimed racetrack winnings; and
- charitable gaming, which includes taxes on the revenue of bingo organizations and suppliers of bingo cards and materials, and licenses and permit fees for bingo, raffles, and crane games.

The State's total gaming revenue increased from \$52.0 million in FY 2006-07 to \$124.0 million in FY 2008-09.

As shown in Table 2, the State's total gaming revenue increased from \$52.0 million in FY 2006-07 to \$124.0 million in FY 2008-09, largely because the Ho-Chunk made a one-time \$60.0 million payment in December 2008 as required by a tribal-state compact negotiated in September of that year. The State's revenue from pari-mutuel racing decreased throughout the period, as wagering at Dairyland Greyhound Park continued to decline.

Table 2

State Gaming Revenue

Program Area	FY 2006-07	FY 2007-08	FY 2008-09 ¹	Percentage Change
Indian Gaming	\$49,783,900	\$45,435,500	\$122,182,500	145.4%
Pari-Mutuel Racing	1,462,700	1,331,500	1,087,100	(25.7)
Charitable Gaming ²	738,000	770,900	721,100	(2.3)
Total	\$51,984,600	\$47,537,900	\$123,990,700	138.5

¹ Indian gaming revenue increased in FY 2008-09 largely because the Ho-Chunk made a one-time \$60.0 million payment as required by a September 2008 tribal-state compact.

² Includes revenue from licenses and permit fees for bingo, raffles, and crane games.

New compacts the State negotiated with 10 of the 11 tribes in 2003 required each tribe to pay the State a percentage of its net revenue from Class III gaming. In 2009, the State and the Lac du Flambeau agreed to a similar compact. The percentage a tribe owes the State typically varies by the total amount of net revenue from Class III

gaming earned by the tribe during a fiscal year. In addition, separate agreements between the State and the Lac du Flambeau in April 2009 and the Potawatomi in April 2010 further define how net revenue from Class III gaming is calculated and allow those tribes to exclude from their net Class III gaming revenue the dollar value of credits a casino gives players to be used in electronic gaming devices. The exclusion of these promotional expenses reduces the State’s revenue from the two tribes.

Because of a 2004 Wisconsin Supreme Court decision that found the unlimited durations of some compacts to be invalid, the Ho-Chunk withheld a \$30.0 million lump-sum payment in June 2005, as well as payments based on a percentage of net revenue from Class III gaming that were due in June of 2006, 2007, and 2008. The State and the Ho-Chunk negotiated a new compact in September 2008 with a duration of 25 years. In addition, the Ho-Chunk made a one-time payment of \$60.0 million in December 2008.

The State’s gaming revenue is distributed through the budget process to various state agencies and the General Fund.

After deductions for the Division’s regulatory expenditures, the State’s gaming revenue is distributed through the budget process to various state agencies and the General Fund. As shown in Table 3, the Division’s expenditures decreased from \$3.2 million in FY 2006-07 to \$3.1 million in FY 2008-09, in part because of the reduction in pari-mutuel racing staff and related costs. Approximately three-quarters of the Division’s expenditures are for the salaries and fringe benefits of the staff who oversee gaming operations.

Table 3

Division of Gaming Expenditures

Program Area	FY 2006-07	FY 2007-08	FY 2008-09	Percentage Change
Indian Gaming	\$1,508,500	\$1,464,000	\$1,716,800	13.8%
Pari-Mutuel Racing	1,283,100	1,204,300	922,900	(28.1)
Charitable Gaming ¹	445,900	461,500	458,300	2.8
Total	\$3,237,500	\$3,129,800	\$3,098,000	(4.3)

¹ Includes expenses related to the regulation of bingo, raffles, and crane games.

In FY 2008-09, after deducting the Division's expenditures, \$120.6 million in Indian gaming revenue remained, of which:

- \$93.9 million was lapsed to the General Fund;
- \$26.5 million was distributed to 14 state agencies for programs that benefit Native Americans or a broader range of citizens; and
- \$166,700 was distributed to DOJ for gaming enforcement.

The Division must also transfer any unencumbered balances remaining in the general program operation appropriations for pari-mutuel racing and bingo to the Lottery Fund for property tax relief at the end of each fiscal year, as required by a 1999 amendment to the Wisconsin Constitution. In addition, both Article X, Section 2 of the Wisconsin Constitution and statutes require the Division to transfer 50.0 percent of all fines and forfeitures collected by the pari-mutuel racing program to the Common School Fund. In FY 2008-09, the Division transferred \$206,941 to the Lottery Fund for property tax relief and \$720 to the Common School Fund.

As part of our financial review, we analyzed a judgmental selection of the Division's expenditures, including travel expenditures. As shown in Table 4, the Division's travel expenditures increased from \$76,600 in FY 2006-07 to \$81,000 in FY 2008-09, or by 5.7 percent, largely because of additional travel related to compact negotiations.

Table 4

Division of Gaming Travel Expenditures¹

Program Area	FY 2006-07	FY 2007-08	FY 2008-09	Percentage Change
Indian Gaming	\$44,500	\$49,200	\$60,300	35.5%
Pari-Mutuel Racing	21,400	16,700	11,000	(48.6)
Charitable Gaming	10,700	8,800	9,700	(9.3)
Total	\$76,600	\$74,700	\$81,000	5.7

¹ Includes costs related to travel in Wisconsin and out of state, such as reimbursements for food, mileage, lodging, fleet vehicle charges, and conference and training fees.

The Office of State Employment Relations, with the approval of the Joint Committee on Employee Relations, establishes reimbursement rates for travel-related costs such as mileage, meals, and lodging. Section 20.916(9)(e), Wis. Stats., prohibits the reimbursement of expenses related to travel between an employee's residence and his or her office headquarters. However, state employees may be reimbursed for reasonable costs for travel from their office headquarters to a work site or conference or training site. Certain state employees, such as some financial examiners with the Department of Financial Institutions and some engineers with the departments of Administration and Transportation, typically have their home designated as their office headquarters because their work is generally conducted throughout a region, rather than at an agency's office.

The Division reimbursed one employee \$26,300 for costs associated with travel between Madison and his home in Chicago.

In our review of the Division's reimbursements for travel expenses, we found that reimbursements were sufficiently documented and reasonable, within limits authorized by the Legislature. However, we note that since at least 2003, DOA has designated the Chicago home of the Division's full-time legal counsel, who had previously lived in Madison, as his office headquarters. From FY 2006-07 through FY 2008-09, the Division reimbursed this employee \$26,300 for the mileage between his home and the Division's office and for food and lodging while he stayed in Madison to work.

Division officials believe that the experience and specialized knowledge of this employee justify this unusual arrangement, and they assert that contracting for legal services would have resulted in substantially higher costs. However, this arrangement warrants close monitoring to ensure these expenditures are reasonable and necessary.

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Indian Gaming Revenue and Expenses ■

Compacts require each tribe to contract for an annual independent financial audit of its gaming operations and to submit the audit report to the Division and our office. An informal opinion issued by the Attorney General in 1996 indicated the Audit Bureau may release audited financial information in aggregate form, provided that nothing in the disclosure could lead to the identification of a tribe, its members, employers, or operations. Consequently, as we have done in prior years, this report presents aggregated information related to the tribes' gaming revenue, expenses, and profits from gaming activities.

Tribes generate gaming revenue through:

- Class III gaming, which includes electronic gaming devices and table games, such as blackjack;
- Class II gaming, which includes bingo; and
- other activities associated with gaming, such as the operation of hotels, restaurants, and gift shops.

Class I gaming, which includes social and traditional games related to Indian ceremonies and celebrations, is within the exclusive jurisdiction of the tribes and is not subject to regulation by the State.

In 2009, 11 tribes operated 27 casinos in Wisconsin.

The compacts do not require tribes to report Class II gaming activities to the State. However, independent financial audits of the casinos, which are required under the compacts, show that 9 of the 11 tribes operated bingo games in 2009. As shown in Figure 2, 11 tribes operated a total of 27 casinos in 2009, including 16 casinos that offer electronic gaming devices and table games, and 11 casinos that offer only electronic gaming devices. The appendix provides additional information on the locations and sizes of these casinos.

Figure 2

Tribal Casinos in Wisconsin



Tribal revenue from Class III gaming decreased 2.9 percent from 2007 through 2009.

As shown in Table 5, total tribal gaming revenue decreased 1.4 percent from 2007 through 2009. After winnings are deducted, net revenue from Class III gaming during that period decreased 2.9 percent. Electronic gaming devices continue to be the source of the majority of net revenue from Class III gaming. Other revenue increased by 16.2 percent, in part because of the establishment of additional hotels and entertainment at casinos.

Table 5

Tribal Gaming Revenue¹
(in millions)

Type	2007	2008	2009	Percentage Change
Class III Gaming	\$1,224.0	\$1,224.2	\$1,188.0	(2.9)%
Class II Gaming	19.3	18.5	19.7	2.1
Other ²	99.7	111.0	115.9	16.2
Total	\$1,343.0	\$1,353.7	\$1,323.6	(1.4)

¹ Based on the most recent independent financial audits of the casinos.

² Includes revenue from hotels, entertainment and convention facilities, gift shops, food and beverage sales, and investment earnings.

As shown in Table 6, tribal gaming expenses increased 4.9 percent, from \$743.5 million in 2007 to \$780.2 million in 2009. In each year, general operations costs, such as employee salaries and fringe benefits, rent, equipment, maintenance, and supplies, made up approximately two-thirds of total expenses. Other expenses include payments to the State under the compacts, and nonoperating expenses such as intra-tribal charges.

Tribal profits from gaming decreased from \$599.5 million in 2007 to \$543.4 million in 2009.

As shown in Table 7, tribal profits from Indian gaming, or revenue in excess of expenses, decreased from \$599.5 million in 2007 to \$543.4 million in 2009. Many tribes experienced a decrease in profits during this period.

Table 6

Tribal Gaming Expenses¹
(in millions)

Type	2007	2008	2009	Percentage Change
General Operations	\$487.1	\$528.0	\$547.3	12.4%
Promotion and Marketing	148.7	144.1	118.8	(20.1)
Depreciation	63.2	71.2	87.3	38.1
Other	44.5	44.8	26.8	(39.8)
Total	\$743.5	\$788.1	\$780.2	4.9

¹ Based on the most recent independent financial audits of the casinos.

Table 7

Tribal Gaming Profits
(in millions)

	2007	2008	2009	Percentage Change
Revenue	\$1,343.0	\$1,353.7	\$1,323.6	(1.4)%
Expenses	(743.5)	(788.1)	(780.2)	4.9
Profits	\$ 599.5	\$ 565.6	\$ 543.4	(9.4)



Indian Gaming Oversight ■

Regulating Indian gaming protects the interests of casino patrons, who expect the games to be fair, as well as both the State and the tribes, which depend on accurate accounting of revenue from Class III gaming activities to determine the payments that are required under the compacts. We reviewed the Division's efforts to oversee gaming activities, including its:

- conduct of on-site audits of casinos;
- use of electronic data systems to monitor casino operations and independently verify tribal gaming revenue; and
- certification of businesses that provide casinos with gaming-related products and services.

Oversight of Casino Operations

Statutes authorize DOA to oversee tribes' compliance with the compacts.

Section 569.03, Wis. Stats., authorizes DOA to oversee tribes' compliance with the compacts, and each tribe's compact grants DOA and DOJ access to casinos and the authority to review casino operations. This authority provides a mechanism to help ensure both the integrity of gaming and proper financial reporting by the tribes. The compacts allow the State to initiate dispute resolution processes if it believes a tribe has failed to comply with its compact, but the Division does not have authority to compel tribes to correct areas of noncompliance.

In order to comply with statutory oversight requirements and the regulatory language in the compacts, the Division's 7.0 FTE staff who are responsible for conducting on-site audits of casinos conduct both:

- financial audits, which verify the accuracy of tribes' payments to the State through a review of the tribes' financial statements, and which determine whether accounting standards used at casinos are consistent with the compacts; and
- compliance audits, which determine whether casino operations are conducted in accordance with the compacts.

The Division always provides the tribes with advance notice of its regulatory visits.

Each audit is completed in approximately one week. The Division always provides the tribes with advance notice, which enables them to gather necessary documents and schedule the appropriate personnel for interviews. The Division believes this practice of advance notice is an effective use of staff resources and encourages greater tribal cooperation.

The Division uses two electronic systems to monitor casino operations and independently verify revenue.

To better monitor casino operations and independently verify revenue from Class III gaming, the Division uses two electronic systems—the Data Collection System and the Gaming Device Inventory System.

The Data Collection System was created in 2000. The system stores transactions and operations information sent by each casino's electronic accounting system, including:

- the amount contained in the drop box of each electronic gaming device, which is both recorded electronically by a meter inside each device and counted manually by casino staff;
- the payout rates for each electronic gaming device, which the compacts require to be set at a minimum of 80.0 percent for games not affected by player skill and at a minimum of 83.0 percent for games that are affected by player skill;
- the status of each electronic gaming device, including whether it has been opened and the computer chip that controls play has been removed, which could identify games that have been tampered with or that may malfunction; and

- information on table games, such as the opening and closing inventory of chips at each table, which is sent electronically by casino staff to the Division.

Tribes began submitting information to the Data Collection System in 2001, with the Oneida tribe being the last to do so beginning in August 2006. The Division conducts daily checks to ensure that each tribe has submitted data and that the data have been recorded by the system.

The Gaming Device Inventory System was created in 1998, and it allows casinos and vendors to electronically submit and update information such as:

- the date an electronic gaming device was installed or removed by the tribe;
- the device type and its serial number;
- the manufacturer of the device and the name of the vendor that sold it to the casino; and
- the identification number of the computer chip that controls play.

Although the compacts do not require the tribes to submit information to the system, the tribes have agreed to do so. However, the system cannot automatically identify electronic gaming devices with computer chips that are no longer approved or functioning properly. Consequently, during its on-site compliance audits the Division determines whether invalid computer chips are present within a casino's electronic gaming devices.

Financial Audits

The annual independent financial audits performed by public accounting firms under contracts with the tribes are the basis for determining net revenue from Class III gaming. They are used by the Division to calculate tribal payments to the State. Since 2005, the Division has independently verified for each tribe the total amount wagered on Class III gaming, which ensures that a tribe has paid the State the correct amount. In addition, the Division oversees the tribes' compliance with the accounting standards required by the compacts to determine whether revenue from electronic gaming devices and table games has been accounted for accurately.

Each month, the Division calculates the total and net Class III gaming revenue for each tribe.

Each month, the Division uses information in the Data Collection System to calculate the total and net Class III gaming revenue for each tribe. These calculations are shared monthly with the tribes for their review, and the tribes may submit additional information to support suggested changes to the Division's calculation. The Division indicates that sharing revenue calculations with the tribes each month has made its on-site financial audits more efficient because issues of concern are typically resolved before its on-site work.

The compacts require many other things, including that tribes identify, investigate, and document the cause of each instance 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. We noted in 2007 (report 07-12) that the Division was not using the Data Collection System to independently identify differences, and was not subsequently ensuring that tribes had investigated each identified instance. Since 2008, however, the Division has used the system to conduct monthly analyses of all differences of at least 3.0 percent and more than \$25 in amounts recorded by the meter in an electronic gaming device and the amounts counted by casino staff. If a difference for a device lasts for more than seven days, or if the Division believes the differences are significant, it contacts the tribe to determine the cause. In 2009, the Division identified numerous differences for which it could not immediately identify a cause. It subsequently determined that almost all of the differences occurred because of errors in two casinos' electronic reports to the Data Collection System. During its on-site audits, the Division now works with the tribes to examine approximately 8,400 differences.

The Division conducted 67 financial audits from January 2007 through December 2009.

From January 2007 through December 2009, the Division conducted at least 2 financial audits at 26 of the 27 casinos operating in Wisconsin, for a total of 67 financial audits. On average, the casinos received a financial audit every 12.8 months during the past three calendar years. The Division identified 22 instances in which tribes underpaid or overpaid the State because of inaccurate calculations of net revenue from Class III gaming in 2007 through 2009:

- annual net gaming revenue for seven tribes was under-reported in 14 instances, resulting in underpayments to the State totaling \$4.0 million; and
- annual net gaming revenue for five tribes was over-reported in 8 instances, resulting in overpayments to the State totaling \$100,800.

The Division found a variety of reasons for the differences in net revenue from Class III gaming. For example, the revenue for some tribes was under-reported because their calculations inappropriately included promotional items, such as gifts or cash, given to players. Revenue was over-reported when tribes did not take into account all amounts paid out as winnings.

When the Division identifies an underpayment or an overpayment to the State, it issues an invoice or payment to the tribe. Tribes typically pay the State once they receive an invoice. However, the Potawatomi disagreed with the State's calculation of its net revenue from Class III gaming when the State disallowed a deduction for promotional expenses. Under an April 2010 agreement that further defined how net revenue from Class III gaming is calculated, the tribe may now exclude the dollar value of credits a casino gives players to be used in electronic gaming devices from their net Class III gaming revenue, but it is required to pay the State a total of \$300,000. As noted, a similar agreement is in place with the Lac du Flambeau.

Some tribes have not consistently followed all accounting standards.

The Division has also found that some tribes have not consistently followed all accounting standards. For example, nine tribes did not retain or had inaccurate gaming-related financial records, and five tribes did not appropriately account for the value of unredeemed winnings.

We analyzed a random selection of the Division's working papers and other documentation associated with its 2009 financial audits of five large casinos and determined the extent to which established audit procedures had been followed. The working papers and documentation we reviewed were complete and accurate. In all five audits, documentation showed that the Division had followed its audit procedures.

Compliance Audits

During each compliance audit, the Division:

- counts all electronic gaming devices and table games on the casino floor;
- tests a random sample of electronic gaming devices and the computer chips controlling their play to determine whether the chips are approved and functioning properly;
- observes table game play to determine whether proper procedures are followed by dealers and players;

- determines whether all employees have undergone the necessary criminal background checks;
- observes the security measures followed during the collection of money from electronic gaming devices and the counting of collected money, which typically occurs daily; and
- reviews the casino's surveillance capabilities.

***The Division conducted
50 compliance audits
from January 2007
through December 2009.***

We reviewed compliance audits conducted from January 2007 through December 2009. During this three-year period, the Division conducted 50 compliance audits, and all but three casinos were audited twice. On average, each casino received a compliance audit every 18.9 months. The Division's first on-site audit of the Ho-Chunk North casino, which opened in November 2008, was conducted in April 2010.

Typical findings from the Division's compliance audits for the period were that:

- internal audits had not been conducted or were incomplete;
- blackjack and poker dealers did not follow proper dealing procedures;
- electronic gaming devices had computer chips that were no longer approved for play; and
- casino staff did not have complete background checks and were employed for more than 60 days before the National Indian Gaming Commission, which is the federal regulatory agency responsible for overseeing Indian gaming, was notified.

We analyzed a random selection of the Division's working papers and other documentation associated with its 2009 on-site compliance audits of five large casinos and determined the extent to which its own audit procedures had been followed. The working papers and documentation we reviewed were complete and accurate. In all five audits, documentation showed that the Division followed its audit procedures.

Vendor Certification

DOA is statutorily required to certify vendors that provide gaming-related services and equipment to casinos.

The compacts and s. 569.04, Wis. Stats., require DOA to certify vendors that provide casinos with gaming-related services and equipment, such as management consulting services and electronic gaming devices. A vendor must be certified before conducting business with a tribe. Under the original compacts negotiated in 1991 and 1992, vendors were required to be certified before conducting more than \$10,000 in business with a tribe annually. Although the amount has not changed for the Ho-Chunk and Potawatomi, new compacts with nine tribes have increased this amount to:

- \$25,000 annually for the Bad River, Lac Courte Oreilles, Lac du Flambeau, Menominee, Red Cliff, Sokaogon, and Stockbridge-Munsee; and
- \$50,000 annually for the Oneida and St. Croix.

Vendor certification requires a financial review and background checks.

As part of the certification process, the Division performs a financial review of the vendor and conducts personal background checks of the owners, partners, and other personnel who will have significant contact with gaming operations. DOJ conducts criminal background checks for relevant vendor personnel and provides the Division with the results, typically within 30 to 60 days. The compacts prohibit the certification of a business if its owners, partners, or other personnel have been convicted of felonies or gambling-related offenses, or if their prior activities and associations pose a threat to the public interest or the effective regulation of gaming.

The Division summarizes the findings of the financial review and the personal and criminal background checks and creates a final report. The Director of Indian Gaming reviews the final report and issues a recommendation to approve or deny an application, and the Division Administrator makes the final decision. The Division's policies do not require the Division Administrator to take action on a recommendation within a specified number of days, nor do statutes or compacts. The compacts require each vendor's certification to be reviewed periodically, and the Division's policies require recertifications to be conducted every three years. The Division contacts vendors six months before the expiration of their certifications to initiate the recertification process.

The compacts permit the Division to temporarily certify a vendor that has completed a full application; obtained a letter from a tribe requesting the vendor's temporary certification; and obtained a license from another state that the Division has determined to perform adequate background investigations of vendors, such as Nevada. A vendor with temporary certification may continue to provide services and equipment to the tribe until the Division issues

its decision on an application. Vendors must receive separate temporary certificates for each tribe with which they intend to do business.

Vendor Certification Revenue

Vendors pay the State an initial certification or recertification fee, which has been \$4,000 since July 2008. If investigation costs exceed the fee, vendors are charged for any additional costs at a rate of \$50 per hour. The Division uses these fees to cover the costs of conducting investigations. Previously, the initial certification fee ranged from \$1,000 to \$10,800, depending on whether a vendor was seeking initial certification or recertification and whether a vendor was located in Wisconsin. The Division stated that it changed the fee structure to simplify the process for its office, vendors, and the tribes.

As shown in Table 8, the Division collected \$738,200 in vendor certification fees from FY 2006-07 through FY 2008-09. Additional charges accounted for more than one-half of amounts collected.

Table 8

Vendor Certification Fees Collected

Fiscal Year	Initial Certification Fees	Recertification Fees	Additional Charges	Total
2006-07	\$ 35,200	\$ 30,200	\$203,700	\$269,100
2007-08	73,200	72,100	135,500	280,800
2008-09	52,200	44,800	91,300	188,300
Total	\$160,600	\$147,100	\$430,500	\$738,200

Timeliness of Vendor Certifications

From FY 2006-07 through FY 2008-09, the Division approved 62 of 66 vendor certification applications.

From FY 2006-07 through FY 2008-09, the Division issued decisions on 66 applications, including 30 initial certification requests and 36 recertification requests. As shown in Table 9, 62 of the 66 applications were approved. Four vendors withdrew their applications because the Division notified them that certification would be denied.

Table 9

Disposition of Applications
FY 2006-07 through FY 2008-09

Outcome	Number of Applications			Percentage of Total
	Initial	Recertification	Total	
Approved	26 ¹	36	62	93.9%
Withdrawn	4	0	4	6.1
Total	30	36	66	100.0%

¹ Includes three applications for temporary certification.

The Division has significantly reduced the time it requires for vendor certification.

As shown in Table 10, the Division’s average time to complete initial certification decreased from 15.0 months in FY 2006-07 to 9.4 months in FY 2008-09. The average time to complete recertifications decreased from 14.3 months to 4.6 months during the same time period. The Division has been able to complete initial certifications and recertifications more quickly because it hired 2.0 FTE Indian gaming staff in FY 2007-08 to complete vendor investigations and streamlined its processes.

Table 10

Average Time to Complete Initial Certifications and Recertifications

Fiscal Year	Initial Certifications		Recertifications	
	Number Completed	Average Number of Months	Number Completed	Average Number of Months
2006-07	7	15.0	8	14.3
2007-08	12	13.5	17	14.7
2008-09	11	9.4	11	4.6

Department of Justice Gaming Enforcement Activities

DOJ's Gaming Enforcement Bureau is responsible for law enforcement related to gaming activities.

DOJ's Gaming Enforcement Bureau, which is part of the Division of Criminal Investigation, is responsible for law enforcement related to gaming activities. It is staffed by a director and four special agents. 2009 Wisconsin Act 28, the 2009-2011 Biennial Budget Act, provided DOJ with \$658,000 for gaming enforcement in FY 2009-10, including \$155,100 in pari-mutuel wagering funds, \$138,900 in Indian gaming funds, and \$364,000 from the Lottery Fund.

DOJ's gaming enforcement responsibilities include:

- investigating the activities of all individuals who may affect the operation or administration of Indian gaming, and prosecuting violations of the compacts and civil or criminal law;
- investigating the activities of DOA and its employees and contractors, as well as violations by vendors and their employees and contractors;
- conducting criminal background investigations of Indian gaming and pari-mutuel vendors;
- investigating allegations of the embezzlement of bingo and raffle funds, and initiating civil or criminal action in circuit court for violations of bingo or raffle law when necessary; and
- investigating written complaints related to crane games, investigating and prosecuting violations of crane game law, and seizing crane games owned by individuals convicted of violations.

In FY 2008-09, DOJ opened 23 cases related to gaming activities.

In FY 2008-09, DOJ opened 23 cases related to complaints of illegal gambling made by citizens, law enforcement officials, and Division of Gaming officials when gaming issues fell outside of their purview. Cases are opened for investigation only if DOJ believes criminal activity has taken place. Most complaints and cases have been raffle-related or related to illegal electronic gaming devices operated by businesses other than tribal casinos or individuals.

Pari-Mutuel Racing ■

Dairyland Greyhound Park, the last racetrack in Wisconsin, held its last race in December 2009.

The first of five greyhound racetracks in Wisconsin began offering live races in 1990 and the last to remain operating—Dairyland Greyhound Park—informed the Division in November 2009 that it would hold its last races on December 31 of that year. Upon notification, the Division notified its pari-mutuel racing staff and prepared for closure. All racing staff finished their employment with the Division by the end of January 2010. We reviewed trends in attendance and amounts wagered at Dairyland through its last day of operations, as well as its greyhound adoption program.

Trends in Attendance and Wagering

Attendance at Dairyland declined from 288,543 in FY 2006-07 to 207,070 in FY 2008-09, or by 28.2 percent. As shown in Table 11, wagering at Dairyland declined from \$56.9 million to \$38.0 million during that three-year period and totaled \$15.8 million during the first six months of FY 2009-10.

Racing revenue received by the State funded the Division's regulation of pari-mutuel racing and DOJ's enforcement of pari-mutuel racing laws. The State received from 2.0 percent to 8.67 percent of total wagers for live or simulcast greyhound races and up to 3.0 percent of total wagers for simulcast horse races, as required by statutes.

Table 11

Amounts Wagered at Dairyland Racetrack

Fiscal Year	Amount	Percentage Change
2006-07	\$56,922,500	–
2007-08	51,679,200	(9.2)%
2008-09	37,953,700	(26.6)
2009-10 ¹	15,785,500	–

¹ Includes wagers through December 31, 2009, when the facility closed.

The State also received revenue from fees for track oversight and supervision, including a per race payment for the services of stewards who presided over all live races, as well as amounts collected in fines and various licensing and associated fees. Since July 2002, it received 50.0 percent of unclaimed winnings and the racetrack association retained 50.0 percent, as required by 2001 Wisconsin Act 16, the 2001-03 Biennial Budget Act.

The State's revenue from pari-mutuel racing decreased from \$1.5 million in FY 2006-07 to \$1.1 million in FY 2008-09.

From FY 2006-07 through FY 2008-09, winnings averaged 77.7 percent of total wagers. The State's revenue from pari-mutuel racing decreased from \$1.5 million in FY 2006-07 to \$1.1 million in FY 2008-09. Racing revenue was also distributed to the racetrack association, which owns and managed the track; to greyhound owners; to the City and County of Kenosha, where Dairyland operated; and to those who placed winning wagers. As racetrack attendance and wagering decreased, so too did payments to the racetrack association, greyhound owners, and local governments.

Greyhound Adoptions

Statutes require that pari-mutuel racing be operated in a humane manner.

Section 562.001, Wis. Stats., requires all pari-mutuel racing and related programs to be operated in a humane manner. In 1989, when applications for Wisconsin's first pari-mutuel racetracks were being submitted, the Racing Board—a predecessor of the Division—required on-site adoption programs for retired greyhounds. An extensive application process matched greyhounds with potential owners, and information on those adopting dogs was collected and reported to the Division.

Greyhounds are also sent to off-site adoption facilities, which completed applications to register with the State and maintained placement records for the Division's review. Division officials noted

that when racing ended at Dairyland, the Division no longer had authority to request lists of final adoption placements from off-site adoption facilities. However, the Division confirmed that all dogs sent to off-site facilities reached those facilities.

As shown in Table 12, 2,743 greyhounds were adopted from racetrack kennels or sent to registered off-site adoption facilities from 2007 through January 2010. The number of greyhounds adopted or sent to off-site facilities increased in 2009 because of the closure of Dairyland. The Division’s documentation shows that all 678 dogs present when the racetrack’s closure was announced in November 2009 were adopted, sent to off-site facilities, transferred to racetracks in other states, or returned to their owners.

Table 12

Greyhound Adoptions

Year	Off-Site Facilities	Dairyland	Total
2007	698	82	780
2008	665	86	751
2009	976	109	1,085
2010 ¹	118	9	127
Total	2,457	286	2,743

¹ Includes adoptions or transfers to off-site facilities in January 2010.



Charitable Gaming and Crane Games ■

***Charitable bingo games
and raffles were made
legal in Wisconsin
in the 1970s.***

Amendments to the Wisconsin Constitution made charitable bingo games legal in 1973 and raffles in 1977. The Division's Office of Charitable Gaming is responsible for developing administrative rules and policies related to bingo, raffles, and crane games and for administering the legal requirements for conducting these games. Organizations must be licensed to conduct bingo or raffles, and all crane games must be registered with the Division. We reviewed the Division's regulation of these activities and the revenue they generated.

Bingo

Religious, charitable, service, fraternal, and veterans' organizations, as well as any organizations for which contributions are deductible for state and federal income tax purposes, may be licensed to operate bingo-playing sessions in Wisconsin. With the exception of community-based residential facilities, community centers for senior citizens, and adult family homes, eligible organizations must have been in existence for at least three years, have established funding sources, and have at least 15 members.

Bingo licenses are granted for one-year periods. A regular license allows an organization to hold an unlimited number of bingo sessions in the licensed year and requires that the combined cost of admission and any playing card not exceed \$1.00. A limited-period license allows bingo sessions to be conducted during no more than four of five consecutive days in a year. Organizations obtaining limited-period licenses may not charge admission but may charge up to \$1.00 per bingo card.

The maximum allowable prize value for a single bingo game is \$500, and the total prize value for any playing session is \$2,500.

The maximum prize value allowable for a single bingo game is \$500, and the total prize value for any playing session may not exceed \$2,500. In addition, organizations may conduct progressive jackpot bingo, in which the prize is carried over to a succeeding game if no player wins. The starting prize must be either a specified amount that does not exceed \$500 or 50.0 percent of the card sales for the first game.

As shown in Table 13, significantly more bingo licenses were issued in FY 2006-07 than in FY 2007-08 or FY 2008-09, and the number of bingo sessions conducted during the period declined.

Table 13

Licenses Issued to Conduct Bingo Sessions¹

Fiscal Year	Bingo Licenses Issued	Percentage Change	Bingo Sessions	Percentage Change
2006-07	538	–	17,043	–
2007-08	488	(9.3)%	15,048	(11.7)%
2008-09	482	(1.2)	15,290	1.6

¹ Excludes Indian gaming bingo, which is not regulated by the State.

Bingo license fees are \$10 for each proposed bingo session and \$5 annually for each member responsible for handling gross bingo receipts, except for community-based residential facilities, senior citizen centers, and adult family homes, which pay only a \$5 license fee. Licensed organizations must also pay a 1.0 percent tax on the first \$30,000 in gross receipts, and 2.0 percent on all gross receipts that exceed \$30,000. Suppliers of bingo equipment are also required to be licensed. They pay the State an annual fee of \$25 and a supplementary fee ranging from \$10 to \$1,000, based on gross annual bingo supply sales.

The State’s revenue from bingo activities totaled \$1.5 million from FY 2006-07 through FY 2008-09.

As shown in Table 14, the State’s revenue from bingo activities totaled \$1.5 million from FY 2006-07 through FY 2008-09. More than two-thirds of these funds were from the bingo gross receipts tax. Licensed organizations reported \$19.5 million in gross receipts from bingo in FY 2008-09, when gross receipts averaged \$38,300 per licensed organization.

Table 14

State Revenue from Bingo Activities

Fiscal Year	Revenue	Percentage Change
2006-07	\$ 527,200	–
2007-08	543,200	3.0%
2008-09	476,400	(12.3)
Total	\$1,546,800	

Licensed organizations must allow their bingo records to be open for inspection by the Division or local law enforcement at any time. The Division conducted financial reviews of the receipts and expenditures of 48 licensed organizations in FY 2008-09, and it attempts to review each licensed organization at least once every three years and to annually review organizations with gross receipts exceeding \$1.0 million.

The Division has the authority to suspend or revoke bingo licenses.

The Division has the authority to suspend or revoke bingo licenses for offenses such as participation of minors without a relative or legal guardian, workers participating in a game, failure to clearly announce and show chosen letters and numbers, and failure to post a list of prizes before the game. It can report suspected criminal activity, such as embezzlement of bingo funds, to local law enforcement or DOJ for investigation and further action. If a bingo organization is found to have violated statutes related to the conduct of bingo sessions, a circuit court can impose a fine of up to \$10,000, a sentence of up to nine months in prison, or both. Other violations may generate fines up to \$5,000 and a jail sentence of up to 90 days.

We analyzed the working papers and reports of five bingo audits conducted by the Division during 2009. The working papers and documentation we reviewed were complete and accurate and showed that the Division followed its audit procedures. One of these audits identified evidence of embezzlement by a volunteer of an organization licensed to conduct bingo in Sheboygan County, and the matter was referred to local law enforcement. In June 2010, the volunteer was convicted of felony theft.

We also reviewed monthly audit summary reports and found that the most common bingo license violations were related to errors in tracking bingo card inventory and awarding prize amounts that exceed statutory limits.

Raffles

Raffle licenses may be obtained by the same types of organizations eligible to obtain bingo licenses, but the organizations are required to have been in operation for only one year. A \$25 annual license fee allows an organization to conduct up to 200 raffles and one calendar raffle, which is a raffle in which multiple drawings are made on specified dates.

The Division issues two types of raffle licenses:

- Class A raffle licenses limit the ticket price to a maximum of \$100 and allow tickets to be sold before the day of the drawing. Winners need not be in attendance at the drawing.
- Class B raffle licenses limit the ticket price to no more than \$10, and tickets must be sold on the same day as the drawing. Winners are required to be in attendance at the drawing.

As shown in Table 15, the number of licenses issued to conduct raffles increased from 8,044 in FY 2006-07 to 8,689 in FY 2008-09.

Table 15

Licenses Issued to Conduct Raffles

Fiscal Year	Raffle Licenses	Percentage Change
2006-07	8,044	–
2007-08	7,973	(0.9)%
2008-09	8,689	9.0

The State received \$634,100 in revenue from raffle license fees.

As shown in Table 16, the State received \$634,100 in revenue from raffle license fees from FY 2006-07 through FY 2008-09, and annual revenue increased over the three-year period.

Table 16

State Revenue from Raffle License Fees

Fiscal Year	Revenue	Percentage Change
2006-07	\$202,200	–
2007-08	208,800	3.3%
2008-09	223,100	6.8
Total	\$634,100	

Gross receipts reported by raffle organizations totaled \$64.2 million in FY 2008-09 and averaged \$6,500 per organization. While the State receives \$25 annually for each license to conduct raffles, it does not impose additional fees.

Statutes do not require unencumbered balances from the raffle and crane game operations appropriation to be transferred to the State Lottery Fund. Revenue from raffle license fees is deposited in an appropriation that jointly funds the Division’s general operations related to raffles and crane games.

In FY 2008-09, the Division conducted financial reviews of the receipts and expenditures of 99 raffle organizations.

In FY 2008-09, the Division conducted financial reviews of the receipts and expenditures of 99 raffle organizations. These organizations are required to report annually on the number of raffles conducted and prizes awarded, to provide detailed revenue and expenditure information relating to raffles, and to submit a list of all persons who won more than \$100 when raffle revenue exceeded \$50,000.

The raffle licenses of organizations that fail to accurately report information may be suspended or revoked. Violations of raffle regulations, which are imposed by circuit courts, can result in a maximum fine of \$1,000 and 30 days in jail. The Division deals with small infractions and refers serious violations to DOJ for investigation and prosecution.

We analyzed the working papers and reports of five raffle audits conducted by the Division during 2009. The working papers and documentation we reviewed were complete and accurate and showed that the Division followed its audit procedures. We found no cases in which law enforcement involvement was necessary. We also reviewed monthly audit summary reports and found that the most common raffle license violations were related to not having the licensed organization’s name and address or the date, time, and

location of the raffle drawing printed on the ticket. Another common violation was failing to keep a list of the names and addresses of winners of prizes valued at more than \$100.

Crane Games

Crane games are a form of entertainment in which a player maneuvers a metal crane or claw to obtain toys or novelties worth \$5 or less. The Division is responsible for monitoring crane game owners' compliance with statutes, reviewing crane game operations, investigating suspected violations of law, and reporting suspected gaming-related criminal activity to DOJ for investigation.

A crane game may not be operated unless an owner is registered with the Division and an identification number is affixed to the game. The one-time registration fee is \$120 per device, and the registration is valid until the Division cancels it with the advice and consent of DOJ, or the registered owner withdraws the game because, for example, it no longer works correctly or has been moved out of state. The Division must be notified of any movement of a game within Wisconsin. In December 2009, there were 3,613 crane games registered to operate in Wisconsin.

Revenue from crane game registration fees increased.

As shown in Table 17, revenue from crane game registration fees increased from \$8,600 in FY 2006-07 to \$21,500 in FY 2008-09.

Table 17

State Revenue from Crane Game Registrations

Fiscal Year	Revenue	Percentage Change
2006-07	\$ 8,600	–
2007-08	19,000	120.9%
2008-09	21,500	13.2
Total	\$49,100	

Violations of crane game regulations can result in fines of up to \$5,000, which are imposed by circuit courts, and they may result in games being seized by DOJ. However, the Division does not conduct regular checks of registered crane games or seek out unregistered games. Instead, all staff are encouraged to check for game registration when they see crane games and to notify the Office of Charitable Gaming if unregistered games are found. After an owner is notified that a game must be registered, noncompliance will result in seizure by DOJ if the game is not subsequently registered. No crane games were seized in 2009.

■ ■ ■ ■

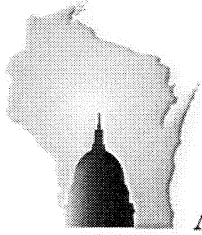
Appendix

Indian Gaming Casinos

Indian Tribe or Band/ Facility	Location	Electronic Gaming Devices	Table Games¹
Bad River Band of Lake Superior Chippewa Indians			
Bad River Casino	Ashland	446	9
Forest County Potawatomi Community of Wisconsin			
Potawatomi Bingo Casino	Milwaukee	3,081	108
Northern Lights Casino	Carter	506	8
Ho-Chunk Nation			
Ho-Chunk Casino	Baraboo	2,390	57
Rainbow Casino	Nekoosa	668	15
Majestic Pines Casino	Black River Falls	631	9
Ho-Chunk North	Wittenberg	514	0
Whitetail Crossing	Tomah	98	0
Lac Courte Oreilles Band of Lake Superior Chippewa Indians			
Lac Courte Oreilles Casino	Hayward	647	16
Grindstone Creek	Hayward	88	0
Lac du Flambeau Band of Lake Superior Chippewa Indians			
Lake of the Torches Casino	Lac du Flambeau	808	10
Menominee Indian Tribe of Wisconsin			
Menominee Nation Casino	Keshena	848	19
Crystal Palace Casino	Keshena	32	0
Oneida Tribe of Indians of Wisconsin			
Oneida Bingo and Casino	Ashwaubenon	820	21
Mason Street Casino	Green Bay	664	8
Irene Moore Activity Center	Ashwaubenon	519	0
Highway 54 Convenience Store	Hobart	135	0
Oneida Travel Center	Oneida	115	0
Packerland Convenience Store	Green Bay	76	0
Highway E and EE Convenience Store	Green Bay	64	0
Radisson Hotel and Conference Center	Ashwaubenon	32	0

Indian Tribe or Band/ Facility	Location	Electronic Gaming Devices	Table Games¹
Red Cliff Band of Lake Superior Chippewa Indians			
Isle Vista Casino	Bayfield	199	4
Sokaogon Chippewa Community			
Mole Lake Regency Resort Casino	Mole Lake	484	9
St. Croix Chippewa Indians of Wisconsin			
St. Croix Casino	Turtle Lake	1,224	38
Hole in the Wall Casino	Danbury	368	11
Little Turtle Hertel Express	Hertel	144	0
Stockbridge-Munsee Community			
Mohican North Star	Bowler	1,065	14
Total		16,666	356

¹ Includes table games such as blackjack and roulette. Compacts do not limit the number of tables, and the tribes are not required to inform the Division when they change the number in operation.



**WISCONSIN DEPARTMENT OF
ADMINISTRATION**

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July 30, 2010

Janice Mueller, State Auditor
Legislative Audit Bureau
22 East Mifflin Street, Suite 500
Madison, WI 53703

Dear Ms. Mueller:

Thank you for the opportunity to respond to the Legislative Audit Bureau's performance evaluation of the Department of Administration, Division of Gaming. We recognize and appreciate the substantial time and effort of the members of the audit team throughout the evaluation. Your review of our operations is an important part of the regulation of gaming in Wisconsin.

The Division of Gaming (Division) reviewed the audit and believes that the performance evaluation for racing, charitable gaming and Indian gaming reflects the status of each of the programs. The audit report also accurately reflects the continued efforts of the Division to improve performance.

The Division takes very seriously its responsibility to oversee gaming and works diligently to ensure compliance. The Division's focus is on strict internal controls that safeguard assets, prevent diversion of revenue, preserve reliable records and accounts of transactions and protect the fairness of the games. These measures serve to both restrict and monitor physical access to sensitive areas and materials. They also ensure that oversight and audit trails are created by multiple, independent departments when access is allowed.

The Division will continue to diligently perform its duties in a fiscally responsible manner to ensure all expenses are reasonable and necessary.

I appreciate the opportunity to respond to the audit and for the careful examination of the Division of Gaming by the Legislative Audit Bureau.

Sincerely,

Robert W. Sloey
Administrator