



WISCONSIN LEGISLATIVE AUDIT BUREAU AUDIT SUMMARY

Report 99-19

December 1999

DIVISION OF GAMING

The Division of Gaming within the Department of Administration administers and regulates the State's pari-mutuel racing, Indian gaming, and charitable gaming activities. We have issued an unqualified opinion on the Division's budgetary-based financial statements for fiscal year (FY) 1998-99 and FY 1997-98.

Indian gaming represents the most significant gaming in Wisconsin. As a result of renegotiated compacts, the State's revenues from Indian gaming are expected to increase from \$350,000 in FY 1996-97 to \$22.1 million in FY 1999-2000. In contrast, the State's racing revenues declined from \$4.7 million in FY 1994-95 to \$2.2 million in FY 1998-99, and charitable gaming revenues from the tax on bingo receipts declined from \$566,000 in FY 1994-95 to \$490,000 in FY 1998-99. Within the Division, the Office of Indian Gaming monitors Indian gaming operations' compliance with tribal-state compacts. The Office also has enforcement responsibilities that include certifying vendors that wish to conduct gaming-related business with tribal casinos, reviewing financial and security audit statements provided by tribes, reviewing slot machine activity data for unusual entries or patterns, and conducting announced and unannounced field audits of casino operations.

There Are Few On-Site Audits of Tribal Casinos

Despite increases in staffing levels, the number of on-site casino audits conducted by the Office declined markedly from 1996 through 1999. During that period, the number of filled full-time equivalent positions increased from two to seven, while the number of completed field audits declined from nine to two. In addition, the Office has experienced a backlog in completing the certifications that are required before vendors may provide gaming-related goods or services totaling more than \$10,000 annually to a tribe. As of November 1999, 75 applications for certification or certification renewal were pending.

To assist the Office in providing effective oversight of tribal gaming operations, the Legislature approved three additional positions as part of the 1999-2001 biennial budget. However, the Office has not been fully staffed since October 1997. Officials believe difficulties in recruiting and retaining staff are the primary reason for the decline in the number of field audits conducted and the backlog in vendor certifications. To ensure that State monitoring of Indian gaming operations is effective, we have recommended that the Office establish priorities for filling all authorized positions in a timely manner, establish goals and priorities for conducting field audits, and increase its efforts to reduce backlogs. The Office could also consider a short-term increase in contracting with outside investigation firms to address workload demands.

New Computer Systems Should Improve Oversight of Tribal Gaming

The Office will soon implement two new computer systems that will automate the State's receipt of gaming device information from tribes and equipment manufacturers and provide daily reports and analyses of slot machine activity at tribal casinos. This information is intended to be used to direct internal reviews and field audits of casino activity. However, if it is to be used effectively, the Office will need to fill authorized positions in a timely manner and coordinate the analysis of these data with on-site reviews of casino operations.

[full report, PDF file \(149KB\)](#)

