

**WISCONSIN LEGISLATIVE AUDIT BUREAU  
AUDIT SUMMARY**



Report 02-20

December 2002

**DIVISION OF GAMING**

The Division of Gaming in the Department of Administration is responsible for monitoring and regulating tribal gaming operations through its Office of Indian Gaming. The Division also regulates all activities relating to pari-mutuel wagering at dog tracks; charitable gaming, which includes bingo and raffles; and crane games, which are privately owned but regulated by the State. The Division is funded with payments from the 11 tribes that have negotiated compacts with the State, a pari-mutuel tax on money wagered at tracks, racing fees and fines, unclaimed racetrack winnings, and licenses and permit fees for gaming activities. Since fiscal year (FY) 1997-98, its revenue has increased from \$7.0 million to \$28.6 million, largely because of increases in tribal payments. The Division's regulatory expenditures increased from \$3.0 million in FY 1997-98 to \$3.8 million in FY 2001-02.

**Tribal Gaming Revenue and Profits Have Increased, but Not for All Tribes**

Currently, 11 tribes operate 24 casinos in Wisconsin. In aggregate, the tribes' net revenue from gaming, which is the amount wagered less the amount paid in winnings, increased by 47.1 percent from 1997 to 2001, growing from \$660.2 million to \$970.9 million. Not all tribes experienced revenue increases; however, we are not allowed to disclose information on casino operations other than in aggregate form. In aggregate, tribal gaming profits increased by \$158.2 million, or 58.6 percent, over this period and totaled \$428.3 million in 2001.

In contrast, declining attendance at Wisconsin's two remaining racetracks has contributed to a decline in racing revenue for the State. From \$5.6 million in FY 1996-97, state racing revenue declined to \$3.3 million in FY 2001-02. The State's revenue from bingo, raffles, and crane games was approximately \$762,000 in FY 2001-02.

**The Tribes Now Share an Additional \$24.0 Million Annually with the State**

Under the terms of renegotiated compacts that took effect from 1998 through 2000, the tribes have agreed to pay the State \$24.0 million in FY 2000-01 and again in FY 2001-02 for purposes that include economic development initiatives to benefit Native Americans in Wisconsin and tourism. In addition, they will continue to make annual payments totaling \$350,000 to help fund oversight and regulatory activities.

The current tribal-state gaming compacts begin to expire in August 2003. As the renegotiation process begins, a primary consideration from the State's perspective will be the amount of gaming revenue provided to the State, both as compensation for oversight and regulatory costs and for broader purposes. Primary considerations from the tribes' perspective will be the length of the compacts and limitations placed on gaming activities on tribal lands.

**Oversight of Indian Gaming Operations Could Be Improved**

In FY 2001-02, the Division of Gaming used an authorized staff of 14.00 full-time equivalent employees and spent \$1.5 million to monitor gaming activities at tribal casinos. It conducts three types of reviews: compliance audits, financial audits, and inventory reviews. However, not all casinos have been reviewed routinely, and on-site compliance audits have never been conducted at any of the Ho-Chunk Nation facilities, which account for 27.1 percent of the electronic gaming devices and 21.3 percent of the blackjack tables operating in Wisconsin. Gaming staff indicate they were denied access to the records needed to complete their reviews in July 1998 and June 1999.

The Division has also conducted a fairly limited number of financial audits of casinos. Since 2000, 12 on-site financial audits, which include a review of financial operations to determine whether financial statements prepared for the tribe are accurate, have been conducted at 10 different casinos. In addition, only 14 on-site inventory reviews, which determine whether electronic gaming devices at a casino are approved by the State and allow staff to determine whether games are in compliance with compacts, were conducted from January 1999 through August 2002, and the Division has never conducted inventory reviews at 6 locations, which account for 6,091 electronic gaming devices and represent 42.4 percent of the games operating at all of the Indian gaming locations throughout Wisconsin.

### **Position Funding Sources Do Not Always Match Staff Functions**

To follow up on concerns we raised in prior audits, we reviewed whether revenue sources for the Division's 42.85 full-time equivalent employees are related to staff functions. We found that in FY 2000-01 and FY 2001-02, six positions were funded from sources unrelated or not fully related to these positions' responsibilities. We have included a recommendation that the Division implement a time recording system to track staff time by program area and that it report to the Joint Legislative Audit Committee and the Joint Committee on Finance on the results of its efforts to track staff time and any recommendations for changes in position funding.

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[full report, PDF file \(650KB\)](#)