

## Arizona Department of Gaming

**CONCLUSION:** The Arizona Department of Gaming (Department) regulates and monitors tribal gaming in the State. Tribal gaming in Arizona is governed by a formal agreement, or Compact, negotiated between the State and participating tribes. We found that the Department has developed various processes to help ensure compliance with the Compact, including verifying that tribes appropriately contribute monies to the State. We also found that the Department appropriately certified tribal gaming facility vendors and employees reviewed, but it should continue to enhance the tribal gaming facility employee recertification process by performing required financial background checks. The Department is also responsible for regulating and overseeing pari-mutuel horse racing and wagering in Arizona, including licensing horse-racing participants. We found that although the Department appropriately issued racing licenses reviewed, it should improve its background investigation process, enhance supervisory review of licensing decisions, and formalize its process for conducting licensing interviews.

### Department is responsible for overseeing tribal gaming in Arizona

The Department is responsible for regulating and overseeing tribal gaming in the State and has established several practices for doing so. For example, the Department conducts Compact Compliance Reviews (CCRs) and follows up on these reviews to assess tribal gaming facilities' compliance with the Compact and help ensure any noncompliance is addressed. We observed a CCR in November 2017 and found that the Department adhered to its CCR process and audit plan for the areas observed. In addition, we reviewed reports from 11 CCRs completed in 2016 and 2017 and found that the Department adhered to its follow-up process and that tribal gaming facilities had resolved, or were in the process of resolving, all violations. We also found that the Department has established controls to verify that tribes are contributing the appropriate amount of gaming monies to the State and local governments, as required by the Compact.

### Department appropriately certified gaming vendors and employees reviewed, but should continue to enhance employee recertification process

**Department appropriately certified vendors reviewed**—The Compact requires that vendors who do business with tribal gaming facilities, such as gaming device manufacturers and distributors, be certified by the Department. Vendor applicants must submit several items to the Department to qualify for certification, such as application forms, the required certification fee, fingerprint cards for company executives, financial statements that demonstrate evidence of no tax liability, and organizational charts. Vendors must renew their certification every 2 years. We reviewed a sample of 10 vendor certifications and 5 vendor certification renewals issued in fiscal year 2017 and found that the Department appropriately certified and renewed certification for the vendors reviewed.

**Department needs to perform required expanded financial background checks when recertifying some employees**—The Compact also requires the Department to certify gaming facility employees such as dealers, floor managers, and casino managers. To be certified, applicants must comply with various requirements, such as submitting a fingerprint card and current photograph, as well as passing the Department's background investigation. Employee certifications must be renewed annually, and department policy indicates that employees in certain management positions, such as casino managers and finance directors, undergo an expanded financial background check at least once every 2 years to renew their certification. We reviewed a random sample of 15 initial certifications submitted during fiscal year 2017 and found that the Department appropriately reviewed the certification applications and issued certifications to qualified applicants. However, based on our review of 15 renewal applications submitted during fiscal year 2017, we found that the Department did not perform the required expanded financial background check when renewing the certification for three individuals in gaming-management positions. During the audit, the Department began taking steps to help ensure that the appropriate gaming-management employees undergo an expanded financial background check. For example, the Department began developing a reference guide to clearly identify all gaming-management employees.

## Recommendation

The Department should continue its efforts to properly identify and classify all gaming-management employees to ensure they receive the required expanded financial background checks during the recertification process and incorporate the changes it has made in its policies and procedures, and then train staff accordingly.

## Department should enhance horse racing licensure process to better ensure it appropriately issues licenses in a timely manner

**Department appropriately processed and issued racing licenses reviewed**—To be licensed, applicants must complete a licensing application form, pay the required licensing fees, and submit two sets of fingerprint cards. Statute then allows the Department to issue temporary licenses to applicants who meet a portion of the initial licensing requirements, allowing them to work at a racetrack the same day they apply. Issuing temporary licenses to applicants who participate in horse racing events is a racing industry practice, and the Department issues temporary 90-day racing licenses to qualified applicants. We reviewed a random sample of 30 licenses that the Department issued between July 2015 and June 2017, and found that it appropriately reviewed, processed, and issued all 30 licenses, including completing an initial background check and then submitting the fingerprint cards to the Arizona Department of Public Safety (DPS) and the Federal Bureau of Investigation (FBI) for criminal history records checks.

**Department should improve some horse racing licensing practices**—The Department is required to process and review fingerprint criminal history records checks before temporary racing licenses become permanent. However, based on our review of the 30 licenses, the Department did not receive criminal history information from the DPS and the FBI for two licenses because the fingerprints were unreadable. Due to the manual nature of work in the horse racing industry, applicants' fingerprints may wear at an increased rate, thereby making the fingerprints unusable for performing fingerprint-based criminal history records checks. When fingerprints are unreadable, it is the Department's responsibility to demonstrate due diligence in performing a criminal history records check by using all options available. Therefore, the Department should perform name-based criminal history records checks through the FBI when fingerprint-based checks are unable to be performed.

In addition, the Department is required to review the results of criminal history records checks within 90 days of the initial application for licensure, and our review of department records indicated that 44 of the 1,154 licenses processed from August 2017 through March 2018 took longer than 90 days. The Department reported it was not able to complete all the background investigations in a timely manner during this time frame because a staff member was unavailable. Therefore, the Department should cross-train its licensing staff to ensure that there are additional staff trained to complete background investigations and make licensing recommendations and decisions.

Finally, although the Department has developed a policy that requires department staff to interview applicants for certain license types to ensure they are qualified for licensure, such as jockeys who have not ridden a horse in 12 months, it has not developed any guidance for department staff on the information that should be obtained through the interview to demonstrate the applicant is qualified for licensure. Therefore, the Department should develop and implement policies and procedures for conducting interviews, such as what information should be obtained through an interview, to ensure that licensing applicants are evaluated consistently and effectively.

## Recommendations

The Department should:

- Perform name-based background checks through the FBI when fingerprint-based background checks are unable to be performed;
- Cross-train its licensing staff to complete criminal background investigations and make licensing recommendations; and
- Develop and implement policies and procedures for conducting licensing interviews, such as what information should be obtained through an interview.