

## Arizona Department of Gaming

### Performance Audit and Sunset Review

Department distributed \$158 million in tribal contributions in fiscal year 2024, but did not consistently obtain and review third-party documentation to ensure event wagering and fantasy sports contest operators' fee payments were accurate, risking lost State revenues

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#### Audit purpose

To determine whether the Department ensured event wagering and fantasy sports contest operators paid all required fees, developed systematic complaint-handling processes, and complied with conflict-of-interest requirements; to provide information on the Tribal-State Gaming Compact; and to respond to the 10 statutory sunset factors.<sup>1</sup>

#### Key findings

- ▶ Department is responsible for regulating the gaming industry in Arizona.
- ▶ Department distributed more than \$158 million in tribal contributions to various State programs and funds in fiscal year 2024, in accordance with statute.
- ▶ Department issued event wagering operator licenses to qualified applicants.
- ▶ Department did not consistently obtain and review third-party audit reports to ensure fee payments from event wagering and fantasy sports contest operators in calendar year 2023 were correct, increasing the risk of lost State revenues.
- ▶ Department could not demonstrate it timely investigated most complaints it received because it lacked comprehensive complaint-handling processes and data.
- ▶ Department did not comply with some State conflict-of-interest requirements or align its process with recommended practices, increasing the risk that employees did not disclose interests that might influence their official conduct.

#### Key recommendations to the Department

- ▶ Obtain and review third-party audit reports to ensure accuracy of operators' fee payments.
- ▶ Develop and implement comprehensive complaint-handling processes.
- ▶ Comply with conflict-of-interest requirements and follow recommended practices.

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<sup>1</sup> The Arizona Auditor General conducted this performance audit and sunset review of the Department pursuant to a September 18, 2024, resolution of the Joint Legislative Audit Committee. This audit was conducted as part of the sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq.