



Background Investigations

Who is investigated/
What Is Examined?
How Is It Examined?
Who Could Do It?

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Background Investigations: Who?

- Required Background Investigations:
 - Slot Machine Gaming Licensees
 - Category 1 – Racetrack venues
 - Category 2 – Stand-alone slot gaming venues
 - Category 3 – Resort gaming venues
 - Slot Machine Manufacturers & Suppliers
 - Key Employees
 - Qualifiers (shareholders, corporate officers)
 - Gaming Employees
- At Board's Discretion:
 - Non-gaming Vendors
 - Non-gaming Employees



Background Investigations – Slot Machine Licensees

- Business entities (usually corporations but could be partnerships, LLC's, etc.) that are applying to operate slot gaming facilities in Pennsylvania
- Background investigation criteria identical for category 1, 2 and 3 license applicants
- Detailed, extensive examination of the business entity, its owners, lenders, association with individuals, etc.
- Business entity must submit applications for its key employees and qualifiers as part of an application package
- License may not be granted by the Board if key employees and qualifiers are found unsuitable



Background Investigations - Slot Machine Manufacturers/Suppliers

- Business entities that manufacture and business entities that distribute slot machines must be investigated like slot machine licensees
- Key employees and qualifiers must also be investigated
- License may not be granted if a key employee or qualifier is found unsuitable



Background Investigations – Key Employees

- Key employee
 - Any individual who is employed in a director or department head capacity who is empowered to make discretionary decisions that regulate slot machine operations
 - Individual positions named in the Act include:
 - General manager
 - Assistant manager
 - Director of slot operations
 - Director of cage and/or credit operations
 - Director of surveillance
 - Director of marketing
 - Director of management information systems
 - Director of security
 - Comptroller
 - Other positions as determined by the Board



Background Investigations - Qualifiers

- Section 1311 of the Act identifies the following parties as qualified for licensure as a key employee:
 - Corporate officers
 - Directors
 - Each person who directly or indirectly holds any beneficial interest in the entity
 - Each person who might control the entity through
 - Controlling interest
 - Voting power to elect majority of the licensee's board of directors
 - Each lender (excludes banks or other licensed lending institutions that are in the loan business)
 - Each underwriter
 - Each agent
 - Each employee of the licensee's corporation or entity that the Board determines are subject to approval or qualification



Background Investigation – Gaming Employees

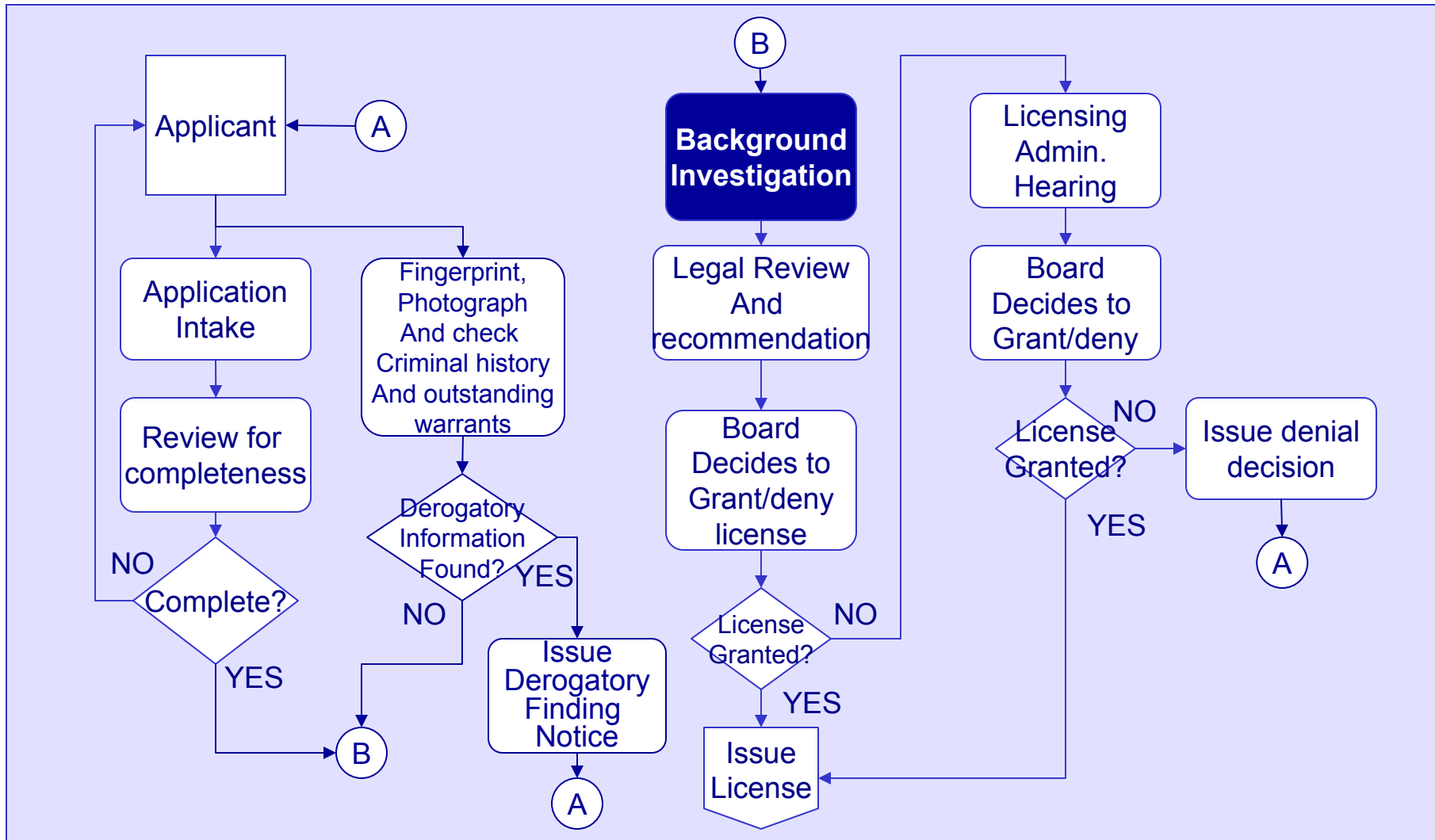
- Any person occupying a position that provides access to slot machines, tokens, cash, comps, slot accounting information including:
 - Cashiers
 - Change personnel
 - Count room personnel
 - Slot attendants
 - Hosts or other individuals authorized to extend complimentary services
 - Machine mechanics
 - Security personnel
 - Surveillance personnel
 - Supervisors and managers
 - Any other position as determined by the Board



The Background Investigation Process



Conceptual Licensing Process Context for Background Investigations



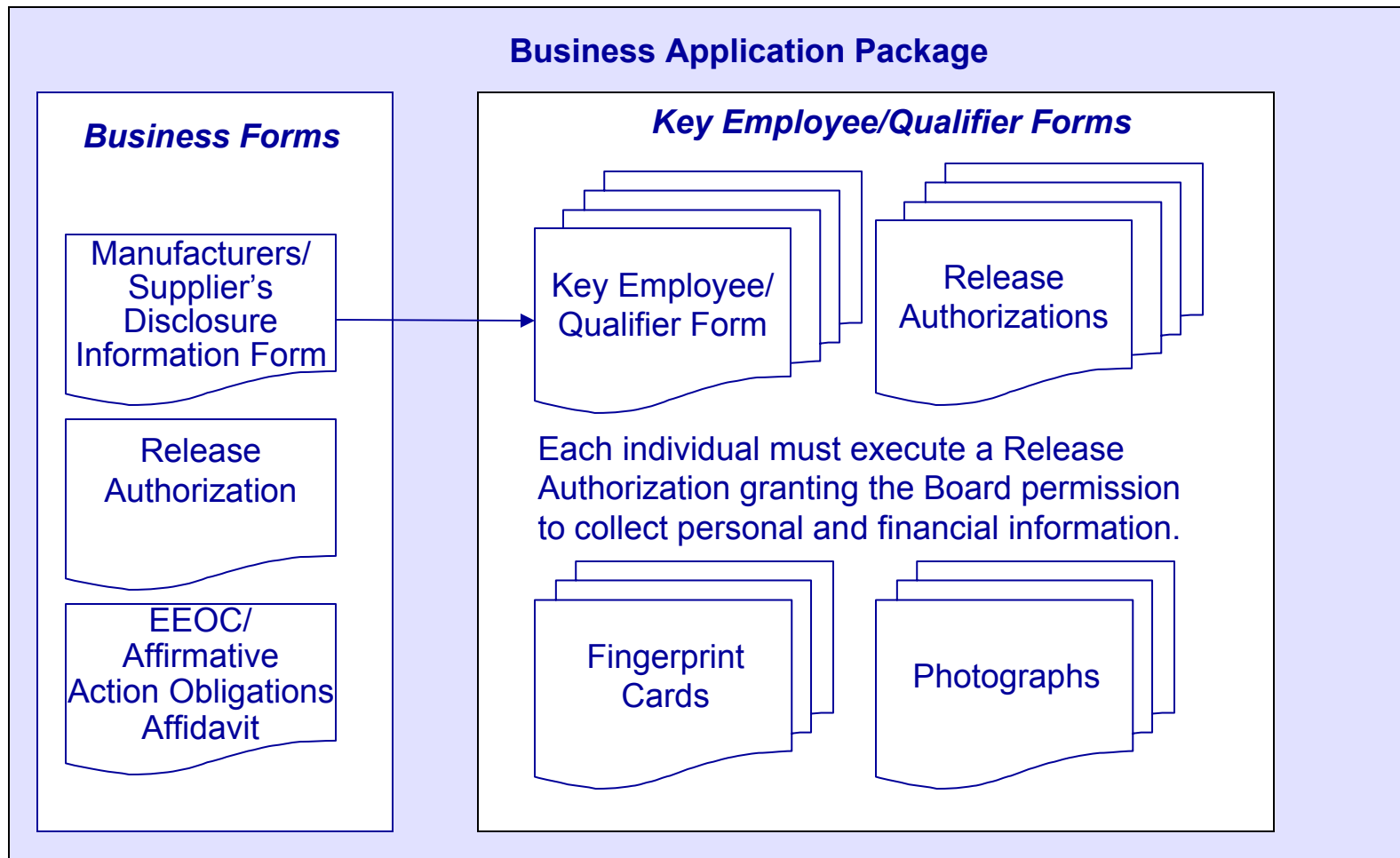


Background Investigation Inputs

- Application package prepared by applicant
 - Reviewed for completeness before submission to background investigation
- Evidence of identity (for individuals)
 - Photograph of the applicant
 - Fingerprints
 - Birth certificate, passport, drivers license, etc.
- Release authorizations granting the Board and its agents permission to access to private information as part of its background investigation
- Computer database search results
- Field investigation findings
 - Interviews with business and personal associates
 - Court papers and documentation
 - Source financial documents
 - Contracts, deeds, notes, agreements and other legal papers



Background Investigation Inputs: Business Application Package for Slot Machine Manufacturers/Suppliers





Different Levels of Background Investigation

- Level of effort dependent upon party being investigated
 - Discretionary decision making over slot machine gaming facility or enterprise finances and operations
 - Exercise influence over senior executives as a shareholder, major creditor
 - Potential to impair integrity of slot gaming operations
 - Potential to remove cash from the gaming facility without authorization and proper accounting
 - Not all parties get the same treatment



Levels of Background Investigations

- Exhaustive background investigations
 - Slot gaming business entities
 - Key employees
 - Qualifiers
 - Slot machine manufacturers and suppliers
- Criminal and basic personal background investigations
 - Gaming employees
 - Non-gaming employees (at Board's discretion)
- Variable
 - Non-gaming vendors (at Board's discretion)
 - Background investigation breadth and depth likely to vary with:
 - Monetary value of slot gaming licensee's purchases
 - Type of non-gaming service provided



Background Investigation Outputs & Subsequent Procedure

- Background Investigation Report submitted to BIE attorney
 - Report Summary of facts found about the business entity or individual
 - Report - Supporting Narrative
 - Copy of Original Application
 - Supporting Evidence and Original Documentation
 - Size, breadth and depth of reports vary by license/permit type
- BIE attorney will review and report their finding of fact to the Board as:
 - Party found suitable for licensing in Pennsylvania
 - Party found unsuitable for licensing in Pennsylvania
- Administrative hearing
 - Held for applicants that are denied a license or permit
 - Conducted by a member or members of the Board or hearing examiner appointed by the Board
 - Examiner will hear the case and based on the facts make a recommendation to sustain the BIE attorney recommendation or change it
- Board will make the decision to grant or deny the permit or license



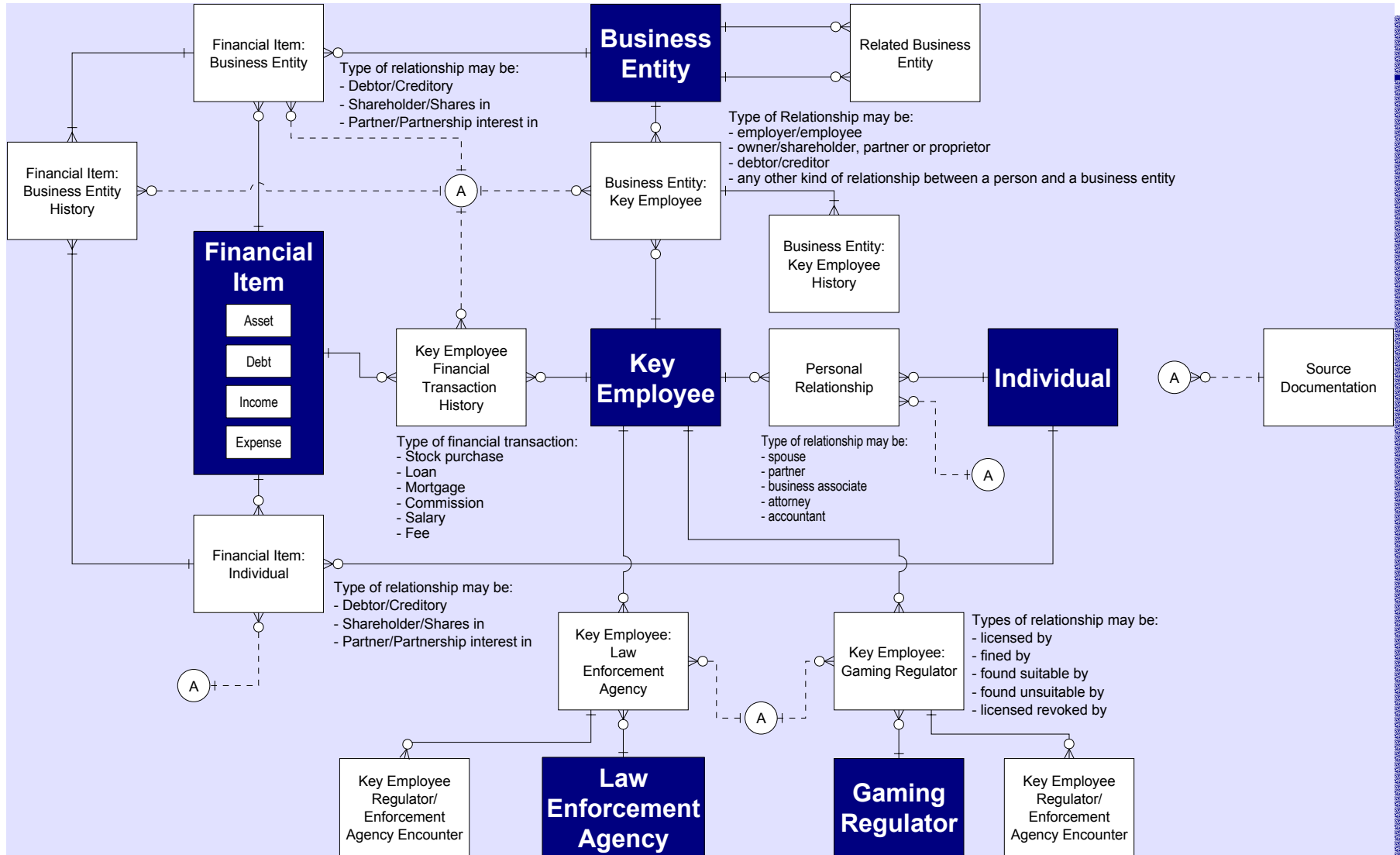
What is examined?



**Slot Gaming Licensees,
Slot Machine Manufacturers/Suppliers &
Key Employees/Qualifiers
Background Investigation**



Background Investigation Information





Initial Database Search & Data Collection

Database Search	Civilian Analyst	Police Officer
Media search	X	
Liens and judgment check nationwide	X	
Bankruptcy check nationwide	X	
Criminal records checks and regulatory inquiries (NCIC, FBI, Jnet, etc.)		X
SEC check of applicant intermediary and holding companies	X	
Inquiries to gaming jurisdictions that applicant is licensed	X	
Information on intelligence, prior compliance audits, prior investigations	X	
Tax clearance check (DOR, L&I, etc.)	X	



Personal Data Available



Accurint Personal Databases Available

Current Address summary	Merchant vessels
Current listed phones	FAA pilots
Current neighbor phones	FAA aircraft
Possible relatives phones	Professional licenses
Possible associate phones	Florida accidents
Phones at historical addresses	Voter registration
Others using SSN	Hunting/fishing permits
Date/locations where SSN issued	Concealed weapon permits
Bankruptcy	Associates
Liens/judgements	Relatives (3 degrees)
UCC filings	Neighbors
Corporate affiliations	Criminal records
Drivers licenses	Sexual offenders
Vehicle registrations	RELAVINT VISUAL LINK ANALYSIS PER DIAGRAM
Properaty deeds and assessments	



Business Data Available



Accurint Business Databases Available

Associated Businesses	Dun & Bradstreet Report
Associated People	Internet Domain Names Registered to Business
Bankruptcy Docket Sheet	Possible Bankruptcies
Bankruptcy Document	Possible Current Motor Vehicles at Address
Business Registrations	Possible Liens/Judgments
Corporation Filings	UCC Filings
Current and Previous Property Ownership	



Business Entity Background Investigations

Slot Machine License Applicants
Slot Machine Manufacturer/Supplier
License Applicants



Review of Corporate Papers

- Review applicant's board meeting minutes for previous 5 yrs
- Review last 5 yrs of meeting minutes for:
 - Audit committee
 - Executive committee
 - Compensation and stock option committee
- Review work papers and files of all outside auditors and outside accountants of the applicant and all affiliated companies for five year period
- Review work papers, files and reports issued by applicants' internal audit department for most recent three year period
- Review applicant's internal audit policies and procedures
- Review applicant and its officers and affiliated company political contributions



Develop A Corporate History Profile

- Outline history of company from inception to present
- Discussion of how the company became involved in gaming and its early gaming developments and operations
- Documenting in detail the development of the applicant's gaming operations in the US and internationally



Additional Corporate Detail

- Map applicant's corporate family tree
- Review applicant's litigation files
- Review applicant's correspondence files
- Inventory corporate safe deposit boxes and/or vaults
- Review applicant's general ledger and subsidiary ledgers
- Review applicant's insurance policies and coverage
- Review public financial statements of applicant



Review Applicant's Surveillance Department

- Determine reporting lines for surveillance
- Conduct field visits and inspections of existing slot gaming venues outside of PA to assess technology, operating procedures, organization, interaction with local law enforcement and overall effectiveness of applicant's surveillance practices
- Contact local and state law enforcement agencies where the applicant has slot gaming venues to assess applicant
- Ascertain whether the surveillance departments of all applicant's gaming properties are integrated across all venues or not



Review Applicant's Union and Labor Relations Files

- Identify all unions and trade local that represent or who have tried to represent employees of the applicant and any affiliated companies
- Review the terms of any union or trade local contracts
- Secure the identities of all labor attorneys retained for contract negotiations and/or labor disputes
- Review all pertinent union or trade local files and correspondence



Review The Applicant's Consulting Contracts & Agreements

- Review all consulting arrangements and contracts
- Identify and research any consulting arrangements with organizations or individuals that may be affiliated with state or local politicians
- Review consulting work delivered to verify that they are providing substantive service for fees paid
- Review long-term consulting contracts to determine costs to the applicant and nature of service provided



Identify Lobbyists Retained by Applicant for Gaming Matters

- Identify lobbyists
- Review their role with applicant and local and state government
- Both lobbying firms and individuals representing applicant must be identified



Review Applicant Corporate Tax Filings

- Review five to seven years of federal corporate tax returns
- Forward executed waivers to IRS
- Determine the status of any open IRS or state tax audits or investigations
- Review all 1099's issued by the applicant for the previous two or three period



REVIEW CORPORATE APPLICANT RELATIONSHIPS WITH QUALIFIERS

- Review all loans extended by applicant to company officers/directors
- Review employment contracts/agreement with company officers
- Secure all:
 - SEC 13D's
 - SEC 13G's
- Determine where there are any stockholders holding an interest in excess of 5%
- Review stock options, stock grants and/or stock appreciation rights agreement
- Obtain a listing of options held by the applicant's senior management



Review Applicant's Real Estate Files

- Review all corporate leases
- Identify all real estate owned by the applicant
- Review all documents related to the applicant's acquisition of real estate parcels



Miscellaneous Review

- For applicants with established venues in other jurisdictions review complementary lists with comp values over \$5K
- Secure listing of proposed and current junket representatives
- Review all gaming regulatory files maintained by the applicant
- Interview applicant's compliance officer and members of their compliance committee



Review Applicant PA Gaming Project Files & Documentation

- Review application working papers
- Review plans and blueprints
- Review project schedules
- Review correspondence



Key Employee/Qualifier Background Investigations



Background Investigation of Key Employees and Qualifiers

- Requires consent of individuals to allow the Board to access personal and financial data

RELEASE AUTHORIZATION

To All Courts, Probation Departments, Selective Service Boards, Employers, Educational Institutions, Banks, Financial and Other Such Institutions, and All Governmental Agencies – federal, state, local, with exception, both foreign and domestic.

I, _____ have authorized
(Print Name)
 the Pennsylvania Gaming Control Board and the Pennsylvania State Police to conduct a full investigation into my background and activities.

Therefore, you are hereby authorized to release any and all information pertaining to me, documentary or otherwise, as requested by any employee or agent of the Board or Pennsylvania State Police, provided that he or she certifies to you that I have an application pending before the Pennsylvania Gaming Control Board or that I am presently a licensee, registrant or other person required to be qualified under the provisions of the Pennsylvania Race Horse Development and Gaming Act.

This authorization shall supersede and countermand any prior request or authorization to the contrary.

A photocopy of this authorization will be considered as effective and valid as the original.

DATED: _____ (LEGAL SIGNATURE)
(Signature of Applicant)

Subscribed and sworn to
 before me this _____ day
 of _____, 20 _____

 NOTARY PUBLIC

 STATE



Background Investigation of Key Employees and Qualifiers

- Similar to background check on business entity but
 - Check out character and integrity of the individual
 - FBI criminal record and NCIC checks
 - Employment verification - 5 years
 - Verify education and degrees
 - Identify and document any failure to disclose information
 - Verify personal and professional references
 - Verify current and prior gaming licenses held by the individual
 - Research civil judgments and law enforcement references for the individual
 - Conduct a detailed personal financial review of the individual's
 - Assets
 - Liabilities
 - Income
 - Expenses



Background Investigation of Key Employees and Qualifiers

- Requires tracing personal and business relationships between people
 - Key driver of cost and time
 - Requires travel
- Requires conducting interviews to collect data that cannot be gathered using databases
 - Typically requires field work to do interviews
- Personal tax clearance
- Personal tax return review



Background Investigation of Key Employees and Qualifiers

- Database Search
 - Accurint
 - NCIC
 - FBI
 - SEC Edgar
 - Others (credit, civil litigation, etc.)
- Looking for
 - Address verification
 - Federal District Court civil dockets
 - Business affiliations
 - Credit bureau reports
 - Bankruptcy
 - National media search for the person and affiliated companies



Investigation Activities and Service Provider Alternatives

Sample Background Information	Information Gathering Method	Position					
		Police Officer	Civilian Analyst	Financial Analyst/CPA	Civilian Clerk	Attorney	PGCB Member
Media search nationwide (news articles, etc.)	Database search		W			R	
Liens and judgement nationwide	Database search		W			R	
Bankruptcy check nation wide	Database search		W			R	
SEC information on business entity and intermediate holding entities (10K's 10Q's 8K's, 13D's etc.)	Database search		W			R	
Gaming jurisdiction information	Database search		W			R	
Prior gaming regulatory compliance audit for business	Correspondence		W			R	
Tax clearance information	Correspondence		W			R	
FBI information on criminal history, current warrants	Database search	W				R	
Ongoing criminal investigation information	Correspondence Field Investigation	W				R	
Corporate papers and records (for business entity)	Correspondence Field Investigation		W			R	
Corporate structure and related entities	Database search Correspondence Field Investigation		W	E		R	
Applicant litigation history	Database search Correspondence Field Investigation		W			ER	
Applicant correspondence file	Correspondence Field Investigation		W			R	
Inventory of corporate safe deposit boxes and vaults	Correspondence Field Investigation		W			R	
R - Responsible, A - Authority to approve, W - Work, E - Expertise							



Investigation Activities and Service Provider Alternatives

Sample Background Information	Information Gathering Method	Position					
		Police Officer	Civilian Analyst	Financial Analyst/CPA	Civilian Clerk	Attorney	PGCB Member
General ledger and subsidiary journal	Field Investigation			W		R	
Applicant security and surveillance background	Field Investigation	W				R	
Applicant union/labor relations files	Correspondence Field Investigation		W			ER	
Personal and Corporate Tax filings	Correspondence Field Investigation			W		R	
Information on relationship between business entities and qualifiers (officers, directors, 5% shareholders, etc.)	Correspondence Field Investigation	W	W			ER	
Employment contracts with key employees and officers	Correspondence Field Investigation		W			ER	
Shareholder listing	Database search		W			R	
Stock options, stock grants, stock appreciation rights agreements	Correspondence Field Investigation		W	E		ER	
Real estate holdings, acquisitions, leases inside PA and for the business entity as a whole	Correspondence Field Investigation		W	E		ER	
Applicant files and documents related to Pennsylvania gaming application and plans	Correspondence Field Investigation		W			E	
Assemble the background information into a report		E	R	E	W		
Review and provide a legal recommendation for the disposition of a licensee						WRE	
Make the grant/deny decision for a license							A
R - Responsible, A - Authority to approve, W - Work, E - Expertise							



Factors That May Guide The Board's Choices About HOW to Do Background Investigations

- Cycle time to complete background investigations
- Cost to complete background investigations
- Availability of information from other jurisdictions that the Board determines provide sufficiently complete, correct, current, consistent background data to use in lieu of PA-based research
- Integrity of background investigation
 - Completeness of information and verification
 - Currency of information and verification
 - Correctness of information and verification
 - Consistency of information and verification



Slot Gaming Employees (Non-key Employees)



Gaming Employee Background Investigation

- Gaming employees include:
 - Floor persons
 - Casino hosts
 - Machine mechanics
 - Casino security personnel
 - Slot booth personnel
 - Collection personnel
 - Data processing/MIS personnel
 - Anyone with access to games and/or money
- Less Extensive Background Investigation than Key Employee/Qualifiers
 - Primary focus is on verification of identity and criminal background investigations
 - May follow up with further investigation where derogatory information is found



Preliminary Estimate of Licensing Staff Hours Consumed (excludes wait time)

Type of License	Estimated Application Count per Gaming Operator	Estimated Gross Count of Applications	Preliminary Staff Day Estimates								
			Staff Days to Complete Process One Application ¹				Extended Staff Day Count				
			Application Intake	Background Investigation	BIE Attorney Review	Board Consideration & Application Disposition	Application Intake	Background Investigation	BIE Attorney Review	Board Consideration & Application Disposition	Total
Slot Machine Operator - Category 1	1	7	2.0	45.0	14.0	5.0	14.0	315.0	98.0	35.0	462.0
Slot Machine Operator - Category 2	1	5	2.0	45.0	14.0	5.0	10.0	225.0	70.0	25.0	330.0
Slot Machine Operator - Category 3	1	2	2.0	45.0	14.0	5.0	4.0	90.0	28.0	10.0	132.0
Key Employee/Qualifier	50	700	0.5	5.0	0.5	0.5	350.0	3,500.0	350.0	350.0	4,550.0
Slot Gaming Employees	1,000	14,000	0.1	0.03	0.02	0.01	700.0	434.0	280.0	140.0	1,554.0
Slot Machine Manufacturer	15	15	1.0	5.0	1.0	2.0	15.0	75.0	15.0	30.0	135.0
Slot Machine Distributors	15	15	1.0	5.0	1.0	2.0	15.0	75.0	15.0	30.0	135.0
Slot Machine Manufacturer Key Employee/Qualifiers	15	225	0.5	5.0	0.5	0.5	112.5	1,125.0	112.5	112.5	1,462.5
Slot Machine Distributor Key Employee/Qualifiers	15	225	0.5	5.0	0.5	0.5	112.5	1,125.0	112.5	112.5	1,462.5
TOTAL ESTIMATED APPLICATIONS		15,194				Total Processing Staff Days	1,333.0	6,964.0	1,081.0	845.0	10,223.0
						Management & Overhead	266.6	1,392.8	216.2	169.0	2,044.6
						Total Staff Days	1,599.6	8,356.8	1,297.2	1,014.0	12,267.6
Estimated work days per staff full time equivalent	260					Staff Fulltime Equivalents	6.2	32.1	5	3.9	47.2

Notes:

- Staff days are represent the time expended working on an application and *exclude elapsed time when applications are waiting* in an inbasket or work queue.
- This estimate does not take into account the savings that may be realized by using the background investigation materials assembled by other jurisdictions



Additional Background Investigations

- Non-gaming employees
- Non-gaming vendors
- At Board's discretion
- Background investigations provide basic demographic, criminal background research
- Dollar value for vendors will determine level of investigation:
 - Low-dollar vendors less extensive than high-dollar vendors



Opportunity to Piggyback on Other Regulator Background Investigations

- Consider using other jurisdictions' background investigation materials for:
 - Business entity background
 - Key employee/qualifier background
- Reduce cycle time and staff hours expended gathering data
- Reduce cycle time and staff hours expended verifying information
- Reduce need to conduct field investigations
- Identify supplementary data required by PA and expend time and money on that – not on data already gathered
- Jurisdictions with mature, well developed background investigation processes
 - New Jersey
 - Nevada



The End

Thank you!