

May 18, 2005

## **BIE – Industry Best Practices**

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**Pennsylvania  
Gaming  
Control  
Board**



At the request of the Pennsylvania Gaming Control Board (“PGCB”), PricewaterhouseCoopers (“PwC”) identified nine gaming jurisdictions to conduct detailed research on organizational structure, background investigations, security, surveillance, enforcement, and internal controls. Our rationale for selecting these jurisdictions is summarized below.

### **New Jersey, Delaware and West Virginia**

- New Jersey, Delaware and West Virginia were primarily chosen due to their proximity to Pennsylvania.
- Delaware and West Virginia were also selected because they have central computer systems.

### **Iowa and Missouri**

- Both jurisdictions were selected at the recommendation of the Pennsylvania State Police Office of Gaming Enforcement (“PSP”).

### **Ontario and Michigan**

- PwC has significant experience in these jurisdictions, through previous engagements.

### **Mississippi**

- Mississippi was chosen because its casinos are geographically dispersed.

### **Nevada**

- Nevada was selected because it is the largest, most established gaming jurisdiction in North America.

PwC developed a questionnaire, which was shared with the PGCB and the PSP. Using this questionnaire, PwC performed literature searches and conducted in-depth interviews with representatives in nine of the twelve major North American commercial gaming jurisdictions (the “Selected Jurisdictions”). Given the highly detailed nature of our questions, we typically spoke to department heads with expertise in areas including organizational structure, background investigations, security, surveillance, enforcement, and internal controls.

Through this process, we:

- interviewed twenty-four individuals from the nine jurisdictions. Some of these interviews were face-to-face while others were conducted telephonically;
  - during the course of our research, we had numerous follow-up calls with many of the same individuals as well as others.
- researched thousands of pages of literature; and
- compiled hundreds of pages of notes.

To preserve the anonymity of the respondents, we have presented the information on an aggregated basis.

On the following pages, PwC has prepared a summary of the trends that emerged as a result of our analysis.

- Eight of the Selected Jurisdictions have an office at the gaming facilities. These offices are primarily used for enforcement and surveillance.
- Four of the Selected Jurisdictions only have one licensing location. Fingerprinting and photography are typically performed at these locations. One of the jurisdictions has a mobile fingerprinting machine, which they take to the facilities.
- In the Selected Jurisdictions with a central computer system, the final gaming revenue count is determined by the central computer system.
- In a majority of the Selected Jurisdictions, a division of the gaming commission, typically the BIE, performs the background investigations.
  - In a majority of the Selected Jurisdictions, the same person is not responsible for both investigations and enforcement.

- All of the Selected Jurisdictions perform different levels of investigation for different license types.
  - For Category C occupation permits (non-supervisory gaming employees), a majority of the Selected Jurisdictions investigate the applicant's criminal background, and do not perform a personal interview.
  - The majority of the Selected Jurisdictions also perform a financial investigation on applicants seeking a Category A (owners, directors, and officers), Category B key employee (general managers and other department heads), gaming entity (casino operator), or a manufacturer / supplier license.
- Estimated turnaround times for background investigations vary by jurisdiction as follows:
  - Category C occupation permits (non-supervisory gaming employees) – approximately one week to three months;
  - Category A (owners, directors, and officers) and Category B key employee (general managers and other department heads) – approximately three to five months;
  - Gaming Entity (casino operator) License – approximately six to twelve months; and
  - Supplier and/or Manufacturer License – approximately six to twelve months.

- In the Selected Jurisdictions, criminal background investigations typically involve:
  - fingerprinting;
  - intelligence checks; and
  - credit checks.
  - *Act 71 states that the Pennsylvania State Police shall submit the fingerprints of applicants for licenses and permits to the Federal Bureau of Investigation for purposes of verifying identity of the applicants and obtaining records of criminal arrests and convictions. (Act 71 S 1202 (B) (9))*
- The majority of the Selected Jurisdictions do not have a gaming intelligence unit.
- The majority of the Selected Jurisdictions do not require a drug test as part of background investigations.

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- All information being developed through investigation activities is being shared with the gaming regulatory boards, with the exception of two jurisdictions where only “source” and “non-factual information” is not shared.
- When conducting background investigations the majority of the Selected Jurisdictions:
  - work with the Federal Bureau of Investigation;
  - search national and state police databases; and
  - utilize Lexis.
- When conducting international investigations, several of the Selected Jurisdictions stated that they may hire consultants, foreign investigators and interpreters.
- With respect to license renewals, the majority of the Selected Jurisdictions use an abbreviated reinvestigation process.
- The majority of the Selected Jurisdictions allow a conditional license to be issued for Category A (owners, directors, and officers), Category B key employee (general managers and other department heads), and Category C occupation permit (non-supervisory gaming employees) applicants.



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- The majority of the Selected Jurisdictions do not allow a conditional license to be issued to gaming entities (casino operators).
- All nine of the Selected Jurisdictions allow applicants to withdraw their license prior to being officially denied. Three of these jurisdictions require regulatory approval to withdraw.
- Security in each of the nine jurisdictions surveyed is the responsibility of the casino operators and not the regulatory authority. The respective gaming regulators monitor security and audit the security function of the operators to ensure that they are in compliance with the state's applicable gaming rules and regulations.
- In eight of the Selected Jurisdictions, the commission does not dictate a minimum number of security personnel per facility.
- Typical security incidents include: purse snatching, disorderly conduct, counterfeit and coin bucket theft.

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- In a majority of the Selected Jurisdictions, the state police are allowed to carry guns on the casino floor, and security personnel are not.
- Casinos have holding cells in a majority of the Selected Jurisdictions.
- In the majority of the Selected Jurisdictions, the commission requires the casino operator's security department to have a separate reporting structure from the casino operator's surveillance department. One of these jurisdictions even requires security and surveillance to be physically separated by a wall.
- In a majority of the Selected Jurisdictions, an on-site commission-only surveillance room is required at each gaming facility, which is over and above the casino operator's surveillance facilities.
- The minimum retention period for surveillance tapes ranges from seven to thirty days in the Selected Jurisdictions. Several of these jurisdictions require longer retention periods for detentions and in specific areas of the casino such as forty-five days in the cage, count and drop areas. However, the majority of the Selected Jurisdictions require a minimum retention period of seven days unless an incident is reported.

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- Based upon our interviews, many of the Selected Jurisdictions are considering replacing video tapes with digital recording devices.
- In the majority of the Selected Jurisdictions, the commission compiles the exclusion list, which includes felons, organized crime members, and slot cheats.
  - *Act 71 requires that the Board shall, by regulation, provide for the establishment of a list of persons who are to be excluded or ejected from any licensed facility. (Act 71 S 1514 (A))*
- In many of the Selected Jurisdictions, individuals who have placed themselves on the self-exclusion list are charged with trespassing if they are later identified in a gaming facility.
  - *Act 71 also requires that the Board shall provide by regulation for the establishment of a list of persons self-excluded from the gaming activities at all licensed facilities. Any person may request placement on the list of self-excluded persons by acknowledging in a manner to be established by the Board that the person is a problem gambler and by agreeing that, during any period of voluntary exclusion, the person may not collect any winnings or recover any losses resulting from any gaming activity at licensed facilities. (Act 71 S 1516 (A))*

- While the primary responsibility for casino surveillance rests with the casino operators themselves, several jurisdictions have BIE and compliance personnel conduct additional surveillance and surveillance inspections.
- A majority of the Selected Jurisdictions do not require BIE or state police staff to be on-site whenever gaming is occurring.
- State police need a warrant in a majority of the Selected Jurisdictions to get full access to the casino facilities.
- Commissions in a majority of the Selected Jurisdictions have full access to all areas of the gaming facility and the surveillance tapes without a warrant.
  - *Act 71 provides that the Bureau of Investigations and Enforcement, the Department of Revenue, and the Pennsylvania State Police shall have the authority, without notice and without warrant, to do all of the following in the performance of their duties: inspect premises and examine or seize gaming equipment, books, or records. (Act 71 S 1517 (E) (1))*
- For gaming machines with ticket-in, ticket-out technology, ticket expiration varies by jurisdiction with a range of ten days to one year. In one jurisdiction, the tickets never expire.

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- Depending upon the jurisdiction, gaming revenues are reported to the board instantaneously, daily, weekly or monthly.
- Only one of the Selected Jurisdictions requires a commission presence in the count room.
- In four of the Selected Jurisdictions, the audit branch is responsible for reviewing audit/internal controls.
- In the majority of the Selected Jurisdictions, gaming facilities are required to hire external auditors to ensure non-financial internal processes are followed.
- A majority of the Selected Jurisdictions' commissions require the facilities to report internal control exceptions.
- To maximize efficiencies, several of the jurisdictions emphasized that it is essential to implement coordinating mechanisms and clearly delineate responsibilities between the BIE and the PSP.
- State police are responsible for performing criminal gaming enforcement in a majority of the Selected Jurisdictions, which includes arresting and prosecuting individuals that violate the law at the gaming facilities.

- To put the analysis by jurisdiction on a comparable basis, PwC calculated the number of gaming positions per officer.
  - In the Selected Jurisdictions, which use state police for gaming enforcement, the average number of gaming positions per state police officer was 488. The high end of the range was 1,066 while the low end of the range was 181.
  - In the Selected Jurisdictions where the BIE performs gaming enforcement, the average number of gaming positions per BIE officer was 1,100. The high end of the range was 2,657 while the low end of the range was 269.
  - For analytical purposes, aggregating the number of gaming enforcement state police officers and BIE officers results in an average number of gaming positions per state police and BIE officer of 792. The high end of the range was 2,657 while the low end of the range was 158.