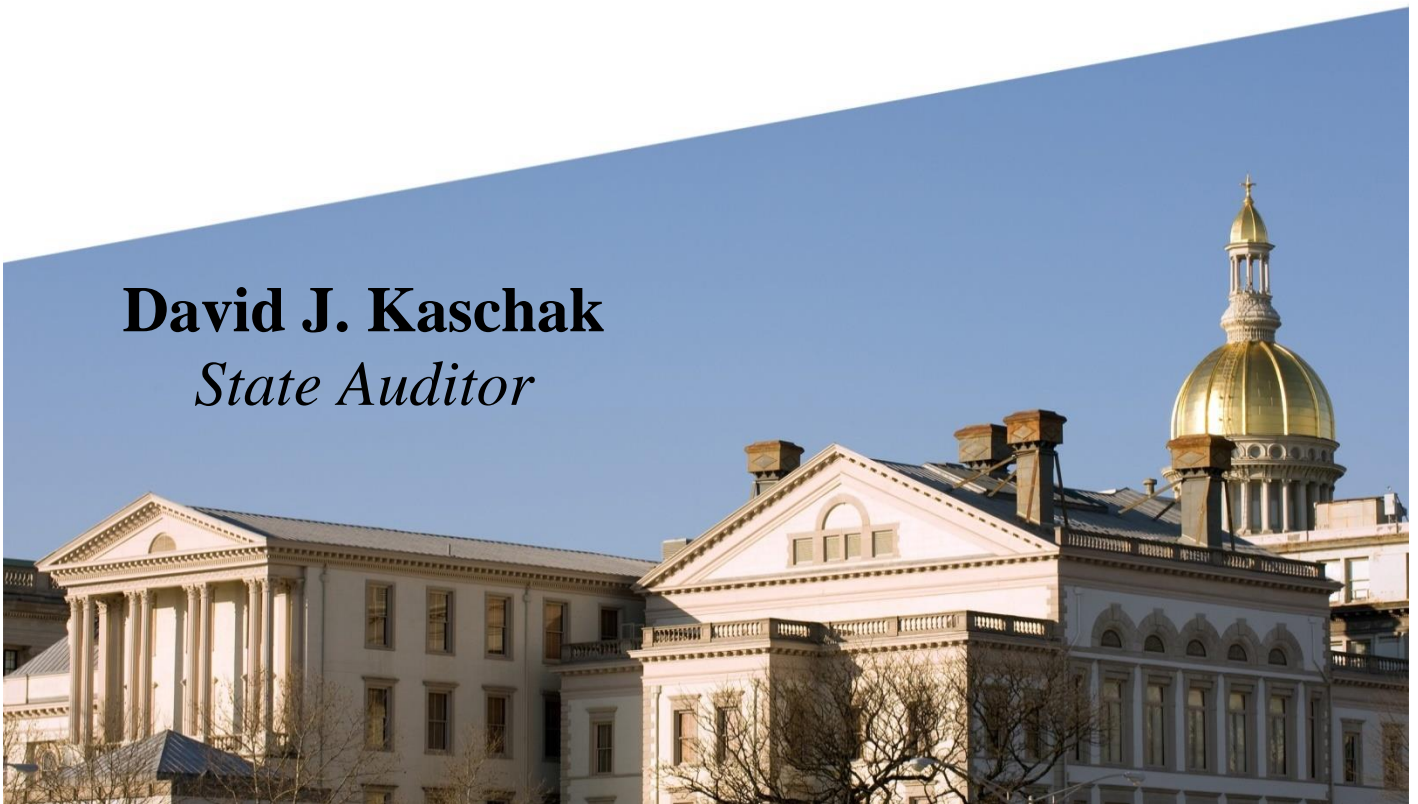


New Jersey Legislature
★ *Office of* LEGISLATIVE SERVICES ★
OFFICE OF THE STATE AUDITOR

Department of Law and Public Safety
Division of Gaming Enforcement

July 1, 2018 to June 30, 2021

David J. Kaschak
State Auditor



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President of the Senate

The Honorable Craig J. Coughlin
Speaker of the General Assembly

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Enclosed is our report on the audit of the Department of Law and Public Safety, Division of Gaming Enforcement for the period of July 1, 2018 to June 30, 2021. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in cursive script that reads "David J. Kaschak".

David J. Kaschak
State Auditor
June 14, 2022

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Scope

We have completed an audit of the Department of Law and Public Safety, Division of Gaming Enforcement (division) for the period July 1, 2018 through June 30, 2021. Our audit focused on online patron accounts, the patron complaint process, gaming addiction reports, online gambling addiction, backlogs of various units, affiliate marketing companies, transactional waivers, and fines to platforms. Our audit included financial activities accounted for in the state's general fund and Casino Control Fund.

The mission of the division is to protect the public interest by maintaining a legitimate and viable industry, free from the influences of organized crime, and ensuring the honesty, good character, and integrity of casino owners, operators, employees, and vendors. The division performs this through the enforcement of the Casino Control Act and the regulations promulgated thereunder, which mandate a strictly regulated and economically sound industry.

Annual expenditures for the division averaged \$45.9 million during fiscal years 2019 through 2021. Revenue averaged \$47.2 million and is mainly derived from the issuance and annual renewal of casino licenses and other license fees. This fund is used for operational expenses of the division and the Casino Control Commission.

The division did not provide documentation we requested relating to casino licensee fines. As a result, our testing for fines was limited.

Objectives

The objectives of our audit were to determine whether the division complied with applicable regulations, statutes, policies, and procedures. This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section I, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology

Our audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In preparation for our testing, we studied legislation, the administrative code, and policies of the division. We also read the Division of Gaming Enforcement Director's Actions and Orders. Provisions we considered significant were documented, and compliance with those requirements was verified by interview, observation, and through our testing of transactions. We also reviewed financial trends and interviewed division personnel to obtain an understanding of the programs and the internal controls. In order to achieve our objectives, we performed various tests and

analyses, as we determined necessary. Additional detail regarding our methodology and work performed can be found in the Appendix, as well as in the findings section when testing resulted in a reportable condition.

A nonstatistical sampling approach was used during the audit. Our samples of transactions were designed to provide conclusions on our audit objectives, as well as internal controls and compliance. Sample populations were sorted, and transactions were judgmentally selected for testing. Because we used a nonstatistical sampling approach for our tests, we cannot project the results to the respective populations.

Data Reliability

We assessed the reliability of the reports from an Oracle-based system used by the division to review the number of licenses, registrations for vendors and employees, and outstanding applications by reviewing existing information about the data and the system that produced them and by interviewing division officials knowledgeable about the data. We also assessed the reliability of the billing information in the revenue and timekeeping systems. We determined that the data were sufficiently reliable for the purposes of this report.

Conclusion

We found the division was in compliance with applicable regulations, statutes, policies, and procedures. In making this determination, we identified weaknesses in the division's procedures for monitoring and preventing backlogs of license applications and renewals. We also identified weaknesses in the monitoring of transactional waivers and dormant accounts, as well as with gambling addiction reports. Furthermore, we made observations concerning gambling addiction treatment funding and unclaimed dormant internet accounts.

Background

The division's primary function is to provide oversight of the casinos and overall gaming in New Jersey. Oversight by the division includes investigations, inspections, and audits. There are nine bureaus within the division consisting of 276 positions (including temporary employees).

The Administrative Services Bureau provides administrative support, including fiscal, human resources, purchasing, travel, ethics, information technology, and facilities management functions for the division.

The Casino Licensing Bureau conducts investigations of each officer, director, principal and key employee, financial backer, and significant investor, and examines the financial background of the casinos and affiliated entities. Other functions of this bureau include analyzing gaming revenue, evaluating debt issuances and bankruptcy reorganizations, overseeing the financial reporting requirements of the casino industry, and monitoring each casino's financial stability. The Casino Control Commission approves the licenses of casinos.

The Records and Identification Bureau reviews license applications for all required documentation and/or corresponding credentials.

The Regulatory Enforcement Bureau investigates potential violations of the Casino Control Act, regulations, and division rules. Its responsibilities include approving and verifying slot and table game placement; enforcing security and surveillance compliance; ensuring compliance with casino regulations; preventing fraud; investigating customer complaints; monitoring for underage gambling and drinking; and verifying revenue for online and land-based casinos.

The Service Industry Licensing Bureau is responsible for ensuring the integrity of those persons and enterprises that provide goods or services to, or for the benefit of, the casino/hotel industry. Through its legal and investigative staff, this bureau registers or investigates each person or enterprise that provides goods or services to a casino or applies for licensure as a casino service industry enterprise for compliance with the standards of honesty, good character, and integrity as set forth in the Casino Control Act.

The Technical Services Bureau is responsible for ensuring the integrity of electronic gaming equipment and internet gaming systems used in New Jersey. This bureau consists of four units that work together to ensure gaming products are fair and compliant with regulatory requirements: Engineering Unit, Cyber Security and Analytics Unit, Information Technology Investigations Unit, and Quality Assurance Unit. Each gaming product must be approved by the division's slot laboratory and must undergo verification prior to its use. The slot laboratory is responsible for testing and approving all games and gaming equipment offered to patrons, as well as their associated systems.

The Legal Bureau consists of two units: the Casino Entity/Employee Licensing Unit and the Service Industry/Technical Services Regulatory Support Unit. In addition to assisting in drafting regulations, the units handle the legal aspects needed to enforce forfeitures, exclusions, self-exclusions, fines for violations, patron complaints, and violation orders.

The Criminal Enforcement Bureau is composed of New Jersey State Police troopers and detectives. They work together with division employees to solve crimes in and around the casino complex and other various areas.

The Casino Criminal Prosecution Bureau is composed of Division of Criminal Justice prosecutors, investigators, and detectives. Along with the division, they handle criminal elements discovered during the investigatory processes.

Backlogs

The division needs to improve procedures to monitor and track backlogs.

Casino Service Industry Enterprise Licenses

The Service Industry Licensing Bureau (SILB) processes casino service industry enterprise (CSIE) licenses. These licenses are required for gaming-related companies, such as companies that provide online gaming software or those that manufacture playing cards. The SILB conducts investigations by interviewing company personnel, reviewing financial documentation, and obtaining criminal background checks. According to the division, the volume of investigations has increased significantly since the inception of online gaming and sports betting. We reviewed the SILB's backlog and noted there were 1,198 pending new and renewal CSIE applications as of June 30, 2020. Of the 1,198 pending applications, 148 were outstanding from fiscal years 2007 through 2015, and 269 were from fiscal years 2016 through 2018. The division does not maintain the status of each investigation in a database or other computerized system. As a result, it could not provide a reason for the pending status without manually reviewing each file.

According to division management, investigators work on approximately five investigations concurrently for those types of licenses at a time, and each can take eight months to over a year to complete. The division does not want to hinder the gaming industry because of their investigations; therefore, enterprises can be granted transactional waivers allowing them to conduct business on a temporary basis. Transactional waivers are generally for a period of six months; however, they can be extended. There were 54 companies with transactional waivers processed between July 1, 2018 and August 31, 2020. We compared the 54 companies to the division's active vendor report and noted 33 (61 percent) were not licensed as of November 22, 2020.

Renewals for Casino Service Industry Enterprise Licenses

Pursuant to N.J.A.C. 13:69A, certain CSIE licensees must submit documentation that they continue to meet statutory requirements every five years. According to the backlog report as of June 2020, there were 256 renewal license applications pending. Interviews with division personnel indicated there was no database to track the status of the renewal applications. In addition, there are no policies in place indicating a deadline for the division to review submitted documentation. Therefore, we used six months after the expiration date of the license as a reasonable timeframe for the division to review renewal documentation. We requested a report with the latest issuance dates of the licenses and were informed the division does not have that reporting capability. However, license approvals are documented in the Director's Actions and Orders (orders), which are posted online. We reviewed the orders posted online and noted there were 47 licenses approved between April 1, 2013 and December 15, 2014. We judgmentally selected a sample of 25 licenses from a variety of vendor types and determined 7 were no longer active vendors and 1 had a different renewal date than originally approved. We tested the remaining 17 licenses, which were to be renewed between April 12, 2018 and December 4, 2019 and noted 12 had their renewal documentation submitted. However, none of the 12 had been

processed by the division as of April 2021. The remaining 5 renewal licenses tested were processed timely.

Casino Key Employee Licenses

Any employee involved in the operation of a casino in a supervisory capacity or empowered to make discretionary decisions on either casino operations or on the management of an approved hotel must obtain a casino key employee license from the Casino Control Commission (CCC). These licenses must be renewed every five years, and employees are required to submit their resubmission application five months prior to expiration. According to N.J.A.C. 19:41A-5.6(a), “a casino key employee license shall remain valid unless otherwise suspended or revoked by the Commission or unless the licensee is placed on the Inactive List.” The division is responsible for completing an investigation of each applicant and providing the results to the CCC.

There are no written guidelines indicating when the investigations should be completed. However, the division informed us that the standard practice is to complete investigations within six months of the key employee reapplying. We reviewed all pending key employee resubmissions as of November 19, 2020 and noted 240 of 287 (84 percent) key employee investigations had not been completed within six months. Of the 240 exceptions, 75 were received by the division in 2018.

Recommendation

We recommend the division implement processes to properly address the volume of casino service industry enterprise new license and renewal applications, as well as the casino key employee licenses. In addition, the division should develop written procedures for monitoring, tracking, and reporting of backlogs.



Transactional Waivers

The division needs to strengthen controls over transactional waivers.

Any enterprise that proposes to provide goods or services relating to casino or gaming activity to any casino license applicant or casino licensee in New Jersey is required to obtain a CSIE license. According to N.J.A.C. 13:69J-1.2B, after a company completes the CSIE application, it can request a transactional waiver (waiver) to conduct business with a casino licensee or casino license applicant while waiting for the license application to be approved. A waiver is typically approved for six months, but can be extended. Each waiver will reference a specific agreement or multiple agreements between the CSIE applicant and casino licensee or casino licensee applicant. Agreements detail the service or product the company will be providing, and many waivers renew several agreements under the same document. Once an applicant obtains the CSIE license, it no longer has to renew its waivers.

According to division management, there is no tracking system or database for waivers, but all waivers are posted online. We performed an analysis of waivers processed between July 1, 2018 and August 31, 2020 and noted there were 164 waivers for 54 companies posted online. We identified the following internal control weaknesses over waivers.

- We reviewed the most recent waiver for all agreements approved between January 1, 2019 and August 31, 2020. We noted 32 of 66 agreements did not have a previous waiver online even though the waiver indicated there should have been one. We asked the division for any evidence of the previous waivers but were not provided any.
- In June 2020, Order 2058 extended 19 waivers until August 1, 2020 because of the pandemic. We were unable to find 3 of the 19 waiver renewals posted online. The division later provided them to us, but one covering 7 agreements was not dated or signed by the division, and one covering 10 agreements was not approved timely.

We also compared the list of 54 companies with transactional waivers to the SILB's backlog report, which identifies the companies waiting to be licensed, and the active vendor report, which identifies the companies that are licensed. We noted six that were not on either report. Companies with transactional waivers should be on one of those two reports, indicating that they are either licensed or waiting to be licensed. Although we requested further information regarding these companies, the division did not provide any.

Recommendation

We recommend the division track transactional waivers and monitor for timeliness to ensure compliance with the administrative code. We also recommend the division review the six companies that were not in either the active vendor or backlog report and determine their status.



Dormant Accounts

The division should monitor for compliance with dormant accounts regulations.

The Revenue Certification Unit reviews revenue collected from fees and taxes. One of the fees collected is from unclaimed monies in dormant patron accounts. An online account that is inactive for over a year is considered dormant. Dormant internet gaming accounts are distributed 50 percent to the casino and 50 percent to the Casino Control Fund. The casino is required by N.J.S.A. 5:12-95.24 to attempt to contact the account holder by mail, phone, and computer before closing the account. The division does not perform investigations or reviews to monitor whether casinos are contacting patrons in accordance with the statute prior to closing an account and withdrawing funds.

The chart below shows the amounts collected from dormant accounts.

Dormant Accounts			
Calendar Year	Payments to Casino Control Fund	Payments to Casinos	Total Withdrawn
2018	\$ 356,000	\$ 356,000	\$ 712,000
2019	562,000	562,000	1,124,000
2020	573,000	573,000	1,146,000
Total	\$ 1,491,000	\$ 1,491,000	\$ 2,982,000

Recommendation

The division should monitor casinos for statutory compliance to ensure patrons were contacted prior to closing dormant accounts and the withdrawal of funds.



Gambling Addiction Reports

Gambling addiction reports are not completed in accordance with the statute and written agreement.

N.J.S.A. 5:12-95.18 states: “the division shall annually cause a report to be prepared and distributed to the Governor on the impact of internet gaming on problem gamblers and gambling addiction in New Jersey. The report shall be prepared by a private organization or entity with expertise in serving the needs of persons with gambling addictions, which organization or entity shall be selected by the division.” The division and the Department of Human Services entered into an agreement with a vendor for a nine-year period beginning on January 1, 2015 at a cost of \$3,860,404 to study gambling addiction based on gambling activity of online patron accounts. The original agreement was for a three-year period from January 1, 2015 to December 31, 2017 at a cost of \$1,287,504. It has been extended to December 31, 2023 at an additional cost of \$2,572,900. The same vendor was also retained to study sports gaming for a six-year term, effective April 1, 2019 at a cost not to exceed \$2,590,525. These studies are funded by casinos that provide access to internet and sports gaming. The studies provide data to the casino industry and the public, recommendations for improvement, and promote responsible internet gaming. The agreements outline the scope of work, the equipment and information needed from all parties, and the annual budget.

Quarterly Expenditure Reports

The two agreements require the vendor to provide expenditure reports on a quarterly basis to the division. We requested the expenditure reports and were informed the division did not receive any expenditure reports from the vendor for the internet gaming studies until February 2021 for

the period January 1, 2018 through December 31, 2020. The vendor received \$1,091,987 during that time, of which it expended \$106,090 to perform the required studies, leaving an unexpended balance of \$985,897. Subsequent payments were not provided to the vendor. After the division reviewed the expenditure reports and the outstanding balance in February 2021, payments totaling \$434,147 were returned to casinos.

The division has not received any invoices from the vendor for the sports gaming study. As a result, no payments have been collected from the casinos and paid to the vendor.

Timeliness of Reports

The gaming addiction reports were not submitted timely in accordance with the agreements. The agreements require the vendor to submit the reports annually on January 1st of each year. The latest report for internet gaming was issued on October 2020, which analyzed 2017 calendar year data. The internet gaming report analyzing 2018 calendar year data had not been issued as of February 2022.

Responsible Gaming Report Published Dates			
Data Analyzed (Calendar Year)	Contractual Publish Date	Actual Date Published	Months Late
2014	1/1/2016	8/19/2016	7
2015	1/1/2017	3/23/2018	14
2016	1/1/2018	10/15/2019	22
2017	1/1/2019	10/29/2020	23
2018	1/1/2020	Not Released	-
2019	1/1/2021	Not Released	-

The first sports gaming addiction report was due to have been completed by January 1, 2020, but as of February 2022, it had not been published. The delays potentially inhibit identifying regulatory changes, treatment program improvements, and gambling addiction prevention methods that could be implemented. The vendor stated that the delays were due to missing data and difficulty compiling the data into a standardized format as required by the agreement.

Missing Data

According to the agreement, the data used to create each report should include all data available at the time of the report's creation, starting with the date internet gaming went live in New Jersey. This data is provided by the division through the casinos. The reports published in 2019 and 2020, which analyzed data from calendar years 2016 and 2017, indicated data provided to the vendor had incomplete information, such as missing birthdates, zip codes, and genders of the patrons. Although the vendor was able to analyze the accounts with the missing birthdates and zip codes,

the accounts with missing genders were excluded from the studies. An average of 27 percent of the accounts had to be excluded from the 2016 and 2017 calendar year data reports. The division does not verify all accounts and their respective information are included in the data provided to the vendor.

Recommendation

We recommend the division enforce the agreement, which requires the vendor to provide annual gaming study reports timely and submit quarterly expenditure reports. In addition, the division should ensure the data received from the casinos is complete.



Observations

Gambling Addiction Treatment Funding

More than half of gambling addiction treatment funding was not disbursed.

The Council on Compulsive Gambling of New Jersey (CCGNJ) estimates there will be 350,000 adults in New Jersey who will battle gambling problems in their lifetime. According to the Association of Professionals Treating Problem Gambling, two-thirds of compulsive gamblers undergoing treatment admit to having committed illegal acts to finance gambling or pay gambling debts.

We analyzed internet gaming revenue and noted an average increase of 26 percent from calendar years 2015 through 2018. However, internet gaming revenue increased 62 and 101 percent from calendar years 2019 and 2020, respectively.

Internet Gaming Win (Revenue)					
2015	2016	2017	2018	2019	2020
\$ 148,880,180	\$ 196,709,327	\$ 245,605,982	\$ 298,700,903	\$ 482,695,308	\$ 970,337,571

N.J.S.A. 5:12-95-29d states that “a casino licensee with an internet gaming permit shall pay annually to the division \$250,000 to be deposited into the State General Fund for appropriation by the Legislature to the Department of Human Services, \$140,000 of which shall be allocated to the Council on Compulsive Gambling of New Jersey and \$110,000 of which shall be used for compulsive gambling treatment programs in the state.” N.J.A.C. 13:69A-9.4 requires that 50 percent of the \$100,000 initial sports wagering license and a minimum of \$100,000 of the sports wagering license renewal should be deposited in the state’s general fund for evidence-based prevention, education, and treatment programs for compulsive gambling. There are currently 8 casino licenses with internet gaming permits and 13 sports wagering licenses issued in New Jersey.

From fiscal years 2019 through 2021, \$8.35 million was received from these fees, with \$4 million being disbursed to treat those with compulsive gambling addictions during the same time period. In budget fiscal year 2020, \$2.094 million was de-appropriated based on P.L. 2020, Chapter 43, Section 2. At the end of budget fiscal year 2021, there was approximately \$2.95 million remaining in the appropriation unit, which was carried forward to budget fiscal year 2022.

The following chart shows internet and sports wagering license fees and expenditures for fiscal years 2019 through 2021.

Summary of Internet and Sports Wagering License Fees and Expenditures				
	2019	2020	2021	Total
Fees Collected	\$ 2,300,000	\$ 2,850,000	\$ 3,200,000	\$ 8,350,000
Expenditures	(1,300,833)	(1,330,000)	(1,330,000)	(3,960,833)
Not disbursed	\$ 999,167	\$ 1,520,000	\$ 1,870,000	\$ 4,389,167

According to the CCGNJ, as of October 2020, substance abuse funding in New Jersey was \$11.68 per person compared to gambling addiction funding of \$0.11 per person. New Jersey allocates less total and per capita funding than New York, Pennsylvania, and Delaware.

Dormant Internet Accounts

The statutes governing the casinos and online gaming are not consistent with the Uniform Unclaimed Property Act.

The Uniform Unclaimed Property Act ensures property owners never relinquish their right to abandoned or lost intangible and tangible property. A prior court ruling held that gambling casino funds in the amount of unredeemed gaming chips and slot machine tokens (currently obsolete) were abandoned intangible property under the Uniform Unclaimed Property Act. Additional gambling industry unclaimed property was addressed in the Casino Control Act; however, it does not correspond with how other unclaimed intangible and tangible property in the state are handled. There are various types of unclaimed property that occur in the gambling industry. Expired gaming vouchers and unclaimed casino sports game tickets and racetrack sports pool vouchers are distributed to the casino industry and the State of New Jersey.

Dormant online accounts are distributed 50 percent to the Casino Control Fund and 50 percent to the casinos. However, if there is a surplus in the Casino Control Fund, the surplus is returned to the casinos. Ultimately, when there is a surplus, 100 percent of the unclaimed dormant funds can be returned to casinos. From calendar year 2018 to 2020, the total amount of dormant account monies was approximately \$3 million, of which approximately \$1.5 million was distributed to casinos. Because there were annual surpluses in the Casino Control Fund for those years, approximately \$1.5 million originally distributed to the fund was returned to the casinos.



Appendix

Methodologies to Achieve Audit Objectives

We reviewed the 2019 State Police log to analyze the types of online gaming fraud reported by casinos. We also judgmentally selected a sample of 22 cases as of October 28, 2020 to determine the potential monetary loss for the case and if they were included in the police log.

We judgmentally selected a sample of 15 affiliate marketing companies as of November 2, 2020 to determine if they were licensed. We were unable to determine the population because we were not provided a listing of all affiliate marketing companies. As a result, we performed an internet search to select the companies in our sample.

To determine if gaming and affiliate websites display a uniform responsible gaming logo, we judgmentally selected 28 websites (14 gaming websites and 14 affiliate links) as of June 9, 2020. In total, there were 32 online casino and poker websites. We were unable to determine the population of affiliate links because we were not provided a listing of all links. As a result, we performed an internet search to select the affiliate links in our sample.

To determine whether the sportsbook license renewal fee was calculated correctly, we reviewed and recalculated the fee for fiscal year 2019.

We reviewed the New Jersey State Police and Division of Criminal Justice billable hours to the casino industry from February 2020 to determine whether licensees were properly billed.

To determine if online gaming and sports betting licensees were properly accounting for dormant accounts, we reviewed 1 of 39 online platform division audits, dated June 2020, certifying the dormant report used to verify dormant revenue provided by each platform. We also traced the dormant amounts for one of the five casinos in June 2019 and three of the five casinos in January 2020 to the Casino Control Fund to determine whether it was deposited in accordance with the statute. Additionally, we traced the division's dormant account reporting form completed by a licensee indicating the dormant amount for December 2019 to the spreadsheet maintained by the division.

The revenue billing system obtains the data from the division's timekeeping system eCATS. We judgmentally selected 20 employees' hours and compared them to the division's revenue report to determine if the eCATS data transferred to the billing system correctly. We also reconciled the eCATS data for calendar years 2019 and 2020 to the payroll system to determine accuracy.

To evaluate the division's effectiveness in investigating and responding to complaints it receives from casino patrons, we judgmentally selected a sample of 25 of 132 complaints received between September 1, 2018 and June 3, 2019 to determine whether they were tracked, responded to, and resolved in a timely manner.





Philip D. Murphy
Governor

Sheila Y. Oliver
Lt. Governor

State of New Jersey

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June 10, 2022

Dear Mr. Klingele:

The Division of Gaming Enforcement (DGE, Division) would like to thank the Office of the State Auditor for providing DGE with the opportunity to provide comments to the draft audit report of the Department of Law and Public Safety, Division of Gaming Enforcement issued by your office on May 10, 2022.

I would also like to thank the auditors for their professionalism and dedication throughout this audit, especially given the unprecedented circumstances we all work in today. We look forward to maintaining a proactive relationship going forward, as we work to improve the Department of Law and Public Safety and its Divisions.

Our comments to the audit report are as follows:

Findings

Backlogs:

The division needs to improve procedures to monitor and track backlogs.

Recommendation:

We recommend the division implement processes to properly address the volume of casino service industry enterprise new licensee and renewal applications, as well as the casino key employee licenses. In addition, the division should develop written procedures for monitoring, tracking, and reporting of backlogs.



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Response:

As a regulatory agency, the DGE follows the Casino Control Act, and the regulations promulgated thereunder along with other guidelines. As priorities and workload change, those guidelines are adjusted.

DGE prioritizes new casino key employee license applications because existing casino key employee licenses do not automatically expire.

The backlog of cases in this instance resulted from the unprecedented events in mid-2018 that included both the commencement of sports wagering, as well as the simultaneous openings of two additional casinos. Processing Casino Key Employee applications were prioritized in order for these operations to begin.

The audit highlighted a total of 240 casino key employee license resubmissions as of November 2020 that had not been completed within a six-month period. After the volume of initial casino key employee license applications was investigated and processed, DGE was able to redirect resources to key resubmissions and the backlog has been reduced considerably. Specifically, of the 240 cases identified above, 184 cases, or over 75%, have been completed as of May 16, 2022, leaving 56 cases in the inventory.

While we do not expect for the volume of license applications related to these events to reoccur, we will review and update our current procedures, in order to ensure that we are better prepared going forward.

Transactional Waivers:

The division needs to strengthen controls over transactional waivers.

Recommendation:

We recommend the division track transactional waivers and monitor for timeliness to ensure compliance with the administrative code. We also recommend the division review the six companies that were not in either the active vendor or backlog report and determine their status.

Response:

The Division notes that during the height of the COVID-19 pandemic, the Governor issued various executive orders in an effort to reduce the administrative burden on state agencies and industries in New Jersey. DGE utilized these executive orders and its authority under N.J.A.C.

13:69J-1.2B(c) which provides omnibus authority to extend transactional waivers for additional periods until licensure is decided, to issue waivers that were extended concurrent with the public health emergency and state of emergency. This authority rendered it unnecessary to collect individual waivers.

Transactional waivers are tracked through manual processes due to an outdated existing software tracking system, which is unable to produce reports. The Division is in the process of implementing a new software system which we expect will consolidate all of the existing antiquated systems in the Division. The new system is expected to greatly improve the tracking of transactional waivers and provide reporting capabilities. At this time, we do not have an implementation date for the new system, however, in the interim we will discuss ways to improve our current manual tracking system. In addition, we will review the companies that were on neither the active vendor nor backlog reports, to determine their status.

Dormant Accounts:

The division should monitor for compliance with dormant accounts regulations.

Recommendation:

The division should monitor casinos for statutory compliance to ensure patrons were contacted prior to closing dormant accounts and the withdrawal of funds.

Response:

As a point of clarification, under N.J.S.A 5:12-95.25, casinos are required to attempt to contact an account holder by mail, phone, and electronically. The Casino Control Act places this statutory requirement on casinos and not DGE.

Should DGE receive a patron complaint on a matter pertaining to dormant accounts, the Division will assign an investigator from the Regulatory Enforcement Bureau to investigate the issue and the Division would take regulatory action if the notice requirements were violated.

DGE will work to ensure that casino internal audit staffs, which are present in all casinos, are engaged in the dormant account process and in compliance with regulatory requirements.

Gambling Addiction Reports:

Gambling addiction reports are not completed in accordance with the statute and written agreement.

Recommendation:

We recommend the division enforce the agreement, which requires the vendor to provide annual gaming study reports timely and submit quarterly expenditure reports. In addition, the division should ensure the data received from the casinos is complete.

Response:

Prior to the beginning of the audit, DGE was aware that there were no detailed cost statements and work was underway to obtain documentation. The Division disclosed this to the audit team during field work. The Technical Services Bureau (TSB) has been working with casino partners to ensure the availability and delivery of full data to the vendor. Since the conclusion of the audit, the 2018 report has been published. The vendor is fully funded by the casino industry to perform this research. The Division will address the need to complete its studies in a more timely manner going forward.

Observations

Gambling Addiction Treatment Funding:

More than half of gambling addiction treatment funding was not disbursed.

Comments:

DGE is responsible to deposit the appropriate renewal fees and other responsible gaming funds to Treasury to be allocated to the Department of Human Services. Once these funds are deposited, DGE has no authority over their use. We thank the State Auditor for including this observation in the audit report, in hopes that there can be a positive change to the funding for addiction treatment.

Dormant Internet Accounts:

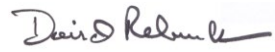
The statutes governing the casinos and online gaming are not consistent with the Uniform Unclaimed Property Act

Comments:

DGE has previously recommended harmonizing the statutes governing casinos and online gaming regarding dormant internet accounts to be consistent with the Unclaimed Property Act. Amending the law is outside of DGE's authority.

Please feel free to contact me if you have any questions.

Very truly yours,

A handwritten signature in black ink that reads "David L. Rebeck". The signature is written in a cursive style with a horizontal line at the end.

David L. Rebeck
Assistant Attorney General
Director, Division of Gaming Enforcement