

REPORT HIGHLIGHTS



GAMING ADMINISTRATIVE EXPENSES
PERFORMANCE AUDIT, JUNE 2018

DIVISION OF GAMING
DEPARTMENT OF REVENUE

CONCERN

The Division of Gaming (Division) and the Colorado Limited Gaming Control Commission (Commission) lack certain controls over the \$4.4 million in funding awarded to other state agencies to help administer gaming. Specifically, they lack policies and processes to establish interagency agreements that identify the specific services the agencies should provide, to enforce reporting requirements, and to monitor for compliance with the agreements.

KEY FINDINGS

- For Fiscal Year 2017, three agencies requested more in gaming funds than they had told the Joint Budget Committee (JBC) they expected to receive from the Commission. Differences in information provided to the Commission and the JBC could lead to the Commission approving funding for some of the same activities as those funded through the JBC.
- All four of the interagency agreements in place for Fiscal Year 2017 lacked either specific descriptions of the services the agency would provide or measures the agency would use to report on their performance and the Commission would use to monitor the agreements. The lack of specified services and measures could lead to agencies using approved funding in a different manner than intended by the Commission.
- The Commission and the Division did not enforce reporting requirements included in the interagency agreements prior to paying agencies the full amounts they had invoiced the Commission. In Fiscal Year 2017 the Commission paid one agency about \$3.2 million without having specified what information the agency should report regarding its use of the funds; two other agencies about \$1.1 million without obtaining required reports on their activities; and the fourth agency about \$161,000, even though all the required reports were submitted late.
- Neither the Commission nor the Division has established written policies or procedures for monitoring compliance with the interagency agreements. Division staff did not monitor or enforce requirements in the interagency agreements because, as they reported, they did not have the authority to do so.

BACKGROUND

- Colorado voters approved constitutional amendments in 1990 and 2008 authorizing limited and extended casino gaming, respectively.
- The Commission is responsible for administering and regulating gaming in Colorado, including promulgating rules, issuing licenses, levying fines, and establishing fees and taxes.
- The Division is responsible for the day-to-day regulation of gaming, including processing licenses, conducting audits, overseeing gaming technology and devices, and patrolling gaming establishments.
- The Commission entered into interagency agreements with the Colorado State Patrol, the Colorado Bureau of Investigation, the Division of Fire Prevention and Control, and the Department of Local Affairs to help administer and regulate gaming. Each year the Commission approves funding of the agreements. In Fiscal Year 2017, the Commission paid these agencies a total of \$4.4 million.
- Revenue generated from gaming taxes, fees, and fines is used to pay for administering and regulating gaming and is distributed to beneficiaries. Between Fiscal Years 2013 and 2017, an average of \$14 million annually was used to pay the Division's and other state agencies' costs for gaming administration and regulation, and an average of \$98 million was distributed to beneficiaries.

KEY RECOMMENDATIONS

- Require other state agencies to align their budget requests submitted to the Commission with those submitted to the JBC and ensure agreements include specific descriptions of services and measures of performance.
- Improve monitoring of the interagency agreements for compliance by assigning a staff member to serve as contract manager and developing written policies and procedures for monitoring the agreements.