

REPORT HIGHLIGHTS



GAMING IMPACT GRANTS
PERFORMANCE AUDIT, AUGUST 2015

DEPARTMENT OF LOCAL AFFAIRS
DEPARTMENT OF HUMAN SERVICES

CONCERN

The Department of Local Affairs (DOLA) has not ensured that its Local Government Limited Gaming Impact Program (Local Gaming Impact Program) awards grants to eligible entities or consistently uses Program funds to address the impacts of gaming in Colorado, as statute requires. The Department of Human Services (DHS) has not ensured that its Gambling Addiction Program operates effectively or complies with statute to address problem gambling in Colorado.

KEY FACTS AND FINDINGS

- For Calendar Year 2014, DOLA awarded \$236,000 in Local Gaming Impact Program grants to two ineligible grant applicants that did not have the documented gaming impacts that statute requires. DOLA also awarded about \$289,000 to three other applicants that used unsuitable methods to determine their gaming impacts.
- DOLA does not have transparent grant making processes. We could not determine DOLA's rationale for awarding 40 grants and denying three applications for Calendar Year 2014 because its rationale is not communicated or documented. Further, DOLA does not have a process to consider grant funding recommendations from its Advisory Committee, as required by statute, and the Advisory Committee did not follow certain requirements of Colorado's open meetings law.
- DOLA paid five grantees \$514,587 (35 percent of the \$1.48 million the audit reviewed), which were unallowable payments because the grantees did not comply with their grant contracts.
- DHS' Gambling Addiction Program has not operated effectively to address problem gambling. From July 2010 to August 2013, the Program had students provide gambling addiction counseling and did not provide grants to entities with or seeking accredited counselors, as statute requires. From September 2013 to June 2015, the Program funded only \$650 in counseling services (the main purpose of the Program) and granted over \$20,900 to ineligible counselors. Eighteen of the 23 counselors who received grants did not get accredited.
- Since July 2010, DHS has used only 36 percent of Gambling Addiction Program funds for grants; the remaining funds were used for administrative and marketing costs or not used at all.

BACKGROUND

- The Local Gaming Impact Program and Gambling Addiction Program are competitive grant programs created by the General Assembly to address specific impacts of casino gaming in Colorado. The Programs receive funding from taxes, fees, and fines paid by Colorado casinos.
- DOLA's Local Gaming Impact Program was created in 1997 to provide financial assistance to local governments to address the impacts of gaming on their communities. For Calendar Year 2014, this Program awarded local governments 40 grants totaling about \$4.9 million.
- DHS' Gambling Addiction Program was created in 2008 to help fund counseling for those affected by problem gambling and help individuals become nationally accredited gambling addiction counselors. In Fiscal Years 2014 and 2015, this Program awarded 23 counselors about \$28,000 in grants to pursue accreditation.

KEY RECOMMENDATIONS

- DOLA's Local Gaming Impact Program should use standard methods to document, measure, and report gaming impacts; consider Advisory Committee recommendations when awarding grants; and communicate and document the rationale for grant decisions. DOLA should also improve oversight of grantees, review grant expenditures, and ensure grantee contracts align with statute.
- DHS' Gambling Addiction Program should provide grants for gambling addiction counseling, only give grants to eligible entities, clarify its rules, and ensure Program funds are used effectively.

DOLA and DHS agreed with these audit recommendations.