

MEMBERS PRESENT: Chairman Stewart
Vice Chairman Sader
Mr. Thompson
Ms. Foley
Mr. Beyer
Mr. Price
Mr. Chaney
Mr. Malone
Mrs. Cafferata
Ms. Ham
Mr. Banner

MEMBERS ABSENT: None

GUESTS PRESENT: Larry Ryckman, Associated Press
Harlan Elges, Gaming Control Board
Richard W. Bunker, Chairman, Gaming Control Board
Don Rhodes, LCB
Dale W. Askew, Gaming Control Board
John H. Stratton, Gaming Control Board
G. Etcheverry, NV League of Cities
J. Motaner, Reno Newspaper

Chairman Stewart called the meeting to order at 8:04 a.m. and introduced the guest speaker, Mr. Richard Bunker, Chairman of the Gaming Control Board. The other members of the Control Board present were also introduced.

Mr. Bunker proceeded to point out the importance of the gaming industry to the State of Nevada: on the average fifty percent of the State's general fund revenues come from gaming. He then outlined the organizational structure of Gaming Control as noted below.

Gaming Policy Committee: This is an advisory board to the Gaming Control Board and the Nevada Gaming Commission. It is a lay body appointed by the Governor. Although this committee has, in the past, met infrequently, in the future it will be playing a much more significant role in the area of long term problems and challenges which will be facing the gaming industry.

Nevada Gaming Commission: This is a lay body of five members appointed by the Governor. It is the final authority on the issuance of gaming licenses and any punitive measures which might be taken against any particular licensee.

Gaming Control Board: This is a recommending body which has the responsibility for the day-to-day activities of Gaming Control in the State of Nevada. By statute, the Chairman of the Gaming Control Board is the Executive Director of the Gaming Control Agency and shall have at least five years of comprehensive management and administrative experience. One member of the

Gaming Control Board, by statute, must be qualified in the area of finance and/or accounting; and one member must have some expertise in the area of investigation and law enforcement.

Mr. Bunker then went on to describe a typical agenda for licensing: 1) the submission of an extensive file of documents covering a personal history background which is almost all-inclusive and an invested capital questionnaire which totally exposes to the Gaming Control Agency every aspect of a person's financial position and/or condition. 2) These documents are reviewed for completeness and authenticity and then the case is assigned to a team of investigators who go out into the field and investigate the particular applicant using the information on the documents. (Note: The Investigations Division consists of two types of investigators: a background investigator who usually has some type of investigative or police experience and a financial investigator who has finance and banking experience and who goes into the personal finances of the individual and/or corporation.) 3) A summary is prepared by the Investigations Division and sent to Board members. The Board members review the summary and during the monthly meeting hold a public hearing with the proposed applicant. At this point the Board can question the applicant concerning the information he has submitted in order to clarify certain points as appropriate. 4) The Board votes as to whether to recommend approval or denial of the application. This recommendation is forwarded to the Nevada Gaming Commission. If the Board should recommend denial it requires a unanimous vote by the Commission to overturn that recommendation.

Mr. Bunker then changed topics for a moment to point out that there is an apparent conflict in that the Attorney General's office is the legal counsel for the Board and the attorneys move between the Commission and the Control Board, thus an attorney can be representing the Board and his supervisor representing the Commission. There is legislation being introduced to correct this situation.

Returning to the organizational structure of Gaming Control, Mr. Bunker went on to describe the following operating divisions of the Control Board:

Investigations Division: Responsible for the pre-license investigations, both background and financial, of all applicants, companies, partnerships and/or corporations. The investigators look for anything which might adversely affect the application, and work very closely with other government agencies--the SEC, FBI, IRS, etc. Additionally, contacts are maintained with other law enforcement agencies throughout the world--Scotland Yard, Interpol, Royal Canadian Mounted Police, etc.--and it is not unusual to have Gaming Control Board investigators traveling all around the world. Here Mr. Bunker noted that the investigations are paid for by the applicant.

Audit Division: Primarily responsible for the general auditing of every licensee to insure conformance to the State gaming laws.

In the past audits have occurred only every three and a half to five years, making it extremely difficult to enforce or monitor compliance with the State gaming laws. Recently, however, there have been significant changes and upgrading of the audit capability of the Gaming Control Board due to a major structural reorganization of the Audit Division and because of an increase in manpower. In order to regulate the gaming industry there must be an audit process. The licensees must account for every dollar coming through the cage, be it by cash, or by credit. The Board feels that with the new procedures and changes recently instigated they will be able to accomplish this type of regulatory activity.

In reply to a question from Chairman Stewart, Mr. Bunker explained that audits turn up various types of violations which are detected mainly through the use of Regulation 6 of the Nevada Gaming Control Board. This Reg. 6 is the internal control document that is prepared by the licensee and his auditors and legal staff. It indicates the movement of any type of finance through that operation; i.e., chips, cash, credit. The document outlines everything: how the chips are going to move from the cage to the table, who has to sign the fill slip, who carries the money, whether the security guard who is responsible for the money has to sign off at the table when he takes it into the pit, who picks up the drop box, when the box is picked up and where it is moved to, who is responsible for receiving it if it is to be moved into the count room, who conducts the count, how often are they changed, from what departments are they going to be, etc. Certain basic requirements of the Control Board have to be included in Reg. 6. If the document is not adequate in the minds of Board auditors and/or staff, it is returned for correction of its deficiencies.

Internal Control Supervisor: The sole responsibility of this office is the monitoring of the Reg. 6 compliance of the licensees. Prior to going out on an audit the Reg. 6 document is reviewed, giving the auditors advance knowledge of exactly what should take place and facilitating discovery of a violation.

Mr. Price queried Mr. Bunker about enforcement in the field, and learned that, by law, the total records of any Nevada gaming casino are open to the Control Board and its agents at any time.

Regarding Mr. Thompson's question concerning the types of discipline for Reg. 6 violations, Mr. Bunker noted that there are two avenues for this: 1) a notice to show cause, i.e., show cause why the license should not be revoked; and 2) a complaint process, i.e., the Board files a formal complaint with the Nevada Gaming Commission and attaches a fine or some other type of discipline, to possibly include conditioning of the license. The Commission then conducts a hearing and makes a final decision.

In response to a question by Mr. Malone, a short discussion was held concerning the adequacy of the fines levied, with some members feeling they were inadequate and others believing there

should be stricter enforcement or other types of discipline employed. There was also discussion about the type of discipline which should be employed in the event an individual impersonates someone else in order to get credit. One point made by Mr. Bunker was that should someone get a false line of credit, the industry will attempt to write off the marker as being uncollectible. The State, however, should still be able to collect its 5½ percent on this money, and a recent court decision stated it was up to the casino--not the Control Board--to prove they made a conscious, willing effort to check the individual's credit and followed their Reg. 6 procedures.

Mr. Beyer asked about the application of Reg. 6 to both restricted and non-restricted licensees, and the number of licensees in each category. Mr. Bunker noted there are 1,187 restricted and 290 non-restricted licensees. He further indicated that due to the cost of generating a Reg. 6 document, the Board has formulated a generalized Reg. 6 which can be adopted by anyone grossing under one million dollars per annum.

Mr. Chaney asked about termination of dealers because of alleged stealing and the protection of the dealers from such allegations. Mr. Bunker noted that there is an undercover surveillance in casinos program within the Board's enforcement division. Additionally, many casinos have internal surveillance systems. Both of these can be used to prove innocence as well as guilt, thus protecting both the casinos and the dealers.

Regarding Mr. Sader's question concerning the frequency of audits, Mr. Bunker was proud to note that with the changes in the audit division, the Board should soon be able to audit the non-restricted licensees every two to two and a half years; often enough, according to Mr. Bunker, to monitor compliance. Additionally, spot checks are conducted at random, increasing the likelihood of detecting any violations.

Enforcement Division: Responsible for investigating all reported and all observed violations or irregularities of the Nevada Gaming Control Act. A positive aspect of their duties is that they investigate in person all citizen complaints, grievances or other incidents involving gaming related matters: slot disputes, keno tickets, sporting events wagers, etc. Additionally, this Division conducts periodic and unscheduled inspections of all licensed games, devices, etc. to insure proper operation and compliance with gaming regulations. Another responsibility of the Enforcement Division is to inspect all new gaming devices in the lab to insure feasibility, quality and compliance with gaming regulations prior to their being used in any establishment. Mr. Bunker noted that with the increase of electronic games it will be necessary to upgrade and increase the physical and manpower capabilities of the labs in order to be able to monitor these devices. Mr. Bunker replied to Mr. Price's question regarding the ratio of gaming devices to electronic devices to manpower that there are 80,690 slot machines in the State and estimated

that at least 75% of these were electronic. Mr. Bunker added that a problem which is not suspected of being major but should be recognized is the Board's current inability to monitor possible changes made in these machines by the licensee once the unit is on the floor.

In response to Mr. Beyer, Mr. Bunker noted that manufacturers of all machines used in Nevada, whether or not that manufacturer is physically located in Nevada, must be licensed by the State.

Returning to the Enforcement Division, it was noted that another important part of their duties is the monitoring of the work cards. By statute, the legislature has given the authority to counties in the State to issue work cards to everyone in the gaming industry. By that same statute they have given the Gaming Control Board the authority to make an exception to the issuance of a work card.

The procedure for obtaining a work card is as follows: 1) an individual applies at the designated office for a card; 2) a copy of the individual's application is forwarded to the Gaming Control Board; 3) the Board checks its extensive files for any derogatory information on the applicant, and if the Board has any problem they inform the office where the application was submitted that the Board opposes the issuance of a work card to the applicant, who 4) then has the opportunity within a few days to notify the Gaming Control Board that he is petitioning for a hearing; 5) a hearing is held before a Gaming Control Board officer who 6) submits a summary of the hearing to the Board; 7) if the Board still objects to the issuance of a license, the applicant can appeal to the Nevada Gaming Commission, which has the final say in the matter.

In answer to Mr. Chaney's question, it was explained that the State; i.e., the Gaming Control Board, provides the hearing officer. It was noted, however, that the Board and the hearing officer attempt to maintain as much aloofness as possible, and this method has been found usually to be fair and unprejudiced.

Mr. Bunker further noted that the Enforcement Division works 24 hours a day, seven days a week. This places a strain on the Board's manpower.

Special Investigations Division: Primarily responsible for the gathering of intelligence data, wherever it might be--off the street, in foreign countries, in federal agencies, etc. This division maintains the appropriate confidential files for the Control Board, the photographic files of people the Board is concerned about, and operates and controls the central information bank. They maintain very close and very high level liaison with outside law enforcement agencies, as noted previously. They also handle the special projects of the Gaming Control Board; currently this is in the area of organized crime. This division has only been in operation for a year.

The Special Investigations and Intelligence Division also screens all of the prospective employees of the Gaming Control Board. Finally, this division also handles the Board's internal affairs: internal investigations of agents or employees who have misbehaved or done something inappropriate; internal security--the movement in the building, the movement of information from the Board's files to other law enforcement agencies; etc.

Administration, Tax and License Division: Handles personnel, sick and annual leave, budget, travel of the agents, etc. Additionally, the tax and license portion of the division is responsible for monitoring the payment of taxes by the individual licensees: they issue the license and collect the taxes, and forward the money to the General Fund or whatever other fund the money is slotted for.

Mr. Bunker proceeded to solicit any questions concerning the above presentation. Mr. Price asked if any of the proposed legislation on this topic would change the current situation where an unlicensed individual can operate at a profit for months prior to being detected. This precipitated a discussion of the possibility of an individual losing his license and still being able to sell his property at a profit, the unfairness of this situation, and the need for some form of regulation which would either negate, or at least decrease the profits of such individuals.

Mr. Beyer then asked about the several new employees recommended by the Governor, what type the Board was looking for and which division would receive them. Mr. Bunker replied that when the Special Investigations and Intelligence Division was organized, several employees were taken from Audit and Investigations. Hence, the 15 new positions allocated for the formation of the Special Investigations and Intelligence Division will be "paid back" to the Audit (8 positions) and Investigations (6 positions) Divisions. Thus, of the 45 people referred to by the Governor, primarily they will be going into Audit, Enforcement and Investigations. The majority of these new people will go to Audit.

Mr. Thompson asked if the compliance officers in the field had an established territory. Except for the Audit Division--an audit team is responsible for a given location on a one-time basis--territories are assigned by random selection.

Mr. Bunker ended by noting that, with the exception of the budget, all gaming legislation will appear in the Judiciary Committee.

Chairman Stewart noted that some, if not most, of the gaming bills were handled by the interim subcommittee and will be introduced by Chairman Close, who wants to set up joint hearings on those bills during the month of February.

Mr. Beyer commended Chairman Stewart for having set up the previous three days of excellent briefings which were most informative and highly appreciated.

Chairman Stewart then discussed the proposed agenda for the week: a review of the court system, which had been previously postponed, was scheduled for Monday, 26 January, at 9:30 a.m.; two bills concerning constitutional amendments for Tuesday, 27 January, at 8:00 a.m.; and the bills regarding juvenile delinquency for Wednesday, 28 January, at 8:00 a.m.

Mr. Thompson then moved for adjournment, as there was no further business, and the meeting was adjourned at 9:25 a.m.

Respectfully submitted,

Pamela B. Sleeper

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Assembly Attache