



Nicole R. Galloway, CPA
Missouri State Auditor

PUBLIC SAFETY

Missouri Gaming Commission



October 2015
Report No. 2015-094

<http://auditor.mo.gov>



CITIZENS SUMMARY

Findings in the audit of the Missouri Gaming Commission

Background	<p>The Missouri Gaming Commission was established in 1993 to regulate excursion gambling boats. In addition, the Commission has been charged with overseeing the lawful operation of the game of bingo and regulating horse racing. The Commission consists of 5 members appointed by the Governor, with the advice and consent of the Senate. The Commission hires the Executive Director who oversees the operations of the Commission. From 1993 to 2015, approximately \$5.1 billion of gaming proceeds were distributed for education funding.</p> <p>This audit includes a review of gaming proceeds transferred to various agencies and funds as required by state law, but does not include a review of distributions made by the Department of Elementary and Secondary Education from the Gaming Proceeds for Education Fund or disbursements of gaming funds made by other agencies.</p>
Findings	<p>The audit identified no significant deficiencies in internal controls, no significant noncompliance with legal provisions, and no significant deficiencies in management practices and procedures. No findings resulted from our audit.</p>

In the areas audited, the overall performance of this entity was **Excellent**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

Missouri Gaming Commission

Table of Contents

State Auditor's Report	2
------------------------	---

Organization and Statistical Information	4
--	---

Appendixes

	Combined Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Changes in Cash and Investments, Year Ended -	
A-1	June 30, 2015	6
A-2	June 30, 2014	7
B	Comparative Statement of Gaming Receipts and Distributions, 2 Years Ended June 30, 2015	8
C	Comparative Statement of Appropriations and Expenditures, 2 Years Ended June 30, 2015	9
D	Comparative Statement of Expenditures (from Appropriations), 5 Years Ended June 30, 2015	10
E	Receipt and Distribution Charts, June 1, 1993 through June 30, 2015	11



NICOLE R. GALLOWAY, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor,
and
Missouri Gaming Commission
and
William K. Seibert, Jr., Executive Director
Missouri Gaming Commission
Jefferson City, Missouri

We have audited certain operations of the Missouri Gaming Commission, in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2015, and 2014. The objectives of our audit were to:

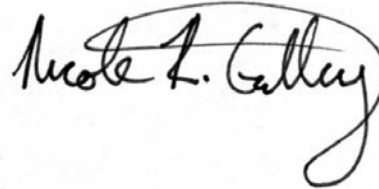
1. Evaluate the commission's internal controls over significant management and financial functions.
2. Evaluate the commission's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the Gaming Commission; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our 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 such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the commission's management and was not subjected to the procedures applied in our audit of the commission.

For the areas audited, we identified (1) no significant deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) no significant deficiencies in management practices and procedures. No findings resulted from our audit of the Missouri Gaming Commission.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	John Luetkemeyer, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Dennis Lockwood, CPA
In-Charge Auditor:	James M. Applegate, MBA
Audit Staff:	Alexander Druzenko, MBA, CPA
	Sherrye Lesmes

Missouri Gaming Commission

Organization and Statistical Information

The Missouri Gaming Commission (commission) was established in 1993 by the Eighty-Seventh General Assembly, as specified by Chapter 313, RSMo. The Commission is assigned to the Department of Public Safety (DPS) for administrative purposes. However, the Director of the DPS has no authority or control over the commission.

Section 313.822, RSMo, provides that a tax be imposed on the adjusted gross receipts (the gross receipts from licensed gambling games and devices less the winnings paid to wagerers) at the rate of 21 percent. This section allows the home dock city or county to receive 10 percent of the adjusted gross receipts tax and the remainder to be deposited in the state treasury to the credit of the Gaming Proceeds for Education Fund. Furthermore, Article III, Section 39(d) of the Missouri Constitution requires all state revenues derived from gaming activities be appropriated solely for public institutions of elementary, secondary, and higher education.

Section 313.820, RSMo, provides that an excursion boat licensee shall pay to the commission an admission fee of \$2 for each person embarking on an excursion with a ticket of admission. One dollar shall be paid to the home dock city or county while the other dollar, per Section 313.835, RSMo, shall be deposited in the state treasury to the credit of the Gaming Commission Fund. This fund is for the purpose of funding the administrative costs of the commission relating to excursion gambling boat operations, subject to appropriation. This fund also includes revenue received by the commission for license fees, administrative fees, and reimbursement by any excursion gambling boat operation for services provided by the commission. Also, up to 1 cent of each dollar from admission fees deposited in the Gaming Commission Fund may be transferred to the Compulsive Gamblers Fund, pursuant to Section 313.842, RSMo. The Compulsive Gamblers Fund is used by the commission to administer the voluntary exclusion program for problem gamblers and programs to educate the public about problem gambling, and by the Department of Mental Health for its treatment programs.

Section 313.835, RSMo, requires the first \$500,000 of Gaming Commission Fund proceeds to be annually appropriated on a per capita basis to cities and counties that match the state portion and have demonstrated a need for funding community neighborhood organization programs for the homeless and to deter gang-related violence and crimes. In addition, the statute provides for remaining net proceeds of the Gaming Commission Fund to be transferred as follows: (1) the first \$5 million to the Access Missouri Financial Assistance Fund, plus any additionally appropriated monies; (2) the next \$3 million to the Veterans' Commission Capital Improvement Trust Fund; (3) the next \$4 million to the Missouri National Guard Trust Fund plus up to \$1.5 million, subject to appropriation by the General Assembly; and (4) the remaining net proceeds, subject to appropriation, to the Veterans' Commission Capital Improvement Trust Fund.



Missouri Gaming Commission Organization and Statistical Information

This audit includes a review of gaming proceeds transferred to various agencies and funds as required by state law, but does not include a review of distributions made by the Department of Elementary and Secondary Education from the Gaming Proceeds for Education Fund or disbursements of gaming funds made by other agencies.

The commission performs all duties and has all powers and responsibilities conferred and imposed upon it relating to the licensing and regulation of excursion gambling boats and the lawful operation of the game of bingo under Chapter 313, RSMo. Within the commission there is a Division of Gaming and a Division of Bingo. In addition, the commission is responsible for regulating horse racing under Chapter 313, RSMo. Section 313.720, RSMo, establishes the Missouri Breeders Fund, which provides incentives for breeders and owners of Missouri bred horses.

The Executive Director of the Missouri Gaming Commission is hired by the commission. Roger Stottlemire served as Executive Director until his retirement on March 1, 2015. At that time, William "Bill" K. Seibert, Jr. was named Executive Director and currently holds that position.

The Missouri Gaming Commission consists of 5 members appointed by the Governor, with the advice and consent of the Senate. Terms of members are for 3 years on a staggered basis. No person shall serve as a member more than 6 years. The chairman is appointed by the Governor.

At June 30, 2015, members of the Missouri Gaming Commission were:

Name	Term Expires
Leland M. Shurin, Chairman ¹	April 2017
Diane C. Howard, Vice Chairman ²	April 2015
Brian Jamison ³	April 2016
Larry D. Hale	April 2016
Thomas Neer	April 2017

¹ Leland M. Shurin resigned from the Commission on July 16, 2015.

² Richard Lombardo was appointed to the Commission on September 11, 2015.

³ Brian Jamison was appointed as the Commission Chair after Mr. Shurin's resignation.

At June 30, 2015, the Missouri Gaming Commission had 107 employees and 132 Missouri State Highway Patrol employees who are assigned to the commission and paid from the Gaming Commission Fund.

Appendix A-1

Missouri Gaming Commission
Combined Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Change in Cash and Investments
Year Ended June 30, 2015

	Gaming Commission Fund	Compulsive Gamblers Fund	Missouri Breeders Fund	Total (Memorandum Only)
RECEIPTS				
Admissions	\$ 44,222,953	0	0	44,222,953
Licenses, penalties, and fees	1,675,375	0	0	1,675,375
Reimbursement payments	17,577,353	0	0	17,577,353
Interest	14,455	0	418	14,873
Other	8,495	339	0	8,834
Total Receipts	<u>63,498,631</u>	<u>339</u>	<u>418</u>	<u>63,499,388</u>
DISBURSEMENTS				
Personal service	13,818,787	0	0	13,818,787
Employee fringe benefits	8,979,462	0	0	8,979,462
Expense and equipment	1,325,602	208	0	1,325,810
Total Disbursements	<u>24,123,851</u>	<u>208</u>	<u>0</u>	<u>24,124,059</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>39,374,780</u>	<u>131</u>	<u>418</u>	<u>39,375,329</u>
OTHER FINANCING SOURCES (USES)				
Appropriations exercised by other agencies	(2,945,427)	(177,781)	0	(3,123,208)
Transfers from:				
Gaming Commission Fund	0	80,000	0	80,000
Proceeds of Surplus Property Sales Fund	7,831	0	0	7,831
Transfer to:				
OA - Cost Allocation Plan	(550,364)	0	0	(550,364)
Access Missouri Financial Assistance Trust Fund	(5,000,000)	0	0	(5,000,000)
Missouri National Guard Trust Fund	(4,000,000)	0	0	(4,000,000)
Veterans' Commission Capital Improvement Trust Fund	(25,137,609)	0	0	(25,137,609)
Compulsive Gamblers Fund	(80,000)	0	0	(80,000)
Total Financing Sources (Uses)	<u>(37,705,569)</u>	<u>(97,781)</u>	<u>0</u>	<u>(37,803,350)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES)	1,669,211	(97,650)	418	1,571,979
CASH AND INVESTMENTS, JULY 1, 2014	637,609	154,374	85,651	877,634
CASH AND INVESTMENTS, JUNE 30, 2015	<u>\$ 2,306,820</u>	<u>56,724</u>	<u>86,069</u>	<u>2,449,613</u>

Appendix A-2

Missouri Gaming Commission
Combined Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Change in Cash and Investments
Year Ended June 30, 2014

	Gaming Commission Fund	Compulsive Gamblers Fund	Missouri Breeders Fund	Total (Memorandum Only)
RECEIPTS				
Admissions	\$ 44,870,917	0	0	44,870,917
Licenses, penalties, and fees	1,862,118	0	0	1,862,118
Reimbursement payments	15,930,865	0	0	15,930,865
Interest	15,958	0	483	16,441
Other	4,196	0	0	4,196
Total Receipts	<u>62,684,054</u>	<u>0</u>	<u>483</u>	<u>62,684,537</u>
DISBURSEMENTS				
Personal service	13,296,848	0	0	13,296,848
Employee fringe benefits	8,388,278	0	0	8,388,278
Expense and equipment	1,330,381	0	4,000	1,334,381
Total Disbursements	<u>23,015,507</u>	<u>0</u>	<u>4,000</u>	<u>23,019,507</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>39,668,547</u>	<u>0</u>	<u>(3,517)</u>	<u>39,665,030</u>
OTHER FINANCING SOURCES (USES)				
Appropriations exercised by other agencies	(3,094,850)	(117,235)	0	(3,212,085)
Transfers from:				
Gaming Commission Fund	0	150,000	0	150,000
Proceeds of Surplus Property Sales Fund	5,622	0	0	5,622
Transfer to:				
OA - Cost Allocation Plan	(591,710)	0	0	(591,710)
Access Missouri Financial Assistance Trust Fund	(5,000,000)	0	0	(5,000,000)
Missouri National Guard Trust Fund	(4,000,000)	0	0	(4,000,000)
Veterans' Commission Capital Improvement Trust Fund	(26,792,691)	0	0	(26,792,691)
Compulsive Gamblers Fund	(150,000)	0	0	(150,000)
Total Financing Sources (Uses)	<u>(39,623,629)</u>	<u>32,765</u>	<u>0</u>	<u>(39,590,864)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES)	44,918	32,765	(3,517)	74,166
CASH AND INVESTMENTS, JULY 1, 2013	592,691	121,609	89,168	803,468
CASH AND INVESTMENTS, JUNE 30, 2014	<u>\$ 637,609</u>	<u>154,374</u>	<u>85,651</u>	<u>877,634</u>

Appendix B

Missouri Gaming Commission Comparative Statement of Gaming Receipts and Distributions

	Year Ended June 30,	
	2015	2014
Receipts		
Gaming proceeds	\$ 355,728,870	352,154,894
Admissions	88,128,214	90,087,470
Bingo taxes	1,771,432	1,810,599
Licenses, penalties, and fees	1,675,375	1,862,118
Reimbursement payments	17,577,353	15,930,865
Interest	10,387	11,658
Other	8,476	4,196
Total	\$ <u>464,900,107</u>	<u>461,861,800</u>
Distributions *		
Gaming Commission Fund	\$ 63,498,631	62,684,054
Gaming Proceeds for Education Fund	320,383,840	316,930,649
Home Dock Cities	79,246,932	80,432,042
Bingo Proceeds for Education Fund	1,770,286	1,814,572
Missouri Breeders Fund	418	483
Total	\$ <u>464,900,107</u>	<u>461,861,800</u>

* Distributions represent distributions of receipts for the fiscal year, a portion of which is disbursed after the end of the fiscal year.

Appendix C

Missouri Gaming Commission

Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,					
	2015			2014		
	Appropriations	Expenditures	Lapsed Balances	Appropriations	Expenditures	Lapsed Balances
COMPULSIVE GAMBLERS FUND						
Expense And Equipment	\$ 56,310	208	56,102	56,310	0	56,310
Total Compulsive Gamblers Fund	56,310	208	56,102	56,310	0	56,310
GAMING COMMISSION FUND						
Divisions of Gaming and Bingo:						
Personal Service	14,315,963	13,818,787	497,176	13,889,507	13,296,848	592,659
Expense and Equipment	1,726,519	1,325,452	401,067	1,726,519	1,330,208	396,311
Fringe benefits and insurance premiums for State Highway Patrol employees assigned to work under the direction of the Gaming Commission:						
Personal Service	6,605,754	5,835,992	769,762	6,605,754	5,340,511	1,265,243
Expense And Equipment	267,317	197,914	69,403	267,317	241,379	25,938
Refund any overpayment or erroneous payment of any amount credited to the Gaming Commission Fund	100,000	150	99,850	100,000	0	100,000
Total Gaming Commission Fund	23,015,553	21,178,295	1,837,258	22,589,097	20,208,946	2,380,151
BINGO PROCEEDS FOR EDUCATION FUND						
Bingo refunds	5,000	0	5,000	5,000	0	5,000
Total Bingo Proceeds For Education Fund	5,000	0	5,000	5,000	0	5,000
MISSOURI BREEDERS FUND						
Breeder incentive payments	5,000	0	5,000	5,000	4,000	1,000
Total Missouri Breeders Fund	5,000	0	5,000	5,000	4,000	1,000
Total All Funds	\$ 23,081,863	21,178,503	1,903,360	22,655,407	20,212,946	2,442,461

The lapsed balances include the following withholdings made at the Governor's request:

	Year Ended June 30,	
	2015	2014
Gaming Commission Fund		
Personal Service	\$ 429,479	416,685
Expense and Equipment	51,796	51,796
Total Gaming Commission Fund	\$ 481,275	468,481

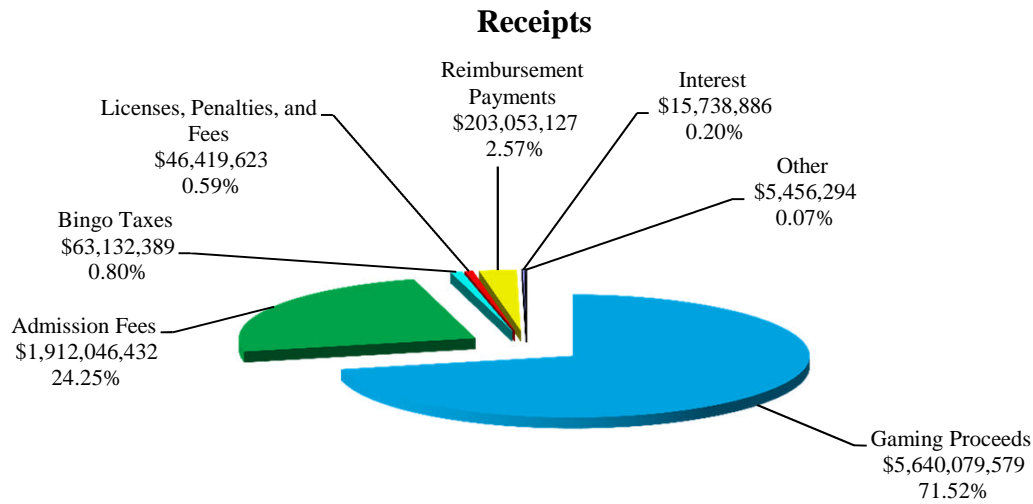
Appendix D

Missouri Gaming Commission Comparative Statement of Expenditures (from Appropriations)

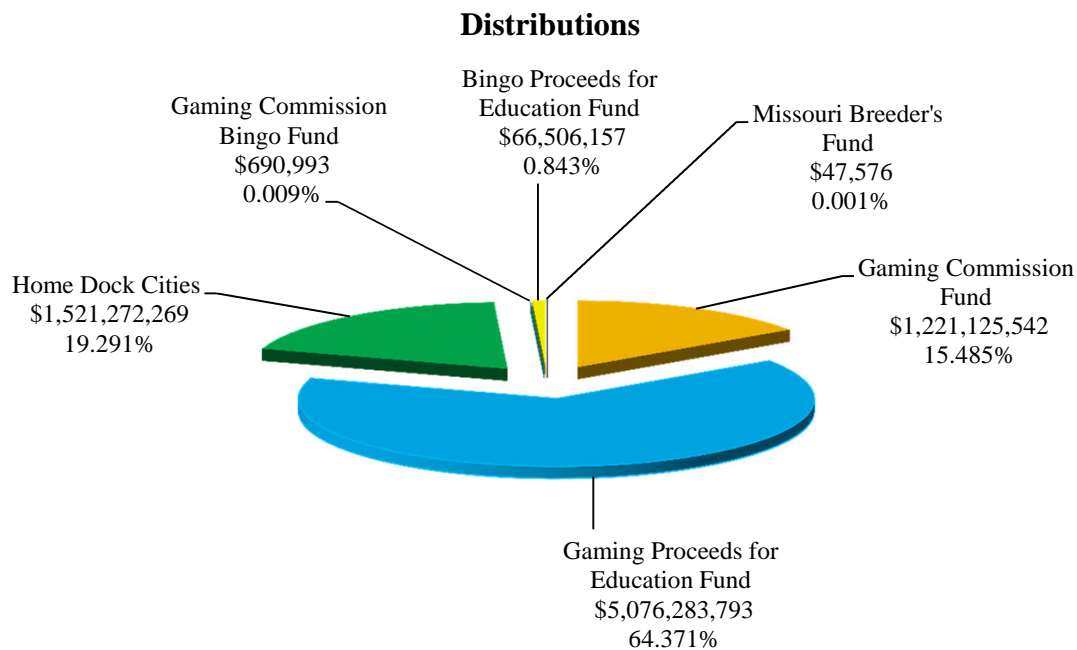
	Year Ended June 30,				
	2015	2014	2013	2012	2011
Personal services	\$ 13,818,787	13,296,848	12,716,216	12,153,018	12,197,262
Benefits	5,835,992	5,340,511	5,139,269	5,035,211	4,506,233
Travel, in-state	72,115	88,326	117,879	92,767	118,174
Travel, out-of-state	136,648	131,510	104,617	105,737	88,385
Fuel and utilities	0	0	35,418	34,038	35,195
Supplies	74,732	61,042	81,659	90,639	83,812
Professional development	58,063	61,023	67,735	55,212	55,771
Communication services and supplies	301,556	275,900	265,791	250,028	255,096
Professional services	262,311	269,922	333,359	269,601	383,136
Housekeeping and janitorial services	1,350	1,350	20,380	20,762	23,029
Maintenance and repair services	138,709	140,908	191,222	143,462	184,972
Computer equipment	232,342	245,611	268,744	206,774	261,671
Office equipment	15,876	6,039	12,924	19,445	18,194
Other equipment	1,450	27,629	34,563	6,472	7,320
Property and improvement	240	0	250	525	6,315
Building lease payments	750	1,252	311,701	317,502	404,559
Equipment rental and lease payments	1,025	600	447	455	568
Insurance and surety bond premiums	197,914	241,379	202,120	211,087	221,881
Miscellaneous expenditures	28,493	23,096	34,118	23,979	9,817
Refunds	150	0	1,000	95,200	27,850
Total Expenditures	\$ <u>21,178,503</u>	<u>20,212,946</u>	<u>19,939,412</u>	<u>19,131,914</u>	<u>18,889,240</u>

Appendix E

Missouri Gaming Commission Receipt and Distribution Charts July 1, 1993 through June 30, 2015



Total Receipts: \$7,885,926,330



Total Distributions: \$7,885,926,330

Appendix E (continued)

Missouri Gaming Commission
 Receipt and Distribution Charts
 July 1, 1993 through June 30, 2015

