



**New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor**

**Casino Control Commission and
Department of Law and Public Safety
Division of Gaming Enforcement**

July 1, 2012 to November 30, 2014

**Stephen M. Eells
State Auditor**



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Enclosed is our report on the audit of the Casino Control Commission and Department of Law and Public Safety, Division of Gaming Enforcement for the period of July 1, 2012 to November 30, 2014. If you would like a personal briefing, please call me at (609) 847-3470.

Stephen M. Eells
State Auditor
March 17, 2015

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Scope

We have completed an audit of the Casino Control Commission (CCC) and the Department of Law and Public Safety, Division of Gaming Enforcement (DGE) for the period July 1, 2012 to November 30, 2014. Our audit included financial activities accounted for in the Casino Control Fund. This fund accounts for fees from the issuance and renewal of casino licenses and other license fees. Appropriations are made from the Casino Control Fund to finance the operations of the CCC and the DGE. Annual expenditures of the DGE during our audit period averaged \$46.7 million, of which \$38.7 million was for payroll. Annual expenditures of the CCC during our audit period averaged \$7.5 million, of which \$5.5 million was for payroll.

In February 2011, a bill was signed into law to revise the Casino Control Act, the law that regulates the licensing of casinos and casino gaming in the state. Various regulatory responsibilities of the CCC were transferred to the DGE and others were eliminated. As a result, the CCC reduced its workforce from 268 employees to a staff of 49 employees, including three commissioners, as of November 30, 2014. Fifty CCC employees were transferred to the DGE, which had a staff of 313, including 42 State Police and 9 Criminal Justice employee assignments, as of November 30, 2014.

The prime responsibilities of the CCC are to license initial casino applications and key casino employees and to handle appeals of DGE decisions or penalties. The prime responsibilities of the DGE are to regulate the operations of casinos, enforce the state's casino gaming laws and regulations, investigate all applications for licensure and registration, license casino service industry enterprises, and accept and maintain casino employee and vendor registrations.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the agencies' programs, were reasonable, and were recorded properly in the accounting systems. In addition, we reviewed processes of both agencies to determine whether the CCC and the DGE have coordinated to promote operational efficiencies as required by statute.

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, circular letters promulgated by the Department of the Treasury, and policies of the CCC and the DGE. Provisions we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our testing of financial transactions. We also read Casino Control Commission annual reports, reviewed financial trends, and interviewed agency personnel to obtain an understanding of the programs and the internal controls.

A nonstatistical sampling approach was used. Our samples of financial 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.

Conclusions

We found that the financial transactions included in our testing were related to the agencies' programs; however, certain transactions were not always reasonable or properly recorded in the accounting systems. We also found that coordination between the CCC and the DGE to promote operational efficiencies as required by statute could be improved, although certain operational change recommendations contained in this report would require legislation. In addition, we found opportunities to streamline functions of the CCC and the DGE, the improper use of state vehicles, an underutilized leased building, the improper accounting of legal fees, and indirect cost underpayments.

Streamlining Functions

Functions of the CCC and the DGE should be streamlined to achieve operational and fiscal efficiencies.

Comparable and underutilized functions, inefficient processes, and a decrease in work due to recent casino closings, warrant a reevaluation of the CCC and the DGE responsibilities and use of financial resources. In February 2011, legislation was signed into law which modified multiple provisions of the Casino Control Act, and many functions previously performed by the CCC were eliminated or assumed by the DGE. As a result, the CCC was left with limited responsibilities, some of which duplicate efforts of the DGE. Per statute, the CCC, after consultation with the DGE, shall report recommendations that promote more efficient operations. We found that the two organizations need to collaborate further in order to achieve greater efficiencies for the Casino Control Fund. We noted the following inefficiencies and opportunities for streamlining.

Casino Employee License and Registration

Casino employee license and registration functions are divided between the CCC and the DGE although the volume of applications may not warrant the CCC's involvement. Previously, all licenses required under the Casino Control Act were processed and approved by the CCC and the applicant investigation was performed by the DGE. The 2011 legislation modified licensure requirements, and most licensing functions were transferred from the CCC to the DGE. In addition to applicant investigations, the DGE now processes and approves Casino Employee Registrations (registrations), Vendor Registrations, Casino Service Industry Enterprise Licenses, Internet Gaming Permits, and Casino Renewal Licenses. The DGE also processes Initial Casino License and related qualifier applications. The CCC retained only the application intake and approval of Casino Key Employee Licenses (key licenses) and approval of Initial Casino Licenses. We noted the following.

- In fiscal years 2013 and 2014, an average of 6,350 individuals submitted applications for registrations or key licenses. The CCC Licensing Unit processed an annual average of 380 key license applications, which was only 6 percent of the total applications. This license is required if an employee is involved in the operation of a casino in a supervisory capacity or empowered to make discretionary decisions on casino operations. This unit consists of six employees with annual salary and benefit costs of \$554,000 and also handles key licensing correspondence, maintains a database, and compiles information for the CCC public meetings. Meanwhile, the DGE's Employee Licensing Bureau – Intake Unit processed an average of 5,970 registrations, 94 percent of the total casino employee applications, with a staff of seven with annual salary and benefit costs of \$704,000. A registration is required for any individual (except key licensees) to commence employment as a casino employee, and with legislative change, the DGE could be charged with key license applications.

- The CCC and the DGE maintain separate walk-up windows in a shared building location to intake casino employee applications and registrations. Only initial applicants are required to apply in person. In fiscal years 2013 and 2014, there was an annual average of 100 initial key license applicants, the CCC's only responsibility. While the application for key licenses and registrations differ, the DGE already intakes qualifier applications which mirror the key license application and could intake the key licenses with legislative change.
- Since 2011, the majority of the CCC's public meeting agendas have been related to key licensing and all determinations have aligned with the DGE's recommendations to grant or deny licensure. Although the statute requires the CCC's approval, the efficiency of involving the CCC should be further evaluated.
- Dedicating one attorney and one support staff as a CCC Hearings and Appeals Unit appears unreasonable because of a limited case load. The DGE investigative reports provided to the CCC may recommend conferences (part of the hearing process) with the applicant to address any negative factors identified (in many cases, outstanding federal or state obligations). Between February 2011 and August 2014, this unit held 80 conferences with applicants, averaging less than two per month. A DGE representative is present at this conference which results in a stipulation of settlement agreement between the DGE and the applicant to address the issues. This agreement is presented to the CCC in consideration to grant licensure. To contrast, the DGE is solely responsible for the hearing process for Casino Employee Registrant applicants and during the same time period conducted 2,471 conferences. It appears the DGE could handle the additional key employee applicant conferences. Although, the CCC is responsible to hear any appeals of a DGE decision, only eleven appeals have been filed since February 2011, and none resulted in a hearing.
- Since the CCC retained key licenses, the program and database for the employee licensing application are shared; however, the server was transferred to the DGE. Coordination between the two agencies is required to implement any system changes, which duplicates the time resources expended. Additionally, we noted that the CCC maintains a staff of four for information technology assignments which appears high for the size and functions of the agency.

Audit Responsibilities

The CCC has a unit of five employees that devotes the majority of time to parking fee audits, which is not a responsibility designated by statute. It is not an efficient use of funds for the CCC to administer this one fee when two other agencies perform similar functions. Prior to February 2011, casino related taxes and fees were collected, certified, and audited by the CCC. These included revenue sources for the Casino Control Fund, Casino Revenue Fund, Casino Reinvestment Development Authority, and the State of New Jersey General Fund. Upon legislative changes, the Revenue and Audit units of the CCC were transferred to the DGE. Currently, the DGE is responsible for Casino Control Fund revenue and audits of the Gross Revenue Tax which funds the Casino Revenue Fund. The collection, certification, and audit

function of all other revenue was transferred to the Department of the Treasury, Division of Taxation, with the exception of casino parking fees. The CCC was left with the responsibility to certify these fees. A casino licensee is required to pay a \$3 fee for each vehicle parked in its parking facility. A one-page informational return is submitted to the CCC by each casino on a monthly basis to substantiate the parking fee collections that are electronically submitted to the Division of Taxation. Parking fees generate approximately \$27 million annually. Salaries and benefits for this CCC unit averaged \$454,000 in fiscal years 2013 and 2014. Audit assessments averaged \$87,000 annually in fiscal years 2013 and 2014, but covered audit periods of 2008 through 2013, and may not be significant enough to warrant a dedicated unit.

Fingerprinting

The DGE could streamline the fingerprint function by utilizing the existing DGE License Intake Unit to administer the fingerprinting process. The cost of fingerprint services under state contract with an outside vendor is \$26.50 to \$65.50. However, the DGE regulations require applicants be fingerprinted in the presence of a DGE employee. The DGE maintained a unit of five employees dedicated to the process with salaries and benefits averaging \$410,000 annually. In fiscal years 2013 and 2014, an annual average of 3,000 applicants (approximately 12 per day) were fingerprinted at costs ranging from \$158 to \$216 per applicant when factoring in salaries and benefits of the employees, equipment, and related state and federal processing fees. Per statute, a casino employee applicant should bear the cost of the required criminal history background check, including all costs of administering and processing the check. These costs well exceed the \$95 fee paid by employee registration applicants and are not factored into the key licensing invoices.

Opportunity to Utilize Treasury Administration Services

The CCC could achieve additional efficiencies by transferring fiscal and payroll/personnel functions to the state's Department of the Treasury, Division of Administration while maintaining a limited presence on-site. The CCC maintains two units, with seven employees, whose responsibilities include these functions. We noted routine purchasing and payroll transactions processed and limited personnel actions for only 49 CCC employees.

Implication of Casino Closings

In calendar year 2014, four of the twelve Atlantic City casinos closed. As a result, annual fees and the CCC and the DGE responsibilities and billable hours related to these casinos will be eliminated. Per N.J.A.C. 13:69A-9.4, the division sets hourly fee rates to be paid by licensees, applicants, and permit holders. The rates are based upon the hourly costs of services provided by professional staff of the CCC and the DGE, as estimated from the projected fiscal year budgets. If there is a liability of the Casino Control Fund at fiscal year-end, casinos are billed a proportionate share of that amount.

A comparison of October 2014 casino invoices to those of October 2013 disclosed an average regulatory billing increase of 42 percent to the remaining eight casinos primarily because of the reassignment of the CCC and the DGE staff. The total increase of \$789,000 approximates the \$832,000 of lost billings to the four closed casinos. If the Casino Control Fund budget, which is 85 percent payroll related, is not reduced, casinos will continue to be billed at an increased amount.

Recommendation

We recommend legislative change be sought in the CCC's responsibilities for casino key employee licensing and parking fees to allow for streamlining comparable and inefficient processes. The CCC and the DGE should streamline functions to efficiently and effectively utilize Casino Control Fund resources and should evaluate staffing needs based on organizational responsibilities and resulting work load and adjust it accordingly.



State Vehicles

The Division of Gaming Enforcement should reduce the existing vehicle fleet.

Noncompliance with the Department of the Treasury, Circular Letter 12-11 regarding vehicle assignment and use has enabled the DGE to maintain more vehicles than necessary to fulfill official duties. The DGE maintains 109 state vehicles; 20 of which are used by State Police troopers assigned to the DGE. Vehicle expenses, including fuel, maintenance, vehicle lease, and net purchases, totaled approximately \$775,000 and \$562,000 in fiscal years 2013 and 2014, respectively. This amount includes annual reimbursements of approximately \$23,000 to the Division of Criminal Justice (DCJ) for the lease of six vehicles utilized by DCJ staff assigned to the DGE. The DGE has failed to establish adequate controls to monitor vehicle use and to evaluate agency needs which has contributed to an inefficient use of resources.

Vehicle Assignment

The DGE vehicles are classified as pool assignments and should be used collectively by agency personnel, maintain a monthly minimum business usage of 750 miles, and remain at the office location when not in official use. The DGE maintains one office in Trenton, two office locations in Atlantic City, and designated employees are assigned official work stations within a casino. The casinos range ½ mile to 2 miles from the main DGE office in Atlantic City. We found the DGE assigns each vehicle to a pool leader who is the primary driver, uses the vehicle to drive roundtrip between home and work daily, and has a median commute of 65 miles roundtrip to their official work station. Vehicle assignments appear to be based on job title, rather than necessity, as a disproportionate number of vehicles are assigned to those in higher ranking job titles. The DGE contends that all vehicles must be kept overnight at an employee's residence due to the lack of secure parking. Per regulations, if necessary, vehicles could be

relocated to employee residences in closest proximity to the DGE's parking facilities; however they are not. In addition, we observed safe parking availability at all DGE office locations, invalidating the need for the vehicles to be relocated overnight.

Vehicle Logs

Per state regulation, vehicle use logs must be maintained and should denote the time and mileage for all stops, including lunch and breaks. The vehicle use log issued by DGE requires starting and ending mileage, destination and purpose, and commuting miles for each entry, in addition to a driver's signature certifying that the information on the log is complete and accurate. Our testing of 109 vehicle logs for a one-month period identified incomplete logs and widespread inaccuracies in the recorded information.

- Ninety-two percent of the logs prepared by the DGE employees improperly included only one entry per each date, with a starting and ending mileage figure. One hundred percent of the logs prepared by state troopers contained no daily activity, a beginning and ending odometer figure for the month, and a total mileage figure indicating 100 percent business use. None of the logs reviewed indicated times.
- One hundred percent of the destination and purpose entries were vague or blank. We noted four logs with repetitive entries for "field investigation" and "field" completed by employees with administrative functions and no field work requirements.
- Forty-five percent of the logs reflected one driver for the month indicating the improper classification as a pool vehicle. An individual assignment should be justified by formal job duties and maintain a minimum of 1,250 business miles per month.
- The driver's signature (certification) field was blank on 55 percent of the logs.
- It appears that logs are not maintained in the vehicle and are completed in their entirety at month end. Twenty-two entries indicating business use were recorded on days when that employee charged a full day of leave time. We noted 33 logs where multiple drivers were listed and all entries were completed in the same handwriting. We compared fuel service transactions to the corresponding vehicle log and noted 15 fuel stops when, per the log, the vehicle was not in use. Additionally, four supervisors that we interviewed noted a different location on that particular date on their vehicle log than where we met.
- Twelve vehicles were traded between "pool leaders" with varying commutes during the month allowing each vehicle to reach the required 750 "business miles".

Commuting

Pool vehicles should not be assigned where the primary purpose is commutation when comparing business miles to commuting miles, per the circular letter. We met with various DGE supervisors who each conveyed that the majority of their unit's work is performed from a desk and staff routinely reports to a DGE office or assigned casino. Due to the insufficient reporting of the logs, we could not determine employee vehicle use with certainty. However, we relied on beginning and ending odometer figures and our conversation with DGE supervisors regarding work locations to analyze use. Based on the drivers' number of days worked and median commute for February and June 2014, potentially 77 percent of vehicle usage was for commutation purposes.

Inaccurate Purchase Requests

The Vehicle Request Justification Forms prepared by the DGE do not accurately reflect vehicle use. The DGE has purchased 96 vehicles, for \$1.7 million, since fiscal year 2011. The DGE cites a law enforcement exemption which allows for the purchase of full-size and less fuel efficient vehicles versus compact vehicles, as required by circular letter. Sixty-five of these vehicles were purchased with a police package although only fourteen were in use by the State Police unit as of June 2014. The forms state that all vehicles will be used for undercover investigations; therefore all vehicles are equipped with confidential license plates. However, this description does not apply to the majority of vehicles used by the DGE. The use of confidential plates rather than "SG" plates with a state bumper sticker increases the risk of vehicle misuse without detection.

Potential Cost Savings

The DGE confirmed that vehicle use logs are not reviewed for accuracy or reasonableness. As a result, inaccurate monthly business mileage is submitted to the state's Transportation Services within the Department of the Treasury and used as continued justification to retain and replenish the 109 vehicle fleet. The improper use of DGE vehicles for commuting purposes increases annual cost, accelerates the need to replace vehicles, and unnecessarily increases the risk of liability to the state for potential damage or injury from motor vehicle accidents. Also, if vehicles were properly maintained overnight at the office locations, the DGE would save approximately \$300,000 annually in fuel and maintenance costs. Based on our estimate of business use, the DGE could relinquish at least 50 vehicles and save \$926,000 in the next replenishment cycle. Additionally, the Casino Control Fund would recognize the proceeds from the disposition of the vehicles.

Recommendation

We recommend that the vehicle fleet be reduced. The remaining vehicles should be maintained overnight at the office locations when not in official use. The DGE should establish internal policies and procedures that clearly define proper vehicle use and reporting of use to ensure compliance with state regulations. Internal policies should include an annual review to evaluate

appropriateness of vehicle fleet size to achieve official duties. Additionally, the DGE should consider an employee mileage reimbursement policy to further reduce state vehicle needs and more efficiently utilize the DGE resources.

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Underutilized Leased Building

The CCC and the DGE should coordinate to maximize the use of a leased building.

A 63,700 square foot building, located in Atlantic City, primarily occupied and leased by the CCC since 1996, is underutilized. Prior to legislative change in February 2011, approximately 180 employees worked in the building. When the lease was renegotiated in 2013, the New Jersey Department of Property Management and Construction (DPMC) approved allocations of space to four agencies for a requested total of 157 employees. There are currently 111 employees assigned to the building.

Per statute, the CCC and the DGE should coordinate to promote operational efficiencies, but have not done so with regards to this building, which costs approximately \$1.6 million for the annual lease and operating expenses and is 95 percent paid for through the Casino Control Fund. The CCC significantly reduced staff, but did not proportionately relinquish space in this building and is responsible for 40,000 square feet for their 49 employees and includes a public meeting room and area to service the public at a cost of \$985,000. In contrast, the DGE occupies 89,000 square feet of office space between three locations, including this building, for approximately 250 employees with office assignments.

We observed ample empty and underutilized space during a walkthrough of the building and confirmed by applying space measurement standards of DPMC. Based on previous occupancy, there is potential for an additional 69 employees, at minimum, to utilize space. If the building was efficiently allocated, the DGE could vacate at least one of the four floors (with 31 to 49 employees per floor) at their main Atlantic City location by relocating employees. This could result in a minimum net annual savings to the Casino Control Fund of \$180,000. Additionally, if functions of the CCC and the DGE are streamlined, there is potential for additional cost savings by further consolidating office space.

Recommendation

We recommend compliance with space measurement standards of DPMC to determine agency needs and to allocate building space accordingly resulting in potential cost savings to the Casino Control Fund.

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Year-End Close Out Procedures

The DGE should implement proper year-end close out procedures to ensure an accurate measure of fund balance.

The DGE failed to ensure proper year-end close-out procedures by not accruing for \$1.1 million in legal services rendered in fiscal year 2013 and paid in the subsequent year. During fiscal years 2013 and 2014, the DGE paid \$2.7 million for legal services related to sports betting. We found that DGE's fiscal unit processed reimbursement payments at the direction of, and to, the Department of Law and Public Safety, Division of Law (DOL) with no supporting documentation prior to payment. DOL procured the outside counsel legal services, received all related invoices, and coordinated payments. The outside contract was fully executed ten months after services began and concurrent with the first payment. Per the DOL's Outside Counsel Guidelines, outside counsel shall submit monthly invoices within thirty days of the conclusion of the billing period, and absent good cause, the state will not pay for services or expense incurred more than ninety days prior to the date the invoice is submitted. We found that all of the invoices related to the \$1.1 million were submitted to, and paid by, DOL over the 30 and 90 day criteria, with the largest invoice of \$640,000 accepted 283 days after the ending dates of service. The unrecorded liability resulted in an overstated Casino Control Fund fund balance for fiscal year 2013, initiating a \$1.1 million reimbursement to the casino industry. The overpayment to the industry for fiscal year 2013 will be accounted for in the surplus calculation for fiscal year 2014.

Recommendation

We recommend the DGE ensure necessary communication with the department and unit levels and establish timely close-out procedures at fiscal year-end to ensure all liabilities are recorded. Additionally, the DGE should ensure contracts are executed before services begin.

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Indirect Cost Assessment Errors

The DGE should ensure accuracy of indirect cost calculations prior to payment.

Calculation errors in the DGE's indirect cost assessment for fiscal years 2013 and 2014 resulted in underpayments of \$226,000 to the state's General Fund. The DGE reimburses the state for an allocation of administrative costs of the Department of the Treasury, Department of Law and Public Safety, Division of State Police, and Division of Criminal Justice. An annual indirect cost report is prepared by the Office of the Attorney General's fiscal unit as support for this assessment. The assessment includes a projected amount for expenditures of the current fiscal year and an adjustment for actual expenditures of the fiscal year ended from two years prior. Our review of the indirect cost assessments for fiscal years 2013 and 2014 disclosed the following.

- A fringe benefit rate of 0.35 percent rather than 35 percent was erroneously applied to administrative salaries of the Division of State Police, resulting in an underpayment of \$75,000 for fiscal year 2013.
- The fiscal year 2014 indirect cost assessment included an adjustment for actual expenditures of fiscal year 2012. Actual expenditures were mistakenly compared to the full fiscal year 2012 assessment amount (which included an adjustment for fiscal year 2010 expenditures) rather than the projected amount for fiscal year 2012. This error resulted in an underpayment of \$151,000 for fiscal year 2014.

Recommendation

We recommend the DGE include an adjustment in the fiscal year 2015 indirect cost assessment to include the \$226,000 of underpayments. Additionally, the DGE should perform a review of the indirect cost assessment to ensure accuracy prior to making payment.

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State of New Jersey

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March 12, 2015

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Dear Mr. Termyna:

Thank you for providing the opportunity for the management of the New Jersey Department of Law and Public Safety, Division of Gaming Enforcement (the "DGE") and the Casino Control Commission (the "CCC") to jointly respond to the audit recommendations set forth in your letter dated February 12, 2015. We have attached our response to these recommendations on the following pages.

We would also like to take this opportunity to thank you and your staff for their courtesy and professionalism towards our staff during the audit process.

Should you have any further questions concerning our responses, please feel free to contact either of us at your convenience.

Sincerely,

David L. Rebuck
Director
Division of Gaming Enforcement

Matthew B. Levinkon
Chairman
Casino Control Commission



Streamlining Functions

Audit Recommendation: *"We recommend legislative change be sought in the CCC's responsibilities for casino key employee licensing and parking fees to allow for streamlining comparable and inefficient processes. The CCC and the DGE should streamline functions to efficiently and effectively utilize Casino Control Fund resources and should evaluate staffing needs based on organizational responsibilities and resulting work load and adjust it accordingly."*

Auditee Response: Many of the recommended changes require legislative action beyond the authority of the DGE and the CCC; however, the DGE and the CCC will collaborate on implementation of any future legislative changes. The DGE and the CCC will continue to cooperatively review and implement appropriate streamlining efforts that do not require legislative action through continued examination of systems and strategic staffing plans to ensure organizational efficiency and through regular meetings with appropriate staff at the DGE and the CCC for the sole purpose of identifying and facilitating the implementation of new efficiencies.

State Vehicles

Audit Recommendation: *"We recommend that vehicle fleet be reduced. The remaining vehicles should be maintained overnight at the office locations when not in official use. The DGE should establish internal policies and procedures that clearly define proper vehicle use and reporting of use to ensure compliance with state regulations. Internal policies should include an annual review to evaluate appropriateness of vehicle fleet size to achieve official duties. Additionally, the DGE should consider an employee reimbursement policy to further reduce state vehicle needs and more efficiently utilize the DGE resources."*

Auditee Response: The DGE acknowledges a need to downsize its fleet consistent with current staffing levels and improve its internal policies and procedures relating to vehicle use, including review of employee compliance, and, to that end, has already prepared a comprehensive vehicle handbook that has been distributed to all drivers, provided training and counseling on vehicle use to staff and instituted a monthly review of all vehicle logs to ensure compliance. The DGE will continue to review its policies and employee compliance on a regular basis to ensure the most efficient use of state resources.

Underutilized Leased Building

Audit Recommendation: *"We recommend compliance with space measurement standards of DPMC to determine agency needs and to allocate building space accordingly resulting in potential cost savings to the Casino Control Fund."*

Auditee Response: The DGE and the CCC have already engaged in extensive discussions regarding space utilization and will continue to work with the Division of Property Management and Construction to ensure compliance with space measurement standards and take advantage any opportunities for space consolidation and potential cost savings to the Casino Control Fund.



Year-End Close Out Procedures

Audit Recommendation: *"We recommend the DGE ensure necessary communication with the department and unit levels and establish timely close-out procedures at fiscal year-end to ensure all liabilities are recorded. Additionally, the DGE should ensure contracts are executed before services begin."*

Auditee Response: The DGE understands the recommendation and will continue to work with the Division of Law, the unit responsible for outside counsel contract administration, to ensure timely recording of liabilities, billing and payment of invoices.

Indirect Cost Assessment Errors

Audit Recommendation: *"We recommend the DGE include an adjustment in the fiscal year 2015 indirect cost assessment to include the \$226,000 of underpayments. Additionally, the DGE should perform a review of the indirect cost assessment to ensure accuracy prior to making payment."*

Auditee Response: The DGE paid the indirect cost assessment that is annually compiled and issued by the Department of Law and Public Safety in fiscal years 2013 and 2014. Based on the auditor's recommendation, the DGE will pay the adjustment of \$226,000 in fiscal year 2015.

