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

July 1, 2004 to May 31, 2006

Richard L. Fair
State Auditor
The Honorable Jon S. Corzine
Governor of New Jersey

The Honorable Richard J. Codey
President of the Senate

The Honorable Joseph J. Roberts, Jr.
Speaker of the General Assembly

Mr. Albert Porroni
Executive Director
Office of Legislative Services

Enclosed is our report on the audit of the Department of Law and Public Safety, Division of Gaming Enforcement and Casino Control Commission for the period of July 1, 2004 to May 31, 2006. If you would like a personal briefing, please call me at (609) 292-3700.

Richard L. Fair
State Auditor
November 15, 2006
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Department of Law and Public Safety  
Division of Gaming Enforcement and  
Casino Control Commission

**Scope**

We have completed an audit of the Department of Law and Public Safety, Division of Gaming Enforcement and Casino Control Commission for the period July 1, 2004 to May 31, 2006. The audit included financial activities accounted for in the state's General Fund, Casino Control Fund, and Casino Revenue Fund.

Annual expenditures of the agencies during our audit period were approximately $68 million. The prime responsibility of the Casino Control Commission and the Division of Gaming Enforcement is to monitor casino operations and ensure proper reporting of revenues. Annual receipts deposited to the Casino Control Fund for the audit period were approximately $64 million and the major components of receipts were license renewal and slot machine fees assessed to the casinos to fund operations of the commission and the division.

The Casino Control Commission is also responsible for processing the Casino Revenue Fund which includes the gross revenue tax and five casino related taxes. Money from these taxes can only be spent on programs for the benefit of the state’s senior and disabled citizens. The five taxes were enacted during fiscal year 2004. The responsibility for administering these taxes was transferred from the Division of Taxation to the Commission during fiscal year 2005. Fiscal year 2005 gross revenue tax and five casino related taxes were approximately $477 million.

**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.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article
VII, Section 1, 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.

In preparation for our testing, we studied legislation, administrative code, circular letters promulgated by the State Comptroller, and policies of the agencies. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our samples of financial transactions. We also read the budget message, reviewed financial trends, and interviewed agency personnel to obtain an understanding of the programs and the internal control.

Both a statistical and nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. For our statistical sample, the transaction population was stratified and 100 percent of large dollar transactions were tested. The remaining transactions were sampled using dollar unit sampling. For fiscal year 2005 transactions, sample populations were sorted and transactions were judgmentally selected for testing.

**Conclusions**

We found that financial transactions included in our testing were related to the agencies programs, were reasonable, and were recorded properly in the accounting systems.