

### NAGRA NEWS

Winter 2008

## A Message From the President

Hello, I really miss seeing my fellow members and look forward to seeing all of you in New Orleans in June. As you will note in this issue, there are some timely and controversial topics on the agenda. Most notably are the UIEGA, money laundering, legal games of skill vs. illegal internet gambling and the affects of internet gambling on youth. Almost daily, we read an article or two on these subjects. America does not appear to be alone in its efforts to outlaw certain forms of internet gambling; Germany has passed laws to go into effect later this year similar to UIEGA. Our Canadian members appear to be regulating some internet gambling, rather than making it illegal altogether.

This year's conference will have the benefit of members of International Masters of Gaming Law to assist in some of our presentations. IMGL is recognized as a powerful voice of gaming law pioneers, leaders and experts



Don Dutton  
NAGRA President  
2007-2008

from around the world. In addition to being a premier educational group, the organization publishes **Casino Lawyer**, a quarterly magazine dealing with gaming issues and profiles of gaming law leaders. The April issue of **Casino Lawyer** will feature NAGRA'S New Orleans Conference. We are pleased to have an association with IMGL and look forward to a continuing relationship of mutual benefit.

For the first time, NAGRA will seek to gain Continuing Legal Education credits for some of our

sessions. This should boost attendance and greatly benefit future conferences.

The training sessions dealing with auditing and fraud issues will once again be presented by gaming audit instructor Craig L. Greene, CPA, CFE, MCJ. The session will qualify for 8 CPE hours. There are also breakout sessions featuring audit challenges and solutions in the era of evolving technology.

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# NAGRA's 2008 Annual Conference

June 10 through 13, 2008, Sheraton New Orleans  
500 Canal St., New Orleans, LA

Register for NAGRA's Annual Conference before May 9, 2008, and take advantage of early bird rates: NAGRA members, \$350 USD; nonmembers, \$550 USD; trade affiliates: \$425 USD

The room block will be held until May 16, 2008. The room rate is \$114 for a single/double, \$144 for a club level room.

Now is the time to fall in love with New Orleans all over again. The cultural riches, sensual indulgences and unparalleled service that define the New Orleans experience continue to flourish, as they have for centuries. The most celebrated and historic core of the city — including the Faubourg Marigny, French Quarter, Central Business District, Warehouse and Arts District, Magazine Street, Garden District, Audubon Park and Zoo and St. Charles Avenue — is thriving. Come see and celebrate for yourself. Visit [www.neworleanscvb.com](http://www.neworleanscvb.com) for more info on New Orleans, and [www.sheraton.com](http://www.sheraton.com) for more info on the Sheraton New Orleans.

Register online now at [www.nagra.org](http://www.nagra.org)

## Conference features:

- Opening session presentation on an Overview of Gaming in Louisiana & Mississippi.
- General session presentations on:
  - Electronic Class II Games, NIGC
  - Proposed Standards, Regulations, and Definitions
  - Comparison of Legal Internet Games of Skill and Illegal Gaming
  - Internet Gaming Effects on Youth
  - Latest Advances in Gaming and Lottery Technology
- For an additional fee, attend a bonus one-day training session (8 hrs CPE credits) on "Casino Auditing" on Monday, June 9, 2008

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## Board of Directors

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Don Dutton

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James Haynes

**Past President**  
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**Secretary**  
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Terri Sue Canale

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*Arizona Dept. of Gaming*

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*Montana Gambling Control Division*

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*Michigan Lottery*  
  
Rick Day  
*Washington State Gambling Commission*

**Investigators**  
Charles Devenney  
*Manitoba Gaming Control Commission*  
  
Aaron Wong  
*California Division of Gambling Control*

# Progress On Implementing The Ombudsman's Recommendations

VICTORIA – The Gaming Policy and Enforcement Branch (GPEB) has completed or made strong progress on implementing all recommendations stemming from the Ombudsman's report "Winning Fair and Square: A Report on the British Columbia Lottery Corporation's Prize Payout Process," released in May, 2007.

The report made 27 recommendations to improve the British Columbia Lottery Corporation's (BCLC) retailer lottery winnings and prize validation procedures, as well as the oversight provided by GPEB. Four of the recommendations pertained to GPEB. The remaining 23 recommendations related to BCLC, but all had implications for GPEB.

When the Ombudsman's report was released, government accepted and began implementing all 27 recommendations. Solicitor General John Les also appointed the firm Deloitte & Touche to conduct an independent audit of the BC lottery retailer system and make recommendations to improve the system. On September 12, 2007, GPEB issued its first quarterly report outlining the status of its response to each of the Ombudsman's recommendations. Since that time, substantial progress has been made in implementing every recommendation. In many cases,

implementation is complete and resulted in new, permanent processes within GPEB.

For instance, GPEB has new programs and processes to register lottery retailers, certify lottery equipment and tickets, audit BCLC's lottery operations, inspect lottery retail sites, and ensure GPEB is advised of, and investigates, every complaint concerning potential retailer impropriety. Further, new staff have been hired to manage these processes and ensure outstanding recommendations are implemented. Some recommendations are still in process. For example, GPEB has already registered staff at about 1,000 lottery retail sites, including background investigations and criminal record checks. However, it will take another 8 months to register individuals at the remaining 3,000 existing retail sites. Similarly, GPEB has a new, comprehensive audit framework for lotteries, but it will take time for all elements of that program to be implemented and resulting findings and reports to be made available.

GPEB will continue to provide public reports on its progress in implementing every element of the Ombudsman's recommendations. To read the detailed GPEB second quarterly progress report, please visit [www.pssg.gov.bc.ca/gaming/news](http://www.pssg.gov.bc.ca/gaming/news). ■

## >> *Message from the President, continued from page 1*

You don't want to miss our opening reception with our NAFTM affiliates. It is a great time to network and enjoy some really good "Nawleans' hospitality." The dinner cruise down the mighty Mississippi River on board the iconic stern-wheel steamboat, **Natchez**, complete with a distinctive New Orleans' menu and an authentic New Orleans' Jazz Band will be a night to remember. It will be a great way to end a terrific conference and training. Please

sign up early for this so we have an accurate count (there is a nominal charge for guests).

TerriSue Canale will present an overview of a challenge she and her committee have been working on. I won't give away her fire, but I'm sure everyone will see the project as having great benefits to our members. We will tell you of the other things we have been working on since last annual meeting.

We will seek your participation

as a committee member, chair or director. We will discuss our plans for celebrating NAGRA'S 25<sup>th</sup> anniversary in 2009.

I look forward to seeing you in New Orleans. Come fall in love with New Orleans all over again. ■

## >> *2008 Conference, continued from page 2*

- Keynote Speaker Dr. Jeffrey Derevensky, professor, McGill University Montréal, Canada, speaking on youth gambling
- Presenters include members of International Masters of Gaming Law.

### **Other sessions:**

- Big Apple & Big Easy Casino Gaming Investigations
- New Generation Pull-Tabs
- Internet Gaming Investigations
- Economic Impact of Indian Gaming in Louisiana and Mississippi
- Electronic Pull-Tabs
- Money Laundering Impact on the Gaming Industry
- Gaming Revenue/Auditing
- IGTF Meeting (closed session)
- Audit/Fraud Cases Studies
- NIGC Update
- Everything You Ever Wanted to Know About UIGEA

### **Casino Auditing training session, Monday, June 9, 2008:**

Technology today is constantly affecting casinos' accounting and internal control systems. TITO, Redemption Kiosks, MICS, Players Club, Server Based Gaming, Participation Games, Multilevel Wide Area Progressives and IT Security have changed casino accounting and are just some of the new audit challenges facing regulators. In this jam-packed session, gaming audit instructor Craig L. Greene, CPA, CFE, MCJ, will guide you through these acronyms and audit complexities. Suggested audit steps for each area of the casino environment, as well as testing of internal controls will be included in the participant manual. Greene, a seasoned fraud buster, will place special emphasis on the internal frauds that often occur in each of the Casino areas, an obvious concern of regulators. Qualifies for 8 CPE hours. ■

# Slots Gaming Takes Hold in Pennsylvania

On November 14, 2006, the gaming industry peered curiously into Pennsylvania as the first legalized slot machine casino opened. Many inside and outside the Keystone State wondered if one of the nation's most aggressive forays into legalized gambling would be successful or prove to be an overhyped failure.

Today, with six facilities operating, nearly \$2 million a day pouring into tax coffers and revenues being produced at a pace well above expectations, it is very difficult for anyone to claim that Pennsylvania's decision to get into the slots business was a bad one.

The state legislature's agreement to approve legalized gaming was crafted through compromise that included a tax rate of 55%, a rate significantly higher than other states. The compromise was consummated by further assuring citizens that the largest portion of the state's tax collections, fully one-third, would be applied toward reducing escalating property taxes. The second important piece to the compromise involved the use of casino gambling in saving the state's failing thoroughbred and harness racing industries. This plan mandated that half of the 14 casino licenses be at racing facilities to boost attendance and create synergy between the two gaming businesses, and that 12% of slots casino revenue be earmarked for the horse racing industry. Final pieces of the compromise made sure other revenues were spread throughout the state for economic development and tourism, that local governments that hosted these facilities would get direct tax revenues, and that Pennsylvania's two

major cities, Philadelphia and Pittsburgh, were assured of hosting casinos.

Less than two years after the Board held its first meeting, the first slot machine casino opened in Wilkes-Barre's Mohegan Sun at Pocono Downs and was followed by the opening of five other casinos over the next 11 months. The timetable to get the agency staffed with the right mix of professionals, to create regulations that assured the expected levels of enforcement and public accountability, and then have casinos up and running beat all conservative estimates. In fact, this extraordinary accomplishment was a driving factor for Casino Journal magazine to name the Gaming Control Board as its 2007 "People of the Year" in the gaming industry.

The financial impact of these businesses through the end of 2007 has been staggering:

Amount Wagered:	\$12.6 billion
Patron Winnings:	\$11.5 billion
Gross Revenues:	\$ 1.1 billion
Taxes to PA:	\$ 591 million
• Tax relief:	\$365 million
• Horse racing:	\$129 million
• Economic development:	\$ 54 million
• Local govt. host:	\$ 43 million

In addition, all 11 applicants thus far granted licenses have paid individual license fees of \$50 million, producing a one-time windfall of \$550 million to the state.

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# Texas Hold'em is Hot in Michigan

Capitalizing on the popularity of poker, the Michigan Charitable Gaming Division authorized Texas Hold'em as an approved card game conducted under a millionaire party license in 2004. This proved so popular with licensees and players that a second version of Texas Hold'em was approved in 2005. The original version approved in 2004 allows the conduct of Texas Hold'em in a tournament format as popularized by numerous cable television shows. Players pay a buy-in and receive chips which are used for betting purposes only. Play continues until one player has all of the chips and all other players have been eliminated. Prizes are awarded based on the order of finish. The second version of Texas Hold'em differs only in that it is a cash game in which no prizes are awarded and players may redeem their chips for cash at any time.

To put the popularity of Texas Hold'em into context, in the year 2003, 633 millionaire party licenses were issued to charities who in turn made a profit of \$3.5M. If the current rate of growth continues, the Division projects it will issue nearly 4,000 millionaire party licenses in 2008, with charities expected

to make a profit of \$10M. For more information on Texas Hold'em in Michigan, visit the website at: [www.michigan.gov/cg](http://www.michigan.gov/cg) where you will find an entire section devoted solely to Texas Hold'em. ■

## Contact NAGRA

North American Gaming  
Regulators Association  
1000 Westgate Drive, Ste. 252,  
St. Paul, MN 55114  
Telephone 651-203-7244  
Fax 651-290-2266

### >> *Slot Gaming, continued from page 5*

The five casinos that have been approved for licenses, along other applicants that applied for the three remaining licenses, plan to begin operations throughout Pennsylvania during the next several years. When all facilities are fully operational, projections for gross revenues are expected to hit \$3 billion annually and create approximately 14,000 full time jobs and 25,000 construction positions. ■

# Governor Steven L. Beshear Appoints New Executive Director for Kentucky's Office of Charitable Gaming

Governor Steve Beshear has appointed Henry G. Lackey as the new Executive Director of Kentucky's Office of Charitable Gaming and Bob Sparrow as the Office's Director of the Division of Enforcement.

Henry G. Lackey, a successful businessman and prominent civic leader from Henderson, KY, is the owner and general manager of radio station WSON in Henderson. He has served on Henderson's City Commission, as Mayor of Henderson, and as a State Senator. Mr. Lackey's keen understanding of the legislative process as well as his thorough knowledge of administration, education

and marketing promise to make him an excellent choice as executive director.

Bob Sparrow is a 32-year veteran of the Kentucky State Police and former Mayor of Lawrenceburg, KY. He brings a variety of leadership experience to this new position.

Kentucky's charitable gaming industry is the fourth largest in the nation, grossing approximately \$550 million last year. From these gross receipts, charitable organizations were able to pour over \$50 million into their various causes. The Office continues

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## Does Your Department Need Additional Money?

- IRS is interested in any of your closed or ongoing Sportsbetting or illegal lottery cases
- Your Department would be entitled to share in the potential federal excise tax revenue collected by the IRS
- This would have NO impact on assets or cash that you have already seized.

*For more information, contact:*

Joseph Kingeter  
 IRS Agent/Wagering Analyst  
 Badge # 5205591  
 Headquarters, Washington DC  
 Phone 410-419-5061  
[joseph.kingeter@irs.gov](mailto:joseph.kingeter@irs.gov)

# Guest Program Information

for the NAGRA Annual Conference 2008

**“A View of the NEW ... New Orleans”**

AM, Wednesday, June 11 - 2 hours - \$40 per person  
 New Orleans is hard at work recovering from the largest natural disaster to strike American soil. After touring the devastated areas, the group will be able to gauge the movement toward the NEW New Orleans!

**“Experience What Mardi Gras is All About”**

PM, Wednesday, June 11 - 3 .5 hours - \$65 per person

This fun and unique tour covers the history, mystery, and pageantry of one of New Orleans’ most celebrated traditions, Mardi Gras.

**“French Quarter Walking Tour & Secret Garden”**

AM, Thursday, June 12 - 2 .5 hours - \$25 per person  
 Stroll the narrow streets of the French Quarter, visit elegant Royal Street with its art galleries, antique shops and boutiques, view a private French Quarter courtyard and stop for coffee at

the famous Café du Monde.

**“Garden District Tour — A Shopper’s Dream”**

PM, Thursday, June 12 - 2 .5 hours - \$38 per person  
 The NAGRA group will enjoy a tour of an historic part of the city — the Garden District. Your group will board a motorcoach and head toward the “American” section of town that was built to rival the architectural splendor of the Creoles’ French Quarter. ■

For more information, or to register, visit [www.nagra.org](http://www.nagra.org)

**>> New Executive Director, continued from page 7**

to seek new ways to assist charities in gaming and fundraising efforts, while setting standards which ensure the honesty and integrity of the games. From the Executive Director to the compliance officers, auditors and investigators in the field, the Office performs its many functions with 44 hard working employees. Mr. Lackey’s goals for the Office are to greatly expand its efforts to educate charitable organizations on charitable gaming op-

portunities and build bridges with the communities and charities that do so much to support the people of the Commonwealth. ■