



**Michigan Gaming Control Board**

# **Annual Report to the Governor**



**Calendar Year 2009**

# Annual Report to the Governor

Calendar Year 2009

Michigan Gaming Control Board  
101 East Hillsdale Street  
Lansing, MI 48933

Submitted April 15, 2010  
Pursuant to the  
*Michigan Gaming Control & Revenue Act*, as amended  
(Public Act 69 of 1997)

*Please direct inquiries to*  
Eric T. Bush, telephone (517) 241-0136

*This document is also available online at*  
[www.michigan.gov/mgcb](http://www.michigan.gov/mgcb)



STATE OF MICHIGAN  
MICHIGAN GAMING CONTROL BOARD  
LANSING

JENNIFER GRANHOLM  
GOVERNOR

RICHARD S. KALM  
EXECUTIVE DIRECTOR

April 15, 2010

Honorable Jennifer Granholm  
Governor of Michigan

**AN OPEN LETTER TO GOVERNOR JENNIFER GRANHOLM AND THE  
MICHIGAN LEGISLATURE:**



On behalf of the Michigan Gaming Control Board ("Board"), I am pleased to present the Annual Report to the Governor for calendar year 2009, pursuant to Section 15(1) of the *Michigan Gaming Control and Revenue Act*, as amended, Public Act 69 of 1997, MCL 432.201 ("the Act"). This Annual Report is submitted not only to comply with the statutory reporting requirements under the Act, but to provide you with a summary of the Board's significant activities and operations. The Annual Report includes an updated progress report on the implementation, licensure, and regulation of authorized commercial casino gaming in the City of Detroit.

Sincerely,

A handwritten signature in black ink, appearing to read "Damian Kassab".

Damian Kassab  
Chairman

**FROM THE EXECUTIVE DIRECTOR**



The Michigan Gaming Control Board had many outstanding accomplishments in 2009 that are a tribute to a dedicated staff, which is shaping the agency's future as we go through a period of transition and transformation. This year has been very challenging for the Michigan Gaming Control Board's management and staff. The achievements highlighted in this annual report illustrate our focus on the important responsibilities of licensing and regulating casino gaming to ensure that our state's reputation of enforcing tough gaming laws provide safe and honest gaming for the people

of Michigan.

The continuing transition of this agency is our commitment to safe, secure, and efficient operations which remains a primary goal. We began a transformation of the agency in late 2007. The staff and reorganization continued throughout 2008 and the restructuring plans were developed in 2009. The final phase of our agency's restructuring and reorganization will be realized in early 2010.

Detroit physical office changes were initiated in 2009, and continue into early 2010, with the moving of the State Police Section and several of the licensing and regulation areas. This restructuring will provide current and future management and staff with the ability to continue our strong commitment to the integrity of gaming, licensing, and regulating.

Transformation is an ongoing process at MGCB. We reinvent ourselves as we seek breakthroughs that impact emerging Board needs. I reaffirm my commitment to ensure the highest standards of the gaming industry.

I must express my appreciation to the Governor, the Legislature, our partner agencies and other public officials for their cooperation and service. Please take a moment to see our partner agencies accomplishments and contributions in Appendix 1 (Michigan Attorney General, Alcohol & Gambling Enforcement Division), and Appendix 2 (Michigan State Police, Gaming Section).

My sincere appreciation goes to the employees of the Board, who assure that our mission of fair and honest gaming is accomplished every day. I extend an enormous well done to the entire organization. The MGCB will continue to successfully and competently manage casino gaming and to meet the challenges of the gaming industry in Michigan.

Thank you for your interest in Michigan gaming. If you should need additional information or assistance, please contact us.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard S. Kalm". The signature is fluid and cursive, written over a light-colored background.

Richard S. Kalm  
Executive Director



## Table of Contents

<i>Section</i>	<i>Page</i>
Mission Statement & Introduction .....	1
Summary of the Michigan Gaming Control & Revenue Act.....	2
The Michigan Gaming Control Board Members - 2009.....	4
Organizational Chart.....	5
MGCB Staff as of December 31, 2009 .....	6
Michigan Attorney General, Alcohol & Gambling Enforcement Division .....	7
Michigan State Police, Gaming Section .....	7
Activities of the Board .....	8
Board Meetings.....	8
Board Resolutions .....	9
Notable Board Accomplishments.....	10
Minors and Compulsive Gambling.....	18
Board Revenues and Expenditures .....	10
Casino Revenues and State Wagering Taxes .....	23
Appendix 1 – Michigan Attorney General, Alcohol & Gambling Enforcement Div. ....	25
Appendix 2 – Michigan State Police, Gaming Section.....	27



## Mission Statement

*"The Michigan Gaming Control Board shall ensure the conduct of fair and honest gaming to protect the interests of the citizens of the State of Michigan."*

### Introduction

In November 1996, Michigan voters approved Proposal E, authorizing the development of up to three licensed commercial casinos in Detroit. Proposal E subsequently took effect as law on December 5, 1996, as the *Michigan Gaming Control & Revenue Act* (referred to as the "Act"). The voter-initiated Act established the Michigan Gaming Control Board (referred to as the "Board" or "MGCB") as a Type I agency within the Michigan Department of Treasury, exclusively responsible for licensing and regulating the three authorized Detroit casinos. In July 1997, the voter-initiated Act was substantially amended by the Michigan Legislature's enactment of Public Act 69 of 1997. The amended Act provided for more stringent licensing criteria, substantially strengthened the licensing and regulatory authority of the Board, and provided for a system for collection of wagering taxes and fees for the City of Detroit and the State of Michigan.

The Board is comprised of five Michigan residents appointed by the Governor, with the advice and consent of the Senate. One member is designated by the Governor as the chairperson. Under the Act, no more than three members may belong to the same political party. The Michigan Legislature vested the Board with certain powers and duties specified in the Act, and such other powers necessary and proper to fully and effectively implement, administer and enforce the provisions of the Act relating to the licensing and regulation of authorized private commercial casino gaming in the city of Detroit.



## Summary of the Michigan Gaming Control & Revenue Act

### Michigan Gaming Control & Revenue Act, as amended (Public Act 69 of 1997):

- Authorizes up to three licensed casinos in the city of Detroit (MGM Casino was licensed in July 1999; MotorCity Casino was licensed in December 1999; Greektown Casino was licensed in November 2000).
- Creates the Michigan Gaming Control Board (a Type I agency within the Michigan Department of Treasury) and vests the Board with exclusive authority to license, regulate, and control casino gaming in the three authorized Detroit casinos.
- Authorizes the Board to promulgate necessary administrative rules to properly implement, administer and enforce the amended Act.
- Provides for the licensing, regulation, and control of casino gaming operations, manufacturers and distributors of gaming equipment and other casino suppliers, and casino and supplier employees.
- Establishes standards and procedures for the issuance of casino licenses, casino supplier licenses, and occupational licenses, and the approval of gambling games and gaming equipment and devices.
- Authorizes civil and criminal penalties for violation of the Act.
- Authorizes and imposes certain state and city wagering taxes on casinos and various fees on casino, supplier and occupational licensees.
- Requires the deposit of state casino wagering tax revenues in the state school aid fund for K-12 public education in Michigan.
- Authorizes the City of Detroit to levy and collect wagering taxes and municipal services fees to defray the cost of hosting casinos and provide funding for police training and public safety programs, local economic development programs, youth development programs, capital improvements, local tax relief, and other programs to improve the quality of life in the city of Detroit.
- Creates the state services fee fund to provide funding for the operations of the Board to license, regulate and control casino gaming; and for the state's compulsive gambling prevention program; and other casino-related programs.

- Requires annual Board registration of local labor organizations that represent casino gaming employees.
- Requires certain safeguards by casino licensees to prevent compulsive and underage gambling.
- Prohibits political contributions by certain persons with interests in casino and supplier license applicants and licensees to state and local political candidates and certain committees.
- Establishes certain requirements and safeguards for members, employees and agents of the Board, license applicants, licensees, and others involved in gaming to prevent conflicts of interest.





# Michigan Gaming Control Board

## The Michigan Gaming Control Board Board Members - 2009

### Mr. Damian Kassab, Chairman



**Mr. DAMIAN KASSAB**

Mr. Kassab was reappointed by Governor Granholm to a term which expires on December 31, 2012. Mr. Kassab has served as the chairman of Warren Bank since 1997. Previously, Mr. Kassab formed an investment bank, Seger Financial, Inc. Mr. Kassab is a graduate of the University of Michigan, and has a law degree from the University of Colorado. Mr. Kassab resides in Rochester.

### Hon. Benjamin Friedman



**Hon. BENJAMIN FRIEDMAN**

Honorable Benjamin Friedman of Huntington Woods, partner of Friedman & Lichterman, P.C. law firm and previous 45B District Court judge was reappointed for a term expiring December 31, 2011. He succeeds the Honorable Roman S. Gribbs whose term has expired.

### Ms. Barbara Rom



**Ms. BARBARA ROM**

Ms. Rom of Bloomfield Hills, partner of Pepper Hamilton, LLP law firm in Detroit. Ms. Rom was reappointed for a term expiring December 31, 2011. She succeeds Ritchie T. Davis whose term has expired.

### Mr. Michael Watza

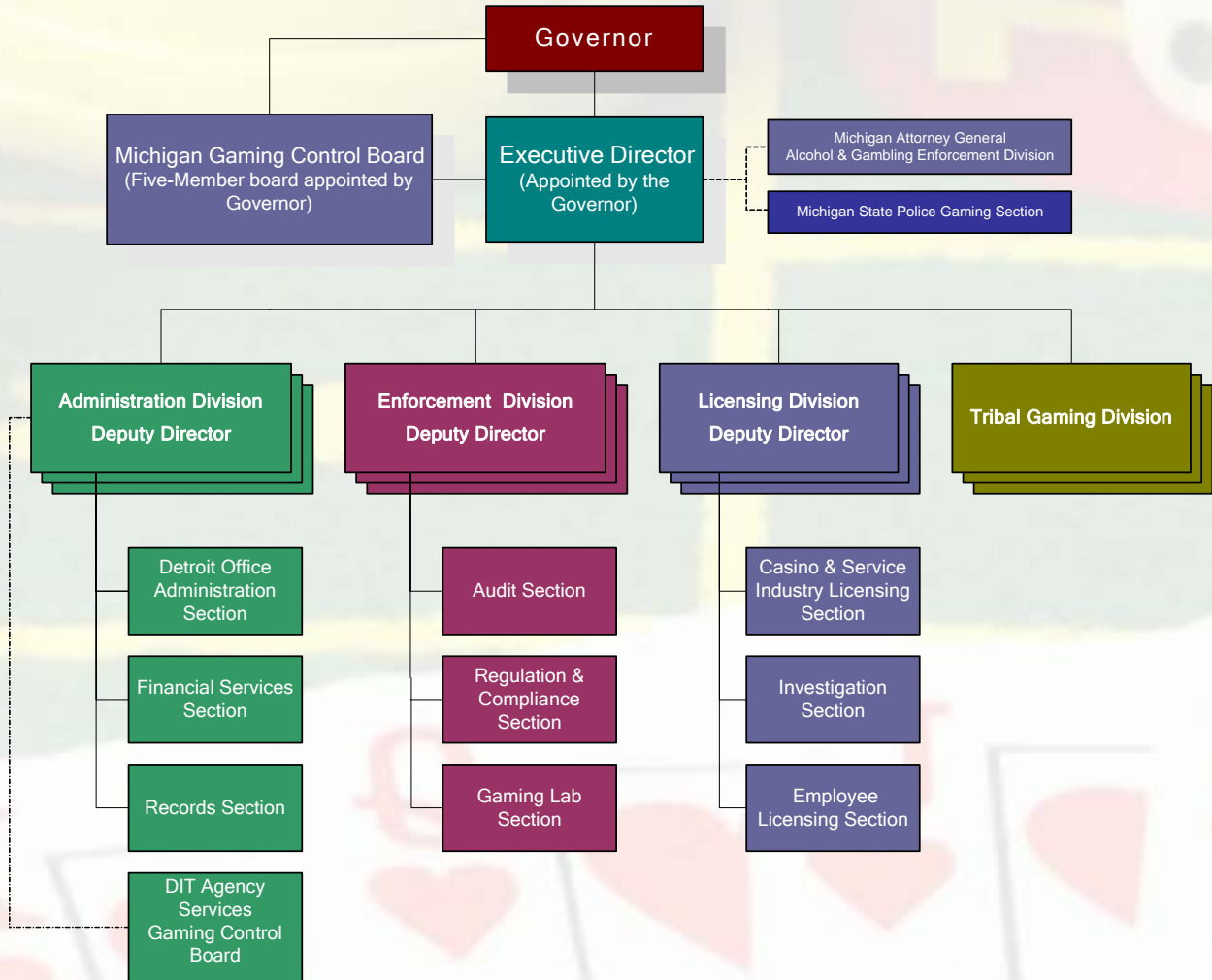


**Mr. MICHAEL WATZA**

Mr. Watza of Northville, partner of Kitch, Druthas, Wagner, Valitutti and Sherwood, is appointed for a term expiring December 31, 2010. He succeeds the Honorable Michael Stacy whose term has expired.



## Organizational Chart





## Michigan Gaming Control Board Staff

Executive Director.....	1
Executive Assistant .....	1
<u>Administration Division</u>	
Deputy Director .....	1
Accountant.....	1
Administrative Manager .....	1
Financial Manager .....	1
Budget Assistant.....	1
Departmental Analyst.....	2
Detroit Office Administrator.....	1
Detroit Office Secretaries.....	2
Document & Records Analyst.....	1
Document & Records Supervisor .....	Vacant
Document & Records Technicians.....	4
Disassociated Persons Analyst.....	1
Information Systems Specialists.....	2
Information Systems Analysts .....	2
Information Systems Technician .....	1
Information Systems Program Manager.....	1
Database Administrator.....	1
Information Systems Programmer .....	1
Native American Gaming Audit Manager .....	1
Native American Gaming Staff Auditors .....	4
Network Administrator .....	1
Procurement Analyst .....	1
Records Section Manager .....	Vacant
<u>Enforcement Division</u>	
Deputy Director .....	1
Executive Assistant .....	1
Casino Audit Section Manager.....	1
Casino Compliance Section Managers.....	3
Casino Daily Operations Manager.....	1
Gaming Lab Manager.....	1
Casino Auditors.....	9
Information Systems Auditor.....	1
Gaming Lab	
Equipment Technician.....	1
Gaming Laboratory Auditor .....	Vacant
Gaming Laboratory Engineers.....	3
Gaming Laboratory Secretary .....	1
Regulation Officers.....	19
Casino Secretaries.....	3

<u>Licensing Division</u>	
Deputy Director .....	1
Executive Assistant.....	1
Casino & Service Industry Section Manager.....	1
Employee Licensing Section Manager .....	1
Investigation Section Manager .....	1
Departmental Technicians.....	8
Financial Analysts.....	5
Licensing Section Departmental Supervisor.....	1
Regulation Officers.....	14

## Michigan Attorney General, Alcohol & Gambling Enforcement Division

Division Chief .....	1
Division Head Secretary .....	1
First Assistant Attorney General .....	1
Assistant Attorneys General .....	1
Legal Secretaries .....	2

## Michigan State Police, Gaming Section

Inspector.....	1
Secretary.....	1
Detective First Lieutenant .....	1
Administrative Sergeant.....	1
Secretary.....	1
Special Operations Unit	
Detective Lieutenant.....	1
Detective Sergeant.....	1
Detective Specialists.....	5
Casino Operation Unit	
Detective Lieutenant.....	1
Detective Sergeants.....	3
Detective Specialists.....	12



## Activities of the Board

In calendar year 2009, the four-member Board was comprised of the following gubernatorial appointees:

- **Mr. Damian Kassab** was reappointed by Governor Granholm to a term that expires on December 31, 2012. Mr. Kassab serves as chairman.
- **Hon. Benjamin Friedman** was reappointed by Governor Granholm for a term expiring December 31, 2011.
- **Ms. Barbara Rom** was reappointed for a term expiring December 31, 2011, by Governor Granholm.
- **Mr. Michael Watza** was appointed for a term expiring December 31, 2010, by Governor Granholm.

### BOARD MEETINGS

From its inception, the Board has encouraged public input regarding its policies, procedures, and activities related to licensing and regulating the three authorized Detroit casinos. To conduct Board business, inform, and receive input from the public, the Board held ten public meetings in 2009. At its public meetings, the Board not only conducted its official business, but also provided the public and news media with opportunities to ask questions and offer comment regarding casino gaming issues, and the Board’s relevant policies, procedures, and activities. The Board met at the Detroit Office located at the Cadillac Place, 3062 West Grand Boulevard, Suite L-700, on the following dates:

January 2009\*  
 February 10, 2009\*\*  
 March 10, 2009\*\*  
 April 20, 2009\*\*  
 May 7, 2009\*\*  
 June 9, 2009\*\*  
 July 2009\*

August 11, 2009\*\*  
 September 8, 2009\*\*  
 October 13, 2009\*\*  
 November 10, 2009\*\*  
 December 15, 2009\*\*

\* No Meeting  
 \*\*After public meeting, Board adjourned to Closed Session

The Board adjourned to Closed Session after all of the public meetings, to review confidential materials that were part of casino license applications and applications for placement on the Board’s Disassociated Persons List, and thus protected from public review and disclosure under Sections 4c and 25 of the *Michigan Gaming Control & Revenue Act*, as amended, Public Act 69 of 1997, MCL 432.204c and MCL 432.225(4)(c).

Closed Sessions are not open to the public, nor are minutes of such sessions available to the public, under Michigan's Open Meetings Act, as amended, Public Act 267 of 1976. All Board meetings, whether open or closed, are held in accordance with Michigan's Open Meetings Act.

## BOARD RESOLUTIONS

The Board adopted one resolution in calendar year 2009:

**Resolution No. 2009-01** (Adopted 09/08/2009) - A Board Resolution regarding Vendor Exemptions and Waivers from Supplier-Licensing Requirements Pursuant to Rule 432.1322(4) and Rule 432.1223 and the Delegation of Authority to the Executive Director.





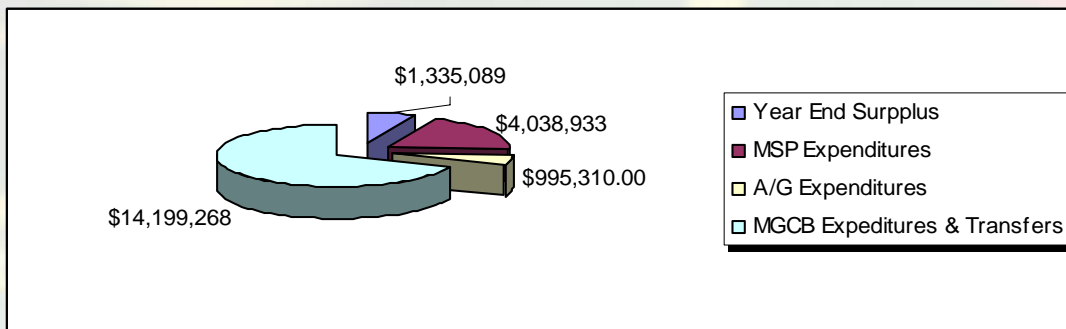
## Notable Board Accomplishments

### ADMINISTRATION DIVISION

In 2009, the Michigan Gaming Control Board (MGCB) was able to hire staff to fill 15 vacancies and promote seven existing staff, while losing 12 staff. The MGCB has not reached full staffing of 114.

#### Budget

The 2008/2009 fiscal year budget for the MGCB – October 1, 2008, through September 30, 2009:



- Lease amounts for office space for the MSP and A/G are not separated and, thus, are included in the MGCB Expenditure amount.

#### Office Relocation

All staff and office functions have been relocated from the East Lansing office. The remaining 18 positions (six of which are MDIT) were relocated to state offices in Lansing in January of 2009. Additionally, six attorney general positions were relocated to other offices in Lansing and Detroit.

The satellite offices for Motor City Casino and Greektown Casino were completed and made operational in early 2009.

The Historical Audit Section was moved from the casino offices to the MGCB Cadillac Place office in mid 2009.

The new MSP Gaming Section offices in the lower level of the Cadillac Place Annex Building were completed in late 2009. The MSP Gaming Section moved into their new offices on November, 21, 2009.

The design for the MGCB Cadillac Place east side intermediate level office was completed. After moving staff from the east side office to the west side and second floor offices, construction was started on the east side in December of 2009.

### Disassociated Persons Program

In 2009, the Board approved 273 applications from individuals requesting inclusion on the Disassociated Persons List (DPL). Since its inception in 2000, the Board has placed 2,330 individuals on the self-exclusion list.

### Records Section

The Records Section settled into their new office location in the concourse level of Cadillac Place in the beginning of 2009. In 2009, the Records Section processed the following:

485	Freedom of Information Requests Processed
563,552	Pages posted to the agency document management system
37,912	Batches scanned
9,187	Audit records filed
1,132	New applications added to the agency document management system
3,144	Renewal applications added to the agency document management system
9,747	Compliance records filed

### Department of Information Technology

The Michigan Department of Information Technology (MDIT) staff assigned to the MGCB upgraded the operating systems software for all of the servers. Also, an updated version of the Oracle database was installed as well as a major upgrade to LiveLink.

The “Rap Back” system was completed in 2009. This system syncs the MGCB servers with the MSP Central Records servers. If/when any occupational licensee is arrested; the MGCB Employee Licensing Section personnel are notified of the arrest.

A solution was developed to allow regulation officers in the Regulation and Compliance Section to print temporary employee badges for casino employees. This allows casino employees who come to work during evenings, nights, and weekends without their ID badges to receive a badge allowing them to continue working rather than being sent home.

The MDIT staff purchased and setup a small, modern forensic laboratory which enables the MGCB and MSP Gaming Section to use our MDIT staff to perform regulatory forensic investigations.

The Case Management System was added to Information Repository - Case management tracking system provides overview of Licensing and Investigation activity.

Over 50 enhancements were completed in the Information Repository. Enhancements included: application fee for supplier exemptions, exemption status field, alert button for Vendor/Supplier information check, gender field for all qualifying and vendor individuals and added a status to all entity and qualifiers results screens.

### Indian Gaming Section

The Indian Gaming Section's mission is to provide oversight of Class III gaming operations as provided for in the Tribal-State Compacts. The Indian Gaming Section is charged with duties that enforce the government to government compacts allowing Native American tribes to operate casinos in Michigan.

This year the Section added four auditors and an audit manager position. Net win and payment verification was periodically conducted at all 20 Native American casinos after August in 2009, when the Nottawaseppi Huron FireKeepers casino opened near Battle Creek Michigan. There are a total of 21,313 Tribal casino slot machines within the 20 Tribal casinos generating approximately \$1 billion in revenue.

The MGCB Indian Gaming Audit Section conducted seven Tribal casino audits covering 12 fiscal years from 2006 - 2008. Indian Gaming conducts audits and verifies net win total, payments to local revenue sharing boards or local units of state government and payments to the Michigan Strategic Fund, pursuant to the terms of Tribal-state class III gaming compacts and federal consent decrees.

The Tribes paid an estimated \$20 million in two percent payments to local Michigan governments. They paid an estimated \$27 million to the Michigan Economic Development Corporation (MEDC), previously the Michigan Strategic Fund in Tribal 6% - 8% payments. The casino tribes have paid well over \$302.5 million to the MEDC Fund from 1992-2009.

In 2009, the 1998 Tribal-State compacts amended. The Tribes amending their compacts are:

- The Little River Band of Ottawa Indian Tribe
- The Little Traverse Bay Bands of Odawa Indian Tribe
- The Pokagon Band of Potawatomi Indian Tribe
- The Nottawaseppi Huron Potawatomi Tribe.

By the summer of 2010, there will be a new casino near Wayland, Michigan. This will be the Gun Lake Tribe's Casino featuring over 1,200 slot machines and 36 table games. The Gun Lake Tribe had their compact approved by the U.S. Department of the Interior in 2009, and will open in the summer of 2010.

## LICENSING DIVISION

The Licensing Division filled two financial analyst positions, two regulation officer positions and two departmental technician positions in 2009. The division also eliminated a secretarial position which was replaced with a departmental technician.

### Employee Licensing Section

The Detroit casinos and related suppliers employ approximately 7,300 personnel in positions requiring an occupational license. The Employee Licensing Section has successfully investigated and licensed over 98 percent of those employees. The remaining employees were issued temporary licenses pending completion of a background investigation. Due to extended family illness this section was short one regulation officer for the last quarter of 2009 resulting in an increase in the average number of days from receipt of application to Board approval.

#### Employee Licensing:

- Accepted 4,293 applications for occupational licenses
- Completed 1,396 background investigations for occupational license application
- Completed 2,967 occupational license renewal investigations

The average number of days from receipt of an occupational license application to license grant recommendation to the Board or executive director during 2009 was:

- Level 1 applications - 27 days
- Level 2 applications - 21 days
- Level 3 applications - 14 days

#### Investigations:

The following investigations were received and investigated in 2009:

##### Gaming Related Suppliers:

- 4 Initial Investigations
- 29 Renewal Investigations
- 48 Qualifying Entities
- 160 Qualifying Individuals

##### Non-gaming Related Suppliers:

- 46 Initial Investigations
- 65 Renewal Investigations
- 59 Qualifying Entities
- 299 Qualifying Individuals

The following supplier investigations were investigated and closed in 2009:

Gaming Related Suppliers:

- 5 Initial Investigations
- 23 Renewal Investigations
- 46 Qualifying Entities
- 125 Qualifying Individuals

Non-gaming Related Suppliers:

- 60 Initial Investigations
- 79 Renewal Investigations
- 59 Qualifying Entities
- 350 Qualifying Individuals

Casino Investigations Received and Closed: (3)

- MGM Grand Detroit, LLC
  - Qualifying Individuals Investigated 44
  - Qualifying Entities Investigated 6
- Detroit Entertainment, LLC (MotorCity Casino)
  - Qualifying Individuals Investigated 14
  - Qualifying Entities Investigated 15
- Greektown Casino, LLC
  - Qualifying Individuals Investigated 1
  - Qualifying Entities Investigated 0

Special Investigations Activity: (21)

	<u>Opened</u>	<u>Closed</u>
• Assist w/licensing information	1	1
• Comp Fraud	3	1
• Felony Conviction	2	2
• Possible Kickbacks	2	1
• Possible Money Laundering	4	4
• Possible Unlicensed Supplier	1	1
• Request for Assistance	4	1
• Suspicious Activity	2	1
• Using Denied Supplier	1	1
• Other	1	1

## MGCB Tip Line

In October of 2009, the MGCB implemented an anonymous illegal gambling tip hotline and e-mail address on the MGCB website to provide regulatory and law enforcement agencies information on unauthorized/illegal gaming in Michigan.

Numerous tips from individuals concerning alleged illegal gambling activities involving charitable gaming and video gaming machines in Michigan. Once a tip is received, all of the information is 'triaged' and forwarded to the respective law enforcement or regulatory agency responsible for investigating the type of activity being reported.

## **ENFORCEMENT DIVISION**

### Audit Section

The Audit Section has been divided into two sections, Historical Audit and Casino Operations, to be more efficient and focused during audits.

The Historical Audit Section has completed and issued reports for 12 of the 2008 audits. Additionally, staff completed and issued reports for eight of the nine 2009 planned compliance audits at the three Detroit casinos. Audit fieldwork for the final scheduled audit was completed by year-end 2009. The final audit report will be issued during the first quarter of 2010.

The Casino Operations Audit Section has completed review of daily and monthly tax returns, as well as monthly credit reports and quarterly reports for the first three quarters of 2009. (Note: 4<sup>th</sup> quarter reports are still in the process of being submitted and reviewed by staff). Staff is continuing in its efforts to meet the yearly performance goals for review of casino wagering tax receipts. Monthly and quarterly financial information, as required for submission by the licensee, is being review and analyzed accordingly.

### Gaming Lab Section

The Gaming Lab continues to play a critical role in the mission of the MGCB by testing and analyzing all gaming devices and equipment, reviewing casino requested internal control changes, and assisting in investigations to help ensure the integrity of casino games and accurate reporting of gaming revenue in Michigan.

During 2009, the section completed the following:

- Resolved 2,228 gaming device submissions, tests and reports.
- Processed 209 casino internal control change requests and assignments.
- Developed procedures and provided training on new methods of performing field verification saving MGCB and the casino licensees 100's of hours each year.

- Assisted Michigan State Police, Michigan Liquor Control Commission, and local law enforcement with multiple cases involving unlicensed gaming operations and potentially illegal games.
- Participation initiated in special joint task force designed to better understand, coordinate and control unlicensed gaming operations.
- Provided financial accounting expertise in highly complicated and very public case of bankruptcy involving a casino licensee.

### Regulation & Compliance Section

This section continues to carry out the seven days a week, 24 hours a day, monitoring of the casinos' responsibilities to ensure gaming integrity. These regulation officers are located in the three Detroit casinos and are authorized by the Michigan Gaming Control and Revenue Act to investigate alleged violations of the Act, Rules, and System of Internal Controls to ensure that all casino facilities, activities, and games are in compliance.

During 2009, the Regulation & Compliance Section:

- Investigated and resolved 84 patron complaints regarding the conduct of gambling at a Detroit casino.
- Reviewed and approved new rules for games at a Detroit casino.
- Administered surveillance alteration request investigations regarding the addition, deletion, or modification of the surveillance coverage at a Detroit casino. Additionally, the section reviewed and approved the transition from an analog to a digital surveillance system at two casinos.
- Coordinated and cooperated in inter/intra-agency investigations involving the Department of the Michigan State Police, Michigan Liquor Control Commission, local police department, amongst others and involved a casino, supplier, or occupational licensee.
- Investigated Manufacturer Notifications regarding the revocation or withdrawal of software or hardware that was defective, malfunctioned, or otherwise had a detrimental impact on the conduct of gambling operation at a Detroit casino.
- Electronically tested slot machines at the Detroit casinos to verify the gaming software is approved and adequate to ensure compliance with the Act and Rules and the integrity of the game.
- Conducted electronic testing on slot machines with jackpots of \$100,000 or more. Inspection of the slot machine, including the EPROM, and other data to ascertain the validity of the jackpot to ensure the slot machine was not compromised and that the fair and honest gaming standard is maintained.
- Verified the reporting and accountability of cash and cash equivalents at all three Detroit casinos by conducting unannounced financial counts of all cage and cage departments.

The Regulation & Compliance staff identified noncompliance with the *Michigan Gaming Control & Revenue Act* and Administrative Rules *to wit*: Formal disciplinary proceedings that required the Department of Attorney General to draft Complaints against casino, supplier, and/or occupational licensees were finalized on eight

occasions. The disciplinary actions ranged in fines from \$100 to \$30,000. Other penalties included warning letter, license revocation, license suspension, required changes to the System of Internal Control, and required computer software changes. Nineteen actions are pending.

### Casino & Service Industry Section

This section hired three financial analysts, a section secretary, and three departmental technicians. Also, there was an internal promotion to replace the manager of the Casino & Service Industry Section.

At the end of 2008, the Casino & Service Industry Section, through the executive director, had issued 3,161 active Vendor Exemptions. During 2008, the Casino and Service Industry Section completed 25 Transfers of Interest.





# Minors and Compulsive Gambling

## ANNUAL UNDERAGE AND COMPULSIVE GAMBLING STUDIES

Section 15(2) of the Act, MCL 432.215(2) requires that each casino licensee conduct an annual study on minors and compulsive gaming. Section 15(1) of the Act further requires that the Board include certain information regarding minors on casino premises, which each licensee must compile as part of their annual study. Following is a summary chart of the required information compiled and reported by each of the three Detroit casino licensees in their respective annual studies on minors and compulsive gaming for calendar year 2009.

Casino Licensees' Reported Contacts with Minors on Licensed Casino Premises During Calendar Year 2009

	MGM Grand 1/1/09 - 12/31/09	MotorCity 1/1/09 - 12/31/09	Greektown 1/1/09- 12/31/09
1. The number of minors who were denied entry into the casino.	4,564	3,688	3,036
2. The number of minors who were physically escorted from the casino premises.	1,451	5	4
3. The number of minors who were detected participating in gambling games other than slot machines.	7	4	2
4. The number of minors who were detected using slot machines.	3	1	0
5. The number of minors who were taken into custody by a law enforcement agency on the casino premises.	24	4	4
6. The number of minors who were detected illegally consuming alcohol on the casino premises.	4	0	1



## Board Revenues and Expenditures

### STATE SERVICES FEE FUND

Section 432.212a of Public Act 69 of 1997 provides that all casino-related regulatory and enforcement costs, compulsive gambling programs, and other casino-related programs, activities, and services conducted by the Board, the Michigan Department of State Police, the Michigan Department of Attorney General, the Michigan Department of Community Health, and other state agencies shall be paid from annual fees assessed on the three Detroit casino licensees. Under the Act, each casino licensee is required to pay an annual assessment fee on or before the date on which the licensee first began operating its casino and each year, thereafter, on that date. The amount of each licensee's annual assessment is equal to 1/3 of \$25,000,000 adjusted annually by multiplying the previous year's assessment by the Detroit consumer price index, as defined and reported by the United States Department of Labor, Bureau of Labor Statistics. Based on this formula, each of the three Detroit casino licensees were assessed and paid a total of \$31,252,601 for calendar year 2009 and \$30,786,239 for fiscal year 2009.

From the annual assessment fees paid each year by the licensees, \$2,000,000 must be deposited in the state's Compulsive Gaming Prevention Fund. Up to \$1,040,000 may be distributed annually to the Domestic Violence and Treatment Board administered by the Department of Human Services. The remaining \$960,000 is to be used exclusively for the treatment, prevention, education, training, research, and evaluation of compulsive gamblers and their families, as determined by the director of the Michigan Department of Community Health.

### APPLICATION AND LICENSE FEES, FINES AND COSTS

The Board is authorized by the Act to collect various license application fees to fund the Board's cost of conducting required background investigations of applicants for casino, supplier, and occupational licenses. After an applicant is determined eligible and suitable for licensure, the Act authorizes the Board to assess and collect license fees for both the initial issuance and subsequent renewals of casino, supplier, and occupational licenses. In addition to application and license fees, the Act authorizes the Board to order reimbursement of investigative costs and to impose fines as disciplinary actions to penalize violators of the Act or administrative rules of the Board. The Board collected application and license fees and other authorized fees, fines, and reimbursement of costs totaling \$2,407,972 for calendar year 2009 and \$2,444,310 for fiscal year 2009.

### BOARD STATEMENT OF REVENUES AND EXPENDITURES

Section 432.215(1) of Public Act 69 of 1997 requires that the Board's Annual Report include an account of the Board's financial position and the results of operations under the Act, for the period covered by the report. While the Board, like other state agencies, operates on a fiscal year (October 1 - September 30) basis, the Act requires that the

Board's Annual Report be based on the calendar year. To give a more comprehensive account of the Board's financial position and the results of operations, the following financial statement reports the Board's revenues and expenditures for both calendar year and fiscal year 2009.



# Statement of Revenues and Expenditures

(In Thousands)

## REVENUES

State Casino Gaming Fund	Fiscal Year 2009	Calendar Year 2009
Casino and supplier fines	\$ 41.0	\$ 47.0
Other	0.4	0.4

## State Services Fee Fund

Annual assessments	30,786.2	31,252.6
Application fees:		
Casinos	402.4	402.5
Suppliers	273.2	307.0
Occupational	105.2	98.7
Vendor	0.0	8.6
License fees:		
Casinos	75.0	75.0
Suppliers	640.0	670.0
Occupational	354.3	359.6
Other fees:		
Badge replacement fees	4.1	4.1
Other	0.2	0.2

## Native American Casino Fund

Oversight fees	548.2	573.2
----------------	-------	-------

## Lab Fund

Testing fees	548.4	434.9
<b>Total Revenues</b>	<b>\$ 33,778.7</b>	<b>\$ 34,233.8</b>

**EXPENDITURES**

<b>State Services Fee Fund</b>		
Board	17.8	8.8
Administration	18,660.4	17,442.2
Background investigations	780.8	777.5
Information technology	1,307.1	1,245.7
<b>Native American Casino Fund</b>	254.4	300.6
<b>Lab Fund</b>	542.2	445.9
<b>Total Expenditures \$</b>	<b>21,562.7</b>	<b>\$ 20,220.6</b>

**OTHER FINANCING SOURCES (USES)**

<b>Transfers from other funds:</b>	0.0	0.0
<b>Transfers to other funds:</b>		
<b>State Services Fee Fund</b>		
Department of Community Health	(960.0)	(960.0)
Department of Human Services	(1,040.0)	(1,040.0)
Michigan Office of the Auditor General	(926.9)	(926.9)
Department of Treasury	(177.9)	(177.9)
Michigan State Police	(5,711.0)	(5,711.0)
Department of Civil Service	(153.2)	(153.2)
Department of Agriculture	(5,302.7)	(5,302.7)
<b>Native American Casino Fund</b>	(0.0)	(0.0)
<b>Lab Fund</b>	(0.0)	(0.0)
<b>Total Other Financing Sources (Uses)</b>	<b>(14,271.7)</b>	<b>(14,271.7)</b>
<b>Excess of Revenues and Other Sources over</b>		
<b>(under) Expenditures and Other uses \$</b>	<b>(2,055.7)</b>	<b>\$ (258.5)</b>

**Footnotes:**

1. Approval for calendar year presentation was received from the Department of Management and Budget, Office of Financial Management.
2. Governmental fund types are accounted for using the modified accrual basis of accounting.



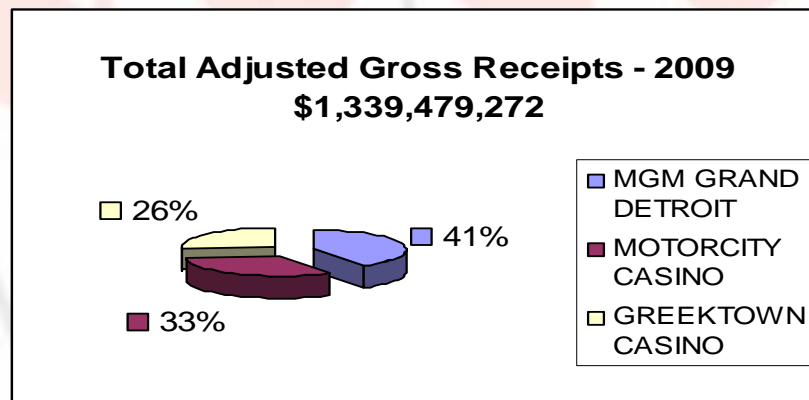
## Casino Revenues and State Wagering Taxes

### STATE CASINO WAGERING TAX

Section 432.212 of Public Act 69 of 1997 imposed an 8.1% State Wagering Tax on the adjusted gross receipts received by each Detroit casino licensee from casino gaming authorized by the Act. The Act defines "adjusted gross receipts" as being the licensee's gross gaming receipts less winnings paid to wagerers. The 8.1% is deposited in the State's School Aid Fund to provide additional funds for K-12 public classroom education. Public Act No. 306 of 2004 amended the original Act. Effective September 1, 2004, the State Wagering Tax was temporarily increased by 4% to 12.1%. Of the additional 4%, 3.5% is deposited in the State's General Fund and .5% is deposited in the Michigan Agriculture Equine Industry Development Fund. MGM and Motor City Casinos are no longer required to pay the additional 4% wagering tax due to the opening of their permanent casinos and hotels. On March 9, 2010, the Board certified that Greektown Casino met the requirements of Public Act 306 of 2004 and is entitled to a tax adjustment retroactive to February 15, 2009.

In calendar year 2009, the combined 8.1% State Wagering Taxes paid by the three Detroit casino licensees and deposited in the School Aid Fund totaled \$108,497,821. The 3.5% State Wagering Taxes deposited in the General Fund totaled \$12,110,707. The .5% State Wagering Taxes deposited in the Michigan Agriculture Equine Industry Development Fund totaled \$1,730,101 for the same period.

The following is a monthly and annual summary of the adjusted gross receipts and State Wagering Tax payments for the three Detroit casino licensees for calendar year 2009:



## Casino Revenues & Wagering Taxes 2009

Month	Calendar Year 2009							
	MGM GRAND DETROIT		MOTORCITY CASINO		GREEK TOWN CASINO		All Detroit Casinos	
	Total Adjusted Revenue	State Wagering Tax (8.10%)	Total Adjusted Revenue	State Wagering Tax (8.10%)	Total Adjusted Revenue	State Wagering Tax (12.10%)	Total Adjusted Gross Receipts	Total State Wagering Tax
January	\$45,760,680.48	\$3,706,615.12	\$36,824,136.17	\$2,982,755.19	\$24,331,489.11	\$2,944,110.18	\$106,916,307.75	\$9,633,480.49
February	\$49,452,574.79	\$4,005,658.56	\$40,001,059.14	\$3,240,086.60	\$27,507,991.91	\$3,328,467.02	\$116,961,635.84	\$10,574,212.18
March	\$48,417,844.13	\$3,921,845.37	\$41,632,619.57	\$3,372,242.19	\$29,974,562.14	\$3,626,922.02	\$120,025,025.84	\$10,921,009.58
April	\$44,249,852.45	\$3,584,238.05	\$38,539,338.93	\$3,121,686.45	\$28,589,866.54	\$3,459,373.88	\$111,379,057.92	\$10,165,296.35
May	\$47,216,927.68	\$3,824,571.14	\$40,457,965.75	\$3,277,095.23	\$30,153,069.06	\$3,648,621.36	\$117,827,962.49	\$10,750,187.72
June	\$43,772,027.46	\$3,545,534.22	\$36,681,519.22	\$2,987,403.06	\$28,849,029.46	\$3,490,732.56	\$109,502,576.14	\$10,023,669.85
July	\$47,805,129.70	\$3,872,215.02	\$35,770,492.65	\$2,897,409.90	\$31,736,529.31	\$3,840,120.05	\$115,312,145.66	\$10,609,744.97
August	\$44,169,556.35	\$3,577,734.06	\$36,926,854.50	\$2,991,075.21	\$30,615,372.25	\$3,704,460.04	\$111,711,783.10	\$10,273,269.32
September	\$41,894,202.01	\$3,393,430.36	\$33,465,389.73	\$2,710,696.57	\$28,196,948.76	\$3,411,830.80	\$103,556,540.50	\$9,515,957.73
October	\$44,911,699.01	\$3,637,847.62	\$35,992,326.21	\$2,915,378.42	\$29,300,520.26	\$3,545,362.95	\$110,204,545.48	\$10,098,568.99
November	\$42,881,772.84	\$3,473,423.60	\$34,959,624.71	\$2,831,729.60	\$28,442,692.42	\$3,441,565.78	\$106,284,089.97	\$9,745,718.96
December	\$47,100,648.71	\$3,815,152.30	\$34,374,824.43	\$2,784,360.78	\$28,322,131.80	\$3,426,977.95	\$109,797,601.94	\$10,026,491.03
<b>Total</b>	<b>\$547,632,906.61</b>	<b>\$44,358,265.44</b>	<b>\$445,826,163.01</b>	<b>\$36,111,919.20</b>	<b>\$346,020,203.02</b>	<b>\$41,868,444.57</b>	<b>\$1,339,479,272.64</b>	<b>\$122,338,629.20</b>





## Michigan Gaming Control Board

### Appendix 1 - Michigan Attorney General, Alcohol & Gambling Enforcement Division

#### Introduction

The Alcohol & Gambling Enforcement Division was created within the Department of the Attorney General in 2002. The division represents the following diverse group of state agencies: Michigan Gaming Control Board, Bureau of State Lottery, Michigan Liquor Control Commission (MLCC), various units of both the Michigan State Police (MSP) and the Department of Treasury. Most recently, the division took on the additional duty of providing general counsel to the Michigan Sheriffs' Coordinating and Training Council.

The Alcohol & Gambling Enforcement Division advises and represents the Michigan Gaming Control Board, the Board's staff, and the Michigan State Police on matters pertaining to casino gambling authorized under the Act. These activities include providing legal assistance to the Gaming Control Board and State Police investigators conducting background, regulatory, and/or criminal investigations. The division also represents the State's interests in Gaming Control Board licensing, enforcement and disciplinary actions, and drafts opinions and memoranda of law on questions related to casino gambling in Michigan.

The Attorney General, through his Alcohol & Gambling Enforcement Division, provides general legal counsel to the Board and its staff to:

- Ensure that all required casino taxes and fees are collected and properly remitted to the State of Michigan and the City of Detroit.
- Ensure the casinos and licensees are accountable for violations of the Act and Administrative Rules.
- Ensure that competent and well qualified persons manage the casinos.
- Ensure the continuation of viable operating and revenue generating casinos.

#### Summary of Activity

The division handled over 1,100 legal matters from the Board, casinos, and the public-at-large involving casino violation complaints, investigations, and transactional matters having a monetary value of over \$1.4 billion.

The division handled:

- The development and oversight of the Chapter 11 bankruptcy of Greektown Casino.
- Assisted and coordinated the gambling enforcement task force created by the executive director of the MGCB. The task force was formed to address illegal forms of gambling in the state.
- Prosecuted businesses engaged in illegal gambling.
- Successfully defended the state in U.S. District Court on a challenge to article 4, section 41 of Michigan's Constitution.

The Alcohol & Gambling Enforcement Division continues to assist and coordinate the gambling enforcement task force. The task force was created by the executive director to address illegal forms of gambling in the state. Members of this group include:

- The Gaming Control Board
- Liquor Control Commission
- Attorney General
- Michigan State Police
- Department of Treasury
- Bureau of State Lottery

One of the purposes of the group is to educate local police about illegal gambling and the need to regulate and enforce the laws in the state. It is not uncommon to discover other criminal activity hovering around illegal gambling operations and the state and local communities lose revenue from such illegal businesses due to tax evasion.

The Attorney General has helped take the lead with this task force assignment and assisted with networking the groups and facilitating the reporting of illegal gambling activity. The successful networking of this group has resulted in deterring illegal gambling crimes in the state. For example, during 2009 over \$100,000 in fines were assessed against liquor licensees involving illegal gambling activities taking place outside of the Detroit casinos. Additionally, 27 video gambling devices and numerous gambling paraphernalia were seized by the State Police and Liquor Control.

#### Treasury & Gaming Section (Criminal Prosecutions)

The Department of Attorney General, through its Criminal Division - Treasury & Gaming Section, prosecutes all casino related crimes. During this period, this section issued approximately 200 charging warrants (171 through the 3<sup>rd</sup> quarter) with a successful conviction rate just short of 100 percent.

The Treasury & Gaming Section of the Criminal Division issued charges against 30+ illegal gambling operators and players resulting in fines and costs of over \$120,000. Additionally, several illegal gambling investigations are pending. This section and the Alcohol and Gambling Enforcement Division assisted the MSP and MLCC in seizing 27 video gaming devices in 2009. These machines were seized from locations engaged in illegal gambling outside of the Detroit casinos.



## Michigan Gaming Control Board

### Appendix 2 - Michigan State Police - Gaming Section

#### Summary of Activity

The MSP Gaming Section operates from the Cadillac Place Building at 3062 W. Grand Boulevard, Suite I-750, in the City of Detroit. Gaming Section personnel rotate their patrols between the three casinos.

The Gaming Section made:

- 273 arrests
- 33 fugitive warrant arrests
- Conducted 839 criminal complaint investigations
- Responded to 286 complaints of patrons in possession of counterfeit money seizing \$9,306 in counterfeit currency



## Complaints Initiated – Casino Operations

MSP Gaming Section Casino Operations initiated 798 complaint investigations. The following is a breakdown of the complaints at each casino.

		Complaints Initiated		Complaints Initiated	
MGM Grand Detroit Casino				MotorCity Casino	
Larceny	12	Larceny	18		
Counterfeit Currency	104	Counterfeit Currency	101		
Money Laundering	27	Money Laundering	14		
Fraudulent Activities	15	Fraudulent Activities	14		
Embezzlement	6	Embezzlement	5		
MDOP	19	MDOP	7		
Gambling Violations	45	Gambling Violations	18		
Disassociated Persons	57	Liquor Violations	0		
Liquor Violations	1	Disassociated Persons	35		
All others	34	All others	47		
	<b>Total</b>	<b>320</b>		<b>Total</b>	<b>259</b>
Assists Other Agencies	99	Assists Other Agencies	99		

		Complaints Initiated	
<b>Greektown Casino</b>			
Larceny	24		
Counterfeit Currency	80		
Money Laundering	7		
Fraudulent Activities	11		
Embezzlement	11		
MDOP	4		
Gambling Violations	22		
Disassociated Persons	25		
Liquor Violations	0		
All others	35		
	<b>Total</b>	<b>219</b>	
Assists Other Agencies	75		

## Arrests - Casino Operations

The Gaming Section's Casino Operations personnel arrested 218 individuals resulting in 239 charges.

The following is a breakdown of the charges and persons arrested. \*\*Figures are computed as counting all charges for each person arrested; i.e., one person may be listed under both Gambling Offense and Conspiracy if they were charged with both offenses at the time of their arrest.

<b>MGM Grand Detroit Casino</b>	<b>Arrests</b>	<b>Charges</b>
Embezzlement	0	0
Larcenies	2	2
Counterfeit Currency	4	4
Conspiracy	0	0
Fraudulent Activities	5	5
Malicious Destruction of Property	10	11
Retail Fraud	0	0
Money Laundering	0	0
Gambling Offenses	23	24
Liquor Violations	2	2
Fugitives	0	0
Disassociated Person/Trespassing	44	44
Other	7	15
<b>Total</b>	<b>97</b>	<b>107</b>

<b>Greektown Casino</b>	<b>Arrests</b>	<b>Charges</b>
Assault & Battery	0	0
Larcenies	1	1
Counterfeit Currency	0	0
Money Laundering	0	0
Fraudulent Activities	5	5
Malicious Destruction of Property	2	2
Retail Fraud	0	0
Embezzlement	0	0
Gambling Offenses	5	5
Liquor Violation	0	0
Fugitives	0	0
Disassociated Person/Trespassing	19	19
Other	8	10
<b>Total</b>	<b>40</b>	<b>42</b>

<b>MotorCity Casino</b>	<b>Arrests</b>	<b>Charges</b>
Embezzlement	1	1
Larcenies	8	8
Forgery/Counterfeiting	0	0
Conspiracy	8	8
Fraudulent Activities	19	19
Malicious Destruction of Property	5	5
Retail Fraud	0	0
Money Laundering	3	3
Gambling Offenses	9	9
Liquor Violation	0	0
Fugitives	0	0
Disassociated Person/Trespassing	24	24
Other	12	21
<b>Total</b>	<b>81</b>	<b>90</b>

### Special Operations

The Special Operations Team assists casino operations personnel with investigations stemming from activity within the three Detroit casinos as well as investigating complaints of illegal gambling outside the casinos. Any casino-style gambling outside of the Detroit or Native American casinos that are not authorized by charitable gaming law are considered illegal and a violation of the Act.

Special Operations Team activities included:

Surveillances Initiated	44
Complaints Originated	40
Tips In	16
Tips Out	6
Trash Pulls	4
Search Warrants	14
Felony Arrests	27
Misdemeanor Arrests	28
Fugitive Arrests	1
Money Forfeited	\$18,450
Forfeiture	\$11,000
Number of Machines Seized	27
Assists to Other Agencies	17
LCC Violations	6
Warrants Requested	12

The Special Operations Team often works in conjunction with the Michigan Liquor Control Commission and the Michigan Bureau of State Lottery in the investigation of illegal gambling in licensed liquor establishments.



This Annual Report was not produced at taxpayer expense.  
[www.michigan.gov/mgcb](http://www.michigan.gov/mgcb)