



**Michigan Gaming Control Board**

# **Annual Report to the Governor**



**Calendar Year 2012**

# Annual Report to the Governor

Calendar Year 2012

Michigan Gaming Control Board  
3062 West Grand Boulevard  
Detroit, MI 48202

Submitted March 12, 2013  
Pursuant to the  
*Michigan Gaming Control & Revenue Act*, as amended  
(Public Act 69 of 1997)

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



STATE OF MICHIGAN  
MICHIGAN GAMING CONTROL BOARD  
LANSING

RICK SNYDER  
GOVERNOR

RICHARD S. KALM  
EXECUTIVE DIRECTOR

March 15, 2013  
Honorable Rick Snyder  
Governor of Michigan

**AN OPEN LETTER TO GOVERNOR RICK SNYDER 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 2012, pursuant to Section 15(1) of the Michigan Gaming Control and Revenue Act, as amended, Public Act 69 of 1997, MCL 432.201 (Act). This Annual Report is submitted not only to comply with the statutory reporting requirements under the Act, but to provide a summary of significant activities and operations of the Board and the Board's Staff. The Annual Report includes a report on the licensure, regulation, and operations of authorized commercial casino gaming in the City of Detroit for 2012.

Sincerely,

/s/

Robert L. Anthony  
Chairperson

## FROM THE EXECUTIVE DIRECTOR

The Michigan Gaming Control Board (MGCB) had several notable events occur in 2012. We are committed to focusing on the important responsibilities of regulating commercial casino gaming, charitable gaming millionaire parties, and horse racing to ensure proper compliance with the gaming laws while protecting the interests of the people of the State of Michigan. It is the goal of the five member Board and the MGCB employees to maintain and ensure the integrity of gaming. I, along with my employees, continually strive to balance regulation while maintaining a cooperative approach to vendors, suppliers, tracks, casinos, and charities. The MGCB's success as a regulatory agency is attributed to MGCB personnel who are dedicated and committed to shaping the agency's future in an ever-changing gaming environment.

In 2012, the three Detroit commercial casinos recorded combined revenues of \$1.4 billion. This equated to \$114.8 million in gaming taxes paid to the State and \$170.8 million to the City of Detroit, based on the adjusted gross revenue reported on the tax returns. The American Gaming Association's 2012 "State of the State" survey reported the Detroit casino market was the fourth largest in the nation as of 2011; up from fifth in 2010.

The MGCB has reaffirmed our working relationships with our partner agencies: Detroit Police Department, Michigan State Police (MSP), and the Attorney General's Office (AG), as well as the commercial casinos' security directors. Bi-monthly meetings continue to be conducted in order to keep communication between all agencies open and allow for the sharing of information and resources.

In 2012, there were several changes in Board members. Robert Anthony was appointed Chairperson, the Honorable Benjamin Friedman was re-appointed for a new one-year term, and Andrew Palms and Patrick McQueen were appointed to serve on the Board for four-year terms beginning February 2012.

Resolution 2012-01 adopted by the Board in August increased the threshold amount of business a nongaming supplier/vendor may conduct with a Detroit casino before being required to be licensed. This Resolution allows the Executive Director to grant an exemption from licensing if, in any 12-month rolling period, the applicant is providing less than \$300,000 worth of nongaming goods/services to any one casino or \$600,000 to two or more casinos. The same Resolution also raised the non-licensing requirement from \$5,000 to \$15,000 which enables businesses conducting commerce with the casinos to be exempt from licensing standards.

With Executive Order 2012-4 transferring the oversight and regulation of charitable gaming millionaire parties from the Bureau of Lottery to my office, addressing the needs and regulation requirements is an ongoing process at the MGCB. This transfer also allowed for hiring of several new staff members to address the regulatory oversight and protect the licensed charities conducting charitable games.

Executive Order 2012-7 issued in May designated the MGCB Criminal Investigations Subunit as a Criminal Justice Agency. The purpose of the Criminal Investigations Subunit is to investigate criminal activity relating to any matter under the jurisdiction and authority of the MGCB. With this designation MGCB is able to conduct criminal background checks on applicants for licenses and current licensees in accordance with state and federal laws for submission of fingerprints to MSP for processing. The MGCB can investigate claims of unlawful gaming or racing practices, share records of its investigations with other criminal justice agencies, receive information from other criminal justice agencies, and exclude convicted felons from the casinos.

2013 brings with it many new challenges. The horse racing industry is in decline and trying to survive in an environment where many other gaming opportunities are available to the public. The industry and the MGCB have continually explored ways to modernize horse racing within the scope of the Horse Racing Law of 1995, Public Act 279 of 1995 (Horse Racing Law) and constitutional provisions.

With the current administration, we have embraced a customer-orientated philosophy as we interact with the gaming public and entities involved in addressing the various gaming products. We now have the ability to track our organization's progress and report issues and initiatives to the public. The MGCB has fully embraced this way of doing business.

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 and Criminal Divisions), and Appendix 2 (Michigan State Police, Gaming Section).

My sincere appreciation goes to the Board and the MGCB employees who see that our mission of ensuring fair and honest gaming to protect the interests of the citizens of Michigan is accomplished every day. The MGCB will strive to fairly and competently regulate casino gaming, horse racing, and charitable millionaire parties to continue to meet this mission in Michigan during 2013.

If you should need additional information or assistance, please contact us.

Sincerely,

/s/

Rick Kalm  
Executive Director



## Table of Contents

<i>Section</i>	<i>Page</i>
Mission Statement.....	1
Summary of the Michigan Gaming Control & Revenue Act.....	2
Michigan Gaming Control Board Members.....	4
Organizational Chart.....	6
Michigan Gaming Control Board Staff .....	7
Michigan Attorney General, Alcohol & Gambling Enforcement Division .....	8
Michigan State Police, Gaming Section .....	9
Activities of the Board .....	10
Board Meetings.....	10
Notable Board Accomplishments.....	11
Minors and Compulsive Gambling.....	41
Board Revenues and Expenditures .....	42
Statement of Revenue and Expenditures .....	44
Casino Revenues and State Wagering Taxes .....	46
Appendix 1 - Michigan Attorney General, Alcohol & Gambling Enforcement Div. ....	48
Appendix 2 - Michigan State Police, Gaming Section.....	53



## 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* (Act). The voter-initiated Act established the MGCB as a Type I agency within the Michigan Department of Treasury (Treasury), exclusively responsible for licensing and regulating the three commercial 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 MGCB, 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 and the MGCB employees 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 (an autonomous 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, 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, agents of the Board, license applicants, licensees, and others involved in gaming to prevent conflicts of interest.





# Michigan Gaming Control Board 2012 Board Members

## Mr. Robert L. Anthony, Chair



MR. ROBERT L. ANTHONY

Mr. Anthony has been appointed by Governor Rick Snyder to serve as Board Chair for a term at the pleasure of the governor. Mr. Anthony has served on the Gaming Control Board since January 2011 and succeeds Ms. Barbara Rom as Chairperson.

Mr. Anthony retired as a senior risk and quality partner of the PricewaterhouseCoopers LLP. Anthony served global clients over his career working closely with client audit committees and senior management on matters that included entity-wide risk analysis and risk management. He also served as a member of the PricewaterhouseCoopers Global Audit Policy Board.

Mr. Anthony graduated from the University of Michigan where he was awarded a B.A. and an M.B.A. He currently resides in Northville with his wife Catherine.

Mr. Anthony has been appointed by Governor Rick Snyder to serve as a board member for a term expiring December 31, 2014,

## Mr. Michael Watza



MR. MICHAEL WATZA

Mr. Watza partner of Kitch, Druthas, Wagner, Valitutti and Sherwood, has been reappointed by Governor Rick Snyder to serve as a board member for a term expiring December 31, 2016.

## Mr. Patrick M. McQueen



MR. PATRICK M. MCQUEEN

Mr. McQueen, Managing Director of McQueen Financial Advisors has been appointed by Governor Rick Snyder to serve as a board member for a term expiring on December 31, 2015.

## Mr. Andrew T. Palms



MR. ANDREW T. PALMS

Mr. Palms, Executive Director of Communications Systems at the University of Michigan, has been appointed by Governor Rick Snyder to serve as a board member for a term expiring on December 31, 2015.

## Honorable Benjamin Friedman



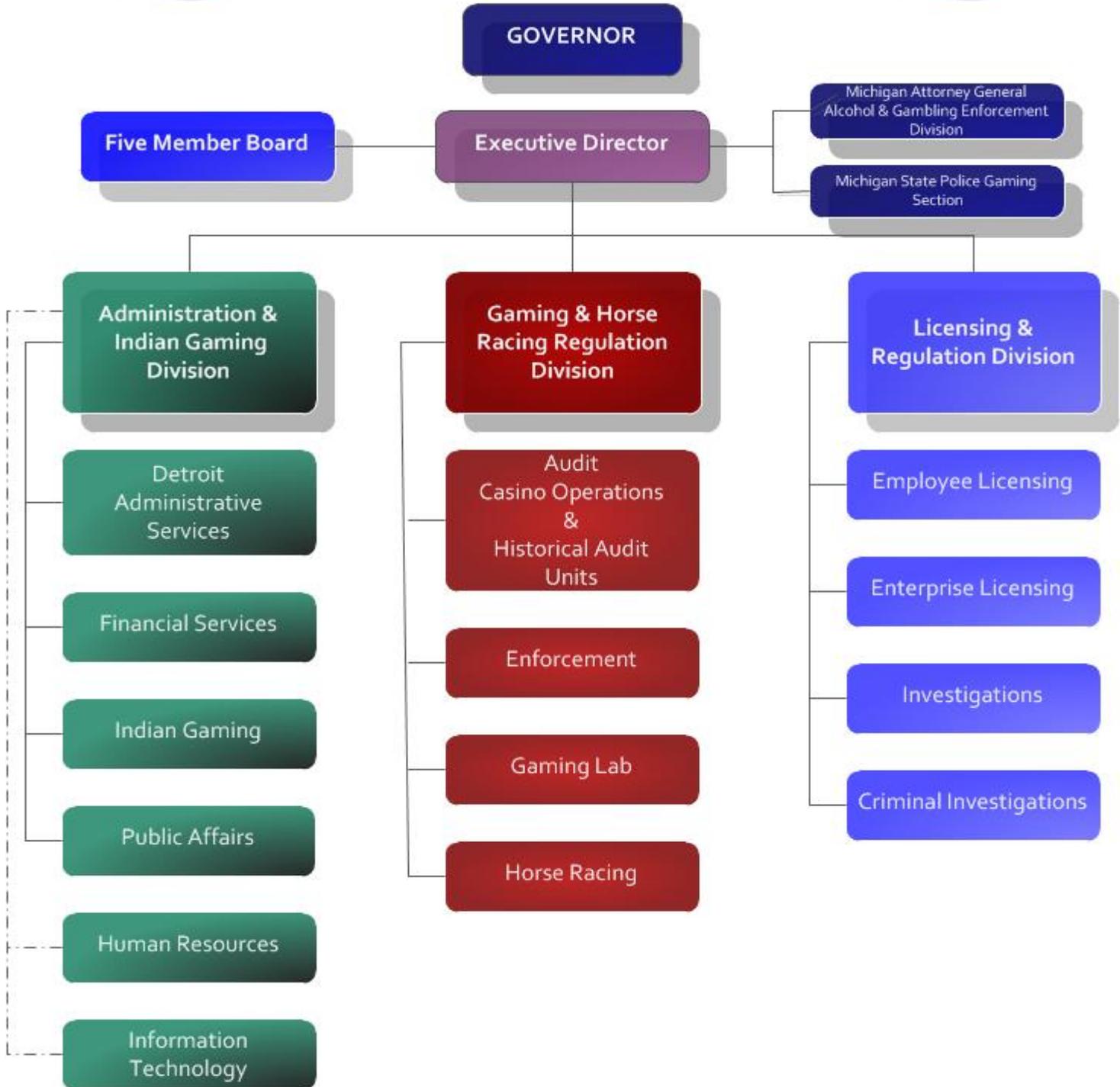
HON. BENJAMIN FRIEDMAN

Honorable Benjamin Friedman of Huntington Woods, partner of Friedman & Lichterman, P.C. law firm and previous 45B District Court judge was reappointed by Governor Rick Snyder for a term expiring December 31, 2012.





## MICHIGAN GAMING CONTROL BOARD ORGANIZATION CHART





# Michigan Gaming Control Board

## Michigan Gaming Control Board Staff

Executive Director .....	1
Senior Executive Management Assistant .....	1
 <u>Division of Administration &amp; Indian Gaming</u>	
Deputy Director .....	1
Senior Executive Management Assistant .....	1
Accountant (Treasury) .....	1
Detroit Administrative Services Section Manager .....	1
Detroit Office Secretary .....	1 (+1 Vacant)
Departmental Manager .....	2 Vacant
Disassociated Persons Analyst.....	1
Department Analysts .....	2
Departmental Supervisor.....	Vacant
Departmental Technician.....	4
Financial Manager .....	1
Financial Analyst .....	1
Human Resource Director (Civil Service) .....	1
Human Resource Liaison.....	1
Indian Gaming Section Audit Manager.....	1
Indian Gaming Auditors.....	5 (+1 Vacant)
Procurement Analyst.....	1
Database Administrator (DTMB) .....	1
Information Systems Specialists (DTMB).....	2
Information Technology Analysts (DTMB) .....	2
Information Technology Programmer Analysts (DTMB) .....	2 Vacant
Information Systems Program Manager (DTMB).....	1
Network Administrator (DTMB).....	1
 <u>Division of Gaming &amp; Horse Racing Regulation</u>	
Deputy Director .....	1
Senior Executive Management Assistant .....	1
Casino Operations Unit Manager.....	1
Casino Secretary .....	2 (+1 Vacant)
Auditors .....	11 (+1 Vacant)
Departmental Analyst.....	1
Departmental Technician.....	1
Enforcement Section Managers .....	3
Gaming Laboratory Equipment Technician .....	1
Gaming Laboratory Auditor .....	Vacant
Gaming Laboratory Engineer.....	2 (+1 Vacant)
Gaming Laboratory Manager.....	1
Gaming Laboratory Secretary .....	1
Historical Audit Unit Manager.....	1

Horse Racing Section Manager .....	1
Information Systems Auditor .....	1
Pari-Mutuel Coordinator .....	1
Regulation Officer.....	15

Division of Licensing & Regulation

Deputy Director .....	1
Senior Executive Management Assistant .....	1
Criminal Investigations Section Manager .....	1
Departmental Analyst.....	1
Departmental Supervisor.....	1 (+1 Vacant)
Departmental Technician.....	10 (+1 Vacant)
Enterprise Licensing Section Manager .....	1
Enterprise Licensing Secretary.....	1
Employee Licensing Section Manager .....	1
Financial Analyst .....	5 (+4 Vacant)
Investigations Section Manager .....	2
Regulation Officer.....	31 (+1 Vacant)

## **\*Michigan Department of Attorney General**

Criminal Justice Bureau Chief .....

### **Alcohol & Gambling Enforcement Division**

Division Chief .....

Division Head Secretary.....

First Assistant Attorney General.....

Section Head .....

Assistant Attorneys General.....

Legal Secretaries .....

### **Criminal Division, Treasury & Gaming Section**

Section Head .....

Assistant Attorneys General.....

Division Head Secretary.....

Legal Secretaries .....

\*This is a complete listing of the positions within the Alcohol & Gambling Enforcement Division and the Criminal Division, Treasury & Gaming Section. All or portions of the listed positions are funded by MGCB, Treasury, Bureau of State Lottery and/or Liquor Control Commission.

# Michigan Department of State Police, Gaming Section

Inspector.....1  
Secretary.....2  
Detective First Lieutenant.....1

## Casino Operation Unit

Detective Lieutenant.....1 (+1 Vacant)  
Detective Sergeants.....3 (+3 Vacant)  
Detective Specialists .....13 (+9 Vacant)



## Activities of the Board

### BOARD MEETINGS

From inception, the Board has encouraged public input regarding policies, procedures, and activities related to licensing and regulating the three commercial Detroit casinos. To conduct Board business, inform, and receive input from the public, the Board held nine public meetings in 2012. At these meetings, the Board not only conducted its official business, it 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 Cadillac Place, 3062 West Grand Boulevard, Suite L-700, on the following dates:

February 14, 2012	August 14, 2012
March 13, 2012	September 10, 2012
April 10, 2012	October 23, 2012
May 10, 2012	December 12, 2012*
June 12, 2012	

\*After public meeting, Board did not adjourn to closed session

The Board adjourned to closed session after 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, were held in accordance with Michigan's Open Meetings Act.

### BOARD RESOLUTIONS

The Board adopted one resolution in calendar year 2012:

**Resolution No. 2012-01** - Adopted August 14, 2012 - A Board Resolution Regarding Vendor Exemptions & Waivers from Supplier-Licensing Requirements Pursuant to Rule 432.1322(4) & Rule 432.1223. Resolution 2012-01 Rescinds Resolution 2009-01.



## **Notable Accomplishments**

### **INTRODUCTION**

The Board consists of five members. All five Board members and the Executive Director are appointed by the Governor. They are assisted in their mission of regulating the three commercial casinos in Detroit by other state agencies. The mission of the Board is to ensure the conduct of fair and honest gaming to protect the interests of the citizens of the State of Michigan. There are 121 budgeted staff positions assigned to MGCB performing this mission. The headquarters for the Board is located at the State offices at Cadillac Place in Detroit. The following is a summary of yearly activity for 2012.

These activities are funded by an assessment on each of the three Detroit casinos.

### **ADMINISTRATION AND INDIAN GAMING DIVISION**

#### **Administration**

The Administration and Indian Gaming Division consists of three sections: Financial Services, Detroit Administrative Services, and Indian Gaming. Additionally, the Division serves the Agency by ensuring the effective and efficient delivery of human resources and information technology (IT) services as provided by Department of Technology Management and Budget (DTMB).

In 2012 MGCB developed its first business continuity plan. The purpose of the plan was to document all business functions of MGCB and what would be necessary for MGCB to function in the event of a disaster or emergency situation. This process evaluated the importance of all MGCB business functions and the recovery time necessary for full operations to resume. The business continuity plans identified tasks and teams necessary to complete business processes and the required resources necessary for the restoration of full business operations. Call lists were established, allowing MGCB staff to be notified quickly if a disaster or emergency situation arises. The plans also include evacuation diagrams, floor plans, commercial casino evacuation and emergency procedures, horse track evacuation and emergency procedures, and instructions for when a plan should be activated.

Pursuant to Executive Order 2012-4, all of the authority, powers, duties, functions, records, and property of the Lottery Commissioner and Bureau of State Lottery (Lottery) related to the licensing and regulation of millionaire parties under the Traxler-McCauley-Law-Bowman Bingo Act of 1972 (Bingo Act) and its promulgated rules, were transferred

to the Executive Director of MGCB. All subunits of the Administration and Indian Gaming Division assisted in this transition as described below.

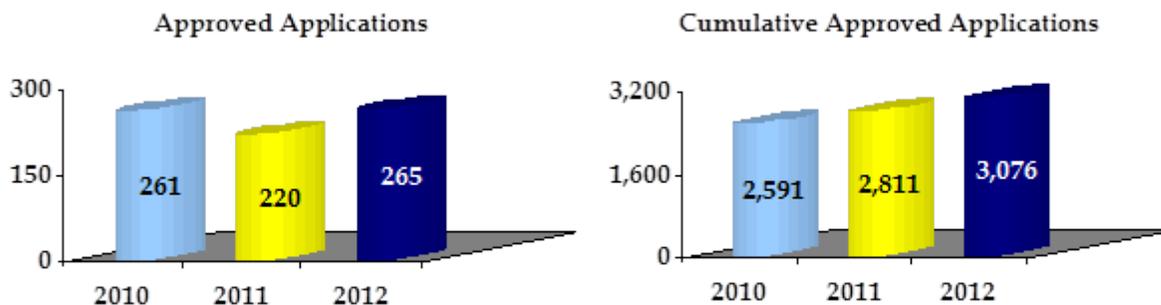
### Detroit Administrative Services Section

The Detroit Administrative Services section consists of one manager, two secretaries, two department analysts, four departmental technicians, and six student assistants. Its primary responsibilities are to administer the Disassociated Persons List (DPL) program and to maintain the agency's records. Additionally, the section provides administrative support services for the four MGCB offices in Detroit, which are located in Cadillac Place and an office in each of the three Detroit casinos.

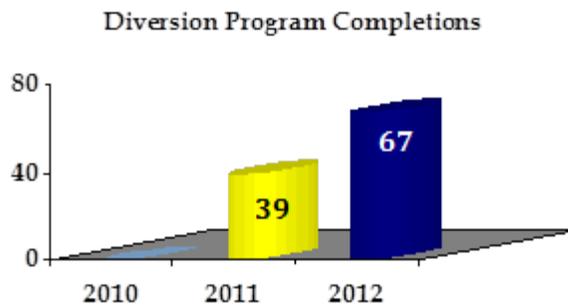
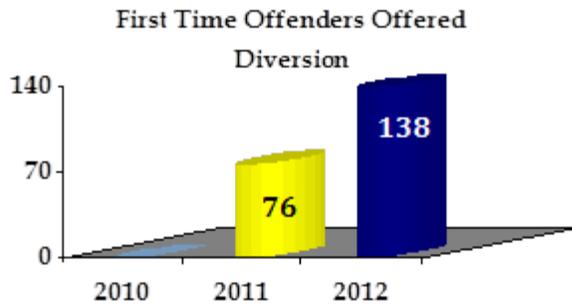
#### Disassociated Persons List and Problem Gambling Diversion Program

The Act created the Disassociated Persons List (DPL) designed for problem gamblers that request to self-exclude themselves from entering and gaming at the three casinos located in the city of Detroit for the remainder of his or her life. The law also states that an individual that violates the terms and conditions of the DPL is guilty of criminal trespassing, punishable by imprisonment for not more than 1 year, a fine of not more than \$1,000.00, or both. As of December 31, 2012, there were 3,076 people in the DPL program.

The Detroit Administration Section processed the following DPLs in 2010, 2011, and 2012:



The Problem Gambling Diversion allows individuals who violate the Disassociated Persons section of the act and are first time offenders the opportunity to enroll in a treatment program with a Michigan Department of Community Health provider. In 2012, ApprovIt, a computer software application, was identified as a tool to obtain an electronic signature in order to expedite processing of Diversion correspondence to first time offenders. Successful completion of the treatment program will result in dismissal of the criminal trespassing charges. First time offenders that fail to enroll in and complete the treatment program will be charged with criminal trespassing. There were a total of 67 individuals that successfully completed the Diversion Program in 2012.

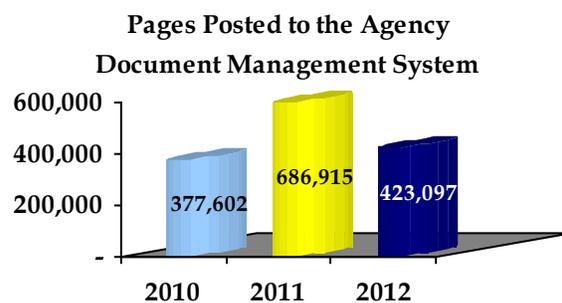
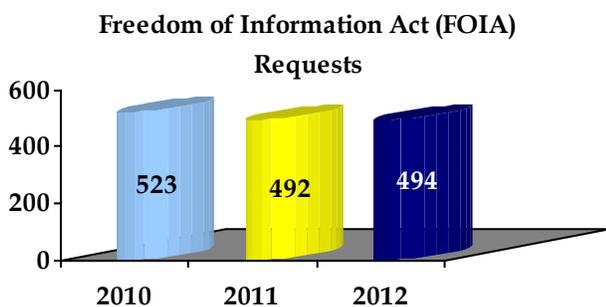


In March of 2012, the Detroit Administrative Services Section assumed the responsibility of accepting checks from MSP. The checks are a result of DPL confiscated winnings. Individuals that voluntarily place themselves on the DPL understand and authorize under the Act that if he or she enters a casino and wins any money, the MGCB will confiscate the winnings. Pursuant to the Act, any winnings collected by MGCB under this act shall be deposited into the Compulsive Gaming Prevention Fund. Assuming this new responsibility provides for timely receipt and deposit of the checks upon closure of a DPL case. In the calendar year 2012 MGCB transferred a total of \$78,720 of confiscated DPL funds to the Compulsive Gambling Prevention Fund.

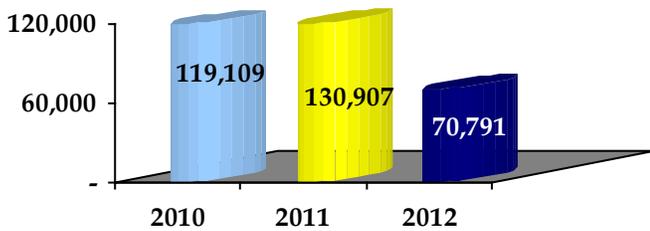
**Records Section**

In addition, the Detroit Administrative Services Section provides records management oversight for the agency’s paper records and ensures records are electronically imaged and available to staff in the MGCB’s online record repository. All Freedom of Information Act (FOIA) requests are processed by this section in accordance with the Michigan Freedom of Information Act, P.A. of 1976. Also, record retention schedules for various document categories are created, processed, approved, and maintained by this area. The entire life cycle of agency records are maintained by this section.

The Detroit Administrative Services Section processed the following in 2010, 2011, and 2012:

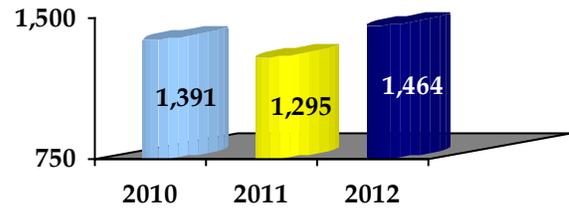


**Audit Documents Processed**

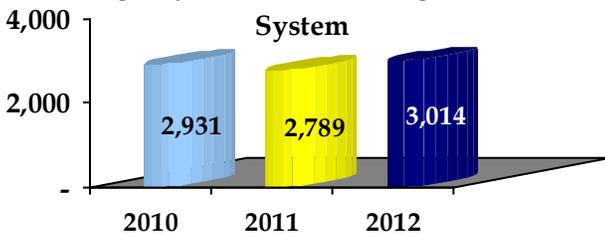


\* Procedures implemented in 2009 to add audit documents to the scanning process

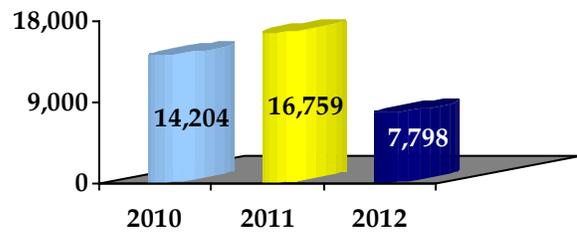
**New Applications Added to the Agency Document Management System**



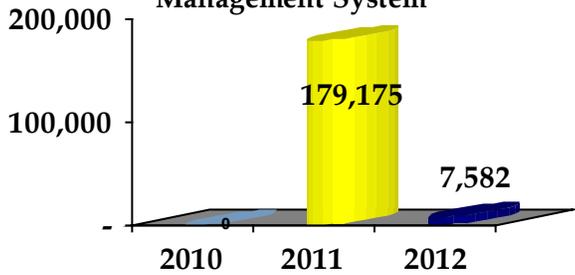
**Renewal Applications Added to the Agency Document Management System**



**Enforcement Documents Processed**



**Horse Racing Documents Added to the Agency Document Management System**



\* Procedures implemented in 2011 to add Horse Racing documents to the scanning process

On September 17, 2012, the Records Section assumed full responsibility of all documents related to the millionaire party charitable organizations, suppliers, and locations. In an effort to minimize the impact from the change in responsibility, MGCB established a satellite Records Section within its Lansing office. This provides the local charities with the same customer service they were accustomed to receiving prior to the MGCB's transfer of the millionaire parties component. The MGCB Records Section receives an average of 172 millionaire party event applications per week.

As of December 31, 2012, the Records Section processed the following millionaire party documents:

Charitable Organizations	11,087
Millionaire Party Locations	8
Millionaire Party Suppliers	54

### **Financial Services Section**

The Financial Services Section consists of one manager, three department analysts, one financial analyst, one accountant, and one student assistant and is located in MGCB's Lansing office. This section is responsible for MGCB's budget, accounting, purchasing, travel, vehicles, and assisting DTMB in providing human resource services. In 2012, the Financial Services Section began an extensive PC and laptop replacement process with the assistance of DTMB staff. The section replaced approximately 60 workstations throughout MGCB from June to December. MGCB employees who had a PC and a laptop had their PC replaced with a docking station for the laptop. This will save the Agency approximately \$900 per year in service fees.

In 2012, MGCB hired 25 new employees and lost 7 employees for a net addition of 18 employees. MGCB ended the year with 123 employees. In addition, 3 employees were promoted in 2012. This resulted in 27 job postings in 2012, four of which were for student assistants and are not included in the MGCB employee count.

The Financial Services Section worked with DTMB IT staff to develop a system to track MGCB vacant positions. In January 2012, Financial Services staff began using a Vacancy Tracking System to track all MGCB vacancies currently being filled.

In 2012, MGCB's vehicle fleet was increased from 14 vehicles to 24 vehicles. This was due to the addition of 10 seasonal vehicles needed with the transfer of millionaire parties to MGCB. Seasonal vehicles can be used for up to a year while an assessment is performed to determine the need for permanent vehicles.

The transfer of millionaire parties to the Executive Director of MGCB in June 2012 caused a great influx in the amount of mail received in the Lansing office and checks that were received daily for deposit. This new program also added the responsibility of processing refunds and the monthly billing to Lottery to cover millionaire party operational expenses.

### **Indian Gaming Section**

The Indian Gaming Section of MGCB is comprised of one manager and five auditors and is located at the MGCB Lansing office. The section is responsible for the inspections/audits of tribal casinos to verify compliance with the Tribal-State Class III Gaming Compacts and related consent judgments. There are 12 federally recognized tribal governments operating 22 casinos in the State of Michigan. These casinos foster

economic development and employment for the tribes and their surrounding communities while promoting tribal economic self-sufficiency on tribal lands. Each tribe has entered into their own Tribal-State Class III Gaming Compact (compact) with the State of Michigan. Michigan recognizes tribal governments as individual sovereign nations. Therefore, Michigan has no regulatory authority over tribal governments. Although the State of Michigan does not regulate Indian casino gaming, the State does have oversight authority of compliance with the compacts' provisions. The compacts provide that the regulation of Indian casino gaming is the responsibility of the tribe.

Net win is defined as the total amount wagered on electronic games of chance less the total amount paid to players for winning. Based on analysis of the 2011 two percent payments to local units of state governments, Indian gaming in Michigan recorded slot machine net win revenues of approximately \$1.4 billion. MGCB's oversight authority includes performing financial audits to ensure the net win totals are accurately stated and the related payments to local units of state government or local revenue sharing boards and the Michigan Economic Development Corporation or Michigan Strategic Fund are properly remitted in accordance with the relevant compact and related consent judgments. In 2012, the Indian Gaming Section presented final net win audit reports to seven tribes which encompassed 11 fiscal years. In addition, fieldwork and write-ups were performed on four tribes which encompassed seven fiscal years. The final reports from these inspections are anticipated to be completed in 2013.

The Tribal-State Class III Gaming Compacts contain several provisions which require compliance oversight. MGCB's Indian Gaming Section performs audits/inspections to ensure compliance to compact provisions pertaining to authorized Class III games, regulation of Class III gaming, employee benefits, Bank Secrecy Act, providers of Class III gaming equipment and supplies, notice to patrons, and the sale of alcoholic beverages. In 2012, The Indian Gaming Section presented final compliance audit reports on the extent of compliance with various sections of the Tribal-State Class III Gaming Compacts to seven tribes. In addition, fieldwork and write-ups were performed on an additional four tribes with the final reports from these inspections anticipated to be completed in 2013.

In preparation for the transfer of charitable gaming millionaire parties from the Bureau of State Lottery to the Executive Director of MGCB, the Indian Gaming Section, with collaboration of the Casino Operations Audit Unit, developed a Millionaire Party Implementation Report incorporating all actions and functions required for a successful transfer of millionaire party duties. This entailed extensive research of the Bingo Act to evaluate the impact on MGCB subunits and business functions as well as collaboration with Lottery's Charitable Gaming staff. Training was developed and provided to educate MGCB staff about the purpose of millionaire parties and related laws and issues.

### **Department of Technology, Management, and Budget (DTMB)**

IT services are provided to MGCB by the Department of Technology, Management and Budget (DTMB). One manager and six staff are dedicated to MGCB for IT support. DTMB staff is responsible for the development and maintenance of new and existing

applications, as well as server, database, computer, and laptop support. During 2012, the DTMB IT staff supporting MGCB completed the following:

- Implemented the State Unified Information Technology Environment (SUITE) to integrate and organize IT project management, system engineering, and process management methodologies for software development and technical service projects within MGCB.
- Successful migration of Lottery's Charitable Gaming Information System (CGIS) and supporting database to the MGCB environment in accordance with the transfer of millionaire parties from Lottery Commissioner to the Executive Director of MGCB. This process included the transfer of over 200,000 millionaire party electronic records from Lottery's HP Trim document repository to MGCB's Opentext Livelink document repository system.
- Successfully migrated MGCB file share servers from Novell to Microsoft Windows. This included creating a new MGCB domain and over 150 MGCB domain users while maintaining the file structure and permissions.

## **GAMING AND HORSE RACING REGULATION DIVISION**

### **Audit Section**

To be more efficient and focused during audits, the Audit Section is divided into two units: Historical Audit and Casino Operations.

### **Historical Audit Unit**

The Historical Audit Unit completed and issued final reports for all twelve compliance audits scheduled for calendar year 2012. The staff conducted audits on each of the three Detroit commercial casinos' gaming/nongaming operations for the following areas: purchasing, table games and electronic gaming devices (EGD) drops and counts, promotions, and player development. The audits involved obtaining and evaluating evidence to determine whether the three Detroit casino operating activities conformed to specified rules, or regulations and the licensee internal controls, and whether those internal controls are effective. For each area audited the review included:

- Observation of the area(s) processes and procedures to obtain an understanding of the operations
- Assessing risks for areas of significance within departmental reporting structures and control processes
- Examination, on a test basis, of evidence to support transaction activity is complete with proper signatory authority and accuracy in recording of information

The Historical Audit Unit concluded that the three Detroit commercial casino gaming operations were generally in compliance. Each licensee's management of risks for those control processes that ensure the reliability and integrity for the reporting of gaming revenue were effective. However, for all three casinos, the following audit findings were noted: six Administrative Rule violations, twenty-five issues of non-compliance to Internal Controls, and twelve administrative modifications to the licensee internal control systems.

All audit findings and recommendations were reviewed and discussed with casino management for further action as deemed necessary.

### **Casino Operations Unit**

The Casino Operations Audit Unit completed the review of 1,098 daily tax returns and 36 monthly tax returns to provide reasonable assurance the reporting of \$1.4 billion in gaming revenue to the State of Michigan was free of material misstatement. Furthermore, it was assured the proper payments of \$114.8 million in state wagering taxes were paid and received. The unit also completed the review of monthly credit reports and quarterly reports for 2012. (Note: December credit reports and fourth quarter reports are still in the process of being submitted by the licensees, which will be reviewed by staff.) Monthly and quarterly financial information, as required for submission by the licensees, is being reviewed and analyzed accordingly.

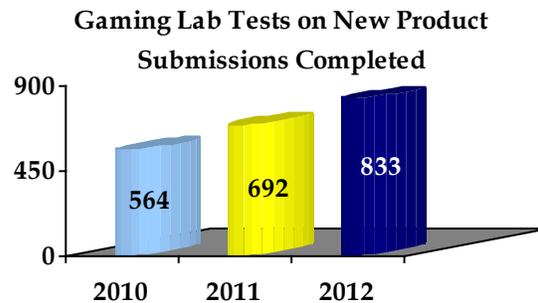
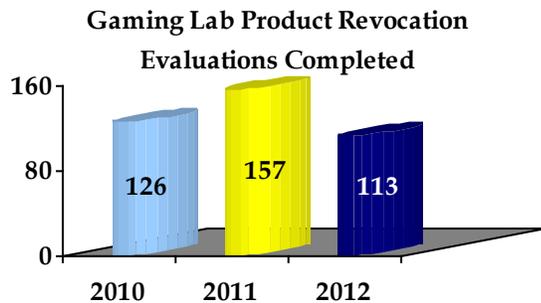
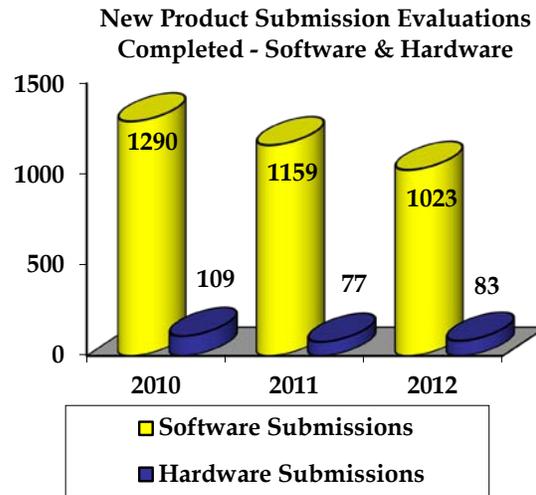
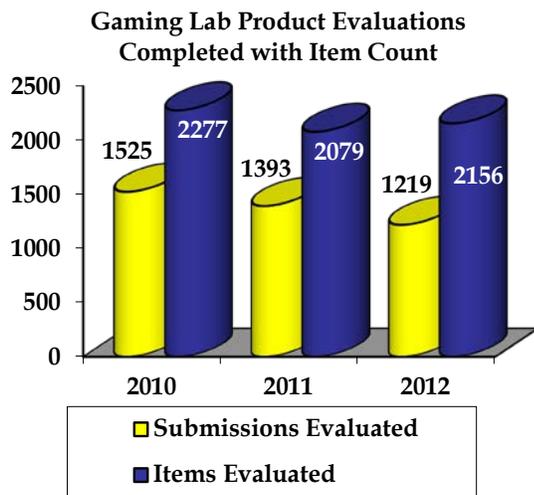
During 2012, the Internal Control Review Team (ICRT) is facilitated by the Casino Operations Audit Manager along with representatives from the Audit, Gaming Lab, and Enforcement sections. The team as a group reviewed and approved or denied 106 internal control standard (ICS) revision submissions during January 1, 2012, through December 31, 2012.

### **Gaming Lab Section**

The Gaming Lab (Lab) evaluates all gaming devices and equipment for randomness, fairness, and compliance with applicable rules and specifications. The Lab also recommends minimum internal controls for gaming technology, reviews casino and manufacturer-provided data and notifications, and assists in investigations to help ensure the integrity of casino games and accurate reporting of gaming revenue in Michigan.

Pursuant to Rules 432.1839 and 1842, casino licensees may not use gaming or certain associated equipment unless approved by the Board. The primary function of the Lab is to evaluate electronic gaming products and associated equipment used in casino gambling for compliance with MGCB specifications set forth primarily in Rule 432.1839. Using engineering judgment, staff reviews product specifications and data submitted by gaming manufacturers and conducts a variety of tests as deemed necessary. Lab staff also reviews updates and notifications regarding equipment previously approved for use.

In 2012, the Gaming Lab completed 1,219 gaming product evaluations covering 2,156 items. Of these 1,219 product evaluations completed, 1,023 were for new gaming software, 83 were for new gaming hardware, and 113 were revocations of previously approved product submissions. 883 unique tests were randomly performed on these new product submissions.



Pursuant to Rule 432.1842, gaming manufacturers and casino licensees are required to provide written notification to MGCB if equipment approved by MGCB has experienced issues or been revoked in other regulated jurisdictions. They are also required to provide notification in the event that material issues, defects, or malfunctions are found in approved gaming and associated equipment. Lab staff reviews all such notifications.

Lab staff also completes assignments and tasks as needed for the Deputy Director of Gaming and Horse Racing Regulation Division and assists other sections in projects and investigations. This includes reviewing progressive liability transfers performed by the casino, investigating technologies new to gaming or this jurisdiction, reviewing data and reports used in gaming tax calculations, drafting rule waivers, creating policies, and helping to address patron complaints.

The Lab continued to develop and update procedures and training tools on new methods of performing field verification and resolved anomalies found in field by the Enforcement Section. These anomalies are tracked in assignments related to “Field Verification Issues.”

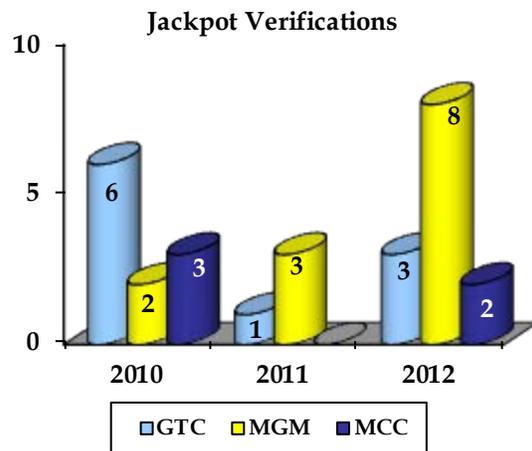
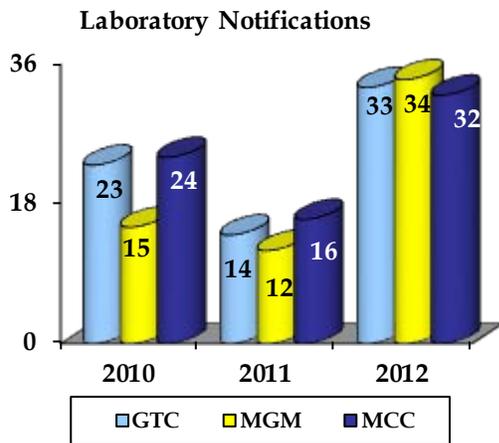
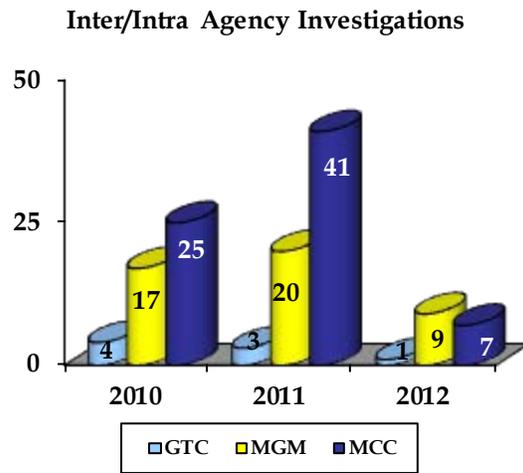
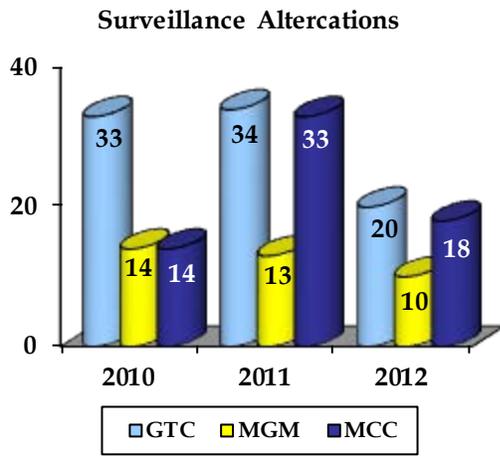
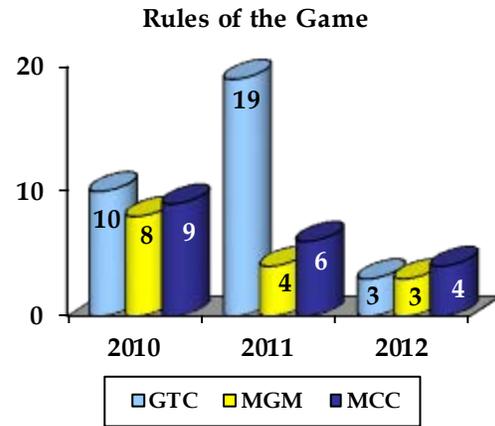
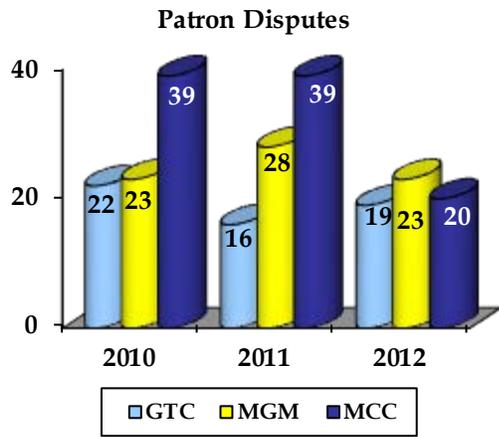
In 2012, the Lab completed 301 assignments, reports, and notifications. This includes 77 assigned by the Deputy Director, 2 internal controls reviews, 62 lab initiated assignments, 17 malfunction occurrence investigations, 127 manufacturer notification evaluations, 13 field verification issues, 2 lab reports, and 1 technical advisory notification to the industry.

<i>Gaming Lab Assignments, Reports &amp; Notifications Completed</i>			
	<b>2010</b>	<b>2011</b>	<b>2012</b>
<i>Deputy Director Assigned</i>	<b>0</b>	<b>28</b>	<b>77</b>
<i>Internal Controls</i>	<b>55</b>	<b>38</b>	<b>2</b>
<i>Lab Initiated</i>	<b>78</b>	<b>48</b>	<b>62</b>
<i>Malfunction Occurrences</i>	<b>5</b>	<b>8</b>	<b>17</b>
<i>Manufacturer Notification</i>	<b>105</b>	<b>95</b>	<b>127</b>
<i>Field Verification Issues</i>	<b>0</b>	<b>14</b>	<b>13</b>
<i>Lab Reports</i>	<b>9</b>	<b>4</b>	<b>2</b>
<i>Notifications</i>	<b>3</b>	<b>2</b>	<b>1</b>
<b>TOTAL</b>	<b>255</b>	<b>237</b>	<b>301</b>
<i>Note: In late 2011, new assignment types were added to aid in the parsing of the data tracked, and as such, the reporting of some types may not exist in all years.</i>			

### **Enforcement Section**

This section continues to carry out 7 days a week/24 hours a day monitoring of the casinos' responsibilities to ensure gaming integrity. Regulation officers are located in the three Detroit casinos and are authorized by the Act to investigate alleged violations of the Act, Rules, and systems of internal controls to ensure all casino facilities, activities, and games are in compliance.

The Monitoring Inspection Review Team was established in 2010 to review all existing Monitoring Inspections (MI). In 2012, seven redundant or low-risk based MIs were eliminated and one MI was amended creating opportunities for better prioritization of time for the casino licensees and the MGCB.



Monthly compliance meetings are held with the three Detroit casinos, DPD, and MSP to discuss any compliance issues.

The field verification process was reviewed and, based on risk, changed to produce the desired risk-based result of annually testing 10% of the slot machine software located in the three Detroit casinos, utilizing fewer employees and less time for the casinos and MGCB.

The Enforcement Section met all quarterly and all but three monthly statistical measurements for the Governor's Dashboard.

On October 16, 2012, Incident Management Training was conducted for all three Detroit casinos with DPD-Homeland Security, Detroit Fire Department, and MSP as mandated by Rule 432.11015.

The Enforcement Section initiated a radio ad in June and July targeted specifically to those under the age of 21 to address the problem of persons under 21 attempting to gain entry into the Detroit casinos.

The Enforcement Section performed the following investigations in 2010, 2011, and 2012:

#### Violations Issued/Fines Imposed

During 2012, the Enforcement Section issued violations and imposed fines as follows:

#### Greektown Casino Hotel, LLC (GTC)

- On 6/28/12, MGCB issued a warning letter to GTC for violation of ICS Section 1 (A) (4) (5) (a-c); 1 (B) (2-4); 1 (C) (1-4) require the use of Table Inventory Slip and the proper method of opening and closing a gaming table. Additionally, R 432.1203 (3) (a-e) is cited which requires GTC to maintain documents generated.
- On 8/14/12, MGCB accepted two Acknowledgments of Violation (AOV) between the MGCB and Greektown Casino, LLC:
- CDA-2012-2 was a compilation of three distinct investigations conducted by MGCB Enforcement staff. These three cases were combined into one AOV in which the total fine settlement for these three cases was \$ 28,500.00, with no monies held in abeyance
- CDA-2012-2 was a compilation of eleven distinct investigations conducted by MGCB Enforcement staff. These eleven cases were combined into one AOV in which the total fine settlement for these eleven cases was \$ 175,500.00, \$ 102,500.00 of which was held in abeyance, with a total net settlement for these eleven cases of \$ 73,000.00.

Detroit Entertainment, LLC d/b/a MotorCity Casino (MCC)

- On 1/18/12, MGCB issued MCC a warning letter for failure to comply with Internal Control Standards (ICS) Section IV, p. 22, Electronic Gaming Devices (EGDs) – Patron Disputes. It was determined while investigating a patron dispute, MCC failed to photograph the patron and the front of the EGD in question.
- On 3/7/12, MGCB issued a warning letter to an occupational licensee for failure to comply with ICS Section II, p. 29, Table Games, which states: “Non-contaminated and/or non-biohazard used cards and dice are collected from the pit areas by a security officer and transported to locked cabinets in a non-public area.” In this incident, the occupational licensee dropped two decks of cards into a trash can, which were subsequently discarded with the trash.
- On 5/4/12, MGCB issued a warning letter to an occupational licensee for failure to comply with Rule 432.1907 (1) which states: “A casino licensee must comply with all internal control procedures that have been approved in writing by the board or it’s designee.” The MCC Casino Cage Internal Control System, Bank Accountability states: “It is each and every cashier’s primary responsibility to safeguard the assets of the casino.” This incident involved an occupational licensee who inadvertently threw a \$5 bill into the trash.
- On 5/11/12, MGCB issued warning letters to two occupational licensees for violations of MCL 432.208 (6) (j) and Rule 432.1301 (6) (b). This MCL and Rule are related to the licensee’s obligation to maintain suitability as an occupational license holder. The incident involved two dealers making threats toward one another.
- On 6/13/12, MGCB issued warning letters to two occupational licensees for violations of MCL 432.209 (9) related to allowing an underage patron into a casino gaming area. The employees were warned when they allowed an underage patron into the casino gaming area despite being presented identification that stated the patron was under the age of 21.
- On 6/13/12, MGCB issued a warning letter to an occupational licensee for violation of MCL 432.209 (9) related to allowing an underage patron into a casino gaming area. **The employee was warned because she allowed an underage patron into the casino gaming area despite being presented identification that stated the patron was under the age of 21.**
- On 7/9/12, MGCB issued warning letters to two occupational licensees for violation of MCL 432.1801 (a) which pertains to casino games being performed in accordance to the Act and Rules. These warnings resulted from a patron dispute, which during the investigation, determined cards were put into play on a blackjack game without being shuffled.

- On 7/30/12, MGCB issued a warning letter to an occupational licensee for failure to comply with MCL 432.209(9) related to allowing an underage patron into a casino gaming area. The employee received the warning when he allowed an underage patron into the casino gaming area despite being presented identification that stated the patron was under the age of 21.
- On 9/15/12, MGCB issued a warning letter to an occupational licensee for violation of MCL 432.209 (9) related to allowing an underage patron into a casino gaming area. The employee was warned when she allowed an underage patron into the casino gaming area despite being presented identification that stated the patron was under the age of 21.
- On 12/12/2012, the Board approved an AOV of supplier licensee, Aristocrat Technologies Inc., for the distribution of software to MCC which was not approved and was in violation of R 432.1842(1). Aristocrat Technologies was fined \$15,000 from previous abeyance in addition to \$45,000 for this offense.
- On 10/18/12, the MGCB MCC Enforcement Section staff conducted an unannounced financial count of all cage and cage departments to verify the reporting and accountability of cash and cash equivalents at MCC. No material violations were noted.

#### MGM Grand Detroit, LLC (MGM)

- On 1/11/12, MGCB issued a warning letter to MGM stating MGM had not only allowed an underage patron to game, but failed to report the infraction even though at least one MGM employee suspected the patron to be under age. At a compliance conference held on 12/19/11 (prior to the warning letter), MGCB and MGM agreed to various terms of training security personnel on the detection of minors as well as additional training on reporting requirements.
- On 5/12/12, MGCB issued a verbal and warning letter to an occupational licensee for violation of MCL 432.209 (9) related to allowing an underage patron into a casino gaming area. The employee was warned for failing to request ID from a patron later identified as being under 21.
- On 6/28/12, MGCB issued a warning letter to MGM for violation of ICS Section II (III) (5); II (IV) (2-5); II (V) (1-4) which require the use of Table Inventory Slip and the proper method of opening and closing a gaming table. Additionally, R 432.1203 (3) (a-e) is cited which requires MGM to maintain documents generated.
- On 8/7/12, MGCB issued a warning letter to MGM for violation of R 432.1825 which prohibits wagering with vouchers; ICS IV (IX) (d) (1) planned date of promotion; ICS IV (IX) (d) (2) planned dates for advertising promotion; IV (IX) (d) (3) methods of customers obtaining entry; IV (IX) (d) (7) actual operation of promotion; and II(I)1 wagers at table games will be placed using only chips. On 10/9/12 MGM responded

with updated and approved internal controls. The controls were compared to the violations outlined in the noted warning letter and it was determined all violations were satisfied by the approved changes. The case was closed on 12/14/12.

- On 10/26/12, MGCB issued a verbal and warning to an occupational licensee for violation of MCL 432.209 (9) related to allowing an underage patron into a casino gaming area. The employee was warned because the ID he examined did not bear a resemblance to the underage patron.
- On 12/14/12, the MGCB MGM Enforcement Section staff conducted an unannounced financial count of all cage and cage departments to verify the reporting and accountability of cash and cash equivalents at MGM. No material violations were noted.

### Supplier Fines

- On 12/12/12, the Board approved an AOV of supplier licensee Aristocrat Technologies Inc. for the distribution of software to MGM which was not approved and was in violation of R 432.1842(1). This supplier was fined \$15,000 from previous abeyance plus \$45,000 for the instant offense.

### Horse Racing Section

Horse Racing staff was successfully integrated in 2010 from the Department of Agriculture and Rural Development (MDARD) into MGCB with secured fixed funding for oversight of horse racing in 2010.

The Horse Racing Section has reached the allocated staffing levels.

Horse Racing staff continues to review and rewrite the section's policies and procedures to ensure they are within horse racing standards.

Summary of Horse Racing Revenue:

January 1, 2012, through December 31, 2012

Pari-Mutuel Simulcast Wagering Taxes	\$4,593,300
Occupational License Fees	57,971
Outs	304,320
Racing Fines	15,075
Track Licenses	2,200
Other Revenue	5,256
Revenue Transfers	<u>(23,162)</u>
Total Horse Racing Revenue	\$4,954,960

State Tax Summary

Mixed Breed	
Mount Pleasant Meadows	\$50,363
Harness	
Hazel Park Harness Raceway	\$2,199,990
Northville Downs	1,777,640
Sports Creek Raceway	565,307
Harness Totals	<u>\$4,542,937</u>
TOTAL STATE TAX	\$4,593,300

Licensees and Licenses

During 2012, there were 2,463 individuals licensed who held a total of 3,123 licenses. Some licensees hold more than one license.

## LICENSING AND REGULATION DIVISION

### Enterprise Licensing Section

The Enterprise Licensing Section of the Licensing and Regulation Division is responsible for the licensing function for commercial casinos, suppliers to commercial casinos, and licensing related to the millionaire party program (refer to the Millionaire Party section of this report for additional information).

In addition to licensing, the Enterprise Licensing Section administers licensing exemptions to entities providing nongaming goods or services to the commercial casinos. Vendor Exemptions and Supplier License Exemptions are conditional waivers of the supplier licensing requirements of the Act and related Administrative Rules (Rules). Vendor Exemptions must be approved by the Executive Director of the MGCB and are only eligible for nongaming entities providing less than \$300,000 of goods or services to a single casino or less than \$600,000 of goods or services to multiple casinos. As of December 31, 2012, there were 1,076 entities holding a Vendor Exemption with MGCB. Supplier License Exemptions are approved by the Executive Director for nongaming entities which are not deemed necessary to protect the public interest or accomplish the policies and purposes of the Act, including entities providing greater than \$300,000 of goods or services to the casinos. As of December 31, 2012, there were 402 entities holding a Supplier License Exemption.

Entities Licensed or Exempt Through the Board (As of December 31, 2012)	
Commercial Casinos	3
Licensed Suppliers	136
Supplier License Exemptions	402
Vendor Exemptions	1,076
<b>Total</b>	<b>1,617</b>

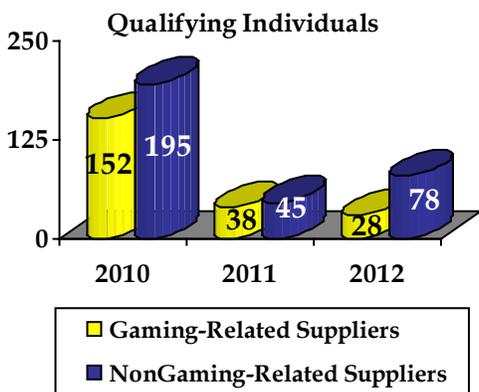
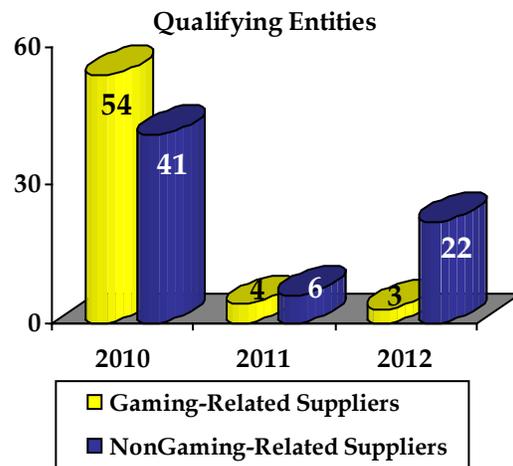
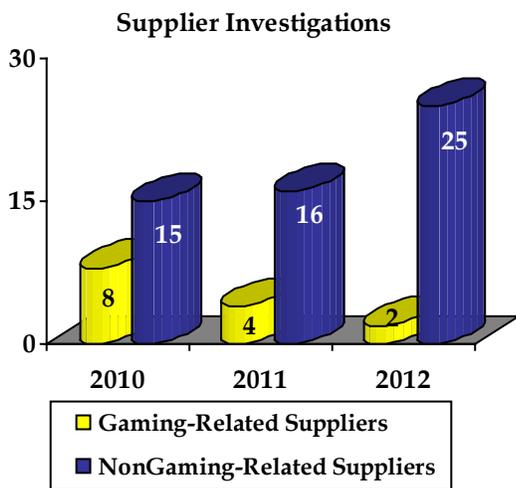
Board Resolution 2012-01 regarding waivers from supplier licensing requirements pursuant to Rule 432.1322(4) & Rule 432.1223, was approved by the Board on August 14, 2012. The Resolution raised the non-disclosure threshold for non-gaming suppliers from an aggregate \$5,000 to \$15,000 per casino. Since the passage of the Resolution, suppliers are not required to file an application for a license or exemption if providing less than \$15,000 worth of non-gaming goods or services to each casino licensee in any 12-month rolling period. The Resolution also allows for publicly traded non-gaming companies, whose stock is traded on a foreign exchange, to be considered for an exemption from licensing requirements. Previously, only companies traded on a domestic exchange were considered for this exemption.

## Investigations Section

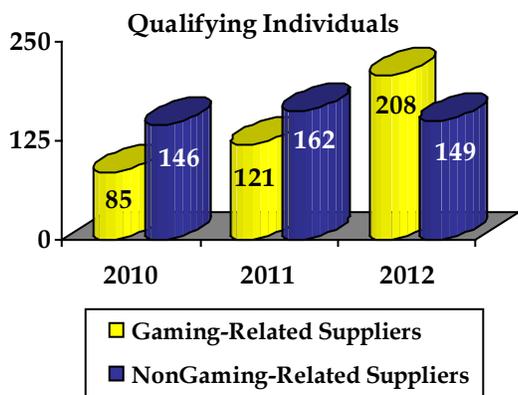
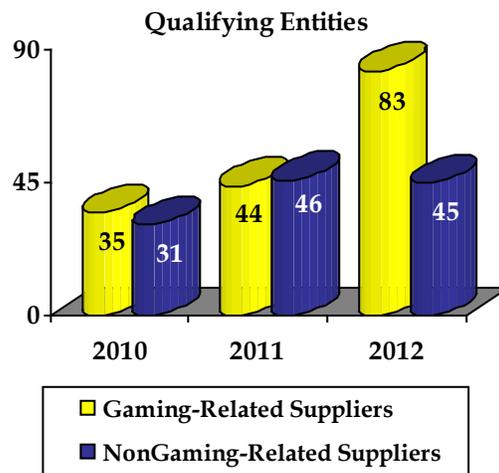
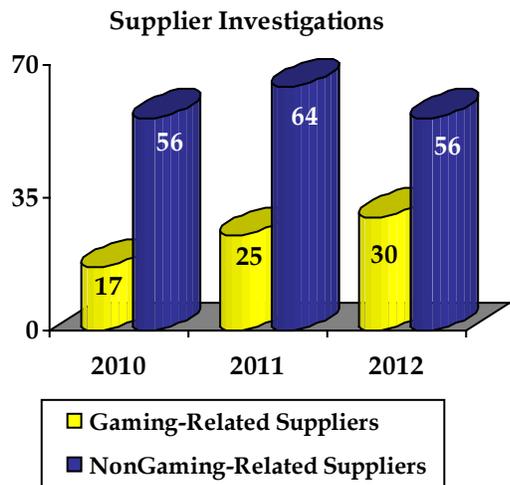
The Act requires each supplier to renew its license on an annual basis. In 2011 the policy for conducting the annual review of suppliers was updated to only require an onsite investigation every five years for the applicants, while the investigation occurs remotely for the four interim years. This policy update has reduced costs associated with the renewal for the suppliers and has proved to be a more cost-efficient method for the MGCB to perform its annual renewal of supplier licenses.

MGCB staff conducted casino and supplier investigations throughout the United States, the United Arab Emirates, Dubai, and Canada.

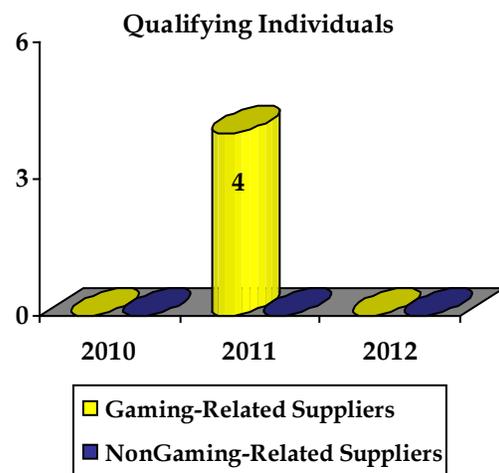
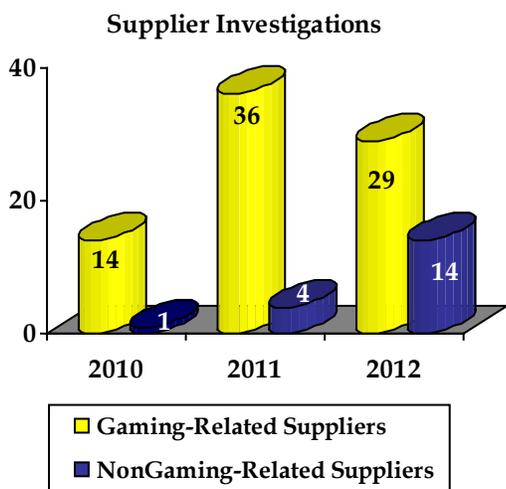
The following initial supplier investigations were received and investigated in 2010, 2011, and 2012:



The following renewal investigations were received and investigated in 2010, 2011, and 2012:



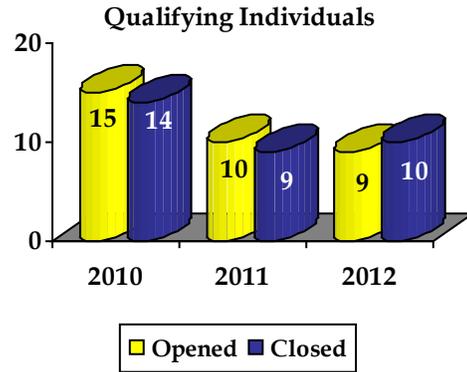
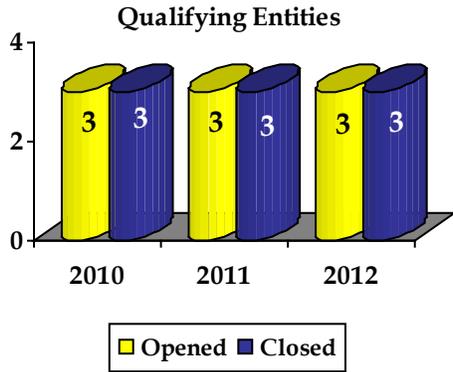
The following supplemental investigations were received and investigated in 2010, 2011, and 2012:



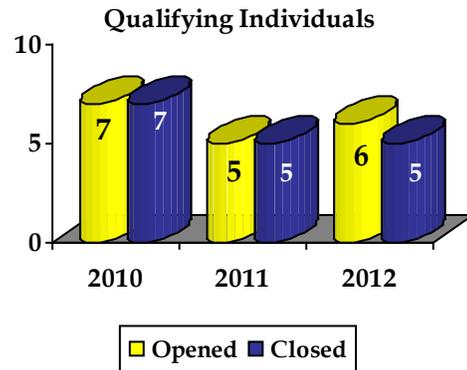
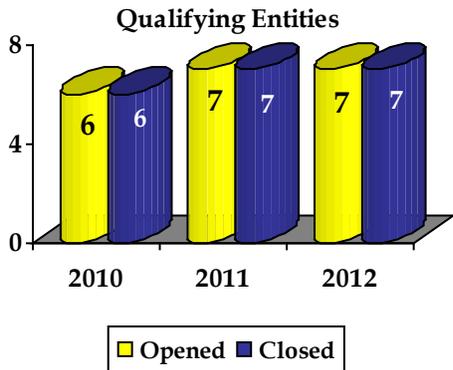
Three casinos' renewals were received and completed in 2010, 2011, and 2012.

Investigations opened and closed for casino and related entities in 2010, 2011, and 2012 are as follows:

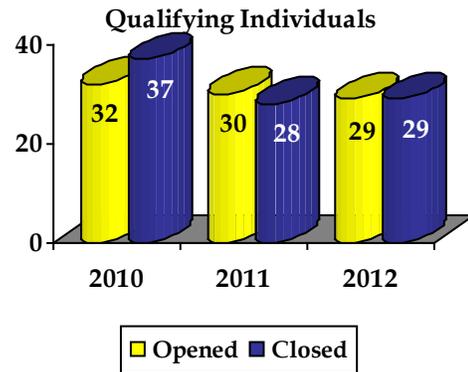
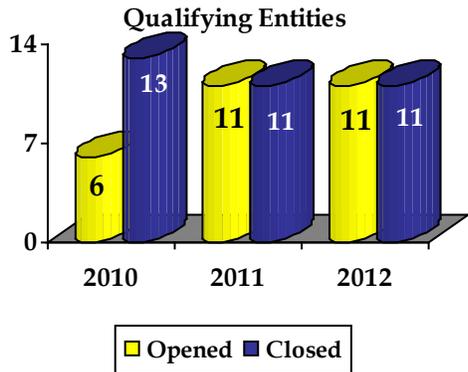
Greektown Casino, LLC (GTC)



Detroit Entertainment, LLC d/b/a MotorCity Casino (MCC)



MGM Grand Detroit, LLC (MGM)



**Employee Licensing Section**

The three Detroit commercial casinos and related suppliers employ approximately 7,000 personnel in positions requiring an occupational license. The Employee Licensing Section has successfully investigated and licensed on average 99.5 percent of those employees. The remaining employees were issued temporary licenses pending completion of a background investigation. In 2012, the section received 4,177 occupational and renewal applications for investigation.

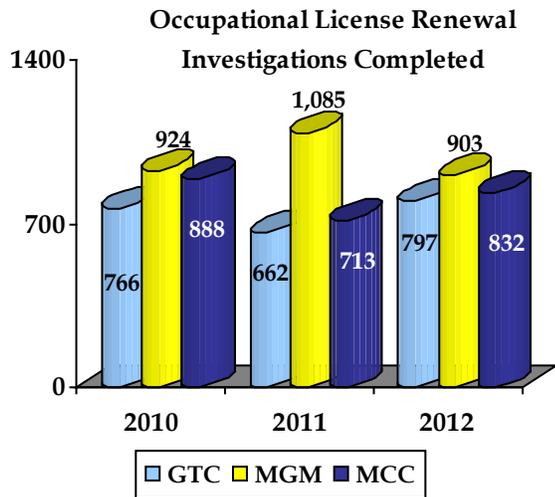
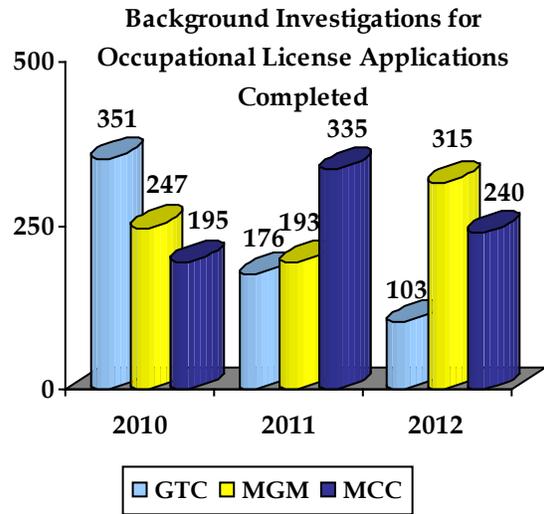
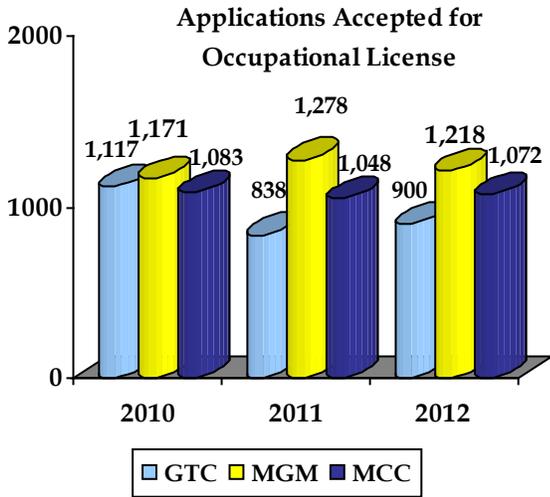
The Employee Licensing Section filled all staff vacancies within the section during this reporting period resulting in a higher number of background investigations being completed.

In addition, the Employee Licensing Section purchased new badge printing equipment. The licenses are now clearer and the integrity of the license resists wear and tear. Also, new cameras were purchased which allow more mobility of the units, reduces the amount of equipment on the employee workstation, and are more user-friendly.

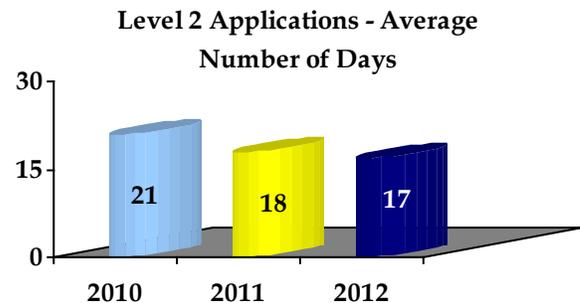
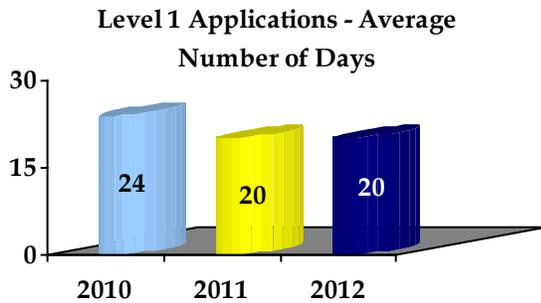
During this fiscal year the Employee Licensing Section began its review of reverting to electronic applications. This process will continue through fiscal year 2013 in hopes of obtaining a vendor with the solutions necessary to execute a near paperless operating system.

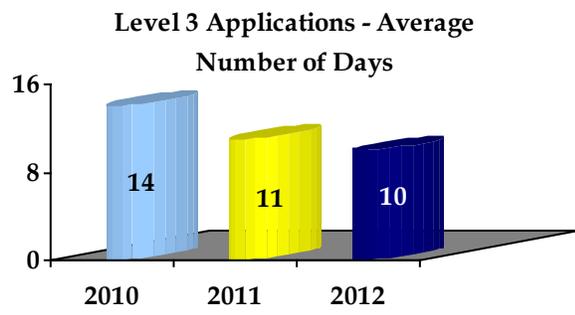
Staff also collaborated with the City of Detroit Income Tax Division in formulating a process to assist licensees in filing and paying their payroll income tax returns.

The average number of days from receipt of an occupational license application to the date the license grant recommendation is presented to the Board or Executive Director during 2010, 2011, and 2012 was as follows:



The average number of days from receipt of an occupational license application to license grant recommendation to the Board or Executive Director during 2010, 2011, and 2012 was as follows:





## **Criminal Investigations Section**

The Act outlines the responsibilities of MGCB in the areas of regulatory enforcement and has provisions for criminal penalties for persons violating the Act. MGCB staff has shared responsibilities of enforcing the Act with the MSP and the AG, MGCB's partner agencies, by forming a task force designated exclusively to accomplish this.

On May 3, 2012, Governor Snyder issued Executive Order 2012-7 which designated a subunit of MGCB as a criminal justice agency. Included within this Executive Order was the responsibility of detecting criminal activity and investigating claims of unlawful gaming or racing practices that, if true, would constitute a violation of the Michigan Penal Code.

The Executive Director authorized the funding of two MSP trooper positions to assist in these types of investigations. This subunit functions as a statewide task force to investigate gaming violations and assist local communities in the enforcement of illegal gambling violations.

### Investigations Conducted

Type of Activity	2011	2012
Background Investigation	5	6
Casino Related	48	20
Casino Related - Criminal	0	82
Charitable Gaming Violation	2	0
Charitable Gaming Violation - Criminal	0	1
Criminal Sexual Conduct	0	1
Employee Misconduct	5	0
Exclusion List	11	13
Exclusion List - Violation	0	3
Fraud Investigation - Criminal	0	1
Horse Racing	1	1
Horse Racing - Criminal	0	4
Illegal Gambling	2	55
Information Received by the Board	1	1
Internet Café	1	0
Millionaire Party Conduct	0	1
Non-Gaming - Vendor Investigation	0	1
Non-Gaming - Vendor Background	0	2
Non-Gaming - Vendor Exemption	0	1
On-Line Gambling	1	0
Other	1	2
Other - Criminal	0	1
Pre-Employment Background Check	9	68
Request for Assistance	14	16
Suitability	0	2
Suspicious Activity	7	2
Vendor Exemption Background	0	2
Vendor Renewal Application Investigation	0	1
Work Rule Investigation	0	1
<b>Total</b>	<b>108</b>	<b>288</b>

MGCB has established an anonymous tip line and email address to report illegal gambling criminal activity. The following potential criminal activity was reported to the MGCB through 2012.

#### Anonymous Tips Received

Type of Activity	2010	2011	2012
50/50 Raffle	7	3	0
Bingo	4	3	1
Bookmaking	1	0	3
Casino Related	10	15	19
Charitable Gaming	14	7	10
Cheating	0	0	1
Horse Racing	13	5	2
Illegal Gambling	21	26	93
Illegal Machines	31	53	45
Internet Gambling	0	14	1
Lottery	2	0	0
Poker	5	0	0
Raffle	0	0	1
Theft/Fraud	4	0	5
Other	16	8	3
<b>Total</b>	<b>128</b>	<b>134</b>	<b>184</b>

In the last 18 months, MGCB has been involved in the following activities as a result of joint investigations with MSP and AG:

- Assisted in serving 9 search warrants - one related to charitable gaming, four related to internet cafés, and five related to a bookmaking operation
- Conducted 21 undercover operations - 3 related to charitable gaming and 7 related to internet cafés
- Conducted financial analysis for investigations related to internet cafés
- Subpoenaed to appear in court 20 times - 14 related to illegal gambling, 5 related to illegal activities associated with a millionaire party, and 1 for a Liquor Control Commission hearing
- Testified in district and circuit court 8 times all related to illegal gambling
- Assisted in the service of 19 Cease and Desist Orders related to internet cafés
- Conducted intelligence gathering on 36 internet cafés
- Conducted visual Link analysis for 12 investigations - 2 related to check frauds and 10 related to money laundering

Currently, MGCB budget funds eight assistant attorney general positions to assist MGCB and MSP. The Executive Director is requesting one additional AG investigator to join the task force. This additional position would be funded by MGCB and assigned to the task force full time. The investigator's supervision will reside within the AG's Criminal Division. With the expansion of internet café investigations, millionaire party investigations, horse racing criminal investigations, and violations of the Act, there is a need for a state-wide task force to investigate illegal gambling and to assist other law enforcement officials in enforcing gaming laws.

### **Millionaire Party**

On April 11, 2012, Governor Rick Snyder signed Executive Order 2012-4 transferring the licensing and regulation of millionaire parties from Lottery to the Executive Director of the MGCB effective sixty days from the date of signing of the Executive Order.

A millionaire party is an event where wagers are placed on games of chance customarily associated with a casino using imitation money or chips. Each calendar year a qualified organization may obtain up to four millionaire party event licenses, with each license issued for a maximum of four consecutive days (i.e. 16 days per year). The payment of expenses incurred in connection with the conduct of the licensed gaming event shall not exceed 50% of the gross profit. This amount does not include the license fee. The entire net proceeds of the millionaire party event shall be devoted exclusively to the lawful purposes of the qualified organization.

Throughout June 2012, MGCB staff visited every recurring millionaire party event location to become familiar with millionaire party operations, ask questions of the qualified organizations, and further understand the Bingo Act and related Administrative Rules. MGCB staff also worked hand-in-hand with Lottery staff to learn the millionaire party licensing process and related software.

Between June and September, MGCB staff met with Lottery staff on numerous occasions to discuss the logistics of the transition process; together with Lottery staff, conducted numerous on-site and post-event inspections; and worked in the Lottery office on a daily basis to ensure a clear understanding of Lottery's MP procedures. During this period, MGCB staff also worked closely with DTMB staff to establish the necessary information technology requirements for the transition.

On September 24, 2012, all millionaire party licensing data was migrated from Lottery to the MGCB. Subsequent to the data migration, MGCB has maintained sole responsibility for licensing and regulating millionaire party events.

MGCB's Licensing & Regulation Division maintains the responsibility for regulating millionaire parties. These responsibilities include, but are not limited to, determining qualification of organizations holding millionaire party events, licensing millionaire party

events, completing suitability investigations for licensed millionaire party suppliers, and conducting on-site and post-event inspections of licensed millionaire party events.

Inspection types are defined as follows:

On-site Inspections: Inspections conducted at locations hosting millionaire party events to ensure fair and honest gaming of millionaire party events.

Post-Event Inspections: Inspections of a qualified organization’s financial records and millionaire party event records to ensure accountability of millionaire party charitable gaming proceeds.

MGCB staff continues to receive ongoing advice from Lottery personnel. In addition to making themselves available on a daily basis to assist with numerous questions from MGCB, Lottery personnel provided formal training on the history of millionaire parties; how to conduct post-event inspections; and possible concerns with regard to locations, suppliers, and qualified organizations. MGCB also utilized a gaming consultant to provide training and advice in the area of MP gaming operations.

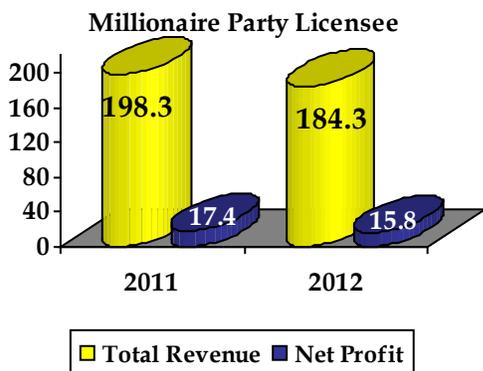
**Licensing Activity (2011 statistics and January 2012 - September 30, 2012 statistics supplied by Lottery)**

For calendar year 2012, 7,221 millionaire party licensees reported the following financial data for millionaire party games:

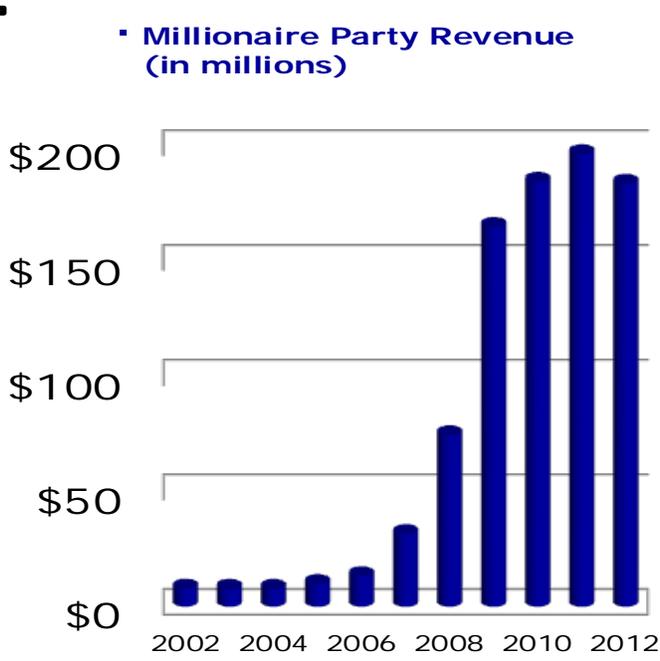
Revenue..... \$184,349,052  
 Net Profit ..... \$15,799,022

For calendar year 2011, 7,590 millionaire party licensees reported the following financial data for millionaire party games:

Revenue ..... \$198,273,970  
 Net Profit ..... \$17,373,868



**Millionaire Party Revenue**



Millionaire Party Revenue (in millions)	
2002	7.9
2003	7.8
2004	7.8
2005	9.9
2006	13.3
2007	31.7
2008	74.8
2009	165.6
2010	185.3
2011	197.3
2012	184.4

In 2004 a new directive allowed Texas Hold'em to be played at millionaire parties.

**Qualified Organizations & Event days**

	2006	2007	2008	2009	2010	2011	2012
Distinct Charities	1220	1491	1968	3183	2939	2720	2537
Party Event days	2914	6138	14020	32005	29964	29212	27119

**Regulatory Activity**

The following inspections and administrative actions were taken from September 24, 2012, through December 31, 2012:

On-site Inspections	313
Post-event Inspections	111
Complaints Generated	28
Verbal Warnings	83
Written Warnings	6

Notable Events:

- On October 9, 2012, a location voluntarily closed its doors pending the outcome of an investigation involving the illegal selling of alcohol. This investigation is being conducted by the Michigan Liquor Control Commission (LCC) in conjunction with Sterling Heights Police Department and MGCB.
- On December 21, 2012, one of the largest poker rooms in the State was prevented from hosting future millionaire party events pending the outcome of an investigation in which it is alleged the room operators were altering millionaire party gaming records.



## Minors and Compulsive Gambling

### ANNUAL UNDERAGE AND COMPULSIVE GAMING 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 MGCB include certain information regarding minors on casino premises, which each licensee must compile as part of their annual study. The following is a summary chart of the required information compiled and reported by each of the three Detroit commercial casino licensees in their respective annual studies on minors and compulsive gaming for calendar year 2012:

#### Casino Licensees' Reported Contacts with Minors on Licensed Casino Premises During Calendar Year 2012

	MGM Grand	MotorCity	Greektown
1. Minors denied entry into the casino	2,712	11,438	10,861
2. Minors escorted from the casino premises	578	0	9
3. Minors detected participating in gambling games other than slot machines	0	0	2
4. Minors detected using slot machines	3	3	4
5. Minors taken into custody by a law enforcement agency on the casino premises	22	0	9
6. Minors detected illegally consuming alcohol on the casino premises	1	0	3

# Board Revenues and Expenditures

## STATE SERVICES FEE FUND

Section 432.212a of the Act provides that all casino-related regulatory and enforcement costs, compulsive gambling programs, and other casino-related programs, activities, and services conducted by MGCB, MSP, AG, MDCH, and other state agencies shall be paid from annual fees assessed on the three Detroit commercial 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 \$32,346,955 for calendar year 2012.

From the annual assessment fees paid each year by the licensees, \$2,000,000 must be deposited into the State's Compulsive Gaming Prevention Fund. Up to \$1,040,000 of this amount may be distributed annually to the Domestic Violence and Treatment Board administered by the Department of Human Services (DHS). 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 MDCH.

## APPLICATION AND LICENSE FEES, FINES, AND COSTS

MGCB is authorized by the Act to collect various license application fees to fund MGCB'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 MGCB 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 MGCB 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. MGCB collected application and license fees and other authorized fees, fines, and reimbursement of costs totaling \$2,253,535 for calendar year 2012.

## NATIVE AMERICAN CASINO FUND

The Indian Gaming Oversight program was originally established within MDARD's Office of Racing Commissioner. The Governor of Michigan officially designated and authorized the Executive Director of MGCB and his designees, agents, and employees as the State of Michigan's representative to conduct the State's authorized inspections of tribal Class III gaming facilities and records, pursuant to and in accordance with the provisions of the various Compacts for the conduct of tribal Class III gaming on Indian lands in Michigan. Oversight responsibilities include conducting financial and

compliance audits of the tribal casino's operations to determine the extent of compliance with the Compacts and related Consent Judgments. Board members of MGCB have no oversight role or authority over the Compacts. Within each of these compacts, it is outlined that the tribe shall make annual payments to the State to fund the costs incurred for carrying out functions authorized by the terms of the compacts.

Subject to certain exclusivity provisions, the Compacts and related consent agreements stipulate a percentage of annual net win, derived from all Class III electronic games of chance, is to be paid to the Michigan Strategic Fund (MSF) or Michigan Economic Development Corporation (MEDC). The MEDC provides funding to the Board for oversight related to these payments.

### **LAB FUND**

Rule 432.1842 of the Act provides that all gaming devices and equipment distributed to a casino licensee must be approved by the Board prior to being placed on the gaming floor of the Detroit commercial casinos. It further provides the manufacturer or distributor of the equipment is required to pay the cost of testing. The lab has an established fee schedule for payments of various testing which is designed to cover the costs associated with testing.

### **EQUINE DEVELOPMENT FUND (HORSE RACING)**

Per Executive Order 2009-45, the Office of the Racing Commissioner and the position of Racing Commissioner were abolished and those functions were transferred to the Executive Director of MGCB. All powers, duties, and functions of regulating live horse racing were placed with the Executive Director effective January 17, 2010. Board members of MGCB have no authority or role in regulating live horse racing. Prior to Executive Order 2009-45, the Office of Racing Commissioner was a Type-I agency under MDARD. Executive Order 2009-54 maintains the authority, powers, duties, and functions under Section 20 of the Horse Racing Law, MCL 431.320 (Equine Development Fund) within MDARD effective March 15, 2010. These Executive Orders gave regulatory authority of racing to the Executive Director, but the funding of this function is still retained by MDARD through the Equine Development Fund under §20 of the Act.

### **STATE LOTTERY FUND (MILLIONAIRE PARTY)**

Per Executive Order 2012-04 the licensing and regulation of millionaire party events was transferred from Lottery to the Executive Director of MGCB. All fees collected by MGCB in connection with millionaire parties will be remitted for deposit into the State Lottery Fund and all necessary expenses incurred by MGCB will be financed from the State Lottery Fund. Regulation of other forms of charitable gaming such as bingo and raffles will remain with Lottery.

## BOARD STATEMENT OF REVENUES AND EXPENDITURES

Section 432.215(1) of the Act requires MGCB's Annual Report include an account of financial position and the results of operations under the Act, for the period covered by the report. While MGCB, like other state agencies, operates on a fiscal year (October 1 – September 30) basis, the Act requires that MGCB's Annual Report be based on the calendar year. To give a more comprehensive account of financial position and the results of operations, the following financial statement reports MGCB's revenues and expenditures for both calendar year and fiscal year 2012.

<b>Statement of Revenues and Expenditures</b>		
<b>(In Thousands)</b>		
<b>REVENUES</b>		
	<u>Fiscal Year 2012</u>	<u>Calendar Year 2012</u>
<b>State Casino Gaming Fund</b>		
Casino and supplier fines	\$ 338.5	\$ 133.5
Other	1.1	0.9
<b>State Services Fee Fund</b>		
Annual assessments	31,661.1	32,347.0
Application fees:		
Casinos	88.5	87.8
Suppliers	279.5	276.7
Occupational	110.0	115.4
Vendors	27.4	25.7
License fees:		
Casinos	75.0	75.0
Suppliers	590.0	525.0
Occupational	409.7	408.7
Vendors	79.0	77.8
Other fees:		
Badge replacement fees	5.6	5.3
<b>Native American Casino Fund</b>		
Oversight fees	726.5	805.7
<b>Lab Fund</b>		
Testing fees	567.2	521.7
<b>Total Revenues:</b>	<b>\$ 34,959.1</b>	<b>\$ 35,406.2</b>

<b>EXPENDITURES</b>		
	<b>Fiscal Year 2012</b>	<b>Calendar Year 2012</b>
<b>State Services Fee Fund</b>		
Board	\$ (8.0)	\$ (7.1)
Administration	(16,951.9)	(17,655.2)
Information technology	(1,490.9)	(1,486.0)
<b>Native American Casino Fund</b>	(504.3)	(527.8)
<b>Lab Fund</b>	(558.6)	(600.1)
<b>State Lottery Fund</b>	(186.6)	(507.2)
<b>Equine Development Fund</b>	(1,510.0)	(1,517.4)
<b>Total Expenditures:</b>	<b>\$(21,210.3)</b>	<b>\$(22,300.8)</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
<b>Transfers from other funds:</b>		
Department of Agriculture	\$ 1,522.4	\$1,522.4
Michigan State Lottery	186.6	225.8
<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	(952.1)	(952.1)
Department of Treasury	(310.1)	(310.1)
Michigan State Police	(10,254.1)	(10,254.1)
Department of Agriculture	(12.4)	(12.4)
Department of Civil Service	(155.4)	(155.4)
<b>Total Other Financing Sources (Uses):</b>	<b>\$(11,975.1)</b>	<b>\$ (11,935.9)</b>
<b>Excess of Revenues and Other Sources over</b>		
<b>(under) Expenditures and Other Uses:</b>	<b>\$ 1,773.7</b>	<b>\$ 1,169.5</b>
<b>Footnotes:</b>		
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.		
3. The Equine Development Fund presented in the expenditures above are Horse Racing expenditures which are funded by the Department of Agriculture's Equine Development Fund.		
4. The State Lottery Fund presented in the expenditures above are Millionaire Party expenditures which are funded by the Bureau of State Lottery.		



## Casino Revenues and State Wagering Taxes

### STATE CASINO WAGERING TAX

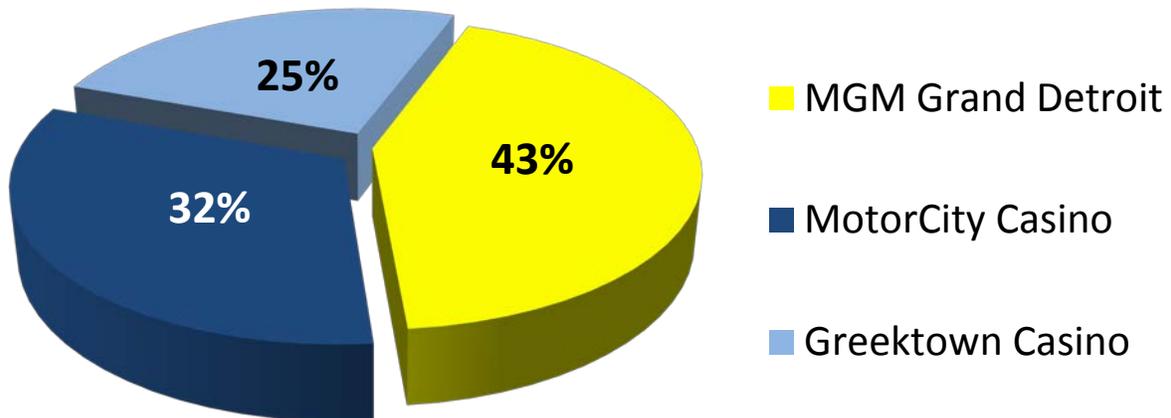
Section 432.212 of the Act imposed an 8.1% State Wagering Tax on the adjusted gross receipts received by each Detroit casino licensee from casino gaming authorized by the Act. The Act defines “adjusted gross receipts” as being the licensee’s gross gaming receipts less winnings paid to wagerers. The 8.1% 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.

In calendar year 2012, the combined 8.1% State Wagering Taxes paid by the three Detroit casino licensees and deposited in the School Aid Fund totaled \$114,755,489.

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 2012:

### Detroit Casino Adjusted Gross Receipts

**\$1,416,734,426**



# CALENDAR YEAR ADJUSTED GROSS RECEIPTS AND STATE WAGERING TAXES DETAIL

## Calendar Year 2012

Month	MGM GRAND		MOTORCITY CASINO		GREEKTOWN CASINO		DETROIT CASINOS	
	Total Adjusted Revenue	State Wagering Tax (8.10%)	Total Adjusted Revenue	State Wagering Tax (8.10%)	Total Adjusted Revenue	State Wagering Tax (8.1%)	Total Adjusted Gross Receipts	Total State Wagering Tax
January	\$47,869,082.24	\$3,877,395.66	\$36,708,630.10	\$2,973,399.04	\$29,607,452.04	\$2,398,203.62	\$114,185,164.38	\$9,248,998.32
February	\$53,443,696.53	\$4,328,939.42	\$42,922,456.88	\$3,476,719.01	\$32,560,470.47	\$2,637,398.11	\$128,926,623.88	\$10,443,056.54
March	\$57,181,553.70	\$4,631,705.85	\$43,543,183.32	\$3,526,997.85	\$34,602,503.13	\$2,802,802.75	\$135,327,240.15	\$10,961,506.45
April	\$52,125,745.86	\$4,222,185.41	\$39,350,932.55	\$3,187,425.54	\$31,868,439.41	\$2,581,343.59	\$123,345,117.82	\$9,990,954.54
May	\$51,719,743.97	\$4,189,299.26	\$36,964,111.37	\$2,994,093.02	\$29,720,467.91	\$2,407,357.90	\$118,404,323.25	\$9,590,750.18
June	\$47,326,715.28	\$3,833,463.94	\$36,905,378.50	\$2,989,335.66	\$27,259,606.31	\$2,208,028.11	\$111,491,700.09	\$9,030,827.71
July	\$48,820,780.88	\$3,954,483.25	\$34,988,360.07	\$2,834,057.17	\$28,194,024.07	\$2,283,715.95	\$112,003,165.02	\$9,072,256.37
August	\$49,759,221.09	\$4,030,496.91	\$38,102,330.20	\$3,086,288.75	\$29,065,619.31	\$2,354,315.16	\$116,927,170.60	\$9,471,100.82
September	\$50,767,759.78	\$4,112,188.54	\$35,529,881.05	\$2,877,920.37	\$27,778,700.13	\$2,250,074.71	\$114,076,340.96	\$9,240,183.62
October	\$47,362,969.55	\$3,836,400.53	\$36,027,461.33	\$2,918,224.37	\$27,558,265.08	\$2,232,219.47	\$110,948,695.96	\$8,986,844.37
November	\$47,835,292.66	\$3,874,658.71	\$38,465,663.52	\$3,115,718.75	\$26,560,576.41	\$2,151,406.69	\$112,861,532.59	\$9,141,784.15
December	\$50,666,855.19	\$4,104,015.27	\$40,241,934.75	\$3,259,596.71	\$27,328,561.61	\$2,213,613.49	\$118,237,351.55	\$9,577,225.47
<b>Total</b>	<b>\$604,879,416.73</b>	<b>\$48,995,232.75</b>	<b>\$459,750,323.64</b>	<b>\$37,239,776.24</b>	<b>\$352,104,685.88</b>	<b>\$28,520,479.55</b>	<b>\$1,416,734,426.25</b>	<b>\$114,755,488.54</b>



## **Appendix 1 - Michigan Attorney General Alcohol and Gambling Enforcement Division**

### **INTRODUCTION**

The Alcohol and Gambling Enforcement Division (AGED) of the Department of Attorney General serves several state agencies and navigates diverse areas of law. Included in the division's collection of clients are the MGCB, the Executive Director of the MGCB in executing responsibilities previously held by the Office of Racing Commissioner, Lottery (including its Charitable Gaming Division), LCC, various units of MSP, and the Michigan Sheriffs Coordinating and Training Council.

The AGED advises and represents the MGCB and Board staff on matters pertaining to casino gambling authorized under the Act and Rules and wagering on the results of horse racing under the provisions of the Horse Racing Law of 1995. It also advises the Executive Director and MGCB staff on matters pertaining to the recent transfer of millionaire party licensing and regulation from Lottery to the Executive Director of the MGCB. These efforts often involve providing legal guidance during in-depth regulatory investigations such as licensing background investigations and other investigations concerning statute or rule violations by casino, supplier, occupational, or racing licensees. AGED attorneys also represent the State's interests in MGCB licensing and enforcement actions and in civil lawsuits brought against the MGCB and its employees in state and federal courts.

Last year, the AGED, with the investigation assistance of the MSP and MGCB, launched a quest to shut down the unregulated pop-up casinos across the states that are commonly known as internet sweepstakes cafés. That continuing effort has been extremely successful to date, and every court to consider the legal issues involved has ruled in the AGED's favor.

Further, the AGED was instrumental in assisting the Executive Director with creating a "Criminal Justice Agency" subunit within the MGCB that now has full Law Enforcement Information Network (LEIN) access under Executive Order No. 2012-7, signed by Gov. Snyder on May 3, 2012.

Additionally, AGED attorneys provide the MGCB with extensive general counsel services. These services include, among other things, serving as counsel to the MGCB during its public meetings, providing training and education for the MGCB staff, and providing written advice on complex legal questions. AGED attorneys frequently assist by examining statutory provisions not yet construed by the courts and by analyzing

transactional matters that require MGCB approval. AGED attorneys continue to help the MGCB navigate multi-million dollar financial transactions and complex ownership transfers to ensure compliance with the Act and Rules and to ensure that all gaming is conducted with the highest integrity.

## **SUMMARY OF ACTIVITY**

In 2012, the division's attorneys handled thousands of legal matters that included prosecuting numerous casino, racing, liquor, and charitable gaming violations. Additionally, division attorneys took action to close dozens of illegal internet sweepstakes cafés, assisted with numerous investigations, and rendered legal advice on many complex legal issues.

Among the division's significant contributions to protecting the State's gaming-related interests in 2012 are the following:

- Prosecuting Greektown Casino for violations of the Act and Rules that subjected its patrons to potential or actual financial loss, including failing to secure patron financial records and making unauthorized changes to the personal identification number on a patron's player account
- Spearheading the joint efforts of the MGCB, MSP, and AG to shut down illegal internet sweepstakes cafés, resulting in sending approximately 130 cease-and-desist letters to café owners, software providers, and property owners; closing approximately 48 illegal cafes; and raiding various cafés
- Assisting the MGCB with proposed legislation that would substantially amend many portions of the Bingo Act and introduce a new licensing scheme for Charitable Gaming Service Providers (SB 1080)
- Prosecuting Greektown Casino for violating the Act by marketing its services to individuals who have voluntarily prohibited themselves from entering the casino by being placed on the Disassociated Persons List
- Providing legal advice concerning the potential expansion of gaming that would have been caused by HB 5546 & SB 1075, proposed amendments to the Horse Racing Law of 1995. The amended bills focused on permitting wagering activity in addition to wagering on the results of live horse races. The "pari-mutuel" definition provided in these bills allowed for various types of events, games, and activities outside of horse racing, including poker and instant-racing gaming devices
- Continuing to conduct training sessions for MGCB staff on the Act and Rules
- Making presentations to various law-enforcement officials concerning the proliferation of illegal gambling in Michigan at internet sweepstakes 'cafés

- Assisting the Executive Director with creating a “Criminal Justice Agency” subunit within the MGCB that now has full Law Enforcement Information Network (LEIN) access through Executive Order No. 2012-7 signed by Governor Snyder on May 3, 2012
- Aiding the MGCB and Lottery’s Charitable Gaming Division in regulating millionaire party gaming. For instance, with the AGED’s assistance, the MGCB issued well over 60 suspensions last year against charities violating the charitable gaming laws and rules. Locations that were involved in those illegal activities can no longer have charity events
- Assisting the MGCB with evaluating Greektown Casino’s request to increase its debt by \$15 million to finance its new valet parking garage and its subsequent requests to refinance its existing debt through a \$455 million debt transaction and to make distributions to its shareholders through its Shareholder Rights Plan

The AGED also continues to assist and coordinate the gambling enforcement task force. This inter-agency task force was created by the Executive Director to address illegal forms of gambling in the State. Members of this group include MGCB, LCC, AG, MSP, Treasury, and Lottery. The member agencies seek to work together to encourage education and reporting. For example, the group continues to educate local police about the need to enforce the State’s gambling laws, and the group encourages citizens to report illegal gambling to the Illegal Gambling Tip Line.

#### **TREASURY AND GAMING SECTION (CRIMINAL PROSECUTIONS)**

The Department of Attorney General, through its Criminal Division – Treasury & Gaming Section, issued 252 charging warrants with a successful conviction rate just short of 100%. Generally these crimes occurring within the casinos involved gambling activities (felony and misdemeanor violations), disassociated persons – trespassing, forged documents/writing bad checks/credit card fraud, larceny in a building, fraudulent withdrawals or transfers, under age gambling/minor in casino, conspiracy, ID theft, malicious destruction of property, possession of marijuana, and prostitution/accosting & soliciting.

The Treasury & Gaming Section continued its prosecution of illegal gambling cases outside the regulated casinos. The Section successfully concluded its prosecution of an illegal video poker conspiracy run in numerous establishments in Genesee County. All members of the conspiracy were convicted. The two kingpins were convicted of felony gambling operations and paid over \$250 million in fines and restitution-- the largest such penalty for a conviction in Michigan. The Section also investigated a long-running illegal sports betting operation centered in Detroit. The culmination of nearly a year-long investigation led to the arrest of dozens of illegal gamblers and the seizure of real estate, vehicles, and over \$750,000 in liquid assets. This was a result of an investigation begun by Westland Police Department with cooperation from agents of MGCB, MSP, and special agents of AG. Another sports book was investigated and shut down in Lenawee

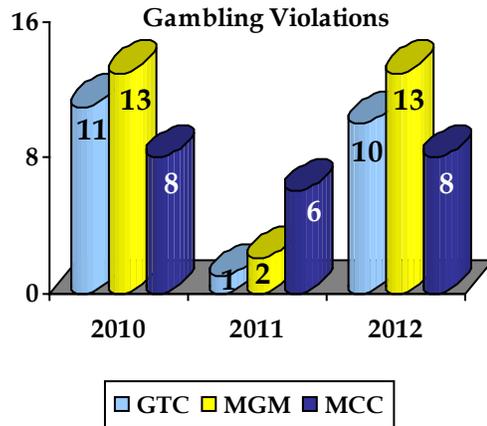
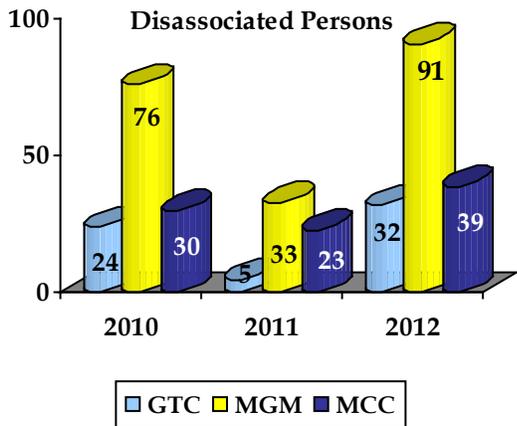
County through the efforts of MSP-OMNI III team and AG. Four persons were arrested and real estate, cars, and cash totaling almost \$600,000 was seized as a result of the raid.

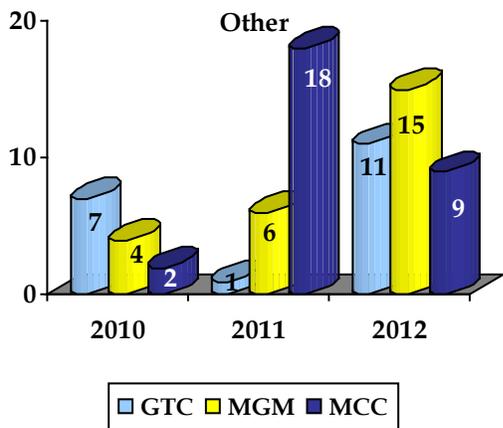
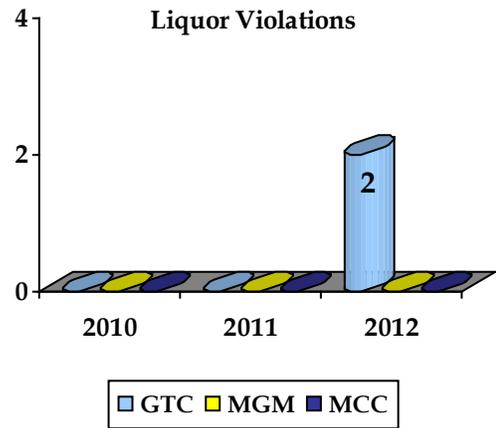
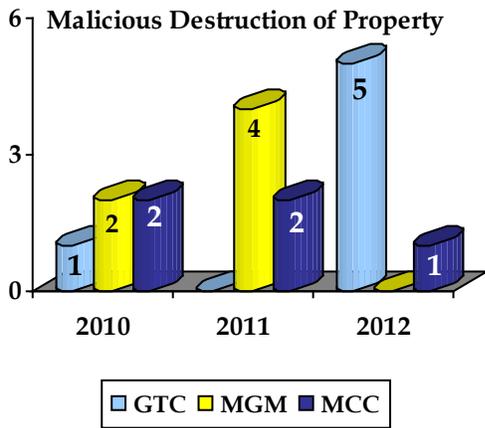
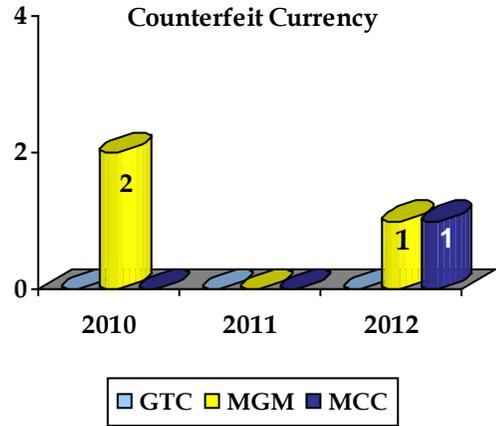
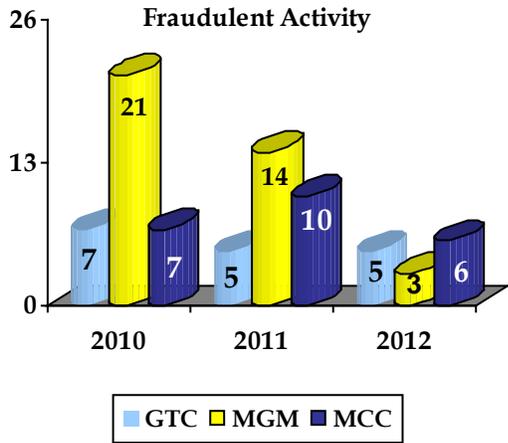
Cyber cafés and internet 'cafés have shown to be a growing problem, and the Attorney General in conjunction with MSP and MGCB have vigorously pursued these “pop-up casinos” in an effort to shut down these illegal gambling sites. Both criminal and civil actions have been brought to close these operations.

The Section has added an Assistant Attorney General Forfeiture Specialist to go after the money and property of illegal gambling operations in an effort to hit crooked gambling operators where it hurts most - in their wallets. Efforts are also underway to pursue money laundering done by unscrupulous individuals that use the Detroit casinos to “wash” their ill-gotten gains. Assistant Attorney General Kim Mitseff has extensive experience in the field and is a recognized expert in Michigan.

The section, working with MGCB, MSP, and MDCH, has continued a Problem Gamblers Diversion pilot program. Previously problem gamblers that recognized their issue designated themselves to be excluded from regulated casinos. If they entered a regulated casino they were arrested and prosecuted for trespass. The program instead diverts first-time offenders to a treatment program, which if successfully completed, allows a problem gambler to avoid prosecution. The program is accomplishing its twin goals: get gambling addicts the help needed and keep these cases out of the court system and reduce related costs imposed on the courts, MSP, and the Attorney General’s office.

The following charts show criminal charges issued at each of the three Detroit commercial casinos in 2012:







## Appendix 2 – Michigan State Police – Gaming Section

### INTRODUCTION

Since its inception, the MSP Gaming Section has undergone several transformations. In 1997, the sole function of the Gaming Section was to conduct the complex, in-depth background investigations relative to the ownership of the three Detroit casinos. An Enforcement Unit was added to the Gaming Section in 1999 to fulfill a law enforcement role inside the casinos. In 2001, the Investigative Unit of the Gaming Section was eliminated with that function being completed by regulation officers of the MGCB. MSP Gaming Section's primary role has now shifted to law enforcement, both criminal and regulatory, while continuing to provide limited background investigation assistance to MGCB's Licensing & Regulation Division. As the MGCB expanded, roles were further refined. MGCB regulation officers provide for regulatory enforcement with assistance, upon request, from the Gaming Section. This has allowed the Gaming Section to focus its attention on the more traditional role of criminal law enforcement. In 2006, the Gaming Section established the Special Operations Team (SpOT) to respond to developing crime trends, particularly illegal gambling outside of the casinos and money laundering inside the casinos. In 2011, SpOT was absorbed into Casino Operations with Casino Teams directed to pursue investigations outside the casinos where necessary.

### SUMMARY OF ACTIVITY

Operating 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. In addition, personnel assisted with illegal gambling cases outside the casinos to include internet sweepstakes cafés.

MSP Gaming Section conducted 780 complaint investigations during 2012. The largest numbers of investigations were of counterfeit currency, disassociated persons, gambling violations, larcenies, and fraud.

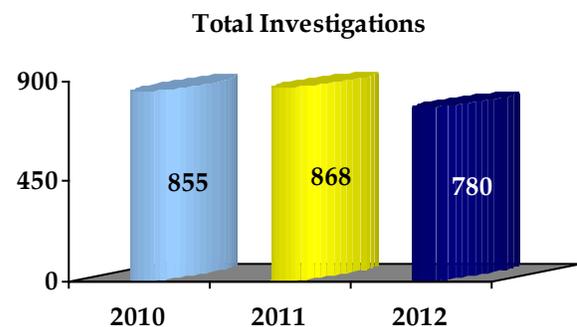
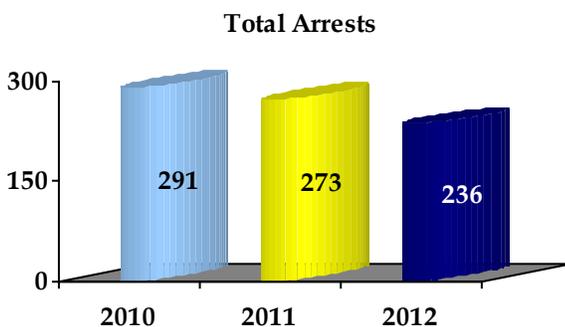
Counterfeit money continues to surface in the Detroit casinos. MSP Gaming Section responded to 231 complaints of patrons in possession of counterfeit money seizing \$9,137 in counterfeit currency. Additionally, the three casinos identified \$10,282 in counterfeit currency within their cash cages. The total amount of counterfeit currency turned over to the U. S. Secret Service from the casinos during 2012 was \$19,419. Investigators continue to track occurrences via in-house databases to identify patterns and people. Most people

are found to be in possession of single counterfeit bills they received from stores, banks, and other casinos during legitimate business transactions.

During 2012, the Gaming Section arrested 236 persons for 262 arrest counts. These include 58 felony counts for cheating at gaming, fraudulent activities, larceny, and conspiracy. 204 misdemeanor arrests included underage gambling, minor in possession of alcohol, and trespass by disassociated persons. Additionally, fugitive arrests satisfied 25 arrest warrants.

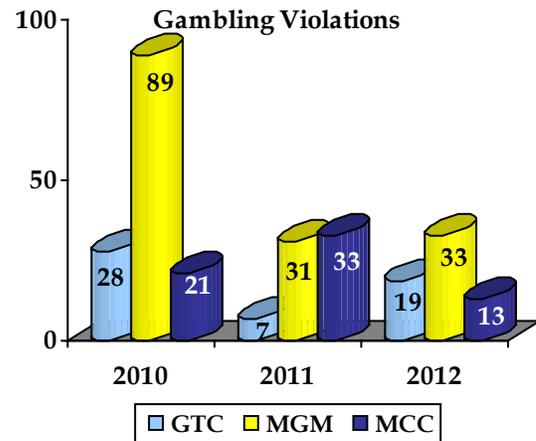
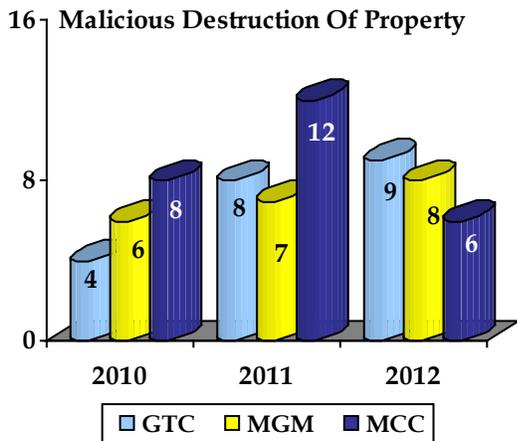
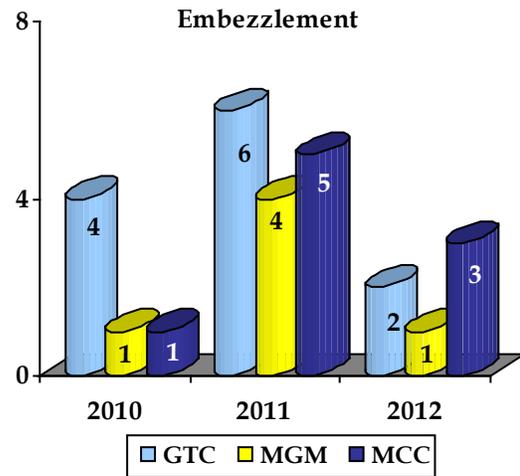
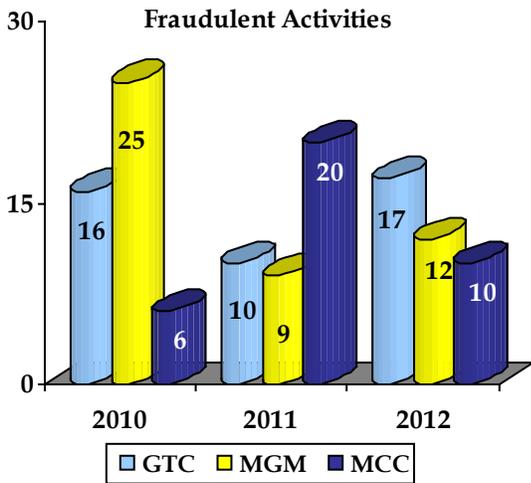
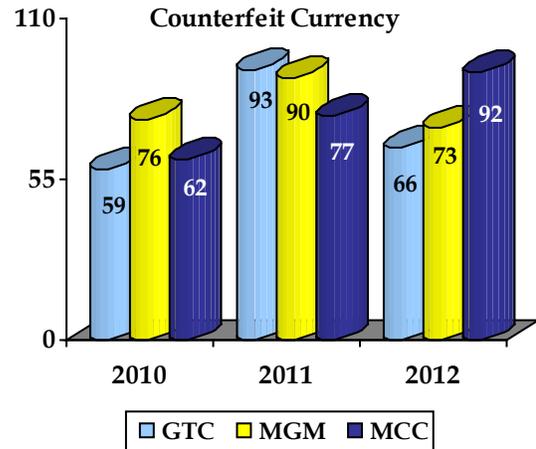
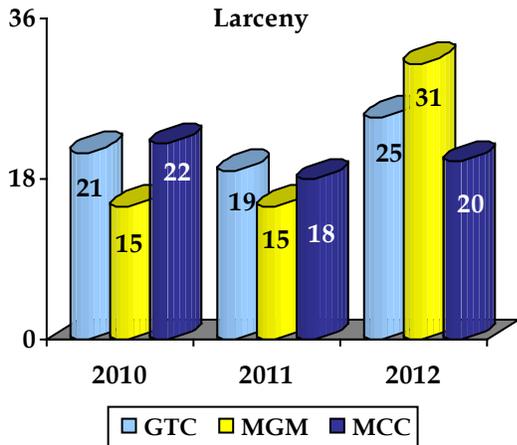
A program offered by MGCB allows problem gamblers to “disassociate” themselves from the Detroit commercial casinos and their affiliates. As of December 31, 2012, the Disassociated Persons List (DPL) consisted of 3,076 individuals who are excluded from frequenting the Detroit commercial casinos for life. Violating the exclusion is a misdemeanor offense and not only subjects the disassociated person to arrest, but also to forfeiture of all gambling “winnings” in their possession. Confiscated money is turned over to the MDCH, Compulsive Gambling Prevention Fund. During 2012, the MSP Gaming Section conducted 158 investigations of disassociated persons. Gambling proceeds in the amount of \$78,720 were seized, forfeited, and turned over to the MDCH, Compulsive Gambling Prevention Fund for calendar year 2012.

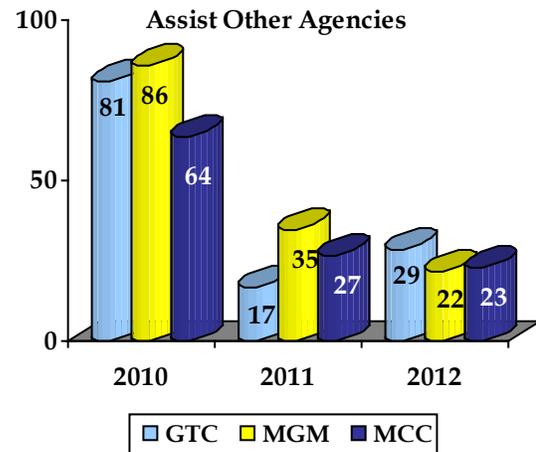
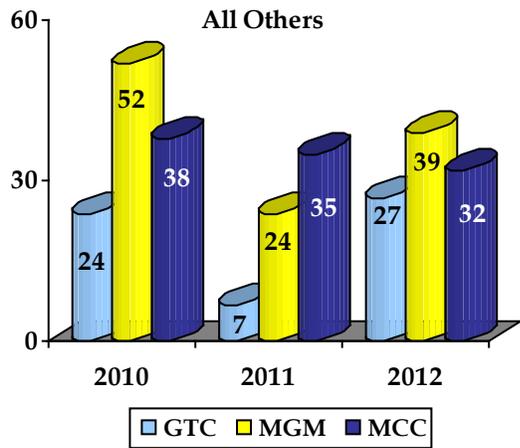
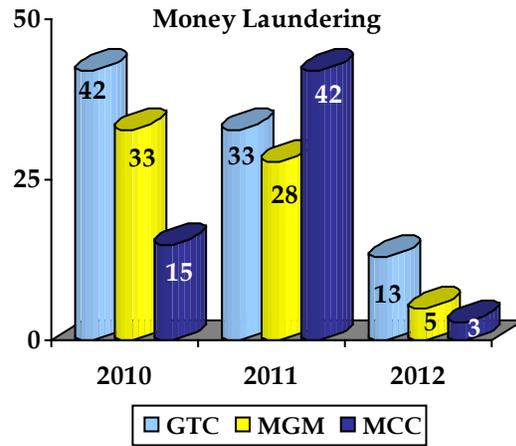
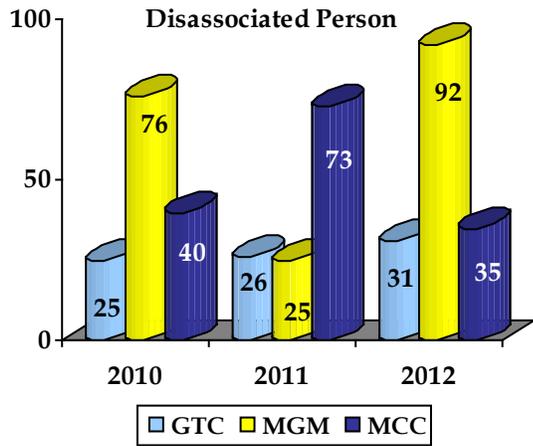
MSP and MGCB, in conjunction with the City of Detroit Fire Department, are responsible for emergency management training at the casinos and are required to annually train licensed casino security and surveillance personnel in critical incident management. The training is designed to prepare casino surveillance and security personnel in the proper procedures to follow in the event of a fire, robbery attempt, bomb threat, weapon of mass destruction incident, medical emergency, or other major emergency. Each of the three casinos participated in tabletop exercises, fulfilling their training requirement.



## COMPLAINTS INITIATED - CASINO OPERATIONS

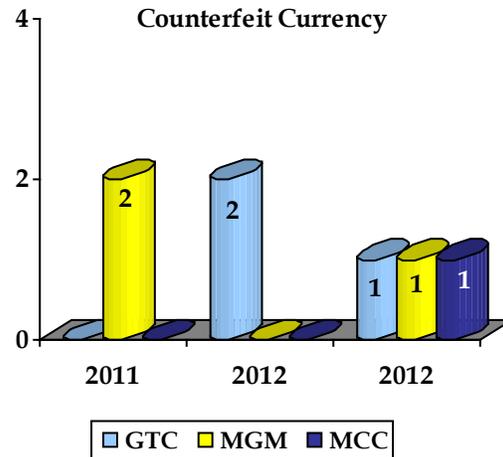
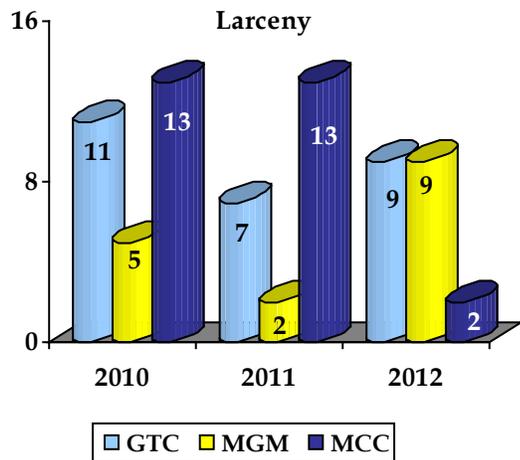
In 2012, SpOT Team initiated 780 complaint investigations. The following is a breakdown of the complaints at each casino for 2010, 2011, and 2012:

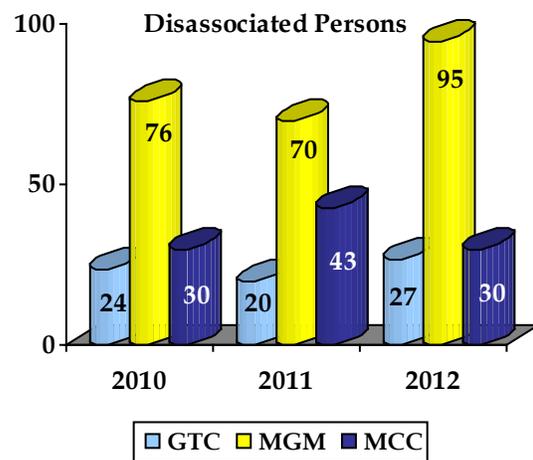
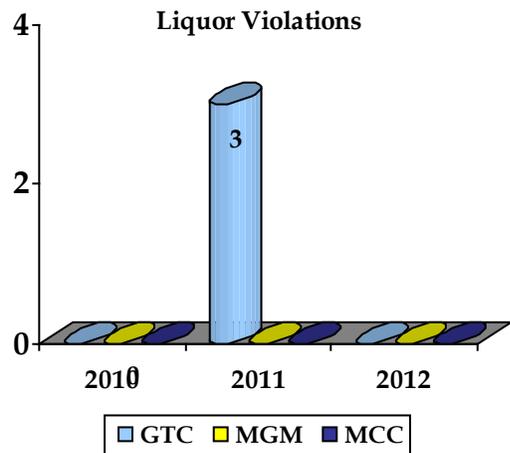
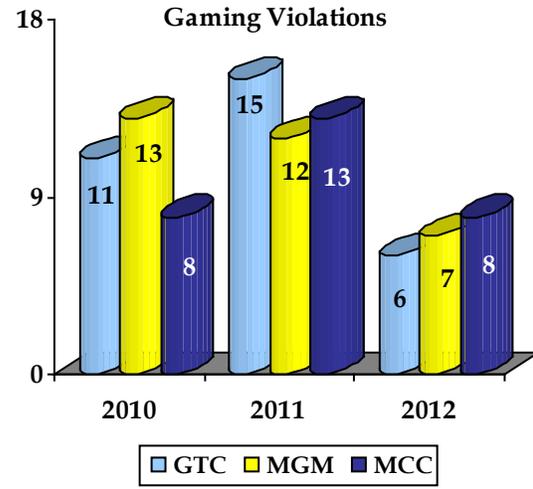
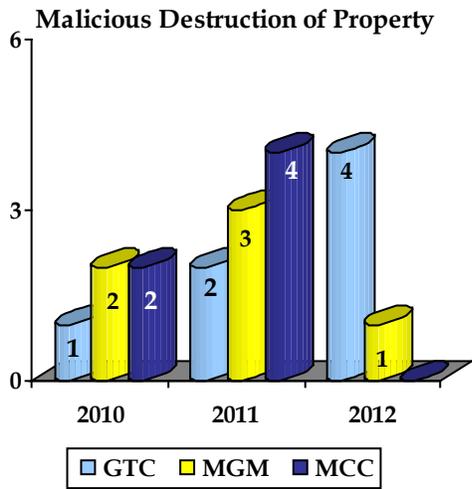
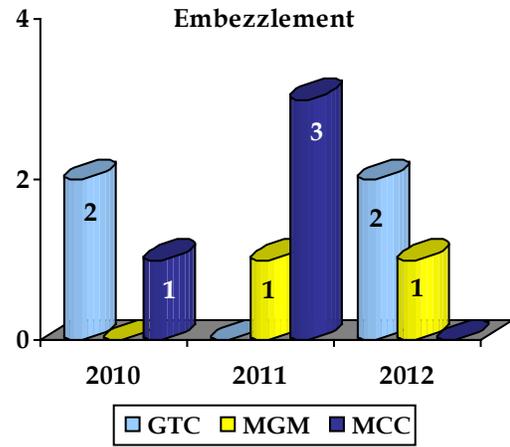
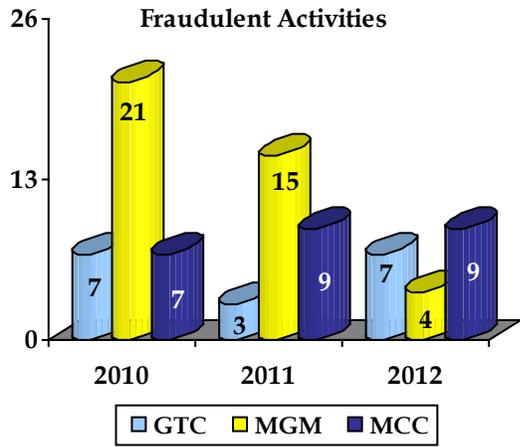




## ARRESTS - CASINO OPERATIONS

In 2012, SPoT Team personnel arrested 236 individuals, resulting in 262 charges. The following is a breakdown of the charges by casino for 2010, 2011, and 2012:





## SPECIAL INVESTIGATIONS

Investigations stem from activity within the three Detroit commercial casinos as well as outside the casinos. A majority of 2012 Special Investigation cases involved illegal internet sweepstakes cafés, illegal gambling, and assists to other agencies for a variety of criminal investigations.

Sixty three (63) complaint investigations were initiated as special investigations. There were (4) arrests (3 felony, 1 misdemeanor) from special investigations generated by MSP Gaming personnel.

## CASES OF INTEREST

- Troopers arrested five people for cashing fraudulent tax returns at MotorCity Casino. Each of the suspects had received credit card type cards, which were income tax receipts for other unknown individuals. The suspects attempted to cash them at the cage in the casino. Over \$10,000 in cash was seized. The investigation continued with the IRS.
- Troopers assisted the United States Secret Service with a fraudulent use of transaction device (credit cards) investigation. The suspects were using Detroit casinos to obtain cash advances with the fraudulently obtained cards. Troopers assisted with gathering intelligence and evidence for Secret Service for prosecution.
- Troopers assisted the FBI on a wire fraud investigation. A suspect was using the Detroit casinos to conduct fraudulent money (wire) transactions. Troopers assisted with obtaining intelligence and evidence for the FBI for prosecution.
- In May of 2012, a 2007 investigation involving distribution of video poker machines and illegal payouts from gaming on the machines concluded. Three suspects pled guilty. One suspect, who owned ten bars in the Flint area, was illegally paying out on video poker machines. He pled guilty to felony gambling charges, receiving probation and a \$100,000 fine/restitution. The vendor of the machines pled to two felony counts of illegal gambling and received five years' probation in addition to a \$280,000 fine/restitution judgment. This is the largest fine levied by the courts and the Michigan Attorney General's Office to date. A "runner" for the vendor pled guilty to one felony count of illegal gambling and received two years' probation and a \$10,000 fine/restitution.
- Troopers assisted Novi P.D. with an investigation into fraudulent payroll checks. The suspect was using the Detroit casinos to cash the fraudulent checks. MSP troopers assisted with collecting evidence for Novi P.D.'s prosecution.

- In July 2012, a suspect was arrested on felony gambling charges stemming from a 2010 investigation into an illegal casino. The suspect had opened two storefront businesses and placed video slot machines in them. He also conducted Texas Hold'em tournaments for cash without a millionaire party license. The suspect also conducted illegal raffles and sold unlicensed pull-tabs.
- Troopers responded to an attempted robbery at MGM Grand Casino Landace Stand. MGM security was in contact with the suspect when troopers arrived. The subject had an air soft pistol and was immediately arrested.
- Troopers assisted the MGCB and the Lottery Charitable Gaming Division on an illegal poker tournament investigation at a business in Waterford. The business also held a valid liquor license. Evidence was seized and cases pursued by the Michigan Attorney General, Lottery Charitable Gaming, and Liquor Control Commission.
- Troopers investigated an MGM Grand Casino employee who worked at Club V. Management of Club V suspected the employee had been stealing cash for several weeks. The employee would take money for two patrons and enter one sale into the cash register, pocketing money from the other sale. When troopers confronted the suspect, the suspect admitted to stealing cash.
- Troopers investigated a Greektown Casino Turkey Cart employee who was not ringing up purchases made with cash. The employee admitted using the left compartment in the cashier's drawer to make change for the patron without ringing up items sold.
- The MSP Gaming Section conducted TITO (Ticket In, Ticket Out) "stings" at all three casinos in May 2012. Decoys were used and two arrests were made during the TITO sting conducted at the MGM Grand Casino. The first arrest was for the theft of two MGM Grand TITOs from a decoy. The second arrest was of a suspect who was observed from the MSP surveillance office "Credit Claiming." He was contacted by troopers and found to be a parole absconder.
- In July 2012, troopers arrested a dealer and patron for Collusion/Conspiracy-Gambling in roulette at MotorCity Casino.
- Troopers investigated larceny of a wallet which was inadvertently left at MotorCity Casino. The wallet belonged to a law enforcement officer and contained his departmental issued badge. Troopers, assisted by MotorCity Casino surveillance, were able to identify the suspect. Troopers located the suspect at his residence where he admitted to having the wallet, badge, and driver license. The badge, wallet, and license were returned to the owner within two hours of the report being made.

- Troopers conducted an investigation of an employee at MotorCity Casino who was conspiring to commit robbery. The employee was fired by MotorCity Casino.
- Troopers arrested a subject who had been stealing items from the MGM gift shop. The subject had stolen items on previous occasions prior to the arrest. MGM Surveillance set up observation and worked with troopers and security to apprehend the suspect after stealing merchandise.
- Troopers assisted Bloomfield Township P.D. on an investigation involving fraudulent use of a credit card where a cash advance was obtained at MGM Casino. MGM Surveillance was able to locate video footage of the transaction after being provided the transaction date and a photo of the suspect. The suspect photo was provided to the casino. Thirteen days later, the suspect returned to MGM and attempted to withdraw money from a newly opened account of the same Bloomfield Township victim. MSP was alerted and troopers contacted the suspect at an MGM money cage. The suspect refused to cooperate and had to be physically controlled and removed from the gaming floor. He was on a tether and lodged on a probation violation warrant in Macomb County. Additional charges were sought by Bloomfield Township P.D.
- In 2012, troopers initiated investigations of 26 internet sweepstakes café locations throughout the state of Michigan. A majority of the locations closed after receiving “cease and desist” orders from the Michigan Attorney General. In December 2012, the MSP Gaming Section, MGCB, and Attorney General served search warrants on three internet sweepstakes cafés in Monroe and Washtenaw Counties, where illegal gambling was taking place. Assisted by the U.S. Attorney’s Office and Secret Service, bank accounts were also seized or frozen in Ohio and Michigan. 84 machines/computers used for illegal gambling and approximately \$66,000.00 were seized. An additional \$9,000.00 was frozen.



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