

Effective Gaming Regulatory Oversight: A View into Nevada

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GENERAL WELFARE OF THE PUBLIC

- Declared policy of Nevada: The gaming industry is vitally important to the economy of the State and the general welfare of its inhabitants.
- A properly regulated gaming industry can thrive and be a driver of the economic welfare of the local jurisdiction, state, or country regulating the industry.
- Highest priority of the Gaming Control Board is to protect the citizens of Nevada and visitors to the State – employees or licensees are never placed above this duty.



PUBLIC CONFIDENCE AND TRUST

- The Board is committed to protecting the confidentiality of all information entrusted to it by applicants, licensees, and all other stakeholders.
- Objectivity, independence, and impartiality are paramount to the Board. Members and employees avoid all personal or professional conflicts that may call these principles into question.
- The Board fosters and maintains cooperative relationships with other governmental entities, both domestic and foreign, to ensure a strictly regulated industry.



REGULATORY STRUCTURE

Two-Tiered Oversight System

Nevada Gaming Control Board

- Created by the Nevada Legislature in 1955
- The Board consists of three full-time members appointed by the Governor to four-year terms, with one member acting as Chair, and is responsible for regulating all aspects of gaming in Nevada
- To insulate the Board from outside interests, Board members may only be removed for cause
- Duties:
 - Investigates applicants and audits licensees
 - Makes licensing recommendations
 - Enforces gaming laws and regulations
 - Collects licensing fees and gaming taxes
- In disciplinary matters, the Board acts in a prosecutorial capacity before the Nevada Gaming Commission



REGULATORY STRUCTURE

Two-Tiered Oversight System

Nevada Gaming Commission

- Created by the Nevada Legislature in 1959 with the passage of the Gaming Control Act
- The Commission consists of five members appointed by the Governor to four-year terms, with one member acting as Chair. Members of the Commission serve in a part-time capacity
- The Commission acts on recommendations of the Board in licensing matters and ruling on work permit appeals.
- The Commission is the final authority on all licensing matters, having the ability to approve, restrict, limit, condition, deny, revoke, or suspend any gaming license.
- In disciplinary matters, the Commission acts in a judicial capacity to determine whether any sanctions should be imposed.
- An application denial prohibits any entity in the gaming industry from doing business with the denied applicant



REGULATORY STRUCTURE

- Six Divisions within of the Board, Five of which provide regulatory oversight of the gaming industry, these are:
 - Audit
 - Enforcement
 - Investigations
 - Tax & License
 - Technology
- The Board's Administration Division provides internal support to the Board and its other five divisions, as well as conducting legislative and economic research for the Board.



AUDIT DIVISION

- Group 1 licensees, who gross at least \$6.5 million per year, are monitored by the Board's Audit Division.
- The Audit Division operates on a 2.5 year audit cycle for each Group 1 licensee, follows Generally Accepted Auditing Standards, and may take up to 9 months to complete a full audit.
- A full audit includes: risk assessments, analytical review of financials, inquiries and observations, testing procedures, a review of all monthly tax returns, cash counts and bankroll verifications, a review of ownership structure, and a search for hidden ownership or unreported activity.



ENFORCEMENT DIVISION

- The Board is not a uniformed agency; agents only identify themselves when necessary
- Overt work:
 - Handling in-custody arrests
 - Investigating patron disputes
- Covert work
 - Unlicensed gaming, stings, club venue compliance
 - Online investigations
- Agents conduct both proactive and reactive work
- Inspections are both announced and unannounced



ENFORCEMENT DIVISION

- Law enforcement functions:
 - Criminal investigations
 - Arrests
 - Intelligence analysis
- Enforcement of Gaming Regulations
- Club venue oversight
- Charitable gaming oversight
- Gaming employee screening and background investigations
- Excluded Persons candidate investigation/nomination
- Patron Disputes



INVESTIGATIONS DIVISION

- Pursuant to Nevada law, an application for a license or for a finding of suitability must not be granted unless the applicant is of good character, does not pose a threat to the public interest of Nevada, and such an approval would be consistent with the declared policy of the State
- Application Process:
 - Multi-Jurisdictional Personal History Disclosure Form
 - Nevada Supplemental
 - Work Program
 - Money Request
 - Document Requests



INVESTIGATIONS DIVISION

- Individual Investigation
 - Review internal databases
 - Online background checks
 - Federal and local courts
 - Statewide police checks
 - Education verification
 - Social media, credit reports, reference letters
- Financial Investigation
 - Assets/liabilities
 - Sources and uses of funds, business investments
 - Federal/state tax returns, bankruptcies
 - Flight logs



TAX AND LICENSE DIVISION

- Three sections
 - Collections: collects, deposits, distributes, and dedicates all gaming taxes, fees, penalties, interest, and fines
 - Compliance: performs compliance review of all Group II licensees (under \$6.5 million in gross revenue per year) and restricted locations offering live entertainment
 - Licensing: issues all gaming licenses approved by the Commission and maintains license database.
- Monitors and administers all gaming compacts entered into with Indian Tribes (8 active compacts, 4 currently in operation)



TECHNOLOGY DIVISION

- Primary point of contact for the Board for new gaming innovation to be introduced in Nevada.
- Reviews and makes recommendations to the Board Chair for approximately 2,000 new and modified gaming devices and gaming associated equipment each year.
- Inspects every gaming device and associated equipment throughout the state once it has been deployed for use in a licensed establishment. The Division inspects each licensed location at least once every three years to ensure technological compliance of each gaming device.



TECHNOLOGY DIVISION

- The Division is the digital forensic investigations unit for the Board.
- Technology staff support the Enforcement division by assisting in investigations of patron complaints or criminal investigations relating to gaming technology.
- Collaborates with gaming regulators through the United States and foreign jurisdictions on matters relating to gaming technology regulations and standards.



APPENDIX – TAXES AND FEES

- Nonrestricted Gaming License (any venues having table games or more than 15 machines)
 - Slot Machines
 - Annual Tax: \$250 per slot machine
 - Quarterly License Fee: \$20 per slot machine
 - Table Games
 - Annual License Fee: fee varies depending on number of games
 - Quarterly License Fee: fee varies depending on number of games
 - Percentage fees
 - 3.5% of the first \$50,000 during the month, plus
 - 4.5% of the next \$84,000 plus
 - 6.75% of revenue exceeding \$134,000
- Restricted Gaming License (venues with 15 or fewer slot machine)
 - Annual tax: \$250 per slot machine
 - Quarterly license fee
 - \$81 for each slot machine up to 5 machines
 - \$405 plus \$141 for each slot machine in excess of 5 but not more than 15

