



Susan Montee, JD, CPA
Missouri State Auditor

PUBLIC SAFETY

Missouri Gaming Commission

December 2009
Report No. 2009-150



auditor.mo.gov



Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

Findings in the audit of the Missouri Gaming Commission

Audit Findings

The audit report does not include any findings.

Organizational and Statistical Information

The Missouri Gaming Commission (commission) was established in 1993 by the Eighty-Seventh General Assembly, as specified by Chapter 313, RSMo. The commission is assigned to the Department of Public Safety (DPS) for administrative purposes. However, the Director of the DPS has no authority or control over the commission.

The commission performs all duties and has all powers and responsibilities conferred and imposed upon it relating to the licensing and regulation of excursion gambling boats and the lawful operation of the game of bingo. Within the commission there is a Division of Gaming and a Division of Bingo. In addition, the commission is responsible for regulating horse racing.

During the 3 years ended June 30, 2009, over \$895 million of gaming proceeds were distributed to the Gaming Proceeds for Education Fund.

All reports are available on our Web site: auditor.mo.gov

Missouri Gaming Commission

Table of Contents

State Auditor's Report	2
------------------------	---

Organization and Statistical Information	4
--	---

Appendixes

	Combined Statements of Receipts, Disbursements, Other Financing Sources (Uses), and Changes in Cash and Investments, Year Ended -	
A-1	June 30, 2009	6
A-2	June 30, 2008	7
A-3	June 30, 2007	8
B	Comparative Statement of Gaming Receipts and Distributions, Years Ended June 30, 2009, 2008, and 2007	9
C	Comparative Statement of Appropriations and Expenditures, Years Ended June 30, 2009, 2008, and 2007	10
D	Comparative Statement of Expenditures (From Appropriations), Years Ended June 30, 2009, 2008, 2007, 2006, and 2005	11
E	Statement of Changes in General Capital Assets, Years Ended June 30, 2009, 2008, and 2007	12
F	Receipt and Distribution Charts, July 1, 1993, through June 30, 2009	13
G	Receipt and Distribution Charts, July 1, 1993, through June 30, 2009	14



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Missouri Gaming Commission
and
Gene McNary, Executive Director
Missouri Gaming Commission
Jefferson City, Missouri

We have audited the Missouri Gaming Commission. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2009, 2008, and 2007. The objectives of our audit were to:

1. Evaluate the Commission's internal controls over significant management and financial functions.
2. Evaluate the Commission's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain revenues and expenditures.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the Commission; analyzing comparative data from internal and external sources; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the Commission's management and was not subjected to the procedures applied in our audit of the Commission.

No findings resulted from our audit of the Missouri Gaming Commission.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Toni Crabtree, CPA
In-Charge Auditor:	Chris Vetter, CPA
Audit Staff:	Tina Gildehaus, M.Acct. Albert Borde-Koufie, MBA Ashley Lee, MBA Danielle Klaffenbach

Missouri Gaming Commission

Organization and Statistical Information

The Missouri Gaming Commission (commission) was established in 1993 by the Eighty-Seventh General Assembly, as specified by Chapter 313, RSMo. The commission is assigned to the Department of Public Safety (DPS) for administrative purposes. However, the Director of the DPS has no authority or control over the commission.

Section 313.822, RSMo, provides that a tax be imposed on the adjusted gross receipts (the gross receipts from licensed gambling games and devices less the winnings paid to wagerers) at the rate of 20 percent (increased to 21 percent as of November 2008). This section allows the home dock city or county to receive 10 percent of the adjusted gross receipts tax and the remainder to be deposited in the state treasury to the credit of the Gaming Proceeds for Education Fund. Furthermore, Article III, Section 39(d) of the Missouri Constitution requires all state revenues derived from gaming activities be appropriated solely for public institutions of elementary, secondary, and higher education.

Section 313.820, RSMo, provides that an excursion boat licensee shall pay to the commission an admission fee of two dollars for each person embarking on an excursion with a ticket of admission. One dollar shall be paid to the home dock city and county while the other dollar, per Section 313.835, RSMo, shall be deposited in the state treasury to the credit of the Gaming Commission Fund. This fund is for the purpose of funding the administrative costs of the commission relating to excursion gambling boat operations, subject to appropriation. This fund also includes revenues received by the commission for license fees, administrative fees, and reimbursement by any excursion gambling boat operations for services provided by the commission. Also, up to 1 cent of each dollar from admission fees deposited in the Gaming Commission Fund may be transferred to the Compulsive Gamblers Fund, pursuant to Section 313.842, RSMo. The Compulsive Gamblers Fund is used by the commission to administer the voluntary exclusion program for problem gamblers and programs to educate the public about problem gambling, and by the Department of Mental Health for its treatment programs.

Section 313.835, RSMo, also provides for various other annual transfers: 1) up to \$6 million to the Veterans' Commission Capital Improvement Trust Fund primarily for the construction, maintenance, renovation, and equipment needs of the state's veterans' homes and cemeteries, 2) up to \$4 million to the Missouri National Guard Trust Fund subject to appropriation for the Office of the Adjutant General, 3) up to \$5 million to the Access Missouri Financial Assistance Fund (formerly named the Missouri College Guarantee Fund) for financial assistance to qualified students in the state's public and private postsecondary institutions, and 4) the remaining net proceeds to the Early Childhood Development, Education, and Care Fund for voluntary, early childhood development, education and care programs for children not yet enrolled in kindergarten.



Missouri Gaming Commission
Organization and Statistical Information

The commission performs all duties and has all powers and responsibilities conferred and imposed upon it relating to the licensing and regulation of excursion gambling boats and the lawful operation of the game of bingo under Chapter 313, RSMo. Within the commission there is a Division of Gaming and a Division of Bingo. In addition, the commission is responsible for regulating horse racing under Chapter 313, RSMo. Section 313.720, RSMo, establishes the Missouri Breeders Fund, which provides incentives for breeders and owners of Missouri bred horses.

The Executive Director of the Missouri Gaming Commission is hired by the commission. Steve Johnson served as Acting Executive Director from March 2006 to July 2006. In July 2006, Gene McNary was appointed Executive Director and continues in this position.

The Missouri Gaming Commission consists of five members appointed by the governor, with the advice and consent of the Senate. Terms of members are for 3 years on a staggered basis. No person shall serve as a member more than 6 years. The chairman is appointed by the governor.

At June 30, 2009, members of the Missouri Gaming Commission were:

Name	Term Expires
Suzanne Bocell Bradley	April 2010
Larry W. Plunkett, Sr.	April 2010
Noel J. Shull	April 2011
Darryl T. Jones	April 2011
James L. Mathewson, Chairman	April 2012

At June 30, 2009, the Missouri Gaming Commission had 105 employees and 130 Missouri State Highway Patrol employees who are assigned to the commission and paid from the Gaming Commission Fund.

Appendix A-1

Missouri Gaming Commission
 Combined Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Changes in Cash and Investments
 Year Ended June 30, 2009

	Gaming Commission Fund	Compulsive Gamblers Fund	Missouri Breeder Fund	Total (Memorandum Only)
RECEIPTS				
Admissions	\$ 52,232,350	0	0	52,232,350
Licenses, penalties, and fees	1,820,139	0	0	1,820,139
Reimbursement payments	13,832,647	0	0	13,832,647
Interest	120,408	0	2,604	123,012
Other	4,980	4,784	0	9,764
Total Receipts	<u>68,010,524</u>	<u>4,784</u>	<u>2,604</u>	<u>68,017,912</u>
DISBURSEMENTS				
Personal service	11,691,994	81,573	0	11,773,567
Employee fringe benefits	2,339,680	34,079	0	2,373,759
Expense and equipment	6,204,585	12,926	2,000	6,219,511
Cost allocation	153,939	134	18	154,091
Total Disbursements	<u>20,390,198</u>	<u>128,712</u>	<u>2,018</u>	<u>20,520,928</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>47,620,326</u>	<u>(123,928)</u>	<u>586</u>	<u>47,496,984</u>
OTHER FINANCING SOURCES (USES)				
Appropriations Exercised by Other Agencies	(1,951,493)	(376,720)	0	(2,328,213)
Transfers from:				
Gaming Commission Fund	0	523,017	0	523,017
Transfers to:				
Veterans' Commission Capital Improvement Trust Fund	(6,000,000)	0	0	(6,000,000)
Missouri National Guard Trust Fund	(4,000,000)	0	0	(4,000,000)
Access Missouri Financial Assistance Fund	(5,000,000)	0	0	(5,000,000)
Early Childhood Development Education and Care Fund	(29,898,622)	0	0	(29,898,622)
Compulsive Gamblers Fund	(523,017)	0	0	(523,017)
Total Financing Sources (Uses)	<u>(47,373,132)</u>	<u>146,297</u>	<u>0</u>	<u>(47,226,835)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES)	247,194	22,369	586	270,149
CASH AND INVESTMENTS, JULY 1	1,538,103	248,693	98,561	1,885,357
CASH AND INVESTMENTS, JUNE 30	<u>\$ 1,785,297</u>	<u>271,062</u>	<u>99,147</u>	<u>2,155,506</u>

Appendix A-2

Missouri Gaming Commission
 Combined Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Changes in Cash and Investments
 Year Ended June 30, 2008

	Gaming Commission Fund	Compulsive Gamblers Fund	Missouri Breeders Fund	Total (Memorandum Only)
RECEIPTS				
Admissions	\$ 50,443,830	0	0	50,443,830
Licenses, penalties, and fees	1,769,449	0	0	1,769,449
Reimbursement payments	11,640,535	13	0	11,640,548
Interest	241,244	0	4,670	245,914
Other	10,170	568	0	10,738
Total Receipts	<u>64,105,228</u>	<u>581</u>	<u>4,670</u>	<u>64,110,479</u>
DISBURSEMENTS				
Personal service	11,458,871	72,688	0	11,531,559
Employee fringe benefits	2,253,653	30,140	0	2,283,793
Expense and equipment	6,441,135	9,808	0	6,450,943
Cost allocation	157,906	268	17	158,191
Total Disbursements	<u>20,311,565</u>	<u>112,904</u>	<u>17</u>	<u>20,424,486</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>43,793,663</u>	<u>(112,323)</u>	<u>4,653</u>	<u>43,685,993</u>
OTHER FINANCING SOURCES (USES)				
Appropriations Exercised by Other Agencies	(2,131,100)	(382,948)	0	(2,514,048)
Transfers from:				
Gaming Commission Fund	0	512,369	0	512,369
Transfers to:				
Veterans' Commission Capital Improvement Trust Fund	(6,000,000)	0	0	(6,000,000)
Missouri National Guard Trust Fund	(4,000,000)	0	0	(4,000,000)
Missouri College Guarantee Fund	(5,000,000)	0	0	(5,000,000)
Early Childhood Development Education and Care Fund	(28,561,307)	0	0	(28,561,307)
Compulsive Gamblers Fund	(512,369)	0	0	(512,369)
Total Financing Sources (Uses)	<u>(46,204,776)</u>	<u>129,421</u>	<u>0</u>	<u>(46,075,355)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES)	(2,411,113)	17,098	4,653	(2,389,362)
CASH AND INVESTMENTS, JULY 1	3,949,216	231,595	93,908	4,274,719
CASH AND INVESTMENTS, JUNE 30	<u>\$ 1,538,103</u>	<u>248,693</u>	<u>98,561</u>	<u>1,885,357</u>

Appendix A-3

Missouri Gaming Commission
 Combined Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Changes in Cash and Investments
 Year Ended June 30, 2007

	Gaming Commission Fund	Compulsive Gamblers Fund	Missouri Breeders Fund	Total (Memorandum Only)
RECEIPTS				
Admissions	\$ 50,902,478	0	0	50,902,478
Licenses, penalties, and fees	1,784,453	0	0	1,784,453
Reimbursement payments	10,036,990	0	0	10,036,990
Interest	267,784	0	4,205	271,989
Other	2,437	526	0	2,963
Total Receipts	<u>62,994,142</u>	<u>526</u>	<u>4,205</u>	<u>62,998,873</u>
DISBURSEMENTS				
Personal service	10,303,765	0	0	10,303,765
Employee fringe benefits	2,085,222	0	0	2,085,222
Expense and equipment	5,582,861	16,702	0	5,599,563
Cost allocation	153,234	342	11	153,587
Total Disbursements	<u>18,125,082</u>	<u>17,044</u>	<u>11</u>	<u>18,142,137</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>44,869,060</u>	<u>(16,518)</u>	<u>4,194</u>	<u>44,856,736</u>
OTHER FINANCING SOURCES (USES)				
Appropriations Exercised by Other Agencies	(2,059,836)	(382,655)	0	(2,442,491)
Transfers from:				
Gaming Commission Fund	0	248,173	0	248,173
Transfers to:				
Veterans' Commission Capital Improvement Trust Fund	(6,000,000)	0	0	(6,000,000)
Missouri National Guard Trust Fund	(4,000,000)	0	0	(4,000,000)
Missouri College Guarantee Fund	(5,000,000)	0	0	(5,000,000)
Early Childhood Development Education and Care Fund	(28,923,521)	0	0	(28,923,521)
Compulsive Gamblers Fund	(248,173)	0	0	(248,173)
Total Financing Sources (Uses)	<u>(46,231,530)</u>	<u>(134,482)</u>	<u>0</u>	<u>(46,366,012)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES)	<u>(1,362,470)</u>	<u>(151,000)</u>	<u>4,194</u>	<u>(1,509,276)</u>
CASH AND INVESTMENTS, JULY 1	<u>5,311,686</u>	<u>382,595</u>	<u>89,714</u>	<u>5,783,995</u>
CASH AND INVESTMENTS, JUNE 30	<u>\$ 3,949,216</u>	<u>231,595</u>	<u>93,908</u>	<u>4,274,719</u>

Appendix B

Missouri Gaming Commission
Comparative Statement of Gaming Receipts and Distributions

	Year Ended June 30,		
	2009	2008	2007
Receipts			
Gaming proceeds	\$ 351,191,915	325,746,395	318,214,763
Admissions	104,464,700	100,885,824	101,804,957
Bingo taxes	2,142,815	2,154,878	2,282,012
Licenses, penalties, and fees	1,820,139	1,769,449	1,784,453
Reimbursement payments	13,832,647	11,640,625	10,036,990
Interest	147,003	281,052	352,385
Other	4,981	10,170	2,436
Total	\$ <u>473,604,200</u>	<u>442,488,393</u>	<u>434,477,996</u>
Distributions *			
Gaming Commission Fund	\$ 68,010,524	64,104,310	62,994,141
Gaming Proceeds for Education Fund	316,072,724	293,171,756	286,393,287
Home Dock Cities	87,351,542	83,017,552	82,723,955
Bingo Proceeds for Education Fund	2,166,806	2,190,105	2,362,408
Missouri Breeder's Fund	2,604	4,670	4,205
Total	\$ <u>473,604,200</u>	<u>442,488,393</u>	<u>434,477,996</u>

* Distributions represent distributions of receipts for the fiscal year, a portion of which is disbursed after the end of the fiscal year.

Appendix C

Missouri Gaming Commission
Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,								
	2009			2008			2007		
	Appropriation	Expenditures	Lapsed Balances	Appropriation	Expenditures	Lapsed Balances	Appropriation	Expenditures	Lapsed Balances
COMPULSIVE GAMBLERS FUND									
Personal Service	\$ 81,905	81,573	332	79,519	72,688	6,831	0	0	0
Expense And Equipment	60,000	12,926	47,074	60,000	9,808	50,192	40,000	16,702	23,298
Total Compulsive Gamblers Fund	141,905	94,499	47,406	139,519	82,496	57,023	40,000	16,702	23,298
GAMING COMMISSION FUND									
Fringe benefits and insurance premiums for State Highway Patrol employees assigned to work under the direction of the Gaming Commission:									
Personal Service	4,809,328	3,593,196	1,216,132	4,809,328	3,761,111	1,048,217	4,809,328	3,409,156	1,400,172
Expense and Equipment	267,317	236,544	30,773	267,317	264,424	2,893	267,317	217,723	49,594
Refund any overpayment or erroneous payment of any amount credited to the Gaming Commission Fund	65,000	50,300	14,700	15,000	15,000	0	15,000	0	15,000
Divisions of Gaming and Bingo:									
Personal Service	13,123,450	11,691,994	1,431,456	12,741,214	11,458,871	1,282,343	13,065,921	10,303,765	2,762,156
Expense and Equipment	1,940,115	1,838,682	101,433	1,940,115	1,925,140	14,975	1,938,115	1,490,087	448,028
Payment of real property leases and related services and expenses-Expense and Equipment	593,890	485,863	108,027	581,530	475,460	106,070	524,704	465,895	58,809
National Council of Legislators from Gaming States Dues	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
Total Gaming Commission Fund	20,802,100	17,896,579	2,905,521	20,357,504	17,900,006	2,457,498	20,623,385	15,886,626	4,736,759
MISSOURI BREEDERS FUND									
Breeder incentive payments	5,000	2,000	3,000	5,000	0	5,000	5,000	0	5,000
Total Missouri Breeders Fund	5,000	2,000	3,000	5,000	0	5,000	5,000	0	5,000
Total All Funds	\$ 20,949,005	17,993,078	2,955,927	20,502,023	17,982,502	2,519,521	20,668,385	15,903,328	4,765,057

Appendix D

Missouri Gaming Commission
 Comparative Statement of Expenditures (From Appropriations)

	Year Ended June 30,				
	2009	2008	2007	2006	2005
Personal services	\$ 11,773,566	11,531,559	10,303,765	9,474,726	8,937,896
Benefits	3,593,196	3,761,111	3,409,156	3,165,366	2,965,619
Travel, in-state	146,864	162,471	137,660	98,267	125,539
Travel, out-of-state	192,940	179,406	138,478	121,160	104,105
Fuel and utilities	29,083	28,978	25,929	25,837	24,840
Supplies	181,296	158,899	144,824	175,610	135,367
Professional development	88,217	85,087	77,449	29,264	61,690
Communication services and supplies	342,376	371,173	201,396	178,050	199,271
Professional services	348,081	512,615	215,604	247,544	267,785
Housekeeping and janitorial services	18,486	19,886	15,313	17,640	18,140
Maintenance and repair services	156,139	167,488	214,749	95,794	89,319
Computer equipment	319,081	149,401	317,051	108,223	85,008
Office equipment	25,122	33,815	21,671	10,589	14,919
Other equipment	21,204	83,376	12,660	11,036	2,099
Property and improvement	7,566	4,971	1,131	845	4,734
Building lease payments	438,869	428,476	427,472	409,754	411,062
Equipment rental and lease payments	636	1,656	1,948	3,068	2,976
Insurance and surety bond premiums	236,544	264,424	217,723	560,745	94,313
Miscellaneous expenditures	23,512	22,710	19,349	17,780	18,827
Refunds	50,300	15,000	0	146	0
Total Expenditures	\$ <u>17,993,078</u>	<u>17,982,502</u>	<u>15,903,328</u>	<u>14,751,444</u>	<u>13,563,509</u>

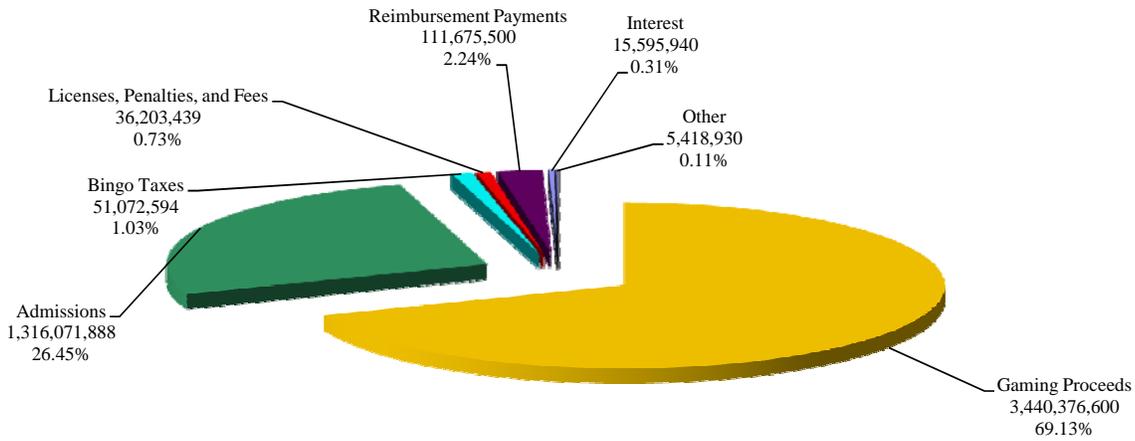
Appendix E

Missouri Gaming Commission
Statement of Changes in General Capital Assets

Balance, June 30, 2006	\$	1,398,193
Additions		258,637
Dispositions		<u>(149,755)</u>
Balance, June 30, 2007		1,507,075
Additions		110,441
Dispositions		<u>(133,815)</u>
Balance, June 30, 2008		1,483,701
Additions		314,937
Dispositions		<u>(143,251)</u>
Balance, June 30, 2009	\$	<u><u>1,655,387</u></u>

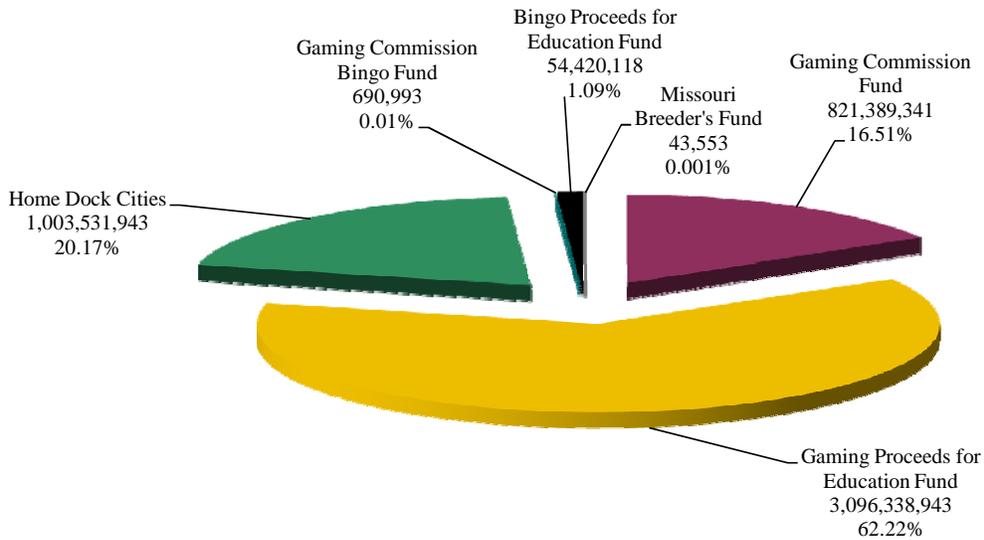
Missouri Gaming Commission
 Receipt and Distribution Charts
 July 1, 1993, through June 30, 2009

Receipts



Total Receipts: \$4,976,414,891

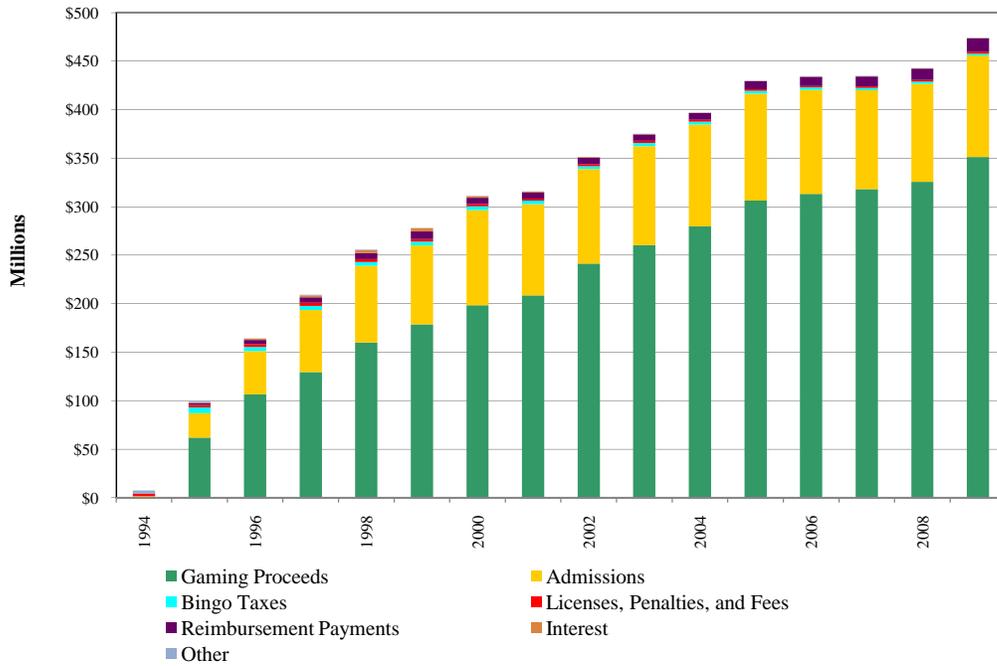
Distributions



Total Distributions: \$4,976,414,891

Missouri Gaming Commission
 Receipt and Distribution Charts
 July 1, 1993, through June 30, 2009

Receipts



Distributions

