

EXECUTIVE DIGEST

INDIAN GAMING OVERSIGHT PROGRAM OFFICE OF RACING COMMISSIONER

INTRODUCTION	This report, issued in May 1997, contains the results of our performance audit* of the Indian Gaming Oversight Program, Office of Racing Commissioner (ORC), Department of Agriculture.
AUDIT PURPOSE	This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*.
BACKGROUND	The Indian Gaming Oversight Program's mission* is to provide oversight of class III gaming* operations as provided for in the Tribal-State Gaming Compacts* (Compacts). A Tribal-State Gaming Compact has been executed with each of seven federally recognized Indian tribes. As of June 30, 1996, these seven Indian tribes (Tribes*) were operating 13 casinos within the State. The Indian Gaming Oversight Program had two employees as of June 30, 1996 and recorded expenditures of approximately \$167,000 for the fiscal year ended September 30, 1995.
AUDIT OBJECTIVES, CONCLUSIONS, AND	Audit Objective: To assess the effectiveness of ORC's oversight of Indian class III gaming operations as provided

NOTEWORTHY
ACCOMPLISHMENTS

for in the Compacts between the State of Michigan and the seven Tribes.

Conclusion: Our assessment disclosed that ORC was reasonably effective in fulfilling its oversight activities related to Indian class III gaming operations as provided for in the Compacts. However, we noted two reportable conditions related to ORC controlling tamper-proof seals* for electronic gaming devices* (slot machines) (Finding 1) and ORC charging administrative costs to the Indian Gaming Oversight Program (Finding 2).

Noteworthy Accomplishments: ORC established procedures for the inspection/reinspection, testing, and sealing of slot machines to ensure that casino slot machines meet the equipment and payout* standards provided for in the Compacts. As of May 31, 1996, ORC had completed the initial inspection and sealing of approximately 7,100 casino slot machines.

Also, ORC staff participated in various training seminars related to casino gaming operations and slot machines to obtain the understanding necessary to effectively perform their oversight activities concerning class III gaming operations.

Audit Objective: To assess the effectiveness of ORC's procedures for determining that the Tribes submitted the required amounts to the Michigan Renaissance Fund (MRF) from their revenues applicable to slot machines.

Conclusion: ORC's procedures were not sufficient to ensure that all the Tribes submitted the required amounts to MRF from their revenues applicable to slot machines. Our assessment disclosed one reportable condition related to the Tribes' payments to MRF (Finding 3).

Noteworthy Accomplishments: ORC developed an audit program for examining the Tribes' controls over their casino accounting records related to the recording of cash receipts from slot machines. The accounting records are used by the Tribes to calculate and submit payments to MRF.

AUDIT SCOPE AND
METHODOLOGY

Our audit scope was to examine the program and other records of the Indian Gaming Oversight Program. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our methodology included testing records for the period December 1, 1993 through June 30, 1996. Our methodology also included reviewing the Compacts, the Stipulation for Entry of Consent Judgment*, the Consent Judgment*, the federal Indian Gaming Regulatory Act of 1988, and other sources of information related to class III gaming operations.

To assess the effectiveness of ORC's oversight of class III gaming operations, we examined ORC's procedures and controls for inspection/reinspection of slot machines. Also, we tested the controls related to the use of pressnumbered, tamper-proof seals, and we examined ORC's records related to the inventory of slot machines maintained at each casino. In addition, we performed tests of financial records related to ORC's administrative costs incurred in fulfilling its oversight activities.

To assess the effectiveness of ORC's procedures for determining that the Tribes submitted the required amounts to MRF, we reviewed ORC's audit program for examining casino accounting records. We also reviewed

the one audit completed by ORC of the seven Tribes, representing 1 of the 13 class III gaming operations.

AGENCY RESPONSES

Our report contains 3 findings and 3 recommendations. The preliminary responses prepared by the agency for our report indicated that it generally agreed with all the recommendations, and it was taking steps to implement 2 of them.