



THE PENNSYLVANIA GAMING CONTROL BOARD

**A Special Performance Audit
Expenses for Professional Services Contracts,
Travel, and Materials/Supplies**

DECEMBER 2010

JACK WAGNER, AUDITOR GENERAL

**PENNSYLVANIA DEPARTMENT OF THE AUDITOR GENERAL
BUREAU OF SPECIAL PERFORMANCE AUDITS**

December 15, 2010

The Honorable Gregory C. Fajt, Chairman
Pennsylvania Gaming Control Board
303 Walnut Street
Harrisburg, Pennsylvania 17106

Dear Chairman Fajt:

Enclosed is our special performance audit report of the Pennsylvania Gaming Control Board covering the three fiscal years ended June 30, 2009, and evaluating the Board's spending for professional services contracts, travel, and materials/supplies. We included more recent information where available.

We conducted this special performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the 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 does indeed provide a reasonable basis for our findings and conclusions based on our audit objectives. The audit report presents 3 findings and 17 recommendations. Each finding is broken down into discussion points that include the relevant details.

The most significant finding is that, in almost all cases, the Board did not vote to award contracts for professional services at open public meetings as required by the Sunshine Act. The Board should be most concerned about this matter (Finding One) based on the need for transparency in every aspect of the Board's operation, and we strongly disagree with the Board's opposing position. As chairman, your leadership is critical to the correction of this matter so that the public can have confidence in all actions taken by the Gaming Control Board.

The first finding also discusses the Board's need to comply with the state's Procurement Code by maintaining supporting documentation in all cases when justifying professional services contracts, while the second and third findings report excessive and/or unnecessary spending on travel and on other items, including items misclassified as "office supplies." Regarding findings two and three, we also report on several corrective actions that we identified during the latter part of the audit period and subsequent to it.

We will follow up on this report in a future audit. In the meantime, we urge you to address all findings now, beginning with the finding related to the Sunshine Act.

Sincerely,

JACK WAGNER
Auditor General

Enclosure

cc: The Honorable Edward G. Rendell, Governor of Pennsylvania
Members, Pennsylvania Gaming Control Board

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Results in Brief

In this special performance audit of the Pennsylvania Gaming Control Board, we found that the Board did not openly award contracts for professional services, spent excessively for travel, and paid for unnecessary items misclassified as “office supplies.”

Our findings cover fiscal years ended June 30, 2007, 2008, and 2009. However, where the Gaming Control Board (referred to in this report as “Gaming Board” or “Board”) could provide us with updates, including actions it took subsequent to our audit period, we included such information through dates as recent as December 1, 2010. That subsequent information, though unaudited, is important because we identified some corrective actions related to Finding Two and Finding Three that took place in the latter part of our audit period and subsequent to it.

However, more must be done.

Overall, we developed three findings and present 17 recommendations, summarized as follows:

Contracting for Professional Services (pages 5-31)

Finding One: The Gaming Control Board did not comply with the Sunshine Act and certain requirements of the Commonwealth Procurement Code when contracting for professional services. As a result, the Board was not accountable to the public and cannot ensure that its contracts served the best interests of the Commonwealth and the Board.

The four discussion points in Finding One detail the issues we identified when reviewing the Board’s procedures for contracting for professional services. The most significant finding is that, in most cases, the governing board did not award contracts in open public meetings. We also identified instances where the Board did not complete justification forms for sole source contracts as required by the Procurement Code.

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To address Finding One, we recommend that the Board should (1) comply with the Sunshine Act and award contracts in open public meetings; (2) adopt a written procurement policy that is approved publically and updated annually; (3) prepare and retain documentation to support the written justifications used when entering into emergency and sole source contracts; (4) resume completing justification forms when procuring legal services through the sole source selection method; and (5) prepare and maintain written determinations to justify using the same vendor—including law firms—when awarding that vendor subsequent contracts.

Spending For Travel (pages 32-69)

Finding Two: *The Gaming Board spent excessively on travel during our three-year audit period. New management has since made policy changes and spending cuts but must do more.*

This finding presents five discussion points about excessive travel expenses incurred by the Board. For example, the governing board members and some of the top staff claimed allowable but unnecessary meal reimbursements at two and one-half times more than the state's standard rates; four board members and one executive staffer spent \$33,000 for a trip to Rome; board members stayed at expensive hotels without documenting the justification for such stays; governing board members incurred excessive parking expenses; and governing board members were reimbursed for leased cars.

To address Finding Two, we recommend that the Board should (6) cease using the enhanced meal reimbursement rate and ensure that the governing board members and staff claim meal reimbursements at the standard state rates; (7) ensure that all governing board members and staff submit receipts for actual travel expenses; (8) limit the Board's presence—both the number of events and the number of attendees—at conferences and other such events; (9) ensure that all staff complete the expanded travel justification forms required by new Board

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policy; (10) ensure that Board members and staff do not claim lodging reimbursement in excess of standard state limits without providing written justification; (11) ensure that governing board members and staff comply with Commonwealth travel policies that allow reward program benefits to be used only for board-related travel; (12) not provide paid parking spaces for governing board members when it costs less to reimburse members' parking expenses as needed; and (13) stop reimbursing governing board members for leased cars when the Board could save money by reimbursing the members for business miles traveled in their personal cars.

Materials and Supplies (pages 70-90)

Finding Three: Early in the audit period, the Gaming Board paid for questionable expenses like meals and flowers, misclassified expenses as "office supplies," and lacked support for other expenses, thus risking criticism that it tried to obscure the spending. The Board also paid for BlackBerrys and cell phones that had periods of non-use.

This finding presents four discussion points related to the Board's spending for materials and supplies. The Board paid for meals and gifts that represent questionable uses of Board resources; misclassified some expenses in accounting records as "office supplies"; did not maintain supporting documentation for one in four expenses that we sampled, and paid for several cell phones and BlackBerrys when there were periods of non-use.

To address Finding Three, we recommend that the Board should (14) formally establish a policy on prohibiting the purchase of atypical items such as meals, flowers, gifts, and candy. This policy should clearly define allowable and unallowable expenses for both Board staff and governing board members; (15) ensure that all expenses are classified accurately and that procedures are developed to identify and correct any misclassifications; (16) implement procedures to review,

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approve, and maintain all documents to support expenses to ensure that items were actually received, amounts paid were accurate, and that the expenses were necessary; (17) better manage the assignment of wireless communications devices to eliminate possible overspending for devices that are not used or underused.

Response from the Pennsylvania Gaming Control Board

The Board's responses to our findings and recommendations and our evaluation of those responses are presented at the end of each finding.

Generally Accepted Government Auditing Standards

This is our second special performance audit of the Gaming Control Board. Our first special performance audit was released in May 2009 and evaluated the Board's hiring practices.

Both this audit and the prior audit were conducted according to generally accepted government auditing standards issued by the Comptroller General of the United States.

We will follow up on our findings and recommendations in a future audit.

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Introduction

Objective and scope of this special performance audit

Audit objective, profile of the Gaming Board, and use of this report

The overall objective of this special performance audit is to evaluate the Pennsylvania Gaming Control Board's spending for travel, professional services contracts, and materials and supplies during the fiscal years ended June 30, 2007, 2008, and 2009. Where the Gaming Control Board (which we will also refer to as "Gaming Board" or "Board") could provide us with updates, including actions it took subsequent to our audit period, we included such information (unaudited) through dates as recent as December 1, 2010.

This audit is the Department of the Auditor General's second special performance audit of the Gaming Board. We released the first special performance audit in May 2009 to evaluate the Board's hiring practices.

Both this audit and the prior audit were conducted according to generally accepted government auditing standards issued by the Comptroller General of the United States.

Creation of the Gaming Board; number of casinos

The Gaming Board was created by Act 71 of 2004, titled the Pennsylvania Race Horse Development and Gaming Act (which we will also refer to as the Gaming Act), to ensure the integrity of casino gambling in Pennsylvania, thereby protecting the public interest.¹ As of December 1, 2010, 12 of 14 possible casino licenses were awarded, and 10 casinos were open and operating.

¹ 4 Pa.C.S. § 1202(a)(1).

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Board organization: governance and staffing

The Gaming Board has a ten-member governing board—seven voting and three non-voting ex officio members. The Governor appoints three of the voting members, and the General Assembly appoints the remaining four voting members.² The three non-voting ex officio members are Pennsylvania’s Secretary of Revenue, Secretary of Agriculture, and State Treasurer³ (ex officio members serve by virtue of holding their positions).

As established by the Gaming Act, salaries of the seven voting members are set by the Commonwealth’s Executive Board,⁴ which includes the Governor and the heads of six administrative departments as designated by the Governor [see footnote 39 for more about the Executive Board]. Altogether, not including benefits, the salaries totaled more than \$1 million annually. Specifically, the Gaming Board paid an annual salary of \$150,006 to the chairman of its governing board during our prior audit period, while the six other voting board members each received annual salaries of \$145,018. The voting governing board members continued to receive those same salaries during the audit period covered by this report.⁵

Also, during this current audit period, three of the voting governing board members held other paid positions outside of the Gaming Board in addition to their governing board positions. We noted in our prior audit report that outside employment was not prohibited. However, Gaming Act amendments enacted in January 2010 through Act 1 of 2010 have since restricted outside employment for new governing

² 4 Pa.C.S. § 1201(b). The seven members’ general and specific powers are outlined in Section 1202 of the Gaming Act, 4 Pa.C.S. § 1202. In general, the members have responsibility to ensure “the integrity of the acquisition and operation of slot machines and associated equipment and have sole regulatory authority over every aspect of the authorization and operation of slot machines” (*See* 4 Pa.C.S. § 1202(a)(1)).

³ 4 Pa.C.S. § 1201(e).

⁴ 4 Pa.C.S. § 1201(i)(1).

⁵ As we noted in our prior audit report, gaming entities in 20 other states had a governing board, and only 6 of those 20 states paid their governing board members a salary. The chart on page 48 includes the names of the 6 states and the salaries according to the information from our prior report.

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board members, who may hold such employment only if the pay is 15 percent or less than their gross annual salary as Gaming Board members.⁶

An executive director leads the Gaming Board's staff, which numbered 319 as of August 18, 2010, and was spread among six bureaus and nine specialized offices as depicted in the organizational chart shown in Appendix A. We noted in our prior audit report that salaries at the Gaming Board were generally higher than the salaries of other comparable state government employees, and that the Gaming Board was studying and evaluating the staff salary structure.

Funding and expenses

The Gaming Board does not receive its funding from the state's General Fund; instead, the Board is funded by the licensing fees and assessments paid by the gaming entities. Nonetheless, the Gaming Board is a state agency accountable to the public.

According to its annual reports, the Gaming Control Board had an annual average budget of \$30 million during our audit period.

Use of this audit report

We present three overall findings and conclusions in this report. Each finding includes detailed discussion points (13 in total) and subsequent recommendations (17 in total).

We expect that our findings, conclusions, and recommendations will assist the Gaming Board in making improvements to its overall operations. Our report will also be

⁶ 4 Pa.C.S. § 1201(h)(4.1). Under this new section, outside employment pay includes salary, compensation, or fee for services rendered.

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of use to others who have an interest in the conduct of the Gaming Board, including the General Assembly with its legislative oversight, the regulated gaming industry whose revenues fund the Gaming Board, individual citizens to whom state government is accountable, and media organizations who further report this information.

Finding One
Contracting for professional services

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Finding One
Contracting
for
professional
services

The Gaming Control Board did not comply with the Sunshine Act and certain requirements of the Commonwealth Procurement Code when contracting for professional services. As a result, the Board was not accountable to the public and cannot ensure that its contracts served the best interests of the Commonwealth and the Board.

The first two discussion points in this finding relate to all types of the Gaming Board's professional service contracts, while the last two points are specific to contracts for legal services.

- 1-a.** The Gaming Board did not comply with the Sunshine Act in at least 19 cases by not meeting openly to award contracts worth \$8.7 million for legal and other professional services.
- 1-b.** The Gaming Board did not have supporting documents to justify its written claims for entering into emergency and sole source contracts.
- 1-c.** The Gaming Board stopped completing the required written justification forms when awarding sole source contracts for legal services.
- 1-d.** The Gaming Board contracted with a law firm and later entered into new contracts with that firm for unrelated matters without providing required written justifications.

Understanding the
Procurement
Code and the
Gaming Board's
contracting for
services

Prior to reading each discussion point, users of this report should understand the nature and extent of the Gaming Board's contracting for professional services. We provide such a profile in this section.

As generally accepted government auditing standards require, we obtained our own understanding of this subject matter during our audit planning; we enhanced our understanding as

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we performed the field work necessary to obtain sufficient and appropriate evidence on which to base our findings.

**Extent of the Gaming Board's procurement
of professional services**

The Gaming Control Board began contracting for some professional services within months of its creation in July 2004.⁷ We focused our review on 23 of the 46 Board contracts for professional services that were in effect from July 1, 2006, through June 30, 2009. For all 46 contracts, the Board spent a total of \$10.2 million for services in areas such as (but not limited to) legal assistance, human resources, financial consulting, background investigations, and information technology. The 23 contracts we reviewed, valued at \$8.7 million, were awarded by the Gaming Board on its own; the remaining 23 (that we did not review) involved Board-hired contractors that were on a state Department of General Services list of approved contractors.

**Applying the Procurement Code
to independent agencies,
including the Gaming Board**

The Commonwealth Procurement Code⁸ spells out how state agencies should acquire supplies, services, and construction. Generally speaking, for the “supplies” and “construction” areas just noted, the Department of General Services is responsible for making procurements on behalf of state agencies. However, for the procurement of “services,” the Procurement Code allows **independent agencies** to act as their own purchasing agents:

Independent agencies shall have the authority to procure their own **services**. However, when any independent agency acts as its own

⁷ See The Pennsylvania Race Horse Development and Gaming Act, 4 Pa.C.S. § 1201 *et seq.*

⁸ 62 Pa.C.S. § 101 *et seq.* Hereafter, we may also refer to this law as the Procurement Code.

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purchasing agency, **it shall use the procedures provided in this part** for any procurement of supplies, services or construction.⁹

Stated another way, instead of going through the Department of General Services, independent agencies can purchase services by themselves for themselves, but those independent agencies must still follow the procurement policies and procedures that have been formulated by DGS.¹⁰ Therefore, these agencies, with the exception of the independent row offices,¹¹ are not only subject to the Procurement Code but are also required to adhere to the provisions of the DGS' Procurement Handbook.¹²

According to the Gaming Act,¹³ **the Gaming Control Board is an independent agency** for purposes of the Commonwealth Procurement Code, and also for purposes of the Commonwealth Attorneys Act¹⁴ with respect to the retention of attorneys, financial experts, and other experts. Therefore, while the Gaming Control Board is permitted to be its own purchasing agent in procuring the services of attorneys, financial experts, and other experts, it must nonetheless adhere to the provisions of the Procurement Code.

⁹ 62 Pa.C.S. § 301(b) [emphases added].

¹⁰ 62 Pa.C.S. § 301(a). Section 301(a) of the Procurement Code states as follows, in pertinent part: “(a) General organization.--**Formulation of procurement policy** governing the procurement...of ...services...for executive and **independent agencies** shall be the responsibility of... [DGS] as provided for in Subchapter B (relating to procurement policy)...” (emphases added).

¹¹ 62 Pa.C.S. § 301(c)(5). Section 301(c)(5) of the Procurement Code provides for the following, in pertinent part: “(c) **Exceptions** for executive and **independent agencies**--(5) The procurement of services...by the Office of Attorney General, the Department of the Auditor General and the Treasury Department.” (emphases added).

¹² See Part 1, Chapter 1, "General Provisions," of the *Procurement Handbook*.

¹³ See 4 Pa.C.S. § 1201.1(1), which states as follows: “(1) The board shall be considered an independent agency for the purposes of the following: (i) 62 Pa.C.S. Pt. I (relating to Commonwealth Procurement Code) [and] (ii) The act of October 15, 1980 (P.L. 950, No. 164), known as the Commonwealth Attorneys Act.”

¹⁴ 71 P.S. § 732-101 *et seq.*

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**Exceptions to the Procurement Code's
requirement for competitive bidding**

Under the Procurement Code, whether or not state agencies are independent, they must award contracts by **competitive sealed bidding**¹⁵ except in certain types of cases. With competitive sealed bidding, an agency issues an invitation to bid, including a description of what is needed and the expected terms of the contract. The received bids are opened publicly, and the contract is supposed to be awarded to the lowest responsible bidder. In many cases, bidders have already undergone a pre-qualification process, meaning that the Commonwealth has determined that certain vendors are capable of providing the requisite items or services.

The Procurement Code lists ten exceptions to the competitive sealed bidding method for awarding contracts. Listed next are the six exceptions applicable to procurement methods typically used by the Gaming Control Board:

Most advantageous competitive sealed proposal.¹⁶ After an agency issues a “request for proposals,” or RFP, and then evaluates the submitted proposals based on technical requirements and cost, the agency can award the contract to the vendor whose proposal has been deemed to be the most advantageous to the agency. This exception means that cost need not be the sole determining factor when selecting a vendor to whom a contract will be awarded.

Small procurements.¹⁷ This exception means that an agency does not have to seek competitive sealed bids for a procurement, other than a construction project, as long as the amount of the procurement does not exceed the amount authorized by the head of the agency in writing and the procurement is not the subject of a DGS-approved statewide requirements contract. The agency head is also permitted to

¹⁵ 62 Pa.C.S. § 512.

¹⁶ 62 Pa.C.S. § 513.

¹⁷ 62 Pa.C.S. § 514.

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provide written authorization to allow for informal bid procedures, not exceeding the agency's approved amount for such procurements.¹⁸

Sole source procurement.¹⁹ This exception to the competitive sealed bidding process means that an agency can award a contract without competition if the agency first determines in writing—and then includes that written determination in the contract file—that at least one of the following conditions exists:

1. Only a single contractor is capable of providing the supply, service, or construction.
2. A federal or state statute or federal regulation exempts the supply, service, or construction from the competitive procedure.
3. The total cost of procurement is less than \$5,000.
4. It is not feasible to award the contract for supplies or services on a competitive basis.
5. The services will be provided by attorneys or litigation consultants selected by the Office of General Counsel, the Office of Attorney General, the Department of the Auditor General, or the Treasury Department.
6. The services are to be provided by expert witnesses.
7. The services involve the repair, modification, or calibration of equipment, and they will be performed by the manufacturer of the equipment or by the manufacturer's authorized dealer.
8. The contract is for investment advisors or managers selected by the Public School Employees' Retirement System, the State Employees' Retirement System, or a state-affiliated entity.

¹⁸ See the DGS' *Procurement Handbook*, Part I, Chapter 7, "Thresholds and Delegations," which allows for no-bid procurements of under \$5,000, as well as informal bid procurements from \$5,000 to \$10,000, and to which the Gaming Board must adhere.

¹⁹ 62 Pa.C.S. § 515.

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9. The contract is for financial or investment experts to be used and selected by the Treasury Department or financial or investment experts selected by the Secretary of the Budget.
 10. The contract for supplies or services is in the best interest of the Commonwealth.

Emergency procurement.²⁰ This exception to competitive bidding allows an agency to make an emergency procurement when there is an existing threat to public health, welfare, or safety. An agency may also make an emergency procurement when circumstances outside the control of the agency create an urgent need that does not permit the delay that would be involved in using more formal competitive methods. However, in using an emergency procurement, that agency must include in its contract file a written determination (1) of the basis for the emergency and (2) for the selection of the particular contractor.

Multiple awards.²¹ This exception means that an agency does not have to undertake its own competitive bidding process and can contract directly with a vendor that has already gone through a competitive bidding process. In the case of the Gaming Board, the Board used contractors with whom the Department of General Services had secured a statewide contract.

Competitive selection procedures for certain services.²² This exception applies to the procurement of services of accountants, clergy, physicians, lawyers, and dentists, as well as the procurement of other professional services not performed by Commonwealth employees. These procurements must adhere to specific procedures if the services are not obtained through the sole source, emergency, or small procurement exceptions just discussed. Interested providers of

²⁰ 62 Pa.C.S. § 516.

²¹ 62 Pa.C.S. § 517.

²² 62 Pa.C.S. § 518.

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these services may submit statements of qualifications, and the agencies seeking such services may conduct discussions with the providers for further consideration. Contracts are awarded to firms thereby deemed to be the best qualified.

**For emergency and sole source procurements,
there is still a requirement to keep certain
information in the contract files**

When contracts are not competitively bid but are instead awarded through the sole source and emergency methods, each contract file must include a written determination to explain why the sole source or emergency exceptions are justified.

While the Procurement Code does not spell out a format for the written determinations, procuring agencies can avail themselves of two standard Commonwealth forms. A *Source Justification Form* typically supports the sole source selection of a particular vendor, while an *Emergency Procurement Approval Request* supports not only the need for a contractor to be hired immediately because of an explained emergency but also the selection of that particular contractor. In addition, the DGS Procurement Handbook, to which the Board is subject, provides for additional justification criteria for entering into a sole source contract.²³

**Our methodology
to develop this
finding**

- Review of all contracts for professional services in effect between July 1, 2006, and June 30, 2009.
- Detailed testing of a sample of 14 of the contracts, including 7 for legal services.
- Examination of procurement documents and supporting information for compliance with required procurement procedures.

²³ DGS' *Procurement Handbook*, Part I, Chapter 6, "Methods of Awarding Contracts," Section E, Subsection 2.

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- Analysis of state accounting reports that show amounts spent by the Gaming Board in its contracting for professional services.
 - Review of the Procurement Code, the Department of General Services' *Procurement Handbook*, and the Sunshine Act as criteria to determine the Board's compliance.
 - Interviews of and meetings with Gaming Board officials, including the Board's chief counsel, budget manager, and office services director.
 - Review of Gaming Board meeting minutes and transcripts for meetings from December 2004 through June 2010.

In accordance with government auditing standards, our audit work provides reasonable assurance that evidence is sufficient and appropriate to support our finding that the Board did not comply with the Sunshine Act and certain requirements of the Procurement Code when contracting for professional services.

Discussion

Point 1-a:

The Gaming Board did not comply with the Sunshine Act in at least 19 cases by not meeting openly to award contracts worth \$8.7 million for legal and other professional services.

The Board awarded 23 service contracts on its own as an independent agency

Overall, as noted previously, there were 46 contracts worth more than \$10.2 million in effect between the Gaming Board and providers of certain professional services during the period of July 1, 2006, through June 30, 2009.

For half of the 46 contracts, or 23, the Gaming Board selected contractors that had already gone through the procurement process administered by the Department of General Services. Because this audit was not an audit of the Department of General Services, we did not include those 23 contracts in our more detailed testing that we describe in the next discussion point. The 23 contracts totaled \$1.5 million.

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The remaining **23 contracts** totaled \$8.7 million and are listed next by procurement method:

17 sole source contracts. Contracts awarded through the sole source exception method include these:

- 5 contracts for legal services
- 3 contracts for consulting services
- 3 contracts for technology services
- 3 contracts for building maintenance
- 1 contract for a human resources study
- 1 contract for background investigations
- 1 contract for moving and storage

3 emergency contracts. Contracts awarded through the emergency procurement exception include these:

- 2 contracts for legal services
- 1 contract for consulting services

3 competitively bid contracts. Contracts awarded through the competitive sealed proposal process include these:

- 1 contract for human resources (search for executive director)
- 1 contract for consulting services
- 1 contract for information technology assistance

What does the Sunshine Act require?

Pennsylvania's Sunshine Act, in summary, addresses the public's right to receive notice of, attend, and observe meetings of decision-making bodies of government, such as boards and commissions. Based on the act's preamble, the General Assembly found and declared, in pertinent part, that

[t]he right of the public to be present at all meetings of agencies and to witness the deliberation, policy formulation and decision

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making of agencies²⁴ is **vital** to the enhancement and proper functioning of the democratic process...[and that it is] the public policy of this Commonwealth to insure the right of its citizens to have notice of and the right to attend all meetings of agencies at which any agency business is discussed or acted upon.²⁵

According to the Sunshine Act, “[o]fficial action and **deliberations** by a quorum of the members of an agency shall take place at a meeting open to the public”²⁶ unless those meetings can be closed according to various exceptions,²⁷ none of which applies here.

Looking further at the Sunshine Act, we find that the “**Official action**” subject to open meetings includes, among other things, “decisions on **agency business** made by an agency.”²⁸ The “**deliberation**” subject to open meetings is defined as “[t]he discussion of **agency business** held for the purpose of making a decision.”²⁹

Finally, “**agency business**” is defined by the Sunshine Act to include, among other things, “the creation of liability by contract.”³⁰ It is important to note that the Sunshine Act also

²⁴ Under the Sunshine Act's definition of “agency,” the Gaming Board and any other Commonwealth “body,” which excludes an independent row office or an agency headed by a cabinet secretary, must take joint “official action” on all “agency business,” including the awarding of each of its contracts, during an open meeting. See 65 Pa.C.S. § 703.

²⁵ 65 Pa.C.S. § 702 (emphasis added).

²⁶ 65 Pa.C.S. § 704 (emphasis added).

²⁷ The only exceptions to open meetings are an agency conference, certain working sessions of boards of auditors, and certain caucuses or meetings of the General Assembly, as well as executive sessions, which solely include one or more of the following: personnel matters, collective bargaining issues, the procurement of real property, litigation matters, agency business that would violate a lawful privilege or confidentiality, and academic state-owned, state-aided, or state-related college or university admission issues See 65 Pa.C.S. §§ 707, 708, and 7012.

²⁸ 65 Pa.C.S. § 703 (emphasis added).

²⁹ Ibid. (emphasis added).

³⁰ Ibid. (emphasis added).

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requires that each agency keep written minutes of all open meetings, including the “substance of all official actions.”³¹

Simply stated, the Sunshine Act mandates that open meetings are the forum for official action and deliberations regarding decisions on agency business, including the creation of a liability by contract, and that the substance of such decisions must be outlined in the meeting minutes.

**Our testing: Violations of the
Sunshine Act in at least 19 of 23 cases**

In reviewing the Gaming Board’s 23 contracts for professional services, which altogether had a value of \$8.72 million, we found that the governing board decided on just one of the contracts, worth \$17,500, at an open Gaming Board meeting.

For 3 of the remaining 22 contracts (the 22 contracts represented 15 vendors in total), the governing board used open meetings to *name* and authorize the hiring of 3 specific vendors but with no public mention of the contract dollar amounts.

- An accounting firm for the first of two contracts (the first eventually totaled \$1.6 million; the second, \$1.5 million)
- A law firm for one of its two contracts (the first eventually totaled \$57,000; the second, \$636,000)
- A management consulting firm for its single contract worth \$120,000

For the remaining 19 contracts, the governing board did not publicly decide on any of them or, for that matter, disclose their existence.

³¹ 65 Pa.C.S. § 706(3).

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We base these determinations on our extensive review of Board meeting minutes and the actual meeting transcripts. However, without any mention of the decisions to award the contracts in question, it was impossible for us to determine from the public record if governing board members did not know of any contract details, or whether the members knew such details but authorized staff and/or other board members to approve and award the contracts. In other words, the minutes and transcripts gave no sign as to whether the governing board did or did not know about the contracts, or how the governing board may or may not have been involved in the decision making and deliberations.

For all 22 contracts, including the 3 that were publicly authorized but without details, the consequences of the Gaming Board's lack of openness are critical:

1. The public's right to know was affected regarding such a substantial dollar amount—\$8.7 million for legal, information technology, human resources, and consulting services.
2. The Gaming Board undermined its own effectiveness in a way that cannot be measured financially. The Sunshine Act is clear in its pronouncement that “secrecy in public affairs undermines the faith in public government and the public's effectiveness in fulfilling its role in a democratic society.”³²

Gaming Board officials are adamant that contracting decisions were made appropriately and not in a secretive manner. Regarding decisions about contracts for legal services, officials explained that, during both our audit period and through the writing of this report, the governing board was briefed about legal contracts during executive sessions, which are not required to be open and for which no minutes are maintained. In other words, the public cannot witness the awarding of contracts during the Board's executive sessions.

³² 65 Pa.C.S. § 702(a).

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Although Board officials also said that governing board members in the past were briefed about contracts for non-legal services in that same way, we found no current officials who said they provide such briefings, leading us to conclude that the Board has also not been complying with the Sunshine Act when awarding non-legal services contracts.

Again, the Sunshine Act mandates that open meetings are the forum for official action and deliberations regarding decisions on agency business, including the creation of a liability by contract, and requires that the substance of such decisions be placed in the meeting minutes. Therefore, notwithstanding the executive sessions in which governing board members are briefed on contracts for legal services, the Sunshine Act requires the Board to award those and other contracts during open meetings and to report the substance of the awards (e.g., contract terms and amounts) in the meeting minutes.

**Governing board members hold ultimate
responsibility for Gaming Control Board actions**

Even if the Sunshine Act did not exist, approvals by governing board members should be reported in the public record simply because the governing board holds ultimate responsibility for ensuring that procurements are necessary, contracts are valid, and that the best-suited contractors are selected.

Overall, based on our work, the public can reasonably ask questions about what the governing board members did or did not know, about whether Gaming Board staff members might have acted on their own to hire contractors, or even whether favored contractors might have received preferential treatment.

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Discussion

Point 1-b:

The Gaming Board did not have supporting documents to justify its written claims for entering into emergency and sole source contracts.

More detailed testing:

**We looked further
at 14 contracts totaling \$8.2 million**

Of the 23 contracts totaling \$8.7 million, we selected 14 for further testing. The 14 contracts totaled \$8.2 million and include the following:

- 8 of the 17 sole source contracts
- All 3 emergency contracts
- All 3 competitively bid contracts

Our test results: Problems in 11 of 14 cases

For 11 of the 14 contracts, including the 3 procured as emergencies and the 8 procured through the sole source method, we found either brief written justifications accompanied by no supporting documents or, for 3 of the contracts, no written justifications at all.

Here is the breakdown:

- Emergency: All 3 of the emergency contracts had written justifications but no accompanying documents to support the claims.
- Sole source: Of the 8 sole source contracts, 5 had written justifications but no supporting documents, while 3 had no written justifications at all. (We present our concerns about these latter 3 cases in our next discussion points, 1-c and 1-d.)

Officials from the Gaming Board's legal office said that no supporting documents were necessary to explain the written justifications for the 8 sole source contracts. Specifically, the position of the Board is that its completion of written justifications alone satisfies the Procurement Code's "written determination" requirement related to contracts that are not bid competitively.

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The Board is unwavering in its conclusion that it met the requirements of the law regarding this issue. Likewise, we are unwavering in our own conclusion that written justification forms alone—without supporting documentation³³—are insufficient. The forms alone are also inadequate when considered as a matter of transparency and full accountability to the public.

Our logical inference is this: By risking questions of transparency and accountability about this one matter of documentation regarding certain contracts, the Board risks further questions of transparency and accountability systemic to its entire operation.

Three examples of unsupported written justifications

Following are three examples of language provided on written justification forms we reviewed regarding Gaming Board emergency and/or sole source contracts:

Example 1

\$1.65 million emergency contract for consulting firm
*Written justification in memorandum signed by Board Chairman
(January 7, 2005)*

What emergency did the Board cite? The memorandum said this: “Because the Board is tasked with starting up a new industry in the state, the Board has an urgent need for a consulting firm with gaming expertise to assist it in carrying out these important tasks.”

Was the emergency valid? We believe that the Board can make a fair case that the need was of an urgent nature. The first meeting of the governing board was on December 15, 2004. The Board was not staffed, yet it was tasked with licensing up to 14

³³ The earlier-mentioned DGS Handbook justification criteria (see Footnote 23) for entering into a sole source contract are also relevant to this discussion point.

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casinos only two years from that date. A knowledgeable consultant could help the Board to hire experienced staff and develop policies and procedures so the licensing process could begin. By agreeing to an emergency contract at its first meeting, the Board was able to hire a consultant in early January, an unlikely turnaround time had the contract been competitively bid.

Why did the Board hire this particular contractor?

According to the Board Chairman's memorandum subsequent to the Board's December 15 meeting, this firm had "extensive expertise and experience in the gaming industry to [advise] the Board on gaming related policy issues and staffing." Furthermore, the firm had "gaming industry experience, in particular, its experience in designing and implementing regulatory systems for gaming jurisdictions and its experience in providing guidance to licensing agencies."

What are our criticisms? Although the governing board publicly authorized this hiring (at its December 2004 meeting) after the Board Chairman named other gaming jurisdictions where the consulting firm had worked, and after noting he knew of no other qualified contractors without conflicts of interest, we found no documents in the contract file to support those specific claims.

Example 2

**Sole source contract worth \$2.57 million for
background investigations**

*Sole source fact sheet completed by a member of the executive staff
(January 11, 2006)*

**What reason did the Board cite for using the sole
source exception to competitive bidding?** In
completing the *Sole Source Fact Sheet and Checklist*

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for Services, Board officials checked a box indicating that “only single contractor is capable of providing the services.” The form also included a claim that “we have interviewed other suppliers, reviewed brochures, questioned several law enforcement agencies and also from personal experience we know [this company] to be the only provider with this kind of database.”

What are our criticisms? If the Board took the time to interview other suppliers, review brochures, and question law enforcement agencies, the contract file should have included, at a minimum, names of the other suppliers, examples of brochures reviewed, and contact information for the law enforcement officials who were questioned. Yet there were no such supporting documents in the file, and there was no explanation of whose “personal experience” it was that deemed this contractor to be the only possible provider.

Why did the Board hire this particular contractor? According to the Board’s justification, the selected firm “is unquestionably the leading provider of identification and credential verification solutions to government and businesses in the country. They have 175 million insurance claim records in their data, 176 million national criminal records in their data, they collect over 40,000 criminal records every day, they have over 100 million motor vehicle reports in their data, they have the most intense record verification and security procedures in place.”

What are our criticisms? We found nothing in the file to validate those claims. In deciding to spend \$2.57 million, the Board should have cited and documented the source of the specific data used to justify the selection of this contractor.

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Example 3

\$120,000 sole source contract for human resources study

*Source justification form signed by a member of the executive staff
(March 24, 2009)*

What reason did the Board cite for using the sole source exception to competitive bidding? In completing the *Source Justification Form*, Board officials checked the box that stated “Feasibility: Clearly not feasible to award the contract on a competitive basis.”

What are our criticisms? We found nothing in the contract file to show why it was clearly not feasible to award the contract on a competitive basis.

Why did the Board hire this particular contractor?

The Board wrote that this firm “created and owns proprietary methodology for the completion of job evaluation studies. It has done work for numerous Commonwealth agencies. Their proprietary job evaluation methodology has been used to create most of the Commonwealth’s classification and compensation structure.” Furthermore, the firm was selected because it “has extensive experience in performing similar reviews for Commonwealth agencies” and because the Board believed the firm was “uniquely qualified to perform similar services for this agency.”

What are our criticisms? Again, while the Board’s claims may be accurate, they are presented on their own with no supporting documents. The Board thrice mentions the firm’s experience in serving the Commonwealth and could have included, at minimum, a list of the other agencies served and a note identifying Commonwealth contacts, if any, with whom the Board checked.

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The absence of documentation to support claims made about selected vendors is a serious problem. Without such documentation, the Board cannot assure anyone—the public, the General Assembly, gaming entities, other service providers—that it selected service providers in the Commonwealth’s best interests. Procurement by government agencies is increasingly an area of public concern, and the Board must bolster its accountability by maintaining the types of contracting documentation that we have discussed

Discussion

Point 1-c:

The Gaming Board stopped completing the required written justification forms when awarding sole source contracts for legal services.

As we explained previously, the Procurement Code states that contract files must contain a “written determination”³⁴ explaining the selection of a particular contractor when a competitive process is not used to obtain a vendor for professional services. We also explained previously that, of 11 sampled contracts, the Board could show us written justifications (albeit not backed by file documents) for all 3 emergency contracts and for 5 of the 8 sole source contracts. Finally, we said that the Board acknowledged the absence of written documentation for the 3 remaining sole source contracts but that we took exception to the explanation.

This discussion point and the next focus solely on the 3 sole source contracts for which the Board prepared no written justifications. All three cases—the one here and the others in the next discussion point—involve the procurement of legal services and the Board’s position about those procurements.

The Board made a change in its process to procure legal services

When the Board procured legal services in June 2009 for \$50,000, it did not complete a *Source Justification Form* or any other form of written determination justifying the awarding of

³⁴ The Gaming Board generally completed a *Source Justification Form* or an *Emergency Procurement Approval Request* to serve as the written determination. In two cases, letters from the Board Chairman served as written determinations.

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this contract on the sole source basis. Instead, the Board showed us a letter of agreement³⁵ between itself and the law firm, but there were no documents in the contract file to support why this firm was chosen by the sole source method of contracting rather than by the competitive selection process as required by the Procurement Code.³⁶

Our review of procurements for dates prior to June 2009 shows that, except for the two instances described in the next discussion point, the Board did complete written justification forms when procuring legal services through the sole source method. Therefore, we questioned the Board about its change in procedure after June 2009.

In response, a Board official told us that “as of the end of fiscal year 2008-09, the *Source Justification Form* is no longer completed by the Board to procure legal services.”

The change in this case reflects the position of the Board that it does not need to complete written justifications when procuring legal services, a position confirmed by the Board’s chief counsel, who explained that the Board’s legal office does not prepare written determinations about law firms it uses and does not retain notes related to research it may conduct about law firms before hiring them. Counsel also relayed that operational changes such as this (i.e., no longer completing forms when procuring legal services) are made when necessary as the agency evolves.

In a response to our questions about this matter, the Board wrote that written determinations and documentation are not maintained “because the discussion of the litigation-related

³⁵ This letter of agreement outlined the scope of services to be provided by the law firm and the terms and conditions for legal representation. This letter of agreement served as the contract for these legal services.

³⁶ 65 Pa.C.S. § 518 (relating to competitive selection procedures for certain services). As we explained earlier in this report, this exception to the competitive sealed bidding requirement applies to procuring the services of lawyers—unless the procurement meets the sole source, emergency, or small procurement exceptions of the Procurement Code.

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matters is privileged under the attorney-client privilege and occurs in executive session.”

By way of further explanation, Board officials said that Section 515(5)³⁷ of the Procurement Code supports their position, but we disagree. Section 515(5) of the Code explicitly lists four agencies who may make a written determination to award a legal service contract on a sole source basis, but the list does not include independent agencies such as the Gaming Board. Instead, the agencies include the Office of General Counsel, the Office of Attorney General, the Department of the Auditor General, and the Treasury Department.

Section 518 of the Procurement Code also plays a role in our analysis. Specifically, the Board is required to follow competitive selection procedures for professional services unless it adequately meets the conditions for sole source, emergency, or small procurements, which it has not done.

In summary, the Gaming Control Board is required to justify its sole source selection of law firms and to document such selections in the contract files. Because the Board has not done so, it could not show it had adequate justification to procure legal services on a sole source basis, or why it contracted with a specific law firm rather than another. The Board should return to the practice it discontinued in 2009.

³⁷ 62 Pa.C.S. § 515(5).

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Discussion

Point 1-d:

The Gaming Board contracted with a law firm and later entered into new contracts with that firm for unrelated matters without providing required written justifications.

In March 2007, the Gaming Control Board entered into a contract with a law firm and completed the required *Emergency Procurement Approval Request* form stating the reasons the Board needed to hire this firm expeditiously.

Then, in August 2007, the Board entered into a second contract with that firm for new legal matters. Later, in January 2009, the Board entered into a third contract with this firm for yet another unrelated legal matter.

Our review of the Board's contract files showed that, when the Board executed the second and third contracts with this same law firm, but for different matters, the Board did not complete any emergency or sole source justification forms to explain its selection process. The contract files also did not include any other supporting documents to explain why the second and third contracts should not have been awarded competitively.

When we asked the Board's chief counsel why the contract files did not contain such documentation, he was unable to answer that question related to the August 2007 contract because he was not chief counsel at the time. Regarding the January 2009 contract, he (the current chief counsel) reiterated that, just as in the case of the legal contract discussed in Discussion point 1-c, the Board believes it no longer needs to complete *any* justification forms when procuring legal services through the sole source selection process.

The Board's practice in this case suggests that a law firm hired once by the Board for one matter has a significant advantage over other law firms when the Board seeks legal assistance for a completely different matter. Competition is important to other law firms so that, if qualified, they have opportunities to contract with the Board; such competition is also important to the Commonwealth and taxpayers to ensure that financial comparisons can be made to keep spending reasonable.

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**Summary of
Finding One**

During our audit period, the Gaming Control Board did not comply with the Sunshine Act's requirement to award contracts at open meetings. Specifically, for the 23 contracts for professional services that the Board awarded on its own during our audit period, the governing board made a public decision regarding just a single contract. For 3 of the others, the Board used open meetings only to name the specific contractors and authorize their hiring.

In performing detailed testing on 11 of the sole source or emergency contracts, we found 8 files that included written determinations to justify the hiring of specific contractors, but the determinations were brief and lacked supporting documentation. Even if we agreed with the Board that it satisfied legal requirements, which we do not, such minimal compliance falls short in making the Board's actions fully transparent.

The Board also did not comply with certain requirements of the Procurement Code when contracting for professional services. For example, regarding the 3 other contracts in our detailed testing, we found the Board had stopped its former practice of completing written determinations to procure legal services through the sole source selection method. The Board disagrees with us that the written determinations are still needed. However, the absence of the determinations means the Board could not show us how it justified those procurements. Overall, the public is left to question logically whether or not the Board's contracting procedures resulted in contracts that best served the interests of both the Board and the Commonwealth.

From a broader perspective, and an even more important one, the public could also question whether the Board's lack of openness and transparency in contracting could potentially be applicable to a similar lack of openness and transparency in other areas for which the Board is responsible.

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**Recommendations
for Finding One**

*Also included here
are the Gaming Board's
written response to
Finding One and our
evaluation of that
response*

1. The Gaming Control Board should comply with Pennsylvania's Sunshine Act by discussing and awarding contracts openly at its public board meetings, not during executive sessions. For each contract, the public discussions should include the contractor's name, services provided, contract term and amount, and procurement method. Furthermore, the Board should report the substance of contract awards in the board meeting minutes.
2. Regardless of the requirements of the Sunshine Act, because there is a disagreement between us and the Gaming Board over the application of the Act to the Board, the Board should adopt a written procurement policy that is approved publicly and updated annually. At a minimum, such policy should require that, at open meetings, the Board must formally award contracts and disclose the types and dollar amounts of all contracts that it authorizes staff to execute.
3. When entering into emergency and sole source contracts, the Gaming Board should prepare and retain (in the contract files) documentation to support the claims made about selected vendors on the written justification forms.
4. The Board should resume completing justification forms when it procures legal services through the sole source selection method.
5. When the Board awards subsequent contracts to vendors, including law firms, for matters unrelated to the original contract, the Board should prepare and retain written determinations to justify the use of the same vendor for these new contracts.

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**Gaming Board's written response to Finding One,
plus our evaluation of that response**

Written response from Gaming Board:

The PGCB [Pennsylvania Gaming Control Board] appreciates the work and analysis of the Auditor General's team in regard to its review of the Board's procurement of services. While the Board generally agrees that there is room for improvement in all the documentation of contracts and decision-making, the Board has a fundamental difference of interpretation with the Auditor General's report concerning certain legal requirements regarding contracting.

First, there has been no finding that the Board's entry into contracts for services was not justified or that the Board's contracts for services were not appropriate uses of funds. Notwithstanding, the Board agrees that it would be beneficial to adopt a formal procurement policy setting forth the delegations and authorities to approve contracts. The Board will endeavor to do so to solidify expectations and provide certainty not only internally but also for the public as an aid to assure transparency of processes. Likewise, the Board agrees that it can improve upon its maintenance of written documentation in a more consistent format in contract files to document and assure accountability.

The Board does express a fundamental difference of opinion and interpretation as to the requirements suggested by the Auditor General that the Board has not been in compliance with the Sunshine Act in terms of awarding contracts. Specifically, the Auditor General's report finds alleged non-compliance with that Act on the basis that contract[s] for services have been entered into by a contracting officer and not pursuant to public action to "award" the contract by the full Board at a public meeting. In this regard, the Auditor General contends that the award of a contract may only be made by an agency head which the report contends can only be the seven-member Board. The Auditor General's report appears to contend that "awarding" a contract is different than entering into, administering and issuing written determinations with respect to contracts which is the authority

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given to the contracting officer of an agency in the Procurement Code.

The Board believes the Auditor General's report fails to properly read and interpret the Sunshine Act and the Procurement Code in para material and that the distinction made by the Auditor General between awarding a contract and entering into a contract is without legal or factual basis. In fact, it would impose duties and obligations upon the Board which do not exist in law. Indeed, other sections of the Procurement Code specifically provide that the "award" of a contract be made at a level below the agency head which is consistent with the Board's practice of utilizing a contracting officer for this purpose. The Board's practice of having a contracting officer enter into contracts and binding the agency to the terms of a contract is consistent with the Procurement Code as well as, to our knowledge, consistent with the practice of a number of similarly situated agencies.

The Sunshine Act, by its terms, applies to action by a quorum of the members of an agency and not to actions of individuals. Because the seven-member Board does not act on daily business such as contracting for services but rather establishes policy relating to the agency and regulation of gaming, the Sunshine Act simply is not implicated in this matter. Nonetheless, the Board has never hidden any contract entered into for services from public view or otherwise engaged in an effort to withhold any information concerning the expenditure of public funds. Indeed, the Board has routinely made available information and copies of contracts subject to the redaction of any legally-privileged information to the public and will continue to do so. Moreover, the Board will continue to examine its practices to assure public view and accountability.

Our evaluation of the Board's response:

Although we agree with the Board that there is a fundamental difference of interpretation regarding whether or not the board is subject to the Sunshine Act, we stand by our interpretation as

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discussed in the finding. While the Board's staff may be given the responsibility of undertaking the procurement process in accordance with the Procurement Code, it is nevertheless the responsibility of the governing board to formally award the contract through a vote at a public meeting as required by the Sunshine Act. In other words, staff may recommend that the agency should engage the services of a particular vendor, but only the governing the board can "award" the contract. The Board can then authorize staff to "enter into" the contract with the vendor.

The Board's response also disregards the fact that the Board is a "body" directly subject to the Sunshine Act and is not headed by a single individual, such as a cabinet secretary. Furthermore, the Board is "created by or pursuant to a statute which declares in substance that the organization performs or has for its purpose the performance of an essential governmental function and through the joint action of its members exercises governmental authority and takes official action." Therefore, we reject any implication that a Board staff member who is acting as a "contracting officer" pursuant to the Procurement Code meets the single individual exception under the Sunshine Act.

Notwithstanding the Sunshine Act, and as we state in Discussion Point 1-a, the governing board's approval of contracts should be reported in the public record simply because the governing board members hold ultimate responsibility for ensuring that procurements are necessary, contracts are valid, and that the best-suited contractors are selected.

Although the Board has agreed that it would be "beneficial" to adopt a formal procurement policy setting forth the delegations and authorizations to approve contracts, and to improve its documentation procedures, those steps are simply not enough. The Board must agree to vote on contracts at open public meetings.

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**Finding Two
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for travel**

The Gaming Board spent excessively on travel during our three-year audit period. New management has since made policy changes and spending cuts but must do more.

This finding includes the following points, each of which we discuss separately:

- 2-a.** Governing board members and some top staff unnecessarily claimed meal reimbursements **at two and one-half times the state's standard rate.**
- 2-b.** Four governing board members and a staff executive spent at least \$33,000 for a trip to Rome.
- 2-c.** Governing board members did not justify their stays at expensive hotels.
- 2-d.** The Gaming Board paid more than necessary for the parking expenses of governing board members.
- 2-e.** The Board spent \$17,000 more than necessary in fiscal year 2009-10 for three governing board members who leased cars.

**Understanding
the nature and
extent of the
Gaming Board's
travel-related
expenditures**

Prior to reading each discussion point, users of this report should understand the nature and extent of the Gaming Board's travel program under audit. We provide such a profile in this section.

As generally accepted government auditing standards require, we obtained our own understanding of this subject matter during our audit planning; we enhanced our understanding as we performed the field work necessary to obtain sufficient and appropriate evidence on which to base our findings.

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Extent of travel expenditures

The Gaming Board spent nearly \$2 million in travel-related expenses during the three years from July 1, 2006, through June 30, 2009, as shown on the table below. For each year, travel accounted for about two percent of the Board's operating budget.

Nature of travel expenses

According to Gaming Board officials, governing board members and staff incur business-related travel expenses for the following three reasons:

- Conducting background investigations of licensee applicants, principal and key employees, gaming and non-gaming employees, and registered and certified vendors.
- Public meetings, site-specific public input hearings, and other such official business of both the staff and the governing board.
- Training, instruction, and research.

Pa. Gaming Control Board: Travel expenses for three fiscal years

Expense item	FY 2006-07	FY 2007-08	FY 2008-09	Three-year total
Lodging	\$285,877	\$283,287	\$273,556	\$842,720
Transportation	\$123,771	\$141,139	\$103,651	\$368,561
Meals	\$110,816	\$122,582	\$139,058	\$372,456
Mileage	\$55,225	\$76,311	\$61,641	\$193,177
Other travel expenses	\$52,092	\$29,721	\$29,282	\$111,095
Conference registration	\$2,773	\$29,439	\$15,772	\$47,984
Totals	\$630,554	\$682,479	\$622,960	\$1,935,993

Source: Developed by Department of the Auditor General staff from Commonwealth accounting reports

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Breaking out the travel for governing board members only, we found one or more governing board members traveled to at least nine conferences, both out-of-state and international, during the audit period. The governing board members also made a total of about 500 trips to Harrisburg for meetings and other Board business, and another 100 or so trips to casinos for openings, audits, meetings, and other business purposes.

Overall, we found that the Gaming Board's governing board spent excessively on travel and, at the same time, took advantage of enhanced travel benefits that are unnecessarily made available only to certain state officials. In fact, each year of our review, the travel expenses of just the governing board members accounted for more than ten percent of total travel expenditures.

The table on the next page illustrates the total travel-related expenses for each governing board member.

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Pa. Gaming Control Board: Travel expenses for governing board members alone
*Fiscal years 2006-07 through 2008-09 **

Board member (and date of board term)	Fiscal year 2006-07	Fiscal year 2007-08	Fiscal year 2008-09**	3-year total
Member A (August 2004 – November 2009)	\$16,340	\$14,932	\$16,686	\$47,958
Member B (August 2004 – Current as of August 2010)	\$10,899	\$10,710	\$19,755	\$41,364
Member C (May 2006 – Current as of August 2010)	\$8,384	\$7,968	\$15,002	\$31,354
Member D (September 2004 – May 2009)	\$4,508	\$10,620	\$9,024	\$24,152
Member E (August 2004 – Current as of August 2010)	\$5,588	\$7,339	\$10,064	\$22,991
Member F (February 2007 – Current as of August 2010)	\$2,625	\$9,742	\$9,030	\$21,397
Member G (October 2004 – August 2007)	\$11,154	\$2,528	N/A	\$13,682
Member H (September 2007 – Current as of August 2010)	N/A	\$4,475	\$6,947	\$11,422
Member I (July 2004 – February 2007)	\$2,780	N/A	N/A	\$2,780
Total	\$62,278	\$68,314	\$86,508	\$217,100

* The expenses shown in this table are based on travel expense vouchers submitted for reimbursement by the individual governing board members. However, the listed expenses do not include airfare in cases for which air travel was booked by the Commonwealth's travel office. Therefore, this table may not capture the complete total of each governing board's travel expenses.

** The 2008-09 travel expenses include expenses incurred during a conference in Italy as follows:
Member A - \$6,301; Member B - \$7,593; Member C - \$7,697; and Member E - \$6,617.

Source: Commonwealth accounting reports for fiscal years 2006-07 through 2008-09

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**Our methodology
to develop this
finding**

- Sample of 135 travel expense vouchers and supporting documents (e.g., airfare, lodging, other transportation) of governing board members and board employees for travel between July 1, 2006, and June 30, 2009.
- Analysis of state accounting reports that show amounts reimbursed to governing board members and employees for travel-related costs.
- Review of Board policy documents and Commonwealth management directives related to travel, including pre-approval procedures, receipt requirements, and the payment of travel-related expenses.
- Interviews with Gaming Board officials such as the executive director, the budget manager, the director of office services, and the travel manager; also with officials from the Office of the Budget's Bureau of Commonwealth Payroll Operations.
- Interviews with gaming officials from 13 other states to obtain information about their travel policies.
- Comparison and analysis of differences in the travel of governing board members versus Board employees.
- Internet research on various aspects of conferences—e.g., locations, agendas, schedules, hotels, meals—to obtain an understanding of the nature, location, and events of conferences attended by governing board members and Board employees.
- Review of automobile mileage and lease expenses for governing board members.

In accordance with government auditing standards, our audit work provides reasonable assurance that evidence is sufficient and appropriate to support our finding that governing board members and employees spent excessively when traveling during the three years covered by our audit period.

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Discussion
Point 2-a:

**Standard vs. enhanced reimbursement—
what it is, and how it came about**

Governing board members and some top staff unnecessarily claimed meal reimbursements at two and one-half times the state's standard rate.

In reviewing our sample of 135 travel expense vouchers, we immediately found 39 in which amounts for meal reimbursements (also called subsistence, which includes tips and tax) exceeded the state's standard reimbursement amount. We learned that these 39 exceptions were allowed by state policy formulated prior to the Gaming Board's creation.

Specifically, in July 1995, the Governor's Secretary of the Budget issued guidelines exempting state agency heads and deputies under the Governor's jurisdiction from standard meal reimbursement limits as long as the applicable meal costs were "reasonable." Still in effect today, the guidelines mean that the state will pay **two and one-half times more** for the meals of "exempt" officials than it typically allows for anyone else.

The *standard* reimbursement limits are outlined in the Commonwealth's Management Directive 230.15, dated March 29, 2007. For example, during most of the audit period,³⁸ the *standard* reimbursement limits for daily in-state meals ranged from a low of \$36 to a high of \$61, depending on the location, while the *enhanced* reimbursements (i.e., two and one-half times the standard) ranged from \$90 to \$152.50, again depending on the location.

Gaming Board officials explained that governing board members and certain executive staff began using the allowable maximums after receiving state approval in January 2006.³⁹ The approval, in the form of a resolution, stated in relevant part that the Gaming Board's "Chairman, Board members,

³⁸ These rates went into effect on April 1, 2007.

³⁹ Specifically, the enhanced reimbursement rate was approved by a resolution of the Commonwealth's Executive Board. The Commonwealth's Executive Board, which was created by Section 204 of the Administrative Code of 1929, 71 P.S. § 64, is made up of the Governor as the chairman and the heads of six administrative departments as designated by the Governor for the main purpose of establishing uniform standards and regulations regarding, among others, compensation, job classifications, and employment qualifications, within the executive branch.

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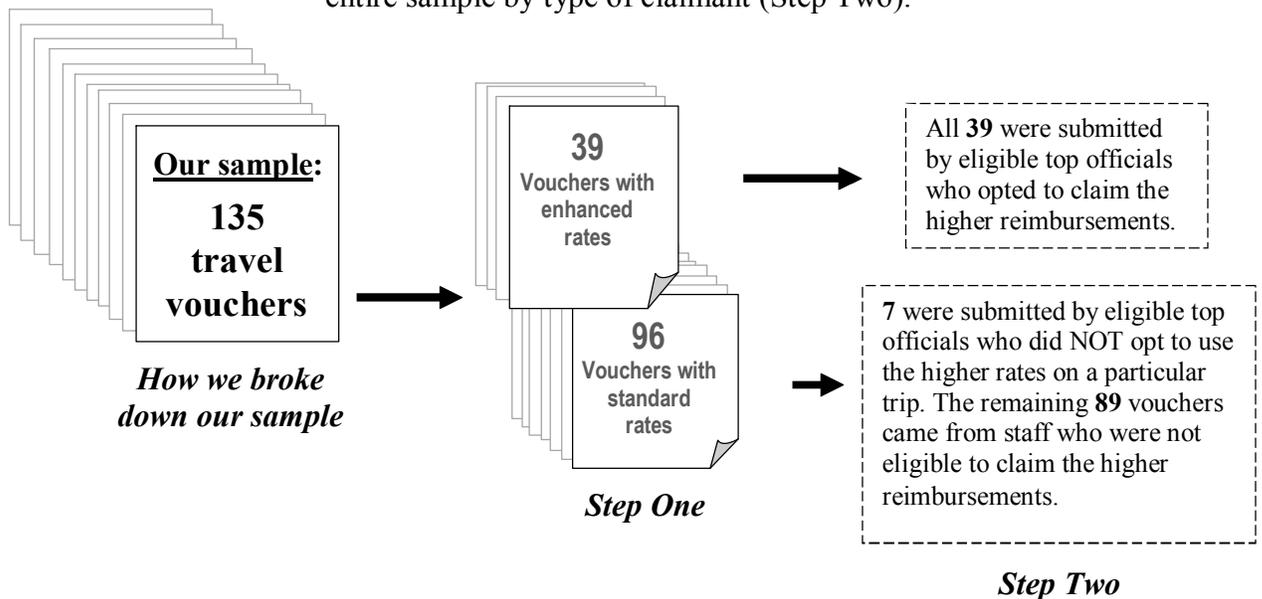
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Executive Director, Chief Counsel and Directors (Executive Staff) of the Board shall be considered commensurate with cabinet officers and department heads, and as such are exempt from the monetary limits of Management Directive 230.10.”

Because the resolution did not precisely define who is included in “executive staff,” the Gaming Board decided for itself who on staff could claim the enhanced reimbursement. However, because they did not have historical documents, current Gaming Board officials could only suggest that the former executive director and the former administration director based their decisions on the extent of travel-related duties. Over our three-year audit period, we found that 23 current and former officials, including governing board members and top staff, had been eligible to claim the enhanced reimbursements.

**Sorting our sample: Top officials sometimes
opted not to take advantage of the enhanced rate**

After finding that the 135 sampled travel vouchers could be separated into two groups according to the type of reimbursement rate (Step One below), we also separated the entire sample by type of claimant (Step Two):



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As the previous illustration shows, all 39 enhanced-rate vouchers were submitted by persons who were eligible for the higher reimbursements, just as 89 of the standard-rate vouchers were submitted by persons who were eligible only for the lower, standard reimbursements. A point of interest, however, is that **7 of the travel vouchers had been turned in by top officials who chose not to claim the higher reimbursements even though they were eligible**, thereby setting a money-saving example.

**Our testing: Vastly fluctuating meal claims
for conferences could not be tied to actual expenses
because the Board did not require receipts**

Although we could determine that 39 of 135 vouchers were submitted for meal reimbursements at the enhanced rates, and that the remaining 96 vouchers were submitted for meal reimbursement at the standard rates, we could not determine if the meal amounts claimed equaled the actual amounts spent for *any* of the 135 vouchers in our sample. The reason is simple: the Gaming Board (like the Commonwealth itself) did not require receipts for meals.

The absence of receipts for the Gaming Board has since been addressed by legislation now mandating their submission,⁴⁰ but the mandate does not resolve the issue as it existed during the term of our audit period. Again, without receipts, the Board could not have validated that amounts *claimed* matched the amounts *spent*.

Despite the fact that receipts were not required by the Commonwealth's travel/subsistence policies in effect during the audit period, those same policies (Management Directive 230.10, dated February 15, 2007, amended January 21, 2009) said that subsistence allowances "are not flat rates and only amounts actually expended may be claimed."

⁴⁰ See 4 Pa.C.S. § 1202.2 (enacted through Act 1 of 2010, effective January 7, 2010).

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In determining the fiscal harm that results when public officials treat subsistence allowances as flat rates, readers can imagine potential scenarios in which officials could claim daily maximum meal reimbursements after spending little or no out-of-pocket money. As auditors, we are required to consider such scenarios. Specifically, government auditing standards direct auditors to assess various factors when determining the accuracy and completeness of findings. A relevant factor in this case would be “the adequacy of the audited entity’s systems and processes to detect inconsistencies, significant errors, or fraud.”⁴¹

Thus, with the preceding factor in mind, we considered possible scenarios by which conference attendees might be able to collect a full daily rate for subsistence without spending the full allowable amount. For example, without having to provide receipts or other sufficient documentation, a conference attendee could avoid detection for claiming the full daily rate after eating a complimentary hotel-provided breakfast, attending a conference-provided luncheon, and being treated to dinner by a business colleague.

Gaming Board officials pointed out that such behavior is unethical and that governing board members and staff are subject to the Board’s ethics policy. Again, however, without receipts or other corroborating evidence, the Board had no process to detect the occurrence of possible scenarios such as the one we described.

The next table shows reimbursements paid to governing board members and staff for a 2007 trip to Chicago. Although we cannot tell without receipts if some travelers treated subsistence as daily flat-rate allowances regardless of actual spending, the information in the table allows us to calculate that some travelers did claim reimbursements that match the highest amounts allowed daily.

⁴¹ Standard 7.05, *Government Auditing Standards*, July 2007 revision, U.S. Government Accountability Office.

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Chicago trip, 2007 Gaming Board reimbursed board members and staff for meals but had no way to know if claims matched actual spending <i>Standard daily rate for meals = \$61.00</i> <i>Enhanced daily rate for meals (“exempt” officials) = \$152.50</i>					
Who?	Used enhanced rate?	Claimed maximum \$\$ each day?	Number of overnights	\$\$ claimed in total	Receipts submitted? <i>(not required)</i>
Exempt board member	Yes	Yes	2	\$381.25	No
Exempt board member	Yes	No	3	\$346.09	No
Exempt staff member	No	No	5	\$305.00	No
Exempt staff member	No	No	5	\$152.80	No
Non-exempt staff	No	Yes	5	\$305.00	No
Non-exempt staff	No	4 of 5 days	5	\$259.25	No
Non-exempt staff	No	4 of 5 days	5	\$259.25	No
Non-exempt staff	No	1 of 5 days	5	\$142.30	Some

We make the following observations based on the preceding table and on other travel that occurred during the audit period.

- Whether exempt or non-exempt, some officials claimed the maximum daily reimbursements, presumably for one of the following reasons:
 - (a) They happened to spend the exact maximum amount allowable—to the penny—and requested the maximum reimbursement to reflect their actual spending.
 - (b) They spent *over* the allowed amount, requested the maximum reimbursement, and covered the rest out of pocket.

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(c) They took the maximum allowable reimbursement as a flat-rate entitlement, no matter how little or how much they spent, rather than claiming only the actual amount spent as required.

- Some “exempt” officials claimed enhanced meal reimbursements when, during the very same trip, other officials (both exempts and non-exempts) made do with meals at the standard rate or less.
- There is no way to tell if officials claimed reimbursements for non-allowable items such as alcohol, or to assist in covering the meals of guests.
- There is no way to tell if officials claimed reimbursements for meals provided as part of the conference, or for meals paid by someone else.
- Even though receipts were not required, officials were not prohibited from turning them in and could have done so to ensure total accountability.

Again, we found examples similar to the Chicago trip throughout our audit period. In nearly every case, the Gaming Board reimbursed wide-ranging meal claims without having the means to know what actually was spent. The range in claims also shows that enhanced reimbursements were unnecessary, as indicated by the fact that fellow Gaming Board travelers were able to subsist on meals at the standard reimbursement rate. One of the clearest illustrations of that point is a 2007 trip to Las Vegas where 13 Gaming Board officials went to the same conference: 11 staff members subsisted on meals at \$61 a day (or less) while the governing board member and a top management official claimed subsistence of \$152.50 a day.

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**Our testing: Questions about routine
travel to Harrisburg headquarters**

The enhanced meal reimbursements proved costly not just when governing board members traveled to conferences, but also when the officials made routine trips to Gaming Board headquarters in Harrisburg.

The Harrisburg trips made up over 78 percent of the travel for the governing board, doubtless a reasonable percentage considering that meetings are held there at least monthly and that attendance is an important responsibility. But it is less reasonable to accept that some governing board members spent exactly \$102.50 *each day*⁴² for meals. (The members also received reimbursement for mileage, parking, tolls, and lodging, as we discuss later.) While we did note instances where governing board members claimed less than the maximum enhanced rate or did not claim any meal reimbursements at all, we also noted instances where they claimed the maximum \$102.50 reimbursement on multiple days.

Just as we presented several possible explanations for Board officials to have spent the maximum daily allowable amount on the Chicago trip, those options also exist to explain why officials routinely spent the maximum allowable amount of \$102.50 for food and drink each day they were in Harrisburg:

- (a) Unlikely.** Everyone's daily food/drink was identical at \$102.50 because each person spent exactly the same amount and was reimbursed accordingly.
- (b) Possible.** Officials spent more than the allowed amount, requested the maximum reimbursement, and paid the overage themselves.
- (c) Equally possible.** Officials spent less than \$102.50 but treated that amount as a daily flat-rate entitlement no matter how little they actually spent.

⁴² This enhanced reimbursement rate of \$102.50 is two and one-half times Harrisburg's standard rate of \$41 a day.

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Without receipts, we cannot know which of the preceding explanations might be applicable. But we do know, as Harrisburg-based auditors, that people can subsist here adequately for less than \$102.50 a day *unless* they (1) pay for meals of others, such as spouses or guests, (2) dine at expensive restaurants, (3) include non-reimbursable alcoholic beverages on a claim for reimbursement, or (4) consider \$102.50 to be a daily flat-rate allowance no matter how little is actually spent.

Interestingly, our audit sample included one example of Harrisburg dining where a receipt *was* turned in. The example touches on each of the four exceptions we just described:

- Guests for dinner. Two governing board members, who wrote on their claims that they “conducted a business meeting over dinner,” were reimbursed for their meals and those of two guests. Incurring expenses for business reasons is allowed, but this claim is too vague.
- Expensive restaurants. The group chose an upscale restaurant. The food alone was \$175, or \$43.75 a person, not including tax and tip. There is no prohibition against expensive restaurants, but officials would set better fiscal examples by choosing less costly venues.
- Alcoholic beverages. The members appropriately deducted the non-reimbursable \$286 for alcohol (\$71.50 a person) but initially failed to deduct the corresponding portion of the \$100 tip.
- Daily “entitlements” versus actual spending. Ultimately, the Gaming Board paid/reimbursed a total of \$237.80 to the two board members, or the maximum amount (at the enhanced rate) of \$59.45 for each meal, including food, tax, and tip.

The box on the page 46 describes the details of this example. In reviewing those details, readers should pay particular

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attention to the numbers circled, which are also excerpted below.

\$571.77 = **Receipt total (includes non-reimbursable items) showing amount paid by 2 governing board members for 4-person dinner**

\$285.78 = What the 2 governing board members asked for initially based on staff's calculations

\$223.76 = What an official in the state's Office of the Budget calculated as reimbursement **(using the receipt)**

\$237.80 = What an official in a different area in the Office of the Budget calculated **(unclear how or if the receipt was used)**, and what the members ultimately received

\$220.77 = What we calculated as a more appropriate reimbursement **(using the receipt)**

The circled numbers illustrate the variances that can exist when computing reimbursements even with receipts. This example also illustrates a potential risk related to claims already paid by the Board: Specifically, without receipts, neither we nor the Board can perform the calculations and analyses to reconcile already-paid reimbursements with actual reimbursable items.

On a positive note, to comply with the January 2010 amendments to the Gaming Act, the Board now requires receipts and posts expenses online.

What reviewing a receipt can reveal

Even though reimbursement for this \$572 dinner was capped at \$238, the receipt reveals a flawed process

Who: 2 governing board members, plus a state legislator and his chief of staff

When: March 25, 2008

Where: Upscale Harrisburg restaurant

<i>Receipt (dinner for 4)</i>	
Includes non-reimbursable items	
Food	\$175.25
Beverage	286.00
Subtotal	461.25
Tax	10.52 *
Tip	100.00
Total	\$571.77

Without receipts, the Board cannot see if reimbursement claims contain non-reimbursable items (like alcohol) or other errors. Here, while two governing board members correctly excluded \$286 for alcohol, they still claimed more than the maximum allowed.

Details:

*Sales tax on the food only

- Two governing board members dined with two guests, a state legislator and his chief of staff.
 - ✓ *Auditors' comments:* The purpose of a business meeting must be documented if officials want reimbursement when paying for guests. Here, no purpose was supplied beyond "conducted a business meeting over dinner."
- The members initially sought reimbursement of **\$285.78** (after excluding \$286 for alcohol), but the Office of the Budget proposed \$62 less, or **\$223.76**.
 - ✓ *Auditors' comments:* The Office of the Budget checked the claim and, based on the receipt, proposed the lesser reimbursement because the members were seeking repayment for their entire \$100 tip—a tip that was based on the cost of the whole dinner, including alcohol.
- The two members eventually received the maximum allowable reimbursement of \$237.80.
 - ✓ *Auditors' comments:* A different area in the Office of the Budget computed reimbursement at the daily maximum limit. However, Governor's management directives prohibit treating subsistence allowances as flat rates, meaning that only actual expenses for reimbursable items may be claimed. Based on our analysis, the \$237.80 complies with the "actual expenses" and "reimbursable items" criteria based only on two possible scenarios, each of which we find inappropriate: (a) reimbursement included a 28% tip on food alone or (b) reimbursement included a customary 20% tip on food alone, thus leaving the excess tip money to cover a portion of the non-reimbursable alcohol.

What the Board paid as reimbursement

This is the allowed maximum if actually expended for reimbursable items; it is not supposed to be a flat-rate entitlement.

Standard daily subsistence (meals) in Harrisburg→	\$41.00
58% percent of daily amount allotted for dinner →	× .58
Allowable maximum for dinner at standard rate→	23.78
Enhanced reimbursement multiplier (2 ½ times standard rate)→	× 2.5
Allowable maximum for dinner at enhanced rate→	59.45
Number of dinners→	× 4
Total Reimbursement→	237.80

A more appropriate reimbursement

Our calculation:

Amount for food + 20% tip on food + 6% tax on food

\$175.25 food + 10.52 tax + \$35 tip = **\$220.77**

Works out to include either a 28% tip on food or a more common 20% tip on food with the excess tip thus covering a portion of the non-reimbursable alcohol

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Gaming Board officials were quick to point out they are not funded by state-appropriated tax dollars but rather by licensee-paid gaming dollars. While we acknowledge that such is the case, we remain firm in our position that excessive reimbursements to public servants are unjustified and unnecessary, whether the Board's current funding comes from ordinary taxpayers or from regulated entities.

Other states made do with less

Our research shows that governing board members from other states were more prudent. We drew this conclusion after contacting officials from six states that have salaried governing board members and finding they make do with standard meal reimbursements. Furthermore, four of those six states require their gaming officials to submit receipts for travel expenses.

The table on the next page illustrates Pennsylvania's excessive generosity compared to the other six states. Not only are Pennsylvania's salaries the highest, but the allowable daily meal reimbursements are the highest as well. Iowa is the only one of the six other states where governing board members have a higher reimbursement privilege than ordinary board employees, and even there the upgraded meal reimbursement is just \$15 a day more.

**New Board management made
changes in response to our concerns**

We discussed our concerns with Gaming Board officials in November 2009 as we moved on to other areas within our audit objectives. The officials responded to us in writing that governing board members and applicable executive staff would agree not to claim two and one-half times the standard meal reimbursement rate and to "spend less on subsistence so that their reimbursement requests are lower than the eligible subsistence amount of 2 ½ times the standard subsistence amount."

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Examples of other states' meal reimbursements for governing board gaming regulators				
<i>(These meal allowances were in effect for the fiscal year July 1, 2008, through June 30, 2009)</i>				
State	Annual salaries ^{/a}	Total daily meal limit		Are receipts required for meal reimbursement?
		In-state	Out-of-state	
Pennsylvania	\$145,018 to \$150,006	\$90 - \$152.50	\$90 - \$152.50	Not during our audit period ^{/b}
California	\$79,122 to \$81,635	\$34	\$34	Yes
Iowa	\$10,000	\$43 ^{/c}	Members do not travel out-of-state	Yes (as of July 1, 2009)
Louisiana	\$15,000 to \$100,067	Chairman - none Members - \$38	\$52 - \$60	No
Nevada	\$131,242 to \$141,147	\$51 - \$71	\$51 - \$71	Yes
New Jersey	\$125,000 to \$141,000	\$38	\$38	No
New Mexico	\$105,000	None	\$95 without receipts. Actual amounts with receipts.	Yes, if claiming actual costs

^{/a} Salary information for fiscal year 2008-09 as presented in the Department of the Auditor General's May 2009 special performance audit of the Pennsylvania Gaming Control Board.

^{/b} An amendment to the Gaming Act effective January 7, 2010, requires receipts and the payment of actual expenses up to the maximum allowable amount.

^{/c} Other employees have a limit of \$28 for in-state meals and \$31 to \$50 a day for out-of-state meals. All other states reimburse meals at the same rate for governing board members and agency employees.

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Saying that governing board members would agree to “spend less” is different from saying they are required to stay within the standard meal reimbursements for state employees. It is reasonable to ask why top public officials are exempt from setting the same example of fiscal prudence that they expect of others in lower positions.

Regarding the issue of reviewing claims to determine whether amounts claimed are equal to amounts spent, the General Assembly in January 2010 amended the Gaming Act to *require* Gaming Board staff and board members to submit receipts; the legislation also mandates that only “actual and reasonable” expenses would be paid.⁴³

**Written response of the Gaming Board
to Discussion Point 2-a**

Gaming Board’s response. Since the agency’s inception, though not required by law, the board has always directed members and staff to comply with the Commonwealth’s travel policy, including subsistence rates and the requirement that only amounts actually expended could be reimbursed. Further, as noted, the reimbursed amounts were allowed by the state policy created prior to the Board’s formation. Nevertheless, as the auditors noted, new board management made changes over one year ago to address any concerns regarding enhanced reimbursements. Also, amendments to the Act in January of 2010 [have] allowed for additional accountability.

**Department of the Auditor General’s
evaluation of Gaming Board’s response**

Our evaluation. The Board’s response suggests that governing board members and staff routinely complied with state policy because the Board “always” directed them do so. However,

⁴³ See 4 Pa.C.S. § 1202.2.

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while the Board *could* show us that only officials who were so authorized took advantage of the two-and-one-half-times reimbursement rate, the Board *could not* prove that, as required, it reimbursed travel claims only for amounts actually expended. Thus, the information in this discussion point remains exactly as we have reported it.

**Discussion
Point 2-b:
Four governing
board members
and a staff
executive spent at
least \$33,000 for a
trip to Rome.**

The Gaming Board spent at least \$33,000 to send five persons overseas to a conference in Rome. Sponsored by the International Association of Gaming Regulators, the 2008 International Gaming Law Conference was held September 22-26 at the Rome Cavalieri Hilton. Four of the five travelers were governing board members, and the fifth was the licensing director. Four of the five each took a guest, two of whose accommodations were covered by the Board when their spouses claimed reimbursement at double occupancy rates.

Although this trip already received widespread media attention, we discuss it here to show the extent to which the Gaming Board incurred excessive and unnecessary travel expenses. It is the Board's present position that governing board members were justified in attending the 2008 conference because they gained a broad base of knowledge regarding the casino industry. We reviewed the conference brochure and note that session topics covered a wide range of issues that would be of interest to the Board, including problem gambling, Internet gambling, the economy and gambling, gaming technology, roles of chief financial officers and auditors, financial crimes, and casino compliance.

At the same time, using the information provided by the Board, we cannot verify which or even how many sessions each traveler may or may not actually have attended, or what they did or did not learn at this conference.

The next table shows expenses paid by the Gaming Board for this conference in Rome.

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Gaming Board travel expenditures for International Gaming Conference^{/a} in Rome, Italy September 22, 2008, through September 26, 2008						
Governing Board Member	Personal mileage	Airfare	Lodging	Meals	Other expenses^{/b}	Total
Member A	\$160	\$1,767 ^{/c}	\$2,725	\$2,700	\$345	\$7,697
Member B	\$20	\$1,291	\$3,052	\$2,815	\$415	\$7,593
Member C	\$29	\$1,266	\$2,609	\$2,445	\$268	\$6,617
Member D	\$0	\$1,038	\$2,641	\$2,506	\$116	\$6,301
Subtotal	\$209	\$5,362	\$11,027	\$10,466	\$1,144	\$28,208
Staff Member	\$143	\$0 ^{/d}	\$2,539	\$2,446	\$194	\$5,322
Total	\$352	\$5,362	\$13,566	\$12,912	\$1,338	\$33,530
^{/a} The International Association of Gaming Advisors and the International Association of Gaming Regulators jointly sponsored this conference in Rome. ^{/b} Other expenses included taxi fares, parking fees, baggage handling, and laundry service. ^{/c} Airfare included penalty for ticket exchange. ^{/d} Airfare was not recorded on the travel expense voucher because it was booked through the Commonwealth travel office and charged to the agency.						

Of particular concern is that the Gaming Board spent as follows:

- **Paid for rooms of guests traveling with the Gaming officials.** In two cases, the Gaming Board paid for the hotel accommodations of guests who accompanied the Gaming Board officials. Three governing board members and the one staff member each took a guest (none of whom was a Gaming Board official), but only two of the travelers (a governing board member and the staff member) claimed room reimbursement at the single occupancy rate.
- **Paid questionable taxi fares.** Two governing board members spent a total of \$530 for taxis—\$295 and \$235 each—in contrast to the other three travelers, each of whom incurred transportation costs of about \$100 each.

The governing board member who spent the most on taxi fares, \$295, claimed on his expense voucher that his transportation costs were for six trips ranging in cost from \$12 to \$72 each. But five of the six trips were for travel

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from the airport to the hotel, and Board officials could not explain why one person would need **five** such trips when he arrived just once and departed just once.

It is important to note that all the travelers stayed at the same hotel that hosted the conference. For that reason, except on arrival and departure, Board officials should not have needed taxis except for personal use, in which case travelers should have footed the bills themselves.

- **Paid for luxury lodging without justification.** The five Board attendees spent \$13,566 in total for their lodging. The length of the conference was five days, yet two governing board members were reimbursed for rooms for seven nights, while the remaining three travelers were reimbursed for rooms for six nights.

The hotel in question was advertised as a five-star hotel, with daily room rates between \$389 and \$495. Our research showed that other hotels within walking distance had far lower rates, but our review of the reimbursement requests showed that none of the travelers gave written justification for the luxury lodging. In fact, when completing the justification form, four of the travelers didn't answer the question about why they stayed where they did. The fifth traveler simply answered by writing the word "conference."

- **Paid \$13,000 for meals even when some were included as part of conference.** Meal reimbursements for the Rome trip were almost \$13,000 in total, with individual officials claiming between \$2,445 and \$2,815 each. The variations reflect the different lengths of stay; some officials stayed six nights while other officials stayed seven nights.

Reviewing the actual travel vouchers didn't help us in justifying the expenses. In nearly every case, each of the five Rome travelers claimed that he or she had spent **\$365 each day**, or **the highest allowable amount** under the

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enhanced reimbursement rate privilege. Even in the few cases where a daily meal claim was less, none was below \$300. Especially troubling is that, according to the conference agenda, meals were included at least some of the days as part of the Monday-Friday conference:

- ✓ Breakfasts. Continental breakfasts were included *at least* 4 of the 5 days.
- ✓ Lunches. Included *at least* 2-3 of the 5 days.
- ✓ Dinner. Receptions/dinners (for guests, too) *at least* 3 of the 5 days.

In addition to allowing top officials to claim reimbursements at two and one-half times the standard rate as we have already discussed, Pennsylvania allows traveling state officials to claim full reimbursement for three meals a day even when the officials receive free continental breakfasts. Still, even if Gaming Board officials declined *all* the free breakfasts, plus the lunches and dinners as well, there would have been adequate subsistence available for less than \$300 a day.⁴⁴ In fact, now in 2010, entire trips to Rome—flights, lodging, food and drink—are available at group discounts for much less than the average of \$6,706 a person spent by the Gaming Board.⁴⁵

⁴⁴ For example, just three months before the Gaming Board’s trip to Rome, a *New York Times* columnist writing as the “Frugal Traveler” said the following: “And while I knew Rome had expensive restaurants, I had trouble spending even 25 euros [then \$39.25 in U.S. dollars].” Matt Gross, *New York Times*, “Wandering Beyond Classic Rome,” June 18, 2008.

⁴⁵ For example, PennAlumni Travel (University of Pennsylvania) advertised a **10-day/8-night** trip package, “The Venice Film Festival featuring Rome, Italy,” for **\$3,995 a person**, double occupancy, including “**deluxe**” hotels in Venice and Rome, 4 nights each, **meals** (all breakfasts, one lunch, three dinners including wine and bottled water), **day trips**, plus **airfare** from Philadelphia, from September 1 to September 10, 2010. We acknowledge that the advertised cost for this trip was likely based on a group discount; at same time, we saw no evidence that the Gaming Board attempted to secure *any* group pricing.

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**Pennsylvania officials had notice that the
Rome trip would be “extremely expensive” but
still opted to go, unlike officials from other states**

When we contacted gaming regulators from 13 other states, we found that 10 of the states do not send either their governing board members or their staffs to other countries. The officials with whom we spoke also noted that they limit the amount of travel even within the United States.

Furthermore, Pennsylvania officials had to have known that the Rome trip was costly. Almost a year earlier during a committee meeting of the conference’s sponsor, the International Association of Gaming Regulators, of which Pennsylvania’s Gaming Control Board is a member, the “extremely expensive” nature of the trip was discussed.⁴⁶

**Written response of the Gaming Board
to Discussion Point 2-b**

Gaming Board’s response. The International Association of Gaming Regulators (“IAGR”) was the sponsor of this conference. Educational seminars regarding the regulation of casinos were attended by the board members and the staff executive.

**Department of the Auditor General’s
evaluation of Gaming Board’s response**

Our evaluation. The Board’s response provides no information that changes our report.

⁴⁶ Minutes of a meeting of the Steering Committee, International Association of Gaming Regulators, held on October 5, 2007, at the Hyatt Regency Hotel, Chicago, Illinois, state the following: “It was noted that the venue for the 2008 Conference would be Rome, Italy. This was acknowledged to be an extremely expensive venue, and it was noted that attempts were being made to negotiate appropriate hotel rates for regulators.” Although the minutes do not indicate whether Pennsylvania officials attended that same meeting of the Steering Committee, we do know that eight representatives of the Gaming Control Board attended the Chicago conference.

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**Discussion
Point 2-c:
Governing
board members
did not justify
their stays at
expensive hotels.**

The conference in Rome was not the only time the governing board members stayed at a costly hotel. We found many instances where governing board members exceeded standard lodging rate allowances and took advantage of higher reimbursements. Again, the state allows these higher reimbursements for exempt officials, but public officials can decline to claim the higher reimbursements or can base their spending on the standard rates.

The Gaming Board, whose mission is to protect the integrity of legalized gambling in Pennsylvania, should recognize the public message it sends when its top officials take unnecessary entitlements. When governing board members stayed at more costly hotels not available to their fellow travelers (i.e., the ordinary state employees), the negative message was accentuated because the governing board members made no attempt even to justify their spending. Specifically, the required written justifications were either missing or inadequate, thereby affecting the process intended to ensure public openness and accountability.

Trip to Las Vegas conference, 2007. An early example of the lodging issue occurred in November 2007 when the Gaming Board paid to send 13 officials—12 staff members and one member of the governing board—to a three-day gaming exposition in Las Vegas. Even accepting the explanation of Board officials that this mass attendance was needed because the Board at the time was so new, we find areas for concern:

- In contrast to the 12 staff members, the governing board member stayed at the most expensive hotel in a “deluxe” room (the hotel’s term) for \$259 a night. But he provided no written justification for this expensive choice.
- For this same Las Vegas trip, one of the 12 staff members chose to stay at a hotel for just \$99 a night, demonstrating fiscal prudence that other staff and governing board members should emulate.

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Trip to Las Vegas conference, 2008. In this case, nine officials, including eight staff (three exempt from having to lodge at the standard/lower rates used by most state employees) and one governing board member, attended another conference in Las Vegas. The board member and one executive staffer each spent \$179 a night for lodging. Five employees secured lodging that ranged from \$109 to \$129 each night, and two employees actually spent just \$99 each night. We found no justification to explain why the governing board member and the executive staff member needed to spend more for lodging than the other Gaming Board travelers. Despite the fact that the state allows it, the highly paid public officials and executives who *govern* the Gaming Board should not need “better” rooms than the public officials who *staff* the Board.

Trip to in-state casino opening, 2007. In this case, one governing board member and two staff members attended the opening of the Presque Isle Downs casino in Erie. They all stayed at the same hotel, but we found these differences:

- As in previous cases, the governing board member chose a room that cost more than the rooms of the staff. This board member spent \$199 a night for a room with a single king-sized bed and Jacuzzi with hot tub.
- In contrast, the Gaming Board’s staff stayed in the same hotel for just \$79 a night.

Trips to Harrisburg meetings, all years. As we noted earlier, trips to the Gaming Board headquarters in Harrisburg accounted for more than 78 percent of the trips for governing board members. Hotel expenses totaled over \$75,000 for Board meetings and other business between July 1, 2006, and June 30, 2009. In reviewing this travel, we found that one governing board member practiced more prudent spending than the other board members. This governing board member typically stayed at a hotel about one-half block away from the hotel where the other members stayed. The official spent an average of \$94 a night for his room—*nearly 50 percent less on his room than his colleagues.*

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**Governing board members received hotel
reward points that were not redeemed to
reduce the cost of Board travel**

The five governing board members who stayed at the Harrisburg hotel with an average lodging rate of \$180 a night also participated in this hotel chain's hotel reward points program. Commonwealth travel policies allow participation in such programs⁴⁷ if the reward points are used for Commonwealth business, but Board officials verified in writing that the points "were not redeemed in exchange for airline miles, free hotel rooms or any other promotions." By way of further explanation, the officials told us they understood from governing board members that the members had not accrued enough reward points to apply toward Board travel.

**Board officials offered
explanations regarding
hotel selections**

When we asked Board officials about the selection of hotels by both governing board members and staff, the officials asked us to look at several considerations. For example, the officials explained that governing board members and staff alike are prohibited from lodging at properties owned or operated by Board-licensed entities or by their parent companies or subsidiaries. Furthermore, governing board members and staff are instructed not to choose lodging they feel is "detrimental to their health," according to Board officials who emphasized "cleanliness and no cockroaches," even if lodging was pre-booked or is the least expensive in that area.

Regarding the cases in which multiple employees travel to the same events but stay in different hotels, the officials agreed

⁴⁷ Participation in reward programs such as hotel rewards and frequent flier miles are permitted while traveling on Commonwealth business as long as any earned rewards are used for Commonwealth business. However, these programs should not be confused with rewards earned on a personal credit card when that card is used for Commonwealth travel. That practice is not allowed.

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that lodging expenses should be reasonable but, at the same time, said it is “neither derogatory nor inherently suspicious” for attendees at the same event to use different facilities.

Regarding the lack of written justifications to support the lodging at expensive hotels, Board officials told us that, effective June 2009, which was at the end of our audit period, the Board had revised its out-of-state travel policy. The policy now requires employees to complete out-of-state travel requests with expanded justification for certain expenditures, including lodging, and to obtain approval from an immediate supervisor, a bureau director, an official from the Board’s Bureau of Fiscal Management, and the executive director. The policy also stipulates that the employee’s travel expenses are subject to verification. In future audits we will measure the effects of this new policy.

There is still no similar policy for governing board members.

**Written response of the Gaming Board
to Discussion Point 2-c**

Gaming Board’s response. Board members stay at reasonably priced hotels that are centrally located to the business purpose of the trip.

**Department of the Auditor General’s
evaluation of Gaming Board’s response**

Our evaluation. The Board’s response provides no information that changes our report.

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**Discussion
Point 2-d:
The Gaming
Board paid
more than
necessary for
the parking
expenses of
governing
board members**

Governing board members are offered paid passes for assigned parking spaces in garages near the Board's Harrisburg headquarters. As of October 2009, six of the seven Board members were provided with such paid parking spaces, while the remaining member opted not to receive a paid space. The parking spaces cost the Board nearly \$9,000 annually.⁴⁸

Travel by Board members to Harrisburg was not an everyday occurrence and did not justify an expense of \$9,000. Furthermore, Board members often used the Board's satellite offices in Pittsburgh, Philadelphia, and Scranton to conduct routine business.

Paying for parking that is largely unused is not prudent. Nor is it prudent for the Board to pay the parking expenses of governing board members when they forget their paid parking passes and therefore paid to park elsewhere. In fact, our review of the Board's parking expenses revealed that members incurred nearly \$1,000 in additional parking expenses in trips to Harrisburg during the three years of our audit period.

Board officials said they will continue evaluating the cost of parking passes and that it might be less costly to reimburse parking expenses than to provide spaces permanently.

**Written response of the Gaming Board
to Discussion Point 2-d**

Gaming Board's response. The Board will consider the cost effectiveness of reimbursing board members for parking expenses in lieu of issuing parking spaces.

**Department of the Auditor General's
evaluation of Gaming Board's response**

Our evaluation. The response provides information for follow-up during our next audit.

⁴⁸ Parking spaces paid for by the Gaming Board for use by governing board members cost \$120 a month from July 1, 2006, to January 1, 2009. Since January 1, 2009, the monthly rate for parking passes for governing board members has remained \$130.

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**Discussion
Point 2-e:**

**The Board spent
\$17,000 more
than necessary
in fiscal year
2009-10 for
three governing
board members
who leased cars.**

**Governing board members can choose
one of three options to
travel by car on Board-related business**

The Board adopted an automobile policy in January 2005 for governing board members to mirror the automobile lease benefit available to members of Pennsylvania's House of Representatives. Accordingly, governing board members can be reimbursed for their Board-related travel in one of two ways:

- (1) They can use their personal cars for Board travel and claim reimbursement for business mileage at the standard rate set by the federal government, which was \$0.50 a mile as of October 1, 2010.
- (2) They can lease a car for Board travel and claim reimbursement of up to \$650 a month to cover lease and insurance expenses. The members will also be reimbursed for Board-related mileage at half the federal government rate.

The Board has an additional option for governing board members' travel, which is the use of a state-owned car. According to Commonwealth financial reports, the Board incurred automobile lease expenses of \$130,435 over the four-year period of July 1, 2006, through June 30, 2010. In addition, the Board paid a total of \$60,559 to governing board members for mileage reimbursement during that same period.

**Analysis:
Leasing autos in fiscal year 2009-10**

As of July 2010, three governing board members leased automobiles at the Board's expense and also claimed mileage reimbursement at half the standard rate; two used their personal cars and claimed reimbursement for Board-related mileage at the standard rate; the remaining two members drove state-owned cars.

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We focused our work on leasing alone by looking at the most recent year, fiscal year 2009-10, for the three governing board members. One member received \$650 a month for lease and insurance expenses, while the remaining two members each received approximately \$555 a month for those expenses. Together, the three members also received \$3,893 in business mileage reimbursement for that year.

Accordingly, in that fiscal year alone, the Board could have saved more than \$17,000 if those three governing members had used their personal cars for business travel and claimed mileage reimbursement at the standard rate. The following table illustrates the cost savings.

**Automobile expenses for
three governing board members
who leased cars**

Fiscal year 2009-10

(A)	(B)	(C)	(D)	(E)	(F)
Governing Board member	Annual lease cost	Business mileage reimbursement	Total lease and mileage expense (B plus C)	Estimated mileage reimbursement at standard rate (C times 2)	Estimated savings by eliminating lease option (D minus E)
Member A	\$7,800	\$ 562	\$8,362	\$1,124	\$7,238
Member B	\$6,648	\$2,358	\$9,006	\$4,716	\$4,290
Member C	\$6,672	\$ 973	\$7,645	\$1,946	\$5,699
Totals	\$21,120	\$3,893	\$25,013	\$7,786	\$17,227

Source: Developed by Department of the Auditor General staff from Commonwealth accounting reports.

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As the preceding table illustrates, the governing board member with the most expensive lease drove the fewest business-related miles. If this board member had driven his personal car and claimed mileage reimbursement at the standard rate, the Board could have saved more than \$7,200 in that year.

Going forward, car leasing is neither prudent nor necessary. The governing board members, already paid generously as public servants, should exercise fiscal restraint by avoiding this unnecessary expense that provides a greater benefit to the individual members than to the Gaming Board as a whole.

**Written response of the Gaming Board
to Discussion Point 2-e**

Gaming Board's response. At the commencement of operations, the PGCB [Pennsylvania Gaming Control Board] sought and received guidance from the Office of the Budget ("Budget") on the issue of member business travel. Budget drafted a vehicle policy for the board that permitted a member to be reimbursed up to \$650.00 per month for leasing and insuring a vehicle. This policy is identical to that utilized by the Commonwealth's House of Representatives during that time.

The PGCB discontinued this policy for all new members eighteen months ago. As pre-existing leases expire, they are not renewed.

**Department of the Auditor General's
evaluation of Gaming Board's response**

Our evaluation. The new management of the Board has taken positive steps, both by discontinuing the lease policy for new members and by not renewing existing leases. However, the Board—through action at an open public meeting—should officially resolve to terminate the automobile lease benefit. Such official action would deter future members from reinstating the policy at a future date.

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**Summary of
Finding Two**

During our audit period, the Gaming Board allowed its governing board members and employees to spend more money on travel than necessary.

Regarding meals, governing board members and top staff were reimbursed at two and one-half times the rate available to ordinary state employees, and we could not determine if the reimbursements *claimed* equaled the amounts *spent*, or whether differences were pocketed. The state allows enhanced reimbursements to its top officials, but the officials can and should opt to decline such entitlements.

Governing board members and staff used Board resources to attend conferences at various locations, including a gaming conference in Italy attended by four governing board members and a staff official at a cost of at least \$33,000. In addition, governing board members were reimbursed for costly lodging without justifying why they spent more than their fellow travelers; reimbursed for parking expenses even though they had an assigned parking space when traveling to Gaming Board headquarters in Harrisburg; and unnecessarily leased cars when the Board could have saved money by reimbursing members for business miles accrued in their personal cars. While receiving the preceding entitlements, governing board members were also paid annual salaries of at least \$145,000 for their part-time public service, and they could hold down full-time jobs elsewhere. In addition, some of the top management officials of the Gaming Board had salaries higher than those of comparable staff at other state agencies.

In defending some of the practices, Gaming Board officials correctly say that the Board receives no allocations of taxpayer dollars. However, the officials are still public servants who should neither profit nor appear to profit from their influential positions, and who should not be enriched with the money supplied by the entities they regulate (whose own profits come from their customers, many or most of whom are Pennsylvania taxpayers). Any appearances of impropriety could have been

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minimized during our audit period if governing board members and staff had demonstrated more openness and accountability in accordance with public expectations.

On a positive note, new management of the Gaming Board began to address various concerns as we relayed them during our audit work. We anticipate that management will continue making positive changes going forward. However, it is important for the Board to make such changes formally and permanently through Board resolutions; in that way, the changes will be solidified for the future and not dependent solely on management and board leadership at the time.

**Recommendations
for Finding Two**

*Also included here
are the Gaming Board's
written responses to the
recommendations
and our evaluation
of each response*

6. The Gaming Board should formally and publicly resolve that all governing board members and staff will claim reimbursement for meals/subsistence at the standard rate, thus ceasing to use the enhanced reimbursement rate available only to certain officials.
7. The Gaming Board should ensure that all governing board members and staff submit receipts for actual and reasonable business travel expenses in compliance with the January 2010 amendments to the Gaming Act.
8. The Gaming Board should limit its presence—both the number of events and the number of attendees—at conferences and other such events. Travel to out-of-state functions should occur only rarely, and when absolutely critical, while international travel to conferences should be prohibited.
9. The Gaming Board should ensure that all staff members fully complete the modified travel justification forms as required by new Board policy. The Board should also expand the policy to include the governing board members themselves.

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- 10.** The Gaming Board should ensure that governing board members and staff do not claim lodging reimbursement that exceeds standard state limits without providing written justification. The Board also should not reimburse lodging expenses at double occupancy rates when governing board members or staff are accompanied by their spouses or other guests.
- 11.** The Gaming Board should ensure that governing board members and staff comply with Commonwealth travel policies that allow reward program benefits to be used only for Board-related travel.
- 12.** The Gaming Board should not pay for governing board members' parking spaces in Harrisburg or elsewhere when it costs less to reimburse members' parking expenses when actually needed.
- 13.** The Gaming Board should stop reimbursing governing board members to lease cars when the Board could save money by reimbursing the members for business miles traveled in their personal cars.

**Gaming Board's written responses
to Recommendations 6 - 13,
plus our evaluation of each response**

Recommendation 6

Gaming Board's response. Though all prior subsistence expenditures by the board and staff have been in compliance with Commonwealth travel policy, the board has taken steps to significantly reduce these expenditures over the past 1-1/2 years and will continue this practice in the future.

Our evaluation. The Board could not prove that, as state travel policy requires, all prior reimbursed subsistence expenditures

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for governing board members and staff matched the actual amounts expended. Thus, we disagree with the first part of the Board's response. We do agree that the Board, through its new management, has taken steps to reduce such expenditures, but the Board has not signified agreement with our recommendation to resolve formally and publicly to cease using the enhanced reimbursement rate.

Recommendation 7

Gaming Board's response. It has always been the policy of the Gaming Board to submit receipts when required and, in compliance with the Gaming Act, this will continue.

*Our evaluation. Prior to the January 2010 amendments to the Gaming Act, the Board should have enacted its own policy requiring governing members and staff to submit receipts, and also requiring the posting of expenses online. In viewing the online postings that started as a result of the 2010 amendments (and after the close of the three-year audit period), we saw a significant drop in the expenses, leading us to conclude that the Board could have reduced such expenses even sooner had it required receipts *prior* to the amendments as it should have done.*

Recommendation 8

Gaming Board's response. Gaming Board presence at conferences in the past has been predicated on an evaluation of their value to the functions of the agency. The audit period covers the initial regulatory existence of the Board. During this period, regulations were researched and written, license applications were reviewed, background investigations on approximately 26,000 (22,000 individuals and 4,000 entities) individuals and entities were conducted, casinos were licensed and opened, and the agency hired and trained over 250 new employees.

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One of the many purposes for the agency's attendance at these early conferences was to introduce our members and staff to other gaming regulators and the gaming environment in general. As the agency has matured, the need to send members and staff to conferences has diminished. The board will continue to perform cost-benefit analyses before sending staff to future conferences. However, as a regulator it will always be necessary to maintain good working relationships with other gaming jurisdictions throughout the United States and the world because gaming is a global business. Additionally, continued participation in multi-jurisdictional conferences is prudent and provides insight into issues of regulation and enforcement affecting other jurisdictions as well as approaches to dealing with those issues.

Our evaluation. The Board did not signify agreement with the part of our Recommendation 8 saying that international travel to conferences should be prohibited. Also, the Board's response about cost-benefit analyses mentions only "staff" and not the governing board. To demonstrate accountability and strong leadership by example, the governing board members should have their own travel subject to strict cost-benefit analyses as well.

Recommendation 9

Gaming Board's response. *The board will continue to evaluate its travel policy and make changes as necessary to assure accountability and compliance with the law.*

Our evaluation. The Board's response does not signify agreement with our recommendation to ensure all staff fully complete the modified travel justification forms as required by new Board policy; nor does the Board's response signify that the policy will be expanded to include the governing board members themselves.

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Recommendation 10

Gaming Board's response. The Executive Director has issued a policy directive requiring all staff to comply with the Commonwealth travel policy as set forth in Management Directive 230.10 and Manual 230.1, except where those policies and procedures are modified in writing in the PGCB's policy manual.

Our evaluation. The Board's directive must apply not only to staff but also to its governing board members. Our audit of Board member travel vouchers revealed numerous instances of the governing board members staying at expensive hotels and, on occasion, failing to claim reimbursement only at the single occupancy rate even when traveling with a guest.

Recommendation 11

Gaming Board's response. The PGCB reiterates that our travel policy [complies] with Management Directive 230.10 that limits the use of travel reward programs.

Our evaluation. The Board needs to take additional steps to ensure that reward points earned during the course of Board related business travel should be redeemed by members and staff to lower the costs of future business related travel expenses.

Recommendation 12

Gaming Board's response. The Board will continue monitoring board member parking and allocate parking passes on an individual basis in light of need and costs associated therewith to assure the prudent use of resources.

Our evaluation. In a future audit, we will follow up on the status of the Board's monitoring efforts.

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Recommendation 13

Gaming Board's response. *The board discontinued this policy for all new members 1-1/2 years ago. Pre-existing leases are not being renewed upon expiration.*

Our evaluation: The new management of the Board has taken positive steps, both by discontinuing the lease policy for new members and by not renewing existing leases. The Board should now take further action by officially terminating the automobile lease benefit through a Board resolution during its public meeting. This action would deter future members from reinstating the policy at a future date.

Finding Three

Purchasing materials and supplies

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Finding Three
Purchasing
materials and
supplies

Early in the audit period, the Gaming Board paid for questionable expenses like meals and flowers, misclassified expenses as “office supplies,” and lacked support for other expenses, thus risking criticism that it tried to obscure the spending. The Board also paid for BlackBerrys and cell phones that had periods of non-use.

This finding includes the following points, each of which we discuss separately:

3-a. The Gaming Board’s prior management paid for food and gifts that represent questionable uses of Board resources.

3-b. The Gaming Board misclassified some expenses listed in its accounting records as “office supplies.”

3-c. The Gaming Board did not have supporting documentation for 1 in 4 of the expenses we sampled.

3-d. The Gaming Board could support all sampled expense postings for cell phones and BlackBerrys, but it also paid for periods of non-use.

Understanding the nature and extent of the Gaming Board’s expenditures for materials and supplies

In this section, we provide readers with background to help them understand the nature and profile of the Gaming Board’s expenses for various materials and supplies. As part of this topic, we also reviewed the Board’s payment of expenses for wireless communications devices, specifically cell phones and BlackBerrys.

As generally accepted government auditing standards require, we obtained our own understanding of this subject matter during our audit planning; we enhanced our understanding as we performed the field work necessary to obtain sufficient and appropriate evidence on which to base our findings.

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The following table shows the expenses for office supplies and wireless communications devices as recorded in the Gaming Board's own records. As we discuss in this finding, the expenses for "office supplies" sometimes included meals, gifts, and other items that were not actually supplies for the office. Please note that the table below is not corrected for any such misclassifications.

**Board-recorded expenses for office supplies
and wireless communications devices**

Expense item	Fiscal year 2006-07	Fiscal year 2007-08	Fiscal year 2008-09
Office supplies	\$306,443	\$164,669	\$142,083
Wireless communications devices	\$128,100	\$135,351	\$164,713

In general, without correcting for misclassifications, we can see that overall expenses for office supplies decreased each year following the start-up of the Board, and its expenses for wireless communications devices increased as the number of staff members and their assignments grew.

**Board's use of state-issued
credit cards to make purchases**

As of July 29, 2010, the Gaming Board had 34 Commonwealth purchasing cards, or state-issued credit cards, 10 of which were assigned to specific staff for designated uses. For example, the Board's travel manager paid for lodging expenses with one purchasing card, and the Board's regional staff used other purchasing cards to pay for shipping costs when sending documents to Harrisburg headquarters.

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The remaining 24 cards were assigned to the procurement specialist for use when ordering supplies for each organizational unit within the Gaming Board.

Staff reimbursed for out-of-pocket expenses

There were also instances during our audit period in which, according to Gaming Board officials, out-of-pocket purchases were made by staff based on what the Board considered immediate needs. The officials cited such purchases as office supplies needed on a weekend prior to an upcoming licensing hearing, packaging tape and bubble wrap needed to prepare items during an office relocation, and snacks and water needed for governing board members during hearings and meetings.

**Our methodology
to develop this
finding**

- Summary review of all 272 payees who, according to the Board's accounting records, were paid for expenses for materials, office supplies, and wireless communications devices during the three-year period of July 1, 2006, through June 30, 2009.
- Detailed testing of a sample of 106 line items (representing 269 transactions) that the Board's accounting records listed as expenses for materials, office supplies, and wireless communications devices during the three-year period of July 1, 2006, through June 30, 2009.
- Review of applicable sections of the Procurement Code, DGS' *Procurement Handbook*, and Commonwealth management directives related to the procurement of materials, supplies, and wireless communications.
- Interviews with Gaming Board officials, including the Board's director of office services and the director of the office of information technology.
- Evaluation of the Gaming Board's purchasing procedures for compliance with the Procurement Code, DGS' *Procurement Handbook*, and Commonwealth management directives.

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-
- Review of the Board’s vendor listings for the purchase of materials, supplies, and wireless communications devices; comparison of the names to those listed by the Department of General Services as vendors who have statewide contracts with DGS to provide materials, supplies, and wireless communication devices to state agencies.

In accordance with government auditing standards, our audit work provides reasonable assurance that evidence is sufficient and appropriate to support our finding that, early in the audit period, the Gaming Board paid for questionable items, misclassified expenses like meals and flowers as “office supplies” and lacked support for other expenses, thus risking criticism that it tried to obscure the spending, and also that it paid for BlackBerrys and cell phones that had periods of non-use. The Board has made improvements in these areas, but it needs to do more.

**Discussion
Point 3-a:
The Gaming
Board’s prior
management
paid for food
and gifts that
represent
questionable
uses of Board
resources.**

The Board’s accounting records list 272 payees, mostly businesses,⁴⁹ to whom payments were made for office supplies, materials, and wireless communications devices during the three-year period of July 1, 2006, through June 30, 2009.

We reviewed the list and, based on our professional judgment, identified payees not immediately obvious to be in the business of selling office supplies, and materials. In so doing, we found instances totaling about \$8,800 where the Board paid for breakfasts, lunches, dinners, gifts, candy, and flowers that (1) should have been paid for with personal dollars rather than Board monies or (2) should have been accounted for elsewhere in the Board’s records if the spending was an appropriate use of government resources.

As shown by the box in the next table, nearly all this spending, or 86 percent, occurred early in our audit period under management no longer with the Board. Current management

⁴⁹ Other payees in this case typically were Gaming Board employees who received reimbursements for expenses initially incurred out of pocket.

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has limited these types of expenses but has not formalized a policy on allowable and unallowable expenses.

**Pennsylvania Gaming Control Board
expenses for atypical items recorded as “office supplies”
*Fiscal years 2006-07 through 2008-09***

Expenditure items	Fiscal year 2006-07	Fiscal year 2007-08	Fiscal year 2008-09	Three-year total
Meals	\$6,678	\$0	\$311	\$6,989
Flowers, gifts, and candy	\$ 863	\$792	\$ 69	\$1,724
Other items	\$ 0	\$77	\$ 0	\$ 77
Total	\$7,541	\$869	\$380	\$8,790

Overall, \$8,790 is insignificant compared to the Board’s total budget. But the spending is important to report for various reasons, specifically the question of propriety regarding the use of Board resources and the potential for speculation about why the spending was not classified correctly in the accounting records.

The next two pages present examples of the questionable and/or misclassified spending that we found.

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\$700 Board-paid dinner for governing members

Recorded by Board as “office supplies” expense

Documentation	Receipt from restaurant							
When	September 26, 2006 (eve of a Board meeting)							
Where	Harrisburg restaurant self-described as a “full dining experience” with an “intimate atmosphere...rich in art and comfort”							
How many	Not documented. Receipt lists 8 “covers” but 13 starters, 13 entrees, 4 desserts, and 16 beverages.							
Menu (and quantity)	Starters		Main Course		Desserts	Beverages		
	1	Crab cocktail	2	Seafood stew	3	Chocolate soufflé	9	Large sparkling water
	2	Medley salad	3	Scallops	1	Chocolate gelato	2	Small sparkling water
	3	Soup du jour	3	Pasta du jour			2	Espresso, double
	2	Frisee salad	2	Fish du jour			2	Cup, house blend
	1	Micro greens	1	Risotto du jour				
	1	Crepes	2	Pork				
	2	Pear & endive						
	1	Clams verde						
	Sub-totals	13	\$121.00	13			\$368.00	4
Total Price	\$697.50 (\$581.50 + \$116.00 tip)							
Purpose	Not documented							



Our concerns	<ul style="list-style-type: none"> ▪ Misclassified expense. This dinner was not an “office supply.” ▪ No file support. Despite seeing a receipt, we are unable to determine who or how many actually attended this dinner, or why, since there are no file documents to justify the expense. For example, the receipt indicates 8 covers, or table settings, but 13 main courses. For full accountability, and to clear questions such as those we raise here, the Board should have had a list of attendees by name and position, a purpose for the dinner, and a reason for choosing such an expensive venue. Current Board officials could say only that, typically, the governing board and key staff attended dinners like this when working late hours during the licensing process. ▪ Possible double-dipping. If indeed the governing board members attended this dinner, then two of them—based on their travel expense vouchers—appeared to “double-dip” by claiming meal reimbursements of \$67 and \$98 on this same day. ▪ Excessive. The Board should have questioned the propriety of using its resources in this way. Current officials said such dinners have ceased or that governing board members and staff now pay for their own meals.
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*Finding Three**Purchasing materials and supplies*

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\$188 for Poinsettias shipped to homes of two top management officials

Recorded by Board as “office supplies” expense

Documentation	Receipts from vendors
When	December 24, 2007
Where	Internet florist
Who	Giver: Governing Board Two recipients: Executive Director and Chief Counsel
What	Poinsettia Plants
Purpose	Thank-you gift from governing board members to two Board executives (Gift message to both: <i>Happy Holidays. Thank you for your hard work and dedication this year. PGCB Board</i>)
Total Price	\$187.96 (\$93.98 each, including shipping)



Our concerns

- **Misclassified expenses.** These flowers were not an “office supply.”
- **Poor judgment.** Governing board members demonstrated poor judgment by using Board resources to pay for personal gifts shipped to two of the Board’s top management officials at their homes. Whether or not the gifts were thoughtful or deserved is not the question. The Board is a state agency accountable to taxpayers and should not use government resources to buy personal gifts for its paid executives. The members could have contributed less than \$27 each from their personal money to cover the price of these gifts.
- **Sending the wrong message.** The Gaming Board is funded by casino revenues. At the same time, it is a Commonwealth agency whose staff members are state employees. The Board should not send the message that it uses *any* of its funding sources improperly—whether casino revenues or other state sources.

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Again, we emphasize that the importance of this overall issue and of the preceding examples is not in the dollar amounts, but rather in the use of Board resources and then recording the expenses in a way that clouds transparency.

The next discussion point presents the details of how and why these and other expenses were misclassified.

**Written response of the Gaming Board
to Discussion Point 3-a**

Gaming Board's response. See response to Recommendation 14.

**Department of the Auditor General's
evaluation of Gaming Board's response**

Our evaluation. In the above-referenced response to Recommendation 14, the Board says that its new management "has restricted procurements to only those items specifically needed to perform the duties of the agency." Nevertheless, the information in our Discussion Point 3-a remains exactly as we have reported it.

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Purchasing materials and supplies

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Discussion

Point 3-b:

The Gaming Board misclassified some expenses listed in its accounting records as “office supplies.”

The Gaming Board must be careful to record expenses in the appropriate descriptive categories. Otherwise, the resulting misclassifications will affect the accuracy, consistency, and transparency of the Board’s financial activity and can negatively affect the budget process. As an illustration of this problem, we are unable to state with certainty the exact amount of money spent by the Gaming Board on office supplies because of the misclassifications we found in the recording of such expenses.

In addition to the misclassified expenses that we detailed in discussion point 3-a, we also found that the Gaming Board misclassified other expenses as “office supplies” when it should have recorded those items in other expense categories.

Each of the following examples shows expenses that the Board should have recorded in other existing classifications:

- **Conference registration fees.**
12 separate conference registration fees, ranging from \$99 to \$495.

These expenses should have been recorded in the expense category “conference registration,” not “office supplies.”
- **Conference expenses, including meals and hotels.**
\$3,597 for conference expenses, including 25 breakfasts, 21 lunches, 9 bottles of Evian water, hotel lodging charges for 17 persons, and conference telephone expenses.

These expenses should have been recorded in expense categories such as “travel-subsistence,” “travel-lodging,” and “travel-other,” not “office supplies.”
- **Membership dues.**
Three memberships to the Pennsylvania Bar Association, with dues ranging from \$184 to \$255.

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These expenses should have been recorded in the expense category “membership dues,” not “office supplies.”

**Board uses “office supplies” default code
when categorizing credit-card expenses by type**

The major cause of this problem could be traced to a default code in the Board’s system of accounting for the use of state-issued credit cards. The Board staff could explain easily how the misclassifications occurred, and **we found no evidence that the Board misclassified expenses intentionally to obscure them.**

In accounting for the purchases made with state-issued credit cards, the Commonwealth’s accounting system requires each agency to establish a default code in which to account for the related expenditures. For the Gaming Control Board, the default code is “office supplies,” a reasonable category when considering that purchasing cards are often used to buy such supplies.

Unfortunately, the Gaming Board’s use of the “office supplies” default code also explains why items like gifts, meals, poinsettia plants, and conference expenses were recorded that way. The resolution is simple. Specifically, after using a credit card to purchase materials and supplies, Board staff must remember to reclassify the expense and enter the correct code into the accounting system.

Board officials stated that while they have a process in place to review the coding of expenses, in the early part of the audit period, when most of these misclassifications occurred, Board staff had failed to identify these misclassifications and therefore the correct coding was not applied.

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Importance of accuracy

As we noted at the beginning of this discussion point, misclassifications can affect the accuracy, consistency, and transparency of the Board's financial activity and can negatively affect the budget process. In addition, there are effects more internal to the organization, most notably the weakened ability of the Board to monitor itself. Questions about the reasons for misclassifications can lead to speculation about whether they were accidental or whether they occurred instead by design in order to avoid public scrutiny.

Gaming Board management assured us that the problems were accidental because of the default code described earlier in this section, and we found no evidence to the contrary. Also, as we have already noted, most of the problems occurred early in the audit period and appear to have been corrected.

**Written response of the Gaming Board
to Discussion Point 3-b**

Gaming Board's response. This audit reviewed procurements over a three year period originating early in the board's existence. The misclassification errors disclosed in the audit were the result of innocent human error. There was no intent to be misleading in the coding of expenses. In late 2007 through the first quarter of 2008, board staff identified many of these problems and began to take corrective action. The board continues to review and improve expense classifications to eliminate errors of this nature.

**Department of the Auditor General's
evaluation of Gaming Board's response**

Our evaluation. The Board's response, above, provides information for our follow up during the next audit.

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Discussion

Point 3-c:

The Gaming Board did not have supporting documentation for 1 in 4 of the expenses we sampled.

To determine if expenses for materials, supplies, and wireless communications devices were supported by invoices, we obtained a list of all expenses recorded by the Board over the audit period for nine expense categories. This list contained a total of 391 separate line item expenses, and we sampled 106 for detailed testing:

12	Wireless communications expenses	\$113,377
9	Office supplies purchased out of pocket by employees	1,022
17	Purchases from office supply/equipment vendors	291,647
68	Purchases made with state credit cards and recorded as “office supplies”	60,471
<hr/>		
106	Expenses sampled for detailed testing	\$466,517

The 106 separate line item expenses represented 269 separate transactions for which the Board could produce documentation supporting 203 transactions. The remaining 66 transactions—or 25 percent of the sample—totaled \$23,867.

The lack of supporting invoices for \$23,867 in our sample points to an internal control problem regarding how the Board monitors expenses and reconciles its accounting records. Even if some of the missing invoices were for expenses of less than \$100 (as our examples will show), those smaller amounts should not detract from the basic fact that 1 in 4 of the sampled expenses are at risk for having been paid inappropriately.

- Bagel shop, 2 expenses for \$49 and \$402
- Coffee shop, \$270
- Eatery, 7 expenses totaling \$2,024 and ranging from \$77 to \$421 each
- Upscale restaurant, 2 expenses for \$171 and \$311
- Candy and nut store, \$113
- “Authentic Italian Cuisine” restaurant, 5 expenses totaling \$882 and ranging from \$48 to \$538 each

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Effective internal controls over procedures for recording, monitoring, and reconciling expenses are critical for the Board to ensure that all payments were made for items actually received, that the amounts paid were accurate, and that the spending was necessary.

**Written response of the Gaming Board
to Discussion Point 3-c**

[Same as response to Discussion Point 3-b]

Gaming Board's response. This audit reviewed procurements over a three year period originating early in the board's existence. The misclassification errors disclosed in the audit were the result of innocent human error. There was no intent to be misleading in the coding of expenses. In late 2007 through the first quarter of 2008, board staff identified many of these problems and began to take corrective action. The board continues to review and improve expense classifications to eliminate errors of this nature.

**Department of the Auditor General's
evaluation of Gaming Board's response**

Our evaluation. Again, the Board's response provides information for our follow up during the next audit.

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Jack Wagner, Auditor General
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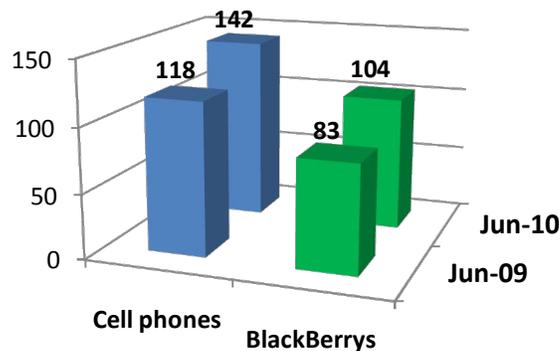
**Discussion
Point 3-d:**

The Gaming Board could support all sampled expense postings for cell phones and BlackBerrys, but it also paid for periods of non-use.

Gaming Board had 246 wireless communications devices as of June 2010

For the year ended June 30, 2009, the Gaming Board recorded expenses of \$164,713 for cell phones and BlackBerry devices, which on that year-end date totaled 201 (i.e., 118 cell phones and 83 BlackBerrys).

The number of devices increased to 246 during the next year, but expenses were lower, or \$155,165 by June 28, 2010, when the Board had 142 cell phones, 104 BlackBerrys, and a staff of 319, not including the governing board members.



The 142 cell phones as of June 2010 were assigned only to Board staff, such as compliance officers stationed at casinos and investigators who worked at headquarters and in the field. According to Board officials, no governing board member had a cell phone but most had BlackBerrys, which provide phone, e-mail, and Internet service.

The 104 BlackBerrys were assigned as follows:

- 6 BlackBerrys to governing board members
- 1 BlackBerry to executive secretary of the Board chairman
- 97 BlackBerrys to Board management/staff

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Board officials explained that cell phones are used by compliance officers in the casinos for reasons that include informing on-premise law enforcement staff of potentially illegal activities, coordinating with casino staff about patron activities, and communicating with staff at Harrisburg headquarters. Investigators who are assigned cell phones travel extensively to conduct background investigations on all applicants and licensees.

BlackBerry devices (again, they have telephone, e-mail, and Internet capabilities) are used by governing board members, executive staff, and other staff in order to provide them with 24/7 access to voice and e-mail communications.

Determinations regarding assignments are made by the Board's executive director and the chief financial officer.

For our sample of \$113,377 in payments for wireless communications devices recorded during various months in our audit period, the Board could produce invoices or show us other documentation to support the expenses in every case.

Analysis of cell phone usage: nearly \$8,000 paid for unused wireless communications devices

In our sample of expense postings, we found that corresponding invoices indicated usage that varied significantly. The question of usage, however, could not be resolved with our sample. Specifically, the sample was selected for the immediate objective of determining if the Board had support for its postings; the sample included various monthly billing periods distributed over the entire three years, meaning that most of the monthly billing periods were not consecutive. Alternatively, a proper usage analysis would require testing over consecutive months.

Nonetheless, we were able to make some limited-scope observations, and we have communicated our observations to

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the Board for its own further analysis. Those observations follow:

- **86 instances of paying for unused cell phones.
Cost to Board: \$4,806**

The invoices in our sample showed 86 instances of no cell phone usage for at least one month. Of those 86 instances, 21 showed no usage for at least two consecutive months. (For this analysis, we looked at cell phones only, not the cell phones associated with BlackBerry devices.)

We note again that our sample did not typically cover consecutive monthly periods and that, as such, it was not designed to make conclusive statements regarding usage. Accordingly, the number of no-usage instances for cell phones could potentially be even higher.

Board officials also told us that, when they re-assign communications devices to new employees at some point after other employees leave the Board's employment, the Board eliminates deactivation and subsequent reactivation fees, thereby counterbalancing the cost of keeping unused devices active.

- **38 instances of paying for unused BlackBerrys.
Cost to Board: \$3,122**

The invoices in our sample showed 38 instances of no BlackBerry usage—whether phone, Internet, or e-mail—for at least one month; 13 of the 38 included no usage for at least two consecutive months.

Regarding non-usage of both the cell phones and the BlackBerrys as noted in the preceding two bullets, Board officials explained that such instances occurred because devices were sometimes unassigned for short periods. If an employee left the Gaming Board, for example, the assigned device would be held for reassignment to the employee's replacement or to someone else. On the other hand, the Board would cancel service for the device if reassignment was

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delayed, but only as a last resort because the cost to cancel an unused device might exceed the cost of keeping it.

▪ **Persons with more than one cell phone and/or BlackBerry.
Cost to Board: Unknown, and possibly little or no cost**

Based on our sample of invoices, we saw information to suggest—at least initially—that some people had more than one device, including a governing board member and four staff members each with two BlackBerrys, two staff members each with two cell phones, and three staff members each with a cell phone and a BlackBerry.

A Board official explained that, in the preceding cases, no one actually had two devices at one time. Specifically, according to the official, even though invoices listed assignees by names and devices, the persons in question were transitioning from one device to another. However, the invoices did not reflect such changes promptly because of the paperwork required to update the assignees' names. Thus, the Board could not provide us with the documentation we need to eliminate this bullet point entirely.

▪ **Instances of low usage.
Cost to Board: Unknown**

Our review of the invoices showed that usage in terms of minutes varied significantly. We saw instances, for example, where the Board paid \$55 a month for each cell phone, some of which were used for only 2 minutes.

Board officials explained that, although they did not routinely monitor the usage minutes of individual employees (whose usage may vary from month to month), the Board did take action to ensure that unused minutes were pooled within the entire agency to offset potential overages of other cell phone users.

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**Written response of the Gaming Board
to Discussion Point 3-d**

Gaming Board's response. The agency has weighed the cost effectiveness of deactivating then subsequently reactivating communication devices versus the costs of maintaining unused communication devices in active status until those devices are reassigned. In the end, the agency has determined that it is more cost effective to keep the communication devices active until reassignment as opposed to paying deactivation and subsequent reactivation fees associated with these communication devices.

Activation fees are assessed when devices are added to the agency's wireless communications plan and deactivation fees are assessed when these devices are eliminated from the plan. As new employees were being hired and a particular device was no longer needed by the employee originally assigned the device, administrative staff reviewed agency needs to determine the cost effectiveness of paying deactivation/activation fees. By consistently monitoring plan costs and usage, the board has been able to achieve cost saving measures on several occasions by negotiating with existing providers or switching providers to reduce costs. Through this monitoring process the board has been able to proportionately reduce overall costs for wireless devices even while the total number of devices utilized by the PGCB has increased.

**Department of the Auditor General's
evaluation of Gaming Board's response**

Our evaluation. During our next audit, we will follow up on this information.

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**Summary of
Finding Three**

During the audit period, the Gaming Board sometimes allowed its governing board members and employees to spend money unnecessarily. The Board also misclassified expenses and/or lacked documentation to support expenses.

One exception to the lack of documentation was for expenses for wireless communications devices. For these, the Board could show that all expenses in our sample reconciled to invoices or other documentation. However, even though the payment amounts were supported, we found that the Board sometimes paid for unused or little-used devices when it could have better conserved resources.

Under new management by the end of our audit period, the Board significantly decreased the questionable spending. The fiscal restraint that we saw is positive. The Board should now establish formal policies to mandate this restraint so it survives current management and continues over time.

**Recommendations
for Finding Three**

*Also included here
are the Gaming Board's
written responses to the
recommendations
and our evaluation
of each response*

- 14.** The Gaming Board should formally establish a policy on prohibiting the purchase of atypical items such as meals, flowers, gifts, and candy. This policy should clearly define allowable and unallowable expenses for both Board staff and governing board members.
- 15.** The Gaming Board should ensure that it classifies all expenses accurately and that all of its procedures to identify and correct any misclassifications are implemented fully.
- 16.** The Gaming Board should implement procedures to review, approve, and maintain all documents to support expenses to ensure that items were actually received, amounts paid were accurate, and that the expenses were necessary.
- 17.** The Gaming Board should better manage the assignment of wireless communications devices to

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eliminate possible overspending for devices that are not used or underused.

**Gaming Board's written responses
to Recommendations 14 - 17,
plus our evaluation of each response**

Recommendation 14

Gaming Board's response. *New management has restricted procurements to only those items specifically needed to perform the duties of the agency.*

Our evaluation. The Board has made positive steps in restricting the purchase of items such as those we saw under former management. In a future audit, we will follow up on the status of the Board's efforts to restrict procurements only to those items specifically needed to perform agency duties. Now, however, to ensure that these restrictive steps are carried forward under future management, the Board should adopt a formal policy outlining allowable and unallowable expenses, including examples.

Recommendation 15

Gaming Board's response. By the end of the first quarter of 2008, the board had developed new procedures to ensure that its purchasers correctly classified all expense transactions. In addition, the board assigned additional staff to perform review of all these transactions.

Our evaluation. In a future audit, we will follow up on the status of the review efforts.

Recommendation 16

Gaming Board's response. *By the end of the first quarter of 2008, [the] board developed new procedures that require pre-approval of all expenditures. As part of these new procedures,*

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the purchasers must verify receipt of goods and the amount paid.

Our evaluation. Our testing of expenses for the latter part of 2008 and into 2009 does not support the Board's position that the above procedures were actually implemented. Specifically, we found numerous instances where the Board could not provide documentation to support the expense. Thus, we re-emphasize this recommendation and will follow up on it during a future audit.

Recommendation 17

Gaming Board's response. *The board will continue to regularly review usage of wireless communications devices and make adjustments as necessary.*

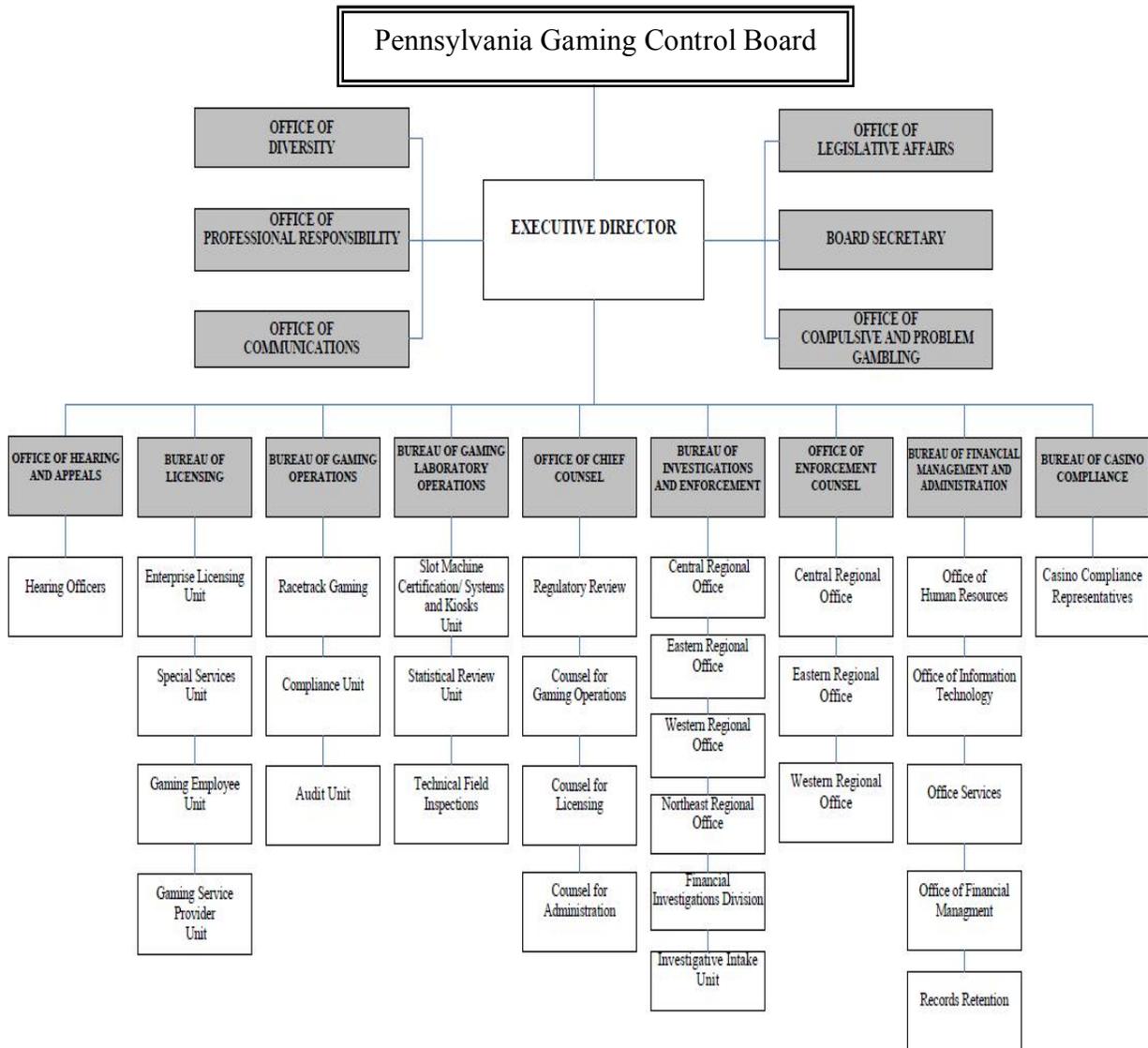
Our evaluation. Our testing in this area showed that that Board monitored cell phone usage on a broad scale and not on an individual device basis. Therefore, while the Board has indeed made adjustments to lower costs in this area, it could go further by more closely reviewing the devices for periods of non-use. In a future audit, we will follow up on the status of the review efforts.

Appendix A
 Organization Chart of the Gaming Control Board

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Appendix A Organization Chart of the Gaming Control Board

Pennsylvania Gaming Control Board
 Table of Organization



Source: The Gaming Board's website address at <http://www.pgcb.state.pa.us/?p=28>. Accessed December 14, 2010.

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**Audit Report
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Commonwealth of Pennsylvania

The Honorable Joseph B. Scarnati, III
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Commonwealth of Pennsylvania

The Honorable Thomas W. Corbett, Jr.
Attorney General
Commonwealth of Pennsylvania

The Honorable Christian L. Soura
Secretary of Administration
Commonwealth of Pennsylvania

The Honorable Mary A. Soderberg
Secretary of the Budget
Commonwealth of Pennsylvania

Colonel Frank E. Pawlowski
Commissioner
Pennsylvania State Police

The Pennsylvania Gaming Control Board

Governing Board

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The Honorable Raymond S. Angeli

The Honorable Jeffrey W. Coy

The Honorable James B. Ginty

The Honorable Kenneth T. McCabe

The Honorable Gary A. Sojka

The Honorable Kenneth I. Trujillo

The Honorable C. Daniel Hassell, Ex Officio, Pennsylvania Secretary of Revenue

The Honorable Robert M. McCord, Ex Officio, Pennsylvania Treasurer

The Honorable Russell C. Redding, Ex Officio, Pennsylvania Secretary of Agriculture

Executive Director

Kevin F. O'Toole

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