

Performance Audit Report

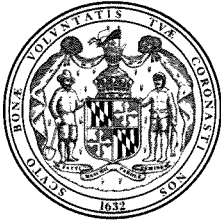
**Video Lottery Operation Licensees
Minority Business Participation**

June 2013



**OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY**

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Karl S. Aro
Executive Director

June 18, 2013

Thomas J. Barnickel III, CPA
Legislative Auditor

Senator James C. Rosapepe, Co-Chair, Joint Audit Committee
Delegate Guy J. Guzzone, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

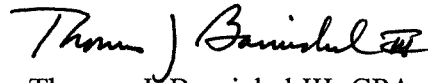
As required by Section 9-1A-34 of the State Government Article of the Annotated Code of Maryland, we audited the information submitted to the Maryland Lottery and Gaming Control Commission (MLGCC) through the Governor's Office of Minority Affairs (GOMA) by video lottery operation licensees on the attainment of minority business participation goals, and the licensees' efforts to maintain those goals. Our audit covered the licensees' construction and procurement activities for the Hollywood Casino Perryville, the Casino at Ocean Downs, and the Maryland Live! Casino for calendar year 2011.

Our evaluation of the minority business participation data, which were published in MLGCC's report for calendar year 2011, indicated that the data provided by the licensees appeared to be accurate. However, the information was incomplete. For example, minority business participation data reported did not include construction expenditure data for two licensees for all of calendar year 2011 because GOMA, which monitors licensees and reports minority business participation data to the MLGCC, did not request the licensees to report this information. Also, MLGCC had not established procedures to verify the data compiled and reported by GOMA.

Although some preliminary actions were taken, MLGCC had not established amended minority participation goals for each licensee as recommended by the Attorney General. Therefore, MLGCC was unable to evaluate the performance of the licensees and ensure compliance with participation goals. Finally, the efforts taken by licensees to help achieve minority participation goals were not fully reported.

We wish to acknowledge the cooperation extended to us during our audit by MLGCC and GOMA.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Thomas J. Barnickel III". The signature is fluid and cursive, with a large initial "T" and a stylized "B".

Thomas J. Barnickel III, CPA
Legislative Auditor

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* Denotes item repeated in full or part from preceding audit report

Background Information

Video Lottery Facilities

During the 2007 special session, the General Assembly adopted legislation to license video lottery terminal (VLT) gaming in Maryland. In the November 2008 general election, the voters of Maryland ratified a constitutional amendment authorizing up to 15,000 VLTs in five locations in the State (Anne Arundel County, Baltimore City, Cecil County, Allegany County, and Worcester County). Upon approval of this constitutional amendment, the law which authorized the licensing of VLT gaming became effective.

During a 2012 special session, the General Assembly adopted legislation that increased the number of authorized VLTs to 16,500 to provide for VLTs at a sixth location in Prince George's County. The VLT facility in Prince George's County may not open before the earlier of July 1, 2016 or 30 months after the VLT facility in Baltimore City opens. This legislation also allows VLT licensees to operate certain table games such as roulette, baccarat, blackjack, and poker.

The video lottery operation licenses required by law to operate a VLT facility are awarded by the Video Lottery Facility Location Commission. The Maryland Lottery and Gaming Control Commission (MLGCC)¹ oversees VLT operations and owns or leases the VLT equipment. The MLGCC is required to ensure that licensees comply with the regulatory framework of the VLT program, including minority business participation.

Status of Licenses

Licenses have been awarded to operate VLT casinos in five locations: Anne Arundel County, Baltimore City, Cecil County, Allegany County, and Worcester County. The casinos in Cecil, Worcester, and Anne Arundel Counties began VLT gaming operations on September 27, 2010, January 4, 2011, and June 6, 2012, respectively. The Video Lottery Facility Location Commission awarded a license to operate the VLT facility at Rocky Gap Lodge and Golf Resort in Allegany County on April 26, 2012; on July 31, 2012, it issued an addendum, which permits the VLT facility to be located within the existing Lodge and Golf Resort. Also on July 31, 2012, the Location Commission awarded a license to operate the VLT facility in Baltimore City. As of March 1, 2013, a license had not been awarded for a Prince George's County facility.

¹ Chapter 1, Special Session 2, Laws of Maryland 2013, effective October 1, 2012, changed the Commission's name from the State Lottery Commission to the State Lottery and Gaming Control Commission.

Minority Requirements Studies

Section 4 of Chapter 4, Special Session, Laws of Maryland 2007 required the Maryland Department of Transportation (MDOT), in consultation with the General Assembly and the Office of the Attorney General, to initiate two studies to evaluate the continued compliance of the minority participation requirements of Section 9-1A-10 of the State Government Article with any federal and constitutional requirements. The studies were also to evaluate race-neutral programs or other methods that could be used to address the needs of minority investors and minority businesses. The first study was submitted to the Legislative Policy Committee by the Secretary of MDOT with a letter (dated August 9, 2011) to address the requirements of Chapter 4, Special Session, Laws of Maryland 2007. The final report of the second study is due to the Committee by September 30, 2013.

In response to the completion of the first study, the Attorney General advised on August 11, 2011 that a minority business participation program for VLT licensees could now be implemented in compliance with the VLT law.

Minority Participation Requirements

Section 9-1A-10 of the State Government Article of the Annotated Code of Maryland specifies that, for construction and procurements related to the operation of VLTs, video lottery operation licensees must, at a minimum, meet the same minority participation requirements specified for State agencies in Title 14, Subtitle 3 of the State Finance and Procurement Article. According to this law, if the Governor's Office of Minority Affairs (GOMA) reports that a licensee is not in compliance with the minority participation requirements, MLGCC may take immediate action to ensure compliance of the licensee.

The request for proposals (RFP) issued in December 2008 by the Video Lottery Facility Location Commission delineated the minority participation goals, with overall goals of 25 percent for Allegany, Cecil, and Worcester counties, and 35 percent for Anne Arundel County and Baltimore City, and sub-goals for African-American and women- owned businesses. However, because of constitutionality issues, the Attorney General of Maryland advised, on August 11, 2011, that the RFP provisions relating to these goals needed to be amended to set separate goals for each VLT facility and, where appropriate, for each separate contract of significant duration, scope, and size entered into by licensees. This advice also stated that these goals need to be based on the availability of minority businesses to perform the work at each location, and waivers must be available for instances in which a licensee is unable to meet the goals after making good faith efforts.

Governor's Office of Minority Affairs (GOMA)

Section 9-1A-10 of the State Government Article of the Annotated Code of Maryland requires GOMA to monitor licensees' compliance with the minority participation requirements and to report at least every six months to the MLGCC on the licensees' compliance with the requirements. GOMA hired a private contractor to assist with the monitoring efforts and determinations of the minority participation levels achieved by the licensees. The MLGCC uses the information obtained from the licensees by GOMA to prepare its annual report to the Governor and the General Assembly on the attainment of the minority business participation goals by the licensees and their efforts to maintain those goals. MLGCC's second report, which was for calendar year 2011, was issued on February 29, 2012.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the finding contained in our preceding audit report, dated November 10, 2011. We determined that this finding was not satisfactorily resolved and is repeated in this report.

Audit Scope, Objectives, and Methodology

Scope and Objectives

Section 9-1A-34 of the State Government Article of the Annotated Code of Maryland requires the Office of Legislative Audits to annually audit and evaluate the information submitted by video lottery operation licensees to the Maryland Lottery and Gaming Control Commission (MLGCC) on the attainment of minority business participation goals specified for construction and procurements related to their operations and the efforts to maintain those goals. Specifically, we assessed the accuracy of the information reported by the video lottery operator licensees and the reasonableness of the efforts to maintain the goals. We have audited the information from the following video lottery operation licensees for calendar year 2011:

- Penn Cecil Maryland, Inc., licensed October 21, 2009 to operate 1,500 video lottery terminals (VLTs) at the Hollywood Casino Perryville (Cecil County).
- Ocean Enterprise 589 LLC, licensed September 23, 2009 to operate 800 VLTs at the Casino at Ocean Downs (Worcester County).
- PPE Casino Resorts Maryland LLC, licensed December 7, 2009 to operate 4,750 VLTs at the Maryland Live! Casino (Anne Arundel County).

Our audit was performed 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 provides a reasonable basis for our findings and conclusions based on our audit objectives.

Methodology

To accomplish our objectives, we interviewed individuals employed by the licensees, employees of the minority subcontractors, personnel of the Governor's Office of Minority Affairs (GOMA), and the employees of GOMA's contractor that assisted in collecting and reporting minority participation data and outreach efforts. We evaluated GOMA's and MLGCC's controls over data collection and reporting. We also reviewed the minority participation calculations for accuracy, and reviewed and tested the records of the licensees, including contractor classifications, expenditure data, invoices, and reports of minority participation levels and outreach efforts.

Our fieldwork was completed during the period from March through August 2012. A copy of the draft report was provided to the MLGCC and GOMA. Their responses to our findings and recommendations appear as an appendix in our audit report. As prescribed in State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise the MLGCC and GOMA regarding the results of our review of their responses.

Conclusions

Although some preliminary actions were taken, Maryland Lottery and Gaming Control Commission (MLGCC) had not established amended minority participation goals for each video lottery terminal (VLT) licensee as recommended by the Maryland Attorney General to address constitutionality issues. Therefore, MLGCC was unable to evaluate the performance of the licensees in achieving minority participation goals. Also, MLGCC did not undertake efforts to ensure that the minority participation results it received from the Governor's Office of Minority Affairs (GOMA) were reasonably complete and accurate.

For the licensees tested for the calendar year 2011 reporting period, the information provided to GOMA on minority contractor participation for construction and procurements related to the operation of VLT facilities appeared accurate. However, the information furnished to the MLGCC by GOMA was not complete for annual reporting purposes. For example, GOMA did not calculate nor report minority business participation for 2011 construction activity for two licensees. Specifically, we were advised that GOMA did not request the licensees to report this information. Construction expenditures for one of these licensees totaled \$7.8 million during 2011. In addition, GOMA did not verify the completeness and accuracy of total expenditure data reported, which it used to determine minority participation levels achieved and reported to MLGCC.

Finally, GOMA did not furnish any information to the MLGCC on the efforts of two licensees to attain minority business participation goals and, accordingly, this information was not included in MLGCC's annual report to the Governor and the General Assembly.

Findings and Recommendations

Establishment of Minority Participation Requirements

Finding 1

Maryland Lottery and Gaming Control Commission (MLGCC) has not established amended minority participation goals for the video lottery terminal (VLT) licensees.

Analysis

As of March 1, 2013, MLGCC had not established amended minority participation goals for the first three VLT licensees for construction and procurements related to the operation of VLT facilities.² Consequently, without properly established goals, MLGCC could not assess licensees' performance in achieving minority participation requirements.

State law requires VLT licensees to meet the same minority participation requirements specified for State agencies. Consistent with the law, the request for proposals (RFP) issued in December 2008 by the Video Lottery Facility Location Commission delineated the overall minority participation goals for each location as either 35 percent or 25 percent. However, the Attorney General advised in August 2011 that to address constitutionality issues the MLGCC should amend the goals to set separate goals for each licensee, and perhaps for each contract, that consider the proposed contract work and the availability of minority businesses to perform the work. The Attorney General also advised that waivers must be available for instances in which a licensee is unable to meet the goals after making a good faith effort.

In September 2011, the MLGCC sent letters to VLT licensees requesting information about their prospective contracting and procurement needs for supplies, services, maintenance, construction, and other aspects of ongoing VLT operations. As of March 1, 2013, the amended minority participation goals for each of the first three licensees had not been established. The MLGCC advised that it has met with licensees to work toward establishing the goals but the process of setting the goals is complex and time consuming.

² In May 2013, after the completion of our audit fieldwork, MLGCC established amended minority participation goals for the fourth licensee for construction activities for the Baltimore City VLT facility. Our current audit scope addressed calendar year 2011 activities and, accordingly, did not include activities related to the Baltimore City VLT licensee.

Recommendation 1

We recommend that the MLGCC establish amended minority participation requirements for each VLT licensee and implement appropriate waiver provisions.

Reported Minority Participation

Finding 2

GOMA did not adequately monitor and report on video lottery licensees' minority participation. Also, MLGCC did not review the reported information to ensure that it was complete and accurate.

Analysis

GOMA did not adequately monitor and report on video lottery licensees' minority participation and MLGCC did not review the information reported by GOMA to ensure that it was complete and accurate. MLGCC used the information it received from GOMA in its calendar year 2011 report to the Governor and General Assembly on the VLT facilities.³ Specifically, we noted the following conditions:

- GOMA did not verify the completeness and accuracy of total expenditure data reported by the licensees which it used to determine minority participation levels achieved.
- GOMA did not determine and report to MLGCC the minority participation for construction expenditures incurred during calendar year 2011 for two licensees (the Casino at Ocean Downs and the Hollywood Casino Perryville). Specifically, we were advised that GOMA did not request the licensees to report this information. According to its records, construction expenditures at the Casino at Ocean Downs totaled \$7.8 million during 2011. Construction expenditures at the Hollywood Casino Perryville, as estimated by us based on licensee records, were \$5.3 million during 2011.
- GOMA did not provide licensee data to MLGCC for certain periods during calendar year 2011. No data were provided for December 2011 for any of the licensees because GOMA erroneously believed the report was due in January 2012 and it did not have time to collect the data before submitting the report. According to licensee records, expenditures for the three licensees totaled

³ MLGCC only receives information on minority participation through the information the licensees provide to GOMA. MLGCC did not receive any minority participation information directly from any licensee.

\$18.1 million during December 2011. This included operating expenditures for the Casino at Ocean Downs and the Hollywood Casino Perryville, and construction expenditures for the Maryland Live! Casino. Also, the operating expenditures for Hollywood Casino Perryville were not requested or obtained by GOMA for January and February 2011.

- MLGCC did not review the information reported by GOMA for accuracy and completeness.

Similar conditions were commented upon in our preceding audit report.

The following information for the periods indicated was provided by GOMA to MLGCC and was included in MLGCC's annual report. For the periods reported, our tests concluded these data were accurate; however, because of the aforementioned conditions, these data were incomplete.

MBE Participation Data Reported For Calendar Year 2011				
VLT Licensee	Type of Activity Reported	Period Reported	Total Payments to MBEs for Period Reported	MBE Participation
Hollywood Casino Perryville	Operations	3/1/2011 to 11/30/2011	\$591,913	6.15%
Casino at Ocean Downs	Operations	1/1/2011 to 11/30/2011 ¹	\$241,182	4.99%
Maryland Live! Casino	Construction	1/1/2011 to 11/30/2011	\$9,077,902	24.34%

¹ MLGCC's annual report stated that this reporting period was from 4/1/2011 to 11/30/11; however, our review disclosed that the reported data included activity from 1/1/11 to 11/30/11.

Section 9-1A-10 of the State Government Article of the Annotated Code of Maryland requires that GOMA monitor each licensee's annual compliance with the minority participation requirements and that MLGCC ensure that the video lottery operation licensees comply with minority participation requirements. The

Code also requires MLGCC to submit an annual report to the Governor and the General Assembly on these participation goals and efforts to maintain them.

Recommendation 2

We recommend that

- a. GOMA verify the completeness and accuracy of total expenditure data reported by the licensees;**
- b. GOMA report to MLGCC the complete licensee minority participation information, including both construction and operations activity, for the full annual reporting period (repeat); and**
- c. MLGCC ensure the minority participation results it receives from GOMA are reasonably complete and accurate (repeat), and in particular, that the results include all licensee activity for the full year.**

Finding 3

Efforts by two licensees to achieve minority participation goals were not reported.

Analysis

The efforts of two licensees (Hollywood Casino Perryville and the Casino at Ocean Downs) to achieve minority participation goals in calendar year 2011 were not included in MLGCC's annual report. State law requires the MLGCC's annual report to include the efforts by the licensees to achieve minority business participation goals.

In addition, documentation to substantiate the reported efforts by the third licensee (Maryland Live! Casino) to achieve minority business participation in its contracting was not available. The MLGCC report stated that the licensee attended five outreach events as part of its efforts to attract additional minority contractors. However, GOMA, which provided the MLGCC with information on the licensee's efforts, only had documentation to substantiate that the licensee attended two such events.

The original VLT request for proposals (RFP) stated that GOMA would closely monitor licensees for minority business participation compliance. Furthermore, GOMA hired a private contractor that, under the terms of its contract, was supposed to assist with the monitoring of licensee efforts to comply with minority business participation requirements. GOMA has advised that, since by law, the MLGCC is responsible for evaluating licensees' efforts to achieve minority business participation goals, GOMA may discontinue contracting for these services when the contract expires later this year.

Recommendation 3

We recommend that MLGCC

- a. report information about all licensees' efforts to achieve minority business participation goals, and**
- b. maintain documentation that substantiates the reported efforts of licensees to achieve minority business participation goals.**

APPENDIX

Maryland Lottery and Gaming Control Agency

Martin O'Malley, Governor • Stephen Martino, Director



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June 13, 2013

Mr. Thomas J. Barnickel III, CPA
Legislative Auditor
Office of Legislative Audits
301 West Preston Street, Room 1202
Baltimore, MD 21201

Dear Mr. Barnickel:

Enclosed are the Maryland Lottery and Gaming Control Commission's (MLGCC) responses to the Performance Audit Report on the Video Lottery Operation Licensees - Minority Business Participation for calendar year 2011. As required, a copy of our responses will be sent electronically to your office.

If you should have any questions or require any additional information, please contact James Butler, Director of Legislative & Policy Affairs, Maryland Lottery and Gaming Control Agency (MLGCA) at (410) 230-8781 or jbutler@maryland.gov.

Sincerely,

Stephen L. Martino
Director

c: Kimberly Robertson Pannell, Chair, Maryland Lottery and Gaming Control Commission
Gina M. Smith, Deputy Director/CFO, MLGCA
Jackie Vincent, Director Gaming Research and Chief of Staff, MLGCA
Robert Fontaine, Principal Counsel, MLGCA

Maryland Lottery and Gaming Control Commission (MLGCC)
Responses to Performance Audit Report on Video Lottery Operation Licensees
Minority Business Participation

Establishment of Minority Participation Requirements

OLA Finding 1

Maryland Lottery and Gaming Control Commission (MLGCC) has not established amended minority participation goals for the video lottery terminal (VLT) licensees.

OLA Recommendation 1:

We recommend that the MLGCC establish amended minority participation requirements for each VLT licensee and implement appropriate waiver provisions.

MLGCC Response 1:

The MLGCC concurs with the auditor's finding and recommendation. MLGCC agrees to continue establishing amended minority participation goals where appropriate and, if needed, waiver provisions of the participation goal. The MLGCC has developed a goal setting process for establishing the Minority Business Enterprise (MBE) participation goal and subgoals for the Video Lottery Operation Licensees. As noted in the audit report, the MLGCC completed setting the MBE participation goal and subgoals for the construction phase of the Horseshoe Baltimore Casino project, plans to establish the MBE goal and subgoals for the construction phase of the Rocky Gap Casino project, and will develop amended goals and subgoals for the other project phases at the existing casinos.

Reported Minority Participation

OLA Finding 2

GOMA did not adequately monitor and report on video lottery licensees' minority participation. Also, MLGCC did not review the reported information to ensure that it was complete and accurate.

OLA Recommendation 2(c):

We recommend that

- c. MLGCC ensure the minority participation results it receives from GOMA are reasonably complete and accurate (repeat), and in particular, that the results include all licensee activity for the full year.

MLGCC Response 2(c):

The MLGCC concurs with the auditor's finding and recommendation. To the extent possible, the MLGCC will continue to verify that minority participation results it receives from GOMA are reasonably complete and accurate, and include all licensee activity for the full reporting period.

OLA Finding 3**Efforts by two licensees to achieve minority participation goals were not reported.****OLA Recommendation 3**

We recommend that MLGCC

- a. report information about all licensees' efforts to achieve minority business participation goals, and
- b. maintain documentation that substantiates the reported efforts of licensees to achieve minority business participation goals.

MLGCC Response 3(a):

MLGCC concurs with the auditor's finding and recommendation. MLGCC will make certain that licensees outline their efforts to achieve minority business participation goals and to report to GOMA their continued efforts to achieve the stated MBE participation goal.

MLGCC Response 3(b):

MLGCC concurs with the auditor's finding and recommendation. MLGCC understands that in the past, licensees have hosted and/or attended MBE outreach events, developed relationships with MBE trade associations, and included MBE provisions in contracts with prime contractors that flow down to subcontractors, all of which should be documented to demonstrate and substantiate the licensees' efforts to achieve the MBE participation goal. MLGCC and GOMA will determine if the licensees can develop additional efforts in this area and require licensees to forward supporting documentation of their efforts to the MLGCC, through GOMA, so that the same information can be maintained for reporting purposes.



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ZENITA WICKHAM HURLEY
Special Secretary

June 14, 2013

Mr. Thomas J. Barnickel III, CPA,
Legislative Auditor
Office of Legislative Services
301 West Preston Street
Baltimore, MD 21201

Dear Mr. Barnickel:

Pursuant to the procedures set forth by the Joint Audit Committee Policy on Agency Response to Reports issued by the Office of Legislative Audits, I am providing the attached response to the Legislative Auditor's Draft report dated May 2013. The Governor's Office of Minority Affairs was audited on information submitted to the Maryland Lottery and Gaming Control Commission regarding the attainment of minority business participation goals by video lottery operation licensees and related activities for Hollywood Casino Perryville in Cecil County, the Ocean Downs Casino in Worcester County and the Maryland Live! Casino in Anne Arundel County during calendar year 2011. An electronic version of this response has been sent to your office via email at response@ola.state.md.us under the file name (GOMA Response OLA-VLT Audit.doc).

If you or members of your staff have any questions or need additional information, please do not hesitate to contact me directly.

Sincerely,

Zenita Wickham Hurley
Special Secretary

Attachments

Finding 1

Maryland Lottery and Gaming Control Commission (MLGCC) has not established amended minority participation goals for the video lottery terminal (VLT) licensees.

OLA's Recommendation 1

We recommend that the MLGCC establish amended minority participation requirements for each VLT licensee and implement appropriate waiver provisions.

GOMA's Response 1:

GOMA concurs with the auditors' findings for the time period covered by the audit (calendar year 2011) and provides the following as background. In 2011, after questions were raised regarding the MBE goal-setting process for casinos, the State determined that it needed to take steps to use its disparity study data to more narrowly tailor the goals consistent with constitutional standards. In consultation with GOMA, local jurisdictions, and other State agencies, as appropriate, MLGCC has finalized the development of a goal-setting process. In a letter dated May 7, 2013, MLGCC informed CBAC Gaming, LLC (Baltimore Horseshoe Casino) of its MBE participation goal for the construction phase and the applicability of the MBE waiver provisions. GOMA will continue to support MLGCC in its efforts to finalize the remaining MBE participation goals for the other phases and facilities.

Finding 2

GOMA did not adequately monitor and report on video lottery licensees' minority participation. Also, MLGCC did not review the reported information to ensure that it was complete and accurate.

OLA's Recommendation 2 (a)

We recommend that GOMA verify the completeness and accuracy of total expenditure data reported by the licensees.

GOMA's Response to Recommendation 2 (a)

GOMA concurs with the auditor's finding and recommendation. GOMA notes that, based on feedback from OLA staff during the 2011 Performance Audit Report and to ensure completeness and accuracy of expenditure data, GOMA changed its procedures to begin receiving reports from the licensees containing itemized financial information from their respective financial systems. GOMA analyzes this data to establish total expenditure data and determine any allowable exemptions. GOMA also reviews MBE payment information from reports submitted to GOMA by the MBE subcontractors for this purpose. GOMA will work with MLGCC to determine a practicable method of independently verifying the accuracy of the data submitted by the licensees.

OLA's Recommendation 2 (b)

We recommend that GOMA report to MLGCC the complete licensee minority participation information, including both construction and operations activity, for the full annual reporting period (repeat).

GOMA's Response to Recommendation 2 (b)

GOMA concurs with this finding and recommendation. In a subsequent report, GOMA plans to report the design, development and construction expenditures for Ocean Downs and Perryville for calendar year 2011. GOMA will also report revised 2011 operations expenditures for Perryville that include January and February 2011 data. Although the auditors were correct in noting that the January 2012 VLT MBE report did not include data for December 2011, this data was incorporated into the VLT MBE report dated October 16, 2012 that covered the period from December 2011 through June 30, 2012.

Finding 3**Efforts by two licensees to achieve minority participation goals were not reported.****OLA's Recommendation 3****We recommend that MLGCC**

- a. report information about all licensees' efforts to achieve minority business participation goals, and**
- b. maintain documentation that substantiates the reported efforts of licensees to achieve minority business participation goals.**

GOMA's Response to Recommendations 3 (a) and 3 (b)

GOMA will work with MLCGG to develop procedures to collect information on the licensees' efforts to achieve the MBE participation goals. With regard to the statement: "GOMA has advised that, since by law, the MLGCC is responsible for evaluating licensees' efforts to achieve minority business participation goals, GOMA may discontinue contracting for these services when the contract expires later this year," GOMA notes that its contract with the firm that assists with the monitoring of licensees' MBE participation expires in June 2013 (for Ocean Downs, Maryland Live, and Perryville) and in November 2013 (for Rocky Gap and Baltimore Horseshoe), and is unrelated to any of the issues discussed in this finding.

AUDIT TEAM

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