

2006
Annual Report

AZ Department of Gaming

Message from the Director

On behalf of the Arizona Department of Gaming ("ADG"), I am pleased to submit the Department's Annual Report for Fiscal Year 2006.

The Department of Gaming partners with Arizona's Indian Tribes to oversee Indian casinos in the state under the Tribal-State Gaming Compacts. ADG has 107 full-time employees, including 34 AZPOST-certified peace officers and 18 auditors. Department staff includes former and retired police officers and law enforcement agents, certified public accountants, certified fraud examiners, auditors, attorneys, slot machine technicians, and others.

In addition to our work overseeing Indian casinos, the Department is also charged with providing programs for the treatment and prevention of, and education concerning, problem gambling. This is done through the Office of Problem Gambling, which is a part of the Department.

ADG is funded entirely by the gaming industry. No taxpayer funds (i.e., State General Fund revenue) are used by ADG. The Department had an appropriated budget of \$11.7 million in Fiscal Year 2006, which included \$1.8 million allocated for problem gambling.

During Fiscal Year 2006, the Department continued to work hard to strengthen its existing partnerships and develop new partnerships in order to protect the public and ensure the integrity of gaming. Our working partnerships with Tribal Gaming Offices ("TGOs") are critical pieces in achieving those goals. TGOs are the Tribal on-site regulators and have primary authority for regulating casinos. We interact with TGOs on a daily basis, sharing information and support. This regular, on-going interaction between ADG and Tribal regulators helps ensure that potential problems are addressed quickly to protect the integrity of gaming. In addition, the Department has been asked to attend meetings of the Arizona Tribal Gaming Regulators Alliance to report on the Department's activities.

The Department also meets regularly with representatives of the Arizona Indian Gaming Association ("AIGA"), whose membership includes 19 of Arizona's 22 Tribes. This ongoing relationship has been an extremely positive factor in addressing issues as they arise and ensuring that regulation continues to meet the needs of the ever-changing industry. As an example of the success of this relationship, during Fiscal Year 2006, the Department and AIGA representatives completed negotiations to update the security and surveillance requirements that apply to Arizona casinos.

In addition, the Department has established a new partnership with the United States Attorney's Office in Phoenix. In order to meet the State's obligation under the Tribal-State Compact to provide resources for prosecuting criminal activity at casinos, the Department has agreed to fund a federal prosecutor to work full-time on crimes occurring at casinos. The United States Attorney's Office has also agreed to provide training to Tribal and State personnel. The enhanced criminal prosecutions resulting from the United States Attorney's Office commitment to this agreement will have a deterrent effect on would-be violators. This unprecedented agreement could only have been accomplished with the support and cooperation of Arizona's Tribes.

The Department has also become a member of the newly formed Indian Gaming Working Group, created to improve oversight of Tribal casinos and encourage the sharing of information. The Indian Gaming Working Group is comprised of ADG, the United States Department of Justice, the Federal Bureau of Investigation, the National Indian Gaming Commission, the Bureau of Indian Affairs, the Internal Revenue Service, the Treasury Department, and the Department of the Interior. The group meets regularly to make sure that, when it comes to oversight of gaming, "all our radios are on the same frequency." Additionally, the Department meets monthly with representatives of the National Indian Gaming Commission's Southwest Regional Office in Phoenix.

Industry analysts call Arizona's Tribal gaming regulation "a model plan" for the country, the *Arizona Republic* reported. The Department of Gaming is proud of its partnership with Arizona's Tribes, which has set the highest standard for gaming regulation.

Paul A. Bullis
Director

Our Mission Statement

Protect the public,
ensure compliance with gaming compacts,
and regulate the gaming industry

Our Diversity Statement

The Arizona Department of Gaming believes in creating and maintaining a diverse work environment. The Department is committed to recruiting, developing, retaining, and advancing qualified employees regardless of race, color, religion, gender, age, disability, or national origin. The Arizona Department of Gaming promotes a work environment in which all employees are treated with trust, respect, and dignity.

Background on American Indian Gaming in Arizona

Gaming in Arizona is governed by the Tribal-State Gaming Compact between the State of Arizona and 21 of the State's 22 Tribes. The Compact and its appendices specifically set forth the types of permitted games, establish technical standards for the gaming machines, contain minimum internal control standards to be applied in the operation of casinos, authorize the State to inspect casinos, and mandate background investigations and licensing of casino employees and vendors. The Tribes also agreed to contribute a portion of their gaming revenue to the State, part of which helps pay the Department's operating expenses. In addition to State monitoring, every Tribal casino is regulated by a Tribal Gaming Office (TGO), which is independent of the Tribal casino operation. The TGO is responsible for on-site regulation of all gaming activities.

The current Tribal-State Gaming Compact went into effect in 2003. It lasts for ten years and can be renewed for another ten years. It replaced compacts that were in effect from 1993 to 2003. The State signed a separate Compact with each Tribe.

There are 15 Tribes operating 22 Class III casinos in the State. Class III gaming includes jackpot poker, slot machines (also called gaming devices), blackjack, keno, and off-track pari-mutuel betting. Tribes may transfer some of their slot machines to other Tribes to allow remote Tribes to benefit from gaming without operating their own casinos.

In FY 2006, gross gaming revenue from Indian casinos in Arizona increased 16.6% from the previous year to \$1.79 billion. Gross gaming revenue is the difference between gaming wins and losses, before deducting casino operating costs and expenses. In FY 2006, the Tribes contributed a combined \$91.7 million to the State's Arizona Benefits Fund and to cities, towns, and counties in Arizona. That figure is 25.7% higher than in FY 2005.

There were 12,354 Class III slot machines in operation in Arizona at the end of FY 2006. There were 165 poker tables and 290 blackjack tables; both games have betting limits. Some Tribes also offer live keno, bingo, or Class II (bingo) machines. One Tribe offers off-track pari-mutuel betting.

Tribes in Arizona	22
Tribes with Current Compacts	21
Tribes with Casinos	15
Number of Casino Sites	22
Number of Slot Machines	12,354
Number of Poker Tables	165
Number of Blackjack Tables	290
Number of Casinos with live Keno	10

Note: For the tribal gaming status listing figures for individual tribes, please refer to the Department web site: www.azgaming.gov

Tribal Investigations and Inspections

The Tribal Investigations and Inspections Unit monitors Compact compliance at the casinos by conducting on-site inspections of casino operations and investigating suspected criminal activity. The Unit is comprised of Special Agents, all of whom have previous experience working as police officers and have unrestricted AZPOST (Arizona Peace Officer Standards and Training) certification.

Special Agents at casinos help to ensure that gaming operations are conducted in compliance with the Tribal-State Gaming Compact. Casino-based monitoring allows agents to spend as much time as possible in every casino in the State. On-site inspections of gaming facilities ensures not only that appropriate security and surveillance procedures are in place, but also gives the Special Agents opportunities to spot potential problems and to work with Tribal Gaming Offices and casino officials to correct problems. Special Agents have full access to all casino premises, including the cashiers' cage, money count rooms, back rooms, and video surveillance offices.

TGOs are the on-site regulators in the casinos and have primary responsibility for regulation. The Investigations & Inspections Unit offers input to TGOs and casino operators on issues ranging from parking lot security to the positioning of surveillance cameras in card rooms. This interaction with the TGOs enhances the Department's goal of protecting the public.

During inspections and investigations, Special Agents have access to all of the casinos' surveillance videotapes and records. If a patron has a complaint involving a slot machine or card game, the Special Agents can review the casino's surveillance tapes during their investigation. The Unit also has full access to casino security-related documents, such as sign-in/sign-out sheets for employees accessing the casino vault and daily incident reports that record unusual occurrences in the casino.

The Unit's Special Agents work closely with their counterparts in the casinos' Tribal Gaming Offices to investigate suspected Compact violations and criminal activity. As one example, in FY 2006, the Unit helped a Tribal Gaming Office investigate a casino slot machine employee who defrauded his casino. The probe led to a federal grand jury indictment of the employee. It also prompted the casino to strengthen controls over its financial and accounting systems.

Games and Systems Compliance Unit

The Games and Systems Compliance Administrator reviewed hundreds of casino promotions; slot, blackjack, and poker tournaments; new table games and variations of jackpot poker and blackjack; and other new games to ensure that they comply with the Tribal-State Gaming Compact. These reviews add a measure of protection for the Tribes and players, and the Unit performs them in seven business days or less. In FY 2006, the Unit reviewed and approved 376 promotions and lotteries, 4 blackjack variation games, 144 poker tournaments, 38 slot tournaments, 25 blackjack tournaments, and 4 keno tournaments.

The Games and Systems Compliance Unit keeps up with the latest technology and innovations in the fast-changing gaming industry. Every week, new types of casino games, promotions, and technology are being introduced in the marketplace. In consultation with the Tribes and TGOs, the Unit reviews and analyzes new gaming industry technology to determine if the technology is permitted in Arizona under the Compact. The Unit seeks out new training and educational opportunities to keep up with emerging trends in gaming and gaming regulation.

Gaming Device Compliance Unit

Virtually every slot machine in an Arizona casino is touched by a Gaming Device Compliance Unit Technician each year. The Unit inspected 11,180 slot machines in FY 2006, or approximately 1,000 slot machines each month during on-site visits to casinos. For example, in FY 2006, the Unit inspected and certified each of the 204 new slot machines that one Tribe added to its casino during an expansion. There were 12,354 Class III slot machines in operation in Arizona at the end of the fiscal year.

Technicians make sure that slot machines meet technical standards, are functioning properly, and pay out the percentage wins mandated in the Tribal-State Gaming Compact. Technicians also inspect and certify machines every time a casino installs a new machine, upgrades software on a machine, or converts a machine to a new game theme. The Unit staff physically visits the casinos to observe and certify any changes in hardware or software in gaming devices.

The Unit also conducts random, unannounced spot checks at casinos. Unit technicians inspect the machines, software, and electronic accounting systems to make sure that slot machines pay out their required jackpots and are operating properly. Under the Compact, the minimum payout for slot machines is 80% of wagers during the expected life of the machine. Casinos can pay more than the minimum jackpots if they wish.

After on-site visits, technicians relay their findings to the casino's Tribal Gaming Office and follow up with written findings and recommendations. The Unit works with the TGOs to make certain that all problems are addressed and machines are brought up to compliance.

Additionally, the Unit works with Tribal Gaming Offices to alert the casinos about malfunctions as the Unit becomes aware of them so that casinos can take steps to correct problems. In FY 2006, the Unit developed a system to alert TGOs of gaming device software that manufacturers have taken out of service or that needs to be upgraded.

The Unit also investigates all complaints from casino patrons about a gaming device. The Unit assists in the Department's investigations of alleged wrongdoing at casinos. In FY 2006, Unit technicians worked with a Tribal Gaming Office in a probe of a casino slot technician who used inside knowledge of the casino's slot machine procedures to cheat his employer.

Gaming Device Compliance Unit staff must keep pace with new types of gaming devices and technology that come on the market. New computer technology and software are replacing decades-old technology in some gaming machines. For example, some gaming devices that used to be powered by EPROM (Erasable Programmable Read-Only Memory) chips are being supplanted by machines powered by a computer hard drive. In addition, many games are being run with flash cards, the same type of removable disks used to capture images in digital cameras.

Technicians attend training programs and work closely with an independent testing laboratory to keep up with the latest developments. The Unit also alerts the testing laboratory about defects that could be present in similar machines used in other casinos and in other states. The Unit receives briefings from manufacturers of gaming devices before companies seek to introduce new types of machines in Arizona so that any technical problems can be averted before the machines are installed.

Certification of Gaming Vendors

The Gaming Vendor Certification Unit determines the suitability of companies and individuals doing business with casinos in Arizona. Each company, each principal of a company, and key personnel providing gaming services must undergo a thorough background investigation.

The Unit is made up of Special Agents, Financial Investigators, a Compliance Auditor, and Intake Officers. Vendor certification is valid for two years and may be renewed. The Compact requires the Unit to issue temporary State certifications in 20 days, pending a final determination on State certification.

The Vendor Certification Unit certifies all vendors (other than regulated lending institutions) providing financing to Tribes for gaming facilities, all management contractors engaged by a Tribe to assist in the management or operation of a gaming facility, all manufacturers and distributors of gaming devices, and all persons providing services to casinos in excess of \$10,000 in any one month. The Unit analyzes the type of activity, product, or service to determine whether a company must be certified.

The vendor certification process includes reviews of financial statements and financial background, regulatory history, customer service track record, and other pertinent information. Manufacturers and distributors of gaming devices, playing cards, card tables, and other items used in the play of Class III games undergo a particularly rigorous investigation that includes on-site visits to company headquarters and manufacturing facilities, reviews of company documents including Board of Directors minutes and financial audits, and face-to-face interviews with key personnel (including all of the board members of the vendor company and its parent company for firms providing gaming products or services) and rank-and-file employees. In addition, Tribal regulators are also required to license each of these companies.

The Unit also conducts investigations and takes enforcement action against vendors found to be unsuitable for the gaming industry. The Vendor Certification Unit conducts or assists with investigations of alleged wrongdoing involving vendors.

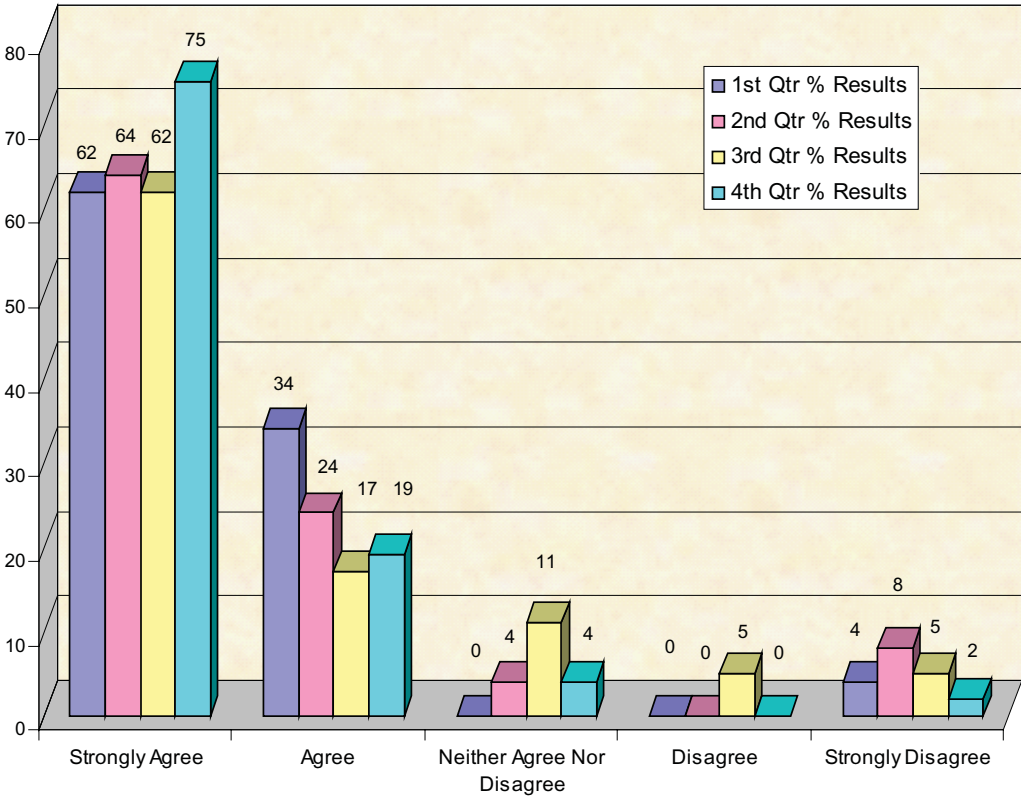
Increasingly, the Unit deals with vendor applications that are becoming more complex and international. With globalization, a growing number of gaming vendors now are affiliated with multinational companies with offices or headquarters overseas. Unit investigations involve not only the vendor's office and factories in the United States, but they often must include reviews and in-person interviews conducted at the vendor's international offices, parent companies, and corporate affiliates.

On-site visits to vendor companies are important to get an understanding of a company and its operations, who controls its day-to-day operations, and its manufacturing and technical standards. For example, personal observations may reveal the level of security and internal controls a gaming device manufacturer employs to prevent anyone from tampering with slot machine equipment sold to casinos.

In Fiscal Year 2006, the Unit made presentations to three Tribes and to the North American Gaming Regulators Association. The Unit has revised vendor certification guidelines and made the certification process more transparent to casinos and TGOs. The Unit has added staff to reduce the turnaround time for processing vendor applications.

Gaming Vendor Certification Unit Survey Results
 Customer Overall Satisfaction with Department Unit
 July 2005 though June 2006

Statement:
 Overall, I was satisfied with my contact with the Department



Certification of Gaming Employees

The Gaming Employee Certification Unit is responsible for doing background checks on employees and prospective employees to ensure that only individuals who are suitable to work in the casino industry are hired. Each employee or prospective employee who provides gaming services must undergo a thorough background investigation. The Unit also conducts investigations on individuals whose suspicious conduct may deem them to be a threat to the public interest and will seek to remove them from the industry.

The rigorous certification process includes criminal background checks, fingerprints, credit history reports, financial background screenings, work history, review of criminal cases or civil litigation, education, personal and professional references, tax records, and other checks. The Unit's reviews of key casino executives are even more exacting. They include in-person interviews conducted by Unit investigators, full reviews of the both the executives' brokerage account transactions and the last three years of tax information, interviews with professional and personal associates, and other items.

In Fiscal Year 2006, the Unit completed background investigations on 1,645 non-Tribal members and 519 Tribal members, totaling 2,164 new employee investigations. Additionally, the Unit completed 4,759 non-Tribal member renewals and 1,603 Tribal member renewal recommendations, totaling 6,362 employees seeking renewal of their State certification and Tribal license.

The Unit works closely with Tribal Gaming Offices to certify employees. Typically, an employee or prospective employee applies for State certification through the Tribal Gaming Office of the casino that wants to employ the person. The TGO will seek certification with the ADG on a non-Tribal employee's behalf, triggering the Employee Certification Unit's investigation. After an initial review, the Unit will issue first a temporary certification, pending the completion of the background investigation or other checks such as interviews or court documents. In Fiscal Year 2006, the Unit averaged 14 days to issue a temporary certification to an employee.

After the full review is complete, the Unit will either issue the person a full State certification, valid for one year, or deny the person a certification. In FY 2006, the Unit averaged 27 days to complete an initial certification for a new employee. Employees must be recertified every year to continue working in casinos.

The Unit averaged 34 days to issue renewals of State certification. If a certified employee is hired by another casino, the new casino must notify the Department of its new hire and confirm the employee's certification status or seek continuation of the employee's certification with the Department.

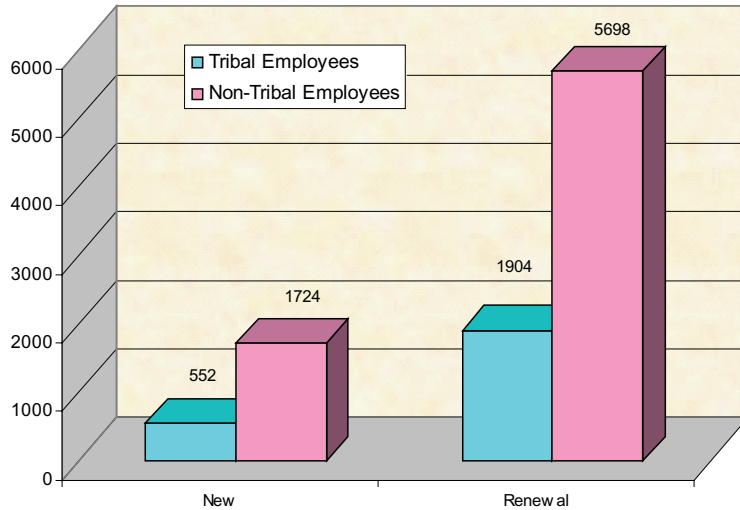
The Employee Certification Unit visits with TGOs to strengthen cooperation, review past practices, and examine ways to improve the regulatory process. It reviews casino incident reports relating either to gaming employee actions or to violations of the Compact or internal controls. In Fiscal Year 2006, the Unit made more than 40 visits to Tribal Gaming Offices to further this effort.

As a courtesy to the Tribes, the Unit also processes fingerprints for employees, such as waitresses and housekeeping personnel, who do not work directly in gaming operations. These individuals are not required to have State certification, but they are required to be licensed by the Tribe. This service helps the Department when it conducts its annual Compact Compliance Reviews relating to Tribal Gaming Offices' obligations to conduct background investigations on Tribal employees and properly issue Tribal employee licenses.

In addition, the Unit conducts investigations and takes enforcement action against individuals found to be unsuitable for the gaming industry. At various times, the Unit has cooperated with and assisted in criminal enforcement investigations concerning casino employees.

In doing its day-to-day work, the Unit uses IDPoint, an electronic gaming regulatory system that includes a complete chronology and details of an applicant's certification and renewals. Records technicians electronically scan all applications, correspondence, and other paper documents into IDPoint, where they are stored for instant reference. The system can also receive electronic copies of an applicant's credit history information from the credit reporting agencies. Additionally, Department employees can enter notes of key events, such as applicant interview dates, into the system. Automating the process speeds the certification process and reduces human errors.

Gaming Employee Certification Unit
Applications Processed July 2005 through June 2006



Off-Reservation Gambling

The Department's Chief Enforcement Officer provides guidance on games conducted outside casinos. These include poker tournaments in bars and other businesses, which may offer these card games to increase customers. The Department fields queries from the public on charitable gambling, which has become a popular way to raise money for non-profit groups, parent-teacher associations, homeowner associations, and other entities. There are strict requirements concerning social and charitable gambling activities in Arizona. Players must ensure that their gambling activities meet the exceptions specified in the *Arizona Revised Statutes*. The Department cooperates with the Arizona Department of Liquor License and Control to inform the public about the rules governing off-reservation gambling so that the public may enjoy these games while complying with the law.

Intelligence Unit

The Intelligence Unit gathers and disseminates information involving threats to gaming operations, patrons, and the public.

Disseminates Data on Suspicious Activities

The Unit gathers data on suspicious or criminal activity from each Tribe and disseminates it to all the casinos in the State. Intelligence bulletins are produced and distributed within 24 hours of receipt of information from a Tribe. By acting as a clearinghouse for Tribal data, the Unit helps all the Tribes better protect gaming operations and the public. Tribes can shift their security and surveillance assets and personnel based on information they receive from the Department of Gaming.

Criminal Data Tracking System

The Tribes supply reports, on a monthly basis, identifying patrons who have been barred or excluded from their facilities for suspicious or criminal activity. These reports are reviewed, summarized, and compiled into data charts. The charts compare criminal activity in the individual gaming facilities to aggregate data on criminal activity for all the gaming facilities in the State. Each Tribe receives the charts so that its Executive Director can take appropriate action and target suspicious activities in its own facilities.

Liaison Between Tribes and Other Agencies

The Intelligence Unit acts as a liaison between the Department, the Tribes, and other law enforcement agencies, such as the Phoenix Police Department and U.S. Immigration and Customs Enforcement. For example, a federal agency might ask the Unit to enlist a Tribe's help gathering information about an alien-smuggling suspect who frequents casinos. The Unit will secure the Tribe's assistance in gathering information about the suspect's presence in Arizona casinos.

Cheating Crimes

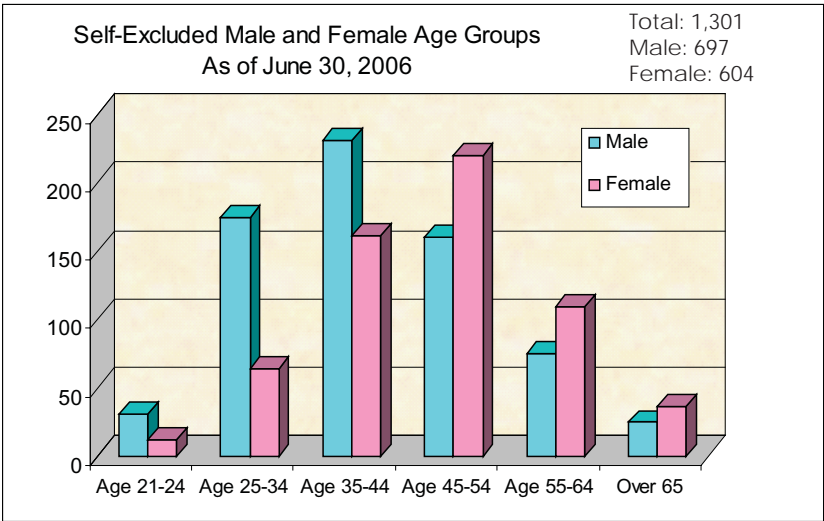
The Intelligence Unit tracks instances of cheating and disseminates bulletins to the Tribes so they can be on guard against suspicious individuals or fraudulent activity. This analysis helps improve security and surveillance. One example of cheating by patrons is "bet capping" at blackjack games, in which a player increases his bet after the outcome of the hand has been determined. In this scheme, a player will surreptitiously place extra chips on his pile while the dealer's attention is diverted. Because each chip represents money, the extra chips will give the player a bigger jackpot win than the original bet.

Counterfeit Currency Tracking

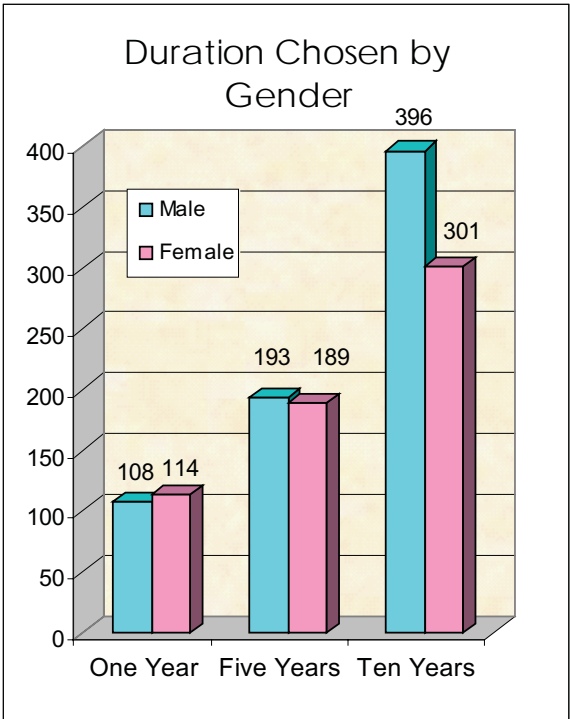
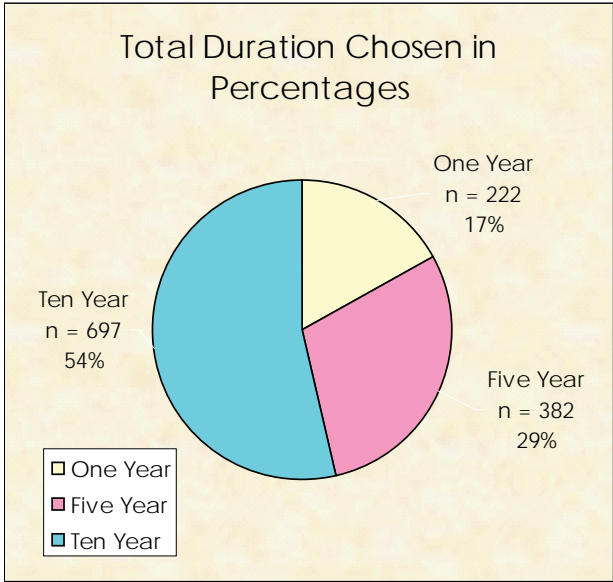
The Intelligence Unit works with Tribes and other law enforcement agencies to track and attempt to curb the circulation of counterfeit currency in casinos. Using information provided by the casinos, the Unit maintains a database of suspicious currency, including serial numbers, and a trail of where that money has traveled. The Unit distributes this information to the casinos, which then can compare the counterfeit reports and currency serial numbers against a suspicious bill that a patron presents to the casino. The Intelligence Unit and the U.S. Secret Service presented a training program to Tribal casinos about how to spot counterfeit money.

Patron Self-Exclusion Process

The Intelligence Unit also plays a crucial role in helping problem gamblers help themselves. The Unit administers a problem gambler self-exclusion program. It compiles and sends to the Tribal Gaming Offices a list of people who have voluntarily chosen to exclude themselves from Arizona casinos. The number of people in the self-exclusion program in Fiscal Year 2006 (1,300 individuals) jumped 45% above the previous year. Individuals can choose to be self-excluded for one, five, or ten years. The list is updated three times per week so that casino officials have the most current information. A patron who is self-excluded cannot collect any winnings or jackpots from a casino. The Unit also works closely with the Department's Office of Problem Gambling to direct patrons to further assistance. The Intelligence Unit has given training sessions about the self-exclusion program to Tribes and out-of-state agencies.



The chart below left represents the percentage of individuals choosing each time period of self-eclusion, and the chart at right indicates the chosen self-exclusion periods by gender.



Audit Unit

The Audit Unit is responsible for auditing the Tribal casinos for compliance with the Compact and Tribal Contributions requirements.

The Audit Unit audits Tribal casinos' compliance with the Tribal-State Gaming Compact and its appendices. These documents contain detailed regulatory, technical, and internal control standards for the operation of Indian gaming. The Audit Unit leads the Department's annual on-site audits of casinos, reviewing hundreds of items covered by the Compact and its appendices ranging from cash handling procedures to video surveillance to casino giveaways of free meals.

Every year, the Audit Unit conducts on-site audits of every casino. These Compact Compliance Reviews last from one to two weeks. The Department's on-site Compact Compliance Review team typically includes 10 to 12 ADG employees who review the casino's performance and procedures. The ADG Compact Compliance Review teams include members from the following Units: Audit, Gaming Device Compliance, Tribal Investigations and Inspections, Gaming Vendor Certification, and Gaming Employee Certification. The team observes casino operations, interviews workers, and reviews casino records and surveillance videos to assess whether the casino is following minimum internal control standards that assure compliance with the Tribal-State Gaming Compact.

In a typical test of a casino's procedures, staff from the Audit Unit review surveillance tapes showing how casino employees replenish chips on a blackjack table. A chip is equivalent to cash. During a game, when a card dealer is running low on the bank of chips at his table, his supervisor will order additional chips and must fill out a form requesting the chips from the casino's cage. The supervisor gives the form to a runner who goes to the cage to pick up the chips. At the cage, the runner and cage cashier must jointly count the chips being requested and sign the request form after verifying the amount. The runner then takes the chips to the table, where the dealer and supervisor again count the chips and sign the form. All of these employees' movements are constantly being recorded on the casino's videotapes. The Audit Unit team will look at past tapes and written records to see that procedures are being followed precisely to account for all the cash, chips, and tickets that flow through the casino every day.

After the visit to the casino, the Audit Unit sends Tribal regulators a preliminary report detailing all the issues that may be non-compliant. The Tribe responds to the report in writing, letting the ADG know the status of any proposed fixes or explaining why it feels justified in following certain practices. Most discrepancies are resolved and brought into compliance by the Tribes during this period. Tribes will explain what steps they take to address the Department's preliminary findings of non-compliance. After follow-up and review, the Department issues a final report to the Executive Director of the Tribal Gaming Office indicating which outstanding issues still have not been resolved. Even after the final report is issued, the Audit Unit continues to work with the Tribe to resolve any remaining issues.

Additionally, the Audit Unit verifies that each Tribe accurately makes its Tribal contributions to the State, cities, counties, and towns. Under the Tribal-State Gaming Compact, Tribes in Arizona that engage in gaming have agreed to contribute 1% to 8% of their Class III net win to programs that benefit the people of Arizona. "Class III net win" means gross gaming revenue, which is the difference between gaming wins and losses, before deducting costs and expenses. Class III gaming authorized in Arizona includes jackpot poker, slot machines, blackjack, keno, and off-track pari-mutuel wagering. Tribal contributions fund education, healthcare, wildlife conservation, and other programs that benefit Arizona residents.

A Tribe's contribution is determined on a sliding scale based on the amount of the Tribe's Class III net win. A Tribe pays 1% in contributions for its first \$25 million in Class III net win, 3% of the next \$50 million, 6% of the next \$25 million, and 8% of the Class III net win in excess of \$100 million.

Tribal Contribution Breakdown

Twelve percent of a Tribe's total annual contribution is distributed by the Tribe to the cities, towns, and counties of the Tribe's choosing. The money is to be used for government services that benefit the general public, including public safety, mitigation of the impacts of gaming, and promotion of commerce and economic development.

Instead of or in addition to contributing money directly to cities, towns, or counties, Tribes may contribute money to the Commerce and Economic Development Commission Local Communities Fund.

The Tribes can make this contribution whenever they choose as long as it is done by the end of their fiscal year. Tribes are required to report their contribution to the Department which verifies the reports.

The remaining 88% of a Tribe's total annual Tribal contribution goes to the Arizona Benefits Fund on a quarterly basis:

- \$8 million or 9% of Tribal contributions to the Arizona Benefits Fund, whichever is greater, goes toward the payment of ADG's regulatory and administrative costs.
- 2% is to be used to fund programs for the prevention and treatment of, and education concerning, problem gambling.

ADG disburses the remaining Tribal contributions in the Arizona Benefits Fund by this formula:

- 56% to the Instructional Improvement Fund administered by the State Department of Education. Every school district receives a portion of this Fund. Disbursement is based on a district's percentage of the total per capita number of public school students in the State.
- 28% to the Trauma and Emergency Services Fund administered by the Arizona Health Care Cost Containment System (AHCCCS).
- 8% to the Tourism Fund administered by the State Office of Tourism.
- 8% to the Arizona Wildlife Conservation Fund administered by the State Game and Fish Commission.

ADG makes an annual report to the public, the Tribes, the Speaker of the House of Representatives and the President of the Senate, and the Governor no later than 90 days after the close of the State's fiscal year. This report contains the following information pertaining to the fiscal year:

- Aggregate gross gaming revenue for all Indian Tribes.
- Aggregate revenues deposited in the Arizona Benefits Fund including interest.
- Expenditures made from the Arizona Benefits Fund.
- Aggregate amounts contributed by all Indian Tribes to cities, towns, and counties.

Tribal Contributions Payments Timeline

Tribes must send their quarterly payment to the State by the 25th day after the close of the Tribe's fiscal quarter. The State received the first quarterly payment under the current Tribal-State Gaming Compact on July 25, 2003 (Fiscal Year 2004).

The Department reports the quarterly and annual Tribal contribution amounts after the Audit Unit's Tribal Contributions Section verifies their accuracy.

The Audit Unit conducts on-site audits of each Tribal gaming operation every year, evaluating internal controls to gain reasonable assurance that the casino is properly accounting for revenue. The Tribal Contributions Section reviews each Tribal casino's operation to ensure accurate financial reporting for each type of gaming activity.

2006 Distribution of Tribal Contributions to Specified Funds

Distribution	Fiscal Year Total
Department of Gaming for administrative and regulatory expenses	\$ 8,000,000.00
Department of Gaming for treatment, education, and prevention of problem gambling	\$ 1,621,758.14
Instructional Improvement Fund	\$ 40,021,044.55
Trauma and Emergency Services Fund	\$ 20,010,522.28
Tourism Fund	\$ 5,717,292.07
Arizona Wildlife Conservation Fund	\$ 5,717,292.07



● - Tribes with Compacts with Casinos

- Ak-Chin Indian Community – Maricopa
Harrah's Ak-Chin Casino
- Cocopah Indian Tribe – Somerton
Cocopah Casino
- Colorado River Indian Tribes – Parker
Blue Water Casino
- Fort McDowell Yavapai Nation – Fountain Hills
Fort McDowell Gaming Center
- Fort Mojave Indian Tribe – Highway 95
Spirit Mountain Casino & Crossing Casino
- Gila River Indian Community – Sacaton
Wild Horse Pass, Vee Quiva, & Lone Butte Casinos
- Pascua Yaqui Tribe of Arizona – Tucson
Casino of the Sun & Casino del Sol
- Quechan Indian Tribe – Yuma
Paradise Casino
- Salt River Pima-Maricopa Indian Community – Scottsdale
Casino Arizona/Salt River & Casino Arizona/Indian Bend
- San Carlos Apache Tribe – San Carlos
Apache Gold Casino
- Tohono O'odham Nation – Sells
Golden Ha:san & Desert Diamond Casinos I & II
- Tonto Apache Tribe – Payson
Mazatzal Casino
- White Mountain Apache Tribe – Whiteriver
Hon Dah Casino
- Yavapai-Apache Nation – Camp Verde
Cliff Castle Casino
- Yavapai-Prescott Indian Tribe – Prescott
Yavapai Gaming Center & Bucky's Casino

★ - Tribes with Compacts without Casinos

- Havasupai Indian Tribe – Supai (Grand Canyon)
- Hualapa Indian Tribe – Peach Springs
- Kaibab Band of Paiute Indians – Fredonia
- Navajo Nation – Window Rock
- San Juan Southern Paiute Tribe
- Zuni Tribe – Highway 180

Financial Services Unit

The Unit prepares the Department's budget, sends monthly invoices to gaming vendors for reimbursement of the Department's investigative costs, and collects the fees the Department charges for employee certification costs. The Unit is responsible for accounts payable, payroll, and other financial functions. The Financial Services Unit works with the Tribal Contributions Section to disburse Tribal contributions to the Arizona Benefits Fund recipients within two days of the Department receiving the money from the Tribes. The Financial Services Unit invests the Department's budgeted money in the State Treasurer's Office account to earn interest, which is then disbursed to the Arizona Benefits Fund recipients at the end of the fiscal year.

The Unit coordinates the Department's fleet of vehicles to maximize efficiency and usage. The fleet coordinator obtained alternative-fuel license plates that permit Department staff to use high-occupancy vehicle lanes, saving the Department travel time.

Many Department employees are required to travel, both in-state and out-of-state, to conduct in-person interviews, visit casinos and vendor companies, meet with Tribal Gaming Offices, and perform other duties on behalf of the Department. Arizona's Indian casinos are scattered throughout the State. Many companies doing business with Arizona casinos are headquartered outside the State, creating the need for Department employees to travel extensively for effective enforcement of gaming regulations. The Department's complex travel requirements are handled by staff in the Financial Services Unit.

In FY 2006, the Financial Services Unit began the search for replacement accounting software because its existing software was, after nine years of use, becoming antiquated and unsupported. The new software will be used to track the Department's vendor billing, purchases, and other financial transactions.

The Unit's Facilities Administration/Procurement staff serve as the facilities administrator for the Department's main office in Phoenix and its satellite offices in Tucson and Flagstaff. In FY 2006, the staff successfully reconfigured the Phoenix office to accommodate additional staff as the Department continued to grow.

Additionally, the Facilities Administration/Procurement staff handle all purchasing and manage contracts for the Department. As an indication of the State's confidence in the Procurement staff, in FY 2006, the State increased the Department's authority to make purchases and execute contracts. After a careful review of the Procurement staff and their procedures, the Arizona Department of Administration increased the Department of Gaming's purchasing authority to \$100,000 per contract from \$10,000. The new authority will expedite and streamline the Department's purchasing process. In conjunction with the Office of Problem Gambling, the Procurement staff negotiated contracts for treatment services with nine providers and entered into contracts for advertising and training for these services.

Department of Gaming
Revenue and Expenditures

Fiscal Year 2006 Revenue	Enforcement/ Problem Gambling	Certification
Total Revenue	¹ 9,921,758	² 1,921,000
Fiscal Year 2006 Expenditures		
Personal Services	4,356,700	1,099,300
Employee-related Services	1,307,300	318,100
Professional & Outside Services	1,409,300	90,800
In-State Travel	251,700	48,400
Out-of-State Travel	85,900	66,500
Other Operating Expenses	1,826,800	232,100
Equipment	226,700	64,300
³ Transfers	4,000	1,500
Total Expenditures	9,468,400	1,921,000
⁴ Transfer	453,358	

¹ Includes \$300,000 from the Lottery Fund

² Includes \$167,400 from the Tribal-State Compact Fund

³ To the Office of Administrative Hearings

⁴ Pursuant to A.R.S. § 5-601.02, transferred remaining funds to the Department of Education, Instructional Improvement Fund.

Information Technology

The Information Technology Unit is working on improvements to IDPoint to give Tribal Gaming Offices better access to Department data on individuals who have voluntarily excluded themselves from casinos. IDPoint is the Department's electronic licensing and regulatory data system. The upgrade will improve the TGOs' search access to data on self-excluded individuals. Tribes will be able to import self-exclusion data into other casino systems, such as check cashing systems, to better identify self-excluded individuals.

The Information Technology Unit has converted all of the Department's voice and data communications systems to AZNET, the statewide system for telecommunications and data networking services. To improve the Department's document management capabilities and efficiency, the Unit purchased Visual Vault software so that business forms, such as employee time sheets and procurement requests, can be created, transmitted, and approved electronically. The Unit also worked with the Audit Unit to identify its audit software needs. The Information Technology Unit then searched for software to meet those needs, ultimately selecting the PAWS (Pentana Audit Work System) program. The new audit software will enable the Audit Unit to perform its work more efficiently.

Human Resources

The Human Resources (HR) Unit coordinates employee recruitment, assists employees with benefits, facilitates professional development of staff, and assists in resolving Department personnel issues. With the assistance of the Human Resources Unit, several Department employees are working toward college degrees and others are enrolled in the Certified Public Manager Program and the Arizona Public Executives Program. The Unit has taken the lead in the Department's drive to increase the amount of in-house employee training to save on the travel and lodging costs of attending conferences off-site.

The Unit also works to increase minority representation among Department staff by broadening its recruiting drives and attendance at job fairs to attract a larger pool of minority applicants. During FY 2006, the Department of Gaming hired 16 new staff members. Of the new hires, 56% were members of minority groups.

The Unit expanded the duration of public job postings to four weeks from two weeks to increase the number of applicants. The Unit expanded its new-employee orientation to include topics such as procurement, travel rules, use of Department vehicles, and other subjects to educate new hires about state regulations and policies. HR staff increased the frequency of ethics training and also offers the "HR Minute" during the Department's monthly staff meetings.

To improve internal communications and boost employee morale, the Unit started an internal newsletter which all Department employees receive electronically.



ARIZONA OFFICE OF
**PROBLEM
GAMBLING**

The mission of the Office of Problem Gambling, a unit within the Department, is to provide and support problem gambling prevention, treatment, and education programs throughout Arizona. The Office reaches out to the public to increase awareness of problem gambling. It coordinates the training of licensed counselors throughout the State who work under contract to treat people with gambling problems and those affected by another's gambling problem. No one is turned away from treatment because of inability to pay. Clients are encouraged to contribute to treatment costs and many do.

Helpline

The Office of Problem Gambling sponsors a toll-free hotline (800-NEXT-STEP) for problem gamblers, family members, and others seeking help. In FY 2006, 1,012 people called the helpline, marking a 31% increase over FY 2005.

Treatment

During FY 2006, 653 clients received treatment from counselors under contract with the Office of Problem Gambling (OPG). This represents an 18% increase in the number of people treated from the previous year. In the Phoenix area, new treatment locations were added in Glendale, Ahwatukee, and Mesa. Another was added in Tucson. In addition, two Spanish-speaking counselors began providing services.

Training

The Office provided 72 hours of basic and advanced training to behavioral health counselors during FY 2006. All licensed behavioral health counselors in the State received a direct mailing inviting them to attend. The Office of Problem Gambling has sponsored or participated in professional conferences for social workers, substance abuse counselors, and marriage and family therapists. To provide information about detecting gambling problems, OPG has also participated in parades and has staffed booths at community fairs and other events. In addition, OPG has presented programs at the Arizona Indian Council on Aging Conference, the International Conference on Gambling and Risk Taking, and the Southwestern Indian Gaming Conference Expo, and other venues.

Partnerships

OPG worked with the State Lottery to include problem gambling messages on the video terminals placed at 2,300 lottery ticket sales locations.

The Arizona Criminal Justice Commission agreed to include gambling questions for the first time on the Youth Survey it administers every other year to middle school and high school students. Schools, parents, and counselors can use the resulting data both to learn how much kids are gambling and how to combat the problem in their communities. OPG also presented a Continuing Legal Education seminar for the Arizona State Bar regarding the legal aspects of problem gambling. Lawyers learned to ask clients about whether gambling played a role in legal issues like bankruptcy, divorce, child support, or criminal charges.

Tribal casinos have increased their commitments to display information, flyers, and messages about problem gambling on their premises. They post the (800) NEXT-STEP helpline number at all casino entrances and exits. FY 2006 statistics reveal that, for the first time, information posted in casinos is the #1 way callers learned about the helpline.

Website

The OPG website (www.problemgambling.az.gov) provides information on getting help and finding counselors. During the past year, all treatment provider materials were posted on the web, including contract procedures, applications, and billing forms.

Strategic Plan

The Office of Problem Gambling adopted a five-year strategic plan for carrying out its mission to provide and support problem gambling prevention, treatment, and education programs throughout Arizona.

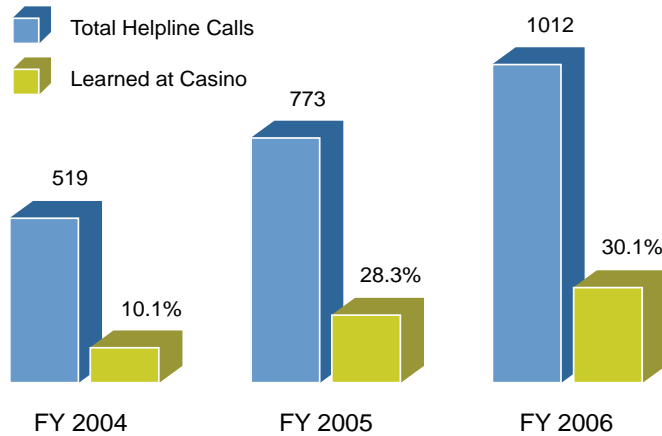
Statewide Marketing and Advertising Campaign

A statewide campaign focused on the warning signs of problem gambling reached millions of Arizonans through billboards; radio spots; print, theater, and bus shelter ads; and a paycheck stuffer for all State government employees. OPG also distributed thousands of pieces of literature to casinos, schools, and colleges, and at behavioral health conferences, fairs, and gatherings of all sorts—including the Department of Administration’s job fair.

Media Appearances

The Office issued press releases on various problem gambling topics, including youth gambling, sports betting during the Super Bowl and March Madness, National Problem Gambling Awareness Week, and gambling by sports celebrities. These resulted in interviews with Office of Problem Gambling experts on all Phoenix network TV affiliates and on multiple radio and TV stations. OPG staff members were quoted in the *Arizona Republic*, *East Valley Tribune*, *Tucson Citizen*, and other Arizona newspapers. The Director of the Office of Problem Gambling has appeared four times on TV personality Pat McMahon’s talk show.

1.800.NEXT STEP Helpline Calls



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