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PENNSYLVANIA GAMING CONTROL BOARD

PENNSYLVANIA STATE MUSEUM BUILDING  
300 NORTH STREET  
AUDITORIUM  
HARRISBURG, PENNSYLVANIA

WEDNESDAY, DECEMBER 15, 2004, 9:15 A.M.

BEFORE:

THOMAS DECKER, CHAIRMAN  
MARY DiGIACOMO COLINS  
WILLIAM P. CONABOY  
JEFFREY W. COY  
KENNETH T. McCABE  
JOSEPH W. MARSHALL, III  
SANFORD RIVERS  
GREGORY C. FAJT, SECRETARY OF REVENUE  
DENNIS WOLFF, SECRETARY OF AGRICULTURE  
BARBRA HAFER, TREASURER OF COMMONWEALTH  
PENNSYLVANIA

RAMONA L. DEVLIN  
REPORTER-NOTARY PUBLIC

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1                   CHAIRMAN DECKER: Good morning. I'm going  
2 to call the meeting to order. A quorum is present of  
3 the Directors, since they are all here. Also,  
4 Secretary Fajt and Secretary Wolff are here, as well.

5                   Our first order of business will be the  
6 pledge of allegiance.

7                   (Pledge of Allegiance.)

8                   CHAIRMAN DECKER: Thank you. Our first  
9 presenter today will be Tom Sterling, who's President  
10 of Information Systems Group, Inc.

11                   He's going to talk about some of the  
12 options that exist for how we, as a Board, will  
13 structure areas of responsibility mandated by the  
14 Gaming Law.

15                   Tom has been working with gaming  
16 consultants to help research best practices from other  
17 jurisdictions. He will, this morning, tell us about  
18 the alternatives that exist for structuring background  
19 investigations and security and surveillance.

20                   Particularly, I want to emphasize that Tom  
21 has been very helpful in reviewing the options. Like  
22 I said yesterday, these are options that are being  
23 teed up for the Board to make some decisions about --  
24 no decisions have been made at all on these matters.  
25 Tom.

1                   MR. STERLING: Thank you very much,  
2                   Chairman Decker and Members of the Board. As Chairman  
3                   Decker said, my name is Tom Sterling. I'm with  
4                   Information Services Group.

5                   And one of the interesting things about our  
6                   role in this project is we are not gaming experts. We  
7                   are business system designers, and involved in  
8                   business process reengineering.

9                   One of the things that we have been able to  
10                  do is to be, kind of, outside the gaming process. To  
11                  stand outside the gaming industry and to take a look  
12                  at and assess what makes sense in terms of meeting the  
13                  -- in our case -- surveillance and security goals, and  
14                  meeting the integrity goals in looking at background  
15                  investigations.

16                  So what I'm going to present to you here is  
17                  not through the eyes of an experienced regulator, but  
18                  from somebody who, sort of, like yourselves, is coming  
19                  into this new.

20                  Now, we have been working on this now since  
21                  September, actively since September. So I've learned  
22                  a lot. And I think I can give you a fair and balanced  
23                  assessment of what are the alternatives to meet the  
24                  objectives of the Gaming Board.

25                  Let's take a look at background

1 investigations. What we are going to do is really go  
2 through and answer some basics questions about  
3 background investigations.

4 And the first thing is, who is  
5 investigated? Who are we actually going to be looking  
6 into, whose backgrounds? What is examined?

7 We are also going to look at how it's  
8 examined. And at the end, we are going to talk about,  
9 well, who can do it? And that's really where we get  
10 into exploration of alternatives.

11 The Act identifies several parties that  
12 must be investigated. And those are, of course, the  
13 slot gaming licensees. And that includes category  
14 one, category two, and category three licensees.

15 In addition, it requires the background  
16 investigation of slot machine manufacturers and  
17 suppliers. It also requires background investigations  
18 on key employees and qualifiers.

19 We are going to define those terms here in  
20 a couple of minutes. In addition, at the Board's  
21 discretion, other background checks may be required,  
22 and other licenses and permits may be required.

23 And, specifically, those parties would be  
24 non-gaming vendors. That is, companies that are not  
25 in the business of providing slot machines or slot

1 machine related services; but that are in the business  
2 of catering and so on, and also non-gaming employees.

3 Let's define some terms. Slot machine  
4 licensees are the businesses that are set up to  
5 operate slot gaming facilities in the Commonwealth of  
6 Pennsylvania.

7 As I mentioned before, there are three  
8 categories. The background investigation on these  
9 firms is extensive. Right now, we are in the process  
10 of working on the forms.

11 They are 50 pages plus for the firm itself,  
12 for the business entity itself; and 60 plus pages for  
13 each key employee. So you are talking about a huge  
14 volume of information that they provide as input to  
15 the background investigation process.

16 The background investigation process's  
17 purpose is to verify and corroborate the information  
18 provided by the applicants.

19 In addition to the slot machine firms  
20 themselves, or the slot machine operators, the Act  
21 requires a licensing and background investigation of  
22 manufacturers and suppliers of slot machines.

23 And just like slot machine operators, their  
24 key employees. And qualifiers must also be  
25 investigated. Let's define some terms. I mentioned

1 earlier that we would define some terms.

2 Key employees are individuals who have  
3 discretionary and policy decision making power over  
4 the operation of the slot gaming facility. So,  
5 typically -- and there's a list of those types of  
6 positions here.

7 And those are named in the Act. But any  
8 party involved in the operation of a slot gaming  
9 facility in the Commonwealth that has discretionary  
10 decision making power is a key employee.

11 One of the things to be a little bit  
12 cautious about is, as you start to name names or label  
13 things, you have to be very careful to make sure that  
14 those positions, and what they do, are well-defined.  
15 Or you may be impacted by somebody submitting an  
16 application saying, well, my title didn't match that,  
17 so it's not a key employee.

18 So the key test is policy and discretionary  
19 decision making power within the casino operation --  
20 slot game and operation.

21 Qualifiers. Section 1311 of the Act  
22 identifies the following parties as qualified for  
23 licensure as key employees. And the difference is  
24 these individuals are people that have influence over  
25 the business, either because they own more than five

1           percent -- and there's a notion of controlling  
2           interest in the Act -- or because they are corporate  
3           officers and directors.

4                       They are not part of line management in the  
5           operation of the slot machine facility. But they do  
6           have influence, and they do have the ability to make  
7           decisions.

8                       These are people either on the debtor side  
9           or the creditor side or on the equity side that have  
10          significant influence over the holding company or the  
11          parent of the slot machine operator.

12                      Let's talk a little bit about the gaming  
13          employees. Gaming employees are individuals who,  
14          typically, will be able to physically touch a slot  
15          machine. They are going to handle money.

16                      They are going to be involved in working  
17          with the information technology systems involved in a  
18          slot machine facility. They are the people -- they  
19          don't have discretionary decision making capability.  
20          But they are there; and they do have access to money,  
21          slot machines, games and so on.

22                      That's the definition of a gaming employee.  
23          Same issue I mentioned before applies here. As we  
24          look at how you define gaming employee, it's important  
25          to understand not just their titles. But what are the



1 tests you would apply to determine what they are  
2 involved in; like I said, physically touching machines  
3 and dealing with money and so on.

4 So that's important because each of these  
5 are named parties in the Act that need to be  
6 investigated and vetted before they are granted a  
7 license or permit.

8 I'd like to talk a little bit now about the  
9 background investigation process. This is a flow  
10 chart -- and being a systems guy, I like flow charts;  
11 so bear with me.

12 This is a flow chart that presents  
13 background investigation in the context of the overall  
14 licensing process. And here, the background  
15 investigation piece is highlighted in dark blue.

16 And what this does, it gives you a sense of  
17 the context because background investigation, as a  
18 process, doesn't happen in a vacuum.

19 Applicants submit applications. There is  
20 an application intake process. There's a review for  
21 completeness process. If it's not complete, it goes  
22 back to the applicant.

23 There's also, if the person is a key  
24 employee or a slot machine gaming employee, there is  
25 also fingerprinting activity going on.

1                   And that is done by the State Police; in  
2                   order to make sure that there is no outstanding  
3                   warrants or no criminal history information.

4                   Once an applicant is cleared through that  
5                   process, they enter the background investigation  
6                   process. And we are going to go into that in  
7                   excruciating detail.

8                   Let's take a look at what happens after the  
9                   background process. After the background process is  
10                  complete, there's a legal review and recommendation.  
11                  There's then a decision that needs to be made.

12                  That's made by the Board. As we discussed  
13                  yesterday, that may be made by an administrative  
14                  hearing process, or it may be made by the Board  
15                  itself.

16                  And those are the things you will decide,  
17                  in terms of how you want to organize that process.  
18                  But in each case, it's the Board that has the  
19                  authority to grant or deny the license, based on  
20                  information obtained through the background  
21                  investigation process.

22                  If the license is granted, it goes into the  
23                  issue license process. If the license is not granted,  
24                  then you get involved in administration hearing and so  
25                  on. And, again, the idea here is to just give you a

1 sense of the context.

2 Now, there's one issue I do want to bring  
3 up; and we didn't talk about it yesterday. But the  
4 Bureau of Investigation and Enforcement has a unique  
5 role to play in this process because in the Act,  
6 Section 120717, there's a distinction drawn between  
7 the role that BIE, Bureau of Investigation and  
8 Enforcement, plays, and the role that you folks play.

9 And the difference is, when you do a  
10 background check and you do a legal review, BIE is  
11 acting as an advocate for supporting that finding.  
12 They are going to be making a recommendation.

13 They don't make the decision. That's up to  
14 the Board. One of the things that it calls for in the  
15 Act is the idea that the Board shall promulgate  
16 regulations pertaining to the operation of the Bureau  
17 which shall ensure separation of functions between the  
18 Bureau and the Board.

19 The point here is that, from an  
20 organization standpoint, you actually have two parts  
21 to the Board in what you are doing. BIE is -- yes?

22 BOARD MEMBER McCABE: Where do you see the  
23 Pennsylvania State Police in this? They are also in  
24 the Act and responsible for background investigations.

25 MR. STERLING: Absolutely. They are; and





1 State Police are absolutely involved. In terms of the  
2 process, as you step through it, and think about this  
3 as control points, the BIE attorney has to be involved  
4 only from the standpoint that you need a legal opinion  
5 of some sort before you get the decision.

6 BOARD MEMBER McCABE: So what I understand  
7 then, what you're saying is, if the State Police are  
8 involved in these background checks, you are saying  
9 that we should have a process where their background  
10 checks go before a BIE attorney or the Board attorney?

11 MR. STERLING: It doesn't go before, in the  
12 sense of a judgment sense. It does go or it should go  
13 in the sense it needs legal review of some sort.

14 Because you are going to be -- when you get  
15 these things back, I don't know how high the paper  
16 will go. You are talking about a ton of information.

17 And one of the things that we are going to  
18 talk about is this. But you need to have that  
19 information distilled and organized, so that you can  
20 make a decision.

21 Before it's distilled and organized, you  
22 need to have it reviewed by an attorney to make sure  
23 that you got the right facts, it's represented in the  
24 right way, and so on.

25 Because you can get into a lot of

1           litigation and things that you would rather avoid in  
2           this process, because you are talking about denying --  
3           possibly denying somebody their right to work or the  
4           right to enter into this marketplace; and that's not  
5           going to be a pain free, non-contentious process.

6                       CHAIRMAN DECKER: Tom, can we just go over  
7           this one second?

8                       MR. STERLING: Sure.

9                       CHAIRMAN DECKER: Let me back up a little  
10          bit. It seems to me that when we are talking about  
11          the State Police and BIE, we are talking about one  
12          group working together? Wouldn't you say that?

13                      MR. STERLING: Absolutely.

14                      CHAIRMAN DECKER: So whoever -- the work  
15          gets divided up in any of the functions, it is going  
16          to come up and somebody is going to manage the  
17          process.

18                      And there is going to be a lawyer who is  
19          going to review this stuff. And I think that's part  
20          of the organizational chart we looked at yesterday.

21                      MR. STERLING: Yes.

22                      CHAIRMAN DECKER: That was one of the  
23          suggestions. That there is someone, who a substantial  
24          part of their time, would be spent working on this  
25          process of licensing and reviews and so forth.

1 MR. STERLING: Yes.

2 CHAIRMAN DECKER: Okay. Particularly, at  
3 the beginning, I would think it would be a major  
4 process. If someone gets approved, I don't know after  
5 that; and the Board looks at it and -- the  
6 recommendation is to approve, the Board looks at that,  
7 consents to that, then someone is approved, I would  
8 presume after that, the issue is over.

9 I don't know that anybody is going to  
10 appeal that. It's nothing to appeal. But if they are  
11 denied, and would -- I guess the regs will talk about  
12 a right of appeal; correct?

13 MR. STERLING: Yes.

14 CHAIRMAN DECKER: To some entity. And that  
15 may be us or be under our Hearing Examiners; one or  
16 the other, depending on the level, I would presume.

17 We will have to talk about that. After  
18 that, we -- if there's a hearing, there's a hearing;  
19 and evidence would be presented on both sides.

20 And then the Board, or the Hearing Examiner  
21 first and then the Board, subsequently, will make a  
22 decision; correct? Am I restating this properly?

23 MR. STERLING: Yes, absolutely.

24 CHAIRMAN DECKER: Thanks. I just wanted to  
25 make sure I was clear on that.



1                   MR. STERLING:  And the idea is you want a  
2                   legal vetting --

3                   CHAIRMAN DECKER:  We understand.

4                   MR. STERLING:  -- of the decisions.  Again,  
5                   the level of effort -- we are going to talk about --  
6                   is very different.  Because gaming employees, you are  
7                   going to be dealing with thousands of those.

8                   You are not going to have the same level of  
9                   intensity that you do for gaming operators,  
10                  manufacturers and key employees.

11                  CHAIRMAN DECKER:  Sure.  Understood.

12                  MR. STERLING:  And also, your likelihood of  
13                  litigation and the intensity of any contest you enter  
14                  into with them is going to be a lot less with an  
15                  employee.  Okay?

16                  So I just wanted to bring that up because  
17                  it was one of the things I think is fundamental in the  
18                  Act.  And it's relevant to what we are doing here  
19                  because when you look at background investigations;  
20                  you want to know where you are coming from, and where  
21                  you are going.

22                  With that context in mind, we'll move on  
23                  into talking a little bit about the input.  The  
24                  primary input into the background investigation  
25                  process is all those forms we are working on.

1                   We are at, right now, total, about 110  
2                   pages or so between the one key employee form and one  
3                   business entity form. And for each key employee, you  
4                   are looking at 60 pages plus a ton of appendices and  
5                   attachments.

6                   So you are talking about a lot of volume.  
7                   In addition to that, there's going to be evidence of  
8                   identity. So any time you are dealing with a person,  
9                   you want to verify their identity.

10                  In addition, you have fingerprints. You  
11                  have other -- you have different sources of  
12                  identification. There are rules that you would  
13                  promulgate to determine what constitutes a good  
14                  positive identity for an individual.

15                  In addition to that, there are going to be,  
16                  as inputs to the decision making process, computer  
17                  data based search results. We are going to talk about  
18                  that, and field investigation findings.

19                  Not everything is available on a computer  
20                  database. As you get into key employees, and  
21                  particularly, if you deal with foreign individuals,  
22                  you are going to have to make some field trips.  
23                  Because a lot of the stuff is not available in US  
24                  based databases.

25                  If you look at the input, this is basically

1 a schematic, shows you all the major components of a  
2 business application package; and includes, in this  
3 case, this example, the manufacturer supplier's  
4 disclosure information form, release authorization and  
5 some of the other pieces of the business piece.

6 And in addition, you are going to be  
7 getting applications and packages for each individual  
8 key employee; okay?

9 Now, I mentioned earlier that there are  
10 different levels of background investigation. And  
11 these are some of the factors that go into making that  
12 determination. One is the amount of discretionary  
13 decision making power an individual has.

14 Another one is exercise -- the extent to  
15 which they exercise influence over the company, either  
16 senior executives or shareholders; the potential to  
17 impair the integrity of slot gaming operations, the  
18 potential to remove cash from the gaming facility  
19 without authorization and proper accounting.

20 And these are all tests that you use to  
21 determine the level of investigation you are going to  
22 do. If you get to looking at the process for key  
23 employees, qualifiers and business entities, it is  
24 exhaustive.

25 It's probably more than you would go

1 through if you went into a security check for the FBI.  
2 They go into everything, personal associations, just  
3 everything. We will talk about that in some detail.

4 For slot gaming employees, you are  
5 typically talking about a much less exhaustive search.  
6 You are going to do, typically, a criminal background  
7 check, see if they have outstanding warrants.

8 You may do some minimal financial  
9 background checking. But as a rule, if they come back  
10 without any derogatory information, they are probably  
11 okay. Your risk level is lower with them because they  
12 don't have that discretionary decision making process.

13 When it comes to non-gaming vendors and  
14 non-gaming employees, that's going to be up to you to  
15 make a decision about how deep you want to go with  
16 those individuals.

17 BOARD MEMBER McCABE: Tom, are you going to  
18 discuss what the other states do?

19 MR. STERLING: Yes.

20 BOARD MEMBER McCABE: You went out and  
21 looked at --

22 MR. STERLING: Yes.

23 BOARD MEMBER McCABE: You are going to  
24 discuss that and compare?

25 MR. STERLING: And I'll be honest with you;

1           there's some you want to follow, and there's some you  
2           don't. We are actually going to talk about that.  
3           Because one of the things that you want to look for,  
4           from a process standpoint, is other jurisdictions,  
5           other regulatory agencies, that have good background  
6           investigation protocols. Collect the data, and you  
7           might find that you can use some of that to supplement  
8           your efforts and save yourself time and money.

9                         Because in the large national gaming  
10           companies, for example, your qualifiers, they are  
11           probably already qualified, if you are dealing with  
12           the Bally's or a really large operation.

13                        The CEO, the officers, the people we would  
14           define as qualifiers, have all probably been  
15           thoroughly vetted already by New Jersey, Nevada. Have  
16           to be because they are operating there.

17                        Let's roll on and take a look at background  
18           investigation information. This is an information  
19           model and it's a lot of technical stuff in here. But  
20           the thing to really pay attention to is the key  
21           subjects of the background investigation, which are  
22           highlighted in blue.

23                        And that would include the key employee.  
24           The white boxes are relationships that you need to  
25           track. And the idea is you are really working with a

1 network. And you are going to start with a key  
2 employee.

3 You are going to look at other individuals  
4 they work with or have relationships with; and you are  
5 going to want to assess the nature of that  
6 relationship.

7 Is there any questionable activity there?  
8 If the individual that they are working with has a  
9 suspicious background, you may have to shift your  
10 focus on that individual and look at their  
11 connections.

12 That's why background investigation is  
13 expensive and time-consuming; because it is not a  
14 closed end process. It requires digging. And if you  
15 find something that may indicate a problem, you need  
16 to dig more and pursue that path.

17 So if you think about the subject that you  
18 are dealing with as a center of a background  
19 investigation, you are going to be going out to each  
20 business organization or each individual they have a  
21 relationship with.

22 And you may have to shine a spotlight on  
23 that individual or organization; because you may find  
24 something there that may indicate a connection with  
25 organized crime or a problem that may impair the

1 integrity of gaming in Pennsylvania.

2 That's why it takes so long. The idea of  
3 this chart is to just give you a sense of the number  
4 and different types of relationships that need to be  
5 investigated in this process.

6 As I mentioned, if you go into New Jersey  
7 and Nevada, they are -- they just do a very, very  
8 thorough job. And they know pretty much everything  
9 about you, things you want your wife to know or your  
10 husband to know. So it is extensive.

11 In terms of -- we are going to talk a  
12 little bit about the process. There's typically going  
13 to be an initial database search and data collection  
14 effort. And one of the things we wanted to do is  
15 start to break out who does what, based on the type of  
16 position.

17 Now, this is where we start to deal with  
18 the State Police role. These are different kinds of  
19 databases. You have media search, which is simply  
20 going out to see are there any articles in the  
21 newspaper, trade press, and so on, about the  
22 individual or business entity.

23 You are going to be looking for liens and  
24 judgments nationwide to see if there's any impairment  
25 on their personal property or corporate property.

1                   You are going to do a bankruptcy check, to  
2                   see if there's any bankruptcy in their background.  
3                   Criminal record checks, that's at that point where you  
4                   really want the police involved in that.

5                   So that's where, now, State Police start to  
6                   get involved. The other things you are going to check  
7                   are SEC databases, to see what the corporate genetic  
8                   heritage looks like.

9                   You are also going to be looking at  
10                  information on intelligence, prior audits, compliance  
11                  audits, prior investigations, and so on. You are  
12                  going to do a tax clearance check with the Department  
13                  of Revenue, Labor and Industry and, of course, the  
14                  IRS.

15                  One of the main databases that's used  
16                  throughout law enforcement, and it's also used in the  
17                  commercial industry, is something called Accurant.

18                  Accurant is an interesting company. And I  
19                  only bring it up here just to show you the kinds of  
20                  information they have available. What Accurant does  
21                  is they will take your identifying information and  
22                  they will enter it and track it through all of these  
23                  different things.

24                  If you look at this, it's just about any  
25                  public record you can imagine. If you own a boat,



1       they will find it. If you own a house trailer, they  
2       will find it. If you own a snowmobile, they will find  
3       it.

4                It is a powerful tool. Any property you  
5       have, UCC filings, anything, they are going to find  
6       it. Now, just because they find it doesn't mean it's  
7       complete and doesn't mean it's correct.

8                So as we talk about the database search, it  
9       still needs to be information that is corroborated.  
10      And that's, again, where you need an experienced  
11      database searcher to access this information and work  
12      with it.

13               And the second slide is just more stuff  
14      that Accurant can provide. So database searching  
15      through Accurant and things like that will provide you  
16      with a very good starting point for your background  
17      investigation.

18               And, typically, if the facts pulled from  
19      the database corroborate and agree with the  
20      information provided on the application form, you are  
21      probably okay.

22               If there's any variance, red flag goes up,  
23      you need to go out and investigate that further. This  
24      is very much a game of hide and seek. And in certain  
25      cases, if somebody has something to hide, they are

1 going to try to hide it from you.

2 One of the things that is important and the  
3 reason to involve the State Police is because they  
4 have the skills needed to go out and dig for that  
5 stuff.

6 So as we talk about different roles and  
7 responsibilities, one of the things we are going to  
8 talk about are the types of skills and things involved  
9 in doing background investigations.

10 Now, we are going to take a look at -- I'm  
11 going to go through these fairly quickly because I'd  
12 like to cover some other issues in a little more  
13 detail. But this is the kind of information that will  
14 be pulled together on a business entity.

15 And the idea of reviewing corporate papers  
16 is you want an insider's look at what's going on in  
17 that company, if there are any legal matters or  
18 things. Maybe they are not published in the SEC  
19 database. You want to know about that because those  
20 are all indications that there may be a problem there.

21 Corporate history profile. You want to  
22 know where that corporation came from, who founded it,  
23 when was it founded, what are the circumstances under  
24 which it was founded? Do they have partners and  
25 shareholders, founders that dropped out?

1                   If they did, why did they drop out? Those  
2                   are all things you want to know. So you really want  
3                   to dig into the origins of that entity.

4                   Additional corporate detail. You want to  
5                   map the applicant's corporate family tree. What are  
6                   their subsidiaries, holding companies, joint ventures,  
7                   any relationship with another business entity? You  
8                   want to map that and understand it.

9                   Now, if you find that that associated  
10                  business entity is free and clear, great. If you find  
11                  there's any question, you got to go dig that out.  
12                  Again, that's why the process is time-consuming,  
13                  requires some patience.                   Surveillance  
14                  department. If you are dealing with a licensed  
15                  facility, and we are going to talk about security and  
16                  surveillance here, right after we get through the  
17                  background investigation.

18                  Surveillance department is absolutely  
19                  essential. And it's essential to protect the slot  
20                  gaming operator from external and internal threats.  
21                  And if there are questions about the integrity of this  
22                  security department, big red flag, you got to go look  
23                  at it very carefully.

24                  Because that's your frontline defense  
25                  against fraud and other things that would impair slot

1 gaming integrity, or would pose a threat to property  
2 and, potentially, safety of people involved in the  
3 gaming venue.

4 Labor relations. Another area needs to be  
5 looked at. You need to look at and consider are there  
6 any labor issues, labor relations issues? What are  
7 the union contracts? What are the terms and  
8 conditions?

9 Those are all things you need to look at.  
10 And I think the sense here is what you are doing is  
11 you are doing a broad sweep to see if there's any hint  
12 of organized crime or any hint of impropriety on the  
13 part of the operator.

14 Consulting contracts and agreement. This  
15 is actually one of those things that is very important  
16 because this is a great way to take money out of the  
17 business, perhaps in a not so legitimate form.

18 Lobbyists. Yesterday, you discussed the  
19 issue of ethics and talked about the need to be very  
20 clear about drawing a -- building a firewall between  
21 the Board and lobbyists. That's really what this is  
22 looking at.

23 So when you look at a potential business  
24 entity, you want to understand what are your lobbying  
25 relationships, what their experience has been in other

1 jurisdictions?

2 Corporate tax filings. The IRS can provide  
3 you with a wealth of information about the tax  
4 experience of a business entity. And that's, also,  
5 important. You need to know that, if there are any  
6 tax liens, federal tax liens? If there are any  
7 issues, audits, anything like that? You want to know  
8 about that.

9 Let's talk a little bit about relationships  
10 with qualifiers. We talked a little bit earlier about  
11 the fact that qualifiers are shareholders, officers  
12 and so on. One of the things you want to do is dig  
13 into that relationship.

14 You want to understand if there are any  
15 questionable deals between officers and the business  
16 entity. Questionable deals would be unusual amounts  
17 of income, things like that.

18 One of the things you can do there is to  
19 pull 13D. Now, all of this information is available  
20 on the Edgar Database. So that's another source of  
21 information.

22 Real estate files. Where are they holding  
23 property? Who do they co-own that property with?

24 Miscellaneous reviews. One of the areas  
25 that you want to take a look at when you are dealing

1 with, again, established gaming operators in other  
2 jurisdictions is how they handle comps.

3 Comps are basically things you get;  
4 merchandise, drinks, meals and so on that you get for  
5 playing there. And the more you lose the more comps  
6 you get, typically. And that's been an area in the  
7 past where there's been some scams running. You need  
8 to be careful of that.

9 If you discover that there are issues  
10 there, it may indicate that there's a problem in their  
11 security and surveillance function. Again, you want  
12 to know that stuff up front.

13 CHAIRMAN DECKER: Can I stop you for one  
14 minute?

15 MR. STERLING: Yes.

16 CHAIRMAN DECKER: When you talk about  
17 qualifiers, I noticed before you mentioned  
18 underwriters and banks, et cetera. What would be the  
19 kind of review people would do?

20 I mean it may be an unfair question for  
21 you. But have you run across something like that? In  
22 other words, if it's a -- assuming it's a public  
23 company and they contract with, you name it, Gordon  
24 Sax or Morgan Stanley, what would the background  
25 investigation go into in that respect? I was just

1           curious.

2                   MR. STERLING: In the law, if it's a  
3           corporate lending institution and they're in the  
4           business --

5                   CHAIRMAN DECKER: Bank America.

6                   MR. STERLING: You don't need to do a  
7           background investigation.

8                   CHAIRMAN DECKER: Okay.

9                   MR. STERLING: Unless you find a reason to.

10                   CHAIRMAN DECKER: For example, if nobody  
11           has ever heard of this group, that kind of thing. Is  
12           that what you mean?

13                   MR. STERLING: Yes. It would be for an  
14           individual that, perhaps, has a lot of leverage  
15           through debt over the operation.

16                   CHAIRMAN DECKER: Thank you.

17                   MR. STERLING: There are some major  
18           shareholders in Las Vegas. I don't want to name  
19           names; but there are some people, individuals, that if  
20           you discover that there's a huge debt instrument  
21           hanging over an operator, you might want to go look at  
22           that.

23                   CHAIRMAN DECKER: Chip.

24                   BOARD MEMBER MARSHALL: As you take us  
25           through this process, it seems to me that on the day

1 the application is issued, you've basically satisfied  
2 yourself; except the next day, all this stuff can  
3 change. How do you maintain and stay current with all  
4 this?

5 MR. STERLING: This is going to require a  
6 significant amount of process engineering; and it's  
7 going to require a database, some kind of a database.

8 And the difficulty is, is it's hard to  
9 predict how you are going to get the information in.  
10 It's likely it will come in in paper form. It could  
11 just as well come in in spreadsheets. So you don't  
12 know how this stuff's going to come into you.

13 So you have, in process reengineering we  
14 refer to that as dirty work, because what happens is,  
15 you don't have a standard form. You have stuff that  
16 comes in; you got to capture it. You can't predict  
17 how it's going to come in; what it's going to look  
18 like.

19 It is an enormous task. It has to be  
20 organized. And this is the same thing you would have  
21 in a large litigation case. It's analogous to that;  
22 where you are going to have to collect lots and lots  
23 of evidence.

24 You are going to have to document it, tag  
25 it and keep track of it.



1                   BOARD MEMBER MARSHALL: But at the same  
2 time, it's only as good as the day you pass on it, and  
3 all this could change. Do we make the grant of the  
4 license contingent upon maintaining compliance or not  
5 running afoul of things?

6                   MR. STERLING: Yes. There's an annual  
7 review process. And when they submit an annual  
8 review, one of the things they have to do if there are  
9 any changes, any material changes in the information  
10 they provided you in their application, they have to  
11 provide that to you on an annual basis. So that's one  
12 way to do it.

13                   Another way, from a security and  
14 surveillance standpoint, is to monitor what's going on  
15 in the marketplace; monitor what's going on in Edgar,  
16 because -- and if they are a public company, Edgar  
17 does a very good job of identifying major litigation  
18 and other things that you might want to keep track of.

19                   Another source is other jurisdictions'  
20 enforcement and law enforcement organizations.  
21 Because something may happen in Nevada, and if you get  
22 an early alert to that, then you can be alert and  
23 start to look into that.

24                   BOARD MEMBER MARSHALL: That was going to  
25 be my next question. Is there some, either formal or

1 informal, reciprocity agreement that Pennsylvania  
2 could participate in; or a pool, that if we found out  
3 something, is there some kind of joint database?

4 MR. STERLING: The only organization that I  
5 am aware of is IAGA, which is the International  
6 Association of Gaming Regulators. And I don't know  
7 that there's a formal pool.

8 I think that we have approached a lot of  
9 jurisdictions, and they have all been wonderful to  
10 work with. There isn't one we talked to that --

11 BOARD MEMBER MARSHALL: We, on behalf of  
12 Pennsylvania?

13 MR. STERLING: Yes. All have been willing  
14 to share their experiences and do it in an objective  
15 way. Because they told us there were some things that  
16 didn't work, and there were some things that did work.

17 And we will try to reflect that here. I  
18 think that in any of these things, you really have to  
19 go in with your eyes open, and be actively looking for  
20 things. Because if you think about integrity, you  
21 think about securing and surveillance, this is the  
22 frontline.

23 And if you allow the wrong party to slip  
24 through the background investigation process and grant  
25 them a license, you are going to play hell to get them

1 back out of there.

2 BOARD MEMBER MARSHALL: Do you think our  
3 philosophy ought to be to share, as well, once we get  
4 up and running?

5 MR. STERLING: I believe it would make  
6 sense; yes.

7 BOARD MEMBER MARSHALL: Thank you.

8 BOARD MEMBER COLLINS: Mr. Chairman. The  
9 statute provides that the Board may take advantage  
10 over -- use alternative standards, in order --

11 MR. STERLING: Yes.

12 BOARD MEMBER COLLINS: -- to make decisions  
13 about the suitability issues and the granting of  
14 licenses. And with that, with that provision, how do  
15 you see that working into the lengthy and extensive  
16 process of investigations? How do you see that  
17 affecting this process?

18 MR. STERLING: First and foremost, I would  
19 suggest they have to fill out the form that you are  
20 providing. Once they've done that, if you have a  
21 reciprocal agreement with Nevada or New Jersey -- I  
22 say those two because those two are, kind of, like the  
23 gold standard for doing background investigations --  
24 then what you would do is, with the understanding that  
25 you would share that, is that you would go there, send

1 a state trooper or other investigator out there, to  
2 take a look at the dossier they've assembled on that  
3 individual or on that business entity.

4 And you would look to corroborate the  
5 information provided on your form with that  
6 information. In addition, they will have collected  
7 source information that you can also use. So it saves  
8 you a whole lot of legwork, time and money.

9 The key there is that you, as a Board, make  
10 the determination that that jurisdiction has the  
11 necessary due diligence, and things in place that  
12 that's good information.

13 BOARD MEMBER COLLINS: So it would be  
14 appropriate for the Board to accept corroborated  
15 information or investigative results from another  
16 jurisdiction?

17 MR. STERLING: If you've determined that  
18 the information they are giving you is complete,  
19 correct and all of that. And, again, that's a Board  
20 decision.

21 I mention Nevada and New Jersey because  
22 those are probably the most thorough standards in the  
23 world -- certainly in the US, but probably in the  
24 world. They do it right.

25 BOARD MEMBER McCABE: Tom, I have a

1 question/comment. Going back to all this information  
2 and data that we have to go through and look at, and  
3 get into the Board and to the investigators, isn't all  
4 this information and data available electronically?

5 And if so, why can't we ask that it be  
6 turned over to us electronically; so we can then enter  
7 it right into our databases so we can then manipulate  
8 the data?

9 MR. STERLING: The answer to that is, yes,  
10 a lot of it will be available electronically. That's  
11 the good news.

12 The bad news is it won't in the same  
13 format; and you are going to have to write software or  
14 do something to take their information and reformat  
15 and reorganize it into a way that is compatible with  
16 the way you want your information stored.

17 And, you know, we do a lot of data  
18 conversion work. And it can be difficult. Now, one  
19 of the things that you can do, and what they do in New  
20 Mexico, they don't do it in New Jersey; but they do do  
21 this in New Mexico, is they require that organizations  
22 use a standard charts of accounts for reporting  
23 financial information.

24 So there are some things you can do like  
25 that. The other thing is if you go to the Edgar

1 database and you pull out SEC, SEC has standards that  
2 public companies must adhere to to present their  
3 information.

4 So those are two ways to mitigate that.  
5 All of the stuff in Edgar is available electronically.  
6 Some of the things you may want to look at in the  
7 paperwork, because -- and you may even want to look at  
8 e-mail files because that's where you kind of get  
9 what's really going on.

10 Because public statements -- public  
11 reports, even to the SEC, oftentimes don't always  
12 accurately reflect what's going on. I mean that's how  
13 Enron came about.

14 So to the extent that you find some smoke  
15 out there, you want to dig in and go after that  
16 information, whether it's electronic or manual. The  
17 other thing is that there are some government  
18 agencies, for example, counties in Pennsylvania that  
19 are not automated.

20 And you may need to send an investigator  
21 out there to pull information from the prothonotary on  
22 properties and things that that organization owns. So  
23 there's a significant amount of fieldwork involved in  
24 any of these investigations.

25 Again, this only applies to key employees,

1           qualifiers and business entities. You would never go  
2           to this level of effort for a slot gaming employee.  
3           There are just too many of them, okay.

4                       The next thing you are going to look at  
5           here is going to be the paperwork they use to develop  
6           their application to the Pennsylvania Gaming Control  
7           Board. And this includes working papers.

8                       So things that you may not see in their  
9           application, it would be kind of nice to go back and  
10          look at, well, what's the process they went through to  
11          prepare their application?

12                      What kind of data did they use and so on?  
13          That includes things like plans and blueprints,  
14          project schedules, correspondence and so on. So if  
15          you look at what we are going through, the net is cast  
16          pretty wide.

17                      The trick is, you are looking for any  
18          information that contradicts. If you have two sources  
19          of information, there's a contradiction there, red  
20          flag goes up; you need to go out and figure out, well,  
21          why is there contradiction there?

22                      If you see a relationship that's  
23          questionable, you got to go out and dig that up.  
24          That's why these things are so complicated and  
25          difficult; and they do require, again, investigation

1 skills to make it work.

2 Let's talk about background investigations  
3 on key employees and qualifiers. One of the things  
4 that is required in -- as part of the forms package,  
5 is a release authorization.

6 And that, basically, is granting the Board  
7 permission -- the Board gives its agents permission to  
8 go in and get information that normally would not be  
9 available under the Privacy Act.

10 So this is your getting permission from the  
11 individual to go in and start gathering information,  
12 the background investigation of key employees and  
13 qualifiers. Very similar to what you are doing on the  
14 business entity.

15 Of course, here you are looking at people;  
16 so you are going to be doing fingerprints. You are  
17 going to be looking at FBI records, NCIC checks and so  
18 on. And this form is just as -- if you think the last  
19 one is painful, this is just as painful, maybe even a  
20 little more so.

21 Lots and lots of information, personal  
22 associations, business associations and so on. It  
23 just goes on and on. One of the things we talked  
24 about tracing corporate relationships.

25 Well, you are going to do the same thing



1 with people. Because you want to understand that  
2 individual you are looking at and their network of  
3 contacts, business contacts, professional contacts,  
4 personal contacts, relatives and so on.

5 Because if any one of those people is in  
6 question, you shift a spotlight to them and do the  
7 same kind of check on them, potentially.

8 That's why certain background  
9 investigations can run into the hundreds of thousands  
10 of dollars. Because a lot of times, these things  
11 aren't available in a database; and you actually go  
12 out and do fieldwork to track this information down.

13 The risk of not tracking it down and the  
14 risk of letting somebody get through is a very, very  
15 nasty process. Because once a license is granted,  
16 it's going to be -- like I said earlier, it's going to  
17 be a very tough matter to get that license revoked.

18 I know you have the authority. But  
19 understand, it will be combat. And that's expensive  
20 and painful. So, again, I view this, very much, as  
21 your first line of defense to protect the integrity of  
22 the Gaming Industry.

23 BOARD MEMBER COY: What is the status of  
24 this information, once it is gathered and provided to  
25 the Board, confidentiality wise or public nature, I

1           guess, of the information; once it's provided?

2                       MR. STERLING: I believe, and I'm not  
3           positive, but I believe the statute pretty much limits  
4           that to the Board. Now, I think the law that was just  
5           vetoed did grant wider access to, at least, some of  
6           that information for law enforcement purposes.

7                       Now, one of the things the Act does allow,  
8           for example, is in doing the background investigation,  
9           if the Attorney General has information they are  
10          developing, that information may be shared with the  
11          Board for purposes of doing a background  
12          investigation.

13                      You have permission. I don't know if they  
14          will give you the information; but you have permission  
15          to ask for that information.

16                      But I think it was stated yesterday that if  
17          you are dealing with personal information and so on;  
18          that is information, for example, that you as a Board,  
19          if you are discussing a -- you are discussing a  
20          licensing case that's contested about a particular  
21          business entity and there is sensitive information,  
22          then that would be something that you could do in  
23          private.

24                      So there is -- if you look at what we are  
25          dealing with here, there is stuff that could come out

1 of here that's very damaging. So it is something you  
2 want to be very cautious about.

3 BOARD MEMBER MARSHALL: Tom, do you have a  
4 sense of how many people applied -- I know there are  
5 different categories? But how many people or entities  
6 applied for a license? How many are granted? How  
7 many are denied? How many are later revoked?

8 MR. STERLING: I don't know about the  
9 number of gaming entities. And I think that's -- I  
10 just don't have that information. I know in New  
11 Jersey they talked about a turnover rate among  
12 employees, gaming employees.

13 So you are talking about having to screen  
14 large numbers, 50 to 70 percent turnover. That means  
15 that each one of those has to be background checked,  
16 again, at a gaming employee level.

17 I don't know what the success ratio is for  
18 business entities and key employees. I suspect it's  
19 pretty high. Because most of the organizations that  
20 do this, before they submit a background investigation  
21 or an application to you folks, will already have done  
22 their own.

23 So, typically, they are not cavalier about  
24 who they are submitting to you. So if they find  
25 something, they are not going to try to submit them to

1           you.

2                         BOARD MEMBER MARSHALL:  Just so I'm clear,  
3           back to the individuals, you are not saying 50 to 70  
4           percent pass or fail?

5                         MR. STERLING:  No.

6                         BOARD MEMBER MARSHALL:  That's just the  
7           turnover?

8                         MR. STERLING:  Turnover.

9                         BOARD MEMBER MARSHALL:  Do you have any  
10          sense, though, among that pool?  Do 10 percent  
11          routinely fail for whatever reason?

12                        MR. STERLING:  I don't have that number.  
13          What I do have -- later on we are going to look at, I  
14          do have some estimates on activity volume for doing  
15          background investigations and licensing.  And we will  
16          talk about that.

17                        But I don't know.  We can try and get that  
18          information.  We can contact, if you'd like us to do  
19          that?

20                        BOARD MEMBER MARSHALL:  Be interested.

21                        BOARD MEMBER RIVERS:  Mr. Chairman,  
22          question.  Do you have any information regarding the  
23          cost of the individual background checks and/or are  
24          any of the prospective employees required to pay a  
25          particular percentage or portion of that?

1                   MR. STERLING: Under the Act, as I  
2 understand it, all expenses related to background  
3 investigations are to be reimbursed by the applicant.  
4 The cost is going to be variable.

5                   Only because you may go in, you may do a  
6 background check on the CEO of Ballys, and they are  
7 clean because they have already been background  
8 checked by New Jersey, Nevada and every other major  
9 gaming jurisdiction.

10                   So you are going to have next to no cost on  
11 that one. You may go into another situation where you  
12 have a CEO that's based in France and you need to send  
13 people overseas to do a background investigation to  
14 check out that person.

15                   Or you may find that there's somebody with  
16 a questionable background and you really have to dig;  
17 so you may be talking several hundred thousand  
18 dollars. The cost for background investigations is  
19 extremely variable.

20                   I think, from that sense, it makes sense to  
21 bill it on a pay as you go basis. So I don't know I  
22 can come up with an answer for that. In New Jersey, I  
23 believe for gaming employees, the fee is \$350. That's  
24 typically paid for by the employee.

25                   In most cases, key employees and qualifiers

1 are going to be paid for by the gaming business  
2 entity. Remember earlier, we said that typically,  
3 when you get a business entity application package,  
4 you are going to have a whole bunch of applications  
5 attached to that for their key employees and  
6 qualifiers.

7 That's why these things come in as -- we  
8 deal with a mountain of paperwork. So it's a variable  
9 cost under the Act. It would be paid for by each  
10 applicant. In the case of a business entity, they  
11 would, typically, pay for the cost of their key  
12 employees.

13 BOARD MEMBER MARSHALL: Let me say  
14 something; and tell me whether you think I have it  
15 right? It's not enough to just sort of -- a major  
16 company, a major gaming company who is involved in a  
17 partnership where there's some kind of collaboration  
18 for a license, it's not enough that the major gaming  
19 company passes, all components of that affiliation,  
20 partnership, merger, whatever, corporate, so that the  
21 public can feel pretty good --

22 MR. STERLING: Absolutely.

23 BOARD MEMBER MARSHALL: -- that we will go  
24 through the whole -- we will all understand the  
25 complete relationship and vet that complete

1 relationship?

2 MR. STERLING: Right. If you go in -- if  
3 you think about an organizational model and you are  
4 dealing with a joint venture or a kind of  
5 brother/sister type of relationship between two  
6 entities, you probably are going to have to check  
7 those both out.

8 If you are dealing with a parent subsidiary  
9 and the subsidiary is going to be operating in  
10 Pennsylvania, you are probably going to check both  
11 those out very, very thoroughly.

12 Because, again, what you are dealing with  
13 here is a network of relationships. And, again, a lot  
14 of these companies may be foreign based. They may be  
15 based in Bermuda or what have you. And all that stuff  
16 has to be checked out.

17 You want to go, kind of, back to ground  
18 zero, where they started and understand all those  
19 relationships. Because if there is a problem, like I  
20 said, it's expensive to do that now; but it will be  
21 much more expensive, in a lot of ways, to do it after  
22 the fact.

23 BOARD MEMBER MARSHALL: And my take away is  
24 that you wouldn't be able to hide an interest in this  
25 because you look at the relationship, not what it's

1 called?

2 MR. STERLING: Correct.

3 BOARD MEMBER MARSHALL: You use the term  
4 leverage, economic, things like that?

5 MR. STERLING: It could be a debt deal. It  
6 could be an equity deal, doesn't matter. If there's  
7 influence, you got to check it out. The other thing  
8 that is -- at any point where you discover there's a  
9 variance in the facts, at that point, it's grounds for  
10 rejection.

11 Now, you will determine that in there so  
12 you have certain tolerances and things. And I don't  
13 know that there's a formula you can use. I think a  
14 lot of it is going to come down to judgment.

15 I think that, from an integrity standpoint,  
16 if you start to see where there's wild variances  
17 between what they reported to you and what you are  
18 finding, there's something wrong there. And that may  
19 be the time where you just say, stop loss, not going  
20 to move forward.

21 BOARD MEMBER MARSHALL: Thank you.

22 MR. STERLING: In terms of the types of  
23 skills and the types of positions involved in  
24 conducting background investigations, what you have  
25 here is a list of -- on the left-hand side, you have



1 sample background investigation that you are going to  
2 be collecting.

3 And you have the information gathering  
4 method. And on the right-hand side, under position,  
5 you have the types of positions that would be  
6 typically involved in that.

7 And on the bottom, there's a little key.  
8 And the letters do mean something. Work means they  
9 are doing the work. Responsible means they are  
10 responsible for reviewing and ensuring the integrity  
11 of the work that has been done.

12 Expertise means that they can lend a  
13 technical and business assistance, legal assistance,  
14 to the investigation process. And authority means  
15 they have the authority to approve. As you go down  
16 through this, one of the questions asked earlier was  
17 what are the State Police going to be doing?

18 This gives you an idea of the types of  
19 things that the State Police would be involved in,  
20 where you see, under police officer. And the idea  
21 here -- and this is a scenario.

22 This isn't cast in concrete. But the idea  
23 here is you look at your background investigation  
24 process, consider allocating the work based on the  
25 types of skills and experience needed to best do that

1 work. That's really what this represents.

2 Now, the person you see here under civilian  
3 analyst is not a clerk. That is a -- just what it  
4 says. It's an analyst. And they need to have some  
5 smarts because that is your -- that's, kind of, your  
6 go-to person to maintain the integrity of all this  
7 information that you are going to be gathering and  
8 working with.

9 So the civilian analyst has to be  
10 thoroughly trained. It is also going to be their job,  
11 if you go down on the second slide here, which would  
12 be slide 41, there's something down there called  
13 assemble the background information into a report.

14 That's where you take all this massive pile  
15 of information and distill it down to something you,  
16 as a Board, can look at, make sense, and make a  
17 determination. If you got a pile of paper this big  
18 for every applicant, you are not going to want to  
19 review all that.

20 So you need to have somebody that has the  
21 smarts to be able to distill and reduce that  
22 information to a base that you can make an informed  
23 decision on.

24 And part of that, and part of the reason  
25 why there's a legal review process is to make sure

1           that, from a legal standpoint, you are on solid ground  
2           in looking at that consolidated report. That's why  
3           there is a legal review in there.

4                       The only party authorized to make a  
5           decision is the Board. That's the only party that can  
6           actually make a call about whether this is done  
7           correctly and the outcome is appropriate. So you'll  
8           make the decision.

9                       Now, I'm going to ask you all a question.  
10          Are we making sense so far? You okay with where we  
11          are going?

12                      CHAIRMAN DECKER: You are making sense.

13                      MR. STERLING: We are almost through this  
14          particular piece on business entities and key  
15          employees. Some of the things that you might want to  
16          consider, as you look at your options, is for how you  
17          are going to do background investigations or cycle  
18          times to complete background investigations.

19                      I believe, under the Act, once you declare  
20          applications due for business entities, okay, and you  
21          set the due date, you have got a year from that point  
22          in time to actually complete the investigation and  
23          make a decision.

24                      In that sense, there is a time boundary in  
25          the Act. And as we look at the background

1 investigation process, that's probably going to be the  
2 major piece of that. So you have a cycle time issue.

3 There's a cost to complete background  
4 investigations issue. And, yes, all the costs are  
5 borne by the slot gaming companies. However --

6 CHAIRMAN DECKER: How is that done, Tom?  
7 How do they bear that cost? Is that with each  
8 application? Is it a front -- it's not their --  
9 obviously, it's separate from their fee, the so-called  
10 fee.

11 MR. STERLING: How you do that is going to  
12 be determined by the Board. One way that New Mexico  
13 does it, just as an example, they require a \$5,000  
14 down payment. They bill at a rate of \$50 per hour.

15 And it's whatever number of hours are  
16 required. If it is 100,000 hours, that's what they  
17 are going to get billed. And they bill the slot  
18 gaming applicant for the difference.

19 And payment of that fee, which is separate  
20 from the licensing fee, is a mandatory requirement  
21 before they are issued a license.

22 CHAIRMAN DECKER: We'll need to develop  
23 some regulations?

24 MR. STERLING: Absolutely, and an  
25 accounting system to keep track of that. Because one

1 of the things that you want to consider is how that  
2 money gets accounted for. Because most of the money  
3 coming into the gaming -- most of the money that's  
4 collected from operators goes directly into the gaming  
5 fund.

6 That's not money that you all have to work  
7 with directly. So that's all part of what you want to  
8 look at. So there's a financial flow, as well as a  
9 process flow that needs to happen.

10 Finally, just a couple of words. We talked  
11 about integrity of background investigation. And I'm  
12 a data guy; so I have this philosophy I use about  
13 determining when is data good?

14 It's good when it's complete and verified.  
15 It's good when the currency of that information is  
16 verified. It's good when the correctness of that  
17 information is verified. And it's good when you  
18 understand that there is consistency between different  
19 data sources.

20 So there are some things in there that now  
21 we can start to look at integrity and say, what do we  
22 mean by that? And you can start to operationalize  
23 that, in terms of how you conduct background  
24 investigations.

25 We will talk briefly, here, about slot

1 gaming employees. Under the Act, they are defined as  
2 the individuals here. And as I mentioned earlier, a  
3 slot gaming employee is anybody that can touch a slot  
4 machine, touch money, that can access the information  
5 system or network connected to any slot machine or the  
6 central control computer.

7 And it would also include, for  
8 manufacturers and suppliers, their repair technicians.  
9 All those people need to be vetted and cleared. Like  
10 we said before, you really are looking for criminal  
11 background and any obvious financial problems they  
12 might have.

13 Again, most of that, you are going to do in  
14 database searches. This is the thing I mentioned  
15 earlier. What this is, it's an estimate. And it is  
16 an estimate of the level of effort required to  
17 complete the licensing process.

18 And the biggest part of that, of course, is  
19 the background investigations for the different types  
20 of licensed entities that are identified in the Act.

21 What you are seeing here is an estimate of  
22 the number of staff -- actually, the number of days  
23 required to complete this.

24 Now, notice it says it excludes wait time.  
25 One of the primary things that will drive cycle time

1 is where you want the information and you have to wait  
2 for it. You call up the company's CFO and say, hey, I  
3 need this report. He says, well, I'll get it to you  
4 in a week.

5 That's not included in here. This is  
6 actually work time required to complete an  
7 application. These are estimates.

8 And one of the things that would be very  
9 useful is, as you get into the process, to really  
10 start to measure and build your own database of  
11 experience for how long it takes to do these different  
12 kinds of investigations.

13 The purpose of this is just to show you the  
14 difference between what it's going to take to complete  
15 -- the amount of effort it's going to take to complete  
16 key employee and business entity background checks and  
17 licensing versus gaming employees.

18 And as you look at your process, typically,  
19 you are going to need the higher skilled individuals  
20 on key employees and business background checks.

21 CHAIRMAN DECKER: Tom, I'm sorry. What is  
22 the extended staff day count --

23 MR. STERLING: The extended staff day  
24 count --

25 CHAIRMAN DECKER: -- as opposed to the

1 staff days to complete process for one application?

2 MR. STERLING: Yes. It would be the  
3 product, the estimated application count per gaming  
4 operator and the estimated count of application. You  
5 have seven slot machine category one licenses.

6 That would be the product of the  
7 application intake times seven, which would be 14,  
8 okay? So it's just the multiplication saying that you  
9 have 14 venues or whatever venues.

10 CHAIRMAN DECKER: I'm sorry. I'm not that  
11 quick.

12 MR. STERLING: That's okay. So this is a  
13 rough estimate. And, again, it's an estimate; but it  
14 will give you, at least, a sense of order of magnitude  
15 for the level of effort required.

16 Additional background investigations. The  
17 Act gives the Board the authority to, basically,  
18 request that anybody be licensed and, as part of that,  
19 would be vetted background investigation.

20 And one of the things mentioned yesterday  
21 is that New Jersey, for example, does require the  
22 licensing of service vendors; that is, people or  
23 organizations that are not involved directly in the  
24 gaming business.

25 And one of the things they do that I think



1 makes some sense is that they have a sliding scale.  
2 And the level of investigation performed and the level  
3 of effort required on the part of the vendor is  
4 determined based on the dollar volume they are doing  
5 with the casino, and on the frequency and recurrence  
6 of the business they are doing with the casino.

7 They maintain what they call a vendor list  
8 of prohibited vendors. So there's some screening  
9 going on there. That would be something to consider  
10 here, as well.

11 So if you got vendors that are a problem,  
12 you put them on a list and they are not allowed to do  
13 business.

14 CHAIRMAN DECKER: Is anybody not doing  
15 these kinds of investigations? Are there any  
16 jurisdictions which are not dropping down to some  
17 level for these non-gaming suppliers?

18 MR. STERLING: I'm not aware that, for  
19 example, Delaware does anything like this. I'm not  
20 aware that New Mexico is doing anything like this.  
21 New Jersey is. I don't know about Nevada. But I  
22 think most of the lottery states, typically, are  
23 looking just --

24 CHAIRMAN DECKER: Well, we are not going to  
25 take a vote today on this issue. I can assure you



1 the registration have on anything that the Board would  
2 do or not do?

3 MR. STERLING: Typically, what they are  
4 looking at, one of the things that happens is if a  
5 person comes in and they are promoted to a gaming  
6 employee, they, sort of, want to know that.

7 And the other thing is they want to know if  
8 a non-gaming employee is doing gaming related things.  
9 That's part of the reason why they are doing that.  
10 That's one of the reasons why -- and we are going to  
11 talk about it in surveillance. But one of the reasons  
12 why you need a strong independent surveillance  
13 function is because they are not just watching for  
14 patrons and outsiders; they are also watching for  
15 inside issues.

16 And one of the issues you can run into is a  
17 breakdown in regulations. That would be an example of  
18 one.

19 BOARD MEMBER MARSHALL: Tom, would you and  
20 your folks be able to give us a recommendation as to,  
21 kind of, how far we should drop down, register  
22 licenses, those kinds of things?

23 MR. STERLING: I believe we can give you  
24 some insights and ideas. I think New Jersey is a good  
25 model for that because they are thorough. One of the

1 interesting things is when we reviewed the Act,  
2 there's a lot of New Jersey genetic heritage in the  
3 licensing piece of the Act.

4 And that's a good thing. Because, as I  
5 said earlier, that's your frontline of defense. To  
6 the extent that you can filter out companies and  
7 individuals that just aren't going to be good for the  
8 industry, you want to do that early on and have the  
9 data to back that up.

10 BOARD MEMBER RIVERS: I'd like to make a  
11 comment, Mr. Chairman. Given our proximity to New  
12 Jersey and a lot of the positive comments made about  
13 New Jersey, I think it would be advantageous if, as a  
14 body, we would make a trip to New Jersey to sit down  
15 with their regulators to go over a lot of this  
16 information.

17 I think it puts us in a much stronger and  
18 more positive position.

19 CHAIRMAN DECKER: We are going to do a  
20 couple field trips to New Jersey; the first of which,  
21 I think, some people will go down and talk to the  
22 investigative group.

23 And I think, secondly, we are going to meet  
24 -- we plan to meet with their Board in a factfinding  
25 kind of arrangement.

1                   MR. STERLING: New Jersey is an interesting  
2 model because they do have two distinct organizations,  
3 where you have one. And that's an important thing to  
4 keep in mind.

5                   And there have been -- and in September of  
6 last year, there was actually a very serious  
7 disagreement between the two over the licensing of a  
8 subcontractor, construction subcontractor.

9                   I don't know if you saw it in the papers,  
10 but it got very intense. So the interesting thing  
11 about New Jersey is by design; there's, actually, a  
12 kind of tension there.

13                   And the idea is, in creating that tension,  
14 to ensure that if the Division of Gaming Enforcement  
15 determines that an individual is unsuitable, they are  
16 going to advocate that.

17                   The Casino Control Commission, as I  
18 mentioned earlier, they are sitting there in a  
19 judgment role. They will make the decision. But  
20 DGE's job is to be very assertive about ensuring that  
21 whoever is investigated, they are going to make a  
22 pretty firm recommendation.

23                   Sometimes there are disagreements over  
24 that. As I mentioned earlier, your Bureau of  
25 Investigation and Enforcement plays that -- a similar

1 kind of role. And one of the things, I think, why the  
2 Act calls for that separation of duties.

3 Last thing I'd like to talk about, and we  
4 really did talk about this, but it is opportunities to  
5 piggyback on what other jurisdictions are doing. And  
6 I really talked through the slide earlier.

7 If you look at Nevada and New Jersey, and  
8 you are able to obtain information from them and use  
9 the background investigations that they have completed  
10 and the information is current enough, you may be able  
11 to speed up the process.

12 You still need to go through the form. You  
13 still need to do a comparison to make sure the  
14 information is consistent. And there may be  
15 supplemental information that you gather for  
16 Pennsylvania purposes.

17 But it is something to consider as a way to  
18 number one, ensure integrity and reduce your cost and  
19 cycle time. That's it for background investigations.  
20 So if you are all ready, we can roll on into security  
21 and surveillance.

22 CHAIRMAN DECKER: We are going to get  
23 started on this; but we are going to have to take a  
24 break at 10:20 for some other matters.

25 MR. STERLING: However you want to do it;

1 I'm flexible.

2 CHAIRMAN DECKER: Does it make sense to  
3 start it off?

4 MR. STERLING: We can start it off. That's  
5 not a problem. As you can tell, I like lots of  
6 slides.

7 SENATOR WOLFF: Mr. Chairman, also, I would  
8 like to make a comment about the current Horse and  
9 Harness Racing Commissions's review process of  
10 licensing employees, owners, trainers jockeys, support  
11 people, that are -- would be sharing the same campus  
12 with the slots venue.

13 We will be looking forward to giving the  
14 Board an update on that, as to how that process works,  
15 also.

16 CHAIRMAN DECKER: We would like to hear  
17 that, Senator.

18 MR. STERLING: Let's talk about  
19 surveillance and security. Just to, kind of, get  
20 grounded, surveillance is really about the eyes and  
21 ears. It's about understanding and observing what's  
22 going on in a slot gaming venue, around the slot  
23 gaming venue.

24 Security is about the active part of that.  
25 It's about having the security staff you need to go

1 out and if they discover something wrong, apprehend  
2 somebody; or conducting the investigation you need to  
3 organize, collect evidence and so on to, again,  
4 charge, if there are people inside stealing and so on.

5 So surveillance is about eyes and ears.  
6 Security is about arms and legs, and going out to get  
7 the bad guys. Security and surveillance is really  
8 aimed at managing risk.

9 There are two kinds of risks, two broad  
10 categories of risk. There are point of failure risks.  
11 There are specific, localized, identifiable points in  
12 the casino's operation or facility that may result in  
13 a harm to people, or the loss of money due to error or  
14 misconduct.

15 An example of that includes slot machine  
16 access control, cashier booths and so on. These are  
17 points, very specific locations in a slot gaming  
18 facility or in the business at large, where there may  
19 be points of failure or failure of some kind that  
20 would lead to a loss.

21 Systemic risks are factors reflected in the  
22 organization procedures, controls, policies and  
23 interaction between them that may result in harm to  
24 people or loss of money, due to errors or misconduct.

25 So if you think about point of failure, a



1 lot of that is going to be the purpose of surveillance  
2 and security.

3 If you think about systemic risks, that  
4 becomes more the role of the regulatory aspects; to go  
5 in and make sure that the slot gaming operators are  
6 adhering to minimum internal control standards to make  
7 sure that the surveillance organization is operating  
8 and functioning correctly.

9 And one of the things you are going to hear  
10 me talk a lot about, as we talk about surveillance, is  
11 discipline, detail, standard operating procedures.  
12 Any of those things break down, you have a major  
13 problem because it's what you don't see that can nail  
14 you in this business.

15 And it is a business of detail and  
16 discipline. Point of failure risks, as I mentioned  
17 earlier, the primary focus of security and  
18 surveillance, is also the focus of inspections.

19 And this would be administrative matters  
20 dealing with violations of regulations, typically  
21 involve short timeframes with an immediate remedy.

22 You discover it has a problem with  
23 surveillance; that they are not maintaining their  
24 tapes, so information or potential evidence is lost.  
25 You are going to go in there; you are going to smack

1 with a fine or smack with a warning.

2 But the point is, it is an immediate remedy  
3 to fix the problem. Generally, these are going to  
4 involve enforcement or regulatory actions.

5 Systemic risks are more a focus of auditors  
6 and people doing investigatory work, to discover gaps  
7 in control in the system.

8 It's going to be looking at interactions  
9 between different people and organizations. It's  
10 going to be looking at intermediate to longer  
11 timeframes; so you don't have that sense of immediacy  
12 that you do with the point of failure risk.

13 It's primary overall focus of minimum  
14 internal control standards, and by review of that  
15 document or collection of documents by the Gaming  
16 Control Board, Pennsylvania State Police and  
17 Department of Revenue.

18 It's also a key aspect in a licensing and  
19 in the background investigation. Again, you want to  
20 know that there's surveillance policies and  
21 procedures, and the execution is very tight.

22 Let's talk about surveillance. The thing  
23 you are seeing there is a pan, zoom, tilt camera.  
24 That is a device that will allow you to look at any  
25 slot machine, zoom in. And we visited Borgata Casino

1 down in New Jersey; and they have these things all  
2 over the place. It's really cool if you like  
3 technology. It's amazing.

4 Surveillance objectives. Objectives are to  
5 safeguard assets, to monitor regulatory compliance.  
6 And this is a case where a surveillance organization  
7 is watching the inside organization.

8 We are going to talk about the need to  
9 absolutely guarantee that the surveillance is  
10 independent of the line management of an organization.

11 Protect the health and welfare of citizens,  
12 maintain integrity of gaming operations, reports  
13 suspicious activity and terrorists act. You might not  
14 think in Pennsylvania we have to worry about that; but  
15 the fact is, in Las Vegas, they take that deadly  
16 serious.

17 Because one of the targets for terrorists  
18 are casinos. They are viewed as American decadence  
19 and all that. That is a target. So the issue of  
20 suspicious activities and things are things that need  
21 to be paid attention to.

22 Preserve the reputation of the industry in  
23 the State. That is absolutely essential. Yesterday,  
24 in the opening comments, you talked about integrity.  
25 And that's really important. So we have to have a

1 solid gaming operation that people recognize is clean,  
2 is absolutely fair, and transparent.

3 Critical success factors. First and  
4 foremost is a proper segregation of duties and  
5 reporting lines, the minimum internal control  
6 standards. And this applies to Delaware, applies to  
7 Nevada, applies to New Jersey, it applies to New  
8 Mexico.

9 West Virginia is a different case. But in  
10 all cases, the surveillance organizations are required  
11 to report directly to the Board of Directors. Doesn't  
12 report to the CEO. It doesn't report to the casino  
13 manager.

14 It reports to the Board of Directors. The  
15 reason for that is because the role of your security  
16 operation is to look both for potential problems  
17 inside and outside the organization.

18 In fact, when we were in New Jersey, the  
19 security people aren't even allowed inside the  
20 surveillance room. New Jersey State Police are; but  
21 the surveillance people have to stay out. That is a  
22 locked, secured area with very limited access.

23 CHAIRMAN DECKER: Repeat that, I'm sorry.  
24 Maybe I didn't understand.

25 MR. STERLING: When we were visiting New

1 Jersey, we visited Borgata, which is their newest  
2 casino. The security room, with all the monitors and  
3 videotape recorders and stuff, is a very secured area.  
4 And no line employees are allowed in there.

5 Now, New Jersey State Police Officers are  
6 allowed in there. There are cases where regulatory  
7 auditors and things may be allowed in there. But line  
8 people, that is people that report up through the  
9 chain of command of the casino operation, are not  
10 allowed in there.

11 The goal is to protect the independence.  
12 So it's organizational independence and operational  
13 independence and surveillance. And that is  
14 fundamental to making surveillance work.

15 Because if it's not independent, they are  
16 not going to be able to watch for gaps and control  
17 inside the organizations, or for the potential for  
18 management participation in fraud and things like  
19 that. And they are your first line of defense in the  
20 slot gaming operations.

21 CHAIRMAN DECKER: I think we are going to  
22 take a break right now. We have things to do. We  
23 will come back in 15, say 10:45.

24 (Break.)

25 CHAIRMAN DECKER: If you could take your

1 seats, please, we will get started.

2 MR. STERLING: I'm going to just reiterate.  
3 I talked a lot about the importance of segregation of  
4 duties and reporting lines. That is a foundation  
5 piece for good surveillance practice.

6 The next piece is adequate staffing. And  
7 when we talk about adequate staffing, it includes  
8 training sufficient number of people and, also,  
9 discipline. And I underlined discipline there because  
10 surveillance -- a lot of it has to do with detail.

11 And a lot of it has to do with a keenness  
12 of observation. If somebody is not completely aware  
13 of what's going on, they can miss some very important  
14 things.

15 The surveillance staff assigned by a gaming  
16 operator really has to be alert; and they need to  
17 follow procedure, standard operating procedure.

18 Because if they fail to do that, you may  
19 find you have something on tape, you may have a clear  
20 evidence that there's been a crime committed or some  
21 action and the tape gets erased at the wrong time; and  
22 those things happen.

23 So that discipline piece of this is really  
24 essential. The other thing is, it needs to be  
25 independent in fact. That goes back to the idea that

1       it's not just organizationally, but operationally, and  
2       how it does business.

3                   It needs to be separate from the line  
4       operation. It needs to have relevant experience. One  
5       of the things that we observed when we were in New  
6       Jersey was the people that were sitting there watching  
7       the monitors really understood the games they were  
8       watching.

9                   They understood the internal standard  
10      operating procedures for people on the gaming floor.  
11      That's the only way they are able to spot when there's  
12      a problem. So you need people who understand the slot  
13      gaming business.

14                  Continuing professional training. One of  
15      the things that James talked about yesterday was this  
16      whole notion of change in evolution and a change in  
17      technology.

18                  That applies to surveillance people.  
19      Because while today they are going to be looking at  
20      video cameras and physical things, in the future, it's  
21      very likely that they are going to be looking at  
22      network traffic and some other things because there  
23      may be signs that things are going wrong.

24                  And as you get into radio frequency  
25      networks and things, there are other kinds of exposure

1           and other kinds of technologies that they are going to  
2           have to be familiar with.

3                       Pro-active management philosophy. You  
4           really want a surveillance operation that's going to  
5           be looking to go out and find and actively pursue  
6           problems, not sitting back and reacting. Because if  
7           you are reacting, typically, it's too late.

8                       Well designed integrated video system. I  
9           mentioned earlier the importance of proper tape  
10          retention policies and procedures. You have to make  
11          sure that there are enough tapes that you are not  
12          erasing critical evidence. Very important.

13                      The other thing is, as you look at how the  
14          cameras are designed and the surveillance system is  
15          designed, you need to make sure that you can clearly  
16          and visibly see everything that is going on with the  
17          slot machine, down to being able to recognize a type  
18          of token, the type of bill, the type of ticket that  
19          they are inserting into that machine.

20                      The importance of that is because if you  
21          don't have that level of granularity or precision in  
22          the images that you are capturing, you may not be able  
23          to use that as evidence if you need it in prosecution  
24          of a criminal case.

25                      You need a good working relationship with



1 security staff because, remember, security is separate  
2 from surveillance, and the Pennsylvania State Police.

3 BOARD MEMBER McCABE: Tom, I have a  
4 question. Did you see when you went around to these  
5 casinos, were there two separate rooms for  
6 surveillance equipment?

7 MR. STERLING: Yes.

8 BOARD MEMBER McCABE: One for the casino,  
9 and then one for regulatory investigators? And they  
10 didn't -- if they were separate, they stayed separate?

11 MR. STERLING: They were physically  
12 separate. In the case in New Jersey, and I believe  
13 this is also true in Delaware, at least it's in their  
14 minimum internal control standards, they can be  
15 separately controlled.

16 So, for example, if the state police are in  
17 a separate surveillance area, they spot something  
18 that's going on, they can take control of the pan,  
19 zoom, tilt camera and zoom in on a particular thing  
20 that they are interested in, and override whatever --

21 BOARD MEMBER McCABE: Without the other  
22 side knowing what they are doing?

23 MR. STERLING: Yes.

24 CHAIRMAN DECKER: It's the same  
25 surveillance equipment for both?

1 MR. STERLING: Yeah.

2 CHAIRMAN DECKER: What's inside these the  
3 rooms, by the way?

4 MR. STERLING: The rooms consist of  
5 monitors and a very elaborate switching matrix. I  
6 think Borgata had -- was like 900 cameras. And what  
7 you are typically doing is not all of the monitors are  
8 watching every camera.

9 And what they will do is -- there's  
10 actually a timer in there, and they will switch.  
11 Because if you have no activity, you don't want to sit  
12 there and watch an empty floor space.

13 So what they will have, they will have  
14 timers on them; and the cameras will actually trigger  
15 every few seconds. So you are always getting a second  
16 snapshot.

17 Now, the people that are manning the  
18 surveillance console, if they see something of  
19 interest, they punch that camera up. And at that  
20 point, they can, in many instances, actually take a  
21 look at that problem from a couple different camera  
22 vantage points.

23 One of the things that will happen, and is  
24 called for in the Act, is that you do a walk through,  
25 an inspection of the surveillance system, before you

1           actually grant the license or allow a facility to  
2           open.

3                           And those are the kinds of things you are  
4           looking for.

5                           BOARD MEMBER COY:  As a follow up to the  
6           question, are one of the two -- between the casino  
7           owner/operator and the enforcement folks, is one of  
8           the two greater in terms of surveillance?  What's your  
9           experience in that regard?

10                          MR. STERLING:  When we talked with the New  
11           Jersey State Police, their view is that they are there  
12           to supplement the internal surveillance staff.  And  
13           the reason is, quite simply, because they can't  
14           possibly provide the same level of coverage.

15                          BOARD MEMBER COY:  Why can't they?

16                          MR. STERLING:  Not enough police officers.  
17           They were up to 127.  Today they are down, I believe,  
18           to 61.  And to do that, if you did that, there would  
19           be a terrific burden on the operators because they are  
20           paying for that.

21                          I think that -- and we are going to talk  
22           about this later on, when you start to look at how far  
23           do you go in doing surveillance, if you think about  
24           the role that a regulator or the state police can  
25           play, there's doing surveillance, there's overseeing

1 surveillance, and there's looking to improve  
2 surveillance.

3 And as you look at the cost of those three  
4 things -- there are three distinct activities, you  
5 want to weigh those carefully. Because in most  
6 instances, the interests of the casino or the slot  
7 gaming operator are going to be the same interests  
8 that the Commonwealth has.

9 They don't want slot cheats. They don't  
10 want muggings. They don't want the kinds of things  
11 that surveillance cameras are there to detect. So it  
12 isn't that they are going to be sitting there saying,  
13 well, I don't want to look at that stuff.

14 It may be that their execution isn't strong  
15 enough; and that's where you need to have the  
16 regulatory oversight. But it's not from an intention  
17 standpoint.

18 So I think that, from a kind of reality  
19 standpoint, are you going to have 24 by 7 -- somebody  
20 sitting there watching a monitor? I don't know if  
21 that's going to be cost effective.

22 You know, you can make that determination.  
23 You need 24 by 7 surveillance, absolutely. The  
24 question is, who does it? What risks are you trying  
25 to mitigate? What will it cost?

1                   At what point do you, kind of, draw the  
2                   break even point, if you will, between the cost of  
3                   that surveillance and the value or the risk that you  
4                   are managing down as a result of that.

5                   Okay. All right. Safeguarding assets.  
6                   Again, these are some of the things that, from a  
7                   surveillance standpoint, you are looking for external  
8                   theft.

9                   Of course, that's pretty self explanatory.  
10                  Internal theft. Again, surveillance is the frontline  
11                  defense against internally committed crimes,  
12                  collusion, things like that.

13                  Tangible versus intangible assets. It's no  
14                  longer just cash and tokens that you need to protect;  
15                  but it's also things like player points. And when  
16                  James was talking about full electronic gaming,  
17                  cashless gaming, you are talking about digital  
18                  records, at that point.

19                  Those have to be secured. Those are things  
20                  of value. The types of surveillance that you perform  
21                  to keep watch over those things will change as  
22                  technology changes and evolves.

23                  And that goes back to the earlier point we  
24                  talked about where there needs to be continuous  
25                  learning and development of the surveillance staff to

1 keep up with technology.

2 And the cheaters are pretty smart people.  
3 And it's important to keep in mind that one of the  
4 things that we learned was that there's this kind of,  
5 like a, click, if you will, of people that go around  
6 cheating gaming operations.

7 They are international. I'm trying to  
8 remember if it was Romania. But we were talking with  
9 the New Jersey State Police. They said, oh, yeah,  
10 this crew was in Romania because they just opened a  
11 casino there. So there are people that go around to  
12 new jurisdictions and they are going to test your  
13 systems.

14 Now, in many cases, they are dealing with  
15 table games and things. But there are people that are  
16 going to come and test your slot security, as well.  
17 So one of the reasons, when you talk about setting the  
18 regulatory bar high, but one of the reasons why you  
19 want to do that is because you don't even want to let  
20 them get started.

21 Because once they get started, then it's  
22 tough to get them weeded out of the system. So again,  
23 the surveillance is a vital function. It needs to be  
24 taken very seriously.

25 I think from a cost standpoint and a risk

1           standpoint, you need to carefully weigh who performs  
2           those surveillance functions and how you do that. At  
3           the end of this presentation, I'm going to suggest a  
4           framework for dealing with those issues.

5                        Because, one of the things I mentioned  
6           before, I'm not a gaming consultant. I'm somebody  
7           that does system designs, business process  
8           reengineering.

9                        But one of the things that I noticed is  
10          that there is -- there are different philosophies at  
11          play when you talk about security and surveillance.  
12          And it becomes almost a polemic thing.

13                       And it's, well, I got to do it this way, or  
14          you got to do it this way. And because I don't know  
15          any better, I ask; well, why?

16                       I think that one of the things that you  
17          want to consider is not just hearing, well, you should  
18          do it this way or this way; but what is the thinking  
19          framework that you would use to make that decision.

20                       I want to get to that at the end of the  
21          presentation because that's, hopefully, part of what  
22          value I can add to what you are trying to do, because  
23          you have a tough job. And there's a lot of tradeoffs.  
24          It is useful to have a framework for exploring those  
25          things.

1                   Let's talk about the next thing in the  
2                   surveillance, monitor regulatory compliance. I really  
3                   talked about this earlier; but this really gets down  
4                   to some of the systemic risks that we talked about.

5                   But if there are breaks in procedure, if  
6                   there are breaks in control in the operation of the  
7                   slot gaming facility, you need to know that. Because  
8                   those breaks in control can offer gaps that external  
9                   or internal bad guys can exploit.

10                  And so the part of the rule for the  
11                  surveillance organization and the regulator is to look  
12                  at and monitor regulatory compliance. And to do that,  
13                  you need to be able to watch, to be able to listen and  
14                  observe what's going on, independently of the slot  
15                  gaming operations; okay?

16                  Protect health and welfare of citizens.  
17                  You are going to have crimes that occur, assaults.  
18                  You are going to have petty thief. You are going to  
19                  have different crimes that occur in any place where  
20                  you have a gathering of people and there's lots of  
21                  money, which is going to be slot gaming facilities.

22                  So you need to have a safe environment.  
23                  And this is one of the reasons why you need a law  
24                  enforcement present -- law enforcement agency present  
25                  at the gaming operations. One is having a police



1 officer there is a deterrent and two, it gives you the  
2 ability to respond to things very quickly. That's  
3 important.

4 One of the things that was made clear to  
5 us, and one of the gaps in a lot of surveillance and  
6 security organizations, is the ability to respond on a  
7 timely basis if there's a problem. And you need to be  
8 able to do that in order to nail the perpetrator.

9 BOARD MEMBER McCABE: How much of a law  
10 enforcement presence should be there? And should they  
11 be undercover; should they be in uniform?

12 MR. STERLING: I am not sure I can answer  
13 how much. I think it's going to depend -- we are  
14 going to talk about the factors, but I think it will  
15 vary by venue.

16 Should they be undercover? I'm going to  
17 leave that to the Pennsylvania State Police because I  
18 think they are far better qualified to answer that one  
19 than I am.

20 I think that the fact is there needs to be  
21 a presence there. And, I think, that part of what you  
22 have to weigh, as a Board, is there's a cost in how  
23 much that presence will be; and how do you design  
24 that?

25 The way to enter that discussion, I

1 believe, is to consider what assets you are  
2 protecting, what kind of risks you are dealing with,  
3 what kind of frequency of risk, what's the  
4 probability, what's the severity of the risk?

5 And those are the things you would look at  
6 to try and determine what's the most effective way to  
7 protect your slot gaming assets at a reasonable cost.

8 BOARD MEMBER McCABE: Did I understand you  
9 to say that we can bill back the gambling casino for  
10 the cost of having the police there?

11 MR. STERLING: There's a provision in the  
12 law that allows -- there's a, I believe, it's an  
13 assessment. They use the term assessment in the law.  
14 And that, basically, is one way to recover the cost of  
15 regulation, if you will.

16 I don't believe that's a direct bill back.  
17 I think that goes through the assessment. I think  
18 that's set on -- I don't know if it's an annual basis  
19 or a periodic basis.

20 But, yeah, to answer your question, those  
21 costs ultimately will be borne by the gaming industry.  
22 Okay.

23 One of the other things that was an eye  
24 opener when we went to New Jersey was the fact that  
25 not only are the surveillance people looking to

1 protect patrons from harm, they are looking to protect  
2 the slot gaming operators from litigation due to slip  
3 and fall accidents and staged things.

4 So one of the things you are going to see  
5 is there's a significant concern on the part of the  
6 operators to make sure that there's nobody gaming the  
7 system, going through the tort process to try and take  
8 money out of them.

9 So they are, actually, very, very careful  
10 about monitoring their environment and areas, both in  
11 and outside the gaming areas, to make sure that  
12 there's no strange things going on with people, slip  
13 and fall accident type things. New Jersey, there's a  
14 lot of marble, you know, and there's a lot of reasons  
15 why people may slip.

16 Integrity of the gaming operation. Again,  
17 this gets back to knowledge of the gaming operation,  
18 understanding floor procedures, making sure that only  
19 those people who need to know have access to relevant  
20 personnel information, knowledge of slot games and  
21 regulations.

22 Because if your surveillance department is  
23 there to make sure that they are adhering to minimum  
24 internal control and the rules that you defined, as a  
25 Board, they need to understand what those are. So

1           they need to be familiar with gaming regulations.

2                       They need to have quality surveillance  
3           system repair. One of the things is, all these  
4           cameras and videotape recorders and switches, they are  
5           mechanisms. And they will break.

6                       If you have a camera down, you have a  
7           serious risk. So you need to make sure that that  
8           equipment is well maintained and repaired quickly if  
9           there's a problem.

10                      Trained facial recognition. One of the  
11           things that most casinos are aware of and there's a  
12           database, I can't remember the name of it. But  
13           basically they maintain a database of faces and  
14           identities. And there are, actually, people that they  
15           will look for coming into a casino to cheat it.

16                      Remember I mentioned earlier, there's this  
17           category of people that go around? Well, there's also  
18           a database on all those folks. One of the things that  
19           some casinos have started to experiment with in New  
20           Jersey is an automated facial recognition system.

21                      So this is -- these are all technologies  
22           coming out of the homeland security. But it's the  
23           ability to, using a video camera, when you go up to  
24           the cashier's booth, they will actually have a camera  
25           take your picture, run your picture, scan it against

1 the database to see if you meet one of the criteria  
2 for people that they really don't want there.

3 That's one of the technologies. It's not  
4 perfect; but it is a technology that's going to be  
5 emerging and play a role in trying to keep out people  
6 that you don't want in there.

7 I talked about this earlier; cooperation  
8 with law enforcement is absolutely essential. And the  
9 surveillance people need to be trained in the law  
10 related to the handling of evidence in Pennsylvania.

11 Remember I mentioned earlier, if you have a  
12 videotape and that videotape can't be viewed, and you  
13 don't have the resolution on there to make a solid  
14 case, your surveillance tape will be no good. If it's  
15 erased, of course, it will do you no good.

16 There were also logs and things that they  
17 need to maintain, standard operating procedures for  
18 how they interact with police, how they interact with  
19 internal security and so on.

20 Those are all things that have to be cast  
21 within the terms of Pennsylvania Law; to make sure  
22 that when they gather evidence, you got good evidence  
23 that can be used.

24 Report suspicious activity and terrorist  
25 acts. One of the other things increasingly important,

1 I mentioned this earlier, is this notion of terrorism  
2 and its ability to infiltrate and deal in cash  
3 transactions.

4 There are federal laws regulating the  
5 reporting of cash transactions. There's something  
6 called a suspicious action report that the Treasury  
7 Department requires that they file. And there's a  
8 second thing called a cash transaction report, I  
9 believe.

10 Let me see if I got that right. Well,  
11 there are two reports. One triggers at \$10,000. If  
12 you come in and you drop \$10,000 on the table and say,  
13 I want to pay slots, they are going to require you to  
14 fill out this form to verify your identity.

15 And that's the cash -- I think it's a cash  
16 transaction report, CTR. That's a form that is  
17 required to be filed with the Federal Government. The  
18 suspicious action report is a little less concrete.  
19 It's a little subject to interpretation.

20 And that, at least in the people we talked  
21 to in New Jersey, typically, they look for somebody  
22 coming in to drop \$5,000 on the table, or more. If  
23 that person is known, that is, they have a credit  
24 account with the casino, they already know who they  
25 are because they are registered.

1                   They vetted their credit background and  
2                   they know who they are. They don't need to check. If  
3                   they don't, if it's a complete stranger coming in and  
4                   dropping lots of cash but it doesn't meet the \$10,000  
5                   trigger, they will prepare a suspicious action report.

6                   Now, these are things that -- and again,  
7                   this is where you start to get into the difference  
8                   between the lottery point of view and the casino  
9                   traditional point of view.

10                  Things like suspicious transactions, things  
11                  like looking for money laundering are considered part  
12                  of the business of regulation in New Jersey and  
13                  Nevada.

14                  They are not looked at as important in some  
15                  other jurisdictions, like Delaware, West Virginia and  
16                  so on.

17                  And this goes back to what I talked about a  
18                  little bit earlier, as you consider how you define  
19                  integrity and how you measure integrity.

20                  These are things that when you decide how  
21                  you want to take that concept of integrity and break  
22                  it into operational things, things that you can do  
23                  something about, that starts to get at, well, what are  
24                  the risks you are looking at?

25                  As a Board, what do you determine are most

1           important? Currency transactions in some casinos --  
2           well, under the law, they are required to report the  
3           CTR, okay, over the \$10,000 mark. Suspicious  
4           transactions, it's ambiguous.

5                         And, as a Board, you have the authority to  
6           make some decisions about how you want slot gaming  
7           operators to deal with that stuff. You also have the  
8           latitude to decide, well, how important is that in  
9           terms of how you define gaming integrity?

10                        Those are some important things. Because  
11           depending on the approach you want to take, you may  
12           want to make that a key issue or not. I bring that up  
13           because that's one of the things that -- the  
14           differences we spotted in different venues.

15                        One of the other things is you need to  
16           maintain surveillance video and still photos of  
17           suspicious activities.

18                        You want to be watching if somebody is  
19           coming in and they look suspicious; you want to be  
20           able to watch them. Most of the video systems allow  
21           you to do that.

22                        We actually watched them apprehend somebody  
23           in New Jersey, and it was pretty cool, because the guy  
24           ripped off a deck of cards.

25                        And they tracked him right from the area he



1           ripped them off from, out into the hall where he was  
2           met by state police officers and a couple security  
3           guards. So they are pretty good at tracking things  
4           down and watching.

5                        Of course, you want to report to law  
6           enforcement agencies any suspected terrorist actions  
7           or suspicious actions.

8                        The final thing is to preserve the  
9           reputation of the industry in the state. Credibility,  
10          reliability of surveillance personnel is important.  
11          And more important is a credibility and reliability in  
12          the public perception of gaming.

13                       It is really important to have a  
14          surveillance function that's going to catch problems  
15          before they become serious visible problems.

16                       That's really what surveillance is all  
17          about. If you can nail it before it becomes a major  
18          issue, you are going to be far ahead of the game.  
19          21st century surveillance, I think James talked about  
20          it.

21                       The central control system is a very  
22          powerful tool because it really does lock down what  
23          people can do with the slot machines. And it offers  
24          you tremendous control that really wasn't possible  
25          before. That's a powerful tool.

1                   The same thing with all the different video  
2                   systems, facial recognition systems and, in the  
3                   future, you are going to see other kinds of  
4                   technologies emerge that will also help.

5                   Biometric identification, for example, can  
6                   possibly replace the use of passwords, which is an  
7                   issue from a security standpoint. Those are some of  
8                   the things we are going to see in the future.

9                   Let's talk about regulatory oversight. I  
10                  mentioned before that the surveillance function is  
11                  there to watch what's going on inside the  
12                  organization, as well as what happens with parties  
13                  outside the organization.

14                 These are some of the things that need to  
15                 be looked at. As I mentioned, it should be an  
16                 independent organization that reports to the Board of  
17                 Directors.

18                 There should be mandatory reporting to the  
19                 BIE and State Police of any questionable incidents,  
20                 suspicious incidents or criminal incidents.

21                 And it should not be left to discretion.  
22                 It should be a mandatory part of regulation. Anything  
23                 that goes on that's out of the ordinary should be  
24                 reported.

25                 And standard operating procedures would

1           then dictate how it is reported, what media and so on.  
2           In addition, there's going to be surveillance  
3           compliance audits by regulators.

4                         This is an area where you may want to have  
5           the State Police involved because, typically, they are  
6           going to have the training, and so on, required to  
7           deal with surveillance.

8                         And there is an element of skill and  
9           experience, as you look at all these things we are  
10          talking about, and who in the State is most equipped  
11          to deal with some of these things?

12                        One of the other things that is very  
13          important is a preopening inspection and approval of  
14          the slot gaming facility surveillance measures.  
15          That's required under section 120710 of the Law.

16                        Again, that's another area where you really  
17          want to have State Police involvement. To make sure  
18          that that surveillance is adequate and appropriate and  
19          make sure that whatever you are recording will follow  
20          the rules of evidence in Pennsylvania; so that if you  
21          do record an incident, you've got the evidence you  
22          need to prosecute.

23                        We are going to talk about technology.  
24          Actually, we are going to talk about operations first.  
25          Organization, we said it needs to be independent. We

1           talked about the staff.

2                         CHAIRMAN DECKER: Tom, just for  
3 clarification, you are talking about the internal  
4 operator surveillance group right now, right? When  
5 you say must be independent of gaming facility  
6 management, who are you addressing now?

7                         MR. STERLING: We are talking about the  
8 surveillance function inside of a slot gaming --

9                         CHAIRMAN DECKER: Well, obviously, if we  
10 did it, it's going to be independent, correct?

11                        MR. STERLING: Yes.

12                        CHAIRMAN DECKER: But I thought you were  
13 addressing, also, the -- you are talking about the  
14 independent reporting of the operator surveillance?

15                        MR. STERLING: Correct. By definition, you  
16 are going to be independent. And one of the things is  
17 -- one of the roles that the regulators play is to act  
18 as surveillance on the surveillance people.

19                        And that's one of the roles in New Jersey  
20 the State Police play. And the idea is -- and that  
21 goes back to, again, what I was talking about the  
22 role; how you want to define role and surveillance for  
23 the State Police and BIE. There are a couple  
24 different levels of involvement. We are going to talk  
25 about those in a little more detail.

1                   These are the kinds of things, here, in  
2                   terms of training your surveillance staff, they need  
3                   to be familiar with; and I'm not going to read through  
4                   those. But they are all, basically, being familiar  
5                   with the operation of a slot gaming business.

6                   And that deals with all the cash  
7                   accounting, as well as the slot machine servicing and  
8                   things that they do. Because if you don't understand  
9                   the business, you won't know what to look for.

10                  The folks we saw at Borgata were pretty  
11                  sharp. I mean, they were picking stuff up that I  
12                  would not have picked up at all, actually. Eye in the  
13                  sky, this is the cool stuff. You were asking about  
14                  the control room.

15                  They, basically, have cameras that are  
16                  going to be looking at everything that goes on inside  
17                  the gaming area. If you have a slot machine, you are  
18                  going to have, probably, at least one, maybe, two  
19                  cameras that can observe that machine and can be  
20                  punched up on demand.

21                  You need to be able to watch every  
22                  electronic gaming device or slot machine in detail.  
23                  So, remember, I talked about pan, zoom, tilt. You  
24                  need to be able to zoom in -- and if I have a credit  
25                  card, I have a credit card here; basically, you need

1 to be able to read that and recognize the name and all  
2 the fine print on here.

3 Because that becomes your basis, if you  
4 have a problem. Particularly, as you get into  
5 tickets, ticketing, as you get into cashless slot  
6 gaming, because they are -- the only thing you are  
7 going to have is a card like that as evidence.

8 You need to have that system or the gaming  
9 operator should have that security system linked to  
10 their central slot management system. Now, what do I  
11 mean by that? Yesterday, James talked about the idea  
12 that all these machines are intelligent devices.

13 If you open a machine or you attempt to  
14 violate its integrity in some way, there's a  
15 connection to the casino surveillance system that will  
16 switch that camera on immediately, start the  
17 videotape, and send an alert to the surveillance team.

18 Typically, that's something that is done in  
19 the slot operator itself because, typically, they are  
20 in position to respond to an attempt to break into a  
21 slot machine or do something that's unauthorized.

22 Now, what's going to happen -- James talked  
23 about protocols. And the protocol is a language. But  
24 one of the things that that language provides is a way  
25 to define different types of events. There's certain

1 illegal events that slot machines are going to be  
2 equipped to detect.

3 When they detect those illegal events, for  
4 example, somebody attempting to shove something down  
5 the coin slot or somebody attempting to break into the  
6 logic area, it's going to send a signal to the DOR  
7 central control system. It's going to send a signal  
8 to the casino slot machine monitoring system.

9 And that will then trigger an alert and  
10 tell the surveillance system, hey, there's something  
11 going on here, turn that camera on, start to tape.

12 At that point, of course, you are going to  
13 have an alert sent to security from surveillance. And  
14 then security will take over and deal with the  
15 problem.

16 One of the other things -- and I mentioned  
17 this before -- if your video system is connected to a  
18 videotaping system that is low quality, you are going  
19 to lose evidence.

20 So you have to have a videotaping system  
21 that maintains high quality fidelity of the image, and  
22 maintains image long enough so that you can actually  
23 use it.

24 Floor surveillance. There is a rule for  
25 undercover operations on the floor because cameras

1 will not catch everything. One of the things that was  
2 raised to us repeatedly is not just seeing the  
3 actions; it's being able to respond to it quickly  
4 enough to deal with it, to make the arrest, whatever  
5 you have to do.

6 Surveillance facilities. All the different  
7 areas that need to be secured should have limited  
8 access. And that includes computer rooms.

9 It includes, obviously, the surveillance  
10 room, and any other areas where you have any  
11 information, cash or other assets.

12 This is just an example of a slot gaming  
13 area. And it gives you an illustration of the kinds  
14 of planning that go on.

15 You have your closed circuit TV cameras,  
16 monitors, mirrors and so on. But that's the type of  
17 security layout you'd be looking for as part of your  
18 preopening inspection.

19 This is a diagram. The area -- I guess you  
20 have black and white copies, don't you? Okay. The  
21 area in red, the red area, are things that are  
22 directly connected to the central control computer  
23 system and to the slot machine operators, slot  
24 monitoring system.

25 Those things are things that are things



1           that are going to be automatically monitored. And you  
2           can see, there's a tie-in to the surveillance system.  
3           The green things deal with the handling of money.

4                         And as James mentioned, if you have tokens,  
5           cash, coin, you will have to track the flow of those  
6           assets through the organization. That's what the  
7           green things represent.

8                         The blue things represent the financial  
9           reporting that comes out of that. That's the internal  
10          reporting that the slot machine operators are doing to  
11          account for revenue and so on.

12                        And if you notice -- I'm going to try this.  
13          Right up here, you have DOR central slot machine  
14          system, central control system. So they are observing  
15          and watching everything that goes on.

16                        Typically, from a response standpoint, your  
17          surveillance system will be interfaced to the casino  
18          or the slot machine operators central control computer  
19          system. And again, that's a responsiveness issue.  
20          And as you can see here, everything is secure.

21                        There's, actually, multiple levels of  
22          security because you have a secured area outside all  
23          the back office functions and there are secured areas  
24          inside of that. So there's some redundancy.

25                        This is just a high level overview of what

1 the surveillance looks like in a centrally monitored  
2 slot system.

3 Again, this is a simpler diagram that  
4 illustrates the relationship between the Department of  
5 Revenue central control system, and the slot gaming  
6 operators internal slot monitoring system.

7 The red line here at the top is the line to  
8 the camera through the slot video system -- video  
9 surveillance system. Key points. If you don't look  
10 for it, you'll never see it. Again, that's one of the  
11 reasons why you need a vigilant surveillance function.

12 It's what you see that will hurt you. Good  
13 surveillance is aware; sees everything important to  
14 protecting people, assets and gaming integrity, but  
15 it's unseen.

16 Surveillance requires disciplined execution  
17 of clearly documented and understood standard  
18 operating procedures.

19 Surveillance requires a trained team of  
20 professionals, requires continuous vigilance, and it  
21 needs to be objective and stand separate from line  
22 management and the slot gaming operator.

23 Let's talk about alternate strategies. In  
24 terms of looking at alternatives, these are all goals  
25 we talked about before. So the goals are there in

1 front of us. The question is, how do we get there?  
2 How do we arrive at a decision about what we need to  
3 do?

4 Here's a proposed way of approaching it.  
5 One is to develop a clear understanding and the list  
6 of the people in gaming assets that are at risk. The  
7 next thing is to understand what are the loss events  
8 that may occur.

9 The next step is to estimate the frequency  
10 of loss events. The next is to estimate the impact of  
11 loss events. If you have a dumb crook and the person  
12 is going to be sitting there jamming the slot machine,  
13 it's a risk.

14 Is it a high risk in terms of damaging the  
15 overall integrity of slot gaming? Probably not. It  
16 is a crime. It needs to be prosecuted.

17 But that's an example of a risk that's less  
18 critical, perhaps, than the employee who breaks into  
19 the computer system, steals codes and can pull out  
20 several hundred thousand dollars.

21 Those are the kinds of things. The  
22 frequency of the dumb crook is probably higher than  
23 the other example I drew, but the risk is lower.

24 The next thing is to identify and describe  
25 options to mitigate event losses, to assess the

1 organization, operational and technical feasibility of  
2 mitigation options.

3 Develop a cost benefit analysis, make a  
4 decision based on that information about what approach  
5 you want to adopt, implement it, track your actual  
6 experience, and then go back and improve it.

7 BOARD MEMBER MARSHALL: Can I interrupt  
8 you? I mean we keep going -- it's getting rather  
9 circular because we are going and doing the same  
10 thing. I need to get -- is the primary purpose of  
11 surveillance to deter?

12 MR. STERLING: It is to deter --

13 BOARD MEMBER MARSHALL: The notion is, it  
14 doesn't make sense because you are going to get  
15 caught.

16 MR. STERLING: Right.

17 BOARD MEMBER MARSHALL: Surveillance won't  
18 let us intervene proactively; correct?

19 MR. STERLING: Well, that's the role of the  
20 security. So, for example, one of the things you can  
21 do to deter is put police officers in the gaming  
22 venues.

23 BOARD MEMBER MARSHALL: I understand that.  
24 But from a surveillance standpoint, all these things  
25 you talk about, we are trying to protect here and

1           everything else, it basically says that we will be  
2           able to catch the person who did it?

3                       MR. STERLING: Absolutely.

4                       BOARD MEMBER MARSHALL: It won't stop,  
5           necessarily, the person doing it from doing it?

6                       MR. STERLING: That's correct. The first  
7           role is deterrence. The second role is if they do it,  
8           you want to be able to get it and prosecute them. And  
9           that's where you need to have the rules of evidence  
10          followed, and make sure you got clear documentation.

11                      BOARD MEMBER MARSHALL: Maybe you could  
12          take us to the third piece. I just don't want people  
13          leaving with the impression if we have all those high  
14          tech cameras, they won't have problems.

15                      MR. STERLING: Absolutely not, no. In  
16          fact, you want the stuff there. One of the  
17          interesting things is it's very difficult to get good  
18          numbers about what really goes on; because there are  
19          publicly reported numbers, but that doesn't  
20          necessarily reflect what's really going on in casinos  
21          and stuff.

22                      And they are required to keep logs; but  
23          that information is very hard to get. One of the most  
24          important things I think that you can do is to require  
25          gaming operators to keep detailed measurements of the

1 types of the incidents they are encountering, and  
2 based on -- to develop a probability distribution.

3 Because I think one of the things you are  
4 going to see in Pennsylvania is, and we are a little  
5 bit different than almost any of our slot gaming venue  
6 because we have such diversity of sites.

7 And a site in downtown Philadelphia is  
8 going to be very different from a security and  
9 surveillance standpoint than a site in Lebanon County,  
10 for example. You are going to have -- I think you are  
11 going to see a different risk profile emerge, based on  
12 frequency and so on.

13 In terms of determining staffing  
14 alternatives, one of the key questions that I think  
15 that will come up is how do you want the State Police  
16 to be involved? And there are really three kinds of  
17 options to consider.

18 One is to perform the surveillance  
19 function. They are in there watching and,  
20 essentially, doing what the internal folks are doing,  
21 as well. The second thing is to regulate. And that  
22 means inspecting and making sure that those people are  
23 doing the jobs; and that the discipline and things we  
24 talked about earlier are being strictly adhered to.

25 The third thing is to improve. The idea

1           there is to provide technical support and services to  
2           the slot gaming surveillance teams, to help them  
3           improve their operating capability.

4                         You can mix and match those different  
5           roles. They are not exclusive. But that's one way  
6           you can enter the discussion of cost.

7                         Let's move into security. The objectives  
8           are essentially the same as they are for surveillance.  
9           You want to protect your assets, your people and so  
10          on. The regulatory and security risks, the risks are  
11          the same. The difference is in security, you are  
12          acting on it.

13                        As we mentioned before, there are systemic  
14          risks and there are going to be point of failure  
15          risks. You need to be able to deal with both of  
16          those.

17                        As I mentioned before, systemic risks have  
18          more to do with operating procedures and  
19          organizational problems.

20                        Point of failure risks typically deal with  
21          specific events you need to respond to. Non-criminal  
22          security risks. That goes back into what I was  
23          talking about before where you have accidents,  
24          injuries to employees or patrons, as well as potential  
25          fraud.

1                   You have other things like fire,  
2                   unauthorized access to secured areas of the facility  
3                   and so on. So those are all security risks that you  
4                   want to mitigate.

5                   I think it's important to keep in mind that  
6                   when we get into the law enforcement aspect of  
7                   security and gaming enforcement in general, as I read  
8                   it, the law is pretty clear that it's the Pennsylvania  
9                   State Police.

10                  I think that it warrants having the state  
11                  police presence in each gaming facility for a lot of  
12                  reasons. I think that's an important -- that goes  
13                  back to, I think, the integrity issue we talked about  
14                  earlier.

15                  Let's talk about some -- I'm going to move  
16                  forward here a little bit. Let's talk about the  
17                  process we started with before, because that's really  
18                  the same slide, if you go to slide 36.

19                  What are we really trying to protect?  
20                  Well, we are really trying to protect patrons and  
21                  employees. So public safety is the first concern.  
22                  The second concern is cash, tokens, and any other type  
23                  of media you have that has value associated with it.

24                  The third thing are the slot machines and  
25                  kiosks themselves. Fourth thing is local and wide



1 area network. Slots are intelligent devices. They  
2 depend on network communications, so you need to  
3 protect the network.

4 Central control computer. That has to be  
5 hardened and protected. Slot gaming software, that  
6 has to be protected. All of these things in here are  
7 assets that we need to be looking at from a security  
8 standpoint.

9 Specific loss events. You have injuries,  
10 you have theft, counterfeiting, slot machine cheating.  
11 Some of these are dumb crook things. Some of them are  
12 going to be sophisticated crook things.

13 You need to be able to deal with all of  
14 those. Slot gaming cheating through unauthorized  
15 manipulation of the random number generator, pay  
16 tables, game state, typically is going to be on your  
17 more sophisticated side. And that's where you get  
18 into computer related crimes.

19 You need to be careful of infiltration of  
20 the local area network. And as you go to RF based  
21 systems, RF based networks, that's going to be  
22 extremely important. You need to look for illegal  
23 payoff to non-gaming vendors.

24 So those are the kinds of loss events you  
25 are looking at. Given that law enforcement in gaming

1 facilities has to be handled by the State Police, you  
2 get into a question, well, how much?

3 Do you want continuous? Do you want on  
4 call? And I believe those are matters for you to  
5 consider with the State Police to develop that plan.

6 What is clear is that, I believe, there  
7 should be a role for the State Police in each  
8 facility.

9 From a regulatory security standpoint, this  
10 deals with the more systemic risks. This involves, as  
11 I mentioned before, inspection, auditing and so on.

12 There is a role for the State Police,  
13 Bureau of Investigation and Department of Revenue; and  
14 that would be looking at the areas you see there.

15 Security staff and infrastructure from a  
16 regulatory standpoint. State police are the best  
17 qualified people to do that. That's what they do.

18 Command and control procedures for security  
19 and surveillance. What is the relationship? How  
20 quickly can they respond? What are the standard  
21 operating procedures if there is a problem? How does  
22 surveillance and security interact?

23 Slot gaming facility layout and design from  
24 a surveillance and security standpoint. BIE, their  
25 focus from a security standpoint would be on financial

1 and operational control and strict adherence to  
2 minimum internal control standards and organizational  
3 segregation of duty.

4 Department of Revenue would be looking at  
5 making sure the central control computer and the wide  
6 area network that ties all that together is secured.

7 And in looking at slot facility based  
8 servers used to interface the slot machine licensees  
9 from and to the central control system. So those are  
10 some of the kinds of regulatory security things that  
11 need to be looked at.

12 SECRETARY FAJT: Tom, on that slide, you  
13 have one scenario. What are other scenarios you've  
14 seen?

15 MR. STERLING: There are actually a number  
16 of other scenarios. And one of the reasons that's  
17 possible is because, under the Act, there is actually  
18 an overlapping responsibility from an audit and an  
19 inspection standpoint.

20 SECRETARY FAJT: Can you talk about the  
21 overlap of functions in the security and surveillance  
22 standpoint? I mean, I think, really that's what we  
23 were kind of looking for?

24 MR. STERLING: Yes. It really deals in the  
25 area of minimum internal control standards. Minimum

1 internal control standards are -- basically, it's a  
2 book of minimum things that you require as regulators  
3 that each slot machine licensee has to submit for your  
4 approval.

5 And it is possible that you could say,  
6 well, the review of the surveillance practices could  
7 be done by somebody in BIE. It could be done by the  
8 Pennsylvania State Police.

9 And that's where you look at the things  
10 that could happen under the Act. And then you look  
11 and consider, okay, based on the types of skills, the  
12 types of experience, where would you get the biggest  
13 bang for the buck in terms of doing that review? But  
14 minimum internal control standards does deal directly  
15 with surveillance, security.

16 It also deals with financial controls, as  
17 well. Those are all typical sections in a minimum  
18 internal control manual.

19 BOARD MEMBER MARSHALL: Are you done? One  
20 of the things, and I've spoken with some  
21 representatives of the State Police about this, State  
22 Police, under the Act, as I read it anyway, has  
23 certain jurisdiction.

24 They are responsible to fingerprint, for  
25 example. So in that scenario, I don't feel that we

1           have any obligation to audit, to do any kind of  
2           quality control. That's the State Police's  
3           responsibility as charged by the Legislature. They  
4           answer to the Legislature.

5                       The Act, again as I read it, and I won't  
6           profess to know everything, but I, kind of, have a  
7           sense is that we have been authorized to, I guess,  
8           contract or enter into a vendor relationship with the  
9           State Police to carry out certain functions.

10                      Clearly, this is not the function of the  
11           State Police, but it's ours; and one of the avenues  
12           that we can pursue. In that case, I do believe we  
13           answer to the Legislature from a quality control audit  
14           and everything else.

15                      And as we begin to consider over the next 6  
16           to 12 months what ultimate role the State Police will  
17           have in the vendor capacity, now, can you give us some  
18           thoughts about how we, as a Board, can audit, oversee,  
19           do quality control. Because we can't ask -- once they  
20           become a vendor to us, we can't ask them to audit  
21           themselves.

22                      We can't ask them to do those quality --  
23           you know, if we were to have an outside firm, we could  
24           probably deploy or ask the State Police to give us  
25           some rendering that way.

1                   I wonder if you had an opportunity to think  
2                   about it, or you could just give the benefit of your  
3                   thinking?

4                   MR. STERLING: That's an interesting  
5                   question. I hadn't really thought about that. I  
6                   think, if I go back to New Jersey as an example  
7                   because they really have a -- what we saw there was a  
8                   very tight working relationship between the casino  
9                   internal surveillance staff and security people and  
10                  the state police.

11                  The approach they took was the primary line  
12                  of defense against crime, against anything going on in  
13                  the gaming area, really, was going to be owned by the  
14                  casino operator. The state police were there.

15                  They had a very significant presence; but  
16                  they could not be there 24/7 because they just didn't  
17                  have the manpower at this point. So their role was --  
18                  I talked about the three roles.

19                  One of those would be to act as an  
20                  inspector, to make sure that the gaming operators are  
21                  adhering to standard operating procedures; that they  
22                  are, in fact, performing surveillance the way it  
23                  should be done, surveillance and security.

24                  I think it depends, when you talk about  
25                  quality assurance. If you talk about a performed

1           role, where actually doing surveillance and security,  
2           you might want to consider some kind of Q/A. I'm not  
3           sure how I would recommend doing that.

4                     I think the other aspect or the approach  
5           you could take would be to say, well, really, we could  
6           choose to delegate that to the slot machine operator.

7                     And the state police role becomes one of  
8           supplementing their staff, and being there to inspect  
9           and make sure that the surveillance and security staff  
10          are performing appropriately; in which the state  
11          police, in effect, become contracted to monitor and  
12          manage and help improve what that slot operator is  
13          doing.

14                    BOARD MEMBER MARSHALL: But the dilemma is  
15          still there because the Legislature chose not to vest  
16          original jurisdiction in the State Police to do this;  
17          and gave it to us to make the decision.

18                    MR. STERLING: I think it depends on what  
19          you are talking about. If you are talking about  
20          criminal matter --

21                    BOARD MEMBER MARSHALL: Clearly, they  
22          have --

23                    MR. STERLING: Right. I think that to the  
24          extent that security and surveillance are going to be  
25          dealing with criminal matters, and they will, there is

1 clearly a need for the State Police to be involved in  
2 that.

3 As far as I know, at least from a gaming  
4 standpoint and what goes on inside the slot machine  
5 facility, the State Police have -- they are it, from a  
6 law enforcement --

7 BOARD MEMBER MARSHALL: From a criminal  
8 standpoint. That's really not what I'm getting at.  
9 I'm getting at, we have the opportunity to delegate,  
10 if you will, a lot of our function to the State  
11 Police.

12 And if we do that, we are still going to  
13 have to assure ourselves; because we are going to  
14 ultimately have to assure the Legislature and the  
15 citizens of the Commonwealth that the state police are  
16 doing their job.

17 I'm not trying to make this more  
18 complicated. But if we -- to the extent we want to do  
19 a broader delegation, do we hire somebody like you to  
20 come in and say, once every year, we looked at it.  
21 They are doing a fine job.

22 I don't know how -- or is that our Bureau  
23 of Investigation, and what do they do?

24 MR. STERLING: I think you have the same  
25 question -- same issue with the Bureau of



1 Investigation.

2 BOARD MEMBER MARSHALL: But there we can  
3 hire the State Police to give us an analysis, to do  
4 the quality assurance.

5 MR. STERLING: Start watching each other.  
6 That's a possibility. I don't have an answer for you  
7 just off the top of my head about how you would deal  
8 with that.

9 BOARD MEMBER MARSHALL: You understand  
10 where I'm --

11 MR. STERLING: No, I do understand. Where  
12 I am going, though, with the role, typically, you are  
13 going to apply that to people that are in the perform  
14 mode.

15 That is, they are doing surveillance and  
16 security as opposed to individuals, perhaps, who would  
17 be coming into manage, recommend and inspect and  
18 improve and make sure that the operators are  
19 performing it appropriately.

20 You can easily run into, kind of, this  
21 situation where you have checkers, and checkers on the  
22 checkers and checkers on the checkers. And pretty  
23 soon, you have the checkers outnumbering the people  
24 doing the work.

25 I don't know what the answer is. But I

1 think that it starts with understanding what role you  
2 want the State Police to play in surveillance and  
3 security.

4 BOARD MEMBER MARSHALL: I don't want to  
5 belabor the point, but if we were to hire the ABC  
6 security firm to do surveillance, I think we would  
7 have an obligation to assure ourselves on some  
8 periodic basis, like every other contractor we are  
9 going to have.

10 MR. STERLING: I certainly think that it's  
11 a role -- it's a very good role for the State Police  
12 to play vis-a-vis the internal surveillance and  
13 security staff for a slot gaming operator, absolutely.

14 But like I said, you get to the point,  
15 where do you -- sort of, where do you draw the line,  
16 now, in terms of levels of checking?

17 BOARD MEMBER MARSHALL: Maybe you give some  
18 thought over the next coming months, you could share  
19 some --

20 MR. STERLING: Sure.

21 BOARD MEMBER MARSHALL: -- maybe some other  
22 jurisdiction has figured it out.

23 MR. STERLING: Like I said, in New Jersey,  
24 the DGE reports up through the Office of Attorney  
25 General. And there are some checks and balances

1           there. But the type of thing you are talking about,  
2           I'm not aware of any other jurisdiction doing it.  
3           Doesn't mean they are not, I'm not aware of that.

4                         SECRETARY FAJT: Tad, can I ask a question?  
5           Tom, again, not to belabor this point, but I want to  
6           make sure I understand. Our law says that security  
7           and surveillance can be undertaken at the discretion  
8           of the Board.

9                         And our options, as Board members, are  
10          either we give that function to the Bureau of  
11          Investigation and Enforcement or the Pennsylvania  
12          State Police; is that accurate?

13                        MR. STERLING: I believe that is accurate  
14          from a regulatory standpoint. And the issue is  
15          segregating security and surveillance that's dealing  
16          with criminal things from things that are regulatory.

17                        In the regulatory sense, yes. In fact,  
18          that's one of the areas that the law -- there is just  
19          a lot of overlap there.

20                        In a criminal sense, depending on where you  
21          want the State Police to intervene from an arrest  
22          standpoint, I don't believe that a security officer  
23          working for a slot gaming operator has the power to  
24          arrest.

25                        They can detain people. And in New Jersey,

1           they have rooms where they put them.

2                         SECRETARY FAJT:  But in Pennsylvania,  
3           that's not the case.  I mean, what we are talking  
4           about is a Bureau of Investigation and Enforcement  
5           which reports directly to the Board.  That is not an  
6           operator's security force.

7                         MR. STERLING:  That is true.

8                         SECRETARY FAJT:  Again, I just want to make  
9           the point.  I'm not advocating either way; but I want  
10          to make sure that we understand what the options are.

11                        MR. STERLING:  Okay.  Yeah.  And I think  
12          the -- I think that the BIE, and this is just one way  
13          to look at it, so please, this is not the only way to  
14          look at it.

15                        I think a reasonable way to think about BIE  
16          is its focus is going to be on regulatory, and what  
17          I'm going to call systemic issues dealing with the  
18          organization, the operation, the internal controls and  
19          so on.

20                        The surveillance function is there to look  
21          for -- it is there to look for systemic problems.  But  
22          on a day to day basis, when you are up there with the  
23          eye in the sky and you are looking at the consoles,  
24          you are really looking at point of failure options or  
25          point of failure risks and trying to deal with those.

1                   Now, some of those may be regulatory in  
2 nature. That is, you see somebody going into the  
3 account room and they have pockets; because most  
4 operators require that they go in with pocketless  
5 coveralls and things.

6                   And that's a violation of regulation.  
7 That's not a criminal violation. It's a regulatory  
8 matter.

9                   On the other hand, you may catch somebody  
10 in the coin counting room palming a hundred dollar  
11 token. That's a crime.

12                  So you have a situation here where you have  
13 security and surveillance. They are looking in the  
14 count room. Where does BIE, kind of, begin, which is  
15 looking at the regulatory, the procedures; and where  
16 does the State Police come in?

17                  And I guess, from a -- from the law  
18 standpoint, if you got somebody palming the token,  
19 that's clearly a crime.

20                  And the question is, well, to prosecute  
21 that you need to have State Police involved; because  
22 they are the only people that can arrest that person.

23                  From a security and surveillance  
24 standpoint, it could be caught by the operator. I  
25 don't know that BIE -- if they want to get into the

1 surveillance business. That certainly is something  
2 that the Board may choose to do.

3 But a lot of it, you are going to be  
4 watching; you are going to be intervening when there's  
5 a problem. And when you watch and intervene, if it's  
6 a criminal matter, at some point, you need to have the  
7 State Police involved.

8 If it's a break in procedure, it could be  
9 the State Police or it could be BIE. I hope that  
10 answers your --

11 SECRETARY FAJT: Thanks, Tom.

12 CHAIRMAN DECKER: You got a couple more  
13 slides. Let's get through it because we are way  
14 behind. Thank you, although this is a very important  
15 topic.

16 MR. STERLING: Let's talk about other  
17 regulatory jurisdictions. This is just an example,  
18 some of the key points.

19 You look at Pennsylvania, New Jersey,  
20 Nevada, Delaware, New Mexico, West Virginia. Those  
21 are the jurisdictions we looked at.

22 As you can see there, you can see on the  
23 top line who has a central control computer and who  
24 doesn't. Basically, New Jersey and Nevada do not have  
25 central control computer systems for the reasons that

1 James talked about. A lot of it has to do with the  
2 legacy business that they have.

3 It simply would be too cost prohibitive to  
4 install at this point in time. All of the regulators  
5 that have central control computers monitor slot  
6 machine events and meters. They do not all control  
7 game definition and game parameters. Delaware does.  
8 Nevada doesn't.

9 Pennsylvania, we don't know yet. That will  
10 be up to you to decide that. Surveillance room for  
11 the gaming operator and law enforcement. Again, most  
12 jurisdictions have that. New Mexico does not. West  
13 Virginia, we are not sure.

14 Minimum videotape retention period. As I  
15 mentioned before, that's kind of important from an  
16 evidence standpoint. New Mexico, it's two weeks. The  
17 others that we could get information on were 7 days.

18 Everybody has closed circuit television.  
19 And in West Virginia, even if you are a small retailer  
20 and you have a couple of video lottery terminals, you  
21 are required to have a video camera on those things  
22 all the time with videotape records.

23 Pan, zoom tilt cameras. Again, those are  
24 required in most jurisdictions, mixed thoroughness.  
25 Now, we went through the different minimum internal

1 control standards. And what we found was that New  
2 Jersey, Nevada, Delaware, New Mexico had -- were --  
3 well, I'm sorry. New Jersey, Nevada, Delaware had  
4 pretty comprehensive minimum internal control  
5 standards.

6 New Mexico was less comprehensive. West  
7 Virginia was minimal. I guess what I'm suggesting  
8 there is I wouldn't use West Virginia as a model for  
9 what we do here in terms of minimum internal control  
10 standards.

11 West Virginia has policy statements. They  
12 really don't have a mixed manual. Suspicious  
13 transaction reporting regulation. They all have it;  
14 not sure how well they enforce it. I know New Jersey  
15 and Nevada are pretty rigorous. I'm not sure about  
16 the other jurisdictions.

17 Same thing with CTRs; although that is  
18 required under Federal Law. Specialized police unit  
19 for gaming. Pennsylvania would have it under the  
20 legislation we are working under.

21 New Jersey does have it. Nevada does not.  
22 The Nevada Casino Control Commission has law  
23 enforcement capability and they have police powers.

24 Delaware does. New Mexico, we have yes in  
25 there. It's interesting. We talked to their Gaming



1 Control Board.

2 We talked to some of the folks out there,  
3 they said, yeah. The State Police said no. So I'm  
4 not sure what the answer is. West Virginia, they do  
5 not.

6 Game testing. As James mentioned, that's a  
7 significant part of your security apparatus. And you  
8 can see down at the bottom, Nevada, New Jersey are  
9 doing it in-house. Everyone else has elected to  
10 contract that service to an outside company.

11 Cost drivers. These are just some things  
12 that will drive up the cost. You can see that  
13 depending on the types of games you have, the level of  
14 activity, or levels of surveillance can actually vary.

15 Obviously, higher denomination of the game,  
16 the more you are going to watch it. In Nevada, they  
17 actually have a machine where you can drop \$1,000  
18 tokens in and you can win a million bucks.

19 That thing is actually monitored 24 by 7,  
20 with a camera on it the whole time. That's all I need  
21 on that one.

22 Couple things unique to Pennsylvania. In  
23 looking at other jurisdictions, these are just some  
24 factors that make us a little bit different. One is  
25 the Gaming Act we are operating under is different

1 from anything else we have seen, in the sense that  
2 there's shared enforcement powers granted to the three  
3 organizations you see there.

4 The size and scale of the central control  
5 computer network in Pennsylvania can reach up to  
6 61,000 machines, is a very large network, a lot of  
7 devices to have attached. That makes us different  
8 from New Mexico, Delaware or West Virginia. They  
9 don't have that many machines.

10 The geographic dispersion of slot gaming  
11 venues. Except for New Mexico, we are probably the  
12 most geographically dispersed.

13 And I believe that in addition to  
14 geographic, you are going to have a lot of different  
15 venue types with different surveillances, security,  
16 attributes that you manage differently.

17 We have a mix of high volume racetrack and  
18 stand alone gaming venues. That's different from New  
19 Mexico.

20 Actually, it's different from New Mexico,  
21 West Virginia and Delaware because West Virginia and  
22 Delaware only allowed gaming at racetracks.

23 New Mexico only has the scale of gaming you  
24 are going to be doing here at racetracks. They do  
25 have and allow some non-profits to have up to 15

1 slots. I think it's 15, some minimum number. And  
2 Virginia also allows retailers.

3 But in terms of what we are doing in  
4 Pennsylvania, in terms of the scale for any given  
5 site, we are kind of unique.

6 Finally, and this will be the last slide,  
7 this is a proposed approach to dealing with -- we  
8 talked a lot about questions, about how do you decide  
9 how much you are going to spend and what level of  
10 security can you afford, things like that.

11 And this is a process we would suggest that  
12 the Board considers for exploring this problem. We  
13 went through this before.

14 The yellow things are your planning  
15 activities, identify assets, specify loss event,  
16 estimate frequency of loss events, assess impact of  
17 loss events. That's really defining the problem.

18 The second thing is looking at solutions.  
19 That's in the lighter blue. Define options to  
20 mitigate, assess the feasibility of those options,  
21 develop cost benefit analysis. Once you have done  
22 that, you need to choose, as a Board, what you want to  
23 do.

24 Implement the strategy, measure and assess  
25 results. That's very important because that's your

1 basis, now, to improve the process and revise and  
2 improve the strategy.

3 The whole idea of this approach is it, kind  
4 of, takes the debate from a philosophical one to one  
5 that deals in operational terms that you can start to  
6 look at and make some of the hard decisions you have  
7 to make.

8 That's all I have.

9 CHAIRMAN DECKER: Thank you, Tom. Any  
10 questions?

11 BOARD MEMBER COLLINS: Mr. Chairman, I do  
12 have a question. It seems to me that we are faced  
13 with a delicate balance here, regulations versus  
14 business.

15 MR. STERLING: Absolutely.

16 BOARD MEMBER COLLINS: Police presence and  
17 activity versus a welcoming gaming environment for the  
18 public. And you have recommended or suggested that a  
19 State Police presence in the different venues is  
20 important.

21 MR. STERLING: Yes.

22 BOARD MEMBER COLLINS: Now, with that in  
23 mind, do you envision that there's a need for any  
24 specialized type of training for any State Police who  
25 would be in this type of presence? And if you do,



1           measure that. We can start to make operational  
2           decisions about how you develop the regulations, who  
3           does the work, what it's going to cost and so on?

4                        So, to the extent that we can take the  
5           issue we are dealing with now, and your point is  
6           right, how do you balance it?

7                        I think one of the steps to doing that is  
8           to recast that problem operationally, so we can give  
9           you numbers and things to work with so you can make  
10          some decisions on a more quantitative basis.

11                       BOARD MEMBER COLLINS: Did you consider the  
12          training issue?

13                       MR. STERLING: I tried to answer it in two  
14          parts; I'm sorry. The second piece is, yes, there is  
15          training that should take place and there is training  
16          available.

17                        There is a program -- one of the things  
18          that we looked at, Atlantic City Community College in  
19          Atlantic City, New Jersey, offers a program for state  
20          police officers, for police officers, in general, in  
21          gaming technology.

22                        So there's training available. We did meet  
23          with them. The Pennsylvania State Police were with us  
24          when we did that. So there is that available.

25                        And, yes, it is something that would be a

1 very good idea because slot gaming crimes, gaming  
2 crimes, in general, require some degree of specialized  
3 knowledge, especially when you are dealing with the  
4 slot machines, the slot machine mechanics.

5 CHAIRMAN DECKER: Any other comments?  
6 Obviously, we have a lot to deal with here in deciding  
7 how this is going to break down.

8 We are not going to decide this today. We  
9 are going to hear from a number of others, including  
10 the State Police, on another occasion, about how they  
11 perceive their role and they think the most effective  
12 and -- efficient and cost effective way to deal with  
13 this is.

14 I want to ask the Colonel and the Captain.  
15 Do you have time to come back if we do this after  
16 lunch?

17 I hate to throw you off the schedule. It  
18 bothers me a lot. If you can come back? We are going  
19 to convene at one, for those in the audience to give  
20 you a heads up.

21 And we are going to break, with the  
22 permission of my fellow Commissioners, for one hour.  
23 Thank you.

24 (Lunch.)

25 CHAIRMAN DECKER: We are going to get

1 started again. We are going to call the meeting back  
2 to order. So if you could take your seats, please.

3 We have heard from ISG about the very broad  
4 range of options available for handling background  
5 investigations and other matters.

6 I've asked Lieutenant-Colonel Ralph  
7 Periandi and Ron Petyak to come up and speak to us  
8 today about how they would propose to handle the  
9 background investigations and, obviously, criminal  
10 investigations and enforcement.

11 We are going to ask them to come back at  
12 another time to make a presentation to us on  
13 surveillance and security, a very important matter.

14 But today, we are just asking for those two  
15 items. Gentlemen, would you mind coming up? Again, I  
16 apologize for getting you late today on these issues.  
17 We are all ears now.

18 LIEUTENANT-COLONEL PERIANDI: Thank you.  
19 Good afternoon, Chairman Decker and Gaming Control  
20 Board Members, Treasurer Hafer. On behalf of the  
21 Commissioner of the Pennsylvania State Police, Colonel  
22 Jeffrey B. Miller, I'm honored to present the State  
23 Police Office of Gaming Enforcement Proposal this  
24 afternoon to the Board.

25 The specifics of our proposal will be



1 delivered by Captain Ronald Petyak. Ron is a 30 year  
2 veteran of the Pennsylvania State Police.

3 And I, personally, recommended to the  
4 Commissioner that he be assigned as our first Director  
5 of the Office of Gaming Enforcement.

6 Ron comes to gaming from our Bureau of  
7 Criminal Investigation, where he most recently has  
8 commanded our Organized Crime, Special Investigations  
9 and Intelligence Divisions.

10 Captain Petyak, with Lieutenants Maynard  
11 Gray and Mike Ruda, has been intensively involved in  
12 preparing this State Police Proposal since last July.

13 Let's get right into some of the  
14 information contained in the Act; and used as a basis  
15 for this afternoon's State Police presentation.  
16 Numerous states such as New Jersey, Missouri and  
17 Connecticut have adopted very aggressive approaches to  
18 regulating gaming.

19 Strong regulatory policies and the ability  
20 to execute those policies sends a clear message that  
21 the state, through the agency delegated to control  
22 gaming in that state, is in charge of regulation, not  
23 the gaming industry. Regulation of gaming is  
24 expensive.

25 But regulation creates a fair, clean

1 environment that protects patrons, citizens and  
2 legitimate gaming business interests.

3 Let us not forget, however, the costs  
4 associated with this endeavor, no matter what the  
5 amount, are passed on to the gaming industry and have  
6 no impact on the revenue expected to be generated to  
7 benefit the citizens of the Commonwealth of  
8 Pennsylvania.

9 States such as Delaware, New Mexico and  
10 West Virginia are exceptions to the strict regulation  
11 rule because they have adopted a less intensive  
12 regulatory environment.

13 They also utilize a central control  
14 computer system; and their primary concern is ensuring  
15 that gaming revenues are completely and correctly  
16 accounted for.

17 Their organizational capacities do not  
18 provide the same level of gaming industry integrity  
19 control that the other states' regulatory environment  
20 provides. At the same time, their costs of regulation  
21 are substantially less expensive.

22 Governor Edward G. Rendell and the State  
23 Legislature, through the provisions of Act 71,  
24 provided a sound direction for regulating slot gaming  
25 within the Commonwealth.

1                   The message contained through the Act is  
2                   perfectly clear; gaming must be strictly controlled.  
3                   And the Board was granted the power to move forward to  
4                   create clearly defined regulations, and the capacity  
5                   to enforce those regulations.

6                   All opportunities to create or expand  
7                   criminal enterprise and activity based directly or  
8                   indirectly on gaming must be eliminated. All slot  
9                   gaming must be fair and all operations conducted with  
10                  absolute integrity.

11                  Slot gaming must be carried out  
12                  transparently; so Pennsylvania citizens can have  
13                  absolute confidence in the gaming industry.

14                  One only has to go to Section 1102 of the  
15                  Act, which begins with, the primary objective of this  
16                  part, to which all other objectives and purposes are  
17                  secondary, is to protect the public through the  
18                  regulation and policing of all activities involving  
19                  gaming and practices that continue to be unlawful.

20                  This is an extremely powerful statement  
21                  that recognizes that effective regulation and strong  
22                  regulatory and criminal enforcement is the foundation  
23                  upon which successful gaming must be built. Act 71  
24                  mandates the State Police be tasked with the levels of  
25                  responsibility in several areas, three of which are

1 shown on this slide.

2 Criminal investigations focus on the  
3 initial response and subsequent investigation of a  
4 broad spectrum of criminal activity. The  
5 investigations will range from simple theft to  
6 technologically complex cheating schemes and  
7 conspiracies to committee financial fraud.

8 These investigations need to be conducted  
9 by one law enforcement agency to ensure uniformity and  
10 gaming industry integrity.

11 This includes proactive investigations of  
12 casino related financial crimes inherent to the casino  
13 industry, as well as those addressing such areas as  
14 organized crime, traditional or non-traditional  
15 corporate corruption, and various sophisticated slot  
16 machine cheating techniques.

17 Regulatory and criminal enforcement  
18 includes duties such as strict adherence to internal  
19 protocol submissions, proper storage and use of gaming  
20 equipment, enforcing exclusion list violations,  
21 resolving patron complaints, maintaining information  
22 system integrity and monitoring the surveillance  
23 system for regulatory and criminal violations.

24 This would include all crimes committed  
25 against patrons of the facility, such as identity

1 theft, theft and assault. All crimes committed by  
2 patrons of the licensed facility, which include,  
3 theft, assault, disorderly conduct and criminal  
4 trespass.

5 And all crimes committed against the  
6 licensed facility itself, such as cheating scams,  
7 counterfeit currency, embezzlement, credit card fraud,  
8 retail theft, forgery and employee theft. Thorough  
9 in-depth background investigations on licensees --

10 CHAIRMAN DECKER: Let me stop you for a  
11 minute and ask you a question. I thought I read  
12 something recently.

13 What happens when it's right on the  
14 outskirts? Let's assume something happens in a  
15 parking lot. Is that still your jurisdiction, or do  
16 you have to refer that to local authorities?

17 LIEUTENANT-COLONEL PERIANDI: We are going  
18 to refer to that. That's -- we will be covering that.

19 CHAIRMAN DECKER: I wanted to make sure I  
20 understood. Thanks.

21 LIEUTENANT-COLONEL PERIANDI: We will be  
22 covering that. Thorough, in-depth background  
23 investigations on licensees, manufacturers and  
24 suppliers and key employees are the main deterrent in  
25 preventing the infiltration of corrupt influences into

1 the gaming industry.

2 It involves the ability to regulate the  
3 individuals and businesses that are permitted to own,  
4 invest and/or have a controlling interest at a  
5 licensed facility, regulate the individuals and  
6 businesses that are permitted to work at or for a  
7 licensed facility, and regulate the individuals and  
8 businesses that are permitted to do business with a  
9 licensed facility.

10 As we show on the slide, Pennsylvania  
11 presents its own unique problems relative to  
12 geographical layout of the licensed facilities, which  
13 will ultimately be spread across the Commonwealth, in  
14 which a variety of law enforcement agencies maintain  
15 primary jurisdiction.

16 One set of mandates and protocols will be  
17 established by yourselves, the Pennsylvania Gaming  
18 Control Board, and should be consistently and  
19 uniformly enforced under one common theme by the  
20 Pennsylvania State Police, the only statewide law  
21 enforcement agency capable of providing these  
22 services.

23 This will ultimately ensure the integrity  
24 of the gaming industry in the Commonwealth of  
25 Pennsylvania, and the safety and security of

1 individuals patronizing those facilities. The  
2 following PSP plan addresses those concerns regarding  
3 the 14 licensed facilities.

4 At this time, I'm going to turn the podium  
5 over to Captain Petyak. He's going to go into the  
6 details relative to our background investigation  
7 proposal.

8 Also, I would take this opportunity to  
9 invite the Board to ask any questions relative us,  
10 relative state police operations; because I know there  
11 were a couple questions, even this morning, relative  
12 state police operations, that we would be more than  
13 happy to try to answer for you.

14 CAPTAIN PETYAK: Good afternoon. At the  
15 direction of Governor Rendell, the Pennsylvania State  
16 Police conducted extensive research and worked hand in  
17 hand with gaming consultants, Spectrum Gaming Group  
18 and NFC Global.

19 This research included in-depth interaction  
20 with our counterparts involved in gaming  
21 investigations and enforcement across the country.  
22 One common theme of all throughout this process:  
23 don't begin where they started; formulate our plan  
24 where they are today. Take advantage of the mistakes  
25 made in other jurisdictions; capitalize on the

1 modifications they made.

2 Our mission is not to present options  
3 here. We see that as the responsibility of the  
4 consultants.

5 It's not for us to tell you why someone  
6 else is not suited to perform any of the duties and  
7 responsibilities contained in the Act.

8 Our goal is to provide the Board with the  
9 clear definition of how the Pennsylvania State Police  
10 would address the critical components of security,  
11 surveillance, background investigations, criminal  
12 investigations and enforcement, regulatory enforcement  
13 and staffing.

14 Background investigations, criminal  
15 investigations and enforcement and regulatory  
16 enforcement will be discussed in-depth throughout this  
17 presentation.

18 Pennsylvania State Police will assume the  
19 role, the primary role in conducting background  
20 investigations.

21 Our plan incorporates components of both  
22 centralized and decentralized background investigation  
23 concepts.

24 The centralized concept will initially take  
25 place when background investigations are assigned,



1 prior to the licensed facility becoming operational.

2 These investigations will be conducted out  
3 of the Pennsylvania State Police Office of Gaming  
4 Enforcement Headquarters.

5 The decentralized concept will begin when  
6 the licensed facility becomes operational. Due to the  
7 geographical layout of the licensed facilities, when  
8 they are operational, background investigations will  
9 be assigned to Pennsylvania State Police Office of  
10 Gaming Enforcement Members at the licensed facility  
11 where the applicant is applying for employment.

12 BOARD MEMBER McCABE: Excuse me, Captain.  
13 Do you envision the PSP conducting all background  
14 investigations, or background investigations just on  
15 key players, suppliers? How do you envision that?

16 CAPTAIN PETYAK: We'd like to propose that  
17 we conduct all the background investigations, if  
18 that's what the Board would like.

19 BOARD MEMBER McCABE: All the way down  
20 to --

21 CAPTAIN PETYAK: All levels, yes, sir.

22 BOARD MEMBER McCABE: Outside suppliers?

23 CAPTAIN PETYAK: Yes, sir. I get into that  
24 a little bit later in the presentation. Yes, sir.  
25 This will streamline the completion process of the

1 backgrounds and, essentially, reduce the amount of  
2 time needed to conduct interviews, obtain information,  
3 and greatly reduce travel and subsistence costs.

4 This process, we think, will maximize the  
5 utilization of Pennsylvania State Police resources and  
6 exercise sound fiscal management.

7 More involved investigations, such as slot  
8 machine licenses and some supplier/manufacturer  
9 licenses will be specifically assigned to criminal  
10 investigation background members.

11 These extensive background investigations,  
12 as you heard this morning, may mandate travel across  
13 the United States into foreign countries.

14 The basis for the assignment of these  
15 investigations to the criminal investigation  
16 background members is really three-fold.

17 These members would not be responsible for  
18 the day to day criminal enforcement functions at the  
19 facilities, unless the need exists.

20 Their specialty would not impact negatively  
21 on the manpower we assign to the day to day functions,  
22 which could create a safety concern for our people.

23 And they would specialize in corporate  
24 background investigations, which could ultimately  
25 provide for quality and consistency. Act 71 mandates

1           that all license and permits applicants be  
2           fingerprinted by the Pennsylvania State Police.

3                         Under our plan, all applicants will be  
4           fingerprinted using a live scan device, which should  
5           be located in a secure area, ultimately at each one of  
6           the licensed facilities.

7                         BOARD MEMBER MARSHALL: Excuse me. I'm  
8           still trying to work my way through the Act. This is  
9           what you have legislatively created jurisdiction for.

10                        CAPTAIN PETYAK: That's correct.

11                        BOARD MEMBER MARSHALL: We don't have a  
12           function here, other than --

13                        CAPTAIN PETYAK: No, sir. That's correct.

14                        CHAIRMAN DECKER: Since we already  
15           interrupted you, Captain, let me ask. You might want  
16           to take a look.

17                        And I think you meant this, when we were --  
18           when you were talking about the decentralized  
19           function, where particularly they are going to be  
20           focused on employees of the -- assuming we go that  
21           way, of the casino and suppliers, et cetera, again,  
22           presuming we go that way, in terms of a decision to  
23           look at non-gaming suppliers.

24                        But you'd have to set that up before they  
25           actually got up and running?

1                   CAPTAIN PETYAK: Yes, sir.

2                   CHAIRMAN DECKER: I just wanted to make --  
3 to clarify.

4                   CAPTAIN PETYAK: I'll talk about that  
5 shortly.

6                   CHAIRMAN DECKER: Okay.

7                   CAPTAIN PETYAK: Yes, sir.

8                   BOARD MEMBER MARSHALL: Just if we elected  
9 to have certain employees register, not be  
10 investigated, but register, I think there are some  
11 other jurisdictions that do that for certain classes  
12 of employees.

13                   Would you be -- would that be a function  
14 that the State Police could do? Or would that be  
15 something that we would do --

16                   CAPTAIN PETYAK: No, I think that is  
17 something we would do; yes, sir. And what you'll hear  
18 from me is we modeled our process after the state of  
19 New Jersey.

20                   They register some people. The lower level  
21 employees in the facilities in New Jersey are  
22 considered to be registered. And they do minimum  
23 checks on those people.

24                   BOARD MEMBER MARSHALL: I was going to ask  
25 that. You were here this morning?

1                   CAPTAIN PETYAK: Yes, sir.

2                   BOARD MEMBER MARSHALL: There's a database  
3 that - Accurant?

4                   CAPTAIN PETYAK: Yes, sir.

5                   BOARD MEMBER MARSHALL: So if we elected or  
6 decided to have people register, could they still go  
7 through that database?

8                   CAPTAIN PETYAK: It would be my  
9 recommendation, and we will talk about that briefly,  
10 we would conduct what we call a shortcut investigation  
11 on those people.

12                   And, essentially, that involves what  
13 commonly is referred to in the business as a three way  
14 check. We do database checks on those people.

15                   I think New Jersey, what they do is they  
16 actually have them fill out a limited registration  
17 form. It's a couple page registration form.

18                   BOARD MEMBER MARSHALL: Name and social  
19 security number would get you through that database?

20                   CAPTAIN PETYAK: That's correct. They  
21 provide that information. The three way check is  
22 done.

23                   And as long as there's no derogatory  
24 information or offenses, for certain different  
25 offenses, and they establish those offenses which

1           would cause someone to be eliminated, then those are  
2           just filed away. There is no further action.

3                   CHAIRMAN DECKER: Do you fingerprint them  
4           as part of that, as well?

5                   CAPTAIN PETYAK: Pardon me, sir?

6                   CHAIRMAN DECKER: Do you fingerprint them  
7           as well?

8                   CAPTAIN PETYAK: This live scan gives the  
9           ability to do that, fingerprint them and do a criminal  
10          history.

11                  CHAIRMAN DECKER: Understand. That's what  
12          I thought.

13                  BOARD MEMBER McCABE: You said a shortcut  
14          investigation. I want to ensure that everybody  
15          understands that doesn't mean you are going to do it  
16          half cocked or it won't be a good investigation.

17                  The integrity of the system, the integrity  
18          of your background investigation is still going to be  
19          good.

20                  It's just not going to be as thorough as  
21          some of the others. You are not going to take any  
22          shortcuts where --

23                  CAPTAIN PETYAK: That's probably a bad  
24          term.

25                  BOARD MEMBER McCABE: We will wait until

1           this comes in or we won't do that because he was  
2           recommended by somebody or he's a friend. You won't  
3           do that?

4                    CAPTAIN PETYAK: No, sir. That's probably  
5           a bad term. We borrowed that term from someone else.  
6           A shortcut meaning --

7                    BOARD MEMBER MARSHALL: Must be the  
8           consultants.

9                    CAPTAIN PETYAK: Pardon me?

10                   BOARD MEMBER MARSHALL: Must be the  
11          consultants.

12                   CAPTAIN PETYAK: No, sir. Actually, I  
13          think we got that from New Jersey. And if they say  
14          it's a short cut, and it's good, I'd --

15                   BOARD MEMBER MARSHALL: So you assure us  
16          that we are going to do better than New Jersey, right?

17                   CAPTAIN PETYAK: No, I'm saying if they  
18          call it a shortcut, from their reputation, it's not a  
19          shortcut.

20                   I'm going to speak to those different  
21          stages. But in answer to your question, the shortcut  
22          is the start of the process.

23                   And what New Jersey does is for all of  
24          these people, and there're a significant number of  
25          people at each level that will require some type of

1 clearance. And those people, for lack of a better  
2 term, the broom pushers or whatever, those people  
3 aren't touching money.

4 Those people aren't making decisions within  
5 the facility. In New Jersey, at the lower levels, they  
6 get this, what they call a shortcut.

7 Where essentially, what it is in the  
8 process, it's a shortcut. And I apologize for using  
9 that term, so I would not be misunderstood.

10 BOARD MEMBER McCABE: I just want to say,  
11 my dealings in the FBI with the Pennsylvania State  
12 Police, I never knew of them to take shortcuts. They  
13 were thorough, and they did an extremely professional  
14 job.

15 CAPTAIN PETYAK: Thank you, sir. You can  
16 be sure we will.

17 BOARD MEMBER COLLINS: Mr. Chairman, one  
18 quick question. Captain, do you envision that if  
19 employees register that that also involves  
20 fingerprinting, registration that fingerprinting is  
21 part of the registration process, and not part of an  
22 investigation?

23 LIEUTENANT-COLONEL PERIANDI: You said it  
24 could.

25 CAPTAIN PETYAK: I said it could. That's



1 something you would have to tell us. If you mandate  
2 at a certain level within the system, if that --  
3 whatever that level would be, we would fulfill that.

4 In the case of New Jersey, I believe, and  
5 I'm trying to remember in the case of New Jersey, I  
6 believe they do fingerprint and do record checks on  
7 those people and have them fill out that little form.

8 CHAIRMAN DECKER: In our prior discussions,  
9 I think you said people do that for identification  
10 purposes to some degree?

11 CAPTAIN PETYAK: Yes, sir. Yes.

12 LIEUTENANT-COLONEL PERIANDI: If I could  
13 just add one thing. If the question is what would our  
14 recommendation be, our recommendation would be that  
15 they should be printed, and they should have criminal  
16 history record checks done in conjunction with a  
17 registration process. That would be our  
18 recommendation to the Board.

19 CHAIRMAN DECKER: We understood that to be  
20 part of the three way. I was just trying to clarify  
21 that.

22 CAPTAIN PETYAK: Briefly, I just want to  
23 touch on this live scan device for those of you who  
24 aren't familiar with that. It's an electronic  
25 fingerprinting solution that was developed to assist

1 in an automated background criminal history check.

2 This is inkless fingerprinting. It's a  
3 process that gets results to a law enforcement agency  
4 or a licensing agency, that being yourselves, in an  
5 expedient means compared to the old ink-rolled  
6 fingerprint cards that are often mailed and take an  
7 extensive amount of time to process.

8 What this process does is it digitizes an  
9 applicant or an arrestee's fingerprint; which allows  
10 us to then print high quality fingerprint cards and  
11 transmit them to the FBI and State Repositories over a  
12 secured data line.

13 It's an expedient means for verifying  
14 identification and retrieving criminal history  
15 information.

16 It's going to be an important tool for us  
17 that will contribute to the successful and expedient  
18 completion of these background investigations.

19 It will also be very helpful when it comes  
20 to identifying subjects encountered in the facility  
21 who either don't have proper ID or refuse to disclose  
22 their identification.

23 This will be contingent, of course, on  
24 whether the subject was ever previously entered -- or  
25 arrested and entered into the database; because it

1 will not identify a person who is not in there.

2 Just addressing a couple of concerns. We  
3 can expect -- and I say we, the Board, and whoever is  
4 going to be doing the background investigations, we  
5 can expect a significant number of background  
6 investigations at the startup of each facility.

7 The substantial initial workload will exist  
8 before the licensed facility comes online and large  
9 numbers of backgrounds are required.

10 This work will be accomplished by deploying  
11 Pennsylvania State Office of Gaming Enforcement  
12 members, approximately, 4 to 6 months prior to the  
13 opening of the facility.

14 We are currently in the process of  
15 developing some eligibility lists in anticipation, if  
16 we are going to be needed.

17 We will be able to start bringing people on  
18 to start accomplishing some of those as you may move  
19 forward with the manufacturers and suppliers licenses.

20 Our plan is to bring these troopers into  
21 the Office of Gaming Enforcement as needed, being ever  
22 cognizant of the fiscal pitfalls of overstaffing. We  
23 are looking at phased deployment here; thereby,  
24 exercising sound fiscal management of personnel  
25 expenses.

1                   BOARD MEMBER McCABE: Captain, if I may?  
2                   Concern for the public. If you are bringing in large  
3                   numbers of state troopers into the OGE to do this, how  
4                   is that going to affect your enforcement  
5                   responsibilities throughout the Commonwealth?

6                   CAPTAIN PETYAK: Well, the law specifically  
7                   states that troopers assigned to work for the Gaming  
8                   Control Board will not affect our complement.

9                   In answer to that, those troopers will be  
10                  in addition to the normal complement. And the State  
11                  Police won't have any impact, really, on the services  
12                  we are providing out there right now.

13                 CHAIRMAN DECKER: Can I pester you on this  
14                 issue? We have talked about it, before. It seems to  
15                 me that -- I may be out on a limb on this a little  
16                 bit; but I think, ultimately, you need to look at  
17                 where you are going to be on steady status, initially.

18                 So if you are gearing up to hire a large  
19                 group of people to deal with background, what are you  
20                 going to do with them afterwards?

21                 CAPTAIN PETYAK: That's why we are not  
22                 going to bring a lot of people on.

23                 CHAIRMAN DECKER: That's what I meant.  
24                 There were some suggestions -- I don't know how  
25                 practical they are. Remember, we are just up here

1 listening and reading, right, suggestions about using  
2 other kinds of civilians and temporary employees to do  
3 some of the stuff?

4 And I leave that up to you to put it in  
5 your thinking to go from there. Because, again, we  
6 can't build -- cost is a factor to some degree.

7 Not in terms of getting the work done, but  
8 in the long term. It is a factor because we are in a  
9 competitive industry.

10 And there will be certain other pressures  
11 placed upon you, and us, if people are thinking we are  
12 just gilding the lily, so to speak.

13 So we got to do this in an absolute  
14 professional and thorough way. But it has to, also,  
15 have a tangent of cost effectiveness to it.

16 CAPTAIN PETYAK: I recognize that.

17 CHAIRMAN DECKER: I know you guys  
18 recognize; but I'm just mentioning that to you.

19 CAPTAIN PETYAK: Addressing the issue with  
20 respect to those people doing other -- civilian people  
21 doing some of these functions, you have to be very,  
22 very careful, in a sense.

23 I recognize what the gentleman this morning  
24 said; but one of the things that jumps out at me is  
25 that one of the things he talked about, for example,

1 is gathering intelligence information.

2 You can't civilianize that process because  
3 that's information shared between agencies.

4 CHAIRMAN DECKER: You also talked about  
5 some clerical stuff that you could pass off to  
6 somebody else. I was really addressing that. But  
7 you'll get into that later.

8 CAPTAIN PETYAK: Yes, sir. Research has  
9 also shown on the average, depending on the size of  
10 the licensed facility, the yearly turnover of gaming  
11 employees may range from 35 to 45 percent.

12 Again, we are still dealing with some of  
13 the concerns here. Pennsylvania statute dictates that  
14 all licenses must be renewed on an annual basis.

15 As I said before, we can expect a  
16 significant number of background investigations as all  
17 14 facilities come online.

18 We spoke to our counterparts in  
19 Connecticut. In 2003, for example, they conducted  
20 3,038 background investigations for just two casinos.  
21 Now, they have full gaming there.

22 When you look at the background  
23 investigations, the question was asked this morning,  
24 can you break these with respect to what levels we can  
25 expect at each facility?

1                   For example, in Connecticut, our research  
2                   showed of those 3,038 that they did in 2003, 2,984  
3                   were lower level applicants, requiring less time.

4                   And 54 were higher level, more complex  
5                   investigations. Delaware, for example, conducted  
6                   2,052 background investigations for three casinos.  
7                   They are slots only.

8                   We have heard that 1,329 were new  
9                   applicants, and 723 were renewals. As I indicated,  
10                  these statistics from Connecticut and Delaware are  
11                  respectively for only two and three licensed  
12                  facilities.

13                  What they do provide for the Board and the  
14                  Pennsylvania State Police is a baseline. Based on our  
15                  research and what we got from our consultants, we  
16                  could expect a range of 700 to 1,400 backgrounds for  
17                  each of the 14 licensed facilities.

18                  Again, that break -- is then adjusted. The  
19                  breakdown of those different numbers certainly will  
20                  depend on where that's at.

21                  And I'm sure the numbers, with respect to  
22                  those applications, will increase depending -- or  
23                  decrease, depending on the geographical location of  
24                  the facility in the Commonwealth of Pennsylvania.

25                  This flow chart is a little simplified

1 version of how we think the process should go. It  
2 shows what we think to be a potentially smooth  
3 progression of the backgrounds; but a shortened  
4 complicated version from intake to subsequent approval  
5 by the Board.

6 It's patterned after the process currently  
7 used in New Jersey, with some modification to address  
8 our own unique needs and effectively utilize our  
9 available resources.

10 I mean most people in the business consider  
11 the background investigation process in New Jersey to  
12 be the most thorough and stringent; and I might add  
13 the most successful in the gaming industry.

14 Many of the states we contacted, our  
15 counterparts, with over site from established Boards  
16 such as you, also patterned their background  
17 investigation process after the New Jersey model.

18 BOARD MEMBER McCABE: Captain, again,  
19 question. Where does the State Police Headquarters  
20 fit into this? Do you see them fitting into this?  
21 How does Jersey do it?

22 Do the New Jersey state troopers that are  
23 assigned to the Gaming Board answer just to the Gaming  
24 Board?

25 And the information and their backgrounds



1 don't get reviewed or go up their chain of command  
2 within the Jersey State Police?

3 How do you envision us doing it? Are you  
4 just going to answer to the Board in this context;  
5 that we will get all that information? Or will it go  
6 up to the Colonels, the Majors?

7 CAPTAIN PETYAK: I think, ultimately, any  
8 organizational segment of the State Police, in one way  
9 or another, is responsible to the Commissioner and  
10 Deputy Commissioner.

11 I think when you look at operational needs  
12 and mandates, I think the way we have this is, I think  
13 -- we are going to see a conduit of information  
14 between the State Police and the Board.

15 And depending on the responsibility, I can  
16 answer that by saying; some things are going to go  
17 through our Commissioner, through our Deputy and  
18 through the Commissioner to the Board.

19 But I think what we will realize very  
20 early, some of this stuff, to get this stuff  
21 accomplished in the most expedient way, is we will  
22 conduct some type of -- will design a system, I think,  
23 where we are going to be able to just share that  
24 information as part of a process that we will be able  
25 to work together.

1                   BOARD MEMBER McCABE: I think some of us  
2                   may be concerned if hearing -- I hear what you said  
3                   was that what may be determined - what the Board may  
4                   be determined to be hearing is going to be determined  
5                   by the Commissioner and your hierarchy, or are we  
6                   going to hear everything?

7                   CAPTAIN PETYAK: No. I'm not sure that --  
8                   you understand I said that? What I'm saying is I  
9                   think there may be issues that may be addressed with  
10                  the Board that will be up through our chain of  
11                  command. I can't foresee what they would be.

12                  But I think what I'm establishing here is,  
13                  for example, the background process; I'm going to talk  
14                  about the creation of a database that we need to use,  
15                  that we are going to share.

16                  And all of the information that we are  
17                  going to be entering, and the information for you to  
18                  make decisions on licenses, will be right out of that  
19                  office, directly to your licensing people.

20                  BOARD MEMBER McCABE: The issues you are  
21                  talking to aren't issues regarding the background  
22                  investigation?

23                  CAPTAIN PETYAK: That's correct; I'm not.

24                  BOARD MEMBER McCABE: It may be issues on  
25                  how we are working together.

1                   CAPTAIN PETYAK: That's correct. I could  
2                   foresee, maybe funding issues or something like that,  
3                   where there might be concerns that the Chairman or  
4                   members of the Board may have that would be addressed  
5                   at a higher level than, perhaps, myself. I'm only  
6                   trying to theorize what that could be.

7                   LIEUTENANT-COLONEL PERIANDI: And this  
8                   addresses a question that Mr. Marshall had this  
9                   morning.

10                  We are a nationally accredited law  
11                  enforcement, largest accredited law enforcement agency  
12                  at the state level in the country.

13                  We have our internal chain of command that  
14                  our Office of Gaming Enforcement would answer to.  
15                  Captain Petyak, obviously, answers directly to me.

16                  I answer to the Commissioner. So we would  
17                  rely upon the Board -- or we would interact with the  
18                  Board, relative our internal inspection system, to  
19                  ensure that the Office of Gaming Enforcement; and  
20                  those people assigned to the Office of Gaming  
21                  Enforcement, are effectively and efficiently  
22                  performing their duties.

23                  In the area of background investigations,  
24                  we would be not only putting together the background  
25                  investigation, the database, et cetera; but that would

1 be shared completely with the Bureau of Investigations  
2 and Enforcement, as well as the Control Board, itself.

3 BOARD MEMBER MARSHALL: Do you have a  
4 contractual or vendor arrangement with any other  
5 agency in Pennsylvania?

6 CAPTAIN PETYAK: Vendor arrangement to do  
7 what, sir; do backgrounds?

8 BOARD MEMBER MARSHALL: Do you provide  
9 services --

10 BOARD MEMBER McCABE: Like an MOE.

11 LIEUTENANT-COLONEL PERIANDI: I can answer  
12 that. No, we have very specifically, when we get  
13 involved with a for-profit entity that requires  
14 additional police services outside the security area,  
15 but police services for a reimbursement process; but  
16 we don't have any type of contractual vendor  
17 arrangement outside of our normal law enforcement  
18 responsibilities within the State.

19 BOARD MEMBER MARSHALL: As we talked about  
20 this morning and, obviously, from -- you know what I  
21 was trying to get at.

22 It wasn't a challenge. But since you have  
23 some of this gaming, you have, sort of, original  
24 jurisdiction for and we don't have to worry about  
25 that.

1                   Others, we have, sort of, the original  
2                   jurisdiction and may deploy you or may have an  
3                   arrangement. And it would be helpful, over the next  
4                   couple of months, if we could give some thought to how  
5                   we do that. You don't have that relationship.

6                   And I suspect we're, obviously, going to  
7                   use you. So we are going to need some way of assuring  
8                   the Legislature and the public.

9                   LIEUTENANT-COLONEL PERIANDI: I would  
10                  envision, and I thought about this a little bit after  
11                  your question this morning.

12                 Obviously, there's going to be very close  
13                 interaction between myself, the Captain and your  
14                 Director of your Bureau of Enforcement and  
15                 Investigation, or Investigations and Enforcement, as  
16                 well as the fact that right down through the chain,  
17                 working together in each of the facilities, there's  
18                 going to be a constant interaction.

19                 So I think there's going to be, for want of  
20                 a better term, a real-time check and balance system  
21                 already built in.

22                 Where if there's an issue on one side or  
23                 the other, it's going to be addressed first and  
24                 foremost right at the level where it can be corrected  
25                 immediately.

1                   But certainly, if it works its way up the  
2 chain to the Captain, who will interact with the Board  
3 regularly, or myself, then it would be addressed more  
4 strictly at that level.

5                   BOARD MEMBER MARSHALL: Thank you.

6                   CAPTAIN PETYAK: The Board will establish  
7 procedures for licensees, key employees, manufacturers  
8 and suppliers, and occupational permit applicants.  
9 These procedures will mandate either an electronic  
10 version and/or paper license applications.

11                   The Board will prescribe application forms  
12 in the manner which they will be accepted. An  
13 electronic database of all applicants and/or licensees  
14 should be developed and maintained.

15                   And this database should be shared with the  
16 Bureau of Investigation and Enforcement and the  
17 Pennsylvania State Police, to be utilized during the  
18 background investigation of the licensing process.

19                   I see that as some type of database where  
20 we can password protect this thing. I think we talked  
21 about it yesterday, some, in one of the presentations,  
22 that on the Commonwealth network, where we would be  
23 able to access things on a shared drive and be able to  
24 put information in and take information out,  
25 constantly monitoring the process of these massive

1 number of applications.

2 Licensees, key employees, manufacturers and  
3 suppliers, and occupational permit applicants, we  
4 believe, should submit their applications directly to  
5 the Board. These applications should undergo  
6 completeness requirements by the Board.

7 And once a determination has been made by  
8 the Board that the application is complete, should be  
9 forwarded through our background unit supervisor for  
10 the appropriate level of background investigation, as  
11 we spoke of, which would be mandated by the Board.

12 The Pennsylvania State Police has  
13 historically been involved in all levels of background  
14 investigations during the course of normal business,  
15 including complex, full background investigations.

16 We routinely utilize numerous databases to  
17 facilitate a thorough and complete background  
18 investigation process.

19 Chairman Decker, that's what I was  
20 referring to before we talked about these databases.  
21 Some of those include, that we work with on a regular  
22 basis as a part of our investigative process,  
23 Lexus/Nexus, Accurant for Law Enforcement and our  
24 Memex field.

25 As I said, some of these databases may not

1 be available to anyone other than law enforcement  
2 agencies; particularly, intelligence databases which  
3 are protected very closely with a need and right to  
4 know, as you exchange information between agencies.

5 The Board has options available to them to  
6 utilize vendors and companies to conduct database  
7 checks and/or complete, actually, the actual  
8 background investigations.

9 However, the Pennsylvania State Police is  
10 currently utilizing these same resources on a regular  
11 basis.

12 It would be cost efficient, we think, for  
13 the Board to utilize the Pennsylvania State Police and  
14 their established databases, rather than paying an  
15 outside vendor for this service.

16 In addition, the tradition of the  
17 Pennsylvania State Police providing complete, thorough  
18 and accurate background investigations, when  
19 requested, supports the quality, consistent end  
20 product that's required by Act 71.

21 The Legislature and Governor Rendell  
22 mandated through this legislation that the  
23 Pennsylvania State Police be tasked with conducting  
24 fair, impartial, complete and accurate background  
25 investigations on all the Board appointees.



1                   All the Board appointees have expressed how  
2 thorough and professional members of the Pennsylvania  
3 State Police were when the background investigations  
4 were conducted.

5                   In order to maintain the integrity of the  
6 Gaming Industry, the Board should consider the  
7 necessity for all licensees, permittees, Board  
8 employees, and others working in the gaming industry,  
9 to be put through a similar background investigation  
10 process.

11                   The formal background investigation  
12 process, as I said, will be initiated once the  
13 application is received by the Board.

14                   The flow chart I saw this morning, kind of,  
15 saw the checks starting, I think, really before the  
16 completion -- the application completeness process is  
17 done.

18                   One of the things we learned from New  
19 Jersey is there is a lot of these applications coming  
20 in and going back, because the information isn't  
21 complete.

22                   So what we believe, once it's complete,  
23 once it's been reviewed by someone at your level, and  
24 as it moves through the process, then we go forward.

25                   As I said, the Board would make the initial

1           determination on whether the application and forms are  
2           complete.

3                         If they are not complete to the  
4           satisfaction of the Board, they should be returned.  
5           If they are complete, then the process, as I said,  
6           will go forward.

7                         We recommend the applicants biographical  
8           data be collated; and then the Board notifying us  
9           electronically -- and we are trying to move towards  
10          the electronic process in this thing, if we can,  
11          recognizing certainly -- I think we talked about this  
12          yesterday, that some people don't have access to  
13          computers, or the ability to do this stuff online.  
14          And we certainly appreciate that.

15                        Board employees, the Bureau of  
16          Investigation and Enforcement and the Pennsylvania  
17          State Police, as I said before, should share a common  
18          database where the application forms and information  
19          can be retrieved from the database and subsequently  
20          updated.

21                        The Board will make an initial  
22          determination on the level of the background  
23          investigation that we should conduct.

24                        Of course, this information is entered into  
25          the database, concerning who was assigned, the

1 relevant dates, including a due date for the  
2 background investigation.

3 One of the things we learned from our  
4 counterparts was there is a need to track where these  
5 investigations are, all of them, at any given time.  
6 Because what ends up happening is, we will need the  
7 answer or someone will need the answer to questions  
8 for members of the Board, as you get inquires from  
9 various people at various stages of this process as to  
10 where their applicant's -- particularly key employees,  
11 in some of the bigger operations -- where that is in  
12 the process.

13 You will be able to access that database or  
14 someone will be able to access that database for you.  
15 And you will be able to know, just based on the  
16 information in there.

17 Ultimately, the Board will notify the  
18 applicant to appear at a PSP Gaming Office within a  
19 prescribed period of time and bring a Board letter,  
20 two sources of identification. And briefly, I just  
21 want to cover these -- the areas that we go here.

22 A three way database check, as I called it,  
23 is a preliminary background investigation that  
24 provides a cursory look at the applicant's character  
25 and history.

1                   This involves a fingerprint base check,  
2                   gives us a criminal history record. We will check  
3                   NCIC and Pennsylvania Crime Database File queries.

4                   And we also have the ability of using the  
5                   Pennsylvania Criminal Intelligence Center, where we  
6                   have access to public source information,  
7                   investigative data, credit history information, and a  
8                   multitude of statewide and national databases.

9                   During this stage of the background  
10                  process, the applicant is positively identified via  
11                  the identification provided and by fingerprinting the  
12                  applicant, utilizing the live scan device.

13                  Our research has shown that almost all the  
14                  states involved in the gaming industry identify wanted  
15                  persons at this stage of the process and they are  
16                  immediately taken into custody.

17                  As part of this, hard copies of the  
18                  fingerprints would be generated for subsequent  
19                  forwarding to the Board.

20                  That's an important step in this thing, as  
21                  we send these hard copies back to the Board for in the  
22                  file, as well as copies of the photo identification  
23                  and other demographic information.

24                  Any criminal history that is found is also  
25                  printed and maintained with the file. We will update

1 the Board database with the information.

2 Now, based on the outcome of this three way  
3 database check, the background check could take three  
4 separate or several distinct directions.

5 A shortcut background investigation, as I  
6 referred to, involves an occupational permit  
7 investigation where no derogatory information is  
8 discovered during the three way database check.

9 No further action is required, and that  
10 information will be forwarded through the Pennsylvania  
11 State Police Headquarters to the Board for final  
12 action.

13 However, you determine what that final  
14 action is in all these stages. A limited background  
15 investigation -- so we talked to going to the right as  
16 you are looking at that, involves an occupational  
17 permit investigation when derogatory information is  
18 discovered during the three way database check.

19 The investigation then would be followed up  
20 by a background investigator to clarify the derogatory  
21 information. Then we, subsequently, forward that  
22 information through our headquarters to the Board,  
23 again, for final actions.

24 In New Jersey, some of that derogatory  
25 information could result in an immediate



1 touch on was addressed yesterday. Chairman Decker  
2 brought that up; and hoped we would address this  
3 today.

4 We have this in our presentation. Research  
5 has shown that non-gaming vendors are one of the most  
6 probable avenues for organized crime and other corrupt  
7 influences to infiltrate the gaming industry.

8 Act 71 gives the Board the authority to  
9 require criminal history background investigations for  
10 vendors who exercise their option or their occupation  
11 or employment at licensed facilities.

12 As I said, it was discussed yesterday.  
13 This is an option we feel, the Pennsylvania State  
14 Police, the Board needs to consider.

15 Non-gaming background investigations on  
16 vendors in New Jersey are based on numerous criteria.  
17 I think someone touched on them, at least one of them  
18 yesterday.

19 Just for the purposes of discussion, to use  
20 as examples, business in excess of \$75,000 at one  
21 casino, business in excess of \$225,000 at multiple  
22 casinos, business exceeding \$30,000 per year at one  
23 casino for three consecutive years and/or regular or  
24 an ongoing presence doing business within a 12 month  
25 period with no threshold amount.

1                   In New Jersey, all vendors are required to  
2                   be registered, even if they don't meet the monetary  
3                   criteria of licensing.

4                   Once they are registered, they are issued a  
5                   vendor number. This is going to explain how we track  
6                   this thing, is why I am bringing this up.

7                   They are issued a vendor number and placed  
8                   on what they called a master vendor list. All the  
9                   checks written by the casinos to the vendors for their  
10                  products or services must contain a vendor number.  
11                  Mandated, it must contain a vendor number.

12                  These check amounts are tracked through an  
13                  ongoing process. When any of the criteria is met that  
14                  we talked about, any of those criteria I just  
15                  described, the vendor is automatically then sent a  
16                  notice there to comply with the background licensing  
17                  requirements. Failure to comply results in the vendor  
18                  being placed on the prohibited vendor list.

19                  Just for the purposes of staffing, our  
20                  background investigation unit supervisor will be the  
21                  primary focal point for all background investigations,  
22                  to ensure that a complete and thorough investigation  
23                  has been conducted, the required investigation on the  
24                  specific type of license or permit is thorough and  
25                  complete, all the Board requirements for the



1 background investigation had been met, all the  
2 information has been collated and updated into the  
3 Board database, all background investigations are  
4 completed by the applicable due dates, and all  
5 investigations resources have been utilized.

6 We see this person, this supervisor, as  
7 being the direct liaison with the Board background  
8 investigation personnel to ensure dialogue is  
9 maintained, and the investigations are conducted in a  
10 manner that the Pennsylvania State Police and the  
11 Board require.

12 As I said earlier, the issuance or denial  
13 of licenses and permits will be the ultimate  
14 responsibility of the Board once the background  
15 investigations are complete.

16 Suspension of a licensee from employment  
17 until the outcome of a trial, when a licensee is  
18 arrested for certain offenses, is common across the  
19 industry.

20 A number of states that we talked to rely  
21 solely on the honesty of the licensee to report the  
22 arrest; some licensees fail to report the arrest.

23 And that information isn't discovered until  
24 the next license renewal, which could be for an  
25 extended period of time.

1                   What we propose would be to create an  
2                   electronic licensee fingerprint database for this  
3                   purpose.

4                   All Pennsylvania law enforcement arrest  
5                   fingerprint cards could be processed through this  
6                   database.

7                   Every time a fingerprint card from a  
8                   Pennsylvania law enforcement agency is processed  
9                   through our Bureau of Records and Identification for  
10                  an arrest, it would be compared to the Board licensee  
11                  fingerprint file database for a match. Yes, sir?

12                  BOARD MEMBER McCABE: Is there any way we  
13                  can tie that into other states or surrounding states,  
14                  with us being close to New Jersey, West Virginia,  
15                  Ohio, where some of these -- and New York, where some  
16                  of these casinos may be located?

17                  These people may live in these other  
18                  states, travel into Pennsylvania to work at the  
19                  casinos, and then go home. And then they get arrested  
20                  back in their home state; we may never know about it.

21                  CAPTAIN PETYAK: You know what, I don't  
22                  know the answer to that, but I'll get that for you.  
23                  Find out if we could -- what I'm thinking about is you  
24                  maintain the databases.

25                  It, again, probably some place, I'm not

1 technical enough, but I'm talking about a ping into  
2 the system, in the Pennsylvania system, when somebody  
3 would be checking someone.

4 I'm not sure -- we will make that check  
5 when the new prints are entered into the system. So  
6 I'll have to check on that to give you an answer to  
7 that.

8 Every time a card from a law enforcement  
9 agency is processed through the records identification  
10 for an arrest, it's compared to the Boards file  
11 database for a match.

12 Here's the key; if there's a match, we  
13 would be immediately notified of that arrest. And  
14 they could ensure -- we could ensure the Board is  
15 notified to take the appropriate action by removing  
16 the licensee from the gaming environment until the  
17 arrest is adjudicated.

18 This will ensure the Board has another  
19 additional avenue in which they can receive expedient  
20 arrest notification; and ensure they are not solely  
21 relying on the honesty of the licensee. Should this  
22 type of database be created, some maintenance issues  
23 will need to be addressed.

24 There's no legislation currently existing  
25 to maintain this type of database; although, we feel

1 the Board could adopt rules and regulations mandating  
2 applicant waivers, possibly to include those when they  
3 fill out their license applications, for their  
4 authorization of the databases.

5 There is a fingerprint card that's printed  
6 in this process. That fingerprint card would be  
7 forwarded to the Pennsylvania State Police Bureau of  
8 Records Identification from the Board licensing people  
9 when the applicant is ultimately issued a license.

10 This ensures the database only contains  
11 licensees; and not just all applicants. I think the  
12 question was asked this morning; and research has  
13 shown what we discovered in other states, that  
14 approximately 40 percent of the licensee applicants  
15 are denied licenses due to criminal records,  
16 fictitious applications and poor credit.

17 Forty percent, and again, I don't know what  
18 level those are, those are just overall numbers. But  
19 that's a pretty significant number.

20 What we want to do with that card is just  
21 limit that database just to the people we will  
22 currently have licensed in Pennsylvania, again, not  
23 applicants, but those people who are licensed.

24 It will limit the amount of information we  
25 have out there and it will make a current database.

1           And of course, at some point, we will need to do -- a  
2           purging process would need to be created where you  
3           would be comfortable as to how long you want us to  
4           maintain those records after employment ends.

5                         One of the things that I think that Member  
6           Marshall asked this morning was about -- we do a  
7           background on someone.

8                         Today it's good. What about tomorrow? And  
9           I think you were talking about MOU's or some type of  
10          agreements with other states.

11                        Candidly, we don't necessarily need those.  
12          What we do in the normal course of business through  
13          our intelligence center, we are connected to an  
14          electronic database, J-Reys, where we exchange  
15          information.

16                        I know that when you get involved in this  
17          business, there're some bulletin boards out there that  
18          exist for agencies involved in gaming.

19                        So you are always looking to have that  
20          current exchange of information. What we discovered,  
21          and the beauty of this, candidly, when we went out and  
22          talked to counterparts across the country, recognizing  
23          the position we were in in starting out, I talked  
24          about it earlier, the cooperation we received from  
25          those people and the offers to assist us down the road

1           were outstanding. We couldn't believe it.

2                       So I'm very comfortable with that  
3 information. Member McCabe just made the comment, and  
4 it's a good one, what are we going to do from other  
5 states with fingerprint information?

6                       And there's an example. We are going to  
7 have to continue to pursue those avenues. But I'm  
8 comfortable that we can work through those things.

9                       The level and intensity of the background  
10 investigations will not be compromised. They are an  
11 essential element in eliminating the infiltration of  
12 organized crime, in ensuring applicants are of good  
13 character and outstanding quality and integrity.

14                      The Pennsylvania State Police will not  
15 sacrifice accuracy for speed. We consider this to be  
16 a very important process. That concludes the  
17 presentation on backgrounds. Any questions? Okay.  
18 Thank you.

19                      SECRETARY FAJT: Mr. Chairman, could I ask  
20 a couple questions? I wanted to make a couple  
21 comments first, and then ask you questions.

22                      First of all, the Department of Revenue  
23 worked very, very closely with the State Police. And  
24 I know that Maynard Gray and Mike Ruda are in the  
25 audience.

1                   And Captain Petyak and Lieutenant-Colonel  
2                   Periandi, I can tell you they were very professional,  
3                   very thorough in the work they did and also in the  
4                   background investigations.

5                   And I saw you crack a smile, Ron, when you  
6                   talked about the background investigation we went  
7                   through, because I think we all were pleased with  
8                   those background checks.

9                   On the non-gaming vendors being licensed,  
10                  again, I think you brought that up in our meetings;  
11                  and the Department of Revenue and the State Police  
12                  have had a number of meetings throughout this process,  
13                  getting all of us up to speed.

14                  And that's something that they had brought  
15                  up time and time again; and something that I think  
16                  would bode us well to look at licensing these  
17                  non-gaming vendors.

18                  Because I think that's the way, as you  
19                  said, Ron, organized crime has the best opportunity to  
20                  get involved in gaming.

21                  And also your point about -- and I'll get  
22                  to my question in one second, your point about relying  
23                  on the operators to report the arrest of an employee.  
24                  We have a similar issue with the Commonwealth.

25                  And I can tell you that there are

1 significant time lapses when arrests are reported to  
2 the Commonwealth.

3 In our case, it's often the duty of the  
4 employee. That's part of their contract, to report  
5 when they are arrested. And sometimes they do. And  
6 often times, they don't.

7 And so the ability to have, kind of, a ping  
8 check, as you call it, with the fingerprinting, I  
9 think makes a lot of sense, if we could do that.

10 Now, my question. And, again, I know we  
11 had talked about this before, but I want to make sure  
12 I understand it because I think it is important.

13 On the forensic accounting, when you had  
14 shown your flow chart there, the forensic accounting  
15 is obviously extremely important for these  
16 multi-national corporations, specifically, the slot  
17 licensees, the manufacturers and suppliers.

18 It is a very high level of expertise. We  
19 had talked before about who has this kind of  
20 expertise? What was your recommendation on the  
21 forensic accounting?

22 I just wanted to make sure I understand  
23 that; that we would go out and get it independently,  
24 or you would get it independently? I wasn't sure I  
25 heard.



1                   CAPTAIN PETYAK: Well, I actually laid out  
2 two options. I will fall back to the consultants that  
3 we dealt with, Spectrum Gaming.

4                   They recommended to us -- and I think we  
5 realize, at this point, the Pennsylvania State Police  
6 can't provide that service. I'd like to say to you  
7 that we could --

8                   CHAIRMAN DECKER: That's okay, Ron. That's  
9 okay.

10                  SECRETARY FAJT: Revenue doesn't have that  
11 kind of expertise.

12                  CAPTAIN PETYAK: What the consultants said,  
13 and I carry that message from the consultants that we  
14 dealt with because we were outside the box here, was  
15 that one of two things, you either hire those people  
16 -- and I think the state of New Jersey has those  
17 people on staff and they perform a number of other  
18 functions than just this -- or you subcontract with a  
19 private vendor.

20                  And that was just -- I was just presenting  
21 options there because I'm not sure I can speak with  
22 authority with respect to which is the best.

23                  Because I didn't really pursue that option  
24 when I recognized that it was outside the ability for  
25 us to do that. I just knew that there were options

1           that I was going to lay out on the table for you.

2                       SECRETARY FAJT: As I said, even in the  
3           Department of Revenue, we don't have that kind of  
4           forensic accounting expertise.

5                       It is very, very specialized and fairly  
6           expensive. Thank you, Ron. We enjoyed our working  
7           relationship.

8                       CAPTAIN PETYAK: Thank you for the  
9           compliment. I appreciate that.

10                      BOARD MEMBER MARSHALL: Mr. Chairman?

11                      CHAIRMAN DECKER: Please.

12                      BOARD MEMBER MARSHALL: Ron, it's clear we  
13           can get it. I think it's important that we assure the  
14           people of this Commonwealth that that kind of  
15           capacity, we may have to figure out the best way to  
16           get it, but forensic accounting is out there.

17                      CAPTAIN PETYAK: Oh, absolutely. The point  
18           I was trying to make, again, as I said, was we can't  
19           provide that service.

20                      That was probably preaching to the choir.  
21           You all know what we are talking about. But I said  
22           it's the backbone of a financial investigation, on  
23           some of these.

24                      And there are things that we couldn't touch  
25           on. The one thing I did want to say is that the

1 database that I talked about us creating for these  
2 fingerprints, there's a substantial cost involved with  
3 that, to initially create that database and maintain  
4 it. Because you got to put it aside somewhere.

5 And that is something, if you were  
6 interested, and the Board thinks that's a direction to  
7 go, we will pursue that, again; recognizing,  
8 ultimately the industry is going to pay for that  
9 because it moves to this integrity issue within the  
10 business. Okay. Thank you.

11 LIEUTENANT-COLONEL PERIANDI: Before we  
12 leave the background investigation area and move into  
13 criminal investigation and enforcement, I just wanted  
14 to highlight the one thing that the Captain mentioned  
15 relative this idea of fictitious applications; because  
16 we find this routinely to be one of the number one  
17 reasons or causes for rejection, not only checking  
18 with other states relative to gaming; but even within  
19 Commonwealth employment, et cetera, because you can do  
20 a great job of putting together an application form  
21 that captures all the information that you'd like to  
22 capture.

23 But, obviously, someone who is filling that  
24 form out starts to read between the lines to see where  
25 are the pitfalls for me, as an individual, falsify the

1 application, and then send it in.

2 So that's why it's so important that those  
3 applications be very, very critically reviewed.  
4 Because that's where you are going to get the initial  
5 -- what I want to say, lack of veracity, on the part  
6 of an individual who wants to be employed within the  
7 gaming industry.

8 We are prepared now, if there are no other  
9 questions on the background investigation process, to  
10 move into the area of criminal investigation and  
11 enforcement.

12 Our Office of Gaming Enforcement will  
13 thoroughly investigate all criminal activity within  
14 the licensed facility.

15 And Chairman Decker, this is where I am  
16 going to get into your question that came up a little  
17 bit earlier; this is our recommendation, our  
18 definition of a licensed facility.

19 We would be looking at the casino floor,  
20 restaurants and bars, inside and/or attached to the  
21 casino, back office areas, and the executive offices.

22 We will investigate and take enforcement  
23 action on a wide range of crimes such as, but not  
24 limited to, assaults, disorderly conduct, loan  
25 sharking, credit card fraud, et cetera. In the

1 interest of time, I'm not going to list these crimes.  
2 We all know what they are.

3 We will be responsible, just as  
4 importantly, for conducting complex criminal  
5 investigations which could include, and these,  
6 obviously, really strike home, identity theft, money  
7 laundering, computer crimes, attempts to compromise  
8 Department of Revenue's central control computer  
9 system, investigation of organized crime infiltration,  
10 counterfeiting, criminal conspiracies, et cetera,  
11 designed to steal or defraud the licensed facility  
12 owners, the Commonwealth, or the patrons.

13 Our definition of a licensed facility, we  
14 would propose, does not include what's commonly  
15 referred to as the racetrack backside, hotels,  
16 unattached restaurants, parking lots, stables or  
17 outside recreational areas.

18 CHAIRMAN DECKER: Colonel, can I ask you  
19 one question about that? I am not trying to beat a  
20 dead horse with this, no pun intended with the  
21 racetrack comment; but I presume you'll coordinate --  
22 I mean if you see something, you will be coordinating  
23 -- there won't be any gaps between somebody leaving  
24 the casino and going out in the parking lot -- with  
25 the local law enforcement officials?

1                   LIEUTENANT-COLONEL PERIANDI: Correct.

2                   CHAIRMAN DECKER: That's what I had  
3 understood before; and I just was trying to make a  
4 small point of that, no big deal.

5                   LIEUTENANT-COLONEL PERIANDI: Correct, and  
6 I'm going to touch upon that. In fact, we are going  
7 to formalize -- our proposal would be to formalize  
8 that process.

9                   Our actions in these areas when a serious  
10 matter -- police matter occurs, we would secure the  
11 scene, we provide assistance until the primary law  
12 enforcement agency arrives; unless, of course, the  
13 incident affects the integrity of the gaming industry.

14                   We would propose that a memorandum of  
15 understanding be prepared, mutually agreed upon with  
16 other law enforcement agencies having jurisdiction in  
17 these areas.

18                   These MOUs will ensure that appropriate law  
19 enforcement personnel will be responsible and held  
20 accountable for police services in these areas which  
21 are not covered by our Office of Gaming Enforcement  
22 Personnel.

23                   Pennsylvania State Police Office of Gaming  
24 Enforcement, however, will thoroughly investigate any  
25 incident in these areas which impact on the integrity

1 of the gaming industry. That language will also be  
2 included in the MOU that we would complete with local  
3 police jurisdiction in that area. Does that answer  
4 your question?

5 CHAIRMAN DECKER: Yes, it does. Thank you.

6 LIEUTENANT-COLONEL PERIANDI: At this time,  
7 I'm going to turn the podium back over to Captain  
8 Petyak for -- he'll do as thorough a job going over  
9 the specifics of our criminal investigation and  
10 enforcement as he did with our background  
11 investigation proposal. Captain?

12 CAPTAIN PETYAK: The Pennsylvania State  
13 Police devoted numerous hours in researching other  
14 states methodology regarding law enforcement in  
15 casinos.

16 I know Member Collins has asked a couple of  
17 different times what can you tell me about other  
18 agencies, and what they are doing?

19 We talked to our counterparts, number of  
20 states, just using for example Connecticut, Delaware,  
21 Indiana, Illinois, Missouri, Nevada, New Jersey and  
22 New Mexico, just some of the examples. It presented  
23 some problems.

24 None of these have the same duties and  
25 responsibilities that could be used as an exact model.

1           Some of these agencies have a central control computer  
2           system, which we are going to have.

3                     Delaware system generates alerts and  
4           forwards them to security personnel at the licensed  
5           facility for immediate action. Yes, sir.

6                     BOARD MEMBER McCABE: Captain, how does  
7           that central control computer system affect what you  
8           are going to be doing?

9                     CAPTAIN PETYAK: What I was looking at --  
10          actually -- well, we are looking at the impact it has  
11          on enforcement.

12                    And as I said, we have a presentation on  
13          security and surveillance. And I think it has a big  
14          impact on how we see, would like to see -- recommend  
15          how security and surveillance should go forward.

16                    Delaware sends those alerts to the licensed  
17          facility for immediate action. New Mexico generates  
18          alerts but doesn't forward them to anyone for  
19          immediate action.

20                    Some of these -- most have some degree of  
21          24/7 law enforcement presence. Some have the state  
22          police responsible for all criminal enforcement, and  
23          not background investigations.

24                    Some have the state police responsible for  
25          all criminal enforcement; but they hand the arrests



1 over to an outside agency. Some are regulated by the  
2 equivalent of a lottery commission, others by a Board,  
3 such as you.

4 We believe a law enforcement presence is  
5 the ultimate means of establishing a psychological  
6 deterrent to criminals in maintaining the integrity of  
7 the gambling industry.

8 As you heard the Colonel say, there are  
9 numerous threats to the casino industry, such as  
10 cheating or corruptions of game integrity, theft or  
11 fraud, money laundering, collusion between different  
12 parties, which could include casino staff and  
13 security, infiltration by organized crime, non-gaming  
14 crimes and emergency situations, such as fires, armed  
15 robberies and bomb threats.

16 It is imperative the protection of the  
17 physical safety of patrons, operators, employee staff,  
18 money, network and the central control computer system  
19 be maintained.

20 The Pennsylvania State Police Office of  
21 Gaming Enforcement, we can assure you we will take a  
22 proactive stance in criminal investigations and  
23 enforcement.

24 Some examples being constant interaction  
25 with the licensed facility, their daily functions.

1 This enables us to identify strengths and weaknesses  
2 of the facilities and also monitor security personnel  
3 and hold them accountable, monitoring patrons there  
4 for compliance with the exclusion lists, and  
5 conducting a very important process we call periodic  
6 vulnerability assessments.

7 Vulnerability assessments are an in-depth  
8 look as to how the day to day operations are performed  
9 at a licensed facility.

10 Office of Gaming Enforcement troopers  
11 should periodically conduct these assessments of the  
12 licensed facility and security and surveillance  
13 personnel to ensure that they are conforming to  
14 established protocols by the Board.

15 It could be as simple as doing a random  
16 under the age of 21 sweep throughout the premises.  
17 Incidents and investigations will originate from a  
18 number of different sources.

19 Incidents requiring criminal investigations  
20 and/or arrests will ultimately occur at all the  
21 licensed facilities, in spite of Pennsylvania State  
22 Police criminal enforcement presence.

23 These incidents will evolve from patron  
24 complaints, licensed facility employees, on-view  
25 incidents, and referrals from the Bureau of

1           Investigations and Enforcement. They will be both  
2           criminal and non-criminal in nature.

3                         And we recommend that the Board mandate  
4           that there's a designated area for patron complaints,  
5           with communication access to either an Office of  
6           Gaming Enforcement supervisor or a designee at each  
7           licensed facility.

8                         We should maintain a floor presence to  
9           augment the law enforcement component. Research has  
10          shown that in some states, the licensed facility  
11          security staff makes the determination in criminal  
12          matters as to whether the police should be involved in  
13          these incidents.

14                        Conflict resolution is the preferred method  
15          for solving disputes by private security agencies.  
16          Private industry across the board, when given the  
17          choice, has a reputation for resolving external or  
18          internal differences without utilizing the arrest  
19          option.

20                        Referral to law enforcement is typically a  
21          last resort; particularly in those situations where a  
22          private security officer has the discretion or mandate  
23          from the institution.

24                        Discretion on the part of private security,  
25          which can be inaction or decision not to act, should

1 not be left as an alternative by the Board.

2 One only has to examine the incident and  
3 arrest statistics from states which do not have a law  
4 enforcement presence, to recognize quickly that either  
5 the statistics are unavailable, or when provided,  
6 unreliable.

7 Regulating agencies in those states are  
8 left with a void, as they attempt to assess the volume  
9 of criminal activity occurring within their licensed  
10 facilities. Yes, sir?

11 BOARD MEMBER McCABE: This presence is in  
12 uniform, right?

13 CAPTAIN PETYAK: No, sir.

14 BOARD MEMBER McCABE: It would be in soft  
15 clothes or --

16 CAPTAIN PETYAK: We said in soft clothes,  
17 yes, sir. Not undercover, soft clothes.

18 BOARD MEMBER McCABE: Soft clothes being  
19 coat and tie, or in uniform?

20 CAPTAIN PETYAK: No, sir. Probably not in  
21 uniform, that's correct.

22 BOARD MEMBER McCABE: Why not uniform  
23 presence?

24 CAPTAIN PETYAK: It's our understanding  
25 that we found across the board, there isn't that

1 uniform presence; it's the law enforcement presence.

2 That's just what we saw in our research  
3 that, typically, what they do is shirt and ties, not  
4 uniform or some type of -- we are not talking  
5 undercover presence.

6 BOARD MEMBER McCABE: I would think,  
7 though, that some six foot, 220, strapping  
8 Pennsylvania State Patrolman in uniform there would  
9 discourage me from trying to do something?

10 CAPTAIN PETYAK: You're referring to me?  
11 Thank you, sir. That works. You know, the  
12 omnipresence is the key word here, the expectation.

13 I think what we come to realize that -- I'm  
14 preaching to the choir because I know you know the  
15 answer to this, recognizing the capacity to have this  
16 presence in the facility is a deterrent.

17 And people realize that. You don't have to  
18 put the sign out, patrolled by the Pennsylvania State  
19 Police.

20 I think it will become very clear, very  
21 quickly, that we are there; and we are making these  
22 decisions that we feel that you want made with respect  
23 to arrests.

24 And I think the purpose of this thing is,  
25 if we have got criminal incidents occurring at these

1 locations, I think the Board has an expectation that  
2 those are going to be handled with criminal  
3 prosecutions; and not by private security in a  
4 conflict resolution situation, and that's what we are  
5 trying to present here.

6 LIEUTENANT-COLONEL PERIANDI: I think we  
7 would also add that, certainly, that these are  
8 proposals and recommendations that we are making to  
9 the Board.

10 Our experience nationwide is that, as a  
11 routine, the state law enforcement presence is not in  
12 uniform.

13 But if the Board recommendation or request  
14 was that the State Police, from time to time, or with  
15 a limited number of people, had a uniform presence or  
16 displayed a uniform presence; certainly, and that  
17 comes back to some of the discussion we had about the  
18 interaction, that would be your call.

19 And we would certainly abide by whatever  
20 your wishes or recommendations would be in that  
21 regard.

22 CHAIRMAN DECKER: We will wait and see.

23 CAPTAIN PETYAK: We will take a proactive  
24 stance in these matters, and should be the initial and  
25 final authority in making determination on all

1 criminal investigations and criminal matters that are  
2 warranted.

3 Criminal matters will be dealt with in a  
4 manner that sends a clear message that this activity  
5 will not be tolerated.

6 Even incidents which result in eviction  
7 should have the assistance of the Pennsylvania State  
8 Police Office of Gaming Enforcement for proper  
9 enforcement, security and intelligence sharing with  
10 other OGE offices, so the problem just doesn't move to  
11 the nearest licensed facility.

12 Our members at these licensed facilities  
13 will proactively develop confidential informants and  
14 sources of information to identify criminal activity  
15 that is occurring.

16 It's our experience when dealing with  
17 individuals who want to report information, most want  
18 to remain anonymous or confidential to protect their  
19 identity.

20 These types of individuals provide critical  
21 information relating to employee theft and/or other  
22 irregularities that are occurring.

23 As I said before, we should maintain an  
24 enforcement presence on the floor to create an  
25 atmosphere of omnipresence and identify incidents that

1           require immediate action.

2                       I talked about non-intrusive random sweeps.  
3           They should be conducted in each facility, for  
4           example, in an attempt to identify underage gambling  
5           or underage alcohol consumption, which are violations  
6           of the Act or the Pennsylvania Crimes Code.

7                       These sweeps are a common, effective law  
8           enforcement practice within gaming facilities across  
9           the country.

10                      We propose to have strategically placed  
11           regional intelligence officers. These intelligence  
12           officers will be housed off-site, the Pennsylvania  
13           State Police Area Tactical Intelligence Officers.

14                      They are geographically located across the  
15           Commonwealth to maximize utilization of our resources.  
16           They will have the ability to frequent the licensed  
17           facilities in undercover capacity, without being  
18           detected by patrons or employees, thus ensuring their  
19           identity will not be compromised.

20                      These undercover intelligence officers will  
21           be responsible for covert surveillance, as well as  
22           proactive undercover intelligence investigations which  
23           will begin, we believe, at the early stages of license  
24           facility construction and continue through the  
25           operational phase.



1                   They will be responsible for monitoring  
2                   organized crime activity in relation to the gaming  
3                   industry, and developing information during the course  
4                   of their undercover duties that may lead to the  
5                   investigation of -- initiation of a criminal  
6                   investigation.

7                   BOARD MEMBER COY: Captain?

8                   CAPTAIN PETYAK: Yes, sir.

9                   BOARD MEMBER COY: This morning there was a  
10                  question about the possibility of the need for some  
11                  sort of extra education for State Police troopers.

12                  And I think a community college in New  
13                  Jersey was mentioned. I guess, without specifically  
14                  regard to the institution, can you just talk to us  
15                  about the State Police troopers that would be assigned  
16                  to these tasks in the casinos or around them.

17                  Will this require special training, or is  
18                  this simply another type of undercover investigation  
19                  that your guys have done already? Can you comment on  
20                  that?

21                  CAPTAIN PETYAK: Sure. I see two different  
22                  segments of the Office of Gaming Enforcement.  
23                  Undercover activities, the individuals I'm talking  
24                  about now are -- I can't say typical undercover  
25                  activities because no undercover activity is

1 classified as typical.

2 Obviously, we have troopers operating in  
3 undercover capacity, serving a number of different  
4 areas for that.

5 I see that as consistent with typical, if  
6 you want to use that word, undercover duties. The  
7 other --

8 BOARD MEMBER COY: Excuse me. So there's  
9 nothing particular about this assignment?

10 CAPTAIN PETYAK: It's specialized. We call  
11 those specialized positions. Yes, there are. Those  
12 are specialized positions within the State Police that  
13 we develop through training and on the job training,  
14 the ability to conduct those investigations.

15 BOARD MEMBER COY: So it's training that  
16 you would do in house?

17 CAPTAIN PETYAK: Yes, sir.

18 BOARD MEMBER COY: You feel you have the  
19 capability of doing?

20 CAPTAIN PETYAK: We do that as normal  
21 course, now, for our undercover drug investigators,  
22 undercover organized crime investigators, undercover  
23 intelligence investigators that currently work for us.

24 BOARD MEMBER COY: If this need were to  
25 arise in the near future, as we anticipate it will, or

1 in the future at some point, how quickly do you have  
2 the personnel to be up and running to do this sort of  
3 thing?

4 CAPTAIN PETYAK: I think we have the  
5 ability to -- I already -- I have a lot of experience,  
6 personally, in supervising units like this.

7 I know we have capable people that, as we  
8 would look at bringing certain numbers of these  
9 individuals on, that I think we'll have a great pool  
10 to draw from of experienced undercover troopers.

11 BOARD MEMBER COY: Thank you.

12 CAPTAIN PETYAK: Addressing one other  
13 aspect, I see if we look at the actual reg -- we will  
14 talk about regulatory enforcement briefly because we  
15 are limited on time, and I'll end this with that; but  
16 I foresee additional training.

17 And I think the gentleman this morning, if  
18 it was this morning, was talking about this other  
19 training.

20 He's talking about this community college  
21 in Atlantic City that provides a standard of training.  
22 Our counterparts in Missouri -- what they have done --  
23 for the Missouri State Police or Highway Patrol, they  
24 do their own training at their academy.

25 And I foresee down the road -- my vision of

1           this, if we have -- whatever our involvement is, I  
2           foresee us doing a train the trainer and utilizing our  
3           State Police facility.

4                       Expense wise, it's much cheaper. I'm more  
5           comfortable with that; that we train the trainer and  
6           we provide the training to our own troopers.

7                       And part of that initial deployment, if we  
8           would evolve to a squad concept down the road, part of  
9           that initial deployment is once they get these  
10          background investigations done, the next step in that  
11          process is then we do mandatory in-house training for  
12          those people.

13                      And that takes them to the next level with  
14          respect to the gaming industry because, I mean --  
15          short of some of our sophisticated white collar crime  
16          people, our gaming and our troop vice people, this  
17          type of gaming is, of course, new to us as well as  
18          everyone else in the Commonwealth.

19                      But I see that training; and we are going  
20          to build that in. We have already looked at some of  
21          that.

22                      BOARD MEMBER COY: Thank you.

23                      LIEUTENANT-COLONEL PERIANDI: I want to  
24          make sure we're clear because I think you are talking  
25          about -- you may have been talking about two different

1 things.

2 The undercover investigators would be  
3 consistent with all the undercover investigations that  
4 we do in the State.

5 So there would not need to be any specific  
6 training relative to gaming operation for our  
7 undercover investigators.

8 BOARD MEMBER COY: That was part of the  
9 question, Colonel. I mean it was a very serious  
10 question; to know whether or not there's anything  
11 particular about this type of undercover work that  
12 differs from other undercover work.

13 LIEUTENANT-COLONEL PERIANDI: It actually  
14 will be somewhat easier for undercover investigators  
15 to infiltrate a casino floor than some of the other  
16 infiltrations that we do --

17 BOARD MEMBER COY: Than drug investigations  
18 or other vice type of things?

19 LIEUTENANT-COLONEL PERIANDI: Correct.  
20 Now, our other investigative and enforcement group  
21 that would be inside the casino doing investigations  
22 on specific gaming related matters is the second part  
23 of the question.

24 I think that also comes back to Judge  
25 Collin's question this morning; and the Captain is

1 talking about some specific training for those  
2 individuals.

3 CHAIRMAN DECKER: If they are undercover,  
4 will they be gambling? That's supposed to be a joke.  
5 And if they win, where do the funds go?

6 CAPTAIN PETYAK: Only if they tell me about  
7 it beforehand.

8 LIEUTENANT-COLONEL PERIANDI: They're going  
9 to simulate gambling.

10 BOARD MEMBER McCABE: Captain, there are  
11 really two purposes of this undercover. There's the  
12 undercover intelligence investigation where the state  
13 troopers are in there gathering intelligence, who's in  
14 there, are people from organized crime, terrorists or  
15 whoever, are they trying -- are they there?

16 What are they doing, that sort of thing;  
17 where there's no plan, I don't think, at that point,  
18 to take what they are doing and then take it court.

19 There are the other undercover operations  
20 where they may actually be doing an operation against  
21 a target.

22 There's a criminal aspect, then, that they  
23 are doing this undercover operation, then, to take it  
24 to court, to the Attorney General, then to court.

25 CAPTAIN PETYAK: And the beauty in the real

1 world, if it works for us, is the way we operate now.  
2 Ideally our intelligence undercover troopers don't  
3 ever pursue criminal investigations because we want to  
4 maintain that anonymity.

5 In our plan, when we develop this  
6 intelligence -- when these intelligence investigations  
7 that they will be conducting at the facilities evolve  
8 to a criminal investigation, they will pass that  
9 information on to some of these criminal investigators  
10 we have assigned to the facility, and then move on to  
11 the next intelligence investigation.

12 BOARD MEMBER McCABE: And the intelligence  
13 group that you have will be coordinating their  
14 intelligence with New York, New Jersey and other  
15 intelligence groups throughout the United States?

16 CAPTAIN PETYAK: Exactly. The beauty of  
17 this is we are not going to assign them anywhere other  
18 than our currently existing area and tactical  
19 intelligence offices where we have got those contacts  
20 available, as well as involvement with, for example,  
21 Joint Terrorism Taskforces in both western and central  
22 and eastern Pennsylvania, which would involved the FBI  
23 and other agencies.

24 LIEUTENANT-COLONEL PERIANDI: That's why we  
25 use this to build upon the background investigation

1 process. Because we would actually begin that  
2 interaction with surrounding states and other states  
3 at the background investigation level, even prior to  
4 getting involved in other types of intelligence  
5 investigations.

6 BOARD MEMBER COY: The other part of the  
7 question was the educational question. And it was  
8 intriguing to me this morning, as I thought about it,  
9 because I didn't know whether someone had developed a  
10 course in Casino Undercover 101 or not?

11 And I'm not trying to be funny, I'm trying  
12 -- is this such a technical or technically new area of  
13 law enforcement that this type of outside education by  
14 police groups is now necessary?

15 CAPTAIN PETYAK: Well, in answer to your  
16 question, I think the application of the skills that  
17 the criminals or these individuals will use will be  
18 consistent, even inside those facilities.

19 I think about, for example, maybe some  
20 structuring activity that we see going on or the  
21 attempts of money laundering, or those organized  
22 skills where you are building.

23 Intelligence is really seeing and observing  
24 and putting things together and developing information  
25 where you, kind of, build a case with respect to





1           utilizing the current Pennsylvania State Police  
2           automated intelligence system, which is Memex, which  
3           will integrate -- allow to us to integrate, deploy,  
4           coordinate and share electronically on the network,  
5           all the intelligence gathering activities to ensure we  
6           are not duplicating resources; we are coordinating  
7           investigations, and that manpower and commitments are  
8           used effectively.

9                         I can't emphasize enough the importance of  
10           initially establishing a unit like this, beginning in  
11           the early stages of construction in the industry.

12                        Just briefly I want to touch on, someone  
13           brought up this morning in the presentation, slide  
14           sheets.

15                        What we discovered, interestingly enough,  
16           in our research, they are known to frequent new gaming  
17           locations due to the fact that casino employees and  
18           casino security are new to the industry.

19                        They prey on these facilities because  
20           security and surveillance are unfamiliar with their MO  
21           or cheating traits.

22                        And these new facilities are vulnerable  
23           because the staff is not familiar with the  
24           identification of potential hazards, issues and  
25           concerns. There are two critical areas where criminal

1 elements and organized crime infiltrate the gaming  
2 industry.

3 I touched on them briefly, money laundering  
4 and structuring of payouts to avoid reporting of  
5 income at gaming facilities.

6 We believe the Pennsylvania State Police  
7 member, in their day to day enforcement activities,  
8 will closely monitor functions such as the compliance  
9 of the bank secrecy act by reviewing suspicious  
10 activity reports and cash transaction reports for  
11 intelligence information, and to ensure timely  
12 submission of these to FINCEN.

13 They will ensure cashiers are making  
14 appropriate notifications to the surveillance  
15 department when a suspicious activity report or cash  
16 transaction report subject is at the cash cage.

17 This will ensure a face is placed with the  
18 report for future intelligence gathering on the  
19 subject.

20 They will monitor licensed facility  
21 cashiers to ensure they are not structuring payouts to  
22 patrons to avoid the preparation of cash transaction  
23 reports.

24 Just briefly, you heard this morning at  
25 \$10,000 you have to fill out a CTR. What we have

1           learned in this business is there are -- collusion  
2           occurs between the people inside the cages and some  
3           individuals, which will allow these people to maybe  
4           just fill out a receipt for \$9,500, for an example,  
5           and the rest goes over to someone else standing behind  
6           them and avoids this printing out the CTRs.

7                           Interestingly enough, we found out in our  
8           research that one state police agency responsible for  
9           gaming enforcement has recently discovered these  
10          activities occurring in each of their gaming  
11          facilities.

12                           These targets were identified by state  
13          police officers assigned to the gambling facility,  
14          whose duties included an enforcement presence on the  
15          gaming floor.

16                           The review of cash transaction reports is a  
17          common investigative tool currently in use by  
18          Pennsylvania State Police troopers investigating  
19          traditional or non-traditional organized crime groups  
20          and sophisticated drug organizations.

21                           BOARD MEMBER COLLINS: May I ask a question  
22          at this point? It seems to me that that overlaps  
23          almost with surveillance.

24                           I mean, in essence, a criminal  
25          investigation, seems to me, is looking into a

1           situation pursuant to a cause or a reason for looking  
2           into it.

3                       And what you are describing seems to me to  
4           be an audit function or a surveillance function, which  
5           I think is an appropriate thing to be going into; but  
6           I'm not so sure it would be -- I'm not so sure it  
7           could be categorized as a criminal investigation. I  
8           don't know. Am I wrong about that?

9                       CAPTAIN PETYAK: The information was  
10          developed in the state that I referred to, Judge, from  
11          an informant.

12                      BOARD MEMBER COLLINS: Okay. Sorry if I  
13          missed that.

14                      CAPTAIN PETYAK: No, that's okay. I didn't  
15          say. I didn't say that. I'm sorry. Maybe I should  
16          have said that.

17                      That's where that information came from.  
18          It was not -- it was not from surveillance  
19          information; it was developed as a result --

20                      CHAIRMAN DECKER: That was the typical kind  
21          of crime that you would be -- something would get  
22          referred to you and you would go look at it?

23                      CAPTAIN PETYAK: Yes, sir. That  
24          information came from an informant. As a result of  
25          those -- that informant coming forward -- an informant

1 -- I'll let it at that. Thank you.

2 Just another one I want to touch on.  
3 Employee theft is one of the most prevalent crimes and  
4 hardest to detect in the gaming industry.

5 It frequently requires the complex  
6 investigation, involves numerous hours of  
7 investigative work.

8 Employees, through their day to day  
9 operation, are provided with ample opportunities to  
10 steal money.

11 Research has shown that, overall, there are  
12 more employee theft incidents documented than thefts  
13 committed by patrons.

14 Lower to mid-level management employees --  
15 or lower to mid-level employees are more likely to  
16 commit theft than upper management employees.

17 These thefts can involve large sums of  
18 money. We use Connecticut as an example, where an  
19 employee was caught placing \$97,000 in his socks.  
20 Must have had like soccer socks or something on.

21 In a subsequent investigation, as a result  
22 of that, revealed other involved employees at the same  
23 facility and the recovery of approximately \$2 million  
24 in cash and assets.

25 BOARD MEMBER COLLINS: And very baggy

1 socks.

2 CAPTAIN PETYAK: Or skinny legs, Judge,  
3 yes. Another area that we might touch on is  
4 counterfeiting of United States currency. It's  
5 prominent within the casino industry; and it's due,  
6 principally, to the large amount of money transactions  
7 that occur daily.

8 It provides -- this environment provides  
9 excellent cover for counterfeiting. We fall back on  
10 our counterparts in Connecticut again, where in 1995,  
11 where they seized \$1.5 million in counterfeit  
12 currency.

13 And as recently as December, 2003, involved  
14 the seizure of \$100,000. It's imperative that the  
15 Pennsylvania State Police Office of Gaming Enforcement  
16 maintain liaisons and intelligence sharing with  
17 federal, state and local law enforcement agencies.

18 It is also critical that while we are  
19 conducting these complex and long term investigations,  
20 we utilize all the resources of the Pennsylvania State  
21 Police, to include our participation in the  
22 multi-agency federal tasks forces, our organized crime  
23 units, our computer crime units, our troop vice units  
24 for drug investigations; and our contacts with the  
25 Secret Service and the FBI.

1                   The Pennsylvania State Police Office of  
2                   Gaming Enforcement role in criminal investigation and  
3                   enforcement at the 14 licensed facilities, we think,  
4                   is an essential element in maintaining a high level  
5                   standard and success as it pertains to protecting the  
6                   integrity of the gaming industry in the Commonwealth  
7                   of Pennsylvania.

8                   Just briefly, I touch on these criminal  
9                   investigation background investigators. They are  
10                  going to investigate the complex and long term  
11                  criminal investigations, those referrals I was talking  
12                  about from the intelligence people, not being  
13                  responsible for day to day enforcement functions.

14                  And their investigations will not reduce  
15                  that manpower. The Pennsylvania State Police will  
16                  encounter individuals who cannot provide  
17                  identification.

18                  In this instance, the live scan onsite will  
19                  be utilized to fingerprint the individual for positive  
20                  identification.

21                  When an arrest is made, we should have an  
22                  area designated within that facility for temporary  
23                  detainment.

24                  De minimis infractions and some other  
25                  related offenses allow for the issuance of a summons



1 or citation to residents. The accused, in that case,  
2 is issued, processed and released; thereby, having no  
3 long term immediate impact on our staffing.

4 In the more serious situations, the accused  
5 is ultimately formally arraigned and eventually  
6 transported to a detention facility in most locations.  
7 Research revealed this arrest situation creates an  
8 ideal scenario for criminal elements to create a  
9 diversion.

10 Our operations at the gaming offices are to  
11 be self-sufficient, with minimal impact to the  
12 surrounding Pennsylvania State Police stations or  
13 local police departments.

14 All incidents occurring, as we said, within  
15 the facility, are to be handled to the completion by  
16 enforcement troopers at the gaming office.

17 Our manpower in each facility must be  
18 staffed at proper levels to ensure an ongoing safe and  
19 secure environment.

20 In one state, interestingly enough, the  
21 Board there requires all casinos to have no less than  
22 one law enforcement personnel at the licensed facility  
23 at one time.

24 Interesting enough, should an arrest or an  
25 incident mandate all personnel leave the licensed

1 facility, the facility has to temporarily shut down  
2 until the law enforcement personnel returned, or  
3 additional manpower is called in.

4 We are confident that our staffing plan,  
5 which we will address at another time, will ensure  
6 sufficient personnel or staff, to ensure there will be  
7 no interruption in the operations of the facility.

8 On this chart, the statistics from  
9 Connecticut, Indiana, Illinois, Louisiana, Missouri  
10 and New Jersey show a significant number of incidents  
11 and arrests, in spite of some degree of law  
12 enforcement presence in and around the licensed  
13 facilities on a full time basis.

14 As you can see by the table, most gaming  
15 locations have a larger number of incidents compared  
16 to the number of arrests they make.

17 In 2003, the state of Missouri, however,  
18 recorded 688 incidents, and 1,164 arrests in their 14  
19 riverboats.

20 This obviously equates to almost double the  
21 amount of arrest incidents. What we discovered  
22 through our interaction with Missouri is they have a  
23 positive identification requirement to enter casinos.  
24 All patrons must present identification to enter.

25 As a result of this requirement, they make

1 a large number of warrant arrests on patrons; because  
2 they have previously been entered into a wanted  
3 persons databases.

4 They also make a large number of warrant  
5 arrests on new employees being processed, current  
6 employees that are wanted, and patrons who win  
7 jackpots of \$1,200 or greater, who must present an ID.

8 As you can see, when we talked about this  
9 earlier, West Virginia and Delaware, two states with  
10 no law enforcement presence in the licensed  
11 facilities, can provide no reliable statistics on  
12 incidents and arrests for licensed facilities.

13 SECRETARY FAJT: Ron?

14 CAPTAIN PETYAK: Yes, sir.

15 SECRETARY FAJT: One question. On the  
16 chart, the criminal investigation and enforcement  
17 chart, could you supplement that for us with the  
18 number of state police or law enforcement personnel or  
19 whatever they use in those areas for criminal  
20 investigation and enforcement? I think that would be  
21 helpful to us.

22 CAPTAIN PETYAK: I have -- that information  
23 is in our presentation that we provided, that book  
24 that we provided. Yes, it would be enclosure three.  
25 I don't have that with me.

1                   SECRETARY FAJT: I didn't assume you did.

2                   CAPTAIN PETYAK: I don't have that now.

3                   BOARD MEMBER COY: Do you happen to know  
4                   Captain or Colonel, in those jurisdictions, when  
5                   arrests like that are made -- and, Judge, I am sure  
6                   you can relate a little bit to this; there are often,  
7                   upon convictions, costs paid by the defendant.

8                   Are any of these costs recovered by the  
9                   Casino Control Commissioners in any of those states,  
10                  to cover the cost of their enforcement or not?

11                  CAPTAIN PETYAK: I don't know the answer to  
12                  that. That's a question I did not ask, in the sense  
13                  that when the final -- ultimately, the costs --  
14                  they're convicted of the crime?

15                  BOARD MEMBER COY: Often costs go to local  
16                  law enforcement agencies in certain crimes or in  
17                  certain other things.

18                  And I'm just wondering if there's any  
19                  attempt to capture some of the costs involved with the  
20                  prosecution here?

21                  CAPTAIN PETYAK: I could find that out. I  
22                  didn't ask that question.

23                  BOARD MEMBER COY: I don't know; and I  
24                  think it would be interesting question.

25                  CAPTAIN PETYAK: Good question. We will

1 get that.

2 BOARD MEMBER McCABE: Wasn't it written in  
3 the Bill that so much will go back to the local law  
4 enforcement to cover those costs?

5 BOARD MEMBER COY: Yes. And I guess that  
6 was part of the question. If the local law  
7 enforcement is the one that is bringing the  
8 prosecution, yes.

9 If it's the state police that is bringing  
10 the prosecution -- that part of the Bill was intended  
11 to allow local police departments to recover costs to  
12 -- local municipalities to recover costs that go up  
13 because a new facility is in their geographic borders.

14 My question related more to whether it is  
15 their cost or the state police's cost, are they  
16 recoverable at some point in the prosecution?

17 CAPTAIN PETYAK: I'll get you that answer.

18 BOARD MEMBER COLLINS: I was just going to  
19 comment that I know that there are provisions where  
20 restitution can be awarded as part of a sentence. I  
21 don't know that restitution would cover the area you  
22 are talking about.

23 I do believe that fines and costs are set  
24 by statute; and would not encompass extraordinary  
25 things, such as what you might be describing. I'm not

1           sure.  It's an interesting area to explore.

2                       CHAIRMAN DECKER:  In this presentation, we  
3           had mentioned -- I think in others too -- about the  
4           costs -- the costs of your presence, the cost of BIE,  
5           the cost of other things that might be done are going  
6           to be reimbursed by the casinos.

7                       I don't know that they are going to pick up  
8           court costs for people who committed a crime within  
9           their own --

10                      BOARD MEMBER COY:  No, but the question is,  
11           would the defendant?

12                      CHAIRMAN DECKER:  Yeah, for sure.

13                      BOARD MEMBER COLLINS:  The only problem  
14           with that though, a lot of times, it's not  
15           recoverable.

16                      CHAIRMAN DECKER:  You don't get it in a lot  
17           of cases.

18                      BOARD MEMBER COLLINS:  The percentage of  
19           recoverability in those situations is not great,  
20           although that varies from county to county too.

21                      BOARD MEMBER COY:  And part of the question  
22           was, has any of these other states figured out a way  
23           to do it?

24                      CAPTAIN PETYAK:  I will find that out.  I  
25           will get that information.

1                   CHAIRMAN DECKER: We will find out.

2                   LIEUTENANT-COLONEL PERIANDI: To get back  
3 to Secretary Fajt's question, we have all that  
4 information for the eight states -- well, we have the  
5 information for six of the eight states that are on  
6 the slide.

7                   One of them, we need to do some figuring,  
8 because they gave us some per shift information; and  
9 one of the other states that's on this slide, we have  
10 to check with.

11                   But I wouldn't feel comfortable giving that  
12 information in a public forum. So we will get that to  
13 the Board privately as an addendum to that slide.

14                   SECRETARY FAJT: That would be great  
15 Lieutenant-Colonel. Thank you.

16                   CAPTAIN PETYAK: The Pennsylvania State  
17 Police currently have an incident based crime mapping  
18 system called Prophecy.

19                   And this goes towards some of the things  
20 that Member Marshall was talking about, how can we  
21 watch and get from the state police what the  
22 Commonwealth or what the citizens expect at.

23                   This system is an incident and crime  
24 pattern analysis system that is used to detect and  
25 reduce criminal activity. Crime related incidents

1 will be automatically entered into the system, by our  
2 people, when an incident is generated at a licensed  
3 facility, and the location of the incident is entered.

4 It then can graphically display crime  
5 related data on digital maps for view. The system has  
6 the capability of showing event patterns and crime  
7 trends at separate locations.

8 Prophecy can be used to identify current  
9 and future patterns of incidents, broken down by  
10 geographical area, incident type, time of day, day of  
11 week, or by any chosen value or set of values.

12 Some highlights of this thing include point  
13 mapping, where insert records can be plotted onto the  
14 map in pin format.

15 This view can be changed to show event  
16 types using icons to denote specific incident types.  
17 A repeat point map is also available to show where  
18 multiple records exist for the same location.

19 MO, date ranges, time ranges, and incident  
20 types can be searched; and time profiling offers the  
21 ability to display the incidents on a timeline to  
22 provide a sequence analysis. This can be especially  
23 useful when dealing with a series of incidents.

24 An ongoing process of follow up and  
25 assessment is essential to ensure crime reduction



1 goals are met. The state police commanders will hold  
2 their personnel accountable and ensure they are  
3 pursuing the goal of crime reduction.

4 Prophecy will provide us the capability of  
5 providing the Board with timely incident information,  
6 where we can sit down and jointly evaluate the impact  
7 of these statistics on gaming, in all 14 licensed  
8 facilities across the Commonwealth.

9 We will then be able to develop new  
10 strategies together, based on real time, accurate  
11 information to make gaming a more secure and safer  
12 environment for the citizens of the Commonwealth.

13 LIEUTENANT-COLONEL PERIANDI: I'd like to  
14 add, for all the Members of the Board, we update this  
15 information at 0200 hours every day.

16 That's the kind of accurate information you  
17 would have. Every -- first thing every morning, you  
18 are going to have the most recent information  
19 available.

20 It really assists us in trend patterning  
21 also. So we would be able to see, for instance, in  
22 the gaming area, when we have the 14 facilities, we  
23 might see a trend developing where something has  
24 occurred in the 24-48 hours in a number of our  
25 facilities, trending towards other facilities, which

1 gives us a predictive analysis, and allows us to be  
2 much more proactive.

3 That's where then we would adjust resources  
4 and even pool resources in, if we felt that that would  
5 be the most appropriate and efficient process to  
6 prevent a particular criminal activity from occurring.

7 CAPTAIN PETYAK: Act 71 provides for strict  
8 regulatory function. The Board will establish rules,  
9 regulations, policies, procedures and internal  
10 controls for licensees to follow, the Pennsylvania  
11 State Police's concurrent regulatory authority, with  
12 the Pennsylvania Gaming Control Board, Bureau of  
13 Investigation and Enforcement, and the Department of  
14 Revenue.

15 As a result, we will enforce the rules and  
16 regulations as promulgated by the Board, conduct  
17 administrative inspections on the licensed facility,  
18 review and closely monitor the systemic internal  
19 control protocols that you will eventually establish;  
20 and ensure that violations do not continue to occur  
21 after the licensed facility is made aware of the  
22 problem.

23 CHAIRMAN DECKER: Thanks, Ron. Thank you  
24 Colonel and Captain. Any other questions?

25 LIEUTENANT-COLONEL PERIANDI: Chairman

1 Decker, this basically concludes our presentation in  
2 the background investigation area and the criminal  
3 investigation enforcement area.

4 We would just close by recognizing, as you  
5 mentioned at the opening, that the Board is examining  
6 options relating to security and surveillance. And  
7 there are a couple of questions that came up, relative  
8 to that, during today's presentation.

9 And the Pennsylvania State Police,  
10 obviously, stands ready to address those two  
11 components, as well as staffing and budget issues  
12 whenever the Board requests.

13 You know, on May 2nd of next year, we will  
14 celebrate the 100th anniversary of the Pennsylvania  
15 State Police.

16 And we felt it was important to bring to  
17 the attention of the Board that it is exactly this 100  
18 year history of tradition, professionalism, and  
19 effective law enforcement that we bring, as a  
20 resource, to the Gaming Control Boards.

21 Pennsylvania State Police will take a  
22 comprehensive approach in conducting background  
23 investigations, handling all law enforcement  
24 activities, including the arrest process and  
25 overseeing the regulatory functionality in our day to

1 day operations.

2 Our greatest priority is to ensure that  
3 there is a sufficient contingent of personnel at each  
4 facility, at any given time, to ensure the safety and  
5 security of all patrons and employees.

6 It is also our priority to ensure that the  
7 integrity of all of the members of the Pennsylvania  
8 Gaming Control Board; and of our agency, the  
9 Pennsylvania State Police will be upheld at all times.  
10 Thank you.

11 CHAIRMAN DECKER: Thank you very much,  
12 gentlemen. We have two action items to talk about  
13 relating to this and the information we heard this  
14 morning.

15 A continuing theme throughout the meeting  
16 has been the need to ensure integrity in all aspects  
17 of gaming in Pennsylvania.

18 The need for such integrity will be  
19 particularly important for the Gaming Board's own  
20 staff; especially for those in management positions.

21 Although the law does not require the Board  
22 to conduct background investigations on its staff, I  
23 have discussed individually with each of you the  
24 possibility of requiring such backgrounds.

25 I would like to have a motion for -- to

1 allow for appropriate background checks on Gaming  
2 Board employees, as determined by the Board, in  
3 authorizing -- again, as determined by the Board, the  
4 State Police to perform those background checks.

5 BOARD MEMBER MARSHALL: So moved.

6 BOARD MEMBER COY: Second.

7 CHAIRMAN DECKER: Any discussion? Any  
8 questions about that? All those in favor, please  
9 indicate by saying aye.

10 BOARD MEMBERS: Aye.

11 CHAIRMAN DECKER: Anyone opposed? For the  
12 record, that was a unanimous vote for it. We have one  
13 other one thing that I would like to cover with the  
14 Board this afternoon.

15 As we heard yesterday, one of the  
16 contingencies that must be in place before we can  
17 begin licensing gaming facilities is the licensing of  
18 manufacturers and suppliers.

19 In order to begin the process of licensing  
20 manufacturers and suppliers, it would be necessary to  
21 have appropriate background investigations done on  
22 them.

23 Until the Board determines how to best  
24 carry out these investigations, we could look to the  
25 State Police to assist us.

1                   I would like to entertain a motion to  
2                   authorize the State Police to perform initial  
3                   background investigations for slot machine  
4                   manufacturers and slot machine supplier applicants.

5                   BOARD MEMBER MARSHALL: So moved.

6                   BOARD MEMBER COLLINS: Second.

7                   CHAIRMAN DECKER: Is there any discussion  
8                   about that? Mary, did you have something? I'm sorry,  
9                   I thought you were -- any discussion? All those in  
10                  favor, please indicate by saying aye.

11                  BOARD MEMBERS: Aye.

12                  CHAIRMAN DECKER: Any opposed? Also for  
13                  the record, that motion passes unanimously. I have  
14                  one other motion, and that is to recess for 15  
15                  minutes.

16                  I assume that will pass unanimously. We  
17                  will be back in ten minutes, a little after 3:00.

18                  (Break.).

19                  CHAIRMAN DECKER: We are back on. Let's  
20                  see. Sorry, we are going in the wrong direction here.  
21                  Yeah, I'm just looking for the spot, I'm sorry.

22                  Here it is. Our next presenter is Lynn  
23                  Stelle, who is now going to go over licensing  
24                  considerations, including who to license, the order of  
25                  licensing, and other procedures. Lynn.

1                   MR. STELLE: Thank you, Mr. Chairman. I  
2                   have spent a few minutes during the break, and tried  
3                   to modify the presentation somewhat; because we have  
4                   spent five hours today brushing over different aspects  
5                   of the licensing, so I'll try to make my comments  
6                   comprehensive, but at the same time, maybe a little  
7                   briefer than they would have been.

8                   As we have been discussing yesterday and  
9                   today, we started out by looking around at other  
10                  jurisdictions to find out what the common practices  
11                  are in the areas of licensing, who, what, where and  
12                  how to do the job.

13                  I started this investigation by looking  
14                  right inside the Commonwealth at our other  
15                  institution, the lottery, which has successfully  
16                  licensed 8,500 retailers for over 30 years, collecting  
17                  upwards of \$2.5 billion.

18                  So they certainly have significant  
19                  experience in this area. And that was a good place to  
20                  start.

21                  They do an excellent job in licensing these  
22                  retailers and establishing some kind of a frame work  
23                  in which to operate. This is obviously one of our  
24                  major key tasks.

25                  It's the gateway into the gaming

1 environment; and we have to make sure only those that  
2 are appropriate get through this doorway. So it has  
3 to be done. It has to be done perpetually.

4 It has to be done every day. We do need to  
5 have working relationships with those doing the  
6 background investigations, to make sure that every  
7 day, we are checking the backgrounds of our  
8 individuals to make sure no criminal activity has  
9 affected -- has been attached to them, no financial  
10 improprieties have been attached to them.

11 So this is an ongoing, every day  
12 responsibility. And we have to stay diligent to it.  
13 I think if we look at licensing, we have to put  
14 together several different systems, that will allow us  
15 to issue license and permits to qualified individuals  
16 and to control our gaming activities.

17 And it is obviously going to be up to the  
18 Board to establish the levels to which these licenses  
19 and permits are granted.

20 So let me just quickly run into who needs  
21 to be licensed, what are the licensing requirements,  
22 what's the licensing time frame, in general terms, and  
23 what is the proposed work flow. Well, we did a fairly  
24 significant analysis.

25 We know we have two resorts, five



1 non-tracks, seven tracks. There will be approximately  
2 100 manufacturers and suppliers. There will be about  
3 1,400 senior employees in those organizations.

4 There will be 1,000 manufacturer and  
5 supplier employees. If the Board decides that they  
6 want to go deeper, there could be as many as 1,000  
7 non-gaming entities, and 10,000 non-gaming employees  
8 to look at.

9 Then the gaming facilities themselves,  
10 there could be another 14,000 employees. This is more  
11 than 27,500 employees that we'll be looking to  
12 license.

13 This is entities and employees we are going  
14 to be looking to license in the first year. And this  
15 does -- in the first year of the facility operations,  
16 excuse me.

17 But this does include, as we said, there is  
18 going to be false starts. We are going to be doing  
19 background investigations, and get licensing  
20 applications for people that don't make it.

21 Employees will last for six months, and we  
22 will be doing two employees for that one position. So  
23 this does have some fat in it; but we should look to  
24 try to build an organization to allow us to license  
25 27,500 individuals.

1                   Look at this a little bit differently.  If  
2                   you take the facilities themselves, as you can see  
3                   here, you have the 14 facilities on the top of the  
4                   pyramid; and then under that, you are going to have  
5                   1,400 of those senior employee deep dive background  
6                   investigations.

7                   The 1,400 employees will have a fairly --  
8                   what was it called, a shortcut evaluation, unless  
9                   problems are found.

10                  This is similar to what we do now with the  
11                  lottery.  We actually send out every licensee to the  
12                  State Police to do a quick background investigation.

13                  As long as there is nothing bad, it comes  
14                  back approved.  If there is, they do a deep dive or a  
15                  deeper dive on that individual application.  So  
16                  there's a model we could look at to handle the gaming  
17                  employees.  We certainly don't have a model that goes  
18                  into the deep dive for the senior employees.

19                  Secondly, we have the manufacturers and  
20                  suppliers.  And in the Act, it looks like we will be  
21                  looking to the manufacturers and suppliers as being  
22                  our first level of licensing.

23                  As you know, they have to be licensed 90  
24                  days before we can consider licensing any of the other  
25                  entities.

1                   So probably the first step would be -- the  
2                   proposal would be to licensure your manufacturers and  
3                   suppliers, and their senior employees.

4                   Then the last group of licensees is the  
5                   non-gaming licensee. I think it's up to the Board to  
6                   decide if they want to go after the folks that are  
7                   involved in trash removal, maintenance companies, food  
8                   suppliers, laundry services, construction suppliers,  
9                   et cetera, et cetera, et cetera.

10                   It goes on and on. And if they do, then we  
11                   have to add to this licensing requirement another  
12                   11,000 potential licensees.

13                   Again, these are all estimates; but they  
14                   are estimates based on the size of the organization  
15                   structures we are looking to license.

16                   Next, the Act requires; and it's mandatory  
17                   that the Board shall consider and approve condition or  
18                   deny the approval of all initial applications for each  
19                   and every category of slot machine licenses,  
20                   collectively and together.

21                   It's got to be done in a statewide manner  
22                   within 12 months following the time set by the Board  
23                   for submission of the applications.

24                   So once we begin the process, there will be  
25                   a little bit of -- there will be a need for a fairly

1 orderly process to get the licensing process done. So  
2 repeating --

3 BOARD MEMBER MARSHALL: Can we -- now, is  
4 it just the categories?

5 MR. STELLE: Well, we need to get our chief  
6 counsel working on that; because it is vague as to  
7 whether we do this by the -- as you see here, the four  
8 top categories, the manufacturer/suppliers, the  
9 category ones, the category twos and the category  
10 three; or if the interpretation of collectively and  
11 together is you have to do all of them collectively  
12 and together, so it's a little inconsistent.

13 BOARD MEMBER MARSHALL: But the problem  
14 with that is if you have to do one group 90 days  
15 ahead?

16 MR. STELLE: Exactly.

17 BOARD MEMBER MARSHALL: So I have always  
18 read this to be the categories as you lay them out,  
19 the chunks.

20 MR. STELLE: That's right. I believe that  
21 would be my interpretation as well. I think we have  
22 to clarify that before you actually begin the process.  
23 But it appears that that would be a process or  
24 proposal.

25 BOARD MEMBER MARSHALL: And not to be

1           redundant; but I will be redundant, how would you --  
2           if the other -- if it came back the other way, how  
3           would you get the manufacturer and suppliers 90 days  
4           before the others?

5                       MR. STELLE: I don't think you can.

6                       BOARD MEMBER MARSHALL: Thanks.

7                       MR. STELLE: I'm going to focus strictly on  
8           the manufacturers and suppliers licenses; because that  
9           is my interpretation of the first thing that the Board  
10          must consider.

11                      So the manufacturers and supplier licenses  
12          are for the slot machines and associated equipment.  
13          And they must be sold by suppliers to the licensees.

14                      The suppliers are going to have to  
15          establish and commit to establish a business in  
16          Pennsylvania within one year when they apply.

17                      Slide 20, I'm sorry. Repeating, the slot  
18          machine licensee must work through the suppliers.  
19          There is an exception. We talked about the central  
20          system.

21                      The Department of Revenue is doing that;  
22          but the entities also have their own system, central  
23          system type technology; and that wouldn't have to go  
24          through the supplier.

25                      That includes the monitoring systems, the

1 casino management systems, player tracking system, all  
2 part of that is what we talked about yesterday, the  
3 second wire, that could come off or the information  
4 coming off into a second system.

5 CHAIRMAN DECKER: Then there's no  
6 limitation on the number of manufacturers or suppliers  
7 that can be licensed; correct?

8 MR. STELLE: No, there's not. Again, going  
9 back. I think the order of licensee is the  
10 manufacturers/suppliers as soon as administratively  
11 possible, as specified in the Act; but definitely  
12 three months prior to the licenses of any other  
13 classification.

14 Then we have the category 1, 2 and 3. We  
15 have other gaming employees and non-gaming employees.  
16 I think that would be the flow of your licensing  
17 requirements.

18 We then wanted to discuss centralized  
19 versus distributed licensing. And although I believe  
20 what Captain Petyak was explaining is very accurate;  
21 and I think some kind of a working relationship should  
22 definitely be built with the State Police, in parts of  
23 the things that they are doing, I believe that the  
24 best way to handle this is to centralize the operation  
25 as much as possible, in Harrisburg.



1 fingerprinting.

2 The results of those would come back to the  
3 Board for a final decision; and then that final  
4 decision would yield either a license or a rejection.  
5 It's a very simplistic overview; but that would be the  
6 way to handle your key staff.

7 We spent five hours discussing more detail  
8 the actual investigative process. The non-key staff  
9 and non-gaming staff would be even a faster process;  
10 in that, I don't believe there's any reason why the  
11 Gaming Board couldn't handle the electronic background  
12 and financial investigation, similar to the way the  
13 lottery does it, in that they would send the data out  
14 to the State Police for the background investigation  
15 on criminal.

16 Assuming it comes back clean, it goes to  
17 the next step, which is they do the financial  
18 background check electronically.

19 At that point, the Board could issue, in  
20 essence, a certificate that the employee then could  
21 take to the State Police to have the final check,  
22 which is the fingerprinting.

23 And if that comes back all right, their  
24 conditional license from the fingerprinting would turn  
25 into a permanent license. So you have three levels of



1 security on your licensing process.

2 First, the employer would be certifying the  
3 employee and transferring to you the applicant, which  
4 is required under the Act. The employee has to have a  
5 offer of employment before you could be offered. So  
6 that's your first level of check.

7 The second level is the application process  
8 by the Board in the licensing department. And the  
9 third level is the final check by the State Police;  
10 that, in fact, the person you just investigated is, in  
11 fact, who they say they are, by going to the State  
12 Police and having their fingerprinting done.

13 It's my -- our proposal that we have a ton  
14 of work to do, and that we focus on trying to finish  
15 in the month of December our manufacturer and supplier  
16 forms, and present them to you -- slide 30 -- present  
17 them to the Board for review.

18 In January, we would like to present to the  
19 Board a proposal for forms for the actual category one  
20 entities and their senior employees.

21 In February, we would present the forms for  
22 the resorts and the non-tracks, as well as for the  
23 non-gaming and gaming employees.

24 So it's a fairly rapid process. But the  
25 one thing working in our favor is that many



1           again, you'll see that that form not only -- we are  
2           dealing with the same group of players.

3                       When we talk about manufacturers, when we  
4           talk about the operators of these facilities, they  
5           operate in other jurisdictions.

6                       To date, I don't know of one unique entity  
7           that's come to the surface yet. There will be. But  
8           to date, the entities that are talking about applying  
9           for licenses; especially for your tracks, operate in  
10          other jurisdictions.

11                      So they already have on file in New Jersey,  
12          for example, many of them will have  
13          multi-jurisdictional forms already filed.

14                      So you will have the benefit of being able  
15          to derive the information of their own investigation  
16          on these people, as they jumpstart to your own  
17          investigation.

18                      The State Police will have the benefit of  
19          going over on the manufacturers, for example, if you  
20          take Ballys or you take IGT, they will be able to go  
21          to New Jersey and pick up all that data that already  
22          exists on these key employees and on their operation  
23          overall.

24                      BOARD MEMBER MARSHALL: Your number, the  
25          100 manufacturers and suppliers, that will be impacted

1           one way or the other by who -- how far in the food  
2           chain we eventually decide to go? Isn't that right?

3                     MR. STELLE: Well, the manufacturers and  
4           suppliers are a little different. There, we are  
5           talking about everyone that possibly can sell us a  
6           slot machine, sell to the entity a slot machine, and  
7           everyone that can be a supplier for those entities  
8           that are selling slot machines.

9                     CHAIRMAN DECKER: You are talking about  
10          gaming?

11                    MR. STELLE: Manufacturers of slot machine  
12          is really what the manufacturers there are.

13                    BOARD MEMBER MARSHALL: So, the supplier of  
14          cocktail napkins would come under non-gaming entities?

15                    MR. STELLE: Yeah. The suppliers and  
16          manufacturers, in the Act are really the suppliers of  
17          the gaming machines themselves.

18                    And the reason for that is for these  
19          operators to propose to you their plan, they have to  
20          have some idea of what equipment they can order and  
21          what it's going to cost.

22                    They have got to put a whole financial  
23          projection for themselves together. So they have to  
24          build a relationship with these manufacturers. So we  
25          need to have the manufacturers and suppliers of the

1 slot machine themselves contracted or licensed.

2 BOARD MEMBER MARSHALL: So I misspoke.  
3 It's the non-gaming entities that you propose in  
4 February to have a form. And that will be impacted by  
5 how far we want to go into that?

6 MR. STELLE: Absolutely. Absolutely. What  
7 New Jersey uses as their guide, is cost. If someone  
8 is disbursing \$75,000 to a non-gaming entity, they  
9 have to come into the licensing arm, or some kind of a  
10 review process.

11 And that would be the suggestion that we do  
12 the same thing. It seems to be the most vulnerable  
13 gateway into this, that the operators of these  
14 facilities, because of the good works of New Jersey,  
15 are clean.

16 They do not have blemishes. And they had  
17 30 years of abuse from New Jersey to clean it up. So  
18 that seems to not be the area that we need to be as  
19 concerned about.

20 We certainly have to make sure we do the  
21 job well. But the area of concern is these one-offs  
22 that come in out of the blue, start a business, and  
23 come through the back door, that's where you can get  
24 burned. So we want to make sure that those are the  
25 people we go after.

1                   BOARD MEMBER COLLINS: May I just make an  
2                   observation? I believe that it's important that we  
3                   consider, as part of our responsibility, that when we  
4                   review applications, that the applications and the  
5                   forms have to be supported by a regulatory scheme or  
6                   process that we have to develop.

7                   So that it's not just applications out  
8                   there, but the Commission or the Board has a system of  
9                   regulations governing how these applications are  
10                  taken, et cetera.

11                  So I just want to put that out there, that  
12                  I think it's more than just developing an application.  
13                  I think it's a whole regulatory approach we have to  
14                  think about and develop too.

15                  MR. STELLE: In response to that, we were  
16                  talking about that yesterday with the organization  
17                  chart, I agree completely.

18                  I think we have to do all of this  
19                  concurrently. One of the reasons we need to get the  
20                  chief counsel, so he can hire his deputies.

21                  One of them is strictly on the licensing  
22                  area, to make sure that those regs are written and  
23                  presented to you, so you can accept them.

24                  BOARD MEMBER MARSHALL: He or she.

25                  MR. STELLE: Excuse me. The deputy.

1                   BOARD MEMBER COLLINS: Thank you.

2                   MR. STELLE: So anyway, you are absolutely  
3 right. So what we are trying to do is just put  
4 together what the flow of work is and get the process  
5 started. Certainly, we have to get those key staff on  
6 board first.

7                   Finally, to taking manufacturers and  
8 suppliers to the ultimate conclusion, I just wanted to  
9 restate the fact that under the Act, manufacturers  
10 will have to submit a \$50,000 supplier license --  
11 manufacturers license; and suppliers will have to  
12 submit a \$25,000 application fee.

13                   In addition, we are going to propose, when  
14 we finally do present to you the final package, that  
15 we request an investigatory deposit of \$5,000, similar  
16 to what New Jersey does, as a matter of fact, exactly  
17 what New Jersey does.

18                   And then we ask that the licensee take  
19 responsibility for any additional fees that are  
20 associated with the background investigation, not only  
21 of themselves as an entity, but of their senior staff  
22 that they submit and support.

23                   CHAIRMAN DECKER: When you say additional  
24 fees, could you give us an example?

25                   MR. STELLE: \$50 an hour in New Mexico

1           kicks in.

2                   CHAIRMAN DECKER:  You mean use up -- it's  
3           \$50 an hour to use up 5,000; and -- is that what you  
4           mean?  Or are there special categories that  
5           immediately charge \$50 an hour?

6                   MR. STELLE:  New Jersey saved us.  Some of  
7           these investigations can run \$200,000 or more.  So the  
8           \$5,000 is strictly just a deposit, and the cost will  
9           go significantly higher.

10                  CHAIRMAN DECKER:  We'll get some  
11           suggestions on how this will all work in detail as we  
12           are doing the regs; correct?

13                  MR. STELLE:  I'm hoping that by the end of  
14           the month, we would, as a group, State Police, and the  
15           other consultants, will be able to submit to you,  
16           which is the last slide, a review and approval of  
17           manufacturer forms.  Excuse me.

18                  We have to submit those.  Some kind of a  
19           suggested timetable or a proposal on how we could  
20           structure this as a temporary staffing environment, a  
21           review of a regulatory process and give you the  
22           opportunity to establish when you would like to start  
23           the application process.

24                  All of this will come in a package very  
25           shortly.  It's being finalized as we speak.



1                   BOARD MEMBER McCABE: Mr. Chairman, when we  
2 get that, I know I would be interested in seeing the  
3 comparisons of how all these other states are doing  
4 it. You know what I'm saying there?

5                   If we could see the -- how does New Jersey  
6 do their forms, Delaware, so forth, so we can compare  
7 what you are asking us to approve against these  
8 others, I'd appreciate that.

9                   MR. STELLE: That's not a problem. That's  
10 it.

11                  CHAIRMAN DECKER: Thank's Lynn. Any other  
12 questions? Thank you. We are going to postpone a  
13 couple of items on the agenda; specifically, the issue  
14 of -- as Lynn discussed, the proposed form. That will  
15 be dealt with at our next meeting.

16                  And also, we are going to postpone the  
17 discussion on cash management, both the policy issues  
18 and the audit issues. We have a couple of business  
19 items we do want to talk about.

20                  The first is we postponed yesterday, the  
21 discussion and review of an EEO Affirmative Action  
22 Plan regarding diversity.

23                  As the Board members know; and to point out  
24 to the public, we had a draft plan, which we amended  
25 in a couple of places. But now we have a finished

1 product.

2 As time goes on, this is not a permanent  
3 document. I sure some of the other Board members will  
4 comment on that.

5 It's something that will be revised from  
6 time to time. The plan will be made available to the  
7 public through the Gaming Board website as it is  
8 redrafted.

9 But I think all the Board Members have had  
10 an opportunity to look at it now. I would ask for a  
11 motion approving the EEO Affirmative Action Plan on  
12 diversity, as we amended it.

13 BOARD MEMBER McCABE: So move.

14 CHAIRMAN DECKER: Second?

15 BOARD MEMBER COY: Second.

16 CHAIRMAN DECKER: Any comment?

17 BOARD MEMBER McCABE: I would just like to  
18 thank you, Mr. Chairman, for giving me the opportunity  
19 to make sure I had it reviewed, and for my changes.

20 CHAIRMAN DECKER: Sure.

21 BOARD MEMBER COY: Thank you. I have a  
22 couple suggestions on corrective language too, that we  
23 can share with the staff.

24 I want to emphasize, especially because I  
25 think anybody who has read the legislation, sees that

1 the Legislature directly addressed the subject of  
2 diversity; and of a continuing effort at affirmative  
3 action.

4 And I think the language in the Bill was,  
5 sort of, in all endeavors of the Legislation and of  
6 the Act.

7 And I think while we approve this today,  
8 because in compliance with the Act, it requires that  
9 this be approved within six months of its enactment;  
10 and so therefore, we come up around January 5th, where  
11 this would have to be done, while I think it's fine to  
12 approve it today, I think we need to look at it as a  
13 work in progress.

14 That this is something that we will need to  
15 continually turn our attention to, be mindful of, and  
16 try to bring its application and practical measure to  
17 every aspect of the gaming industry and our endeavors  
18 in the Commonwealth.

19 With that, I'm supportive, but I will  
20 continue to attempt to bring this to the Board's  
21 attention.

22 CHAIRMAN DECKER: Thank you. Any other  
23 discussion? Hearing none, all those in favor of the  
24 motion, please indicate by saying aye.

25 BOARD MEMBERS: Aye.

1                   CHAIRMAN DECKER: Any opposed? Again, this  
2 passes unanimously. We have a couple of other matters  
3 to talk about. The first is to take a minute to talk  
4 about the procedures for our future meetings.

5                   And that is, given the importance of what  
6 each of has been asked to do as a Gaming Board member,  
7 I believe it's important that each of us participate  
8 personally in our public meetings.

9                   I propose that we adopt a motion  
10 prohibiting proxy voting and the use of surrogates.  
11 Secondly, I also think it's important, however, that  
12 participation in the meetings by telephone or video  
13 conference can, at times, be permissible when a  
14 Commissioner is unable to travel to a specific  
15 meeting.

16                   Therefore, I'd like to have a motion to  
17 prohibit proxy voting and use of surrogates at Gaming  
18 Control Board Public Meetings; and to allow, at the  
19 Chair's discretion, participation in the meeting by  
20 telephone or video conferencing.

21                   BOARD MEMBER McCABE: So moved.

22                   CHAIRMAN DECKER: Thank you. Any  
23 discussion about that? All those in favor, please  
24 indicate by saying aye.

25                   BOARD MEMBERS: Aye.



1 the Ontario Casino Control Commission when they were  
2 starting up, the Michigan Casino Control Board.

3 They have worked -- they are working now  
4 with the state of Maryland. They have done work with  
5 the state of Maine, particularly in the racetrack  
6 area. They were the consultants of British Columbia.  
7 They worked with the state of Kentucky, state of  
8 Wisconsin in travel gaming.

9 They have recently done some work with the  
10 New Jersey Casino Control Commission. They have also  
11 represented a number of foreign gambling control  
12 commissions. So with that said, I think they are a  
13 very well qualified organization.

14 BOARD MEMBER MARSHALL: Mr. Chairman, have  
15 you had the opportunity to inquire whether -- pardon  
16 the pun, whether they have a horse in the Pennsylvania  
17 race?

18 CHAIRMAN DECKER: Yes, we have. Thank you  
19 for reminding me. They do not have any conflicts.  
20 They do not represent any potential operators or  
21 manufacturers or suppliers in the current.

22 BOARD MEMBER MARSHALL: And presumably  
23 would agree not to during their representation?

24 CHAIRMAN DECKER: That is absolutely true.

25 BOARD MEMBER MARSHALL: Then I would make

1           that motion, Mr. Chairman.

2                       CHAIRMAN DECKER: Let me phrase it, if I  
3           could, in a certain way, then I will ask you for the  
4           -- I'd like to have a motion authorizing the Chair to  
5           seek an emergency procurement to hire PriceWaterhouse  
6           Cooper, LLP, to provide advice and counsel to the  
7           Board regarding gaming related policy issues and  
8           staffing issues. May I have that motion?

9                       BOARD MEMBER MARSHALL: You may.

10                      CHAIRMAN DECKER: Can I have a second?

11                      BOARD MEMBER CONABOY: Second.

12                      CHAIRMAN DECKER: Do we have any  
13           discussion?

14                      BOARD MEMBER McCABE: Is there anybody else  
15           that's qualified as they are to do this out there?

16                      CHAIRMAN DECKER: Personally, I do not  
17           believe so, that haven't already been involved in some  
18           of the processes or who aren't already conflicted out.

19                      BOARD MEMBER COY: Mr. Chairman, in light  
20           of Commissioner Marshall's comment, to which I concur,  
21           can we have -- would you make certain that in the  
22           contract or whatever there is a disclosure that they  
23           do not currently represent any gaming clients; and  
24           that in the course of their employment with our Gaming  
25           Board, they would not?

1                   CHAIRMAN DECKER: That's a very acceptable  
2 amendment to my motion.

3                   BOARD MEMBER MARSHALL: Mine too.

4                   CHAIRMAN DECKER: Yours too. Sorry. You  
5 made the motion. You are quite right. I asked for  
6 it, you made it. Sorry about that. We will work on  
7 our procedures.

8                   BOARD MEMBER COLLINS: Do you need it  
9 seconded as it's amended?

10                  CHAIRMAN DECKER: Thank you.

11                  BOARD MEMBER COLLINS: Then I'll do that.

12                  CHAIRMAN DECKER: Any other discussion?  
13 Hearing none, all those in favor, please say aye.

14                  BOARD MEMBERS: Aye.

15                  CHAIRMAN DECKER: Any opposed? Motion  
16 passes unanimously. We will be scheduling a meeting  
17 in the next few weeks. It will be sometime in the  
18 middle to the latter part of January. It doesn't mean  
19 we won't be working.

20                  Obviously, we have a lot to do in order to  
21 get this process moving. And I think I can speak for  
22 the Board, we are very happy with the progress that we  
23 made today. Let me thank the Pennsylvania Museum for  
24 allowing us to use their facility.

25                  I'd like to thank all the staff people who



1 worked on this for two days. I know it's not easy.  
2 We appreciate all the help you did in setting this up.

3 BOARD MEMBER MARSHALL: Mr. Chairman, if I  
4 might, I would like to thank you for your leadership  
5 on this. I think that this was a very, very  
6 successful two days.

7 I think we served notice that Pennsylvania  
8 is now in the gaming business. We are going to do it  
9 responsibly. We have a number of good advisors. And  
10 I think this meeting is a real tribute to you and your  
11 leadership. Thank you.

12 CHAIRMAN DECKER: Thank you very much. I  
13 didn't announce the location of the next meeting.  
14 Since it is January, it will be in St. Croix. It's a  
15 joke.

16 BOARD MEMBER MARSHALL: We have to work  
17 with the Chairman on his sense of humor.

18 CHAIRMAN DECKER: I'd also like to take the  
19 opportunity, in all seriousness, to wish the Board and  
20 everyone who attended these meetings, who are here  
21 now, a most happy holiday and prosperous New Year. Is  
22 there anything else? Yes, please, go ahead.

23 BOARD MEMBER McCABE: Mr. Chairman, I just  
24 have one thing that I want to alert the Board, that I  
25 will, in the future meetings, plan on introducing

1 additions to our interim code of conduct to cover some  
2 of the areas that we discussed.

3 CHAIRMAN DECKER: Absolutely. And along  
4 the lines that we talked about previously, in terms of  
5 this being another living and breathing document that  
6 will have to be developed over a period of time. But  
7 with the ethics --

8 BOARD MEMBER McCABE: And I'll try to get  
9 that to everybody before the next one.

10 CHAIRMAN DECKER: That's fine.

11 BOARD MEMBER RIVERS: Mr. Chairman, I'd  
12 like to thank all the presenters, the consultants. I  
13 think the information that they provided us and to the  
14 audience gives us a good foundation to be on and the  
15 right direction to move.

16 I think the Pennsylvania State Police can  
17 be proud of themselves, because of their due  
18 diligence; not only in investigating me, but others on  
19 this state. And it was pleasure to work with you.

20 And I appreciate all that you have done,  
21 and look forward to working with you on a continuous  
22 basis. That is to you, not only to you, but to the  
23 rest of the consultants. Thank you.

24 CHAIRMAN DECKER: I'm sure you speak for  
25 all of us. Any other business to be brought before

1 the meeting?

2 BOARD MEMBER COY: Mr. Chairman, I know  
3 indicated it yesterday; but the fact is that the  
4 Department of Revenue, even its Secretary, has done a  
5 lot of work up to now.

6 CHAIRMAN DECKER: We have to work on his  
7 sense of humor too.

8 BOARD MEMBER COY: He and I were colleagues  
9 once upon a time. I'd like to acknowledge all the  
10 work that the Department of Revenue, its Secretary and  
11 its staff has done up to now on behalf of the Board  
12 and appreciate it very much.

13 CHAIRMAN DECKER: Thank you, by all of us.  
14 We said it yesterday, and we said it to them  
15 individually, they have done a terrific job in teeing  
16 the issues up for us.

17 This was an enormous project, that all of  
18 your, including the state police and others have  
19 gotten involved in. And it's really been -- we  
20 certainly appreciate the work.

21 We wouldn't be able to get anything close  
22 to this, to where we are now, without the really  
23 excellent work you have done. Anything else? With  
24 that, I'd love to have a motion to adjourn.

25 BOARD MEMBER MARSHALL: So move.

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CHAIRMAN DECKER: Second?

MR. CONABOY: Second.

CHAIRMAN DECKER: All in favor? We are  
adjourned. Again, happy holidays.

(Meeting concluded at 3:46 p.m.)

1           I hereby certify that the proceedings and  
2           evidence are contained fully and accurately in the  
3           notes taken by me on the within proceedings and  
4           that this is a correct transcript of the same.

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Ramona L. Devlin  
Reporter - Notary Public