

## **2021-102 AUDIT SCOPE AND OBJECTIVES**

### **Indian Gaming Special Distribution Fund**

The audit by the California State Auditor will provide independently developed and verified information related to the use of funds appropriated from the Indian Gaming Special Distribution Fund (distribution fund) to the California Gambling Control Commission (Gambling Commission), the Department of Justice (DOJ), the California Department of Public Health (Public Health), and any other state agencies. The audit's scope will include, but not be limited to, the following activities:

1. Review and evaluate the laws, rules, and regulations significant to the audit objectives.
2. Evaluate the State's management of the distribution fund by determining all of the following:
  - (a) For the last three fiscal years, the total amounts from the distribution fund appropriated to each state agency receiving funds.
  - (b) To the extent possible, whether state entities' uses of distribution fund money complied with tribal-state gaming compacts.
  - (c) Whether any funds deposited into the distribution fund have been distributed to an agency, commission, or department not expressly authorized by tribal-state gaming compacts, regardless of whether the distribution was an appropriation, loan, or other transfer.
3. For the Gambling Commission, DOJ, and Public Health, evaluate their uses of distribution fund money by doing the following:
  - (a) Determine the activities each agency undertook in performing its duties related to tribal-state gaming compacts and the costs of these activities, including a detailed description of the activities supported by the distribution fund.
  - (b) Identify how each agency allocates the funding from the distribution fund to each of the activities identified in 3(a), and the amount allocated for each activity. Also determine the amounts allocated from other sources for these activities.
  - (c) Determine how each agency measures its workload for the activities identified in 3(a), and, to the extent possible, compare the workload related to tribal-state compacts to each agency's workload for similar activities related to the regulation of horse racing, the California State Lottery, and card rooms.
4. Evaluate the State's administration of tribal-state compacts by doing the following:
  - (a) Identify and evaluate how the Gambling Commission determines each tribe's pro rata share of the State's regulatory costs received by the State from tribes pursuant to tribal-state gaming compacts or secretarial procedures.
  - (b) Determine whether some tribes with gaming compacts are paying more than their pro rata share of the State's regulatory costs.

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5. Assess the appropriateness and effectiveness of Public Health's Office of Program Gambling's expenditures of distribution fund money. Determine whether the Office of Program Gambling is providing services to a significant number of individuals.
6. Evaluate DOJ's oversight of distribution fund expenditures and determine whether the State is levying appropriate fees on tribes: by doing the following
  - (a) Determine what led employees of DOJ to charge the distribution fund for card room activities, as identified in audit report 2018-132, and determine whether DOJ has returned the funds to the distribution fund.
  - (b) Determine when and how officials at the Bureau of Gambling Control came to know that employees were not charging their time in accordance with their positions' funding sources.
  - (c) Assess the impact on the State's calculation of fees levied on tribes from DOJ's charges to the distribution fund as identified in audit report 2018-132.
7. Assess the reasonableness of the reserve balance of the distribution fund. Determine why the State has not appropriated funds from the distribution fund for allocation to local community benefit committees for awarding of grants to mitigate gaming impacts.
8. Review and assess any other issues that are significant to the audit.