



# California State Auditor May 2019 Report Highlights

## Bureau of Gambling Control and California Gambling Control Commission

### Licensing Processes Are Inefficient and Foster Unequal Treatment of Applicants

#### Key Findings

1. "The bureau's and commission's inefficiencies have driven delays and compounded backlogs in the licensing process." [Source](#)
2. "The bureau and commission have charged fees that do not align with regulatory costs, resulting in an excessive surplus and fairness concerns." [Source](#)
3. "The bureau's and commission's inconsistent regulations and practices have resulted in the unequal treatment of applicants" [Source](#)

#### "The Bureau's and Commission's Inefficiencies Have Driven Delays and Compounded Backlogs in the Licensing Process" [Source](#)

- The Auditor found that the "...bureau regularly exceeded the statutory time frame of 180 days for completing its review of [gaming license] applications." [Source](#)
- The Auditor questioned the bureau's "...efficiency given that temporary funding it received from the Legislature for 32 additional positions has more than doubled its licensing staff since fiscal year 2015–16...In fact, despite its increased staffing, the bureau still has a backlog of almost 1,000 applications, likely in part because its productivity has diminished since it hired its new staff." [Source](#)
- The Auditor found the commission's practice of holding evidentiary hearings to deny license applications "...contributed to significant delays and use of extra staff resources in its handling of such applications." [Source](#)

**CA State Auditor Table 1:**  
**"Bureau Exceeded the 180-Day Time Frame for the Majority of the Applications It Reviewed in the Past Five Years"**

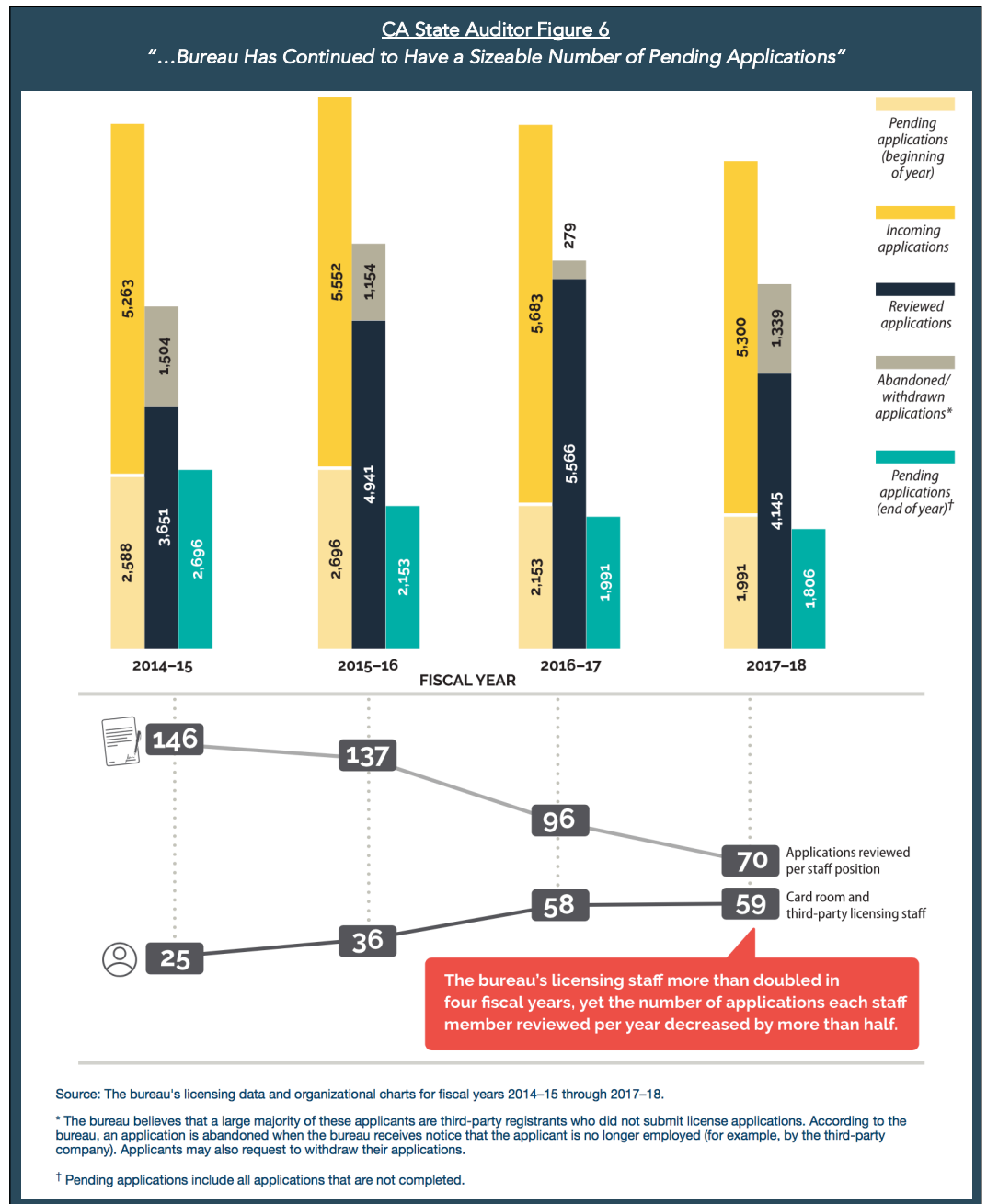
LENGTH OF TIME TO REVIEW	LICENSE TYPE				TOTAL REVIEWED
	CARD ROOM		THIRD-PARTY		
	EMPLOYEES	OWNERS	EMPLOYEES	OWNERS	
180 Days or Fewer	352	40	1,099	–	1,491
181 Days to 1 Year	180	58	1,432	–	1,670
< 1 Year to 2 Years	384	122	764	2	1,272
< 2 Years to 3 Years	10	68	250	1	329
< 3 Years to 4 Years	1	31	93	1	126
< 4 Years to 5 Years	1	7	15	–	23
< 5 Years to 6 Years	–	5	49	1	55
Greater Than 6 Years	–	4	39	3	46
<i>Subtotals of applications taking more than 180 days</i>	<b>576</b>	<b>295</b>	<b>2,642</b>	<b>8</b>	<b>3,521</b>
<b>Totals</b>	<b>928</b>	<b>335</b>	<b>3,741</b>	<b>8</b>	<b>5,012</b>

Source: Analysis of bureau data on license applications it completed from January 2014 through December 2018.



**“The Bureau and Commission Have Charged Fees That Do Not Align With Regulatory Costs, Resulting in an Excessive Surplus and Fairness Concerns”** [Source](#)

- The Auditor found the bureau’s and commission’s fees “...do not align with the actual costs that they incur when performing oversight activities...” raising “...questions about the legality and fairness of the current fee structure.” [Source](#)
- The Auditor found the fees are projected to increase to \$97 million by June 2020 which will “...represent a surplus of more than five times the combined annual operating expenditures of the bureau and commission.” [Source](#)
- The excessive surplus has “...enabled the bureau to engage in inconsistent billing and time-management practices...” including bureau licensing staff “...spending the majority of their time on activities that may not be productive or even directly related to license applications.” [Source](#)





## ***"The Bureau's and Commission's Inconsistent Regulations and Practices Have Resulted in the Unequal Treatment of Applicants"*** [Source](#)

- The Auditor found the "...bureau and commission have not ensured that their regulations and practices treat all applicants consistently and fairly." [Source](#)
- The Auditor found the "...commission's regulations create unjustified differences in terms of the time frames in which individuals must submit applications, the circumstances under which they may hold temporary licenses, and the notifications they receive about their application status, among other issues."
- The Auditor found the ... "bureau's procedures for conducting background investigations further contribute to the inconsistent treatment of applicants because the procedures require different levels of review for different license types without justification." [Source](#)
- The Auditor found due to the bureau's and commission's discretion in reviewing license applications, "any inconsistencies that affect applicants' experiences during the licensing process may exacerbate perceptions of bias or lead to questions of fairness." [Source](#)

## **California State Auditor Summary of Recommendations**

### **Legislature**

- "...the Legislature should not approve any requests to make permanent the funding for the bureau's 32 additional positions. Instead, the Legislature should extend the funding for an additional two years to give the bureau time to clear its backlog of applications and to implement our recommendations to improve its application processing." [Source](#)
- "To prevent delays and the unnecessary use of resources in the processing of licensing applications, the Legislature should amend the Gambling Act to allow the commission to take action at its regular licensing meetings rather than requiring it to hold evidentiary hearings." [Source](#)

### **Bureau**

- "...the bureau should establish a formal plan by November 2019 for completing its review of the remaining pending applications." [Source](#)
- "... the bureau should establish and implement policies by July 2019 that require staff to properly and equitably report and bill the time they spend conducting such investigations." [Source](#)

### **Bureau and Commission**

- "To better align the revenue in the Gambling Fund with the costs of the activities that the fund supports, the bureau and the commission should conduct cost analyses of those activities by July 2020, and they should adjust their fees to reflect the actual costs of the oversight activities they perform." [Source](#)

For the full report, go to: <https://www.auditor.ca.gov/reports/2018-132/summary.html>.