



STATE OF CALIFORNIA

Edmund G. Brown, Jr., Governor

GAMBLING CONTROL COMMISSION

2399 Gateway Oaks Drive, Suite 220  
Sacramento, CA 95833-4231  
(916) 263-0700 Phone  
(916) 263-0499 Fax  
[www.cgcc.ca.gov](http://www.cgcc.ca.gov)

JIM EVANS, CHAIRMAN  
TIFFANY E. CONKLIN  
ROGER DUNSTAN  
LAUREN HAMMOND  
TRANG TO

Date: December 30, 2015

To: Michael Cohen, Director  
Department of Finance

From:   
Stacey Luna Baxter, Executive Director  
California Gambling Control Commission

Subject: 2015 SLAA Report

In accordance with the State Leadership Accountability Act (SLAA), the California Gambling Control Commission (Commission) submits the enclosed report on the review of our systems of internal control and monitoring processes for the biennial period ending December 31, 2015.

Should you have any questions please contact Anna Carr, Deputy Director of Legislation and Regulation, at 916-263-0494 or via email at [ACarr@cgcc.ca.gov](mailto:ACarr@cgcc.ca.gov).

Enclosure

# California Gambling Control Commission

## 2015 SLAA REPORT

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March 7, 2016

Michael Cohen, Director  
California Department of Finance  
915 L Street  
Sacramento, CA 95814

Dear Mr. Cohen,

In accordance with the State Leadership Accountability Act (SLAA), the California Gambling Control Commission submits this report on the review of our systems of internal control and monitoring processes for the biennial period ended December 31, 2015.

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### **BACKGROUND**

The California Gambling Control Commission (Commission) was created in 1998 through the enactment of the Gambling Control Act as a full-time, independent agency with quasi-judicial powers. The Commission consists of five members appointed by the Governor with diverse experience. The Executive Director is appointed by the Commission. The Commission did not become operative until August 29, 2000.

The goal of the Commission is to ensure integrity in California's gaming environment. The Commission is the policy and regulatory body over gambling establishments (cardrooms), all persons or things having to do with the operation of those gambling establishments, and third party providers of proposition player services. The Commission is responsible for setting policy, establishing regulations and making determinations of suitability for owners, gaming employees and other individuals as well as issuing licenses, permits and registrations. The Commission also serves as the hearing officer during Gambling Control Act administrative hearings for licensing issues and individual determinations of suitability. The Commission maintains certain trustee, regulatory and administrative responsibilities under the Tribal-State Gaming Compacts (Compacts) including making determinations of suitability and administering the State's two Indian Gaming Funds: the Indian Gaming Revenue Sharing Trust Fund (RSTF) and the Indian Gaming Special Distribution Fund (SDF). The Commission, acting as the Tribal fund administrator, ensures that Compact revenues deposited into the SDF, RSTF and the General Fund, are in accordance with the provisions of the Compacts. In addition, the Commission has limited regulatory responsibilities related to remote caller bingo games.

### **RISK ASSESSMENT PROCESS**

The Commission's executive team (Executive Director and Deputy Directors) meet regularly to identify and discuss significant risks to the Commission. The methodology undertaken to commence the Commission's formal risk assessment process included development of a chartered steering committee, a work plan and appointment of a designated FISMA/SLAA project coordinator. An all-staff confidential survey was conducted in September 2015 to gather insight on areas of possible weakness. In another phase, Deputy Directors and Program Managers were provided with information about FISMA/SLAA and given the opportunity to discuss possible risks within their programs and to offer reasonable corrective actions to mitigate those risks. The Executive Director, Deputy Directors and Program Managers met to review the survey results, identified risks and controls within their programs, and developed reasonable corrective actions to mitigate those risks.

Additional information was also considered from an outside report. The State Personnel Board

completed a Baseline Compliance Review Pursuant to: Article VII sec.3 of the California Constitution and the Government Code section 18661 (May 2015). The examination section was fully compliant. The report noted two findings: (1) No established disability advisory committee and (2) an EEO questionnaire that was not separated from one application. Both issues were resolved in a matter of days and the resolutions for both items were provided in the final report.

## **EVALUATION OF RISKS AND CONTROLS**

### **Operations- External- Business Interruption, Safety Concerns**

The areas of the Commission open to the public include the main reception area and the hearing room during public meetings. This risk could cause a disruption to operations and jeopardizes the safety of Commission staff, the public and government partners in attendance at public meetings, and/or the security of confidential information.

The Commission has identified the areas at risk and is exploring options to either lock the front reception area and/or assign staff to provide coverage at the reception area during hours open to the public.

Outline and implement procedures to ensure adequate security is provided at public meetings when concerns are identified.

### **Operations- Internal- Technology—Data Security**

The Commission's paper records include sensitive and confidential information that must be protected on and off premises. Some records may be lost or could be hard to retrieve since they are only on paper. Commission staff are required to review confidential and sensitive information on Commission applicants for Commission business. This information is primarily provided on paper. To the extent that it is necessary to take these paper records off premises for review, this increases the likelihood of a data breach.

Control of paper records has become outdated as more storage is done electronically. Scanning and storing information electronically and on encrypted tablets to staff is an option being explored.

## **ONGOING MONITORING**

Through our ongoing monitoring processes, the California Gambling Control Commission reviews, evaluates, and improves our systems of internal controls and monitoring processes. The California Gambling Control Commission is in the process of formalizing and documenting our ongoing monitoring and as such, we have determined we partially comply with California Government Code sections 13400-13407.

### **Roles and Responsibilities**

As the head of California Gambling Control Commission, Stacey Luna Baxter, Executive Director, is responsible for the overall establishment and maintenance of the internal control system. We have identified Anna Carr, Deputy Director of Legislation and Regulation, as our designated agency monitor(s).

### **Frequency of Monitoring Activities**

The Commission Executive Staff holds regular monthly meetings. Current and potential internal and external control issues and status updates or discussion of possible solutions are included as standard agenda items at each meeting. Executive staff shares information with Program Managers and employees as updates are made to ensure that staff understands what steps should be taken to mitigate

issues. Staff is encouraged to participate in ongoing monitoring and to speak with their Supervisor about potential methods of improving operations and security at the Commission. A casual monthly all staff morning meeting was started in November 2015 to encourage partnership and participation. In addition, each division meets with their staff at least monthly, and all manager meetings are held quarterly to discuss the Commission's identified risks as well as provide updates on the progress of efforts to mitigate risks identified. When necessary, meetings are held more frequently.

### **Reporting and Documenting Monitoring Activities**

All staff is encouraged to immediately report to their manager any areas of concern or potential risk to internal operations. Managers hold staff meetings at least monthly, which also allows for a formal setting for staff to provide notification of potential risks and to discuss ideas for improvement of operations. Managers are to keep their Deputy Directors (DDs) informed of areas of concern. The Commission's Executive Staff (Executive Director and DDs) meet monthly, at which time the discussion of risks and status of mitigation efforts is a standard monthly agenda item. DDs are to participate in the discussion providing any new areas of concern provided by staff and/or updates regarding current mitigation efforts. A listing of all risks identified and associated tasks/projects is maintained by the Executive Division and is updated monthly. When appropriate, DDs are to share status updates with managers and managers are to share with staff. When changes are required as a result of mitigating efforts, an all staff email is distributed, training is provided as needed, and, if applicable, the updated policy is posted on the intranet. The policies and procedures are reviewed on an annual basis to ensure accuracy and efficiency.

### **Procedure for Addressing Identified Internal Control Deficiencies**

Employees are provided with policies and procedures to provide them with direction in solving issues at the lowest possible level. Employees are to notify a supervisor immediately when internal control deficiencies are identified. The issues are discussed at Executive Staff meetings to determine the appropriate further action.

### **CONCLUSION**

The California Gambling Control Commission strives to reduce the risks inherent in our work through ongoing monitoring. The California Gambling Control Commission accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies. I certify our systems of internal control and monitoring processes are adequate to identify and address material inadequacies or material weaknesses facing the organization.

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Stacey Luna Baxter, Executive Director  
California Gambling Control Commission

cc: Department of Finance  
Legislature  
State Auditor  
State Library  
State Controller  
Secretary of Government Operations