

New Jersey Licensing Issues: Applications and Investigations

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The New Jersey Division of Gaming Enforcement (Division) was established in 1977 to investigate all applications and enforce the provisions of the Casino Control Act (Casino Control Act, 1995, 5:12-55). Division responsibilities include providing the Casino Control Commission (Commission) with information regarding the qualifications of each applicant. Additionally, the Division investigates violations of the Act by a licensee, and any transaction for which Commission approval is required and possible.

The Governor appoints the director of the Division, but the agency is in the Department of Law and Public Safety. The director is also sworn in as an Assistant Attorney General and runs the Division under the supervision of the Attorney General. The director supervises all license investigations and makes recommendations to the Commission. All licenses must be approved by the Commission with four affirmative votes, regardless of the recommendation of the director (Casino Control Act, 1995, 5:12-73d):

A majority of the full commission shall determine any action of the commission, except that no casino license or interim casino authorization may be issued without the approval of four members. In the event that a vacancy has existed in the commission for more than 60 days, a majority of the full commission may act with respect to any matter, including the issuance of a casino license or interim casino authorization.

The Casino Licensing Section (CLS) of the Division plays a vital role in achieving the Division's overall goals. Those goals are to ensure that each applicant for, and holder of, a casino license and every affiliated company, officer, director, financial source and investor associated with a casino license meets the Casino Control Act standards of financial responsibility, honesty and integrity. A further goal is to ensure that all casinos operate in a manner suitable to protect the interests of the inhabitants of New Jersey.

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The Application

The New Jersey legislature recognizes that legalized gaming in New Jersey can maintain its integrity and public confidence only if an established system of control and regulation is in place. A gaming license in New Jersey is a revocable privilege. The Division and Commission have the authority to exclude or remove a licensee from any position of authority in a gaming operation of individuals with know criminal records, habits or associations.

Investigations are conducted as required by Article 6 of the New Jersey Casino Control Act. Article 6 requires each applicant or licensee to establish by clear and accurate evidence that they are qualified for a gaming license. Failure to provide such information will lead to denial or revocation of the gaming license. CLS has the responsibility of ensuring that all applicants and current licensees are in compliance with the Act. CLS actively updates and reviews all license holdings before renewal through in-depth personal investigations. Applicants and licensees must provide agents with financial and personal documents pursuant to the Casino Control Act 5:12-77(#7,8):

Conduct audits of casino operations, including reviews of accounting, administrative and financial records, and management control systems, procedures and records utilized by a casino licensee; and be entitled to request information, materials and any other data from any licensee or registrant, or applicant for a license or registration under this act.

It is essential that the applicant fill out the Personal History Disclosure Form I Application (PHD) with precise detail and accuracy. The lengthy PHD gives the investigating agent a solid foundation for the investigation of the potential casino licensee. Failure to complete the form with the proper information leads to delay or even denial of the license.

CLS is also responsible for investigating the parent corporation, any holding companies, and financial sources related to the casino entities. The section conducts in-depth and specialized investigations of each entity that could directly or indirectly impact the integrity of the parent company.

The Investigation

CLS conducts several types of investigations to accomplish its objectives. Each applicant is classified as a *key qualifier* or *qualifier* and the investigation is treated as an *initial* or *renewal* investigation depending upon the status of the applicant. Key qualifiers are those individuals who are employed directly by the entity which operates the casino operation in Atlantic City. Key qualifiers must adhere to the New Jersey residency requirements unless otherwise waived by the Commission. Qualifiers are those individuals who directly or indirectly have some control over the casino operation. Many qualifiers are board members for the given entities.

An initial investigation is the first investigation conducted by CLS with regard to the applicant. The PHD must be completed in full and submitted to the Commission before the investigation will commence. After the subsequent investigation and qualification, the licensees will be required to complete and update its financial records annually. After the initial investigation, licensees are subject to renewal investigations every four years depending upon their status as key qualifiers or qualifiers.

In most cases, once the applicant files the PHD, the Commission will issue the potential licensee a temporary key license in order for work to commence during the current investigative process. Typically, a temporary key license will be issued for a period not to exceed one calendar year pending completion of the current investigation.

The assigned Division agent will receive the application from a Supervising Agent who is responsible for applicants associated with a particular casino operation. Upon receipt of the application the agent will review all documentation submitted by the applicant. The investigating agent will then contact the applicant and inform them that the investigation has begun.

To hold a New Jersey gaming license is a privilege, a privilege that not everyone can have.

A standard 21- point letter is sent requesting all documentation to support the personal and financial data disclosed on the current PHD.

An initial meeting will be scheduled between the applicant and investigator. At this time the applicant should provide the agent will all the files that have been requested for review. The following is a brief summary of various documents which will be requested by the Division:

Personal data

- ◆ Birth certificate,
- ◆ Family background,
- ◆ Educational background and transcripts,
- ◆ Military service history and discharges,
- ◆ Current and past government offices held,
- ◆ Memberships in professional organizations,
- ◆ Disclosure of all civil, criminal investigation proceedings,

Financial data

- ◆ Past employment history with compensation schedules,
- ◆ All canceled checks for investigative period (5-10 years),
- ◆ Federal and state income tax returns (5-10 years),
- ◆ All current bank accounts (opened or closed past 5 years),
- ◆ Current brokerage and 401(k) accounts,
- ◆ Notes/accounts receivable and payable,
- ◆ Real-estate interests and current mortgages held, and
- ◆ All partnership agreements entered into by the applicant.

With regard to the financial data, all canceled checks, account statements, check registers and brokerage statements for the time period will be reviewed by the agent. Account statements will be examined and large deposits investigated as to the source of funds and large withdrawals as to the purpose of disbursements and identification of payees.

During the initial investigation and subsequent renewal periods the applicant is subject, at a minimum, to a credit bureau check and an Internal Revenue Service query. Additionally, state, local, and federal police checks will be conducted. Degradatory information from any of the aforementioned offices or agencies could lead to delay, denial, or revocation of a license.

The issue of time is a major concern for pending qualifiers. Randall Sayre, a Nevada regulator, wrote in a recent *Gaming Research & Review Journal* article that:

“The time to complete an investigation, as well as cost, will depend on the complexity of the application, individuals, or entities involved, and the level of cooperation by the applicant and/or their professional representatives. Applications which have been completed properly and require little or no investigative travel can be completed in a relative short period . . . Conversely, an application requiring extensive travel, in-depth analysis, multi-layered corporate review, and numerous individuals, may approach a full year to complete” (Sayre, 1994).

This applies to New Jersey and other gaming jurisdictions as well. No two applications are the same; investigations will vary each and every time. However, the most common reason for delay is that the applicant has not provided full disclosure or has made inaccurate statements on the PHD.

The assigned agent will remain in contact with the applicant throughout the investigative process. Follow-up interviews are conducted to address issues that have arisen during the investigation. Upon completion of the ongoing investigation, the agent's report is submitted to the supervisor. The report is reviewed by the supervisor and an assigned Deputy Attorney General. A letter is submitted by the DAG in the name of the director to the Commission highlighting the agent's report as well as a recommendation for or against the applicant. The applicant's license or application will be considered by the Commission and voted on at a public hearing.

Conclusion

This article presents an overview of the individual licensing process from the time an applicant files the PHD to the time a license is granted or denied. A belief in the gaming industry is that the Division has “overregulated” the market and chased away some qualified gaming operations through their strict application and investigative process. However, it is this very regulation process which has developed quality industry leaders and helped New Jersey's second largest employer succeed. To hold a New Jersey gaming license is a privilege, a privilege that not

everyone can have. Additionally, a New Jersey license holder can be assured of having endured a very thorough investigative process and are holding a very well-respected license in the gaming industry.

References

Casino Control Act, Amended 1995, 5:12- 73d.

Ibid, 5:12-77 (7,8).

Sayre, R.E. (1994). The Investigations Division of the State Gaming Control Board: An Introduction to the Investigative Process. *GAMING RESEARCH & REVIEW JOURNAL*, 1(1), 89-93.

