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On May 19 of this year, the Thirty-First Statewide Grand Jury issued its report regarding the establishment and issuance of gaming licenses by the Pennsylvania Gaming Control Board. In addition to the grand jury's findings, the report also contained 21 recommendations for both board and legislative changes.

The report itself is a scathing critique of the Gaming Control Board between the years 2004 and 2007. The report details a culture of misconduct in which regulators ignored potential criminal activity and commanded investigators to do the same.

The Grand Jury found that in some cases, Bureau of Investigations and Enforcement (BIE) investigators were not allowed to complete investigations and were instructed not to interview people to corroborate damaging information. In an effort to “make unsuitable people and companies suitable” for licensing, reports were “scrubbed” of information on key figures involving 3 different casino applicants, all of which were eventually licensed.

In one incident of report scrubbing, an applicant created a company for property he did not yet own and later began to build a casino for which he did not have a license. (Pg 53) I guess one can take such risks if you

have the legal apparatus of the licensing board scrubbing your reports.

Key employees who might be unsuitable were in some cases allowed to withdraw, even though under the Gaming Act, a key employee found unsuitable could result in the denial of an entire casino license (pg 43). In fact, the Grand Jury did not find a single instance where the Board found a key employee unsuitable in spite of much damaging information that was uncovered by investigators. This is once again consistent with the Chief Enforcement Counsel's stated purpose of taking unsuitable applicants and making them suitable.

In disregard of the clear directive of the Gaming Act requiring the board to carefully evaluate an applicant's character and placing the burden on the applicant to prove his or her good character by clear and convincing evidence, the Grand Jury found the board alleviated that burden on the applicant and placed the burden instead on BIE to establish an applicant's unsuitability beyond all doubt. (pg 23)

The Grand Jury also reported that collective amnesia afflicted the board's licensing attorneys when called before the grand jury. Every licensing attorney called to testify had complete inability to recall

events, instructions or participation in preparing final suitability reports to the board. The grand jury called this inconceivable. (pg 58)

One applicant was lucky enough to have an attorney speaking for his interests inside the board. This same attorney was assigned as licensing attorney for the competitor's application. The Grand Jury found that the attorney's post PGCB employment with a law firm was merely a subterfuge to hide the fact he left the board to immediately work for the casino. By 2008, the attorney was formally hired by the casino.

The grand jury also found that board ignored the Sunshine Act, citing

multiple examples of the board's desire to conceal, obfuscate and disguise its processes rather than to seek transparency and inclusion.

In light of these and numerous other disturbing acts described in the report, the grand jury found the PGCB neglected or wholly ignored the public policy objectives of the Gaming Act and engaged in conduct that failed to thoroughly protect the public, failed to maximize potential new revenues to support property tax reduction and engaged in activities that eroded confidence in the system. It also found the board became fixated and singularly focused on making the licensing process fair to the applicant at the expense of

adequately protecting Pennsylvania citizens. The Board was dedicated to the over arching goal of commencing gaming tax receipts in lieu of ALL other obligations, according to the grand jury.

What was the response of the PGCB to the findings of this dedicated group of Pennsylvania citizens who gave two years of their lives to make this crucial examination?

In short, their response was shocking in its contempt for the work of the grand jurors. Former Board Chairman Greg Fajt called the report “simply a rehash of old news...” He called the efforts of the PGCB an “unmitigated success” and

characterized the findings as “minor mis-steps along the way.”

Another board member called the report a “fishing expedition.” Paul Mauro (<sup>Deputy Director of Investigations</sup>~~position~~.....) crowed in an email to BIE employees that those mentioned in the report did “an outstanding job of creating and running BIE in the early years saying that no team could have done it better.”

In short the board declared victory because no indictments were issued, yet they did not refute a single fact or finding in the report.

Fortunately by July of this year, the tone of the board changed when it



issued a letter to the General Assembly informing us that they had taken steps to implement 10 of the recommendations of the grand jury they had maligned only a few months before. This is a welcome development.

As mentioned, the grand jury made 21 recommendations for change. That is why we are here today to hear testimony on a package of bills that have been introduced to implement these changes. Some are changes and reforms that must be done by statute. Others can and some have been implemented by the board. It is still worthwhile to review and discuss legislation based on changes already implemented as it

might be desirable to enshrine the board's policy into statute so as to be binding on future boards.

Some have suggested or might still suggest that we should not be guided by the grand jury's recommendations; after all, they are not legislators and are not entrusted with the job of setting public policy. I believe it would be wrong to so blithely dismiss the work of the grand jurors. In the end, it is up to the General Assembly and particularly this committee to determine which bills merit consideration by the full House. That is why we are having this hearing to begin the review of these recommendations. In the end, it will be legislators, not the grand jury, who

will implement any changes and it will be our collective responsibility for either adopting or rejecting the recommendations.