



For Immediate Release
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Response to Finding #1

MGC is deeply committed to workforce development and diversity, and as such continuously monitor the licensees' progress in this area. We are compelled to note that the Commission has established oversight procedures and works closely with multiple stakeholders to ensure licensee compliance.

While Plainridge Park Casino (PPC) has not achieved its ambitious 90% goal of local workforce hiring, we are pleased that 65% of current employees comes from a 20 mile radius to the property.

The auditor's report states that the Workforce and Diversity Plan submitted by PPC did not include a timeframe for achievement of such goals. We note that the goals for vendor and workforce diversity consist of two phases, and within each phase there are vendor (i.e., contracts) and workforce (i.e., employees) components. As such, each licensee has submitted two plans, one for each phase (design & construction and operations). While the construction phase has a definite timeframe (i.e., end of construction), the operations phase is clearly an on-going phase. It is precisely with that in mind that both the licensee and the MGC regard the goals for the operations phase as an on-going obligation, and one that is not necessarily met at a specific time without potentially having an impact on other competing priorities.

The diversity goals for the construction phase for vendors were all met or exceeded. The diversity goals for the construction phase for workforce were met, with the exception of women (women in the trades is a notoriously challenging benchmark).

In the operations phase, the goals for vendors were met or exceeded. For workforce, the results were as follows: regarding diversity, the Licensee has consistently exceeded their 10% goal for ethnic minorities. However, regarding local hiring at the time of opening 65% of the licensee's hires came from a 20 mile radius of the site and 77% of the employees were MA residents, falling short of the 90% local hiring goal.

The report recommends that the Commission develop internal controls to ensure PPC meets all requirements within a reasonable timeframe. The Commission has such internal controls and continuously works to improve them. The Commission and staff constantly monitor and ensure compliance with the multiple statutory requirements and licensing conditions of licensees. Further discussion on procedures for monitoring and compliance is below.



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Background and Discussion on Finding #1:

In accordance with MGC regulations and licensing conditions, Penn National Gaming provided to the Commission Vendor and Workforce Plans including an affirmative action program of equal opportunity for *both the Design and Construction Phase and the Operations Phase*.

1. Diversity Plan for the Design and Construction Phase:

At the public meeting of June 12, 2014, the Commission reviewed and ultimately approved the PPC plan, entitled, “*Diversity Plan for the Design and Construction Phase of Plainridge Park Casino.*” In the plan, the licensee established specific goals for the utilization minority, women and veterans on construction jobs and for contracting with minority (MBE), women (WBE) or veteran owned businesses (VBE). The commitment extended to the design and construction phase of their \$250 million gaming facility (\$97.5 million of which were awarded as design and construction contracts).

The *goals* for the Design and Construction Phase Vendors were as follows:

- 4% to Minority Business Enterprises (MBE)
- 7% to Women Business Enterprises (WBE)
- 3% to Veterans Business Enterprises (VBE)

The *results* for the Design and Construction Phase Vendors were as follows:

- 10% (or \$9.4 million) to Minority Business Enterprises (MBE), exceeding the goal
- 13% (or \$13 million) to Women Business Enterprises (WBE), exceeding the goal
- 9% (or \$8.4 million) to Veterans Business Enterprises (VBE), exceeding the goal

The total contract opportunities for vendors was \$30.8 Million (32%) going to minority, women and veteran owned businesses as of June 30, 2015 (one week after opening of the PPC facility).

Regarding workforce numbers (construction employees), the plan included the following numbers:



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- 4% for minority construction workers
- 7% for women construction workers
- 3% for veteran workers

The results were as follows:

- 17% for minority construction workers, significantly exceeding the goal
- 4% for women construction workers, falling short of the goal
- 7% for veteran workers, exceeding the goal

Pursuant to the Host Community Agreement with the town of Plainville, hiring preferences were given to residents of Plainville. Turner Construction reported that 32 residents of Plainville were employed on the site. This was verified by zip code data included in payroll reports provided to our onsite construction manager.

2. Diversity Plan for the Operations Phase:

The Commission discussed several times at different public meetings the efforts, plans and goals that would guide the diversity and local hiring goals for the operations phase.

At the June 26, 2014 public meeting, the Commission gave preliminary approval to the Licensee's *best faith* efforts to reach the goals stated in their plans. This included efforts to ensure that unemployed/underemployed Massachusetts residents in close proximity to the host and surrounding community of the project could benefit should the licensee not be able to reach the goals despite their best efforts.

At the August 7, 2014 public meeting, the Commission approved the *Plainridge Park Casino Strategic Plan to Engage & Recruit the Diverse, Under & Unemployed Workforce Population*. The plan for the operations phase outlined the following hiring goals:

- 10% for ethnic minority operations employees
- There is no stated goal for women employees, but regularly report on this metric



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- 90% local hiring goal (local hiring is defined below)

PPC stated that they would use best efforts to hire 90% of individuals from the host community of Plainville and designated surrounding communities of Foxborough, Mansfield, Wrentham and North Attleboro. The plan further stated that, *“Should efforts fall short of the 90% local hiring goal, we would expand our scope in concentric circles, within the Commonwealth of Massachusetts, from our facility location to incorporate neighboring towns and cities, including the Greater Boston area. Additional recruitment focus will be given to towns and cities within these concentric circles that have a higher than average unemployment rate, specifically Attleboro, Fall River and Brockton.*

As part of their plan, the Licensee would focus hiring on communities in MA experiencing high unemployment if they had trouble meeting the goals. This was important given the additional goal of providing employment opportunities to the unemployed and underemployed.

At the June 19, 2015 public meeting, PPC presented to the Commission all efforts taken to meet their employment and supplier goals. The Commission reviewed the following information to determine if the Licensee had made best efforts to reach the hiring goals:

- The total populations of the host and surrounding communities, including the unemployment rates and diversity composition of the area
- The newspaper ads advertising job openings in local papers
- Information about the new Plainridge Park Casino Career Center opened September 2014 and staffed by the casino in Plainville five days/week prior to the business opening.
- Information about the Job Fairs held in Foxborough, North Attleboro, Wrentham, and Mansfield.
- Information about the Plainridge Park Casino on-site job fair in Plainville in November 2014 and the culinary job fair on property in May 2015
- The partnership between Licensee HR staff and consortium of workforce leaders including the Commonwealth’s Career Centers that serve that region to identify and recruit local/unemployed individuals. The partnership included training staff from MA Career Centers of Fall River, Attleboro and Framingham regarding company culture, positions available and licensure and position requirements. PPC held Job Information Sessions, and provided the centers with job postings of available positions.

Prior to the time of opening (June, 2015) the composition of the workforce was as follows:



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- 14% for ethnic minority operations employees, currently exceeding the goal
- 77% for Massachusetts residents, currently falling short of the host community goal
- 65% of the licensee's hires came from a 20 mile radius of the site

The Commission considered that PPC hired 77% MA residents taking into account that at least for some initial period of time, certain key employees were brought in from out of state given their experience in gaming. The commission also considered that although the Licensee is currently falling short of their goal to hire 90% of employees from host and surrounding communities, **65% of their hires come from a 20 mile radius of the site.**

The Licensee had hired 32 Plainville residents, the second highest percentage hired from any town in MA. (Attleboro/North Attleboro was the highest with a larger population and over 1000 applicants).

While we recognize that the efforts described have not yet resulted in achievement of the 90% local hiring goal, we are pleased with the on-going efforts.

We note that there are existing efforts by the Community Colleges, Licensees, MGC and multiple other stakeholders to prepare and develop workforce ready to meet the demands and opportunities that the Category 1 licensees will present in the coming years.

Existing Compliance Procedures for Verification of Diversity and Workforce Goals

In the report, the auditor recommends MGC should develop internal controls to ensure PPC meets all requirements of workforce and diversity within a reasonable timeframe. We believe we have developed internal controls that allow us to monitor and ensure such compliance. We further believe in an environment and culture of continuous improvement and will continue to look for ways to efficiently and effectively conduct all of our activities. Below are existing aspects of these efforts as they relate to compliance with workforce and diversity.

1. Quarterly Reports

Each licensee is required to submit a quarterly report to the Commission. The Commission reviews these progress reports, the status of the projects and operations as well as the results and compliance with licensing conditions of each licensee. Each licensee provides a quarterly report that is presented, reviewed and discussed publicly at Commission meetings.



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2. Implementation of a Licensing Management System

The MGC licenses and registers every employee of the casino. As part of this licensing effort, the MGC is developing and about to implement a web-based system to compile all required information of employees. Although we do not currently track ethnicity as part of the manual licensing process, the Licensing Management System (or LMS), will include demographic fields for applicants to self-identify their race and ethnicities. This will serve as a means of verification of applicant's hiring diversity statistics.

3. Oversight Project Manager

As part of our duty to verify progress of the projects and compliance to and adherence with licensing conditions, the Commission established a robust Oversight Project Management program. Initially staffed with project managers from two consulting firms (PMA project managers and Pinck & Co.), those responsibilities have now been placed under the Ombudsman's office with a full time project oversight manager. This office also serves as an important coordinator of information, documentation and updates between the Commission, the licensees and other stakeholders (additional consultants, permitting and local authorities, etc.). Supplier diversity and workforce development is a permanent item on the list of activities for this office.

4. On-going Research and Evaluation

As part of large research and evaluation initiatives, the MGC requires a PPC - Employee Background Survey at the time of employee licensure by the Commission; the data is compiled and reported by UMASS into independent reports. A revised survey is underway and will also include a question about ethnic identification of the employee applicants.

5. Internal Audit, Risk Assessment and Compliance Group

As part of the Internal Control environment and on-going self-assessment process, we have established an "Internal Audit, Risk Assessment and Compliance Group." The group is comprised of the Commission's Treasurer, the Executive Director, the General Counsel, the Director of the Investigations and Enforcement Bureau and the Chief Financial Officer. The group will have periodic discussions and analyses of risk-assessment compliance topics in all areas and divisions of the Commission (for internal operations, as well as the operations of the casinos). As such the group may include directors and members from other departments on an



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ad-hoc basis. The group will also serve as the initial review of any audits performed by or commissioned by the agency. This group started meeting on March of 2016 and is expecting to meet monthly.

Response to Finding #2

We agree that there was a temporary technological error in the software that DOR and PPC designed to identify and prevent payment of casino winnings to patrons with delinquent taxes and child-support payments. We further agree that the period of malfunction resulted in approximately \$65,000 in monies that should have been identified and intercepted.

Although the law and a Memorandum of Understanding (signed by PPC, DOR and MGC) does not impose an obligation on the Commission to administer this process, the Commission has worked with PPC and DOR from the beginning of the implementation of this intercept.

After discovery of the technological issue by DOR, the Commission, DOR and PPC have corrected the issue and monies have been restored to the satisfaction of the parties.

Background and Discussion on Finding #2:

The law that governs the subject issue provides the pertinent part:

Prior to disbursement of cash or a prize in excess of \$600¹, a gaming licensee shall review information made available by the IV-D agency, as set forth in chapter 119A and by the department of revenue to ascertain whether the winner of the cash or prize owes past-due child support to the commonwealth or to an individual to whom the IV-D agency is providing services and to ascertain whether the winner of the cash or prize owes any past-due tax liability to the commonwealth.

The gaming act (c.23K, §51a) obligates the gaming licensee to report to DOR for purposes of ensuring that past-due tax and child support obligations are addressed as part of the process of payment of certain prizes at the gaming establishment.

Prior to the opening of PPC, Commission staff worked collaboratively with Plainridge and DOR to develop and implement measures addressing PPC's obligations under c.23K §51. In

¹ The \$600 figure was increased to \$1200 by St. 2015, c. 10, §14.



furtherance of this collaboration the parties (DOR and Plainridge, with acknowledgement by the Commission) executed a Memorandum of Understanding in which the duties and obligations of each party are outlined. The Commission's responsibilities under the Memorandum of Understanding are limited to its role as the ultimate permit granting authority.

Despite best efforts by DOR and Plainridge in the implementation of a real-time software program to help verify debts to the State prior to paying out jackpots, the parties identified a technological failure in the system. This failure was beyond the control of DOR and PPC; in fact neither party understood for some weeks that the failure had occurred. When PPC queried the intercept system as required under the Memorandum of Understanding, PPC did not receive a response indicating that an intercept was required even when such a response should have been indicated. Once the system failure was identified by DOR, the situation was addressed by DOR and PPC with the involvement of the Commission. The Commission, DOR and PPC have been fully engaged in this process. The immediate issue has been resolved between DOR and PPC to the satisfaction of the Commission.

As stated above, responsibility for compliance with the intercept requirement in the first instance under §51(a) rests with the gaming licensee. However, as the ultimate permitting authority under the Memorandum of Understanding if a compliance issue arises, the Commission will work with both the gaming licensee and DOR to find an appropriate resolution. Further, the Commission is continuing to work closely with DOR and PPC to create a fully functional infrastructure that will ensure that past due taxes and child support obligations are properly addressed at gaming establishments in the Commonwealth at the time they occur. This long term solution requires changes in infrastructure, processes and procedures by both PPC and DOR.

In addition to its work on this issue, the Commission is developing a robust compliance program to supplement the processes already in place regarding compliance by gaming licensees with all legal requirements. The compliance program will incorporate measures to confirm that the gaming licensees are properly attending to their obligation G.L. c.23K, §51.

Response to Finding #3

We agree with the finding that certain racing trust fund adjustments were identified and approved by the Commission but not effectuated until the state auditor identified that the correcting entries were not entered into MMARS.

We appreciate the auditors' due diligence in identifying this administrative error. After learning of this matter, the Commission took immediate steps to resolve it. Accordingly the entries have been entered and adjusted.



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Background and Discussion on Finding #3:

We agree the amounts above are consistent with the amounts reported to the Commission on December 4, 2014. We also agree with the office of the state auditor's discovery that the adjusting entries were not entered into MMARS by the time the audit staff left MGC offices.

To correct the identified problems on April 27, 2016 and June 8, 2016 MGC staff made the following transfers:

- \$47,667.28 from Racing Stabilization Account to the Running Horse Capital Trust Fund
- \$58,284.81 from the Harness Horse Promotional Fund to the Running Horse Capital Improvement Fund. This made the Running Horse Capital Improvement fund whole.
- \$18,018.59 from the Harness Horse Promotional Trust Fund to the Running Horse Promotional Trust Fund.

The transfers above ensured that licensee funds that were owed money are made whole. In addition we made the following transfers:

- \$24,754.43 from the Harness Horse Capital Improvement Fund to the Racing Oversight Development Fund.
- \$11,522.01 from the Harness Horse Promotional Fund to the Racing Oversight Development Fund

The Harness Horse Promotional Trust Fund was overpaid by \$182,604.54. As of 4/27/2016 the Harness Horse Promotional Trust Fund only had a balance of \$87,825.41 in uncommitted revenues. That amount was transferred to other funds as detailed above, leaving a balance of \$94,779.13 to be paid to the Racing Oversight Development Fund as money comes into the Harness Horse Promotional Trust Fund.

The transfers above were made to limit impact to licensee funds. With the exception of the Racing Oversight and Administration fund, where MGC pays the costs of its own staff and supplies needed to regulate racing, all other funds owed money were made whole.

MGC's finance office will continue to review racing revenues on a monthly basis during its reconciliation processes, and will meet at least annually with the MGC's office of the General Counsel to make sure that the takeout percentages used to calculate monthly transfers of racing revenues to licensee and MGC trust funds are consistent with the most recent racing legislation.



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