



State of New Jersey

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Lt. Governor

Office of the Attorney General
Department of Law and Public Safety
Division of Gaming Enforcement
1300 Atlantic Avenue
Atlantic City, NJ 08401

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March 17, 2016

N. Lynne Hughes, Esq.
Vice President and Chief Counsel-Regional Operations
Caesars Entertainment Corporation
Bally's Park Place Hotel & Casino
Park Place & Boardwalk
Atlantic City, NJ 08401

Re: Action in Lieu of Complaint

Dear Ms. Hughes:

The Division of Gaming Enforcement (Division) brings this Action in Lieu of Complaint against Boardwalk Regency Corporation d/b/a Caesars Atlantic City Casino Hotel (Caesars), Bally's Park Place, Inc. (Bally's) and Harrah's Atlantic City Operating Company, LLC (Harrah's) (collectively, the Caesars Properties), concerning their failures to comply with certain mandatory staffing requirements set forth in the Division's regulations at *N.J.A.C. 13:69D-1.1, et seq.*, promulgated under the Casino Control Act (Act), *N.J.S.A. 5:12-1, et seq.* In particular, Bally's has violated the provisions of *N.J.A.C. 13:69D-1.1* and *-1.11* in connection with the appointment of a Chief Gaming Executive (CGE) for Bally's while failing to adhere to the requisite reporting lines of the mandatory department supervisors to the CGE. The Caesars Properties have also violated *N.J.A.C. 13:69D-1.11(b)2* and (c) in connection with the appointment of a non-resident to temporarily fill the mandatory position of supervisor of internal audit and with regard to the reporting line for that individual.



In early 2014, Bally's designated Joseph Giunta as CGE for Bally's. Mr. Giunta is also Vice President of Food and Beverage for Bally's and Caesars. The designation of Mr. Giunta as CGE of Bally's followed the Division's denial of Bally's request to designate Kevin Ortzman, already CGE of Caesars, as CGE of Bally's as well as Caesars.¹ The Division had determined that Bally's request to have Mr. Ortzman perform dual CGE duties at two properties was contrary to the provisions of N.J.A.C. 13:69D-1.1 which defines CGE as the "person located at a single casino hotel facility..." (Emphasis added).

As provided by *N.J.A.C. 13:69D-1.11(b)*, each casino licensee's internal controls shall include the following mandatory departments and supervisory positions: (1) surveillance, supervised by a director; (2) internal audit, supervised by an audit department executive; (3) information technology (IT), supervised by an IT department manager and an Internet and mobile games manager, if applicable²; (4) casino games, supervised by a casino manager; (5) security, supervised by a director; and (6) casino accounting, supervised by a controller. Pursuant to the definition of CGE at *N.J.A.C. 13:69D-1.1*, responsibilities of the CGE include the direct or indirect supervision of the mandatory departments. The supervisors of surveillance and internal audit shall report to the CGE regarding administrative matters and daily operations, but may report to another management executive on such matters if that executive reports directly to the CGE. *N.J.A.C. 13:69D-1.11(c)1*. The surveillance and internal audit supervisors shall report directly to the independent audit committee on matters of policy, purpose, responsibility and authority. *N.J.A.C. 13:69D-1.11(c)2*.

In 2015, the Division conducted an investigation to determine Bally's compliance with *N.J.A.C. 13:69D-1.1* and *-1.11(c)* regarding the CGE position and the mandatory department head positions required to report to the CGE. The Division's investigation revealed the following: the manager of internal audit did not report on administrative and daily operations matters to the CGE but rather to the Chief Financial Officer (CFO) of Caesars Entertainment Corporation (CEC); the director of information technology did not report to the CGE but rather to IT Engagement Manager Joshua Linthicum who reports to an IT executive in Las Vegas, although Linthicum advised he interacts with the CGE at Bally's on a weekly basis; no employee evaluations for the mandatory supervisors were completed by Giunta as Bally's CGE for 2014 and Kevin Ortzman, CGE for Caesars, completed performance evaluations for all supervisory employees who have multi-casino endorsements to perform their functions at Caesars and Bally's; Giunta was never provided any formal notice of his appointment as CGE for Bally's and was only verbally advised as to the Bally's CGE position; and the CGE did not regularly

¹ Despite the appointment of Giunta and the Division's denial of the request for a dual Bally's and Caesars CGE, as late as January 2015, by submission of a proposed table of organization, the Caesars Properties were still pursuing the concept of Ortzman serving as CGE for both Bally's and Caesars.

² Effective November 9, 2015, *N.J.A.C. 13:69D-1.11(b)* includes an additional mandatory department position of Information Security Officer. Compliance with this regulation with regard to staffing this newly-created position is in progress for the various casino licensees.

meet with the mandatory department supervisors, outside of circumstances where there were problems which needed to be addressed.

Based on the above information, the Division concludes that in 2014 Bally's, after being denied its request to allow Ortzman to serve as dual CGE for both Bally's and Caesars, staffed the required CGE position with Giunta, Vice President of Food and Beverage, to make a showing of compliance with *N.J.A.C. 13:69D-1.1*, while failing to transition to Giunta all the responsibilities required of a CGE. At that time and by virtue of his position to that point, Giunta had limited gaming experience but yet was elevated to the position of CGE, the executive "responsible for the daily conduct of an applicant's or casino licensee's gaming business..." Further, despite the definition of the CGE position and its intended responsibilities, at least in the initial months following Giunta's appointment, all mandatory department supervisors were not reporting to him, no regular meetings were held between Giunta and the mandatory department supervisors except for when issues needed to be addressed, and Ortzman was the primary supervisor of those department heads, since he completed the evaluations of those employees who also fill the corresponding mandatory positions for Caesars. At this time, the Division is not aware of any continuing violation with regard to assumption of responsibilities of the CGE and requisite lines of reporting.

Regarding specifically the mandatory position of internal audit executive for the Caesars Properties, in December 2014 Stacey Kelsall, Internal Audit Manager for the Caesars Properties, resigned. While searching for Kelsall's replacement, the Caesars Properties appointed Christy Rodriguez, Vice President of Internal Audit, to fill the position of Internal Audit Manager on a temporary basis. Rodriguez, in October 2014, had obtained a temporary casino key employee license, but was not then and never had been a New Jersey resident. When the Caesars Properties notified the Division on December 15, 2014 that Rodriguez would fill the mandatory position of Internal Audit Manager for the Caesars Properties, the letter noted her temporary casino key employee license number but failed to make any reference to the fact that Rodriguez works in Indiana.

Pursuant to *N.J.A.C. 13:69D-1.11(b)2*, each casino licensee is required to have an internal audit department, "supervised by a person, who shall be located in New Jersey, referred to in this section as an audit department executive." (Emphasis added). In the event of a vacancy in the audit department executive position, or any other mandatory department supervisor, the casino licensee must notify the Division no later than five days from the date of the vacancy. *N.J.A.C. 13:69D-1.11(h)1*. Further, the casino licensee shall designate a person to assume the duties and responsibilities of the vacant position no later than 30 days from the date of the vacancy. *N.J.A.C. 13:69D-1.11(h)2*. The mandatory position vacancy may be filled on a temporary basis within that initial 30-day period, provided that the position is filled on a permanent basis within 120 days of the original date of vacancy. *Ibid*. Despite the plain language of the regulation requiring the mandatory supervisor of internal audit to be located in New Jersey and the lack of any exceptions to that requirement for temporary appointments,

the Caesars Properties nevertheless placed Rodriguez in charge of its internal audit departments while she continued to work in Indiana as Vice President of Internal Audit.

On December 19, 2014, David Johnson, a New Jersey auditor, was selected to fill the Internal Audit Manager position on a permanent basis, subject to regulatory approvals. Since Johnson maintained only a casino employee registration, he needed to obtain a temporary casino key employee license in order to assume the duties of Internal Audit Manager. Johnson was granted a temporary casino key employee license on March 2, 2015 and formally assumed Internal Audit Manager duties at that time. The Caesars Properties satisfied the regulatory requirement of filling the position on a permanent basis within the 120-day timeframe, but had been in violation of the regulation for 77 days prior to Johnson's appointment while having non-resident Rodriguez fulfill these duties.

In addition, as noted above with regard to violations concerning the Bally's CGE, temporary Internal Audit Manager Rodriguez did not report to any CGE of any of the three Caesars Properties with regard to administrative matters or daily operations. Rodriguez advised the Division that for such matters, she reported to Eric Hession, CFO of CEC, in Las Vegas. While *N.J.A.C. 13:69D-1.11(c)1* permits the Internal Audit Manager to report to a management executive other than the CGE for administrative matters and daily operations, that structure is only permissible if that executive reports directly to the CGE. Clearly, the CFO of CEC did not report to any of the three CGEs at the Caesars Properties in Atlantic City. Thus, the Caesars Properties violated *N.J.A.C. 13:69D-1.11* not only with regard to the residency requirement for the Internal Audit Manager but also with regard to lines of reporting.

The Division therefore accepts the offer of Caesars and Bally's to pay a civil monetary penalty pursuant to *N.J.S.A. 5:12-123, -129 and -130* in the amount of \$50,000 payable under the Act in accordance with *N.J.S.A. 5:12-145a* and which Caesars and Bally's have agreed to pay in recognition of the seriousness of their failures related to non-compliance as to the mandates of *N.J.A.C. 13:69D-1.1 and -1.11* with regard to the required position of CGE at Bally's, staffing of the internal audit manager position at the Caesars Properties, and the required reporting lines associated with both mandatory positions.

Sincerely,



DAVID REBUCK
DIRECTOR

c: Paul M. O'Gara, Esq.