

**A Law Enforcement Perspective
On Gaming**

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Having monitored gaming over the past decade I can confidently state that gaming activity attracts crime. That

should not be a surprise to anyone because the commodity utilized to facilitate gaming activity is money. Organized crime and career criminals are in business for one reason - to make money.

In Alberta and in Canada the past decade has realized a surge of legalized gaming activity. With the introduction of wide scale legal gaming some speculated the illegal activity would wane. There is no evidence to suggest that has occurred. Illegal gaming houses still prevail, unlicensed electronic gaming machines continue to surface and there are illegal lotteries and raffles. Pyramid schemes surface from time to time and bookmaking sports betting operations persist. What has changed to a large extent is the public attitude toward gaming. When all gaming was illegal police were often notified by distraught housewives whose husbands spent their paycheck gambling or by criminals attempting to eliminate the competition. The telephones are not ringing off the hook at law enforcement agencies to report illegal gaming activity. In Alberta many complaints of illegal gaming are received by police from the Alberta Gaming & Liquor Commission (AGLC) Investigation Division. Other illegal gaming activity is detected through investigations pursued by police on other criminal activity or is gleaned from informants.

An argument can be made that casinos attract crime. Canadian casinos inclusive of those in Alberta have been victimized by organized crime groups perpetrating sophisticated cheating at play scams. Some of those scams were conducted in collusion with registered gaming staff. We have instances of legally registered gaming staff dealing and participating in illegal gaming houses. The casino environment is attractive to criminals because it symbolizes what they strive for - wealth and prestige. Also, the casino provides opportunities for criminals. They provide a conduit for distributing counterfeit money. They can facilitate money laundering and loan sharking activity. Those engaged in illegal gaming operations have been known to pursue bookmaking operations inside legal casinos. We know criminals attend casinos to conduct drug transactions because our surveillance operations lead us there. None of this should be surprising and these types of occurrences surface in all gaming jurisdictions.

Gaming is an accepted activity and form of entertainment to a large portion of the population. Much of the population participate in the legal gaming venues and a select element continue to support illegal operations. Illegal gaming will continue to prevail as it provides certain ancillary services which legal venues cannot, such as prostitution services, illegal drugs, credit and a certain degree of anonymity. Organized crime has always been involved in three principal areas; drugs, prostitution and gambling. We should not expect that to change. Also, we can expect organized criminal groups will attempt to continue to infiltrate legal gaming operations directly or indirectly through gaming contract applications, cheating scams, coercion, intimidation, extortion or corruption influencing. It is the nature of the business and that is why there has historically been so much security surrounding gaming operations. When your business deals in the commodity of money, there will always be those who will attempt to get their hands on a piece of the action.

Monitoring gaming is only a part of my responsibilities. My full time job is crime analysis on organized crime and providing general management over our criminal intelligence database. An important part of crime analysis is preparing threat assessments. Since police do not have the capacity to work on all crime groups all the time priorities must be established. Threat assessments allow police to identify and categorize threats so they can devote limited resources to the areas of greatest need. Threat assessments provide a forecasting capability. Threat assessments can identify vulnerabilities and they are normally accompanied by recommendations.

I surface analysis and threat assessments because when it comes to gaming in Alberta I am not convinced a thorough analysis was performed in the initial stages of introducing wide scale gambling. Admittedly individuals, organizations and agencies have been given the opportunity to provide input from time to time and industry certainly has performed business feasibility studies in attempts to forecast profit margins. What I mean is no all encompassing analysis or threat assessment was conducted to identify or forecast the consequences of gaming on Alberta society. There has been a more or less "let's see as we go" approach. Gaming has generated considerable funds for charities and non-profit organizations which is a positive thing however I suggest there are consequences on agencies such as law enforcement and social services.

Unfortunately law enforcement agency statistical reporting systems do not capture what crimes or occurrences are committed as a direct or indirect result of participating in legal or illegal gaming. We were very pleased when the

Alberta Gaming Research Institute recently pursued a study on the relationship between crime and gambling and what impact gambling has on law enforcement. The Edmonton Police Service agreed to assist researchers by providing police records access. We are hopeful the study will more clearly enlighten us on the impact gaming has on law enforcement agencies. For example, police resources must attend and remove the disorderly drunk who may be a nuisance in a casino. When counterfeit money is located, a police resource must attend to receive the exhibit and perhaps initiate an investigation. When cheaters are apprehended in casinos, a police resource must process the prisoners and prepare court documents. Occurrences of suspected money laundering must be investigated. Instances of employees stealing from employers and workers stealing from charity or non-profit organizations require follow-up resource commitments from law enforcement agencies. Responding to these types of occurrences takes police resources away from doing something else. We suspect similar impact is experienced by social services agencies. For instance derelict parents leaving children in a parked vehicle on a cold night outside a bar while they play VLTs inside can result in a police response and a social services response. A break-in at a facility housing VLT machines where the monies in the VLT were the target item are commonplace. Occasionally armed robberies occur in casinos and bars which house VLTs. These situations all impact on police. I suggest no serious forecasting or threat assessment was prepared to consider such factors.

Gaming in Alberta is well regulated by the Investigation Division of the Alberta Gaming & Liquor Commission. In many cases illegal gaming occurrences come to the attention of the Commission before the regular law enforcement agencies are informed. Normally law enforcement agencies work in partnership with AGLC to deal with illegal gaming occurrences. However, we suggest there may be vulnerabilities or shortcomings in the existing model which are worthy of examining:

- a) There is no full-time regulator or police presence in the 16 Alberta casinos. Casino management companies operate the casinos and hire security staff to monitor gaming activity on the floor and provide general security. With no bias I state it may not be in the best interests of all casino management companies to report infractions or some criminal activity occurring in their facilities for fear of tarnishing their reputation. To a large extent AGLC regulators depend upon industry security staff for information and police depend upon AGLC regulators. There are those who would argue gaming regulator staff should monitor games play in casinos. So we are left to ask the question - do we really know what is going on in all casinos?
- b) Most organized crime groups committing gaming offenses are also involved in other criminal activity. Although AGLC investigators maintain expertise in gaming investigations they are not fully informed on all aspects of organized crime and related issues. Therefore the 'big picture' of organized crime may not be as important to AGLC as it is to law enforcement agencies that are attempting to destroy or seriously hamper criminal organizations.
- c) The enforcement arm of AGLC, the Investigation Division, has authoritative powers to investigate and arrest under Part VII of the Criminal Code those offenses related to gaming. That department falls under the supervision of the Gaming Ministry. There are those who suggest that could create conflict of interest situations as AGLC is the policy maker, the regulator, a marketer of gaming and the enforcer of gaming laws. Some are of the opinion all Criminal Code enforcement should be the responsibility of the regular police agencies having jurisdiction which are answerable to the Solicitor General.
- d) I suggest to an extent police were caught off guard in relation to the spinoff consequences of legal gaming. To my knowledge no resources were assigned to Alberta police to deal with the consequences. Police deal with resulting occurrences with the same resources they had prior to the introduction of legal gaming.

I should mention a Gaming Investigation Team involving regular police and AGLC investigators has been proposed however that body too would fall under the Gaming Ministry and direction of AGLC. So we are left to ask the question - is it appropriate police be directed by AGLC in the enforcement of gaming laws? Some suggest police should be independent to allow impartiality, flexibility and discretion in pursuing gaming related investigations and police should be answerable to the Solicitor General.

From a law enforcement point of view some of the greatest threats facing gaming, in no particular order of priority

are as follows:

- a) Attempts by roving organized crime groups to victimize Alberta casino operations through cheating at play scams.
- b) Companies and individuals influenced or controlled by organized crime attempting to gain contracts in the Alberta gaming industry should be considered a constant threat which requires extensive, thorough and ongoing investigation.
- c) Attempts to corrupt or influence government officials, regulators, police and individuals involved in charity and non-profit organizations should be an area of constant monitoring and investigation.
- d) Organized crime utilizing legal gaming venues to facilitate other illegal activity such as money laundering, distribution of counterfeit currency, loan sharking and drug trafficking is an ongoing threat.
- e) Organized crime establishing illegal gaming operations.
- f) On-line gambling. A paramount concern to law enforcement agencies is on-line gaming. It is my understanding in excess of 1400 on-line gambling sites have been identified on the Internet. Should there be an expectation for law enforcement agencies to monitor the Internet for illegal gaming offenses, that would require considerable resources. At this time law enforcement agency technological crime investigators are heavily tasked just to deal with Internet fraud, child pornography, pedophile exploitation of children and criminal encryption related investigations on the Internet. It would be very resource demanding for law enforcement agencies to pursue on-line gaming investigations. The complexities of those investigations are considerable and will be addressed by another presenter at this conference.

The foregoing are challenges which face every gaming jurisdiction. Different provincial gaming jurisdictions implement their own models to ensure security and integrity is maintained within the industry. I would be less than truthful if I stated crime is running rampant in the Alberta gaming industry. It is not, however the activity demands close monitoring and constant scrutiny.

The events of September 11th did not leave the gaming industry unscathed. New legislation under Bill C-36 will allow for greater scrutiny of charity and non-profit organizations to ensure they do not in any way support terrorism. Proceeds of crime legislation will continue to assist authorities in identifying individuals, businesses and financial institutions attempting to launder the proceeds of crime. Even though new laws have been enacted I suggest you can rest assured there will be those who will attempt to find ways to circumvent any new legislation or rules which are implemented. We must all be vigilant in identifying threats. It is not our intention to criticize existing regulatory practices or policies however when we observe or detect shortcomings we think it responsible to point them out. One cannot have too much insurance or have too many safeguards in place when it comes to gaming. Gaming is simply the kind of business that attracts those who have a desire to beat the system.

It is hoped forums such as this will assist policy makers and gaming authorities create a balanced environment which will ensure Alberta gaming is a positive experience wherein the benefits of the activity are maximized and the detriments are minimized. I suggest the Alberta Gaming Research Institute, a coalition of three prominent Alberta universities could be the analytical body which provides solid research, advice and guidance on gaming issues. If permitted to function in an impartial capacity, that body could provide you the threat assessments you need to lead Alberta gaming into the future on a positive front.

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