



December 31, 2024
AUDIT
REPORT NO. 24-06

*Performance Audit of Casino Contracts – Bally’s
Casino*

REPORT HIGHLIGHTS:	PAGE:
<ul style="list-style-type: none">• Revenues received from Bally’s during 2022-2023 appear reasonable.	3
<ul style="list-style-type: none">• Enhance procedures to achieve female and minority procurement, and total employment goals.	5



505 Travis St. Suite 450
Shreveport, LA 71101



Office: 318-673-7900
Fraud Hotline: 318-222-5698

<http://www.shreveportla.gov/1149/Fraud-Hotline>



The Council
City of Shreveport

Leanis L. Steward, CPA, CIA
City Internal Auditor
P.O. Box 31109
Shreveport, LA 71130-1109

E-Mail Address:
Leanis.Steward@shreveportla.gov
Phone: 318.673.7900
Fax: 318.673.7911

December 31, 2024

Councilman Alan Jackson
Chairman, Shreveport City Council

Dear Councilman Jackson:

Subject: Audit No. 24-06 – Performance Audit of Casino Contracts – Bally’s Casino

Attached please find the report mentioned above. Management comments are included in the report.

Sincerely,

Leanis L. Steward

Leanis L. Steward, CPA, CIA
City Internal Auditor

ts

EXECUTIVE SUMMARY

Performance Audit of Casino Contracts – Bally's Casino

Why We Did This Audit

We have completed a Performance Audit of Casino Contracts – Bally's Casino. This audit was conducted as one of our regularly scheduled audits included in the Annual Audit Plan developed by the City Internal Auditor.

The objectives of our audit for Bally's Casino were:

- To determine whether revenues received by the City of Shreveport are accurate and supported.
- To determine whether employment and procurement goals and initiatives are achieved and monitored.

What We Recommended:

- The Bally's Casino to continue demonstrating good faith efforts in achieving their procurement and employment goals.

What We Found

On May 19, 1999, the City of Shreveport entered into a lease agreement with Hollywood Casino. After construction was completed, the opening date was December 20, 2000. On October 2005, the casino was sold to Eldorado and on December 2020 Bally's Corporation bought the Eldorado Casino. The end of 2023 was the 24th year of the 50-year contract term for the casino. Bally's Casino is one of the three casinos from which the city receives revenues.

In conducting this audit, we found that the payments made by Bally's Casino to the City, including head tax and rent, appear to be reasonable. As outlined in the contract, Bally's has agreed in good faith to fulfill the procurement and employment goals. Bally's Casino did not consistently meet the female and minority procurement goals and the total employment goal. We identified the following areas for improvement:

- Enhance procedures to achieve female and minority procurement goals.
- Strengthen measures to meet the total employment goal.

INDEX

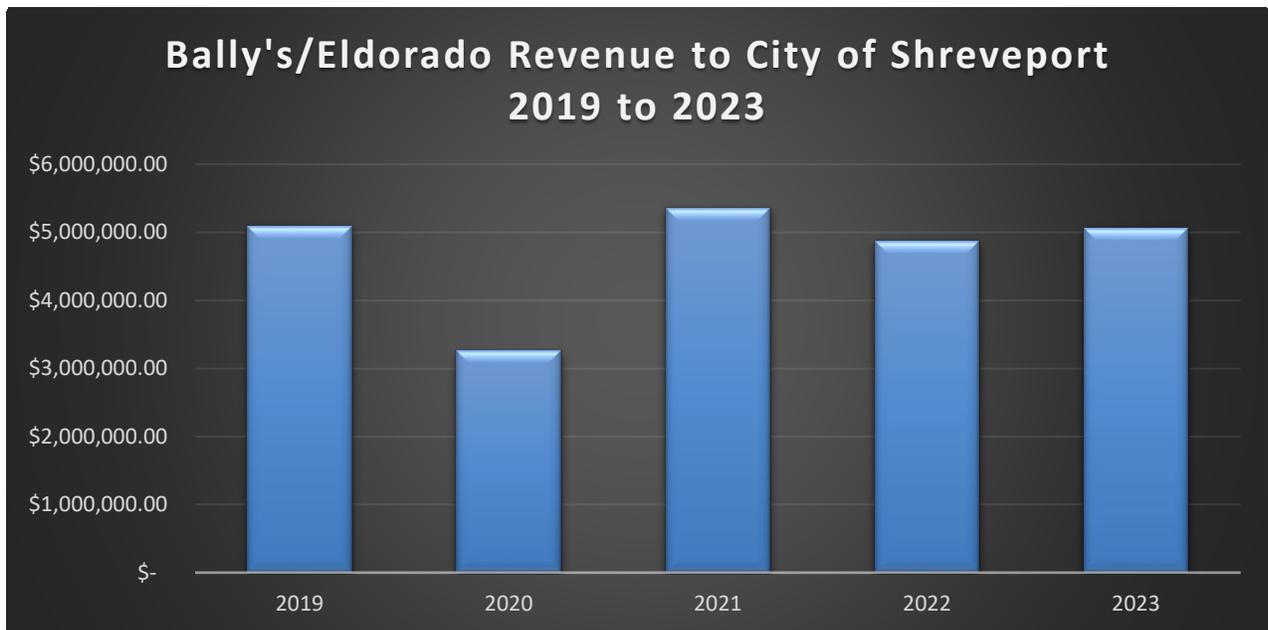
Executive Summary	1
Index	2
Introduction	3
Scope and Methodology.....	4
Findings and Recommendations.....	5
Finding 1: Procurement and employment goals were not always met	5
Appendix A: Findings Risk Ranking Criteria... ..	9



Introduction

This audit will assess the performance of the Bally’s Casino contracts held by the City of Shreveport. This will include an examination of the contractual agreements to ensure full compliance with the appropriate financial reporting. The audit will also evaluate the performance metrics established in the contracts to determine if they are being met and if they contribute to the City's success. The audit will identify areas where improvements can be made to optimize performance and ensure that the contracts are aligned with the contract objectives. The goal of the audit is to enhance the City's performance by ensuring that the casino meets the highest level of quality and effectiveness.

On May 19, 1999, the City of Shreveport entered into a lease agreement with Hollywood Casino, which became Eldorado, and in December 2020 Bally’s Corporation bought the Eldorado Casino. It is one of the three casinos in which the City of Shreveport receives revenues. **The payments made by Bally’s Casino to the City, including head tax, and fixed and percentage rent, during 2022-2023 appear to be reasonable.** A summary of the revenues received over the last five years from Bally’s/Eldorado Casino is illustrated below:



Source: City Accounting Record



The objectives of this audit were to:

- To determine whether revenues received by the City of Shreveport are accurate and supported.
- To determine whether employment and procurement goals and initiatives are achieved and monitored.

Scope and Methodology

The scope of this audit was limited to Bally's Casino contract compliance. The period reviewed was 2022-2023. To answer our objectives, we reviewed relevant internal controls and developed audit procedures that included, but were not limited to, the following:

- Interviewed staff to enhance understanding of the process.
- Obtained total Adjusted Gross Revenue (AGR) from Bally's Casino and LA State Police Gaming Board.
- Calculated rent and head tax payments as per the contract.
- Obtained Minority/Women Enterprise report from Bally's Casino and LA State Police Gaming Board.
- Compare achievements to stated goals.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings, conclusions, and recommendations based on our audit objectives.

The Internal Audit Office expresses appreciation to the management and personnel of the Bally's Casino for their cooperation and assistance provided during the audit.





Objective: To determine whether employment goals and initiatives are achieved and monitored.

Procurement and employment goals were not always met - Bally's Casino

When granted a riverboat license, licensees agree to voluntary specific employment and procurement goals established by management and the Louisiana Gaming Control Board. Upon reviewing Bally's Casino's achievements compared to their stated goals, discrepancies were identified. These disparities between stated goals and actual achievements may indicate areas for further investigation and strategic reevaluation within the organization.

Bally's reports to the Louisiana State Gaming Control Board the following: Monthly revenue and admissions; employment results including total, Louisiana, minority, and women; and procurement results including the percentage of Louisiana, minority, and women-owned businesses.

According to the contract: "Tenant agrees that it will make good faith efforts to meet and increase the voluntary Minority/Women Business Enterprise goals that Tenant establishes with the Louisiana Gaming Control Board. These goals have been established as 25% minority business enterprise procurement and 10% female business enterprise procurement employ...80% local area residents and 40% minorities."

On the 15th of December 2022, the Louisiana Gaming Control Board amended the voluntary procurement goals to 65% Louisiana, 13% Minority, and 15% Women, commencing on April 1, 2023.

On the 16th of November 2023, the Louisiana Gaming Control Board amended the voluntary employment goals to 625 total employment, 38% Minority, and 51% Women, commencing on January 1, 2024.

During the audit period of 2022 and 2023, as reported to the Louisiana Gaming Control Board, Bally's had not always achieved procurement and employment goals. As illustrated below, the red highlighted cells indicate the quarters in which the voluntary goals were not met:



Procurement - Bally's Casino Operation Year 2022 & 2023

2022	Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	Goal %	% Achieved						
Louisiana	60.00%	66.00%	60.00%	68.10%	60.00%	74.50%	60.00%	71.70%
Female	10.00%	15.00%	10.00%	19.60%	10.00%	13.40%	10.00%	9.60%
Minority	25.00%	13.70%	25.00%	10.60%	25.00%	10.30%	25.00%	4.90%
2023								
Louisiana	60.00%	82.00%	65.00%	71.10%	65.00%	82.90%	65.00%	81.30%
Female	10.00%	15.00%	15.00%	15.30%	15.00%	13.90%	15.00%	27.00%
Minority	25.00%	8.50%	13.00%	13.10%	13.00%	9.30%	13.00%	18.80%

Employment - Bally's Casino Operation Year 2022 & 2023

2022	Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	Goal %	% Achieved						
Louisiana	80.00%	97.90%	80.00%	98.00%	80.00%	98.10%	80.00%	98.20%
Female	51.86%	59.20%	51.86%	59.90%	51.86%	60.60%	51.86%	53.60%
Minority	34.76%	75.00%	34.76%	73.80%	34.76%	78.40%	34.76%	76.60%
Total	950	617	950	591	950	624	950	661
2023								
Louisiana	80.00%	97.90%	80.00%	98.00%	80.00%	98.10%	80.00%	98.60%
Female	51.86%	59.50%	51.86%	60.30%	51.86%	60.90%	51.86%	60.10%
Minority	34.76%	75.10%	34.76%	75.40%	34.76%	77.00%	34.76%	77.70%
Total	950	667	950	635	950	631	950	627

Source: Economic Development & Diversity Quarterly Submission from Bally's Casino.

Recommendation: We recommend that the Bally's Casino to continue demonstrating good faith efforts in achieving their procurement and employment goals. **Risk: Low**

Management Response: --

The Bally's Shreveport Casino & Hotel management team acknowledges the city's findings related to achieving procurement and employment goals during the audit period. During and after the COVID pandemic beginning in 2020, several minority and female businesses that we used did not reopen thus affecting our ability to meet the procurement goals. Additionally, the pandemic impacted staffing levels as business volumes declined and potential employees were less inclined to take jobs requiring public interaction. These issues were not unique to



AUDIT NO. 24-06
November 20, 2024

our property and affected most casinos in the state. As a result, the Louisiana Gaming Control Board moved to amend the female and minority procurement percentages in Q4 of 2022, and the employment goals in Q4 of 2023 as the prior goals had become unattainable for several properties. Beginning with Q4 2023, we have met all the procurement and employment goals for 4 consecutive quarters. Bally's Shreveport Casino & Hotel management will continue to make good-faith efforts in achieving the procurement and employment goals each quarter as recommended in the audit report.

Due Date: In Progress





AUDIT NO. 24-06
November 20, 2024

Prepared by:

Promo Jaishi

Promo Jaishi
Associate Auditor

Approved by:

Leanis L. Steward

Leanis L. Steward, CPA, CIA
City Internal Auditor

pj:ts

c: City Council
Clerk of Council
Mayor
Chief Administrative Officer
Carr Riggs and Ingram
City Attorney
Bally's Casino



Appendix A: Findings Risk Ranking Criteria

The chart below summarizes our evaluation of risk for the recommendations outlined in the report. Each recommendation was assessed at a high, medium, or low risk level based on a qualitative assessment of exposure and/or corrective action priority.

Risk Levels	Risk Description
High Risk	Represents a significant level of risk exposure to city assets, public safety, or achievement of objectives or mission. Corrective action should have the highest priority.
Medium Risk	Represents a moderate level of risk exposure to the city from extensive operating inefficiencies or high-level non-compliance issues. Corrective action should occur expeditiously.
Low Risk	Represents a minimal level of risk exposure to the city from inefficiencies or low-level non-compliance issues. Corrective action should occur as appropriate.