



**STATE OF WASHINGTON  
GAMBLING COMMISSION**

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**PRESS RELEASE**

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Special Agents of the Washington State Gambling Commission, working with the Kalispel Tribal Gaming Agency, Kalispel Tribal Police, and with the assistance of the Spokane Police and Sheriff's Departments as well as the Spokane County Prosecutor's arrested Wade A. Henricksen, age 19 and Renee S. Gerhard, age 41, both of Spokane. They were each served arrest warrants on Wednesday, October 16 on charges of theft in the first degree and cheating in the first degree. The suspects were arrested without incident and booked into the Spokane County Jail. Henrickson was arrested at a residence on East 25<sup>th</sup> Avenue in Spokane and Gerhard was taken into custody from a vehicle in the vicinity. These arrests are the culmination of a four week investigation of cheating and fraud against tribal lottery system (TLS) machines at the Kalispel Tribal Casino in Airway Heights.

The investigation and subsequent arrests of the individuals involved the duplication of TLS tickets and simultaneous insertion of the original and duplicated ticket into two machines. This would sometimes cause both the original and fraudulent tickets to be recognized by the system, with play credits equal to the value of the ticket registered on both machines. This scheme has resulted in estimated financial losses to the Kalispel Tribe exceeding \$70,000 between July 17<sup>th</sup> and September 23<sup>rd</sup>. During the commission of this fraud, no customer or game outcome was affected.

This investigation began as a result of reporting problems in the software that reports activity within the TLS. On September 10, 2003, the Commission became aware of these reporting problems and informed Sierra Design Group (SDG) the licensed manufacturer of the TLS in place at the Kalispel Tribe's Northern Quest Casino. The technicians at SDG reviewed the data files and on September 15 advised the Commission that there may be a problem but they could not identify the specifics associated with the continued reporting errors. By the following day, SDG advised the Commission that the reporting errors could be the result of criminal activity. Two days later (September 18) further information was developed indicating that there was a method where the insertion of two tickets in the system would force a "paid pending" situation, which could cause the system to credit a number of different terminals. SDG advised that they had developed a

fix to the problem. The manager of the Commission's Electronic Gambling Lab instructed them to apply the fix immediately to protect the integrity of the system.

Technicians from the Commission's Electronic Gambling Lab also informed special agents in the agency's tribal gaming unit (TGU) of the incident and agents, in cooperation with the Kalispel TGA, continued the investigation of the matter to ascertain if criminal activity could be verified and suspects identified. That investigation has culminated with the arrests announced today.

Our investigation into this matter continues. Special agents and technicians from the Commission's Electronic Gambling Lab, along with each individual Tribal Gaming Agency, are checking each tribal casino in the state that operates SDG tribal lottery systems to make sure that the software fixes installed in each system have corrected the problem.

## Issues and questions to be clarified – Possible Follow-up Questions

### **What was/were the technical problems that allowed this fraud?**

According to SDG, it was a combination of communication delays and a database programming error.

When a ticket is placed in a Player Terminal, the system sends a request to the Lottery Game Controller (LGC) to verify the ticket. The LGC sends a request to the Player Accounting System (PAS), which queries the database and marks the inserted ticket as paid pending, awaiting a reply from the player terminal that the voucher has been paid. The PAS sends back a message to the LGC and the player terminal that the ticket is good and asks the terminal did you credit the player. The terminal then sends back another message to the LGC and PAS that this ticket was credited. The PAS then finds the ticket and marks it as paid.

When the ticket is placed in the paid pending status, it is still "not paid" and requests from other terminals may be validated and credited, or paid. With the increasing number of machines in play, the amount of time has increased to process each ticket. While the process takes a fraction of a second to complete, the marginal increase in processing time associated with increasing number of player terminal delays verification long enough to insert a second ticket, Duplicated from the original..

### **How far back might this problem go? (Issues associated with number of terminals and software upgrades; what caused what?)**

The problem at Kalispel started at least in April. However we have asked that reports be run back to summer 2002.

We believe that this has been a problem with the system since implementation of the TLS in Washington. The problem had not been identified earlier because conditions with great numbers of TLS machines in operation could not be duplicated by SDG (the manufacturer), the testing lab, or the Gambling Commission's Electronic Gambling Lab. The timing gap between insertion of a player ticket and awarding play credits from that ticket became larger. The more terminals placed in play, the wider the timing gap became. In the smaller systems, a ticket would be marked paid in about 1/64th of a second. On the larger systems that gap was as long as 3 seconds.

## **Why the delay in terms of it being reported to our lab and our field investigation beginning?**

This is currently under investigation but appears that Sierra Design Group (SDG) at first thought the reporting issue was due to errors not related to ticket recognition and payment. TLS System generated event logs had to be reviewed against an actual database. SDG is not allowed to access the system remotely so tape backups and event logs had to be mailed to their technicians. Those specialists had to sort through several megabytes of data to find recorded discrepancies in order to form an opinion on what could cause the inaccuracies. Once they formed a theory as to the problem, they informed the Commission. Within two days they were able to say this is the only way this could happen and it must be theft.

When TGU found the reporting problems, the EGL was notified and they in turn notified SDG. TGU had received some general information that there may be a problem at Kalispel and had asked repeatedly for more specific information from the Lab. That information was received on 9/25 at which time we began working with TGA.

## **What degree of confidence do we have that the problems have been identified and corrected?**

We will establish the requisite confidence after all of the SDG TLS systems in all of the tribal casinos have been tested. We can not test this in the Commission's Electronic Gambling Lab. Therefore, Special Agents from our Tribal Gaming Unit, working with the individual Tribal Gaming Regulatory Agencies will conduct this testing in the field.

Are there any other investigations underway at this time at other tribal casinos operating the SDG TLS in Washington? Are any anticipated?

Currently, reporting issues are being investigated at the Puyallup and Quinault Tribal Casinos. TGU has requested a specific report from SDG covering all tribal casinos in Washington that use SDG machines. These reports will show us if duplicate tickets were passed at any other casino. According to SDG, the Commission will have those reports by October 17.