

For Immediate Release
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State Auditor Mike Foley Criticizes Commission on Problem Gambling for Contract Manipulation

State Auditor Mike Foley issued an audit report today on the newly created Nebraska Commission on Problem Gambling and criticized the agency for its questionable handling of two contract awards that appear to violate the State's conflict of interest statutes.

Foley noted that two State contracts with a combined value in excess of \$200,000 were awarded by the Commission to a private organization affiliated with the Commission's interim director. The contracts were awarded on an emergency basis with no bidding, and the interim director is now personally benefitting from the contract awards.

The matter is being referred to the Office of the Attorney General and the Nebraska Accountability and Disclosure Commission for further review.

The Nebraska Commission on Problem Gambling came into existence on July 1, 2013, to take over administration of the Gamblers Assistance Program previously operated by the Nebraska Department of Health and Human Services. The program is primarily funded by a portion of the proceeds of the Nebraska State Lottery and is designed to provide assistance to compulsive gamblers.

The contracts in question were awarded to a not-for-profit organization known as the Nebraska Council on Compulsive Gambling which unsuccessfully sued the State in 2011 after its proposals for contractual work were rejected. That organization's director took a temporary leave of absence from the Council to serve as the interim director of the newly formed State Commission and, within weeks of his arrival, signed the contracts benefitting the organization to which he has now returned. His service at the State Commission ran from July 1, 2013, through early March 2014.

The auditors question the “emergency” nature of the contract awards and observed that the prior contracts for these services were awarded to a different contractor through a competitive bidding process. The audit report notes that the procedures for an emergency contract award were not followed. Moreover, the auditors question whether or not one of the new contracts for training services is even valid, as the contractor lacks a statutorily required certification as a postsecondary career school.

Finally, the auditors made numerous observations of the lack of documentation to support whether or not the contractually required services were fully provided.

Foley noted that the Commission failed to exercise good judgment or even common sense in the contract awards and placed its interim director – apparently with his full knowledge and participation – in a position of conflict of interest. “I will leave it to others to sort out the legal ramifications of their dubious actions,” Foley said.

A copy of the report can be found at:

<http://www.auditors.nebraska.gov/>