No Coffee or Latté at This Café: Internet Gambling Establishments, Law Enforcement Perceptions, and Management Issues

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The issue of video poker has been a contentious topic in North Carolina for the last half of the decade with the state’s legislature passing legislation that effectively outlawed this form of gambling. Recently a new form of gambling has emerged within the context of Internet cafés or business centers. Media accounts and anecdotal information suggest that these cafés are considered a nuisance by many and can entice criminal activity. This paper presents the findings of a law enforcement survey that sought to test these assumptions, document the nature and extent of criminal activity at these cafés, and gather the viewpoints of both police and sheriff agency executives regarding these newly emerging gambling centers. A 25-item questionnaire the authors administered to a randomly selected group of law enforcement administrators obtained a 43% response rate. Survey findings indicate that while violent and property crimes have occurred at these cafés, law enforcement has not seen a dramatic rise in these offenses despite the fact that officials view these establishments in a less than favorable light and view prohibition as the most effective strategy for regulating this form of gambling.

Key Words: Internet • gambling • law enforcement

Gambling in the United States operates within a relatively strict framework of government regulation. Traditionally, these restrictions have applied primarily to brick and mortar gambling establishments, but according to Freese (2005) and Franklin (2001), the evolution of the Internet and technology not only has made gambling more accessible but has provided a loophole for those involved in the gaming and video industry to elude government regulation. The U.S. Department of Justice has maintained that under the 1961 Wire Act, Internet gambling is illegal in the United States (Cornell University Law School Legal Information Institute, 2010). Still, Internet gambling persists and has produced great concern among state and local law enforcement who have sought to prohibit and regulate these activities and operations.

Despite the Federal governments’ willingness to prohibit and prosecute Internet gambling cases and operations, the continued prevalence of these activities demands
exploration to provide clarification as to how state and local law enforcement agencies should deal with the proliferation of recent gambling enterprises, known as Internet sweepstakes cafés, surfacing around the country, which pose challenges to current state gambling laws. As Internet gambling establishments are fairly recent developments, current definitions of gambling as presented through federal and state statutes do not adequately address these operations, presenting enforcement and prosecution challenges to many state officials and law enforcement.

This paper seeks to examine current federal and North Carolina state gambling law as applied to Internet sweepstakes cafés and present the findings of a statewide survey of sheriff and local police chiefs regarding their perceptions, attitudes, and beliefs surrounding the proliferation of Internet cafés and sweepstakes operations. Additionally, the survey gathered data regarding the amount of reported and perceived criminal activity and nuisance complaints associated with these business types. The survey also sought opinions regarding barriers to effective regulation and solicited viewpoints on proposed legislation in an effort to portray how the state's law enforcement executives perceive and respond to Internet sweepstakes cafés.

**Literature Review**

The most widely cited federal statute prohibiting Internet gambling is the 1961 Interstate Wire Wager Act, which criminalizes the use of wire communication for the transmission of interstate or foreign commerce of bets and wages or any information assisting in the placing of bets or wages on any sports event or contest. This act makes it illegal for gambling providers to offer or to take bets from gamblers over the telephone lines or through wire devices unless the act is authorized by state government. According to Franklin (2001), the U.S. Department of Justice has applied the term “through wire devices” to prosecute interstate and international transactions over the Internet, and in 2006 the U.S. Second Circuit Court demonstrated the willingness of the federal judiciary to uphold Internet gambling convictions through the 1961 Wire Wager Act. However, some legal scholars disagree with federal lawmakers’ interpretations of the statute and are kin to agreement with the U.S. Fifth Circuit Court of Appeals 2002 ruling (see Brown v. Mastercard Int’l, 2004) which construes the statute to apply only to sports betting (Chiang, 2007). Such disagreement has left many in the video and gaming industry to conclude that other forms of Internet gambling may be legal (Manter, 2003), e.g., online casino or online poker, the most popular forms.

A Congressional bipartisan initiative, the SAFE Port Act (2006), passed during the Bush Administration, sequentially attempted to prohibit Internet gambling by enacting the Unlawful Internet Gambling Enforcement Act (UIGEA) with the aim of reducing the
revenue flowing to illegal Internet gambling operations. Specifically, the act bans the use of credit, check, draft, and electronic funds transfer to place bets with any online gambling operation. The Unlawful Internet Gambling Enforcement Act is problematic according to some legal scholars in that it fails to define clearly unlawful Internet gambling and instead relies on pre-existing and already problematic federal law such as the 1961 Wire Act (Conon, 2009). This act prohibits only the transfer of funds from individual bettors in Internet gambling. It does not hold individuals criminally responsible nor does it make the act of gambling on the Internet explicitly illegal; on the contrary, it makes funding or transacting an individual's bet on the Internet illegal (Suarez, 2006).

This last limitation is especially problematic for state lawmakers, prosecutors, and law enforcement executives who are looking for guidance on how to define gambling properly and effectively as it applies to the Internet. This limitation has become an emerging issue as law enforcement and legislators increasingly expand their efforts to prohibit the rise of local Internet or sweepstakes cafés from springing up across the United States as demonstrated most recently by news and media reports in California, Utah, Florida, Virginia, Texas, and North Carolina (Roberts, 2010; Saulny, 2010). To elude government oversight and regulation, those in the video gaming industry have devised alternate methods of payment by allowing patrons to pay for phone or Internet time to access the computerized games.

Concerns of Federal & State Government

Academic and legal research explaining the proliferation, legality, and, specifically, law enforcement perceptions and best management practices surrounding Internet sweepstakes cafés in the United States is severely limited. However, many academic and legal scholars have produced a wide bed of research and legal commentary on the legality of Internet gambling and the concerns of federal, state, and local law enforcement in regulating or prohibiting traditional online gambling operations.

Findings from the National Gambling Impact Study Commission (1999) estimated that 14.5 million gamblers waged $651 million over the Internet in 1998, doubling from the previous year of 6.9 million gamblers wagering $300 million. Compare these figures with the approximately 30 million gamblers who travel to Las Vegas on average each year. The Commission also found that the revenues of companies that produce software for online gambling operators grew from $445.4 million in 1997 to $919.1 million in 1998 (NGIS Commission, 1999). Conon (2009) suggests that these numbers are projected to increase due to the inadequacy of current law enforcement to prohibit an activity that by nature crosses national and state borders and the inability of state courts and lawmakers to clarify the laws prohibiting and/or regulating Internet gambling.
As increasing numbers of individual bettors participate in unregulated or prohibited Internet gambling, one of the primary concerns of government is the reduction of tax revenues collected from legalized gambling operations (Manter, 2003). Discussing the relationship between the U.S. economy and Internet gambling, Hammer (2001) suggests that the increase of individual bettors and wages may also be responsible for a loss of valuable jobs and fees associated with traditional gambling operations.

Conon (2009), Manter (2003), and Franklin (2001) all cite increasing crime—both violent and nonviolent—involving theft, assault, fraud, and money laundering as concerns of state and federal government. Manter (2003) discusses the negative effects of Internet gambling on the consumer credit card industry and the increase of problem gambling in the absence of safeguards to protect against gaming addiction and underage gaming. The National Gambling Impact Study Commission identified additional problems, including the dual protection of anonymity and encryption provided by the Internet and the potential for abuse by gambling operators who can alter, move, or entirely remove sites within minutes as well as the ability of computer hackers or gambling operators to tamper with gambling software to manipulate games to their benefit (NGIS Commission, 1999).

North Carolina State & Municipal Action
In reaction to the pervasive nature of the Internet and illegal Internet gambling operations, several states have already introduced or passed legislation prohibiting Internet gambling (Eggen, 2010). Perhaps making a statement, Nevada criminalized the placing of an Internet bet in 1997. Following suit, Louisiana, Illinois, and Texas all introduced or passed legislation criminalizing the individual, operator/designer, or both for gambling by computer/Internet or for accepting a bet/wager from an individual (Brechbill, 2001). Other states—Minnesota, New York, Missouri, Wisconsin, New Jersey, and North Carolina—have taken steps to prosecute parties involved in online gambling by using pre-existing state statutes. Yet despite current state laws prohibiting online gambling, with the new development of Internet sweepstakes cafés, most states are having difficulty investigating and prosecuting these cases due to inconsistent application/enforcement of state gambling laws, an inability of state legislatures to clarify state gambling laws, and/or difficulty of state officials and law enforcement to determine whether the operations of these businesses constitute gambling under state statutes.

Like many other states, North Carolina's law enforcement officials are having difficulty prohibiting Internet gambling operators who have found a loophole around state statutes (Montpas, 1996; Robertson, 2010). As many media and news reports demonstrate, this difficulty has also been attributed to the inability of the state legislature to clarify state gambling laws. In 2006 the legislature banned the operation of video poker machines

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across the state; however, since then North Carolina has witnessed the opening of hundreds of Internet sweepstakes cafés (Browder, 2010c) across the state, which many officials believe are illegal. These cafés operate under a loophole in the 2006 North Carolina State Law (North Carolina General Statutes, G.S. § 14-306), which prohibits the use of any video gaming machine that requires the deposit of any coin or token, or use of any credit card, debit card, or any other method that requires payment to activate any of the games listed (as banned). In response to the spread of these Internet sweepstakes cafés, the legislature amended the bill in 2008 in an attempt to ban the operation of these businesses by expanding the definition in the ban to mean “any game or any game based on or involving the random or chance matching of different pictures, words, numbers, or symbols not dependent on the skill or dexterity of the player” (North Carolina General Statutes, G.S. § 14-306.1A).

As argued by Internet sweepstakes café owners, contrary to the law, patrons pay for Internet time (not to gamble), and the sweepstakes offered on the computer are predetermined, thus arguably eroding federal jurisdiction under the Unlawful Internet Gambling Enforcement Act and 1961 Wire Wager Act in addition to the definition of gambling as determined by current North Carolina statutes. Such sentiment was reflected when, despite the 2008 amendment to the North Carolina Video Poker ban, a Guilford County Superior Court judge ruled in favor of Internet sweepstakes café owners and operators, deciding that the businesses were not covered by the previous law or amendment and thus not subject to legal action and/or removal by the state (Robertson, 2010). The judge's ruling, issuing an injunction, has prevented local and state law enforcement from enforcing the 2008 amendment to the 2006 Video Poker ban. Judges in two other counties (including Wake) have also ruled in favor of video game distributors and operators, arguing that the video screens in the Internet cafés are not covered by either the 2006 law or the 2008 amendment because these businesses are designed to market legal products or these games do not meet the definition of gambling as defined by state law. Such rulings pertain to the means through which operators of these businesses market consumer services. In lieu of advertising Keno, Poker, or any other kind of video playing card game, operators of Internet sweepstakes cafés advertise the sale of phone and/or Internet time and provide consumers with the facilities and equipment to check their email, print, and/or fax. Patrons put money on a phone or Internet card resembling a credit card to access these services.

Arguably some patrons do use these services; yet, undercover law enforcement agents and patrons have both reported that most visiting the cafés sit at computer terminals, playing games that resemble slot machines to win cash and prizes (Robertson, 2010). Troubleshooter reports by local news stations have encountered managers of
these establishments directly assisting new patrons in assessing the games. However, in addition to state courts overruling the legislature, state attorneys have also advised the state of the limitations to the 2008 amendment to the 2006 law banning video poker machines across the state, warning officials that to prohibit this form of gambling (sweepstakes) is to also prohibit less controversial forms such as the under-the-cap games by Coca-Cola® and Pepsi and the popular McDonald’s Monopoly sweepstakes games (Stasio & Margolis, 2010).

According to media and news reports, local municipalities and county governments in North Carolina have begun their own regulation and temporary banning (moratorium) of these businesses in response to public and government opposition to the operation of these facilities. Because recent court rulings protect these establishments, the primary concerns of local government and municipalities are regulation and re-zoning.

Officials in Elizabeth City have implemented age and hours of operation restrictions in addition to specifications on the number of player terminals in each establishment. In addition to the abovementioned regulations, officials in Wilson have implemented zoning restrictions, limiting the areas in which sweepstakes cafés may operate to commercial and business districts away from homes, schools, and churches (Browder, 2010b). Apex, Pembroke, Fayetteville, Wilmington, Holly Springs, Rocky Mount, Lumberton, and Oxford have either completed or are planning to implement re-zoning in addition to taxing these businesses. Most recently, the city of Lumberton in Robeson County, implemented a moratorium specifying that until May 2011, existing Internet sweepstakes cafés may not expand and new businesses may not open. Beginning July 1, 2010, operating businesses must pay an annual $5,000.00 privilege license tax in addition to a $2,500.00 fee per computer or operating machine. Pembroke and Fairmont, two other Robeson county municipalities, charge $3,000.00 per computer connected to the Internet and $1,500.00 for those not connected to the Internet (Hottman, 2010).

These municipalities have been able to generate additional revenue in the current economic climate amidst severe budget crunches because current state law does not limit the revenue municipalities can raise through licensure fees. However, such actions taken by local municipalities in North Carolina have prompted some public officials from the General Assembly to support state government regulation and taxation of Internet sweepstakes cafés. The Director of the North Carolina Education Lottery was petitioned by supporters of government regulation to provide an estimate of revenue from video lottery terminals in sweepstakes cafés and reported that revenue generated from the state taxing these establishments could add an estimated $350 million in the first year and $576 million by the fourth year, which could effectively solve many of the state’s budget problems (Browder, 2010d).
Local Law Enforcement Reaction

Despite academics' arguments that the prohibition of Internet gambling operations will only exacerbate the negative social and economic effects of online gambling versus eradicating them (Franklin, 2001), North Carolina's sheriffs generally oppose the operation of Internet sweepstakes cafés. Many argue that these operations contribute to increasing financial hardships for low-income customers and families who reside in areas that are often targeted by café owners seeking locations for expanding new business (Clotfelter, 2000; Davis, 2007; Sorg & Schwartz, 2010). They also argue that these businesses serve as hotspots for criminal activity, one consequence of Internet sweepstakes cafés that is largely absent from the tightly regulated and taxed state education lottery. Despite little published research detailing criminal activity associated with Internet sweepstakes cafés in the United States, a fairly recent study (2005) presented an analysis of online gaming crime drawn from 613 criminal cases in Taiwan. This analysis found that 54.8% of online gaming crimes occurred in Internet cafés compared with 30.8% in an offender's home, and of the types of crimes characterized, an overwhelming 73.7% of cases (452 out of 613) involved charges of theft compared with 20.2% of cases involving fraud (Chen, Chen, Hwang, Korba, Song, & Yee, 2005). While theft and fraud were not directly related to gambling on computer terminals, these findings do suggest that criminal activity does occur at these establishments at a greater frequency than at other locations.

As portrayed by local media reports, the general consensus is that most law enforcement officials can do little about the problems with Internet sweepstakes cafés despite the existence of numerous strategies and regulatory provisions (Crisco, 2003). Interviews with North Carolina District and Assistant District Attorneys suggest that part of the problem is ambiguity between the interpretations of judicial officials and the General Assembly's application of gambling laws in North Carolina (Browder, 2010a). In an interview conducted by a Charlotte news station, a Mecklenburg County Assistant District Attorney said that fewer raids by law enforcement will take place in Mecklenburg County until the General Assembly or State Supreme Court clarifies the law, citing a budget crisis that makes it fiscally insensible to prosecute offenses under a law that may be deemed invalid in coming months (Watson, 2010).

Research Objective

This report presents findings from a survey of law enforcement executives regarding their perceptions, attitudes, and beliefs on the emerging growth of Internet cafés and sweepstakes operations. In addition, this study analyzes data on the prevalence of these establishments and on the amount of reported and perceived criminal activity both inside
and outside of these establishments. Opinions regarding the legality of these operations as well as barriers to effective regulation and proposed legislation were also solicited in an effort to portray how the state's law enforcement executives perceive and respond to Internet sweepstakes cafés.

Methods

Survey Instrument
A twenty-five item questionnaire was developed with questions derived from prior research studies as well as the authors' discussions with criminal justice practitioners and other researchers who have investigated the issue of Internet gambling and gaming. The survey questions sought to elicit respondent viewpoints, attitudes, and beliefs regarding Internet gambling and its legality. The authors used a five-point Likert scale to measure participants' perceptions on the extent to which these cafés should be regulated and the most effective methods for effecting regulation. Respondents were also asked to describe and provide data on the number of cafés within their respective jurisdictions, the nature and types of criminal activities and nuisance-related behaviors occurring at and around the cafés, and the extent to which their agencies had made efforts to investigate and/or to close down these establishments and the reasons for these efforts.

Those respondents whose agencies had conducted investigations were also asked to supply data on barriers or obstacles that either hinder or prevent successful investigations and how these could be alleviated or at least minimized in the future. Survey participants were provided with the opportunity through a series of open-ended questions to espouse their opinions on how to manage these operations most effectively from both a legislative and law enforcement perspective and to offer any other ideas and comments about Internet cafés and how these businesses affect their communities.

Survey Sample
All local law enforcement agencies in the state of North Carolina were included in the sampling universe with the exception of universities, company and special police departments, and two sheriffs’ offices. These were excluded because their respective patrol jurisdictions did not include any Internet cafés or gambling locations or, in the case of the two sheriffs’ offices, they did not provide routine patrol coverage and response services as these were provided by city or county police agencies. State agencies, such as the Highway Patrol, were not included as the regulation or investigation of Internet cafés does not fall within their normal mission or statutory enforcement mandate. The state’s Alcohol Law Enforcement Division, which does investigate illegal gambling and
prohibited video poker machines, was not included as the focus of this study was the local community and not an entire region or the state as a whole.

Two separate sampling frames were compiled, with the sheriffs list containing 98 agencies and the local police list containing 347 distinct agencies that were eligible for inclusion in the sample and for possible survey distribution and completion. Each list was divided into quartiles based on the median population or number of residents within the agency’s patrol jurisdiction for the sheriffs’ offices and local police departments, respectively. The median population coverage for the state’s sheriffs’ offices was 32,411 residents. This includes only those individuals residing in the county, i.e., outside the city limits. Thus the smallest quartile ranged from 4,290 citizens to 17,907. The second quartile included those offices having jurisdiction over a population of 18,647 to the sample median of 32,411. The third group ranged from the median to 55,653 citizens, with the fourth quartile including those sheriffs’ offices that provide law enforcement patrol services to larger counties with populations of between 59,251 and the group high population of 181,573.

The smallest quartile for the local police list included agencies providing patrol coverage for cities ranging from the group low of 88 to 1,168 citizens. The second quartile included agencies providing coverage for cities and towns with populations between 1,169 to the median of 2,975. The third quartile included police departments from populations of 2,801 to 8,261. The fourth quartile included agencies that provide patrol coverage for cities with populations of between 8,262 and the group high of 728,755.

By using a standard sample size calculator or estimator, with a 5% margin of error and confidence intervals set at 95%, the researchers determined that the study sample to receive a copy of the questionnaire in the mail would comprise 78 sheriffs’ offices, or roughly 20 from each population coverage quartile or strata, and 183 local police departments, or approximately 46 from each quartile. Disproportionate stratified sampling was preferred as the researchers’ preliminary investigation, and discussions suggested that Internet cafés would be located primarily in mid- to large-sized geographic areas. Consequently, disproportionate stratified sampling would ensure the inclusion of a greater number of agencies providing coverage for these cities and towns versus proportionate sampling based on population, which would have, given the state’s rural nature, resulted in the inclusion of far more smaller jurisdictions, which probably do not have as many Internet cafés. Agencies were randomly selected from each quartile until the appropriate and required number was obtained for each of the two law enforcement group samples.
**Results and Analysis**

A total of 113 surveys were completed and returned by the respondents of the 261 different agencies selected to receive the survey, producing a study response rate of 43%. Of this number, 31 or 27% were submitted by respondents from the state’s sheriffs' offices with the remaining 82 or 73% returned by participants from the state’s police agencies. These responding agencies were located in 63 of the state’s 100 counties. The majority of these agencies were located in the coastal region of the state with 54 (48%) surveys returned by respondents from this area. Respondents from the Piedmont region submitted 41 (36%) surveys with the remaining 18 (16%) coming from agencies in the mountain region.

Survey responses indicated that a total of 359 Internet sweepstakes cafés were in operation within the 63 counties for which data were provided. Of the total number of responding agencies, 66 or 58% reported having sweepstakes cafés within their jurisdiction. Of these 66 agencies, those reporting one café comprised the largest percentage of responding agencies (33%) followed by agencies reporting two cafés (22%) and agencies reporting three cafés (18%). The remaining agencies (27%) reported having more than four cafés in their respective jurisdictions. The average number of cafés, per jurisdiction, was slightly more than five ($M = 5.7$).

**Investigations**

Respondents from the surveyed agencies were asked to provide information relating to the types of investigations and any difficulties surrounding these investigations relative to Internet sweepstakes cafés. Of the 66 responding law enforcement agencies with cafés in their jurisdictions, 25 or 37.9% reported prior and or current investigations of these businesses with activities ranging from illegal gambling and alcohol to robbery and citizen complaints. Per agency, of the 47 reporting police agencies, 20 or 42.6% reported investigations of these businesses. Of these numbers, 48% of police agencies expressed difficulty with their investigations and attributed these difficulties to several causes, including, but not limited to, owner reluctance, the limitation or vagueness of current state statutes, previous court decisions and injunctions, and the absence of state guidance or cooperation. Based on those investigations, respondents reported that two sweepstakes cafés were shut down for illegal gambling. Of the 19 sheriffs’ offices, 5 or 26.3% reported investigations relating to illegal gambling and fraud. Five agencies also reported difficulty performing investigations, voicing similar concerns of police agencies.

As Table 1 depicts, the most commonly occurring investigation was for the suspicion of illegal gambling, which accounted for 13 or 27.1% of the total investigations. Five drug-
related investigations (10.4%) were reported as well as five alcohol-related cases (10.4%). Ten percent of the total investigations were also for fraud-related offenses. Slightly more than 8% of the investigations were for robbery and larceny-theft. Other investigations involved zoning violations, loitering, and drunk and disorderly patrons.

Table 1. Law Enforcement Investigations by Agency Type

<table>
<thead>
<tr>
<th>Offense Investigated</th>
<th>Police</th>
<th>Sheriff</th>
<th>Total Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illegal Gambling</td>
<td>9</td>
<td>4</td>
<td>13</td>
<td>27.1</td>
</tr>
<tr>
<td>Drug Related</td>
<td>5</td>
<td>0</td>
<td>5</td>
<td>10.4</td>
</tr>
<tr>
<td>Illegal Alcohol</td>
<td>4</td>
<td>1</td>
<td>5</td>
<td>10.4</td>
</tr>
<tr>
<td>Fraud</td>
<td>4</td>
<td>1</td>
<td>5</td>
<td>10.4</td>
</tr>
<tr>
<td>Robbery/Larceny</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td>8.3</td>
</tr>
<tr>
<td>Money Laundering</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>6.3</td>
</tr>
<tr>
<td>Other</td>
<td>11</td>
<td>2</td>
<td>13</td>
<td>27.1</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>10</td>
<td>48</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Reported Crime Statistics

Responding to two questions relating to crimes occurring inside the café and outside on the café property, law enforcement agencies were asked to describe the level of crime as having “increased” “stayed the same,” or “decreased.” Twelve or 18.8% of the total number of reporting agencies reported that crime levels increased inside these businesses compared with reports from 52 or 81.3% of agencies that responded that crime levels stayed the same. Crime on the premise was reported to have increased by 17 or 26.6% of the responding agencies compared with 47 or 73.4% reports that maintained that crime levels remained constant. No agencies reported crime as decreasing on the premise or inside of these businesses. Two agencies did not complete this question; thus, percentages reported throughout reflect a valid percentage calculated to exclude missing responses.

Four or 8.9% of the police department respondents cited an increase in crime versus 41 or 91.1% who responded that crime levels stayed the same inside of these businesses. Regarding crime occurring on the premises outside these businesses, 10 police agencies (22.2%) reported an increase in crime versus 35 or 77.8% who maintained that crime has stayed the same.
Eight or 42.1% of participants from the responding sheriffs’ offices reported crime inside these businesses to have increased versus 11 or 57.9% who maintained that crime levels have stayed the same. Seven or 36.8% of these officers reported crime to have increased on the outside premises versus 12 or 63.2% who maintained that crime has stayed the same.

Nearly three-fourths of those agencies with cafés in their areas reported having received complaints or calls for service. The most frequent call related to robbery of these cafés and/or their patrons with 16 agencies (34.8%) reporting this offense at or inside a café. The second most common offense for which complaints or calls for service were initiated was larceny-theft (17.4%) followed by drug- and weapon-related offenses (10.9%). Other offenses included assault/murder (6.5%), gambling addiction related problems (21.7%), and fraud (8.7%). (As respondents were able to answer for multiple offenses, totals do not equal 100 percent.) Refer to Table 2 for a complete list of all reported offenses. Thirty-seven percent of the respondents noted an increase in nuisance-related complaints either within or on the premises of these establishments.

Table 2. Reported Complaints and Calls for Service

<table>
<thead>
<tr>
<th>Offense</th>
<th>Number of Responding Agencies</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robbery</td>
<td>16</td>
<td>34.8</td>
</tr>
<tr>
<td>Gambling Addiction</td>
<td>10</td>
<td>21.7</td>
</tr>
<tr>
<td>Larceny–theft</td>
<td>8</td>
<td>17.4</td>
</tr>
<tr>
<td>Drug/Weapon Violations</td>
<td>5</td>
<td>10.9</td>
</tr>
<tr>
<td>Underage Gambling</td>
<td>4</td>
<td>8.7</td>
</tr>
<tr>
<td>Fraud</td>
<td>4</td>
<td>8.7</td>
</tr>
<tr>
<td>Assault/Murder</td>
<td>3</td>
<td>6.5</td>
</tr>
<tr>
<td>Money laundering</td>
<td>1</td>
<td>2.2</td>
</tr>
<tr>
<td>Total</td>
<td>51</td>
<td></td>
</tr>
</tbody>
</table>

*Note.* The percentages do not equal 100 as each offense type was treated as a separate variable.

More than three-fourths (83.3%) of the 41 survey participants who responded to the question regarding owner involvement were uncertain about the level of criminal involvement on the part of Internet café owners and employees. Seven respondents noted that the owners and employees were not involved.
Opinions

Participants were asked to rank from 1 (least effective) to 5 (most effective) the effectiveness of 10 possible solutions to managing Internet sweepstakes cafés (see Table 3). Prohibiting cafés was ranked as the most effective solution as indicated by a mean score of 4.2, followed by taxing these businesses ($M = 3.4$), employing local license and fee structures ($M = 3.2$), and other types of regulation. Surveillance, re-zoning, and implementing age restrictions and hours of operation controls were ranked as the least effective means of managing Internet cafés.

Table 3. Mean Effectiveness Ratings for Internet Café Regulation and Management Strategies

<table>
<thead>
<tr>
<th>Management Strategy</th>
<th>Number of Respondents</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prohibit/ Ban</td>
<td>56</td>
<td>4.2</td>
</tr>
<tr>
<td>Taxation</td>
<td>54</td>
<td>3.4</td>
</tr>
<tr>
<td>License/Fees</td>
<td>54</td>
<td>3.2</td>
</tr>
<tr>
<td>Regulate</td>
<td>56</td>
<td>3.2</td>
</tr>
<tr>
<td>Age Restrictions</td>
<td>54</td>
<td>2.9</td>
</tr>
<tr>
<td>Moratorium</td>
<td>53</td>
<td>2.9</td>
</tr>
<tr>
<td>Hours of Operation</td>
<td>54</td>
<td>2.8</td>
</tr>
<tr>
<td>Patron ID</td>
<td>55</td>
<td>2.8</td>
</tr>
<tr>
<td>Property Surveillance</td>
<td>52</td>
<td>2.7</td>
</tr>
<tr>
<td>Re-Zone</td>
<td>54</td>
<td>2.7</td>
</tr>
</tbody>
</table>

*Note. 1 = Least Effective 5 = Most Effective.*

Based on responses regarding the legality of Internet sweepstakes cafés, more than half (66.7%) of the responding law enforcement agencies whose officers responded to the question disagreed that these businesses are legal and thought the operation of these establishments does violate state law. Thirty-two (48.5%) respondents strongly disagreed that Internet sweepstakes cafés are legal under the current statutes compared with 12 (18.2%) who somewhat disagreed. Only 14 respondents thought that these cafés are legitimate (21.2%) with 8 (12.1%) remaining neutral about the legality of these gaming businesses.

When asked whether taxation of Internet cafés was an appropriate way to reduce the state's budget deficit, the 65 respondents who answered this question were clearly mixed on this issue with 23 survey participants (35.4%) disagreeing that this would mitigate the
current budget crisis. Slightly more than one-quarter remained neutral on this issue (27.7%) with the remaining 24 (36.9%) either strongly or somewhat agreeing that taxation was a viable option.

Responses to recent court rulings and injunctions in several counties were solicited from law enforcement agencies; 38 (58.5%) respondents said they strongly disagreed with recent court rulings favoring Internet sweepstakes cafés as opposed to 3 respondents who indicated they agreed and 7 respondents who indicated they strongly agreed with recent court rulings (15.4%). Less than 15% of the respondents were neutral on this issue.

Court interference in enforcement elicited strong responses from law enforcement. Most respondents agreed that court rulings interfere with enforcement in regard to Internet sweepstakes cafés. Thirty-four or 52% of the responding officers strongly agreed that the court interferes with enforcement as opposed to 4 or 6.2% who strongly disagreed. Less than 20% were neutral when asked about court interference.

Cross-Jurisdictional Comparisons of Responses
In an effort to assess whether substantial or significant differences exist between those respondents who have authority over jurisdictions with a sizeable number of Internet cafés contrasted with participants who reside in areas with fewer cafés, the sample was divided into two groups by using a mean split. The mean number of reported cafés was 5.7; thus, the low café group consisted of respondents from areas with fewer than six cafés, while responses from survey participants from areas with six or more cafés were classified as belonging to the high café group.

While the raw data or frequency counts suggest that investigating gambling at Internet cafés is three times more likely to occur in jurisdictions with a low number of cafés, no significant differences were found to exist between the two groups in terms of investigating these cafés (p = .371). Law enforcement agencies did not differ in terms of initiating investigations based upon the prevalence of cafés in their respective jurisdictions: It appears that the number of cafes has no bearing on the initiation of an investigation. Agencies with a large number of cafés did not differ from agencies in areas with a low number of Internet cafés.

These agencies also did not differ significantly in terms of the level of criminal activity within the Internet cafés with both groups more likely to report that crime has remained the same inside the cafés since they opened (p = .081). However, significant differences were found to exist between the groups when discussing the reported level of criminal activity outside of the businesses with respondents from areas with fewer than the mean...
number of cafés significantly reporting a greater increase of criminal activity on the café premises than those respondents from areas with a high number of cafés ($p = .018$).

Analyzing complaints and calls for service by type of criminal activity only yielded one significant difference between those respondents from areas with a low number of cafés compared with those respondents from areas with a higher number of Internet cafés. The number of respondents from the low café group reporting no robbery complaints was more than three times greater than the number of respondents from the high group reporting no robbery complaints ($p = .017$). Thus robbery appears to become more problematic as the number of cafés within a city or county increases. While not approaching statistical significance, the two groups did differ substantially in terms of citizen-initiated complaints with these events reported as occurring more frequently in jurisdictions with fewer than the mean number of cafés ($p = .077$). This may indicate a small-town policing phenomenon where citizens are more likely to know law enforcement officers personally and more likely to initiate contact when a problem occurs.

Results indicated that respondents from the two groups differed significantly in terms of their viewpoints surrounding the taxation of Internet cafés. Respondents with fewer cafés in their respective jurisdictions were significantly more likely to agree that taxation is an effective means for lowering the state’s budget deficit ($p = .002$). Perceptions on the legality of Internet cafés did not differ significantly with respondents overwhelmingly

Table 4. Mean Effectiveness Ratings by Café Group

<table>
<thead>
<tr>
<th>Management Strategy</th>
<th>Low Café Group</th>
<th>High Café Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prohibit</td>
<td>4.1</td>
<td>4.7</td>
</tr>
<tr>
<td>Re-Zone</td>
<td>2.9</td>
<td>2.2</td>
</tr>
<tr>
<td>Taxation</td>
<td>3.3</td>
<td>3.1</td>
</tr>
<tr>
<td>Regulate</td>
<td>3.4</td>
<td>3.6</td>
</tr>
<tr>
<td>Patron ID</td>
<td>3.0</td>
<td>1.9*</td>
</tr>
<tr>
<td>Hours of Operation</td>
<td>2.9</td>
<td>2.6</td>
</tr>
<tr>
<td>Surveillance</td>
<td>2.9</td>
<td>2.1</td>
</tr>
<tr>
<td>Moratorium</td>
<td>3.0</td>
<td>2.8</td>
</tr>
<tr>
<td>Age Restrictions</td>
<td>2.0</td>
<td>2.6</td>
</tr>
<tr>
<td>Licenses &amp; Fees</td>
<td>3.4</td>
<td>2.8</td>
</tr>
</tbody>
</table>

* $p < .05$
agreeing that these establishments are illegal based on their interpretation of the state’s statute banning video poker. Respondents viewed Internet cafés as illegal regardless of the number of such businesses in their respective jurisdictions ($p = .448$).

A series of $t$-tests were conducted to compare respondents from the low and high café jurisdictions on their perceptions regarding the most effective measures or policies for managing Internet gambling businesses. As Table 4 depicts, the perceived effectiveness rankings did not differ significantly by group with the exception of requiring documentation and photo identification of café patrons. This form of regulation and management was significantly more likely to be rated as effective by those respondents from the low café group ($t = 2.21$, $df = 16.08$; $p = .036$).

**Discussion and Conclusion**

This study documents the existence of criminal and illegal behaviors at or near a random selection of Internet sweepstakes cafés. While further research is needed to track the prevalence and incidence of these crimes precisely, the exploratory data this paper presents reveal that both police and sheriffs’ offices have responded to calls for service and citizen complaints at these establishments for violent, nonviolent, and nuisance-related offenses. Thus criminal activity does occur at these types of businesses, which suggests that proponents of these gambling establishments are not completely correct in arguing that these are family-friendly and crime-free areas. While the majority of the respondents did not describe serious increases in the number and types of criminal activity at or near these cafés, the data do indicate that many law enforcement agencies have scrutinized these cafés with a watchful eye as slightly more than one-third of the survey participants also reported ongoing or completed criminal investigations of these cafés.

Findings in this study are consistent with previous claims by academics and law enforcement executives associating crime with online gambling and Internet sweepstakes cafés. Findings in this study were consistent with previous research by Franklin (2001), Manter (2003), and Conon (2009), who all associate online gambling operations with violent and nonviolent crime such as robbery or theft. This research is also consistent with the work of Chen et al. (2005) who found that theft and robbery were far more frequent than charges related to fraud when discussing Internet café related criminal activity.

Law enforcement perceptions and opinions regarding the legality of these cafés is consistent with the prior literature, media accounts, and anecdotal evidence as the commonly held assumption that law enforcement opposes Internet gaming was found to exist among 67% of the respondents. Further support can be found in the fact that outright prohibition was rated as the most effective means for managing these establishments.
The majority of the respondents also expressed viewpoints that recent court rulings and injunctions protecting the legitimacy of Internet gambling parlors or businesses hindered their investigative and order-maintenance abilities.

Study findings indicate few differences in the types of criminal activities, law enforcement perceptions, and management practices based on the number of Internet cafés within a jurisdiction. Significant differences were found to exist when discussing levels of criminal activity outside of the cafés with participants from areas with fewer cafés reporting a greater increase in all types of crime occurring on the outside of the café. Robbery complaints were found to vary significantly by number of Internet cafés with respondents from areas with a large number of cafés reporting more of these complaints. Both groups agreed that Internet cafés are illegal under current state statutes, while those from areas with fewer cafés were slightly (significantly) more likely to view taxation of these businesses in a more favorable light. These respondents were also more likely to prefer requiring café patrons to present proper and valid photo identification as a means of regulating and controlling these businesses.

Manter (2003) and Conon (2009) project that as the number of individual bettors who participate in unregulated or prohibited Internet gambling increases, a concurrent reduction will occur in tax revenues from legitimate gambling operations, such as the state lottery. The increase in the number of illegal bettors may also contribute to an increase in problem gaming in the absence of safeguards to protect against gaming addiction and underaged gaming. This study did not find any support for increasing gambling addiction or underaged gambling as reported by law enforcement officials. While beyond the scope of this research, additional research should be conducted to ascertain the effects of Internet sweepstakes cafés on their patrons. Research should also be directed at determining whether individuals who frequent these establishments also participate in the state’s education lottery and/or engage in illegal sports betting or card playing, and, if so, how much time and money they expend on each of these activities.

Note

1. A modified version of this article was published previously by the North Carolina Governor’s Crime Commission online at http://www.ncgccd.org/pdfs/internet_cafe.pdf.

References


North Carolina General Statutes, G.S. § 14-306

North Carolina General Statutes, G.S. § 14-306.1A
Denning and Yearwood


