

NATIONAL INDIAN GAMING COMMISSION**25 CFR Part 542**

RIN 3141-AA11

Minimum Internal Control Standards

AGENCY: National Indian Gaming Commission.

ACTION: Proposed rule.

SUMMARY: Tribal casino operations are subject to risk of loss because of customer or employee access and potential access to cash and cash equivalents within a casino. Furthermore, for table game operations, individual transactions are not recorded as they occur and cash receipts are not precisely known until they are removed from the drop boxes and counted. In response to the inherent risks and the need for effective controls in tribal gaming operations, the Commission developed this rule to establish Minimum Internal Control Standards (MICS).

DATES: Submit comments on or before September 10, 1998.

A public hearing will be held at 9 a.m., August 26, 1998.

Submit requests to present oral testimony on or before August 19, 1998.

ADDRESSES: Mail comments and requests to testify to Comments on Proposed Rule on MICS, National Indian Gaming Commission, 1441 L St., NW, Suite 9100, Washington, D.C. 20005, Attn.: Mai Dinh. Comments and requests may also be sent by facsimile to 202-632-7066. The hearing will be held at Mystic Lake, 2400 Mystic Lake Boulevard, Prior Lake, MN 55372.

FOR FURTHER INFORMATION CONTACT: Mai Dinh, 202-632-7003.

SUPPLEMENTARY INFORMATION:**Background**

The Commission believes that the development and maintenance of strong internal controls are critical to the success of tribal casino operations. Other jurisdictions in the United States that engage in commercial gaming have established MICS for the gaming operations within their jurisdiction. The Commission recognizes that many tribes have established strong MICS for their gaming operation, in large part due to the efforts of the National Indian Gaming Association and the National Congress of American Indians. Some tribes, however, have not established MICS or adequate MICS. Thus, the Commission concluded that, to assure the integrity of Indian gaming, all tribes must establish internal controls.

Therefore, as the federal regulatory agency responsible for oversight of Indian gaming, the Commission decided to develop and promulgate regulations on MICS.

In an effort to include the public, especially those directly involved in the industry, the Commission took steps to obtain input from several sources. On March 5, 1998, the Commission published an Advanced Notice of Proposed Rulemaking in the **Federal Register** soliciting comments from the public concerning the MICS. The Commission held a hearing on this subject in Portland, Oregon, on April 1, 1998. The Commission also established an Advisory Committee comprised wholly of elected tribal government officials or their designated tribal employees. The Commission received several useful comments from these sources which have been incorporated into this part.

Statutory Authority

25 U.S.C. 2702(2), 25 U.S.C. § 2706(b)(10).

Public Comments and Comments From the Advisory Committee

The Commission received several written and oral comments from the public, the hearing participants and the Advisory Committee. Several commenters and members of the Advisory Committee questioned the Commission's authority to promulgate this rule, especially as it pertains to class III gaming. The Advisory Committee, however, recognizes the need for stringent MICS.

The Commission believes that it has the authority to establish MICS for both class II and class III gaming. The Indian Gaming Regulatory Act granted broad authority to the Commission to "promulgate regulations and guidelines as it deems appropriate to implement the provisions of this Act." 25 U.S.C. 2706(b)(10) (emphasis added). The Commission has determined that it is appropriate and necessary to promulgate regulations on MICS to implement one of the stated purposes for IGRA which is "to ensure that the Indian tribe is the primary beneficiary of the gaming operation, and to assure that gaming is conducted fairly and honestly by both the operator and players." See *id.* at 2702(2). This authority is not limited to class II but also extends to class III.

One commenter questioned the use of the Commission's MICS in evaluating a tribe's petition for self-regulation for its class III gaming operation. The commenter believes that the Commission should compare a tribe's

MICS to that of the Mississippi Band of Choctaw Indian. It is premature to respond to that comment because the Commission has not published a proposed rule concerning self-regulation for class III gaming operations at this time.

One commenter suggested that the Commission engage in negotiated rulemaking in developing and promulgating this rule. The Commission determined that it did not have the resources necessary to undertake a negotiated rulemaking process and that such a process would not allow the promulgation of such regulations in a timely manner. The Commission, however, recognizes the need for public participation, especially tribal participation, in the development of this proposed rule. For that reason, the Commission solicited comments through the Advance Notice of Proposed Rulemaking and the hearing in Portland, Oregon, prior to drafting this proposed rule. The Commission also assembled an Advisory Committee comprised of tribal regulators and gaming employees to assist in reviewing and editing the draft proposed rule. The Commission also informally discussed the MICS with people in the Indian gaming industry who are knowledgeable about this subject. Public participation will continue through the comment period and a second hearing that the Commission will be holding in Minneapolis in August 1998.

Several commenters and members of the Advisory Committee expressed concern that the Commission's MICS may conflict with MICS established in a Tribal-State compact. Although the Commission does not anticipate that there will be any direct conflicts between the Commission's MICS and a Tribal-State compact MICS, the Commission recognizes that there may be a possibility of that occurrence. Thus, in section 542.4, the regulations state that in the event of a direct conflict, the Tribal-State compact MICS would prevail. This section does not mean that if a standard in this part is more stringent than the Tribal-State compact, then the Tribal-State compact standard would apply. Rather, if one standard is more stringent than another, the more stringent standard would apply. An example of a direct conflict is if a Commission standard mandates the internal audit department to perform a certain function and a Tribal-State compact standard mandates that the external auditor perform that same function, then the tribal MICS should mandate that the external auditor will perform that function. An example of one standard being more stringent than

another is if a Tribal-State compact standard requires two people to perform a function and a Commission standard requires three people to perform that same function, the tribal MICS should require that three people perform that function.

Members of the Advisory Committee also expressed concern that the promulgation of MICS may lead to an extension of state jurisdiction of Indian gaming into areas where they currently do not have jurisdiction. The Commission does not intend that these regulations grant or extend to states any jurisdiction or power in class II and class III gaming in any manner. Section 542.4 makes clear this intention.

Several commenters and members of the Advisory Committee suggested that the Commission develop separate MICS for class II and class III gaming. After careful consideration, the Commission decided that separate MICS were unnecessary and may lead to confusion. The proposed rule is organized by category of games such as bingo, keno, and table games, and by operating departments such as cage and credit, and auditing. The proposed rule, however, is not designed to classify the games into class II or class III. Rather, the MICS address the control issues related to the games. Thus, section 542.6 pertaining to pull tabs may be applicable to class II or class III gaming operations because pull tabs may be class II or class III depending on the nature and circumstances of the game being played. The Commission believes that the most effective method of tailoring the MICS for class II and/or class III operations is through the tribal MICS as provided for in section 542.3 of this part. Each tribe will adopt MICS which address the games that their operations offer.

In its Advance Notice of Proposed Rulemaking, the Commission asked for comments on tiering strategy. Several commenters suggested ways for tiering including gross revenues, net revenues, types of games offered, class of games offered, number of employees, square footage and location of the gaming operation. One commenter suggested that there be no tiering and that the MICS would apply to all gaming operations. The Commission decided that, given the range of Indian gaming operations, tiering was essential for the MICS to have the widest practical application. The Commission chose to tier by gross revenues because this approach appears to provide for the most universal application to the largest number of operators and because operational complexity tends to increase with increased levels of revenue. Also,

in other MICS that have a tiering approach such as Nevada's and the National Indian Gaming Association's, gross revenue is the basis for the tiering.

The Commission established three tiers. Tier A gaming operations are gaming operations with annual gross gaming revenues of no more than \$3 million. Tier B gaming operations are gaming operations with annual gross gaming revenues of more than \$3 million but not more than \$10 million. Tier C gaming operations are gaming operations with annual gross gaming revenues of more than \$10 million.

The Advance Notice of Proposed Rulemaking asked the public to comment on the deadline by which the tribes and the gaming operations must comply with this part. The suggestions from the commenters ranged from thirty days to two years. One commenter suggested that the deadline should be determined on a case by case analysis. The Commission decided that the tribes should establish the tribal MICS within six months of the effective date of this rule. The tribes will determine how long the gaming operation will have to come into compliance with the tribal MICS. That time, however, cannot exceed six months. A gaming operation must develop and implement an internal control system with the specified time. The internal control system must comply with the tribal MICS. In addition, the internal control system should provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Drafting Information

In drafting this proposed rule, the Commission examined the overall areas of casino control which include safeguarding assets, developing reliable financial records, providing for tribe specific or general authorization of transactions and authorization for access to assets. Additional key components of casino control include comparison of recorded accountability to actual assets at frequent intervals, proper segregation of duties, timely correction of errors by competent employees and adequate computer controls where automated systems are used.

The controls take several forms, such as procedures which require that documents be originated, checked and

processed with proper approvals. They also include physical safeguards, such as locked drop buckets and table drop boxes, secured count rooms and funds transport systems, equipment control, key controls, analysis of key statistical measures and trends, and the usage of meter readings. Surveillance systems and the organizational approach of people watching people are also key aspects of a well-developed control system among other factors.

In developing MICS, control standards in several existing gaming jurisdictions were evaluated. In actual practice, control systems and procedures vary from casino to casino and are typically developed based on the unique operating environment of a particular tribal gaming casino. For this reason, the Commission emphasizes that the MICS establish internal standards for the control of a tribal casino operation that are minimally required and at the same time provide operating latitude which allows for individual casinos' operating methods and control styles. For most tribal casino operations, actual operating practices and control standards will and should exceed the level of control established by this proposed rule.

The Commission realizes the possibility that some of the standards in the proposed rule may be too burdensome for some of the smallest gaming operations. To address this problem, the proposed rule includes a provision permitting the Tier A gaming operations to request a variance from a standard. The Commission, however, expects the gaming operation to first attempt to comply with all of the standards before seeking a variance. The Commission anticipates that it will grant a variance only after careful consideration and in isolated instances.

The MICS are not designed to address each and every game operated by tribal casinos. To provide MICS for all games would be nearly impossible. As a result, MICS have been developed for broad gaming categories such as table games and gaming machines. MICS have also been developed for widely operated games such as bingo, keno and gaming machines, as well as for key operating departments such as the cage and credit. For other games it is left to the tribes to develop their own specific controls.

The MICS are designed to permit and provide for controls in both manual and computerized systems. For tribe-authorized computer applications, alternative documentation and/or procedures which provide at least the level of control described by these standards will be acceptable.

Although most MICS contain currency transaction reporting standards, the Commission did not include any standards in this area because Indian gaming operations are already subject to the Bank Secrecy Act and the implementing regulations found in 31 CFR Part 103. This proposed rule references those regulations in section 542.3. The tribes must establish currency transaction reporting standards within their tribal MICS that are consistent with those regulations.

This proposed rule does not address the issue of classification of games and should not be interpreted to do so. As previously noted certain categories of games, pull-tabs for example, may be class II or class III depending on the circumstances. The pull tab standards will apply regardless of whether the game is class II or class III. If a particular game exhibits the characteristics that would be subject to a particular set of standards, then those standards apply regardless of which class the game is.

Public Participation

The Commission encourages and welcomes public comments on this proposed rule. The Commission will hold another hearing to discuss this proposed rule in Minneapolis on August 26, 1998.

Regulatory Flexibility Act

This proposed rule will not have a significant economic impact on a substantial number of small entities under the Regulatory Flexibility Act, 5 U.S.C. 601 *et seq.* Because many tribes already have MICS that are nearly as stringent, as stringent as or more stringent than those required by this proposed rule, it will not impose substantive requirements that could be deemed as impacts within the scope of the Act.

Paperwork Reduction Act

The Commission is in the process of obtaining clearance from the Office of Management and Budget (OMB) for the information collection requirements contained in this proposed rule, as required by 44 U.S.C. 3501 *et seq.* The information required to be obtained and maintained is identified in sections 542.5 to 542.17, and relates to the documentation of activities in connection with the operation of gaming operations. The information will be used to determine whether a gaming operation is in compliance with minimum internal control standards. Response is required to be in compliance with this proposed rule.

The Commission recognizes that many gaming operations have MICS that

are in compliance with this proposed rule or will require minimal effort to come into compliance. In computing the reporting burden and cost for this collection of information, the Commission factored this fact into its estimates. Public reporting burden for this collection of information is estimated to average 140 hours per gaming operation, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The Commission estimates that approximately 315 gaming operations will be affected by this proposed rule, for an annual burden of 44,100 hours. The Commission further estimates that the total annual cost to the regulated community will be \$4-4.5 million.

Send comments regarding this collection of information, including suggestions for reducing the burden to both, Mai Dinh, National Indian Gaming Commission, 1441 L Street N.W., Suite 9100, Washington, DC 20005; and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC 20503. The Office of Management and Budget (OMB) has up to 60 days to approve or disapprove the information collection, but may respond after 30 days; therefore public comments should be submitted to OMB within 30 days in order to assure their maximum consideration.

The Commission solicits public comment as to:

- a. whether the collection of information is necessary for the proper performance of the functions of the Commission, and whether the information will have practical utility;
- b. the accuracy of the Commission's estimate of the burden of the collection of information, including the validity of the methodology and assumptions used;
- c. the quality, utility, and clarity of the information to be collected; and
- d. how to minimize the burden of the collection of information on those who are to respond, including the use of appropriate automated electronic, mechanical, or other forms of information technology.

_____ An agency may not conduct, and a person is not required to respond to a collection of information unless it displays a currently valid OMB control number.

National Environmental Policy Act

The Commission has determined that this proposed rule does not constitute a major Federal action significantly affecting the quality of the human environment and that no detailed

statement is required pursuant to the National Environment Policy Act of 1969.

Larry Rosenthal,

Chief of Staff, National Indian Gaming Commission.

List of Subjects in 25 CFR Part 542

Gambling, Indian-lands. Indian-tribal government, Reporting and recordkeeping requirements.

For reasons stated in the preamble, the National Indian Gaming Commission proposes to amend 25 CFR by adding a new part 542 as follows:

PART 542—MINIMUM INTERNAL CONTROL STANDARDS

Sec.

- 542.1 What does this part cover?
- 542.2 What are the definitions for this part?
- 542.3 How do I comply with this part?
- 542.4 How do these regulations affect minimum internal control standards established in a Tribal-State compact?
- 542.5 What are the minimum internal control standards for bingo?
- 542.6 What are the minimum internal control standards for pull tabs?
- 542.7 What are the minimum internal control standards for card games?
- 542.8 What are the minimum internal control standards for manual keno?
- 542.9 What are the minimum internal control standards for computerized keno?
- 542.10 What are the minimum internal control standards for pari-mutuel wagering?
- 542.11 What are the minimum internal control standards for table games?
- 542.12 What are the minimum internal control standards for gaming machines?
- 542.13 What are the minimum internal control standards for cage and credit?
- 542.14 What are the minimum internal control standards for internal audit?
- 542.15 What are the minimum internal control standards for surveillance?
- 542.16 What are the minimum internal control standards for electronic data processing?
- 542.17 What are the minimum internal control standards for complimentary services or items?
- 542.18 Who may apply for a variance and how do I apply for one?
- 542.19 Does this part apply to charitable bingo operations?

Authority: 25 U.S.C. 2702(2), 2706(b)(10).

§ 542.1 What does this part cover?

This part establishes the minimum internal control standards for gaming operations on Indian land.

§ 542.2 What are the definitions for this part?

(a) The definitions in this section shall apply to all sections of this part unless otherwise noted.

(b) Definitions.

Accountability means all items of currency, chips, coins, tokens, receivables, and customer deposits constituting the total amount for which the bankroll custodian is responsible at a given time.

Accumulated credit payout means credit earned in a gaming machine that is paid to a customer manually in lieu of a machine payout.

Actual hold percentage means the percentage calculated by dividing the win by the drop or coin-in. Can be calculated for individual tables, games, shifts, day and on a cumulative basis.

AICPA means the American Institute of Certified Public Accountants.

Bank or bankroll means the inventory of currency, coins, and chips in the cage, pit area, and gaming machine booths and on the playing tables. Used to make change, pay winning bets, and pay gaming machine jackpots.

Betting station means the area designated in a race book that accepts and pays wagers to bettors.

Betting ticket means a printed, serially numbered form used to record the event upon which a wager is made, the amount and date of the wager, and sometimes the line or spread (odds). Used to record bets on sporting events.

Bill validator means a device that accepts and reads currency by denomination in order to accurately register customer credits at a gaming machine. Also referred to as a currency acceptor.

Bingo master card record means a record of all bingo cards purchased and used in bingo games.

Boxman means the first-level supervisor who is responsible for directly participating in and supervising the operation and conduct of the craps game.

Breakage means the difference between actual bet amounts paid out by a race track to bettors and amounts won due to bet payments being rounded up or down. For example a winning bet that should pay \$4.25 may be actually paid at \$4.20 due to rounding.

Cage means a secure work area within the gaming operation for cashiers and a storage area for the gaming operation bankroll.

Cage accountability form means an itemized list of the components that make up the cage accountability.

Cage credit means advances in the form of cash or gaming chips made to customers at the cage. Documented by the players signing an IOU or a marker similar to a counter check.

Cage marker forms means a document, usually signed by the customer evidencing an extension of

credit at the cage to the customer by the gaming operation.

Calibration module means the section of a weigh scale used to set the scale to a specific amount or number of coins to be counted.

Call bets means a wager made without money or chips, reserved for a known patron and includes marked bets (which are supplemental bets made during a hand of play). For the purpose of settling a call bet, a hand of play in craps is defined as a natural winner (e.g. seven or eleven on the come-out roll), a natural loser (e.g. a two, three or twelve on the come-out roll), a seven-out, or the player making his point, whichever comes first.

Card games means a game in which the gaming operation is not party to wagers and from which the gaming operation receives compensation in the form of a rake-off, a time buy-in, or other fee or payment from a player for the privilege of playing.

Card room bank means the operating fund assigned to the card room or main card room bank.

Cash-out ticket means an instrument of value generated by a gaming machine representing credits owed to a customer at a specific gaming machine. This instrument may be wagered at other machines by depositing in the machine document acceptor.

Change ticket means an instrument of value automatically generated when a cash-out ticket includes change that cannot be wagered on a \$1.00 and higher denomination machine. This instrument may be wagered at a lower denomination machine by depositing in the machine document acceptor.

Chip tray means container located on gaming tables where chips are stored that are used in the game.

Chips mean money substitutes, in various denominations, issued by a gaming establishment and used for wagering.

Coin in meter means the meter that displays the total amount wagered in a gaming machine which includes coins-in and credits played.

Coin room inventory means coins and tokens stored in the coin room that are generally used for gaming machine department operation.

Coin room vault means an area where coins and tokens used in the gaming machine department operation are stored.

Complementaries or *comps* means promotional allowances to customers.

Count means the total funds counted for a particular game, coin-operated gaming device, shift, or other period.

Count room means a room where the coin and cash drop from gaming

machines, table games or other games are transported to and counted.

Counter check means a form provided by the gaming operation for the customer to use in lieu of a personal check.

Credit means the right granted by a gaming operation to a patron to defer payment of debt or to incur debt and defer its payment.

Credit limit means the maximum dollar amount of credit assigned to a customer by the gaming operation.

Credit slip means a form used to record either:

(1) The return of chips from a gaming table to the cage or

(2) The transfer of IOUs, markers, or negotiable checks from a gaming table to a cage or bankroll.

Currency acceptor is the device that accepts and reads currency by denomination in order to accurately register customer credits at a gaming machine.

Currency acceptor drop means cash contained in currency acceptor drop boxes.

Currency acceptor drop box means box attached to currency acceptors used to contain currency received by currency acceptors.

Currency acceptor drop box release key means the key used to release currency acceptor drop box from currency acceptor device.

Currency acceptor drop storage rack key means the key used to release currency acceptor drop boxes from the storage rack.

Customer deposits means the amounts placed with a cage cashier by customers for the customers' use at a future time.

Deal-in pull tabs means the numerical sequence of all pull tabs in a specific pull tab game that are sold or available for sale to patrons.

Dealer/boxman means an employee who operates a game, individually or as a part of a crew, administering house rules and making payoffs.

Deskman means a person who authorizes payment of winning tickets and verifies pay-outs for keno games.

Document acceptor is the device integrated into each gaming machine that reads bar codes on coupons and cash-out tickets.

Draw ticket means a blank keno ticket whose numbers are punched out when balls are drawn for the game. Used to verify winning tickets.

Drop box means a locked container affixed to the gaming table into which the drop is placed. The game type, table number, and shift are indicated on the box.

Drop box contents keys means the key used to open drop boxes.

Drop box release keys means the key used to release drop boxes from tables.

Drop box storage rack keys means the key used to release drop boxes from the storage rack.

Drop bucket means a container located in the drop cabinet (or in a secured portion of the gaming machine in coinless/cashless configurations) for the purpose of collecting coins, tokens, cash-out tickets and coupons from the gaming machine.

Drop cabinet is the wooden or metal base of the gaming machine which contains the gaming machine drop bucket.

Drop in table games means the total amount of cash and chips contained in the drop box, plus the amount of credit issued at the table; drop in gaming machines means the total amount of money removed from the drop bucket; Drop in coinless/cashless gaming machines means the total amount of cash-out tickets and coupons removed from the drop bucket.

EPROM means erasable programmable read-only memory.

Earned and unearned take means race bets taken on present and future race events. Earned take means bets received on current or present events. Unearned take means bets take on future race events.

Fill means a transaction whereby a supply of chips or coins and tokens is transferred from a bankroll to a table or a coin-operated gaming device.

Fill slip means a document evidencing a fill.

Flare means the information sheet provided by the manufacturer that sets forth the rules at a particular game of breakopen tickets and that is associated with a specific deal of breakopen tickets. The flare shall contain the following information:

- (1) Name of the game;
- (2) Manufacturer name or manufacturer's logo;
- (3) Ticket count;
- (4) Prize structure, which shall include the number of winning breakopen tickets by denomination, with their respective winning symbols, numbers or both.

Floor pars means the sum of the theoretical hold percentages of all machines within a gaming machine denomination weighted by the coin-in contribution.

Future wagers means bets or races to be run in the future (e.g., Kentucky Derby).

Game openers and closers means the form used by gaming operation supervisory personnel to document the inventory of chips on a table at the beginning and ending of a shift.

Gaming machine means an electronic or electromechanical machine which contains a microprocessor with random number generator capability which allows a player to play games of chance, some of which may be affected by skill, which machine is activated by the insertion of a coin, token or currency, or by the use of a credit, and which awards game credits, cash, tokens, or replays, or a written statement of the player's accumulated credits, which written statements are redeemable for cash.

Gaming machine analysis report means a report prepared that compares theoretical to actual hold by gaming machine on a monthly or other periodic basis.

Gaming machine bill-in meter means a meter included on a gaming machine that accepts currency that tracks the number of bills put in the machine.

Gaming machine booths and change banks means a booth or small cage in the gaming machine area used to provide change to players, store change aprons and extra coin, and account for jackpot and other payouts.

Gaming machine count means the total amount of coins and tokens removed from a gaming machine drop bucket or bag. The amount counted is entered on the Gaming Machine Count Sheet and is considered the drop. Also, the procedure of counting the coins and tokens or the process of verifying gaming machine coin and token inventory.

Gaming machine count team means personnel that perform count of the gaming machine drop.

Gaming machine credit-in meter means a meter that records the amount wagered as a result of credits played.

Gaming machine drop cabinet means the stand that contains the drop bucket.

Gaming machine fill means the coins placed in a hopper.

Gaming machine fill and payout sheet means a list of the gaming machine fills and gaming machine payouts.

Gaming machine game mix means the type and number of games in a multiple game machine.

Gaming machine hopper loads means coins or tokens stored within a gaming machine used to make payments.

Gaming machine monitoring system means a system used by a gaming operation to monitor gaming machine meter reading activity on an online basis.

Gaming machine pay table means the reel strip combinations illustrated on the face of the gaming machine that can provide payouts of designated coin amounts.

Gaming machine weigh/count and wrap means the comparison of the

weighed gaming machine drop to counted and wrapped coin.

Gaming operation accounts receivable (gaming operation credit) means credit extended to gaming operation patrons in the form of markers, returned checks or other credit instruments that have not been repaid.

Hard drop summary report means a report prepared that shows the results of the gaming machine/drop weigh/count and wrap by denomination.

Hold means the relationship of win to coin-in for gaming machines and win to drop for table games.

Hub means the person or entity that is licensed to provide the operator of a race book information related to horse racing which is used to determine winners of races or payoffs on wagers accepted by the race book.

Inside ticket means a keno ticket retained by the house, showing the customers' selection of numbers and the amount wagered.

Internal audit means individuals who perform an audit function of a gaming operation that are independent of the department subject to audit. Independence is obtained through the organizational reporting relationship as the department shall not report to management of the gaming operation. Internal audit activities should be conducted in a manner that permits objective evaluation of areas examined. Results of audits are generally communicated to management. Audit exceptions generally require follow-up. Internal audit personnel may provide audit coverage to more than one operation within a tribes gaming operation holdings.

Issue slip means a copy of a credit instrument that is retained for numerical sequence control purposes.

Jackpot payout means the portion of a jackpot paid by gaming machine personnel. The amount is usually determined as the difference between the total posted jackpot amount and the coins paid out by the machine. May also be the total amount of the jackpot.

Jackpot payout slip means a form on which the portion of a jackpot paid by gaming machine personnel is recorded.

Keno locked box copy or restricted copy means copies of Keno tickets that are created for written tickets that cannot be accessed by Keno personnel.

Keno multi race ticket means a keno ticket that is played in multiple games.

Keno outstations means areas other than the main keno area where bets may be placed and tickets paid.

Lammer button means a type of chip that is placed on a gaming table to indicate that the amount of chips designated thereon has been given to the

customer for wagering on credit prior to completion of the credit instrument.

Main card room bank means a fund of currency, coin, and chips used primarily for poker and pan card game areas. Used to make even money transfers between various games as needed. May be used similarly in other areas of the gaming operation.

Marker means a document, usually signed by the customer, evidencing an extension of credit to him by the gaming operation.

Marker credit play means that players are allowed to purchase chips using credit in the form of a marker.

Marker inventory form means a form maintained at table games or in the gaming operation pit that are used to track marker inventories at the individual table or pit.

Marker issue slip means the copy of an original marker that is inserted in the table drop box at the time credit is extended.

Marker payment slip means the copy of the original marker used to document customer marker payment transactions. The payment slip is inserted in the table drop box if the marker is paid in the pit or attached to the original marker until the marker is paid.

Marker transfer form means a form used to document transfers of markers from the pit to the cage.

Master credit record means a form to record the date, time, shift, game, table, amount of credit given, and the signatures or initials of the individuals extending the credit.

Master game program number means the game program number listed on a gaming machine EPROM.

Master game report sheet means a form used to record, by shift and day, each table games' winnings and losses. This form reflects the opening and closing table inventories, the fills and credits, and the drop and win.

Mechanical/coin counter means a device used to count coins that may be used in a count room in lieu of a coin weigh scale.

Meter means an electronic (soft) or mechanical (hard) apparatus in a gaming machine. May record the number of coins wagered, the number of coins dropped, the number of times the handle was pulled, or the number of coins paid out to winning players.

Metered count machine means a device used in a coin room to count coins.

Multi-game machines means a gaming machine that includes more than one type of game option.

Name credit instruments means personal checks, payroll checks, counter checks, hold checks, travelers checks or

other similar instruments that are accepted in the pit as a form of credit issuance to a player.

Order for credit means a form that is used to request the transfer of chips from a table to the cage. The order precedes the actual transfer transaction which is documented on a credit slip.

Outs means winning race book tickets that have not been paid at the end of a shift.

Outside ticket means a keno ticket given to a customer as a receipt, with the customer's selection of numbers and the amount wagered marked on it.

Par percentage means the percentage of each dollar wagered that the house wins (i.e., gaming operation advantage).

Par sheet means a specification sheet for a gaming machine that provides machine hold percentage, model number, hit frequency, reel combination, number of reels, number of coins that can be accepted and reel strip listing.

Pari-mutuel book means a race book that accepts pari-mutuel wagers on horse races.

Pari-mutuel wagering means a system of wagering on a race or sport'ng event where the winners divide the total amount wagered, net of commissions and operating expenses, proportionate to the individual amount wagered.

Payment slip means that part of a marker form on which customer payments are recorded.

Pit podium means stand located in the middle of the tables used as a work space and record storage area for gaming operation supervisory personnel.

Pit repayment means a customer's repayment of credit at a table.

Pit supervisor means the employee who supervises all games in a pit.

Player tracking system means a system typically used in gaming machine departments that can record the gaming machine play of individual patrons.

Post time in horse racing means the time when the last horse has entered the starting gate.

Primary and secondary jackpots means promotional pools offered at certain card games that can be won in addition to the primary pot.

Progressive gaming machine means a gaming machine, with a payoff indicator, in which the payoff increases as it is played (i.e., deferred payout). The payoff amount is accumulated, displayed on a machine and will remain until a player lines up the jackpot symbols that result in the progressive amount being paid.

Progressive jackpots means deferred payout.

Progressive table game means table games that offer progressive jackpots.

Promotional payouts are generally personal property or awards given to players by the gaming operation as an inducement to play. Promotions vary but a promotion example might be a program developed where a player receives a form of personal property based on the number of games or sessions played.

Promotional progressive pots/pools means funds contributed to a table game by and for the benefit of players. Funds are distributed to players based on a predetermined event.

Proposition players means a person paid a fixed sum by the gaming operation for the specific purpose of playing in a card game who uses his own funds and who retains his winnings and absorbs his losses.

Rabbit ears means a device, generally V-shaped, that holds the numbered balls selected during a keno or bingo game so that the numbers are visible to players and employees.

Rake means a commission charged by the house for maintaining or dealing a game such as poker.

Rake circle means the area of a table where rake is placed.

Random number generator means a device that generates numbers in the absence of a pattern. May be used to determine numbers selected in various games such as keno and bingo. Also commonly used in gaming machines to generate game outcome.

Reel symbols means symbols listed on reel strips of gaming machines.

Rim credit means extensions of credit that are not evidenced by the immediate preparation of a marker and does not include call bets.

Runner means a gaming employee who transports chips/ cash to and from a gaming table to a cashier.

Screen Automated Machine or SAM means an automated terminal used in some race books to accept wagers. SAM's also pay winning tickets in the form of a voucher which is redeemable for cash at the race book.

Shift means any time period designated by management up to 24 hours.

Shill or game starter means an employee financed by the house and acting as a player for the purpose of starting or maintaining a sufficient number of players in a game.

Short pay means a payoff from a coin-operated gaming device that is less than the listed amount.

Sleeper means a winning keno ticket not presented for payment or a winning bet left on the table through a player's forgetfulness.

Soft count means the count of the contents in a drop box.

Table bank par means the chip imprest amount that a table bank is maintained at.

Table chip tray means a container used to hold coins and chips at a gaming table.

Table games means games that are banked by the house or a pool whereby the house or the pool pays all winning bets and collects from all losing bets.

Table inventory means the total coins, chips, and markers at a table.

Table opener and closer means the document where chips and funds held at a table are recorded when a table inventory is taken. Also known as table inventory form.

Take and total take means the amount of a bet or bets taken in by a pari-mutuel race book.

Theoretical hold means the intended hold percentage or win of an individual coin-operated gaming machine as computed by reference to its payout schedule and reel strip settings.

Theoretical hold worksheet means a worksheet provided by the manufacturer for all gaming machines which indicated the theoretical percentages that the gaming machine should hold based on adequate levels of coin-in. The worksheet also indicates the reel strip settings, number of coins that may be played, the payout schedule, the number of reels and other information descriptive of the particular type of gaming machine.

Tier A means gaming operations with annual gross gaming revenue of no more than \$3 million.

Tier B means gaming operations with annual gross gaming revenue of more than \$3 million but not more than \$10 million.

Tier C means gaming operations with annual gross gaming revenues of more than \$10 million.

Tokens means a coinlike money substitute, in various denominations, used for gambling transactions.

Total take means the total amount of funds bet by a customer on a specific race book ticket.

Vault means a secure area within the gaming operation where currency, coins, and chips are stored.

Weigh count means the value of coins and currency counted by a weigh machine.

Weigh scale calibration module means the device used to adjust a coin weigh scale.

Weigh scale interface means a communication device between the weigh scale used to calculate the amount of funds included in drop buckets and the computer system used to record the weigh data.

Weigh tape means the tape where weighed coin is recorded.

Wide area progressive gaming machine means gaming machines that make deferred payouts where individual machines are linked to machines in other operations and all the machines affect the progressive amount. As a coin is inserted into a single machine, the progressive meter on all of the linked machines increases.

Win means the new win resulting from all gaming activities. Net win results from deducting all gaming losses from all wins prior to considering associated operating expenses.

Win to write hold percentage means bingo or Keno win divided by write to determine hold percentage.

Wrap means the procedure of wrapping coins. May also refer to the total amount or value of the wrapped coins.

Write means the total amount wagered in keno, bingo, and race and sports book operations.

Writer means an employee who writes keno or race and sports book tickets. A keno writer usually also makes payouts.

Writer machine means a locked device used to prepare keno or race and sports book tickets.

§ 542.3 How do I comply with this part?

(a) Within six months of [EFFECTIVE DATE OF THE FINAL RULE], each tribe or its designated tribal governmental body or agency shall establish by regulation and implement tribal minimum internal control standards which shall:

(1) Be at least as stringent as those set forth in this part;

(2) Contain standards for currency transaction reporting that comply with 31 CFR part 103;

(3) Establish standards for new games which are not addressed in this part; and

(4) Establish a deadline, which shall not exceed six months, by which a gaming operation must come into compliance with the tribal minimum internal control standards.

(b) Tribal regulations promulgated pursuant to this section shall not be required to be submitted to the Commission pursuant to 25 CFR 522.3 (b).

(c) Each gaming operation shall develop and implement an internal control system that, at a minimum, complies with the tribal minimum internal control standards.

(d) The independent certified public accountant (CPA) shall annually evaluate the internal control system of the gaming operation and determine whether the system complies with the tribal minimum internal control standards. The CPA shall prepare a

report of the findings for the tribe and management. A copy of the report shall be submitted to the commission within 120 days of the gaming operation's fiscal year end.

§ 542.4 How do these regulations affect minimum internal control standards established in a Tribal-State compact?

(a) If an internal control standard or a requirement set forth in this part is more stringent than an internal control standard established in a Tribal-State compact, than the internal control standard or requirement set forth in this part shall prevail.

(b) If there is a direct conflict between an internal control standard established in a Tribal-State compact and a standard or requirement set forth in this part, then the internal control standard established in to a Tribal-State compact shall prevail.

(c) Nothing in this part shall grant or extend a state's jurisdiction in class II or class III gaming.

§ 542.5 What are the minimum internal control standards for bingo?

(a) Game play standards. (1) The functions of seller and payout verifier shall be segregated. Employees who sell cards on the floor shall not verify payouts with cards in their possession. Floor clerks who sell cards on the floor are permitted to announce the serial numbers of winning cards.

(2) All sales of bingo cards shall be documented by recording at least the following:

(i) Date;

(ii) Shift;

(iii) Session (if applicable);

(iv) Dollar amount;

(v) Signature or initials of at least one seller (if manually documented); and

(vi) Signature or initials of person independent of seller who has randomly verified the card sales (this requirement is not applicable to locations with \$1 million or less in annual write).

(3) The total write shall be computed and recorded by shift (and session, if applicable).

(4) The gaming operation shall develop and comply with procedures that insure the correct calling of numbers selected in the bingo game.

(5) Each ball shall be shown to a television camera immediately before it is called so that it is individually displayed to all patrons. For locations not equipped with cameras, each ball drawn shall be shown to an independent patron.

(6) For all coverage games and other games offering a payout of \$1,200 or more, as the balls are called the numbers shall be immediately recorded

by the caller and maintained for a minimum of 24 hours.

(7) Controls shall be present to assure that the numbered balls are placed back into the selection device prior to calling the next game.

(8) The authenticity of each payout shall be verified by at least two persons. A computerized card verifying system may function as the second person verifying the payout if the card with the winning numbers is displayed on a reader board.

(9) Payouts in excess of \$1,200 shall require written approval, by supervisory personnel independent of the transaction, that the bingo card has been examined and verified to the bingo card record to ensure that the ticket has not been altered.

(10) Total payout shall be computed and recorded by shift or session, if applicable.

(b) If the gaming operation offers promotional payouts or awards, the payout form/documentation shall include the following information:

(1) Date and time;

(2) Dollar amount of payout or description of personal property (e.g., jacket, toaster, car, etc.);

(3) Type of promotion; and

(4) Signature of at least one employee authorizing and completing the transaction.

(c) All funds used to operate the bingo department shall be recorded on an accountability form. These funds shall be counted by at least two persons and reconciled to the recorded amounts at the end of each shift or session.

(d) Access and control of bingo equipment shall be restricted as follows:

(1) Access to controlled bingo equipment (e.g., blower, balls in play, and back-up balls) shall be restricted to authorized persons.

(2) Procedures shall be established to inspect new bingo balls put into play as well as for those in use.

(3) Bingo equipment shall be maintained and checked for accuracy on a periodic basis.

(4) The bingo card inventory shall be controlled so as to assure the integrity of the cards being used as follows:

(i) Purchased paper shall be inventoried and secured by an individual independent from the bingo sales;

(ii) The issue of paper to the cashiers shall be documented and signed for by the inventory control department and cashier. The document log shall include the numerical sequence of the bingo paper;

(iii) A copy of the bingo paper control log shall be given to the bingo ball caller for purposes of determining if the

winner purchased the paper that was issued to the gaming operation that day;

(iv) At the end of each month an independent department shall verify the accuracy of the ending balance in the bingo paper control by counting the paper on-hand;

(v) Monthly the amount of paper sold from the bingo paper control log shall be compared to the amount of revenue for reasonableness.

(e) Data concerning bingo shall be maintained as follows:

(1) Records shall be maintained which include win, write (card sales), and a win-to-write hold percentage for:

(i) Each shift or each session;

(ii) Each day;

(iii) Month-to-date; and

(iv) Year-to-date or fiscal year-to-date.

(2) Non-bingo management shall review bingo statistical information at least on a monthly basis and investigate any large or unusual statistical fluctuations.

(3) Investigations shall be documented and maintained for Commission inspection.

(f) If the gaming operation utilizes electronic equipment in connection with the play of bingo, then the following standards shall also apply:

(1) If the electronic equipment contains a bill acceptor, then § 542.12(g) shall apply.

(2) If the electronic equipment uses a bar code or microchip reader, the reader shall be tested periodically by an entity independent of Bingo personnel to determine that it is correctly reading the bar code or the microchip.

(3) If the electronic equipment returns a voucher or a payment slip to the player, then § 542.12(u) (as applicable) shall apply.

(g) For any authorized computer applications, alternate documentation and/or procedures which provide at least the level of control described by the standards in paragraph (f) of this section will be acceptable.

(h) Standards for linked electronic games. (1) Host requirements/game information. (i) Providers of any linked electronic game(s) shall maintain complete records of game data for a period of one (1) year from the date the games are played (or a time frame established by the Tribe). This data may be kept in an archived manner, provided the information can be produced within 24 hours upon request. In any event, game data for the preceding 72 hours shall be immediately accessible;

(ii) Data required to be maintained for each game played includes:

(A) Date and time game start and game end.

(B) Sales information by location.

(C) Money distribution by location.

(D) Refund totals by location.

(E) Cards-in-play count by location.

(F) Identification number of winning card(s).

(G) Ordered list of bingo balls drawn.

(H) Prize amounts at start and end of game.

(2) Host requirements/sales information.

(i) Providers of any linked electronic game(s) shall maintain complete records of sales data for a period of one (1) year from the date the games are played (or a time frame established by the Tribe). This data may be kept in an archived manner, provided the information can be produced within 24 hours upon request. In any event, sales data for the preceding 10 days shall be immediately accessible. Summary information must be accessible for at least 120 days.

(ii) Sales information required shall include:

(A) Daily sales totals by location.

(B) Commissions distribution summary by location.

(C) Game-by-game sales, prizes, refunds, by location.

(D) Daily network summary, by game by location.

(3) Remote host requirements. (i) Linked game providers shall maintain online records at the remote host site for any game played. These records shall remain online until the conclusion of the session of which the game is a part. Following the conclusion of the session, records may be archived, but in any event, must be retrievable in a timely manner for at least 72 hours following the close of the session. Records shall be accessible through some archived media for at least 90 days from the date of the game;

(ii) Game information required includes date and time of game start and game end, sales totals, money distribution (prizes) totals, and refund totals;

(iii) Sales information required includes cash register reconciliations, detail and summary records for purchases, prizes, refunds, credits, and game/sales balance for each session.

(i) Standards for player accounts (for proxy play and linked electronic games). (1) Prior to participating in any game, players shall be issued a unique player account number. The player account number can be issued through the following means:

(i) Through the use of a point-of-sale (cash register device);

(ii) By assignment through an individual play station;

(iii) Through the incorporation of a "player tracking" media.

(2) Printed receipts issued in conjunction with any player account should include a time/date stamp.

(3) All player transactions shall be maintained, chronologically by account number, through electronic means on a data storage device. These transaction records shall be maintained online throughout the active game and for at least 24 hours before they can be stored on an "off-line" data storage media.

(4) The game software shall provide the ability to, upon request, produce a printed account history, including all transactions, and a printed game summary (total purchases, deposits, wins, debits, for any account that has been active in the game during the preceding 24 hours).

(5) The game software shall provide a "player account summary" at the end of every game. This summary shall list all accounts for which there were any transactions during that game day and include total purchases, total deposits, total credits (wins), total debits (cash-outs) and an ending balance.

§ 542.6 What are the minimum internal control standards for pull tabs?

(a) Standards for statistical reports. (1) Records shall be maintained which include win, write (sales) and a win to write hold percentage as compared to the theoretical hold percentage derived from the flare for:

- (i) Each shift;
- (ii) Each day;
- (iii) Month-to-date; and
- (iv) Year-to-date or fiscal year-to-date as applicable.

(2) Non Pull Tab management independent of pull tab personnel shall review statistical information at least on a monthly basis and shall investigate any large or unusual statistical fluctuations. These investigations shall be documented and maintained for inspection.

(3) Each month, the actual hold percentage shall be compared to the theoretical hold percentage. Any significant variations shall be investigated.

(b) Winning pull tabs shall be verified and paid as follows:

- (1) Payouts in excess of a dollar amount determined by the tribe shall be verified by at least two employees.
- (2) Total payout shall be computed and recorded by shift.
- (3) The winning Pull Tabs shall be voided so that they cannot be presented for payment again.

(c) Personnel independent of Pull Tab management shall verify the amount of winning Pull Tabs redeemed each day.

(d) Pull Tab inventory (including unused tickets) shall be controlled, so as to assure the integrity of the Pull Tabs.

(1) Purchased pull tabs shall be inventoried and secured by an individual independent from the pull tab sales.

(2) The issue of pull tabs to the cashier or sales location shall be documented and signed for by the inventory control department and the cashier or tribal official witnessing the fill. The document log shall include the serial number of the pull tabs.

(3) A copy of the pull tab control log shall be given to the redemption booth for purposes of determining if the winner purchased the pull tab that was issued by the gaming operation.

(4) At the end of each month, an independent department shall verify the accuracy of the ending balance in the pull tab control by counting the pull tabs on hand.

(5) Monthly, a comparison shall be done, of the amount of pull tabs sold from the pull tab control log to the amount of revenue recognized for reasonableness.

(e) Access to Pull Tabs shall be restricted to authorized persons.

(f) Transfers of Pull Tabs from storage to the sale location shall be secured and independently controlled.

(g) All funds used to operate the pull tabs game shall be recorded on an accountability form.

(h) For any authorized computer application, alternate documentation and/or procedures which provide at least the level of control described by the standards in this section will be acceptable.

(i) If the gaming operation utilizes electronic equipment in connection with the play of pull tabs, then the following standards shall also apply:

(1) If the electronic equipment contains a bill acceptor, then § 542.12(g) shall apply.

(2) If the electronic equipment uses a bar code or microchip reader, the reader shall be tested periodically to determine that it is correctly reading the bar code or microchip.

(3) If the electronic equipment returns a voucher or a payment slip to the player, then § 542.12(u) (as applicable) shall apply.

§ 542.7 What are the minimum internal control standards for card games?

(a) Standards for supervision. (1) Supervision shall be provided at all times the card room is in operation by personnel with authority equal to or greater than those being supervised.

(2) Transfers between table banks and the main card room bank (or cage, if a main card room bank is not used) shall be authorized by a supervisor and evidenced by the use of a lammer. (A

lammer is not required if the exchange of chips, tokens, and/or currency takes place at the table.)

(3) Transfers from the main card room bank (or cage, if a main card room bank is not used) to the table banks shall be verified by the card room dealer and the runner.

(4) If applicable, transfers between the main card room bank and the cage shall be properly authorized and documented.

(5) A rake shall be collected in accordance with the posted rules unless authorized by a supervisor.

(b) Standards for drop and count. The procedures for the collection of card games drop boxes and the count of the contents thereof shall comply with the internal control standards applicable to the pit drop boxes.

(c) Playing cards, both used and unused, shall be maintained in a secure location to prevent unauthorized access and reduce the possibility of tampering. Unused cards shall be maintained in a secure location until marked or destroyed to prevent unauthorized access and reduce the possibility of tampering. The tribe shall establish a reasonable time period within which to mark and remove cards from play which shall not exceed seven days. A card contact log shall be maintained that documents when cards are received on site, distributed to and returned from tables and removed from the gaming operation.

(d) Standards for reconciliation of card room bank. (1) The amount of the main card room bank shall be counted, recorded, and reconciled on at least a per shift basis.

(2) At least once per shift the table banks shall be counted, recorded, and reconciled by a dealer (or other individual if the table is closed) and a supervisor, and shall be attested to by their signatures on the check-out form.

(e) Standards for shills and proposition players. (1) Issuance of shill funds shall have the written approval of the supervisor.

(2) Shill returns shall be recorded and verified on the shill sign-out form.

(3) The replenishment of shill funds shall be documented.

(f) Standards for promotional progressive pots and pools. (1) All funds contributed by players into the pools shall be returned when won in accordance with the posted rules with no commission or administrative fee withheld.

(2) Rules governing promotional pools shall be posted, clearly legible from each table, and designate:

- (i) The amount of funds to be contributed from each pot;

(ii) What type of hand it takes to win the pool (e.g., what constitutes a "bad beat");

(iii) How the promotional funds will be paid out;

(iv) How/when the contributed funds are added to the jackpots; and

(v) Amount/percentage of funds allocated to primary and secondary jackpots, if applicable.

(3) Promotional pool contributions shall not be placed in or near the rake circle, in the drop box, or commingled with gaming revenue from card games or any other gambling game.

(4) Promotional funds removed from the card game shall be placed in a locked container in plain view of the public.

(5) Persons authorized to transport the locked container shall be precluded from having access to the contents keys.

(6) The contents key shall be maintained by a department independent of the card room.

(7) At least once a day, the locked container shall be removed by two individuals, one of whom is independent of the card games department, and transported directly to the cage or other secure room to be counted.

(8) If the funds are maintained in the cage, the contents shall be counted, recorded, and verified prior to accepting the funds into cage accountability.

(9) The amount of the jackpot shall be conspicuously displayed in the card room. At least once a day the progressive sign or meter, if applicable, shall be updated to reflect the current pool amount.

(10) At least once a day increases to the progressive sign/meter shall be reconciled to the cash previously counted or received by the cage.

(g) For any authorized computer applications, alternate documentation and/or procedures which provide at least the level of control described by the standards in this section will be acceptable.

§ 542.8 What are the minimum internal control standards for manual keno?

(a) Physical controls over equipment.

(1) The keno write and desk area shall be restricted to specified personnel (desk area is restricted to preclude writers from accessing inside tickets).

(2) Effective periodic maintenance shall be planned to service keno equipment.

(3) Keno equipment maintenance shall be independent of the keno function.

(4) Keno maintenance shall report irregularities to management personnel independent of keno, either in writing or verbally.

(5) Keno balls in use shall be safeguarded to prevent tampering. The gaming operation shall establish and comply with procedures for inspecting new keno balls put into play as well as for those being used.

(6) There shall be safeguards over electronic equipment to prevent access and/or tampering.

(b) Game play standards. (1) The individual controlling inside tickets shall:

(i) Be precluded from writing and making payouts, including during the writer's break periods; or

(ii) Have all winning tickets written by him with payouts exceeding \$100.00 verified, regraded, and compared to the inside ticket by another keno employee. Additionally, this individual writes tickets out of his own predesignated writer's station and bank (unless a community bank is used).

(2) At no time shall a keno game with annual write of greater than or equal to \$500,000 be operated by one person.

(3) Both inside and outside keno tickets shall be stamped with the date, ticket sequence number, and game number (as applicable to the system being used). The ticket shall indicate that it is multi-race (if applicable).

(4) The game openers and closers shall be stamped with the date, ticket sequence number, and game number. An alternative which provides the same controls may be acceptable.

(5) Controls shall exist to ensure that inside tickets have been received from outstations prior to calling of a game.

(6) Controls shall exist to prevent the writing and voiding of tickets after a game has been closed and the number selection process for the game has begun.

(7) A legible restricted copy of written keno tickets shall be created (carbonized locked box copy, microfilm, videotape, etc.) for, at a minimum, all winning tickets exceeding \$30.00. If there are no restricted copies of winning tickets of \$30.00 or less, then the desk person shall not write tickets.

(8) When it is necessary to void a ticket which contains the sequence number, the ticket shall be designated as "void" and initialed or signed by at least one person.

(c) Standards for number selection. (1) A camera shall be utilized to film the following both prior to, and subsequent to, the calling of a game:

(i) Empty rabbit ears;

(ii) Date and time;

(iii) Game number, and

(iv) Full rabbit ears.

(2) The picture of the rabbit ears on the camera shall provide a legible identification of the numbers on the balls drawn.

(3) Keno personnel shall produce a draw ticket as numbers are drawn, and such tickets contain the race number, numbers drawn, and date. The draw ticket shall be verified to the balls drawn by a second keno employee.

(4) A gaming operation shall establish and comply with procedures which prevent unauthorized access to keno balls in play.

(5) Back-up keno ball inventories shall be secured in a manner to prevent unauthorized access.

(6) A gaming operation shall establish effective procedures for inspecting new keno balls put into play as well as for those in use.

(d) Winning tickets shall be verified and paid as follows:

(1) All winning tickets shall be compared with the draw ticket by the writer before being paid, marked with evidence that the ticket was "paid" and marked with the amount of the payout.

(2) Payouts over a predetermined amount (not to exceed \$30.00) shall be verified by actual examination of the inside ticket.

(3) Wins over a specified dollar amount (not to exceed \$10,000 for locations with annual keno write in excess of \$5,000,000 and \$3,000 for all other locations) shall also require the following:

(i) Approval of management personnel independent of the keno department evidenced by their signature;

(ii) Examination of films of rabbit ears prior to and after the game is called to determine that the same numbers called were not left up from the prior game and to verify the accuracy of the draw ticket;

(iii) If necessary, film may be developed as soon as possible after payouts;

(iv) Regrading of the inside ticket and comparison of both the winning ticket presented for payment and the inside ticket to the restricted copy (machine copy, microfilm, videotape, etc.);

(v) Procedures described in this paragraph shall be documented for later verification and reconciliation by the keno audit process on a ball check form.

(e) A cash summary report (count sheet) shall be prepared for the end of every shift which includes:

(I) Computation of cash proceeds for the shift by bank (i.e., community bank or individual writer banks, whichever is applicable); and

(i) Signatures in ink of two employees who have verified the cash proceeds recorded in the above computation.

(f) Statistics shall be maintained as follows:

(1) Records shall be maintained which include (for each game) win, write, and win-to-write hold percentage for:

- (i) Each shift;
- (ii) Each day;
- (iii) Month-to-date; and
- (iv) Calendar or fiscal year-to-date, as applicable.

(2) Non-keno management shall review keno statistical information at least on a monthly basis and investigate any large or unusual statistical fluctuations.

(3) Such investigations shall be documented and maintained.

(4) The accounting department or someone who is independent of the keno writer and desk person, shall calculate and indicate in a summary report the total "write" by game and shift, total "payout" by game and shift, and the "win/loss" by game and shift.

(5) At a minimum, investigations shall be performed for statistical percentage fluctuations from the base level for a month in excess of $\pm 3\%$. The base level is defined as the gaming operations win percentage for the previous business year or the previous 12 months.

(g) Key control standards. (1) Keys to locked box tickets shall be maintained by a department independent of the keno function.

(2) The master panel, which safeguards the wiring that controls the sequence of the game, shall be locked at all times to prevent unauthorized access. Someone independent of the Keno department is required to accompany such keys to the Keno area and observe repairs or refills each time locked boxes are accessed.

(3) Master panel keys shall be maintained by a department independent of the keno function.

(4) Microfilm machine keys shall be maintained by personnel who are independent of the keno writer function.

(5) Someone independent of the keno writer function (e.g., a keno supervisor who doesn't write or someone independent of keno) shall be required to observe each time the microfilm machine is accessed by keno personnel.

(6) Keno equipment discussed in this section shall always be locked when not being accessed.

(7) All electrical connections shall be wired in such a manner so as to prevent tampering.

(8) Duplicate keys to the above areas shall be maintained independently of the keno department.

(h) Standards for keno audit. (1) The accounting department shall perform the various audit functions of keno and shall include verification on a sample

basis at least once a week of the total "write" by writer and shift (from inside tickets for microfilm or videotape system or from locked box copies for a writing machine system), the total "payout" by writer and shift, and the "win/loss" by writer and shift.

(2) Audit procedures may be performed up to one month following the transaction.

(3) Keno audit personnel shall foot write (either inside ticket or restricted copy) and payouts (customer copy) to arrive at an audited win/loss by shift.

(4) Keno audit personnel shall obtain an audited win/loss for each bank (i.e., individual writer or community). The keno audit function is independent of the keno department for the next five standards.

(5) The keno receipts (net cash proceeds) shall be compared with the audited win/loss by keno audit personnel.

(6) Major cash variances (i.e., overages or shortages in excess of \$25.00) noted in the comparison in paragraph (h) (5) of this section shall be investigated on a timely basis.

(7) On a sample basis (for at least one race per shift or ten races per week) keno audit personnel shall perform the following, where applicable:

(i) Regrade winning tickets utilizing the payout schedule and draw tickets and compare winning tickets (inside and outside) to restricted copies (locked box copy, developed microfilm, videotape, etc.) for 100% of all winning tickets of \$100.00 or greater and 25% of all winning tickets under \$100.00 for those races selected;

(ii) Either review sequential numbering on inside tickets (microfilm and videotape systems) to ensure that tickets have not been destroyed to alter the amount of write, or compute write from developed film and compare to write computed from inside tickets;

(iii) Review restricted copies for blank tickets and proper voiding of voids;

(iv) Ensure the majority of the races in the sample selected contain payouts in excess of \$100.00 but less than the amount established for the independent verification required by paragraph (d) (3) of this section.

(8) In addition to the audit procedures in paragraph (h) (7) of this section, when a keno game is operated by one person:

(i) At least 25% of all other winning tickets shall be regraded;

(ii) At least 10% of all tickets shall be traced to the restricted copy;

(iii) Film of rabbit ears shall be randomly compared to draw tickets for at least 25% of the races;

(9) The keno audit function shall be independent of the keno shift being audited when performing standards in paragraph (h) (7) (i), (ii), and (iii) of this section.

(10) Draw tickets shall be compared to rabbit ears film for at least five races per week with payouts which do not require draw ticket verification independent of the keno department. (The draw information may be compared to the rabbit ears at the time the balls are drawn provided it is done without the knowledge of keno personnel and it is subsequently compared to the keno draw ticket.)

(11) Documentation (e.g., logs, checklists, etc.) shall be maintained which shall evidence the performance of all keno audit procedures.

(12) Non-keno management shall review keno audit exceptions, perform investigations into unresolved exceptions and document results.

(13) Copies of all Keno tickets and the video tape of the rabbit ears shall be maintained for at least seven days.

(i) Standards for multi-race keno tickets. (1) Procedures are established to notify keno personnel immediately of large multi-race winners to ensure compliance with the standard in paragraph (d) (3) of this section.

(2) Controls exist to ensure that keno personnel are aware of multi-race tickets still in process at the end of a shift.

(j) For any authorized computer applications, alternate documentation and/or procedures that are at least at the level of control described by the standards in this section may be acceptable.

§ 542.9 What are the minimum internal control standards for computerized keno?

(a) Game play standards. (1) The computerized customer ticket shall include the date, game number, ticket sequence number, station number, and conditioning (including multi-race if applicable).

(2) Concurrently with the generation of the ticket the information on the ticket shall be recorded on a restricted transaction log or computer storage media.

(3) Keno personnel shall be precluded from access to the restricted transaction log or computer storage media.

(4) When it is necessary to void a ticket, the void information shall be inputted in the computer and the computer shall document the appropriate information pertaining to the voided wager (e.g., void slip is issued or equivalent documentation is generated).

(5) Controls shall exist to prevent the writing and voiding of tickets after a

game has been closed and after the number selection process for that game has begun.

(6) The controls in effect for tickets prepared in outstations (if applicable) shall be identical to those in effect for the primary keno game.

(b) The following standards shall apply if a rabbit ear system is utilized:

(1) A camera shall be utilized to film the following both prior to, and subsequent to, the calling of a game:

- (i) Empty rabbit ears;
- (ii) Date and time;
- (iii) Game number; and
- (iv) Full rabbit ears.

(2) The film of the rabbit ears shall provide a legible identification of the numbers on the balls drawn.

(3) Keno personnel shall immediately input the selected numbers in the computer and the computer shall document the date, the game number, the time the game was closed, and the numbers drawn.

(4) A gaming operation shall establish and comply with procedures which prevent unauthorized access to keno balls in play.

(5) Back-up keno ball inventories shall be secured in a manner to prevent unauthorized access.

(6) The gaming operation shall establish and comply with procedures for inspecting new keno balls put into play as well as for those in use.

(c) The following standards shall apply if a random number generator is utilized:

(1) The random number generator shall be linked to the computer system and shall directly relay the numbers selected into the computer without manual input.

(2) Keno personnel shall be precluded from access to the random number generator.

(d) Winning tickets shall be verified and paid as follows:

(1) The sequence number of tickets presented for payment shall be inputted into the computer, and the payment amount generated by the computer shall be given to the patron.

(2) A gaming operation shall establish and comply with procedures to preclude payment on tickets previously presented for payment, unclaimed winning tickets (sleepers) after a specified period of time, voided tickets, and tickets which have not been issued yet.

(3) All payouts shall be supported by the customer (computer-generated) copy of the winning ticket (payout amount is indicated on the customer ticket or a payment slip is issued).

(4) A manual report or other documentation shall be produced and

maintained documenting any payments made on tickets which are not authorized by the computer.

(5) Winning tickets over a specified dollar amount (not to exceed \$10,000 for locations with more than \$5 million annual keno write and \$3,000 for all other locations) shall also require the following:

(i) Approval of management personnel independent of the keno department, evidenced by their signature;

(ii) Review of the videotape or development of the film of the rabbit ears to verify the legitimacy of the draw and the accuracy of the draw ticket (for rabbit ear systems only);

(iii) Comparison of the winning customer copy to the computer reports;

(iv) Regrading of the customer copy using the payout schedule and draw information; and

(v) Documentation and maintenance of the procedures in this paragraph.

(6) When the keno game is operated by one person, all winning tickets in excess of an amount to be determined by management (not to exceed \$1,500) shall be reviewed and authorized by someone independent of the keno department.

(e) Check out standards at the end of each keno shift. For each writer station, a cash summary report (count sheet) shall be prepared that includes:

- (1) Computation of net cash proceeds for the shift and the cash turned in; and
- (2) Signatures of two employees who have verified the net cash proceeds for the shift and the cash turned in.

(f) If a gaming operation offers promotional payouts and awards, the payout form/documentation shall include the following information:

- (1) Date and time;
- (2) Dollar amount of payout or description of personal property (e.g., jacket, toaster, car, etc.);
- (3) Type of promotion; and
- (4) Signature of at least one employee authorizing and completing the transaction;

(g) Statistics shall be maintained as follows:

(1) Records shall be maintained which include win and write by individual writer for each day.

(2) Records shall be maintained which include (for each licensed game) win, write, and win-to-write hold percentage for:

- (i) Each shift;
- (ii) Each day;
- (iii) Month-to-date; and
- (iv) Year-to-date or fiscal year-to-date as applicable.

(3) Non-keno management independent from the keno personnel

shall review keno statistical data at least on a monthly basis and investigate any large or unusual statistical variances.

(4) At a minimum, investigations shall be performed for statistical percentage fluctuations from the base level for a month in excess of $\pm 3\%$. The base level shall be defined as the gaming operation's win percentage for the previous business year or the previous 12 months.

(5) Such investigations shall be documented and maintained.

(h) System Security Standards. (1) All keys (including duplicates) to sensitive computer hardware in the keno area shall be maintained by a department independent of the keno function.

(2) Someone independent of the keno department shall be required to accompany such keys to the keno area and shall observe changes or repairs each time the sensitive areas are accessed.

(I) A gaming operation shall comply with the following documentation standards:

(1) Adequate documentation of all pertinent keno information shall be generated by the computer system.

(2) This documentation shall be restricted to authorized personnel.

(3) The documentation shall include, at a minimum:

(i) Ticket information (as described in paragraph (a)(1) of this section);

(ii) Payout information (date, time, ticket number, amount, etc.);

(iii) Game information (number, ball draw, time, etc.);

(iv) Daily recap information which includes:

- (A) Write;
- (B) Payouts; and
- (C) Gross revenue (win);
- (v) System exception information,

including:

- (A) Voids;
- (B) Late pays; and
- (C) Appropriate system parameter information (e.g., changes in pay tables, ball draws, payouts over a predetermined amount, etc.); and
- (vi) Personnel access listing which includes at least:

- (A) Employee name;
- (B) Employee identification number; and
- (C) Listing of functions employee can perform or equivalent means of identifying same.

(j) Keno audit standards. (1) The keno audit function shall be independent of the keno department.

(2) At least annually, keno audit shall foot the write on the restricted copy of the keno transaction report for a minimum of one shift and compare the total to the total as documented by the computer.

(3) For at least one shift every other month keno audit shall perform the following:

(i) Foot the customer copy of the payouts and trace the total to the payout report; and

(ii) Regrade at least 1% of the winning tickets using the payout schedule and draw ticket;

(4) Keno audit shall perform the following:

(i) For a minimum of five games per week, compare the videotape/film of the rabbit ears to the computer transaction summary;

(ii) Compare net cash proceeds to the audited win/loss by shift and investigate any large cash overages or shortages (i.e., in excess of \$25.00);

(iii) Review and regrade all winning tickets greater than or equal to \$1,500, including all forms which document that proper authorizations and verifications were obtained and performed;

(iv) Review the documentation for payout adjustments made outside the computer and investigate large and frequent payments;

(v) Review personnel access listing for inappropriate functions an employee can perform;

(vi) Review system exception information on a daily basis for propriety of transactions and unusual occurrences including changes to the personnel access listing;

(vii) If a random number generator is used, then at least weekly review the numerical frequency distribution for potential patterns; and

(viii) Investigate and document results of all noted improper transactions or unusual occurrences.

(5) When the keno game is operated by one person:

(i) The customer copies of all winning tickets in excess of \$100 and at least 5% of all other winning tickets shall be regraded and traced to the computer payout report;

(ii) The videotape/film of rabbit ears shall be randomly compared to the computer game information report for at least 10% of the games during the shift;

(iii) Keno audit personnel shall review winning tickets for proper authorization pursuant to paragraph (d) (6) of this section.

(6) In the event any person performs the writer and deskman functions on the same shift, the procedures described in paragraphs (j)(5)(i) and (ii) of this section (using the sample sizes indicated) are performed on tickets written by that person.

(7) Documentation (e.g., a log, checklist, etc.) which evidences the performance of all keno audit procedures shall be maintained.

(8) Non-keno management shall review keno audit exceptions, and perform and document investigations into unresolved exceptions.

(9) When a multi-game ticket is part of the sample in Standards in paragraphs (j)(3)(ii), (j)(5)(i) and (j)(6) of this section, the procedures can be performed for 10 games or 10% of the games won, whichever is greater.

(k) Access to the computer system shall be adequately restricted (i.e., passwords are changed at least quarterly, access to computer hardware is physically restricted, etc.).

(l) There shall be effective maintenance planned to service keno equipment, including computer program updates, hardware servicing, and keno ball selection equipment (e.g., service contract with lessor).

(m) Keno equipment maintenance (excluding keno balls) shall be independent of the keno function.

(n) Keno maintenance shall report irregularities to management personnel independent of keno.

(o) All documents, including computer storage media discussed in this section shall be retained for five (5) years except for the following which shall be retained for at least seven (7) days:

(1) Videotape of rabbit ears;

(2) All copies of winning keno tickets of less than \$1,500.00; and

(3) The information required in paragraph (i)(3) of this section.

(p) Procedures shall be established to notify keno personnel immediately of large multi-race winners to ensure compliance with standards in paragraphs (d)(5)(i) through (v). Procedures shall be established to ensure that keno personnel are aware of multi-race tickets still in process at the end of a shift.

(q) For any authorized computer applications, alternate documentation and/or procedures which provide at least the level of control described by the standards in this section will be acceptable.

§ 542.10 What are the minimum internal control standards for pari-mutuel wagering?

(a) Betting ticket and equipment standards. (1) All pari-mutuel wagers shall be transacted through the pari-mutuel system. In case of computer failure between the pari-mutuel book and the hub, no tickets shall be manually written.

(2) Whenever a betting station is opened for wagering or turned over to a new writer/cashier, the writer/cashier shall sign on and the computer shall document gaming operation name,

station number, the writer/cashier identifier, and the date and time.

(3) A betting ticket shall consist of at least three parts:

(i) An original which shall be transacted and issued through a printer and given to the patron;

(ii) A copy which shall be recorded concurrently with the generation of the original ticket either on paper or other storage media (e.g., tape or diskette);

(iii) A restricted copy which shall not be accessible to book employees; and

(iv) For automated systems the second copy referred to in paragraph (a)(3)(ii) and the restricted copy referred to in paragraph (a)(3)(iii) may be retained within the automated system.

(4) Upon accepting a wager, the betting ticket which is created shall contain the following:

(i) An alpha-numeric ticket number;

(ii) Gaming operation name and station number;

(iii) Race track, race number, horse identification or event identification, as applicable;

(iv) Type of bet(s), each bet amount, total number of bets, and total take; and

(v) Date and time.

(5) All tickets shall be considered final at post time.

(6) If a book voids a betting ticket written prior to post time;

(i) A void designation shall be immediately branded by the computer on the ticket;

(ii) All voids shall be signed by the writer/cashier and the supervisor at the time of the void; and

(iii) A ticket may be voided manually by inputting the ticket sequence number and immediately writing/stamping a void designation on the original ticket.

(7) Future wagers shall be accepted and processed in the same manner as regular wagers.

(b) Payout standards. (1) Prior to making payment on a ticket the writer/cashier shall input the ticket for verification and payment authorization.

(2) The system shall brand the ticket with a paid designation, the amount of payment and date, or if a writer/cashier manually inputs the ticket sequence number into the computer, the writer/cashier shall immediately date stamp and write/stamp a paid designation on the patron's ticket.

(3) The computer shall be incapable of authorizing payment on a ticket which has been previously paid, a voided ticket, a losing ticket, or an unissued ticket.

(4) In case of computer failure, tickets may be paid. In those instances where system failure has occurred and tickets are manually paid, a log shall be maintained which includes:

(i) Date and time of system failure;
 (ii) Reason for failure; and
 (iii) Date and time system is restored.
 (5) A log for all manually paid tickets shall be maintained which shall include:

(i) An alpha-numeric ticket number;
 (ii) Gaming operation name and station number;
 (iii) Racetrack, race number has identification or event identification, as applicable;
 (iv) Type of bet(s), each bet amount, total number of bets and total take;
 (v) Date and time.
 (6) All manually paid tickets shall be entered into the computer system as soon as possible to verify the accuracy of the payout (this does not apply to purged, unpaid winning tickets). All manually paid tickets shall be regraded as part of the end-of-day audit process should the computer system be inoperative.

(c) Checkout standards. (1) Whenever the betting station is closed or the writer/cashier is replaced, the writer/cashier shall sign off and the computer shall document the gaming operation name, station number, the writer/cashier identifier, the date and time, and cash balance.

(2) For each writer/cashier station a summary report shall be completed at the conclusion of each shift including:

(i) Computation of cash turned in for the shift; and

(ii) Signatures of two employees who have verified the cash turned in for the shift.

(d) Pari-mutuel book employees shall be prohibited from wagering on race events while on duty, including during break periods and from wagering on race events occurring while the employee is on duty.

(e) Computer reports standards. (1) Adequate documentation of all pertinent pari-mutuel information shall be generated by the computer system.

(2) This documentation shall be restricted to authorized personnel.

(3) The documentation shall be created daily and shall include, but not limited to:

(i) Ticket/voucher number;
 (ii) Date/time of transaction;
 (iii) Type of wager;
 (iv) Horse identification or event identification;
 (v) Amount of wagers (by ticket, writer/SAM, track/event, and total);
 (vi) Amount of payouts (by ticket, writer/SAM, track/event, and total);
 (vii) Tickets refunded (by ticket, writer, track/event, and total);
 (viii) Unpaid winners/vouchers ("outs") (by ticket/voucher, track/event, and total);

(ix) Voucher sales/payments (by ticket, writer/SAM, and track/event);
 (x) Voids (by ticket, writer, and total);
 (xi) Future wagers (by ticket, date of event, total by day, and total at the time of revenue recognition);
 (xii) Results (winners and payout data);
 (xiii) Breakage data (by race and track/event);
 (xiv) Commission data (by race and track/event); and
 (xv) Purged data (by ticket and total).
 (4) The system shall generate the following reports:

(i) A daily reconciliation report that summarizes totals by track/event, including write, the day's winning ticket total, total commission and breakage due the gaming operation, and net funds transferred to or from the gaming operation's bank account;

(ii) An exception report that contains a listing of all system functions and overrides not involved in the actual writing or cashing of tickets, including sign-on/off, voids, and manually input paid tickets; and

(iii) A purged ticket report that contains a listing of ticket numbers, description, ticket cost and value, and date purged.

(f) A gaming operation shall perform the following accounting and auditing functions:

(1) The pari-mutuel audit shall be conducted by someone independent of the race, sports, and pari-mutuel operations.

(2) Documentation shall be maintained evidencing the performance of all pari-mutuel accounting and auditing procedures.

(3) An accounting employee shall examine the daily reconciliation report, compare it to the revenue summary produced by the system, and recalculate the net amount due to or from the systems operator. An accounting employee shall reconcile transfers with the bank statements on a monthly basis.

(4) The auditor shall verify daily cash turn-in by comparing actual cash turned in to cash turn-in per pari-mutuel reports (Beginning balance, (+) fills (draws), (+) net write (sold less voids), (-) payouts (net of IRS withholding), (-) moneybacks (pays), (=) cash turn-in.).

(5) For one track/event per day, the auditor shall verify commissions per the daily reconciliation report by recalculating track/event commissions.

(6) For the track/event selected above, the auditor shall verify daily transfers due to/from the systems operator by recalculating the deposits (Net sales, (+) negative breakage, (-) commissions, (-) positive breakage, (-) accrual pays, (=) deposit).

(7) An accounting employee shall produce a gross revenue recap report to calculate gross revenue on a daily and month-to-date basis, including the following totals:

(i) Commission;
 (ii) Positive breakage;
 (iii) Negative breakage;
 (iv) Track/event fees;
 (v) Track/event fee rebates; and
 (vi) Purged tickets.

(8) Track/event fees and track/event fee rebates shall be traced to the invoices received from the systems operator.

(9) All winning tickets and vouchers from the SAM's shall be removed on a daily basis by an accounting employee.

(10) SAM's winning tickets and vouchers shall be immediately delivered to the accounting department.

(11) The auditor shall perform the following procedures:

(i) For one SAM per day, foot the winning tickets and vouchers deposited and trace to the totals of SAM activity produced by the system;

(ii) Foot the listing of cashed vouchers and trace to the totals produced by the system;

(iii) Review all exceptions for propriety of transactions and unusual occurrences;

(iv) Review all voids for propriety;

(v) For one day per week, verify the results as produced by the system to the results provided by an independent source;

(vi) For one day per week, regrade 1% of paid (cash) tickets to ensure accuracy and propriety; and

(vii) When applicable, reconcile the daily totals of future tickets written to the totals produced by the system for both unearned and earned take, and review the reports to ascertain that future wagers are properly included on the day of the event.

(12) At least annually the auditor shall perform the following:

(i) Foot the wagers for one day and trace to the total produced by the system; and

(ii) Foot the customer copy of paid tickets for one day and trace to the total produced by the system.

(13) At least one day per quarter, the auditor shall recalculate and verify the change in the unpaid winners to the total purged tickets.

(g) For any computer applications utilized, alternate documentation and/or procedures which provide at least the level of control described by the standards in this section will be acceptable.

§ 542.11 What are the minimum internal control standards for table games?

(a) Where a standard in this section requires a minimum of three employees to perform a function or be present during one, Tier A and B gaming operations may require only two employees to be present.

(b) If a gaming operation allows marker credit play (exclusive of rim credit and call bets), the following standards shall apply:

(1) A marker system shall allow for credit to be both issued and repaid in the pit. A name credit system shall allow for the issuance of credit without using markers.

(2) Prior to the issuance of gaming credit to a player, the employee extending the credit shall contact the cashier or other independent source to determine if the player's credit limit has been properly established and there is sufficient remaining credit available for the advance.

(3) Proper authorization of credit extension in excess of the previously established limit shall be documented.

(4) The amount of credit extended shall be communicated to the cage or another independent source and the amount documented within a reasonable time subsequent to each issuance.

(5) The marker form shall be prepared in at least triplicate form (triplicate form being defined as three parts performing the functions delineated in the standard in paragraph (b) (6) of this section), with a preprinted or concurrently-printed marker number, and utilized in numerical sequence (This requirement shall not preclude the distribution of batches of markers to various pits.).

(6) At least three parts of each separately numbered marker form shall be utilized as follows:

(i) Original shall be maintained in the pit until settled or transferred to the cage;

(ii) Payment slip shall be maintained in the pit until the marker is settled or transferred to the cage. If paid in the pit, the slip shall be inserted in the table drop box. If not paid, the slip shall be transferred to the cage with the original;

(iii) Issue slip—shall be inserted into the appropriate table drop box when credit is extended or when the player has signed the original.

(7) When marker documentation (e.g., issue slip and payment slip) is inserted in the drop box, such action shall be performed by the dealer at the table.

(8) A record shall be maintained which details the following (e.g., master credit record retained at the pit podium.):

(i) The signature or initials of the individual(s) approving the extension of credit (unless such information is contained elsewhere for each issuance);

(ii) The legible name of the individual receiving the credit;

(iii) The date and shift of granting the credit;

(iv) The table on which the credit was extended;

(v) The amount of credit issued;

(vi) The marker number;

(vii) The amount of credit remaining after each issuance or the total credit available for all issuances;

(viii) The amount of payment received and nature of settlement (e.g., credit slip number, cash, chips, etc.); and

(ix) The signature or initials of the individual receiving payment/settlement.

(9) The forms required in paragraphs (b) (5), (6), and (8) of this section shall be safeguarded, and adequate procedures shall be employed to control the distribution, use, and access to these forms.

(10) All credit extensions shall be initially evidenced by lammer buttons which shall be displayed on the table in public view and placed there by supervisory personnel.

(11) Marker preparation shall be initiated and other records updated within approximately one hand of play following the initial issuance of credit to the player.

(12) Lammer buttons shall be removed only by the dealer employed at the table upon completion of a marker transaction.

(13) The original marker shall contain at least the following information: marker number, player's name and signature, date, and amount of credit issued.

(14) The issue slip or stub shall include the same marker number as the original, the table number, date and time of issuance, and amount of credit issued. The issue slip or stub shall also include the signature of the individual extending the credit, and the signature or initials of the dealer at the applicable table, unless this information is included on another document verifying the issued marker.

(15) The payment slip shall include the same marker number as the original. When the marker is paid in full in the pit, it shall also include the table number where paid, date and time of payment, nature of settlement (cash, chips, etc.) and amount of payment. The payment slip shall also include the signature of a pit supervisor acknowledging payment, and the signature or initials of the dealer receiving payment, unless this

information is included on another document verifying the payment of the marker.

(16) When partial payments are made in the pit, a new marker shall be completed reflecting the remaining balance and the marker number of the marker originally issued.

(17) When partial payments are made in the pit, the payment slip of the marker which was originally issued shall be properly cross-referenced to the new marker number, completed with all information required by paragraph (b) (16) of this section, and inserted into the drop box.

(18) The cashier's cage or another independent source shall be notified when payments (full or partial) are made in the pit so that cage records can be updated for such transactions. Notification shall be made no later than when the patron's play is completed or at shift end, whichever is earlier.

(19) The Tribe shall implement appropriate controls for purpose of security and integrity. The Tribe shall establish and comply with procedures for collecting and recording checks returned to the gaming operation after deposit which include re-deposit procedures. These procedures shall provide for notification of cage/credit departments and custodianship of returned checks.

(20) All portions of markers, both issued and unissued, shall be safeguarded and procedures shall be employed to control the distribution, use and access to the forms.

(21) An investigation shall be performed to determine the cause and responsibility for loss whenever marker forms, or any part thereof, are missing. The result of the investigation shall be documented and maintained for inspection.

(22) When markers are transferred to the cage, marker transfer forms or marker credit slips (or similar documentation) shall be utilized and such documents shall include, at a minimum, the date, time, shift, marker number(s), table number(s), amount of each marker, the total amount transferred, signature of pit supervisor releasing instruments from the pit, and the signature of cashier verifying receipt of instruments at the cage.

(23) All markers shall be transferred to the cage within 24 hours of issuance.

(24) Markers shall be transported to the cashier's cage by an individual who is independent of the marker issuance and payment functions (pit clerks may perform this function).

(c) The following standards shall apply if personal checks or other name

credit instruments are accepted in the pit:

(1) Prior to accepting a name credit instrument, the employee extending the credit shall contact the cashier or another independent source to determine if the player's credit limit has been properly established and the remaining credit available is sufficient for the advance.

(2) All name credit instruments shall be transferred to the cashier's cage (utilizing a two-part order for credit) immediately following the acceptance of the instrument and issuance of chips (If name credit instruments are transported accompanied by a credit slip, an order for credit is not required).

(3) The order for credit (if applicable) and the credit slip shall include the patron's name, amount of the credit instrument, the date, time, shift, table number, signature of pit supervisor releasing instrument from pit, and the signature of cashier verifying receipt of instrument at the cage.

(4) The procedures for transacting table credits at standards in paragraphs (f)(16) through (f)(23) shall be strictly adhered to.

(5) The acceptance of payments in the pit for name credit instruments shall be prohibited.

(d) The following standards shall apply if call bets are accepted in the pit:

(1) A call bet shall be evidenced by the placement of a lammer button, chips, or other identifiable designation in an amount equal to that of the wager in a specific location on the table.

(2) The placement of the lammer button, chips, or other identifiable designation shall be performed by supervisory/boxmen personnel. The placement may be performed by a dealer only if the supervisor physically observes and gives specific authorization.

(3) The call bet shall be settled at the end of each hand of play by the preparation of a marker, repayment of the credit extended, or the payoff of the winning wager. Call bets extending beyond one hand of play shall be prohibited.

(4) The removal of the lammer button, chips, or other identifiable designation shall be performed by the dealer/boxman upon completion of the call bet transaction.

(e) The following standards shall apply if rim credit is extended in the pit:

(1) Rim credit shall be evidenced by the issuance of chips to be placed in a neutral zone on the table and then extended to the patron for the patron to wager, or to the dealer to wager for the patron, and by the placement of a lammer button or other identifiable

designation in an amount equal to that of the chips extended.

(2) Rim credit shall be recorded on player cards, or similarly used documents, which shall be:

(i) Prenumbered or concurrently numbered and accounted for by a department independent of the pit;

(ii) For all extensions and subsequent repayments, evidenced by the initials or signatures of a supervisor and the dealer attesting to the Validity of each credit extension and repayment;

(iii) An indication of the settlement method (e.g., serial number of marker issued, chips, cash);

(iv) Settled no later than when the patron leaves the table at which the card is prepared;

(v) Transferred to the accounting department on a daily basis;

(vi) Reconciled with other forms utilized to control the issuance of pit credit (e.g., master credit records, table cards).

(f) If foreign currency is accepted in the pit, the following standards shall apply:

(1) Foreign currency transactions shall be authorized by a pit supervisor/boxman who completes a foreign currency exchange form prior to the exchange for chips or tokens;

(2) Foreign currency exchange forms include the country of origin, total face value, amount of chips/token extended (i.e., conversion amount), signature of supervisor/boxman, and the dealer completing the transaction;

(3) Foreign currency exchange forms and the foreign currency shall be inserted in the drop box by the dealer.

(g) Fill and credit standards. (1) Fill slips and credit slips shall be in at least triplicate form, in a continuous numerical series, and prenumbered and concurrently numbered in a form utilizing the alphabet and only in one series at a time. The alphabet need not be used if the numerical series is not repeated during the business year.

(2) Unissued and issued fill/credit slips shall be safeguarded and adequate procedures shall be employed in the distribution, use and control of same. Personnel from the cashier or pit departments shall have no access to the locked box copies of the fill, credit slips.

(3) When a fill/credit slip is voided, the cashier shall clearly mark "void" across the face of the original and first copy, the cashier and one other person independent of the transactions shall sign both the original and first copy, and shall submit them to the accounting department for retention and accountability.

(4) Fill transactions shall be authorized by a pit supervisor prior to

the issuance of fill slips and transfer of chips, tokens, or monetary equivalents. The fill request shall be communicated to the cage where the fill slip is printed.

(5) At least three parts of each fill slip shall be utilized as follows:

(i) One part shall be transported to the pit with the fill and, after the appropriate signatures are obtained, deposited in table drop box;

(ii) One part shall be retained in the cage for reconciliation of cashier bank;

(iii) One part shall be retained intact by the locked machine in a continuous unbroken form;

(6) For Tier C gaming operations, the part of the fill slip that is placed in the drop box shall be of a different color for fills than for credits, unless the type of transaction is clearly distinguishable in another manner (the checking of a box on the form shall not be a clearly distinguishable indicator).

(7) The table number, shift, and amount of fill by denomination and in total shall be noted on all copies of the fill slip. The correct date and time shall be indicated on at least two copies.

(8) All fills shall be carried from the cashier's cage by an individual who is independent of the transaction.

(9) The fill slip shall be signed by at least the following individuals (as an indication that each has counted the amount of the fill and the amount agrees with the fill slip):

(i) Cashier who prepared the fill slip and issued the chips, tokens, or monetary equivalent;

(ii) Runner who carried the chips, tokens, or monetary equivalents from the cage to the pit;

(iii) Dealer who received the chips, tokens, or monetary equivalents at the gaming table; and

(iv) Pit supervisor who supervised the fill transaction.

(10) Fills shall be either broken down or verified by the dealer in public view before the dealer places the fill in the table tray.

(11) All fill slips requesting chips or money shall be prepared at the time a fill is made.

(12) The original fill slip shall then be deposited into the drop box on the table by the dealer, where it shall appear in the soft count room with the cash receipts for the shift.

(13) When table credits are transacted, a two-part order for credit shall be prepared by the pit supervisor for transferring chips, tokens or monetary equivalents from the pit to the cashier area or other secure area of accountability.

(14) The duplicate copy of an order for credit shall be retained in the pit to check the credit slip for proper entries

and to document the total amount of chips, tokens, and monetary equivalents removed from the table.

(15) At least three parts of each credit slip shall be utilized as follows:

(i) One part shall be retained in the cage for reconciliation of the cashier bank;

(ii) One part shall be transported to the pit by the runner who brought the chips, tokens, markers, or monetary equivalents from the pit to the cage, and after the appropriate signatures are obtained, deposited in the table drop box;

(iii) One part shall be retained by the locked machine intact in a continuous unbroken form.

(16) The table number, shift, and the amount of credit by denomination and in total shall be noted on all copies of the credit slip. The correct date and time shall be indicated on at least two copies.

(17) Chips, tokens and/or monetary equivalents shall be removed from the table tray by the dealer and shall be broken down or verified by the dealer in public view prior to placing them in racks for transfer to the cage.

(18) All chips, tokens, and monetary equivalents removed from the tables and markers removed from the pit shall be carried to the cashier's cage by an individual who is independent of the transaction.

(19) The credit slip shall be signed by at least the following individuals (as an indication that each has counted or, in the case of markers, reviewed the items transferred):

(i) Cashier who received the items transferred from the pit and prepared the credit slip;

(ii) Runner who carried the items transferred from the pit to the cage and returned to the pit with the credit slip;

(iii) Dealer who had custody of the items prior to transfer to the cage; and

(iv) Pit supervisor who supervised the credit transaction.

(20) The credit slip shall be inserted in the drop box by the dealer.

(21) Chips, tokens, or other monetary equivalents shall be deposited on or removed from gaming tables only when accompanied by the appropriate fill/credit or marker transfer forms.

(h) Drop procedures standards. (1) At the close of each shift:

(i) Each table's chip, token, coin, and marker inventory shall be counted and recorded on a table inventory form; or

(ii) If the table banks are maintained on an imprest basis, a final fill or credit shall be made to bring the bank back to par.

(2) If final fills are not made, beginning and ending inventories shall

be recorded on the master game sheet for shift win calculation purposes.

(3) The accuracy of inventory forms prepared at shift end shall be verified by the outgoing pit supervisor and a dealer, another pit supervisor, or another supervisor from another gaming department. Verifications shall be evidenced by signature on the inventory form.

(4) If inventory forms are placed in the drop box, such action shall be performed by someone other than a pit supervisor.

(5) The setting out of empty drop boxes and the drop shall be a continuous process.

(6) Procedures shall be developed and implemented to insure that unauthorized access to empty drop boxes shall not occur from the time the boxes leave the storage racks until they are placed on the tables.

(7) At the end of each shift:

(i) All locked drop boxes shall be removed from the tables by an individual independent of the pit shift being dropped;

(ii) A separate drop box shall be placed on each table each shift or a gaming operation operator may utilize a single drop box with separate openings and compartments for each shift; and

(iii) Upon removal from the tables, drop boxes shall be placed on the cart. The security team member stands guard over the cart at all times. Upon completion of the drop, the cart shall be transported directly to the count room or other secure place and locked in a secure manner until the count takes place.

(8) If drop boxes are not placed on all tables, then the pit department shall document which tables were open during the shift.

(9) Upon removal from tables, drop boxes shall be transported directly to the count room or other secure place and locked in a secure manner until the count takes place.

(10) The transporting of drop boxes shall be performed by a minimum of two individuals, at least one of whom shall be independent of the pit shift being dropped. This standard does not apply to Tier A gaming operations.

(11) All drop boxes shall be posted with a number corresponding to a permanent number on the gaming table and marked to indicate game, table number and shift.

(i) Soft count standards. (1) If counts from various revenue centers occur simultaneously in the count room, procedures shall be in effect which prevent the commingling of funds from different revenue centers.

(2) The soft count shall be performed by a minimum of three employees. A second count shall be performed by an employee on the count team who did not perform the initial count.

(3) At no time during the count shall there be fewer than three employees in the count room until the monies have been accepted into cage/vault accountability.

(4) Count team members shall be rotated on a routine basis (rotation is such that the count team is not consistently the same three individuals more than four days per week). This standard shall not apply to Tier A gaming operations.

(5) The count team shall be independent of transactions being reviewed and counted and the subsequent accountability of soft drop proceeds. A dealer or a cage cashier may be used if this person is not allowed to perform the recording function. An accounting representative may be used if there is an independent audit of all soft count documentation.

(6) The drop boxes shall be individually emptied and counted in such a manner to prevent the commingling of funds between boxes until the count of the box has been recorded.

(7) The count of each box shall be recorded in ink or other permanent form of recordation.

(8) If currency counters shall be utilized and the count room table shall be used only to empty boxes and sort/stack contents, a count team member shall be able to observe the loading and unloading of all currency at the currency counter, including rejected currency.

(9) Drop boxes, when empty, shall be shown to another member of the count team, to another person who is observing the count, or to recorded or live surveillance, provided the count is monitored in its entirety by someone independent to the count.

(10) Original and first copies of fill/credit slips shall be matched or otherwise reconciled by the count team to verify that the total dollar amounts for the shift are identical. For Tier A or B gaming operations, this function may be performed by the accounting department.

(11) Orders for fill/credit (if applicable) shall be matched to the fill/credit slips.

(12) Fills and credits shall be traced to or recorded on the count sheet and examined for correctness.

(13) Pit marker issue and payment slips removed from the drop boxes shall either be:

(i) Traced to or recorded on the count sheet by the count team; or

(ii) Totaled by shift and traced to the totals documented by the computerized system. Accounting personnel shall verify the issue/payment slip for each table is accurate.

(14) Foreign currency exchange forms removed from the drop boxes shall be reviewed for the proper daily exchange rate and the conversion amount shall be recomputed by the count team. Alternatively, this may be performed by accounting/auditing employees.

(15) The opening/closing table and marker inventory forms (if applicable) shall either be:

(i) Examined and traced to or recorded on the count sheet; or

(ii) If a computerized system is used, accounting personnel can trace the opening/closing table and marker inventory forms (if applicable) to the count sheet. Discrepancies shall be investigated with the findings documented and maintained for inspection.

(16) Corrections to information originally recorded by the count team on soft count documentation shall be made by crossing out the error, entering the correct figure, and then obtaining the initials of at least two count team members who verified the change.

(17) The count sheet shall be reconciled to the drop by a count team member who shall not function as the sole recorder.

(18) All members of the count team shall attest by signature to their participation in the games drop. The count team supervisor shall attest to the accuracy of the games drop.

(19) All monies and monetary equivalents that were counted shall be turned over to the cage or vault cashier (who shall be independent of the count team) or to an authorized person independent of the revenue generation and the count process for verification.

(20) The above mentioned individual shall certify by signature as to the accuracy of the monies delivered and received.

(21) Access to stored drop boxes, full or empty, shall be restricted to authorized members of the drop and count teams.

(22) Access to the count room during the count shall be restricted to members of the drop and count teams, excluding authorized observers, supervisors for resolution of problems, and authorized maintenance personnel.

(23) The count sheet, with all supporting documents, shall be promptly delivered to the accounting department by a count team member or someone other than the cashier's

department. Alternatively, it may be adequately secured (e.g., locked container to which only accounting personnel can gain access) until retrieved by the accounting department.

(j) Key control standards. (1) The involvement of at least two individuals independent of the cage department shall be required to access stored empty drop boxes.

(2) Drop box release keys standards.

(i) The keys shall be maintained by a department independent of the pit department;

(ii) Only the person authorized to remove drop boxes from the tables shall be allowed access to the release keys; however, the count team members may have access to the release keys during the soft count in order to reset the drop boxes; and

(iii) Persons authorized to drop the table games drop boxes shall be precluded from having access to drop box contents keys.

(3) Storage rack keys standards.

(i) Someone independent of the pit department shall be required to accompany such keys and observe each time drop boxes are removed from or placed in storage racks. This paragraph shall not apply to Tier A and Tier B gaming operations;

(ii) Persons authorized to obtain drop box storage rack keys shall be precluded from having access to drop box contents keys with the exception of the count team.

(4) Drop box contents keys standards.

(i) The physical custody of the keys needed for accessing stored full drop box contents shall require the involvement of persons from at least two separate departments.

(ii) Access to the contents key at other than scheduled count times shall require the involvement of at least three persons from separate departments, including management, and the reason for access shall be documented with the signatures of all participants and observers.

(iii) Only count team members shall be allowed access to drop box content keys during the soft count process.

(5) At least three (two for three tables or less) count team members are required to be present at the time count room and other soft count keys are issued for the soft count.

(6) All duplicate keys shall be maintained in a manner which provides the same degree of control over drop boxes as is required for the original keys. Records shall be maintained for each key duplicated which indicate the number of keys made and destroyed.

(7) Logs are maintained by the custodian of sensitive keys to document

authorization of personnel accessing keys.

(k) Table games computer generated documentation standards. (1) The computer system shall be capable of generating adequate documentation of all information recorded on the source documents and transaction detail (e.g., fill/credit slips, markers, etc.).

(2) This documentation shall be restricted to authorized personnel.

(3) The documentation shall include, at a minimum, system exception information (e.g., appropriate system parameter information, corrections, voids, etc.).

(4) Personnel access listing which includes, at a minimum:

(i) Employee name;

(ii) Employee identification number (if applicable); and

(iii) Listing of functions employees can perform or equivalent means of identifying the same.

(5) For any authorized computer applications utilized, alternate documentation and/or procedures which provide at least the level of control described by these standards will be acceptable.

(l) Playing cards and dice, not yet issued to the pit, shall be maintained in a secure location to prevent unauthorized access and reduce the possibility of tampering. Used cards and dice shall be maintained in a secure location until "marked", "scored" or "destroyed" to prevent unauthorized access and reduce the possibility of tampering. Used playing cards and dice shall be canceled or destroyed in a timely manner not to exceed seven days.

(m) Pit supervisory personnel (with authority equal to or greater than those being supervised) shall provide supervision of all table games.

(n) Analysis of table game performance standards. (1) Records shall be maintained by day and shift indicating any single-deck blackjack games which were dealt for an entire shift.

(2) Records reflecting hold percentage by table and type of game shall be maintained by shift, by day, cumulative month-to-date, and cumulative year-to-date.

(3) This information shall be presented to and reviewed by management independent of the pit department on at least a monthly basis.

(4) The above referenced management shall investigate any unusual fluctuations in hold percentage with pit supervisory personnel.

(5) The results of such investigations shall be documented in writing and maintained.

(o) Table games accounting/auditing procedures.

(1) The accounting and auditing procedures shall be performed by personnel who are independent of the transactions being audited/accounted for.

(2) If a table game has the capability to determine drop (e.g., bill-in/coin-drop meters, bill validator, computerized record, etc.) the dollar amount of the drop shall be reconciled to the actual drop by shift.

(3) Accounting/auditing employees shall review exception reports for all computerized table games systems at least monthly for propriety of transactions and unusual occurrences.

(4) All noted improper transactions or unusual occurrences shall be investigated with the results documented.

(5) Evidence of table games auditing procedures and any follow-up performed shall be maintained and is available upon request by the Commission.

(6) A daily recap shall be prepared for the day and month-to-date which shall include the following information:

- (i) Pit credit issues;
- (ii) Pit credit payments in chips;
- (iii) Pit credit payments in cash;
- (iv) Drop;
- (v) Win; and
- (vi) Gross revenue.

(p) For any computer applications utilized, alternate documentation and/or procedures which provide at least the level of control described by these standards will be acceptable.

§ 542.12 What are the minimum internal control standards for gaming machines?

(a) When a standard in this section requires a minimum of three employees to perform a function or be present during one, Tier A and Tier B gaming operation may require only two employees to be present.

(b) For this section only, credit or customer credit means a unit of value equivalent to cash or cash equivalents deposited, wagered, won, lost or redeemed by a patron.

(c) Coins shall include tokens.

(d) Coin drop standards.

(1) A minimum of three employees shall be involved in the removal of the gaming machine drop, at least one of whom is independent of the gaming machine department.

(2) Count room personnel shall not be allowed to exit or enter the count room except for emergencies or scheduled breaks. At no time when uncounted funds are present shall there be less than three (3) persons in the count room.

(3) Each gaming operation shall maintain on file the time when the drop

buckets and bill acceptor canisters will be removed and the time when the contents are to be counted.

(4) All drop buckets or canisters shall be removed only at the time previously designated except for emergency drops.

(5) The gaming machine drop supervisor shall notify surveillance when the drop is to begin in order that surveillance may monitor the activities.

(6) Surveillance shall record in a proper log or journal in a legible manner any exceptions or variations to established procedures observed during the drop. Such log or journal shall be made available for review upon request.

(7) Security shall be provided over the buckets removed from the gaming machine drop cabinets prior to being transported to the count room.

(8) As each machine is opened, the contents shall be tagged with its respective machine number if the bucket is not permanently marked with the machine number. The contents shall be transported directly to the area designated for the counting of such monies. If more than one trip is required to remove the contents of the machines, the filled carts of coins shall be securely locked in the room designed for counting. There shall be a locked covering on any carts in which the drop route includes passage out of doors.

(9) Each drop bucket in use shall be:

(i) Housed in a locked compartment separate from any other compartment of the gaming machine and keyed differently than other gaming machine compartments; and

(ii) Identifiable to the gaming machine from which it is removed (i.e., permanently marked with the gaming machine I.D. number, bar coded labels, printed tags, etc.). If the gaming machine is identified with a removable tag which is placed in the bucket, the tag shall be placed on top of the bucket when it is collected.

(10) Each gaming machine shall have drop buckets into which tokens that are retained by the gaming machine are collected. Drop bucket contents shall not be used to make change or pay hand-paid payouts.

(11) The collection procedures may include procedures for dropping gaming machines which have trays instead of drop buckets.

(e) Equipment standards. (1) A weigh scale calibration module shall be secured so as to prevent unauthorized access (e.g., prenumbered seal, lock and key, etc.).

(2) Someone independent of the cage, vault, gaming machine, and count team functions shall be required to be present whenever the calibration module is accessed.

(3) Such access shall be documented and maintained.

(4) A count team member shall prepare a hard drop summary report showing the results of the weigh/count and wrap by denomination. Discrepancies between the weigh/count and wrap shall be investigated immediately and explained on the summary report.

(5) If a weigh scale interface is used, it shall be adequately restricted so as to prevent unauthorized access (passwords, keys, etc.).

(6) If the weigh scale has a zero adjustment mechanism, it shall be physically limited to minor adjustments (e.g., weight of a bucket) or physically situated such that any unnecessary adjustments to it during the weigh process would be observed by other count team members.

(7) The weigh scale and weigh scale interface (if applicable) shall be tested by someone who is independent of the cage, vault and gaming machine departments and count team at least quarterly. At least semi-annually, the above test is performed by internal audit in accordance with the internal audit standards.

(8) During the gaming machine count, at least two employees shall verify the accuracy of the weigh scale with varying weights or with varying amounts of previously counted coin for each denomination to ensure the scale is properly calibrated (varying weights/coin from drop to drop is acceptable).

(9) The preceding weigh scale and weigh scale interface test results shall be documented and maintained; the results shall be signed by two count team members and the count team leader.

(10) If a mechanical coin counter is used (instead of a weigh scale), the gaming operation shall establish and comply with procedures that are equivalent to those described in paragraphs (c)(7), (c)(8), and (c)(9) of this section.

(11) If a coin meter count machine is used, the count team member shall record the machine number denomination and number of coins in ink on a source document, unless the meter machine automatically records such information.

(12) The weigh scale shall have a calibration module which shall be locked and adjusted by the vendor. When the module is accessed, a weight scale calibration module access log shall be completed.

(13) At least once per month, the weigh scale shall be tested, and the test documented and signed by at least three (3) individuals, including one individual independent of the count.

(f) Gaming machine count and wrap standards. (1) The weigh/count shall be performed by a minimum of three employees.

(2) At no time during the weigh/count shall there be fewer than three employees in the count room.

(3) The gaming machine count team shall be independent of the gaming machine department and the subsequent accountability of gaming machine count proceeds, unless they are non-supervisory gaming machine employees and perform the laborer function only. (A non-supervisory gaming machine employee is defined as a person below the level of gaming machine shift supervisor.)

(4) The following functions shall be performed in the counting of the gaming machine drop:

(i) Recorder function which involves the recording of the gaming machine count;

(ii) Count team supervisor function which involves the control of the gaming machine weigh and wrap process.

(5) The amount of the gaming machine drop from each machine shall be recorded in ink on a gaming machine count document by the recorder or mechanically printed by the weigh scale. If a weigh scale interface is used, the gaming machine drop figures are transferred via direct line or computer storage media.

(6) The recorder and at least one other count team member shall sign the weigh tape and the gaming machine count document attesting to the accuracy of the weigh/count.

(7) At least three employees who participate in the weigh/count and/or wrap process shall sign the gaming machine count document or a summary report to attest to their presence. If all other count team members do not sign the gaming machine count document or a summary report, they shall sign a supplemental document evidencing their participation in the weigh/count and/or wrap.

(8) The coins shall be wrapped and reconciled in a manner which precludes the commingling of gaming machine drop coin with coin (for each denomination) from the next gaming machine drop.

(9) At least two employees shall be present throughout the wrapping of the gaming machine drop.

(10) If the gaming machine count is conducted with a continuous mechanical count meter which is not reset during the count and is verified in writing by at least three employees at the start and end of each nomination

count, then one employee may perform the wrap.

(11) If the coins are not wrapped immediately after being weighed/counted, they shall be secured and not commingled with other coins.

(12) The coins shall be wrapped immediately after being weighed or counted. As the coin is being wrapped, it shall be maintained in such a manner so as to be able to obtain an accurate count when the wrap is completed. At the completion of the wrap, a count team member shall independently count the wrap and reconcile it with the weigh/meter count.

(13) If the coins are transported off the property, a second (alternative) count procedure shall be performed before the coins leave the property. Any variances shall be documented.

(14) Transfers out of the count room during the gaming machine count and wrap process shall be strictly prohibited, or if transfers are permitted during the count and wrap, each transfer shall be recorded on a separate multi-part form with a preprinted or concurrently-printed form number (used solely for gaming machine count transfers) which shall be subsequently reconciled by the accounting department to ensure the accuracy of the reconciled wrapped gaming machine drop. If transfers are permitted, they must be counted and signed for by at least two members of the count team and by someone independent of the count team who is responsible for authorizing the transfer.

(15) If the count room serves as a coin room and coin room inventory is not secured so as to preclude access by the count team, then the following two standards shall apply:

(i) At the commencement of the gaming machine count the following requirements shall be met:

(A) The coin room inventory shall be counted by at least two employees, one of whom is a member of the count team and the other is independent of the weigh/count and wrap procedures;

(B) The count in paragraph (f)(15)(i)(A) shall be recorded on an appropriate inventory form;

(ii) Upon completion of the wrap of the gaming machine drop:

(A) At least two members of the count team (wrap team), independently from each other, shall count the ending coin room inventory;

(B) The counts in paragraph (f) shall be recorded on a summary report(s) which evidences the calculation of the final wrap by subtracting the beginning inventory from the sum of the ending inventory and transfers in and out of the coin room;

(C) The same count team members shall compare the calculated wrap to the weigh/count, recording the comparison and noting any variances on the summary report;

(D) A member of the cage/vault department shall count the ending coin room inventory by denomination and shall reconcile it to the beginning inventory, wrap, transfers and weigh/count; and

(E) At the conclusion of the reconciliation, at least two count/wrap team members and the verifying employee shall sign the summary report(s) attesting to its accuracy.

(16) For Tier A and B gaming operations the functions described in paragraph (f)(15)(ii) (A) and (C) of this section may be performed by only one count team member. That count team member must then sign the summary report, along with the verifying employee, as required under paragraph (f)(15)(ii)(E).

(17) If the count room is segregated from the coin room, or if the coin room is used as a count room and the coin room inventory is secured to preclude access by the count team, all of the following requirements shall be completed, at the conclusion of the count:

(i) At least two members of the count/wrap team shall count the final wrapped gaming machine drop independently from each other;

(ii) The counts shall be recorded on a summary report;

(iii) The same count team members (or the accounting department) shall compare the final wrap to the weigh/count, recording the comparison and noting any variances on the summary report;

(iv) A member of the cage/vault department shall count the wrapped gaming machine drop by denomination and reconcile it to the weigh/count;

(v) At the conclusion of the reconciliation, at least two count team members and the cage/vault employee shall sign the summary report attesting to its accuracy;

(vi) The wrapped coins (exclusive of proper transfers) shall be transported to the cage, vault or coin vault after the reconciliation of the weigh/count to the wrap;

(vii) Upon completion of the wrap of the slot drop, a count team member shall prepare a hard drop summary report showing the results of the weigh/count and wrap by denomination. Discrepancies between the weigh/count and wrap shall be investigated immediately and explained on a summary report.

(18) Large (by denomination, either \$1,000 or 2% of the drop, whichever is less) or unusual (e.g., zero for weigh count or patterned for all counts) variances between the weigh/count and wrap shall be investigated by management personnel independent of the gaming machine department, count team and the cage/vault functions on a timely basis.

(19) The results of such investigation shall be documented and maintained.

(20) All gaming machine count and wrap documentation, including any applicable computer storage media, shall be immediately delivered to the accounting department by other than the cashier's department. Alternatively, it may be adequately secured (e.g., locked container to which only accounting personnel can gain access) until retrieved by the accounting department.

(21) A count team member shall transport the summary report and its support documents to the accounting department immediately after the cashier signs it.

(22) If applicable, the weight shall be converted to dollar amounts prior to the reconciliation of the weigh to the wrap.

(23) A count team member shall test the metered count machine (if used) prior to the actual count to ascertain if the metering device is functioning properly with a predetermined number of coins for each denomination.

(24) If a coin meter is used, a count team member shall convert the coin count for each denomination into dollars and shall enter the results on a summary sheet.

(25) As the coin is being wrapped, it shall be maintained in such a manner so as to be able to obtain an accurate count when the wrap is completed.

(26) Immediately upon receiving the funds, an independent person shall count the gaming machine drop by denomination and shall sign the count sheet attesting to the accuracy of the total and the denominations of the funds received.

(27) A count team member shall transport the summary report and its supporting documents to the accounting department immediately after the verifier signs it.

(28) Machine hard or soft "in-meter" readings shall be recorded at least monthly and retained at least seven years.

(29) Gaming machine analysis reports, which compare actual hold to theoretical hold by gaming machine shall be prepared on at least a monthly basis.

(30) Such reports shall provide all data on both month-to-date and year-to-date bases.

(31) The gaming machine hopper loads and coin in the drop cabinet shall be secured and accounted for during the removal and maintenance of gaming machines.

(32) Cashier/change banks shall be counted and reconciled for each shift.

(33) Corrections on gaming machine count documentation shall be made by crossing out the error, entering the correct figure, and then obtaining the initials of at least two count team employees. If a weigh scale interface is used, corrections to gaming machine count data shall be made using either of the following:

(i) Crossing out the error on the gaming machine document, entering the correct figure, and then obtaining the initials of at least two count team employees. If this procedure is used, an employee independent of the gaming machine department and count team shall enter the correct figure into the computer system prior to the generation of related gaming machine reports; or

(ii) During the count process, correct the error in the computer system and enter the passwords of at least two count team employees. If this procedure is used, an exception report shall be generated by the computer system identifying the gaming machine number, the error, the correction and the count team employees testifying to the correction.

(g) Currency acceptor drop and count standards. (1) Tier A gaming operations may be exempt from compliance with this section, if the gaming operations develop and comply with procedures that shall protect the integrity of the drop and count.

(2) The currency acceptor drop boxes shall be removed by an employee independent of the gaming machine department, then transported directly to the soft count room or other similarly restricted location and locked in a secure manner until the count takes place.

(3) The transporting of currency acceptor drop boxes shall be performed by a minimum of two employees, at least one of whom is independent of the gaming machine department.

(4) The currency acceptor count shall be performed in a soft count room or equivalently secure area with comparable controls.

(5) The currency acceptor count shall be performed by a minimum of three employees.

(6) Currency acceptor count team members shall be rotated on a routine basis.

(7) For Tier B gaming operation a minimum of two persons shall perform the count provided the count is viewed either live or on videotape within seven days by an employee independent of the count.

(8) The currency acceptor count team shall be independent of transactions being reviewed and counted, and the subsequent accountability of currency drop proceeds.

(9) A cage cashier may be used if this person is not allowed to perform the recording function. An accounting representative may be used if there is an independent audit of all currency acceptor count documentation.

(10) The currency acceptor drop boxes shall be individually emptied and counted in such a manner as to prevent the commingling of funds between boxes until the count of the box has been recorded.

(11) The count of each box shall be recorded in ink or other permanent form of recordation.

(12) If currency counters are utilized and the count room table is used only to empty boxes and sort/stack contents, a count team member shall be able to witness the loading and unloading of all currency at the currency counter, including rejected currency.

(13) Drop boxes, when empty, shall be shown to another member of the count team, to another person who is observing the count, or to recorded or live surveillance, provided the count is monitored in its entirety by someone independent of the count.

(14) Corrections to information originally recorded by the count team on currency acceptor count documentation shall be made by crossing out the error, entering the correct figure, and then obtaining the initials of at least two count team members who verified the change.

(15) The count sheet shall be reconciled to the total drop by a count team member who shall not function as the sole recorder.

(16) All members of the count team shall attest by signature to the accuracy of the currency acceptor drop count. Three verifying signatures on the count sheet shall be adequate if all additional count team employees sign a supplemental document evidencing their involvement in the count process.

(17) All monies that were counted shall be turned over to the cage cashier (who is independent of the count team) or to an employee independent of the revenue generation and the count process for verification.

(18) The employee shall certify by signature as to the accuracy of the currency delivered and received.

(19) Access to stored full drop boxes shall be restricted to authorized members of the drop and count teams.

(20) Access to the count room shall be restricted to members of the drop and count teams, excluding authorized observers, supervisors for resolution of problems, and authorized maintenance personnel.

(21) The count sheet, with all supporting documents, shall be promptly delivered to the accounting department by a count team member or someone other than the cashiers department. Alternatively, it may be adequately secured (e.g., locked container to which only accounting personnel can gain access) until retrieved by the accounting department.

(h) Jackpot payouts, gaming machine fills, short pays and accumulated credit payouts standards. (1) For jackpot payouts and gaming machine fills, documentation shall include the following information on a three-part form:

(i) Date and time;

(ii) Machine number;

(iii) Dollar amount of cash payout or gaming machine fill (both alpha and numeric), or description of personal property awarded; Alpha is optional if another unalterable method is used for evidencing the amount of the payout;

(iv) Game outcome (including reel symbols, card values and suits, etc.) for jackpot payouts;

(v) Signatures of at least two employees verifying and witnessing the payout or gaming machine fill, however, on graveyard shifts (eight-hour maximum) payouts/fills less than \$100 can be made without the payout/fill being witnessed if the second person signing can reasonably verify that a payout/fill is justified; and

(vi) Preprinted or concurrently-printed sequential number.

(2) Jackpot payouts over a predetermined amount shall require the signature and verification of a supervisory or management employee independent of the gaming machine department. This predetermined amount shall be authorized by management, documented, and maintained.

(3) For short pays of \$10.00 or more, the jackpot payout form includes:

(i) Date and time;

(ii) Machine number;

(iii) Dollar amount of payout (both alpha and numeric);

(iv) Signatures of at least two employees verifying and witnessing the payout.

(4) Short pays involving a single token in a denomination higher than \$10.00 may be handled without the

documentation required in paragraph (h) (3) of this section.

(5) Computerized jackpot/fill systems shall be restricted so as to prevent unauthorized access and fraudulent payouts by one individual.

(6) Payout forms shall be controlled and routed in a manner that precludes any one individual from producing a fraudulent payout by forging signatures or by altering the amount paid out subsequent to the payout and misappropriating the funds.

(i) If a gaming operation offers promotional payouts and awards, the payout form/documentation includes the following information:

(1) Date and time;

(2) Machine number and denomination;

(3) Dollar amount of payout or description of personal property (e.g., jacket, toaster, car, etc.);

(4) Type of promotion (e.g., double jackpots, four-of-a-kind bonus, etc.); and

(5) Signature of at least one employee authorizing and completing the transaction.

(j) Gaming machine department funds standards. (1) The gaming machine booths and change banks, which are active during the shift, shall be counted down and reconciled each shift utilizing appropriate accountability documentation.

(2) The wrapping of loose gaming machine booth and cage cashier coin shall be performed at a time or location that does not interfere with the hard count/wrap process or the accountability of that process.

(3) A record shall be maintained evidencing the transfers of unwrapped coin and is retained for at least 7 days.

(4) A record shall be maintained evidencing the transfers of wrapped and unwrapped coins.

(k) EPROM standards. (1) At least annually, procedures shall be performed to insure the integrity of a sample of gaming machine game program EPROMs by personnel independent of the gaming operation or the machines being tested.

(2) The EPROM compartment key shall be maintained in the cage. Access to the EPROM compartment key shall require one key from security and one key from the cage to open the key box which contains the EPROM compartment key. An authorized Tribal official or designee shall be present when the EPROM compartment key is accessed. A list of Tribal officials and designees authorized to obtain the EPROM compartment key shall be maintained in the cage;

(3) EPROM duplication standards.

(i) Procedures shall be developed and implemented for the following:

(A) Removal of EPROMs from devices, the verification of the existence of errors as applicable, and the correction via duplication from the master game program EPROM;

(B) Copying one gaming device program to another approved program;

(C) Verification of duplicated EPROMs prior to being offered for play;

(D) Destruction, as needed, of EPROMs with electrical failures;

(E) Securing the EPROM duplicator and master game EPROMs from unrestricted access;

(ii) The master game program number, par percentage, and the pay table shall be verified to the par sheet when initially received from the manufacturer.

(iii) Gaming machines with potential jackpots in excess of \$100,000 shall have the circuit boards locked or physically sealed. The lock or seal shall necessitate the presence of an individual independent of the gaming machine department to access the device game program EPROM. If a seal is used to secure the board to the frame of the gaming device, it shall be pre-numbered.

(iv) Records which document the procedures in paragraph (k)(3)(i) of this section shall include the following information:

(A) Date;

(B) Machine number (source and destination);

(C) Manufacturer;

(D) Program number;

(E) Personnel involved;

(F) Reason for duplication;

(G) Disposition of any permanently removed EPROM;

(H) Seal numbers, if applicable, and;

(I) Approved testing lab approval numbers, if available.

(4) EPROMs returned to gaming devices shall be labeled and shall include the date program number, information identical to that shown on the manufacturer's label, and initials of the individual replacing the EPROM.

(l) Standards for evaluating theoretical and actual hold percentages. (1) Accurate and current theoretical hold worksheets shall be maintained for each gaming machine.

(2) For those gaming machines or groups of identical machines (excluding multi-game machines) with differences in theoretical payback percentage exceeding a 4% spread between the minimum and maximum theoretical payback, an employee or department independent from the gaming machine department shall:

(i) On a quarterly basis, record the meters that contain the number of plays by wager (i.e., one coin, two coins, etc.);

(ii) On an annual basis, calculate the theoretical hold percentage based on the distribution of plays by wager type;

(iii) On an annual basis, adjust the machine(s) theoretical hold percentage in the gaming machine statistical report to reflect this revised percentage.

(3) For multi-game machines, an employee or department independent of the gaming machine department shall:

(i) Weekly record the total coin-in meter;

(ii) Quarterly record the coin-in meters for each game contained in the machine;

(iii) On an annual basis adjust the theoretical hold percentage to a weighted average based upon the ratio of coin-in for each game.

(4) The adjusted theoretical hold percentage for multi-game machines may be combined for machines with exactly the same game mix throughout the year.

(5) The theoretical hold percentages used in the slot analysis reports should be within the performance standards set by the manufacturer.

(6) Records shall be maintained for each machine which indicate the dates and type of changes made and the recalculation of theoretical hold as a result of the changes.

(7) Records shall be maintained for each machine which indicate the date the machine was placed into service, the date the machine was removed from operation, the date the machine was placed back into operation, and any changes in machine numbers and designations.

(8) All of the gaming machines shall contain functioning meters which shall record coin-in or credit-in.

(9) All gaming machines with currency acceptors shall contain functioning bill-in meters which record the dollar amounts or number of bills accepted by denomination.

(10) Gaming machine in-meter readings shall be recorded at least weekly (monthly for Tier A gaming operations) immediately prior to or subsequent to a gaming machine drop. However, the time between readings may extend beyond one week in order for a reading to coincide with the end of an accounting period only if such extension is for no longer than six days.

(11) The employee who records the in-meter reading shall either be independent of the hard count team or shall be assigned on a rotating basis, unless the in-meter readings are randomly verified quarterly for all gaming machines and currency acceptors by someone other than the regular in-meter reader.

(12) Upon receipt of the meter reading summary, the accounting department shall review all meter readings for reasonableness using pre-established parameters.

(13) Prior to final preparation of statistical reports, meter readings which do not appear reasonable shall be reviewed with gaming machine department employees, and exceptions documented, so that meters can be repaired or clerical errors in the recording of meter readings can be corrected.

(14) A report shall be produced at least monthly showing month-to-date, year-to-date, and if practicable, life-to-date actual hold percentage computations for individual machines and a comparison to each machine's theoretical hold percentage previously discussed.

(15) Each change to a gaming machine's theoretical hold percentage, including progressive percentage contributions, shall result in that machine being treated as a new machine in the statistical reports (i.e., not commingling various hold percentages).

(16) If promotional payouts and awards are included on the gaming machine statistical reports, it shall be in a manner which prevents distorting the actual hold percentages of the affected machines.

(17) A report shall be produced at least monthly showing year-to-date combined gaming machine performance, by denomination. The report shall include the following for each denomination:

(i) Floor par;

(ii) Combined actual hold percentage;

(iii) Percentage variance (b—a); and

(iv) Projected dollar variance (i.e., coin-in times the percentage variance).

(18) The statistical reports shall be reviewed by both gaming machine department management and management employees independent of the gaming machine department on at least a monthly basis.

(19) Large variances between theoretical hold and actual hold shall be investigated and resolved with the findings documented in a timely manner.

(20) For purposes of analyzing large variances between actual hold and theoretical hold percentages, information to create floor par reports by machine type shall be maintained.

(21) Maintenance of the computerized gaming machine monitoring system data files shall be performed by a department independent of the gaming machine department. Alternatively, maintenance may be performed by gaming machine supervisory employees if sufficient

documentation is generated and it is randomly verified on a monthly basis by employees independent of the gaming machine department.

(22) Updates to the computerized gaming machine monitoring system to reflect additions, deletions, or movements of gaming machines shall be made at least weekly prior to in-meter readings and the weigh process.

(m) Gaming machine hopper contents standards. (1) When machines are temporarily removed from the floor, gaming machine drop and hopper contents shall be protected to preclude the misappropriation of stored funds.

(2) When machines are permanently removed from the floor, the gaming machine drop and hopper contents shall be counted and recorded by at least two employees with appropriate documentation being routed to the accounting department for proper recording and accounting for initial hopper loads.

(n) Gaming machine drop keys standards. (1) The physical custody of the keys needed to access gaming machine coin drop cabinets, including duplicates, shall require the involvement of two persons, one of whom is independent of the gaming machine department.

(2) Gaming machine coin drop cabinet keys, including duplicates, shall be maintained by a department independent of the gaming machine department.

(3) Two employees (separate from key custodian) shall be required to accompany such keys while checked out and observe each time gaming machine drop cabinets are accessed, unless surveillance is notified each time keys are checked out and surveillance observes the person throughout the period the keys are checked out.

(o) Currency acceptor key control standards. (1) Tier A gaming operation shall not be subject to the requirements of paragraph (o) of this section, provided that the gaming operation develops and complies with procedures that maintain adequate key control and restricts access to the keys.

(2) The physical custody of the keys needed for accessing stored full currency acceptor drop box contents shall require involvement of persons from two separate departments.

(3) Only the employees authorized to remove the currency acceptor drop boxes shall be allowed access to the release keys. For situations that require access to the currency acceptor drop box at other than scheduled drop time, the date, time, and signature of employee signing out/in release key must be documented. The currency acceptor

drop box release keys are separately keyed from the currency acceptor contents keys.

(4) The count team members may have access to the release keys during the count only in order to reset the drop boxes if necessary.

(5) Employees authorized to drop the currency acceptor drop boxes shall be precluded from having access to drop box contents keys.

(6) Someone independent of the gaming machine department shall be required to accompany currency acceptor drop box storage rack keys and observe each time drop boxes are removed from or placed in storage racks;

(7) Employees authorized to obtain drop box storage rack keys shall be precluded from having access to drop box contents keys (with the exception of the count team);

(8) The physical custody of the keys needed for accessing currency acceptor drop box contents shall require involvement of persons from three separate departments. Access to the contents key at other than scheduled count times shall require the involvement of at least three employees from separate departments, including management. The reason for access shall be documented with the signatures of all participants and observers. Only the count team members shall be allowed access to drop box contents.

(9) At least three count team members shall be required to be present at the time currency acceptor count room keys and other count keys are issued for the count.

(10) Duplicate keys shall be maintained in such a manner as to provide the same degree of control over drop boxes as is required for the original keys. Records shall be maintained for each key duplicated which indicate the number of keys made and destroyed;

(p) Player tracking standards. (1) The player tracking system shall be secured so as to prevent unauthorized access (e.g., changing passwords at least quarterly and physical access to computer hardware, etc.).

(2) The addition of points to members' accounts other than through actual gaming machine play shall be sufficiently documented (including substantiation of reasons for increases) and shall be authorized by a department independent of the player tracking and gaming machines. Alternatively, addition of points to members' accounts may be authorized by gaming machine supervisory employees if sufficient documentation is generated and it is randomly verified by employees independent of the gaming machine department on a quarterly basis;

(3) Booth employees who redeem points for members shall not have access to lost cards;

(4) Changes to the player tracking system parameters, such as point structures and employee access, shall be performed by supervisory employees independent of the gaming machine department. Alternatively, changes to player tracking system parameters may be performed by gaming machine supervisory employees if sufficient documentation is generated and it is randomly verified by supervisory employees independent of the gaming machine department on a monthly basis.

(5) All other changes to the player tracking system shall be appropriately documented.

(q) Progressive gaming machines standards. (1) A meter that shows the amount of the progressive jackpot shall be conspicuously displayed at or near the machines to which the jackpot applies.

(i) At least once each day, each licensee shall record the amount shown on each progressive jackpot meter at the licensee's establishment except for those jackpots that can be paid directly from the machine's hopper;

(ii) Explanations for meter reading decreases shall be maintained with the progressive meter reading sheets, and where the payment of a jackpot is the explanation for a decrease, the licensee shall record the jackpot payout number on the sheet or have the number reasonably available.

(iii) Each licensee shall record the base amount of each progressive jackpot the licensee offers.

(2) The wide area progressive gaming machines system shall be adequately restricted to prevent unauthorized access (e.g., changing passwords at least quarterly, access to EPROMs, and physical access to computer hardware, etc.).

(3) For the wide area progressive system, procedures shall be developed, implemented, and documented for:

(i) Reconciliation of meters and jackpot payouts;

(ii) Collection/drop of gaming machine funds;

(iii) Jackpot verification and payment and billing to gaming operations on pro rata basis;

(iv) System maintenance;

(v) System accuracy; and

(vi) System security.

(4) Reports adequately documenting the procedures required in paragraph (q) of this section shall be generated and retained.

(r) Gaming machine accounting/auditing procedures standards. (1)

Gaming machine accounting/auditing procedures shall be performed by employees who are independent of the transactions being reviewed.

(2) For computerized player tracking systems, an accounting/auditing employee shall perform the following procedures at least one day per month:

(i) Foot all jackpot and fill slips and trace totals to those produced by the system; and

(ii) Review all slips written (from the restricted copy) for continuous sequencing;

(iii) Foot all points-redeemed documentation and trace to the system-generated totals;

(iv) Review all points-redeemed documentation for propriety.

(3) For computerized gaming machine monitoring systems, procedures shall be performed at least monthly to verify that the system is transmitting and receiving data from the gaming machines properly and to verify the continuing accuracy of the coin-in meter readings as recorded in the gaming machine statistical report.

(4) For weigh scale interface systems, for a least one drop period per month accounting/auditing employees shall compare the weigh tape to the system-generated weigh, as recorded in the gaming machine statistical report, in total. Discrepancies shall be resolved prior to generation/distribution of gaming machine reports.

(5) For each drop period, accounting/auditing personnel shall compare the "coin-to-drop" meter reading to the actual drop amount. Discrepancies should be resolved prior to generation/distribution of slot statistical reports.

(6) Follow-up shall be performed for any one machine having an unresolved variance between actual drop and coin-to-drop meter reading in excess of 3%. The follow-up performed and results of the investigation shall be documented and maintained.

(7) At least weekly, accounting/auditing employees shall compare the bill-in meter reading to the total currency acceptor drop amount for the week. Discrepancies shall be resolved prior to the generation/distribution of gaming machine statistical reports.

(8) Follow-up shall be performed for any one machine having an unresolved variance between actual drop and bill-in meter reading in excess of 3%. The follow-up performed and results of the investigation shall be documented and maintained.

(9) At least annually, accounting/auditing personnel shall randomly verify that EPROM changes are properly reflected in the gaming machine analysis reports.

(10) Accounting/auditing employees shall review exception reports for all computerized gaming machine systems on a daily basis for propriety of transactions and unusual occurrences.

(11) All gaming machine auditing procedures and any follow-up performed shall be documented and maintained for inspection.

(s) For all computerized gaming machine systems, a personal access listing shall be maintained which includes at a minimum:

- (1) Employee name;
- (2) Employee identification number (or equivalent); and
- (3) Listing of functions employee can perform or equivalent means of identifying same.

(t) For any computer applications utilized, alternate documentation and/or procedures which provide at least the level of control described by the standards in this section will be acceptable.

(u) For gaming machines that accept coins or currency and issue cash-out tickets, the following standards shall apply:

(1) In addition to the applicable accounting and auditing standards in paragraph (r) of this section, on a quarterly basis, the gaming operation shall foot all jackpot cash-out tickets and trace totals to those produced by the system.

(2) The customer may request a cash-out ticket from the gaming machine which reflects all remaining credits. The cash-out ticket shall be printed at the gaming machine by an internal document printer.

(3) The customer shall redeem the cash-out ticket at a change booth or cashiers' cage. Once presented for redemption, the cashier shall:

- (i) Scan the bar code via an optical reader or its equivalent; or
- (ii) Input the cash-out ticket validation number into the computer.

(4) The information contained in paragraph (u)(3) of this section shall be transmitted to the host computer. The host computer shall verify the authenticity of the cash-out ticket and communicate directly to the change booth or cashier cage terminal.

(5) If valid, the cashier pays the customer the appropriate amount and the cash-out ticket is electronically noted "paid" in the system. The "paid" cash-out ticket shall remain in the cashiers' bank for reconciliation purposes.

(6) If invalid, the host computer shall notify the cashier that one of the following conditions exists:

- (i) Serial number cannot be found on file (stale date, forgery, etc.);

(ii) Cash-out ticket has already been paid;

(iii) Amount of cash-out ticket differs from amount on file. The cashier shall refuse payment to the customer and notify a supervisor of the invalid condition. The supervisor shall resolve the dispute;

(7) If the coinless/cashless gaming machine system temporarily goes down, cashiers may redeem cash-out tickets after recording the following:

- (i) Serial number of the cash-out ticket;
- (ii) Date;
- (iii) Dollar amount; and
- (iv) Issuing gaming machine number.

(8) Cash-out tickets shall be validated as expeditiously as possible when the coinless/cashless gaming machine system is restored.

(9) The gaming operation shall develop and implement procedures to control cash-out ticket paper which shall include procedures which:

- (i) Prevent the counterfeiting of cash-out ticket paper;
- (ii) Adequately controls the inventory of the cash-out ticket paper; and
- (iii) Provide for the destruction of all unused cash-out ticket paper.

(10) If the coinless/cashless gaming machine system is down for more than four hours, the gaming operation shall promptly notify the tribal council or its designated representative.

(11) These gaming machine systems shall comply with all other standards (as applicable) in this section including:

- (i) Standards for currency acceptor drop and count;
- (ii) Standards for coin drop and count; and
- (iii) Standards concerning EPROMS.

(v) If the gaming machine does not accept currency or coin and does not return currency or coin, the following standard shall apply:

(1) For paragraph (v) of this section, the following definitions shall apply:

- (i) Bank Number means a unique number assigned to identify a network of player terminals;
- (ii) Terminal Number means a unique number assigned to identify a single player terminal in the gaming operation;
- (iii) PIN means personal identification number selected by player and used to access player's account;
- (iv) Machine Payout Form means a document used to log all progressive jackpots and amounts won greater than \$1,200.

(v) Adjustment Form means a document used to describe and identify any change to player's account balance not generated directly by player gaming activity;

(vi) A game Server means an electronic selection device, utilizing a random number generator.

(2) Equipment.

(i) A central computer, with supporting hardware and software, to coordinate network activities, provide system interface, and store and manage a player/account database;

(ii) A network of contiguous player terminals with touch-screen or button-controlled video monitors connected to an electronic selection device and the central computer via a communications network;

(iii) One or more electronic selection devices, utilizing random number generators, each of which selects any combination or combinations of numbers, colors and/or symbols for a network of player terminals.

(3) Player terminals standards.

(i) The player terminals are connected to a game server;

(ii) The game server shall generate and transmit to the bank of player terminals a set of random numbers, colors and/or symbols at regular intervals. The subsequent game results are determined at the player terminal and the resulting information is transmitted to the account server;

(iii) The game servers shall be housed in a game server room or secure locked cabinet off the casino floor.

(4) Patron account maintenance standards.

(i) A central computer acting as an account server shall provide customer account maintenance and the deposit/withdrawal function of those account balances;

(ii) Patrons may access their accounts on the computer system by means of a Player Identification Card at the player terminal. Each player terminal may be equipped with a card reader and PIN (personal identification number) pad or touch screen array for this purpose;

(iii) All communications between the player terminal and the account server shall be encrypted for security reasons.

(5) Patron account generation standards.

(i) A computer file for each patron shall be prepared by a clerk, with no incompatible functions, prior to the patron being issued a PIN Card to be utilized for machine play. The patron shall select his/her four digit PIN, known only to the patron, to be used in conjunction with the PIN Card;

(ii) The clerk shall sign-on with a unique password to a terminal equipped with peripherals required to input data from the Patron Registration form. Passwords are issued and can only be changed by MIS personnel at the discretion of the Department Director;

(iii) After entering a specified number of incorrect PIN entries at the Cage or player terminal, the patron shall be directed to proceed to the Gaming Machine Information Center to obtain a new PIN. If a patron forgets, misplaces or requests a change to their four digit PIN, the patron shall proceed to the Gaming Machine Information Center.

(6) Deposit of credits standards.

(i) The cashier shall sign-on with a unique password to a cashier terminal equipped with peripherals required to complete the credit transactions. Passwords are issued and can only be

changed by MIS personnel at the discretion of the Department Director;

(ii) The patron shall present cash, chips, coin or coupons along with their PIN Card to a cashier to deposit Credits;

(iii) The cashier shall complete the transaction by utilizing a card scanner which the cashier shall slide the patron's PIN Card through;

(iv) The cashier shall accept the funds from the patron and enter the appropriate amount on the cashier terminal;

(v) A multi-part Deposit Slip shall be generated by the point of sale receipt printer. The cashier shall direct the patron to sign two copies of the Deposit Slip receipt. The original of the signed Deposit Slip shall be given to the patron. The first copy of the signed Deposit Slip shall be secured in the cashier's cash drawer;

(vi) The cashier shall verify the patron's balance before completing the transaction. The cashier shall secure the funds in their cash drawer and return the PIN Card to the patron.

(7) Prize standards.

(i) Winners at the Gaming Machines may receive cash, prizes redeemable for cash or merchandise, at the discretion of the Gaming Operation;

(ii) If merchandise prizes are to be awarded, the specific type of prize or prizes which may be won shall be disclosed to the player before the game begins;

(iii) The patron shall maintain his/her PIN Card for an indefinite period of time. Patrons shall not be required to redeem the balance in their account immediately or at the end of their gaming trip which creates a liability to the patron from the gaming operation.

(8) Payoff odds standards.

(i) Payoff odds shall be determined by the Gaming Operation and approved by the tribe or tribal gaming commission;

(ii) The payoff odds for all winning combinations shall be conspicuously posted on a sign or displayed on a designated screen of the Player Terminal;

(iii) The Gaming Operation shall submit the pay rate, pay tables, seed amounts (if applicable), machine entry procedures and authorizations, the attendant jackpot payout key control procedures, and machine entry key control procedures to the tribe or the tribe's independent regulatory body.

(9) The Gaming operation shall determine the minimum and maximum wagers. The amounts of such wagers shall be conspicuously posted on a sign or displayed on a designated screen of the Player Terminal.

(10) Jackpot payout procedures.

(i) When any progressive jackpot or a payout of \$1,200.00 or more is won, the Player terminal shall lock-up preventing further play.

(ii) The player terminal shall indicate by light and sound that a jackpot has been won.

(iii) An attendant shall go to the player terminal and obtain suitable identification such as a driver's license.

(iv) An attendant shall complete the Machine Payout Form for all winning jackpots of \$1,200.00 or more. The Form shall include, at a minimum, the following information:

(A) game number and type;

(B) bank location;

(C) account number of the player

(D) name of the player;

(E) terminal number the jackpot was won at;

(F) date, time, and shift;

(G) amount won;

(H) amount wagered;

(I) signature and badge number of the attendant verifying surveillance was notified for jackpot winning of \$5,000 or greater for a single game; and

(J) signature and badge number of attendant attesting to reactivation of the terminal.

(v) The attendant shall reactivate the machine upon completion of the appropriate paperwork.

(11) Game rules for each game that is offered for use to patrons on the Gaming Machines shall be described in a brochure available to patrons.

(12) The patron shall present their PIN Card to a cashier to withdraw their Credits. The cashier shall perform the following:

(i) Slide the PIN Card through the card scanner;

(ii) Request the patron to enter their PIN;

(iii) The cashier shall ascertain the amount the patron wishes to withdraw and enter the amount into the computer;

(iv) A multi-part Withdrawal Slip shall be generated by the point of sale receipt printer. The cashier shall direct the patron to sign the original and one copy of the Withdrawal Slip;

(v) The cashier shall verify that the PIN Card and the patron match by:

(A) Comparing the patron to image on the computer screen of patron's picture ID or;

(B) Comparing the patron signature on the Withdrawal Slip to signature on the computer screen.

(vi) The cashier shall verify the patron's balance before completing the transaction. The cashier shall pay the patron the appropriate amount, issue the patron the original Withdrawal Slip and return the PIN Card to the patron;

(vii) The first copy of the Withdrawal Slip shall be placed in the cash drawer. All account transactions shall be accurately tracked by the account server computer system. The first copy of the Withdrawal Slip shall be forwarded to the Accounting Department at the end of the gaming day.

(viii) In the event the imaging function is temporarily disabled, patrons shall be required to provide positive ID for cash withdrawal transactions at the cashier stations.

§ 542.13 What are the minimum internal control standards for cage & credit?

(a) The following standards shall apply if the gaming operation authorizes and extends credit to patrons:

(1) At least the following information shall be recorded for patrons who have credit limits or are issued credit (excluding personal checks, payroll checks, cashier's checks and traveler's checks):

(i) Patron's name, current address, and signature;

(ii) Identification verifications;

(iii) Authorized credit limit;

(iv) Documentation of authorization by an individual designated by management to approve credit limits; and

(v) Credit issuances and payments.

(2) Prior to extending credit, the patron's gaming operation credit record and/or other documentation shall be examined to determine the following:

(i) Properly authorized credit limit;

(ii) Whether remaining credit is sufficient to cover the credit issuance; and

(iii) Identity of the patron (except for known patrons).

(3) Credit extensions over a specified dollar amount shall be approved by personnel designated by management.

(4) Proper approval of credit extensions over 10 percent of the previously established limit shall be documented.

(5) The job functions of credit approval (i.e., establishing the patron's credit worthiness) and credit extension (i.e., monitoring patron's credit

availability) shall be segregated for credit extensions to a single patron of \$10,000 or more per day (applies whether the credit is extended in the pit or the cage).

(6) If cage credit is extended to a single patron in an amount exceeding \$2,500, applicable gaming personnel shall be notified on a timely basis of the patrons playing on cage credit, the applicable amount of credit issued, and the available balance.

(7) Cage marker forms shall be at least two parts (the original marker and a payment slip), prenumbered by the printer or concurrently numbered by the computerized system, and utilized in numerical sequence.

(8) The completed original cage marker shall contain at least the following information: marker number, player's name and signature, and amount of credit issued (both alpha and numeric).

(9) The completed payment slip shall include the same marker number as the original, date and time of payment, amount of payment, nature of settlement (cash, chips, etc.), and signature of cashier receiving the payment.

(10) If personal checks, cashier's checks, or payroll checks are cashed the Tribe shall implement appropriate controls for purpose of security and integrity. The Tribe shall establish and comply with procedures for collecting and recording checks returned to the gaming operation after deposit which include re-deposit procedures. These procedures shall provide for notification of cage/credit departments and custodianship of returned checks.

(11) Counter checks shall comply with the requirements of paragraph (a) (10) of this section.

(12) When counter checks are issued, the following shall be included on the check:

- (i) The patron's name and signature;
- (ii) The dollar amount of the counter check (both alpha and numeric);
- (iii) Date of issuance; and
- (iv) Signature or initials of the individual approving the counter check transaction.

(13) When travelers checks or other guaranteed drafts such as cashier's checks are presented, the cashier shall comply with the examination and documentation procedures as required by the Tribe.

(b) Payment standards.

(1) All payments received on outstanding credit instruments shall be permanently recorded in the gaming operation's records.

(2) When partial payments are made on credit instruments, they shall be evidenced by a multi-part receipt (or

another equivalent document) which contains:

- (i) The same preprinted number on all copies;
- (ii) Patron's name;
- (iii) Date of payment;
- (iv) Dollar amount of payment (or remaining balance if a new marker is issued), and nature of settlement (cash, chips, etc.);
- (v) Signature of employee receiving payment; and
- (vi) Number of credit instrument on which partial payment is being made.

(3) Unless account balances are routinely confirmed on a random basis by the accounting or internal audit departments, or statements are mailed by someone independent of the credit transactions and collections thereon, and the department receiving payments cannot access cash, then the following standards shall apply:

- (i) The routing procedures for payments by mail require that they are received by a department independent of credit instrument custody and collection;
- (ii) Such receipts by mail shall be documented on a listing indicating the customer's name, amount of payment, nature of payment (if other than a check), and date payment received;
- (iii) The total amount of the listing of mail receipts shall be reconciled with the total mail receipts recorded on the appropriate accountability by the accounting department on a random basis (for at least three days per month).

(c) Access to credit documentation shall be restricted as follows:

- (1) The credit information shall be restricted to those positions which require access and are so authorized by management;
 - (2) Outstanding credit instruments shall be restricted to persons authorized by management; and
 - (3) Written-off credit instruments shall be further restricted to individuals specified by management;
- (d) Documentation shall be maintained as follows:

- (1) All extensions of cage credit, pit credit transferred to the cage and subsequent payments shall be documented on a credit instrument control form.
 - (2) Records of all correspondence, transfers to and from outside agencies, and other documents related to issued credit instruments shall be maintained.
- (e) Write-off and settlement standards.
- (1) Written-off or settled credit instruments shall be authorized in writing.
 - (2) Such authorizations shall be made by at least two management officials, who are from departments independent of the credit transaction.

(f) The use of collection agencies shall be governed by the following standards:

(1) If outstanding credit instruments are transferred to collection agencies, or other collection representatives, a copy of the credit instrument and a receipt from the collection representative shall be obtained and maintained until such time as the original credit instrument is returned or payment is received.

(2) An individual independent of credit transactions and collections shall periodically review the documents in paragraph (f) (1) of this section.

(g) If a gaming operation permits a customer to deposit funds with the gaming operation.

(1) The receipt or withdrawal of a customer deposit shall be evidenced by at least a two-part document with one copy going to the customer and one copy remaining in the cage file.

(2) The multi-part receipt shall contain the following information:

- (i) Same receipt number on all copies;
- (ii) Customer's name and signature;
- (iii) Date of receipt and withdrawal;
- (iv) Dollar amount of deposit/ withdrawal; and
- (v) Nature of deposit (cash, check, chips); however,

(vi) Provided all of the information in paragraph (g)(2) (i) through (v) is available, the only required information for all copies of the receipt is the receipt number.

(3) The gaming operation shall establish and comply with procedures which:

- (i) Maintain a detailed record by patron name and date of all funds on deposit;
- (ii) Maintain a current balance of all customer cash deposits which are in the cage/vault inventory or accountability; and
- (iii) Reconcile this current balance with the deposits and withdrawals at least daily.

(4) The gaming operation shall describe the sequence of the required signatures attesting to the accuracy of the information contained on the customer deposit or withdrawal form ensuring that the form is signed by the cashier.

(5) All customer deposits and withdrawal transactions at the cage shall be recorded on a cage accountability form on a per-shift basis.

(6) Only cash, cash equivalents, chips and tokens shall be accepted from customers for the purpose of a customer deposit.

(7) The Tribe shall establish and comply with procedures which verify the patron's identity including photo identification.

(8) A file for patrons shall be prepared prior to acceptance of a deposit.

(h) Cage and vault accountability standards. (1) All transactions that flow through the cage shall be summarized on a cage accountability form on a per shift basis.

(2) Increases and decreases to the cage inventory shall be supported by documentation.

(3) The cage and vault (including coin rooms) inventories shall be counted by the oncoming and outgoing cashiers. These employees shall make individual counts for comparison of accuracy and maintenance of individual accountability which shall be recorded at the end of each shift during which activity took place. All discrepancies shall be noted and investigated.

(4) All net changes in outstanding gaming operation accounts receivables, including all returned checks, shall be summarized on a cage accountability form or similar document on a per shift basis.

(5) The gaming operation cash-on-hand shall include, but is not limited to, the following components:

- (i) Currency and coins;
- (ii) House chips, including reserve chips;
- (iii) Personal checks, cashier's checks and traveler's checks for deposit;
- (iv) Customer deposits;
- (v) Chips on tables;
- (vi) Hopper loads (coins put into machines when they are placed in service); and
- (vii) Fills and credits (these documents shall be treated as assets and liabilities, respectively, of the cage during a business day. When win or loss is recorded at the end of the business day, they are removed from the accountability).

(6) The Tribe shall establish a minimum bankroll formula to ensure the gaming operation maintains cash or cash equivalents (on hand and in the bank, if readily accessible) in an amount sufficient to satisfy obligations to the gaming operation's patrons as they are incurred.

(i) The Tribe shall establish and comply with procedures for the receipt, inventory, storage, and destruction of gaming chips and tokens.

(j) Any program for exchanges of coupons for chips and/or tokens or other coupon program shall be approved by the Tribe prior to implementation; if approved, the Tribe shall establish and comply with procedures that account for and control of such programs.

(k) A gaming operation shall comply with the following accounting standards:

(1) The cage accountability shall be reconciled to the general ledger at least monthly.

(2) A trial balance of gaming operation accounts receivable, including the name of the patron and current balance, shall be prepared at least monthly for active, inactive, settled or written-off accounts. The reconciliation and any follow-up performed shall be documented and retained.

(3) The trial balance of gaming operation accounts receivable shall be reconciled to the general ledger each month. The reconciliation and any follow-up performed shall be documented and retained.

(4) A trial balance of the gaming operations inactive or written-off accounts receivable, including the name of patron and balance, shall be prepared at least quarterly:

(5) On a monthly basis an evaluation of the collection percentage of credit issued to identify unusual trends shall be performed.

(6) All cage and credit accounting procedures and any follow-up performed shall be documented.

(l) An individual independent of the cage, credit, and collection functions shall perform all of the following at least three times per year:

(1) Ascertain compliance with credit limits and other established credit issuance procedures;

(2) Randomly reconcile outstanding balances of both active and inactive accounts on the accounts receivable listing to individual credit records and physical instruments;

(3) Examine credit records to determine that appropriate collection efforts are being made and payments are being properly recorded; and

(4) For a minimum of five (5) days per month, partial payment receipts shall be subsequently reconciled to the total payments recorded by the cage for the day and shall be numerically accounted for.

(m) Computer applications utilized, alternate documentation and/or procedures which provide at least the level of control described by the standards in this section will be acceptable.

§ 542.14 What are the minimum internal control standards for internal audit?

(a) Each gaming operation shall employ qualified internal auditing personnel.

(1) Tier C gaming operations shall maintain a separate internal audit department (whose primary function is performing internal audit work and who is independent with respect to the departments subject to audit).

(2) Tier A and B gaming operations shall either maintain a separate internal audit department or designate personnel

who are independent with respect to the departments/procedures being examined to perform internal audit work.

(3) The internal audit personnel shall report directly to the tribe, the tribal gaming commission, audit committee or other entity designated by the tribe.

(b) Documentation (e.g., checklists, programs, reports, etc.) shall be prepared to evidence all internal audit work performed as it relates to these requirements. The internal audit department operates with audit programs which, at a minimum, address the MICS. Additionally, the department properly documents the work performed, the conclusions reached, and resolution of all exceptions.

(c) All material exceptions resulting from internal audit work shall be investigated and resolved, with the results of such being documented and retained for five years.

(d) The internal audit department shall report to management and the Tribe or its designated tribal governmental body all instances of non-compliance that come to its attention during the course of testing compliance with the standards in this part.

Management shall be required to respond to internal audit findings stating corrective measures to be taken to avoid recurrence of the audit exception. Such management responses shall be included in the internal audit report which will be delivered to the Tribe or its designated tribal governmental body.

(e) The internal audit department shall perform audits of all major areas of the gaming operation.

(1) The following are reviewed at least once during every six-month period:

(i) Table games, including but not limited to, fill and credit procedures, pit credit play procedures, rim credit procedures, soft drop/count procedures and the subsequent transfer of funds, surprise testing of count room currency counters, location and control over sensitive keys, the tracing of source documents to summarized documentation and accounting records, and reconciliation to restricted copies;

(ii) Gaming machines, including but not limited to, jackpot payout and slot fill procedures, slot drop/count and currency acceptor drop/count and subsequent transfer of funds, surprise testing of weigh scale and weigh scale interface, surprise testing of count room currency counters, slot machine drop cabinet access, tracing of source documents to summarized documentation and accounting records, reconciliation to restricted copies, location and control over sensitive keys,

compliance with EPROM duplication procedures, and compliance with MICS procedures for gaming machines that accept coins or currency and issue cash-out tickets or gaming machines that do not accept currency or coin and do not return currency or coin.

(2) The following are reviewed at least annually:

(i) Keno, including but not limited to, game write and payout procedures, sensitive key location and control, and a review of keno auditing procedures;

(ii) Card games, including but not limited to, card games operation, monetary exchange procedures, skill transactions, and count procedures;

(iii) Bingo, including but not limited to, bingo card control, payout procedures, and cash reconciliation process;

(iv) Complimentary service or item, including but not limited to, procedures where by complimentary service items are issued and authorized;

(v) Cage and credit procedures including all cage, credit and collection procedures, and the reconciliation of trial balances to physical instruments on a sample basis. Cage accountability shall be reconciled to the general ledger;

(vi) Pari-mutuel wagering, including write and payout procedures, and pari-mutuel auditing procedures;

(vii) Electronic data processing functions, including review for compliance with EDP standards.

(3) In addition to the observation and examinations performed under paragraph (e) of this section, follow-up observations and examinations shall be performed to verify that corrective action has been taken regarding all instances of noncompliance cited by internal audit, the independent accountant, and/or the Commission. The verification shall be performed within six months following the date of notification.

(4) Whenever possible, internal audit observations shall be performed on an unannounced basis (i.e., without the employees being forewarned that their activities will be observed). Additionally, if the independent accountant also performs the internal audit function, the accountant shall perform separate observations of the table games/gaming machine drops and counts to satisfy the internal audit observation requirements and independent accountant tests of controls as required by the AICPA Guide.

(f) Reports documenting audits performed shall be maintained and made available to the Commission upon request. The audit reports shall include the following information:

(1) Audit objectives;

(2) Audit procedures and scope;
(3) Findings and conclusions;
(4) Recommendations, if applicable; and

(5) Management's response.
(g) The internal audit department shall determine compliance with procedures that verify receipt of goods and services of the gaming operation resulting from purchasing contracts or commitments for amounts in excess of \$25,000 per annum.

§ 542.15 What are the minimum internal control standards for surveillance?

(a) The surveillance system shall be maintained and operated from a surveillance room and shall provide surveillance over gaming areas. Tier A operations shall not be required to have a surveillance room if the gaming operation maintains and operates an unmanned surveillance system in a secured location whereby the areas under surveillance are continually taped.

(b) The entrance to the surveillance room or secured location shall be located so that it is not readily accessible by either gaming operation employees who work primarily on the casino floor, or the general public.

(c) Access to a surveillance room shall be limited to surveillance personnel, key employees and other persons authorized in accordance with the gaming operation policy. Authorized surveillance personnel shall maintain sign-in logs of authorized persons entering the surveillance room.

(d) Surveillance room equipment shall have total override capability over all other satellite surveillance equipment located outside the surveillance room.

(e) For all Tier B and C gaming operations, in the event of power loss to the surveillance system, an auxiliary or backup power source shall be available and capable of providing immediate restoration of power to all elements of the surveillance system that enable surveillance personnel to observe the table games remaining open for play and all areas covered by dedicated cameras.

(f) The surveillance system shall include date and time generators which possess the capability to display the date and time of recorded events on video tape recordings. The displayed date and time shall not significantly obstruct the recorded view.

(g) The surveillance room shall be staffed for all shifts and activities by personnel trained in the use of the equipment, knowledge of the games and house rules.

(h) Each video camera required by the standards in this section shall be

installed in a manner that will prevent it from being readily obstructed, tampered with or disabled by patrons or employees.

(i) Each video camera required by the standards in this section shall possess the capability of having its picture displayed on a video monitor and recorded. The surveillance system shall include sufficient numbers of monitors and recorders to simultaneously display and record multiple gaming and count room activities, and record the views of all dedicated cameras and motion activated dedicated cameras.

(j) Reasonable effort shall be made to repair each malfunction of surveillance system equipment required by the standards in this section within seventy-two (72) hours after the malfunction is discovered.

(k) In the event of a dedicated camera malfunction, the gaming operation shall immediately provide alternative camera coverage or other security measures, such as additional supervisory or security personnel, to protect the subject activity.

(l) Each gaming machine offering a payout of more than \$250,000 shall be monitored by dedicated camera(s) to provide coverage of:

(1) All patrons and employees at the gaming machine, and

(2) The face of the gaming machine, with sufficient clarity to identify the payout line(s) of the gaming machine; however

(m) Notwithstanding paragraph (l) of this section, if the gaming machine is a multi-game machine, the gaming operation with the approval of the Tribe may develop and implement alternative procedures to verify payouts.

(n) The surveillance system of all Tier B and C gaming operations shall monitor and record a general overview of the activities occurring in each gaming machine change booth.

(o) The surveillance system of gaming operations operating four (4) or more table games shall provide at a minimum one pan-tilt-zoom camera per two tables and surveillance must be capable of taping:

(1) With sufficient clarity to identify patrons and dealers; and

(2) With sufficient coverage and clarity to simultaneously view the table bank and determine the configuration of wagers, card values and game outcome.

(p) The surveillance system of gaming operations operating three (3) or less table games shall:

(1) Comply with the requirements of paragraph (n) of this section; or

(2) Have one (1) overhead camera at each table.

(q) All craps tables shall have two stationary cross view cameras covering both ends of the table. All roulette areas shall have one overhead stationary camera covering the roulette wheel and shall also have one stationary overview of the play of the table. All big wheel games shall have one stationary camera viewing the wheel.

(r) Each progressive table game with a potential progressive jackpot of \$25,000 or more shall be recorded and monitored by dedicated cameras that provide coverage of:

(1) The table surface, sufficient that the card values and card suits can be clearly identified; and

(2) An overall view of the entire table with sufficient clarity to identify patrons and dealer; and

(3) A view of the progressive meter jackpot amount. If several tables are linked to the same progressive jackpot meter, only one meter need be recorded.

(s) The surveillance system shall possess the capability to monitor the keno and bingo ball drawing device or random number generator, which shall be recorded during the course of the draw by a dedicated camera or automatically activated camera, with sufficient clarity to identify the balls drawn or numbers selected.

(t) The surveillance system shall monitor and record general activities in each keno game area, with sufficient clarity to identify the employees performing the different functions.

(u) The surveillance system in the bingo game area shall monitor and record the game board and the activities of the employees responsible for drawing, calling and entering the balls drawn or numbers selected.

(v) The surveillance system shall monitor and record general activities in each race book, sports pool and pari-mutuel book ticket writer and cashier area, with sufficient clarity to identify the employees performing the different functions.

(w) The surveillance system shall monitor and record a general overview of activities occurring in each cage and vault area, with sufficient clarity to identify employees within the cage and patrons and employees at the counter areas. Each cashier station shall be equipped with one stationary overhead camera covering the transaction area. The surveillance system shall be used as an overview for cash transactions. This overview should include the customer, the employee and the surrounding area. This standard is optional for Tier A gaming operations.

(x) The cage or vault area in which fills and credits are transacted shall be monitored and recorded by a dedicated

camera or motion activated dedicated camera that provides coverage with sufficient clarity to identify the chip values and the amounts on the fill and credit slips. Controls provided by a computerized fill and credit system may be deemed an adequate alternative to viewing the fill and credit slips.

(y) The surveillance system shall monitor and record all areas where currency or coin may be stored or counted, including the soft and hard count rooms, all doors to the soft and hard count rooms, all scales and wrapping machines and all areas where uncounted currency and coin may be stored during the drop and count process. Tier C gaming operations shall also maintain audio capability of the soft count room. The surveillance system shall provide for:

(1) Coverage of scales shall be sufficiently clear to view any attempted manipulation of the recorded data.

(2) Monitoring and recording of the table games drop box storage rack or area by either a dedicated camera or a motion-detector activated camera.

(3) Monitoring and recording of all areas where coin may be stored or counted, including the hard count room, all doors to the hard count room, all scales and wrapping machines and all areas where uncounted coin may be stored during the drop and count process.

(4) Monitoring and recording of soft count room, including all doors to the room, all drop boxes, safes, and counting surfaces, and all count team personnel. The counting surface area must be continuously monitored by a dedicated camera during the soft count.

(5) Monitoring and recording of all areas where currency is sorted, stacked, counted, verified or stored during the soft count process.

(z) All video recordings of coverage provided by the dedicated cameras or motion-activated dedicated cameras required by the standards in this section shall be retained for a minimum of seven days. Recordings involving suspected or confirmed gaming crimes, unlawful activity, or detentions and questioning by security personnel, must be retained for a minimum of thirty (30) days. Recordings of all linked systems (bingo, ball draws, gaming machines, etc.) shall be maintained for at least 30 days.

(aa) Video recordings shall be provided to the Commission upon request.

(bb) A video library log shall be maintained to demonstrate the storage, identification and retention standards required in this section have been complied with.

(cc) Each tribe shall maintain a log that documents each malfunction and repair of the surveillance system (as defined in this section). The log shall state the time, date and nature of each malfunction, the efforts expended to repair the malfunction and the date of each effort, the reasons for any delays in repairing the malfunction, the date the malfunction is repaired and where applicable, any alternative security measures that were taken.

(dd) Each gaming operation shall maintain a surveillance log of all surveillance activities in the surveillance room. The log shall be maintained by surveillance room personnel and shall be stored securely within the surveillance department. At a minimum, the following information shall be recorded in a surveillance log:

(1) Date and time each surveillance commenced;

(2) The name and license credential number of each person who initiates, performs, or supervises the surveillance;

(3) Reason for surveillance, including the name, if known, alias or description of each individual being monitored, and a brief description of the activity in which the person being monitored is engaging;

(4) The times at which each video or audio tape recording is commenced and terminated;

(5) The time at which each suspected criminal offense is observed, along with a notation of the reading on the meter, counter or device specified in paragraph (f) of this section that identifies the point on the video tape at which such offense was recorded;

(6) Time of termination of surveillance;

(7) Summary of the results of the surveillance.

§ 542.16 What are the minimum internal control standards for electronic data processing?

(a) General controls. (1) Management shall take an active role in making sure physical and logical security measures are implemented, maintained and adhered to by personnel to prevent unauthorized access which could cause errors or compromise data or processing integrity.

(i) Management shall ensure that all vendor agreements/contracts will contain language that requires the vendor to adhere to the tribal and/or gaming operations minimum internal control standards.

(ii) Physical security measures shall exist over computer, computer terminals and storage media to prevent irregularities and loss of integrity of data and processing.

(iii) Access to systems software and application programs shall be limited to authorized personnel.

(iv) Access to computer data shall be limited to authorized personnel.

(v) Access to computer communications facilities or the computer system or access to information transmissions shall be limited to authorized personnel.

(vi) Standards in this paragraph (a)(1) shall be addressed in the system of internal controls for each applicable department within the gaming operation.

(2) The main computers (i.e., hardware, software and data files) for each gaming application (e.g., keno, race and sports, gaming machines, etc.) shall be in a secured area with access restricted to authorized persons, including vendors.

(3) Access to computer operations shall be restricted to authorized personnel to reduce the risk of loss of integrity of data or processing.

(4) Incompatible duties shall be adequately segregated and monitored to prevent error in general EDP/MIS procedures to go undetected or fraud to be concealed.

(5) Gaming and food/beverage personnel shall be precluded from having unrestricted access to the secured computer areas.

(6) The computer systems, including application software, shall be secured through the use of passwords or other approved means. Management personnel or persons independent of the department being controlled shall assign and control access to system functions.

(7) Passwords shall be controlled as follows unless otherwise addressed in the standards in this section.

(i) Each user shall have their own individual password; and

(ii) Passwords shall be changed at least quarterly with changes documented.

(8) Adequate backup and recovery procedures shall be in place, and if applicable, include:

(i) Daily backup of data files;

(ii) Backup of all programs;

(iii) Secured off-site storage of all backup data files and programs, or other adequate protection; and

(iv) Recovery procedures which are tested at least annually with documentation of results.

(9) Adequate system documentation shall be maintained, including descriptions of hardware and software, operator manuals, etc.

(b) If a separate EDP department is maintained or if there are in-house developed systems, the following standards shall apply:

(1) The EDP department shall be independent of the gaming areas (e.g., cage, pit, count rooms, etc.). EDP/MIS procedures and controls should be defined and responsibilities communicated.

(2) EDP department personnel shall be precluded from unauthorized access to:

(i) Computers and terminals located in gaming areas;

(ii) Source documents; and

(iii) Live data files (not test data).

(3) EDP/MIS personnel shall be:

(i) Restricted from having access to cash or other liquid assets; and
(ii) From initiating general or subsidiary ledger entries.

(4) Program changes for in-house developed systems should be documented as follows:

(i) Requests for new programs or program changes shall be reviewed by the EDP supervisor. Approvals to begin work on the program shall be documented;

(ii) A written plan of implementation for new and modified programs shall be maintained and include, at a minimum, the date the program is to be placed into service, the nature of the change, a description of procedures required in order to bring the new or modified program into service (conversion or input of data, installation procedures, etc.), and an indication of who is to perform all such procedures;

(iii) Testing of new and modified programs shall be performed and documented prior to implementation;

(iv) A record of the final program or program changes, including evidence of user acceptance, date in service, programmer, and reason for changes, shall be documented and maintained.

(5) Computer security logs, if generated by the system, shall be reviewed by EDP supervisory personnel for evidence of:

(i) Multiple attempts to log-on, or alternatively, the system shall deny user access after three attempts to log-on;

(ii) Unauthorized changes to live data files; and

(iii) Any other unusual transactions.

(c) If remote dial-up to any associated equipment is allowed for software support, the gaming operation shall maintain an access log which includes:

(1) Name of employee authorizing modem access;

(2) Name of authorized programmer or manufacturer representative;

(3) Reason for modem access,

(4) Description of work performed, and

(5) Date, time, and duration of access.

(d) Documents may be scanned or directly stored to WORM ("Write Once Read Many") optical disk with the following conditions:

(1) The optical disk shall contain the exact duplicate of the original document.

(2) All documents stored on optical disk shall be maintained with a detailed index containing the gaming operation department and date. This index shall be available upon request by the Commission.

(3) Upon request by Board agents, hardware (terminal, printer, etc.) shall be provided in order to perform auditing procedures.

(4) Controls shall exist to ensure the accurate reproduction of records, up to and including the printing of stored documents used for auditing purposes.

(5) If source documents and summary reports are stored on re-writeable optical disks, the disks may not be relied upon for the performance of any audit procedures, and the original documents and summary reports shall be retained.

§ 542.17 What are the minimum internal control standards for complimentary services or items?

(a) Each gaming operation shall establish and comply with procedures for the authorization and issuance of complimentary services and items, including cash and noncash gifts. Such procedures shall include, but shall not be limited to, the procedures by which the gaming operation delegates to its employees the authority to approve the issuance of complimentary services and items and the procedures by which conditions or limits, if any, which may apply to such authority are established and modified, including limits based on relationships between the authorizer and recipient, and shall further include effective provisions for audit purposes.

(b) At least weekly, accounting, MIS or alternative personnel that cannot grant or receive complimentary privileges shall prepare reports that include the following information:

(1) Name of patron who received the complimentary service or item if the complimentary service or item exceeds \$25.00;

(2) Name(s) of employee(s) who issued and/or authorized the complimentary service or item;

(3) The actual cash value of the complimentary service or item;

(4) The type of complimentary service or item (i.e., food, beverage, etc.); and

(5) Date the complimentary service or item was issued.

(c) The internal audit or accounting departments shall review the reports required in paragraph (b) of this section at least weekly. These reports shall be made available to the tribe, the tribe's independent regulatory body, and the Commission upon request.

§ 542.18 Who may apply for a variance and how do I apply for one?

(a) For this section only, a variance means an internal control standard that differs from and establishes a lesser degree of control than an internal control standard in this part.

(b) A Tribe may apply for a variance in its tribal MICS for Tier A operations if the Tribe has determined that:

(1) The gaming operation is unable to comply substantially with an internal control standard in this part; and

(2) The gaming operation develops a variance that will achieve adequate control for the standard which it seeks to replace.

(c) A Tribe seeking a variance shall submit to the Commission a detailed report which shall include the following information:

(1) An explanation of why the gaming operation is unable to comply substantially with the standard;

(2) A description of the proposed variance;

(3) An explanation of how the proposed variance achieves adequate control; and

(4) Evidence that the Tribe or its independent regulatory body has approved the variance.

(d) A Tier A gaming operation may apply for a variance if:

(1) The Tribe or its independent regulatory body has approved the variance; and

(2) It complies with paragraphs (b) and (c) of this section.

(e) The Commission may grant the request for a variance upon its sole discretion. Variance will not be granted routinely. The gaming operation shall comply with standards at least as stringent as those set forth in this part until such time as the Commission approves a request for a variance.

§ 542.19 Does this part apply to charitable bingo operations?

(a) This part shall not apply to charitable bingo operations provided that:

(1) All proceeds are for the benefit of a charitable organization;

(2) The Tribe permits the charitable organization to be exempt from this part;

(3) The charitable bingo operation is operated wholly by the charitable organization's employees or volunteers; and

(4) The annual gross gaming revenue of the charitable organization does not exceed \$50,000; and

(5) The Tribe establishes and the charitable bingo operation complies with minimum standards which shall protect the integrity of the game and safeguard the monies used in connection with the game.

(b) Nothing in this section shall exempt bingo operations conducted by independent operators for the benefit of a charitable organization.

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