

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

(a) *Exemptions.* (1) ~~The requirements of this section shall not apply to gaming operations who house pari-mutuel wagering operations conducted entirely by a state licensed simulcast service provider pursuant to an approved tribal-state compact if:~~

~~(i) The simulcast service provider utilizes its own employees for all aspects of the pari-mutuel wagering operation;~~

~~(ii) The gaming operation posts, in a location visible to the public, that the simulcast service provider and its employees are wholly responsible for the conduct of pari-mutuel wagering offered at that location;~~

~~(iii) The gaming operation receives a predetermined fee from the simulcast service provider; and~~

~~(iv) In addition, the Tribal gaming regulatory authority, or the gaming operation as approved by the Tribal gaming regulatory authority, shall establish and the gaming operation shall comply with standards that ensure that the gaming operation receives, from the racetrack, its contractually guaranteed percentage of the handle.~~

~~(2) Gaming operations that contract directly with a state regulated racetrack as a simulcast service provider, but whose on-site pari-mutuel operations are conducted wholly or in part by tribal gaming operation employees, shall not be required to comply with paragraphs (h)(5) thru (h)(9) of this section.~~

~~(i)~~ If any standard contained within this section conflicts with **state law**, a tribal-state compact, ~~or a contract~~, then the gaming operation shall document the basis for noncompliance and shall maintain such documentation for inspection by the Tribal gaming regulatory authority and the Commission.

~~(ii) (2) In addition~~ **In the event that a tribal-state compact precludes compliance with this section,** the Tribal gaming regulatory authority, or the gaming operation as approved by the Tribal gaming regulatory authority, shall establish and the gaming operation shall comply with standards that ensure that the gaming operation receives, from the racetrack, its contractually guaranteed percentage of the handle.

Justification: Revision is intended to clarify the exemption from compliance with all or any part of this section and to more clearly state that, at a minimum, the gaming operation should confirm the track or service provider is paying the appropriate amount due to the gaming operation.

(b) *Computer applications.* For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control described by the standards in this section, as approved by the Tribal gaming regulatory authority **in writing**, will be acceptable.

Justification: Based on previous MICS audits performed, gaming operations do not always obtain specific approval of the computer applications being utilized. Adding the words “in writing” will require them to obtain documentation of approval.

(c) *Betting ticket and equipment standards.* (1) All pari-mutuel wagers shall be transacted through the pari-mutuel satellite 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/**closed** for wagering or turned over to a new writer/cashier, the writer/cashier shall sign on/**off** and the computer shall document **the gaming operation name (or identification number), station number, the fact that the station was open/closed,** the writer/cashier identifier, and the date and time.

Proposed revision as a result of March comment regarding (f) (2) (see below):

(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 **the**

gaming operation name (or identification number), station number, **the fact that the station was opened**, the writer/cashier identifier, and the date and time.

Justification: Revision is intended to expand the control to address the closing of a betting station by requiring that the writer/cashier closing the station must sign off the station and that the computer system create a record of the event (station being opened and closed).

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

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

(ii) ~~A copy that shall be recorded concurrently with the generation of the original ticket either on paper or other storage media (e.g., tape or diskette).~~ **A restricted computer system record shall be created concurrently with the generation of the original betting ticket. Pari-mutuel employees shall be restricted from accessing the computer system ticket, except through an inquiry function (read only).**

(iii) **If a wager is placed using communications technology, an original betting ticket is not required; however, all wagering communications shall be electronically recorded separately from the pari-mutuel computer system and retained for a period of at least 60 days.**

Justification: Revision at (ii) is intended to recognize that the second copy is captured in the computer system (hard copy not required) and that it constitutes the restricted copy – not accessible to employees of the pari-mutuel department, except read only. Addition of (iii) is intended to recognize that wagers may be made telephonically or by other technological means and that an original betting ticket is not required for such wagers. However, a separate electronic record of the wager must be created.

Comment (March): Please clarify the intent and purpose of this proposed standard. We are not sure if this standard will require a server for the electronic record to be recorded on, etc. or if it applies to a self-serve betting station i.e. kiosk.

Response: Intent of standard is to require that a separate electronic record of a wager made telephonically or through other technological means be created.

Comment (March): Would this apply to a wager made at a kiosk?

Response: No. At this point it would apply primarily to telephone wagers but could encompass other methods of communicating wagers that may be developed/legalized in the future.

Comment (March): What protection does this offer against underage wagering?

Response: Topic is addressed later in the standard.

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

- (i) A unique transaction identifier;
- (ii) Gaming operation name (or identification number) 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 gaming operation voids a betting ticket written prior to post time, it shall be immediately entered into the system.~~

Justification: Proposed revision is to strike the above standard relating to voiding (cancellation) of tickets since a new section is proposed to be added, see below, that more comprehensively addresses the voiding (cancellation) of betting tickets.

~~(6) (7) Future wagers shall be accepted and processed in the same manner as regular wagers. Non-pari-mutuel wagers are prohibited.~~

Justification: Revision is proposing to delete standard specific to future wagers since the controls applicable thereto are already noted. Revision proposes to create a new item (7) prohibiting a pari-mutuel from accepting wagers outside the interaction with a hub.

(7) Acceptance of a wager after the occurrence of post time is prohibited.

Justification: Addition is proposed to explicitly prohibit the acceptance of a wager past post time.

(8) If a pari-mutuel voids (cancels) a betting ticket, the following standards shall apply:

(i) A void (cancelled) designation shall be immediately branded by the pari-mutuel computer system on the ticket with the computer system updated to reflect the void (cancelled) transaction.

(A) Alternatively, a ticket can be voided (cancelled) manually in the computer system by entering or scanning the ticket number to update the computer system to reflect the void (cancelled) transaction and immediately writing/stamping a void (cancelled) designation on the original ticket.

(B) If the original ticket is unavailable (e.g., printer malfunction) a document shall be created to reflect the void (cancelled) transaction.

(ii) All voids (cancels) shall be signed by the writer/cashier and a supervisor (who did not write the ticket) at the time of the void (cancellation). The supervisor may be from another gaming department.

Justification: Revision is intended to add standards governing the voiding (cancellation) of a betting ticket.

Comment (March): Is there any prohibition in this section of voiding a ticket past post?

Response: No.

Comment (March): After discussion of need for the voiding of a ticket past post from time to time (due to the discovery of an error in the information contained on the issued ticket), it was determined that such a prohibition would be counterproductive.

Response: Agreed.

(d) *Payout standards.* (1) Race results shall be entered into the pari-mutuel computer system for computerized grading of all wagers prior to customers receiving payouts on winning tickets. Access to unpaid winning ticket reports shall be restricted to authorized personnel independent of the pari-mutuel department.

Justification: Revision is intended to require race results to be entered into the computerized system prior to the making of any payments to customers.

(2) Vouchers issued by the pari-mutuel computer system (including those through a SAM) shall include:

(i) Voucher number.

(ii) Gaming operation's name and address.

(iii) Date and time.

(iv) Dollar amount.

(v) If applicable, expiration date, as approved by the Tribal gaming regulatory authority.

(vi) This standard applies to vouchers issued as payment for winning wagers, as "change due" from a wagering transaction, and as a result of a purchase of a voucher.

Justification: Revision is intended to require that vouchers, as defined, identify the gaming operation, date and time and dollar amount.

(3) (4) Prior to making payment on a ticket, the writer/cashier shall input the ticket for verification and payment authorization. For wagering accounts, the computer system shall automatically authorize payment of winning wagers and update the customer's wagering account.

Justification: Revision is intended to recognize that the recognition and recording of a winning wagering account transaction shall be automatically handled by the computerized pari-mutuel system.

Comment (March): The proposed revisions appear to be requiring a technical requirement that may not be possible due to the age of the computer system. What would be the method of compliance if this is not technologically possible?

Response: A prerequisite to the offering of wagering accounts is a computerized system. Wagering accounts should not be confused with front money deposits, which do not require a computerized system.

Comment (March): Inserting the word “pari-mutuel” before “wagering accounts” may clarify.

Response: Agreed. Modified accordingly.

Proposed revision as a result of March comment:

(3) (4) Prior to making payment on a ticket, the writer/cashier shall input the ticket for verification and payment authorization. For pari-mutuel wagering accounts, the computer system shall automatically authorize payment of winning wagers and update the customer’s wagering account.

(4) After input of the ticket by the writer/cashier, the pari-mutuel computer system shall brand the ticket/voucher with a paid designation, the amount of payment and date.

(i) Alternatively, if a writer/cashier manually enters or scans the ticket/voucher number into the pari-mutuel computer system:

(A) The writer/cashier shall either immediately write/stamp the date, amount of payment and a paid designation on the customer’s ticket/voucher, or

(B) Attach to the customer’s copy a computer generated “paid” ticket which contains a paid designation, ticket/voucher number, the amount of payment and date.

(ii) If applicable, the system shall decline payment authorization of tickets that have expired in accordance with the Tribal gaming regulatory approved expiration date.

Justification: Proposed revision is intended to establish the minimum standards to document the authorization of a ticket/voucher payout.

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

(6) When there is a failure of the pari-mutuel computer system and tickets are manually paid, a log shall be maintained that includes:

(i) Date and time of the computer failure.

(ii) Reason for the failure.

(iii) Date and time the computer system is restored.

(7) Tickets paid during a pari-mutuel computer system failure shall be manually graded and authorized prior to payment by the pari-mutuel manager or other authorized supervisory employee. The payouts shall be documented as follows:

(i) Date and time stamped on the customer's copy

(ii) Amount of payment.

(iii) Paid designation written or stamped on the customer's copy of the ticket/voucher.

(iv) Signature of supervisory employee authorizing payment.

(8) Once the pari-mutuel computer system becomes operative, manually paid tickets/vouchers shall be promptly entered into the computer system to verify the accuracy of the amount paid. Should the system remain inoperative at the end of the gaming operation's business day, notification to the Tribal gaming regulatory authority is required.

Justification: Proposed revisions (6) through (8) are intended to establish the controls that are required to be implemented during a pari-mutuel computer system failure.

Comment (March): We would recommend that language be incorporated into this proposed standard that requires the gaming operation provide notification to the TGRA within a reasonable amount of time of the failure of the computerized system and that the TGRA could prescribe what a reasonable amount of time would be.

Response: Agree. Modified accordingly.

Comment (March): It is not only important that the system verify the accuracy of the amount paid but also that it validate the ticket (until the ticket is validated it is a “live” ticket.)

Response: Agree. Modified accordingly.

Proposed revision as a result of March comment:

(8) Once the pari-mutuel computer system becomes operative, manually paid tickets/vouchers shall be promptly validated by the computer system to verify the accuracy of the amount paid. Should the system remain inoperative, notification to the Tribal gaming regulatory authority is required. Such notification shall occur at the end of the gaming operation’s gaming day or earlier as determined by the Tribal gaming regulatory authority,

(e) Wagering accounts. (1) If not prohibited by federal laws and regulations and not inconsistent with a tribal-state compact, the offering of pari-mutuel wagering accounts shall require prior authorization by the Tribal gaming regulatory authority. The pari-mutuel department shall submit to the Tribal gaming regulatory authority its written procedures for wagering accounts for approval. At a minimum, the procedures shall address the following:

(i) The creation and maintenance of documents related to the establishment of pari-mutuel wagering accounts with customers residing outside the borders of the state

jurisdiction in which the gaming operation is located and customers residing within the borders of the state jurisdiction in which the gaming operation is located.

(ii) The pari-mutuel department shall issue to each customer a secure personal identification designed to reasonably prevent the acceptance of wagers from persons other than the customers for whom wagering accounts are established. More than one customer may be assigned to a single wagering account; however, each customer assigned to an account shall comply with the provisions of this section. as applicable.

Comment (March): Recommend striking “as applicable”

Response: Agree. Modified accordingly.

Proposed revision as a result of March comment:

(ii) The pari-mutuel department shall issue to each customer a secure personal identification designed to reasonably prevent the acceptance of wagers from persons other than the customers for whom wagering accounts are established. More than one customer may be assigned to a single wagering account; however, each customer assigned to an account shall comply with the provisions of this section.

(iii) Method of wagering communication.

(iv) Wagering account transactions documentation (creation and maintenance).

(v) Method of obtaining reasonable assurance that the customer is located within the borders of a state or foreign jurisdiction in which pari-mutuel racing is legal and that the state or foreign jurisdiction does not otherwise restrict wagering on wagering accounts outside its borders.

Comment (March): What would be the method of determining that the person is located (lives) where he says he is?

Response: Agree that it would be difficult to verify.

Comment (March): This proposed standard conflicts with what is required under the Nevada regulations 26C.180 (8). That language states: “Books shall disclose their policy that pari-mutuel race wagers are accepted from patrons only when located within a state or foreign jurisdiction in which the patron resides or in a jurisdiction in which pari-mutuel horse race wagering is legal, and that the state or foreign jurisdiction does not otherwise restrict wagering on accounts located outside its borders.”

By using the above-cited language the gaming operation will be more able to comply and put the patrons on notice of any potential criminal liability they may have should they (the patron) be acting outside of what is allowed in the jurisdiction where they are domiciled. This puts the onus on the person(s) placing bets rather than on the pari-mutuel operations.

Response: Agree that onus should be on the customer and not on the gaming operation. Proposed standard will be struck. Modified accordingly.

Proposed revision as a result of March comment:

~~**(v) Method of obtaining reasonable assurance that the customer is located within the borders of a state or foreign jurisdiction in which pari-mutuel racing is legal and that the state or foreign jurisdiction does not otherwise restrict wagering on wagering accounts outside its borders.**~~

(v) At a minimum, other federal laws and regulations may apply, to establish an account, customers shall provide the following:

(A) Name.

(B) Permanent home address (other than a post office box number), and telephone number.

(C) Mailing address, if different from the home address.

(D) Date of birth, gender and a description and number of the identity credential provided.

(E) Method used by the gaming operation to verify the customer's identity and residence.

Comment (March): (E) does not belong here. Recommend striking.

Response: Agree. Modified accordingly.

Proposed revision as a result of March comment:

~~(E) Method used by the gaming operation to verify the customer's identity and residence.~~

(vi) At a minimum, the pari-mutuel department shall obtain a signed statement from the customer attesting to the following:

(A) Confirmation of the accuracy of the information provided by the customer.

(B) Acknowledgment of receipt of a copy of the pari-mutuel's rules and procedures for wagering communications.

(C) Acknowledgment that the gaming operation has informed the customer that the pari-mutuel is authorized by the Tribal gaming regulatory authority to accept wagers from customers only when located within a state or foreign jurisdiction in which the customer resides or in a jurisdiction in which pari-mutuel horse racing is legal and that the state or foreign jurisdiction does not otherwise restrict wagering on accounts located outside its borders.

Comment (March): Recommend changing "state" to "jurisdiction" throughout except (viii) (1).

Response: Agree. Modified accordingly.

Proposed revision as a result of March comment:

(C) Acknowledgment that the gaming operation has informed the customer that the pari-mutuel is authorized by the Tribal gaming regulatory authority to accept

wagers from customers only when located within a ~~state or foreign~~ jurisdiction in which the customer resides or in a jurisdiction in which pari-mutuel horse racing is legal and that the ~~state or foreign~~ jurisdiction does not otherwise restrict wagering on accounts located outside its borders.

(D) Acknowledges and consents to the monitoring by the Tribal gaming regulatory authority of any wagering communications.

(vii) The wagering account system shall record and maintain the following:

(A) Date customer's account was opened.

(B) Wagering account number.

(C) Approved credit limit, if applicable, or the amount of the customer's initial wagering account deposit.

(D) Closing date of the wagering account.

(viii) (1) (2) If not prohibited by federal laws and regulations and not inconsistent with a tribal-state compact, establishing a wagering account for a customer located within the state of the gaming operation requires the following:

Comment (March): There appear to be two separate sets of standards for non-residents vs. residents of the state. The resident requirements appear to be more stringent than for non-resident. Why is that? It seems the rules should be the same for all.

Response: The only difference in the standards is regarding the opening of an account. If the customer is located within the state where the gaming operation is located, he or she must personally appear at the gaming operation to open the account.

Comment (March): It is not inconceivable that a person who is outside the state where the operation is located would be closer to the operation than someone who is in the state where the operation is located. Recommend striking distinction.

Response: Agree. Modified accordingly.

Proposed revision as a result of March comments:

(viii) (1) (2) If not prohibited by federal laws and regulations and not inconsistent with a tribal-state compact, establishing a wagering account for a customer located within the state of the gaming operation requires the following:

(A) Customer must personally appear at the premises of the pari-mutuel or other satellite location of the gaming operation located within the state to open a wagering account. Alternatively, the pari-mutuel may utilize the services of an independent third party, that has been approved by the Tribal gaming regulatory authority, to perform identity, residence, and age verification services when a customer is establishing a wagering account. The pari-mutuel department shall maintain a record of such verification.

Comment (March): Recommend changing “must” to “shall” for consistency with other sections.

Response: Agree. Modified accordingly throughout section.

Proposed revision as a result of March comment:

(A) Customer shall personally appear at the premises of the pari-mutuel or other satellite location of the gaming operation located within the state to open a wagering account. Alternatively, the pari-mutuel may utilize the services of an independent third party, that has been approved by the Tribal gaming regulatory authority, to perform identity, residence, and age verification services when a customer is establishing a wagering account. The pari-mutuel department shall maintain a record of such verification.

(ii) If the customer appears in person at the pari-mutuel, an employee of the pari-mutuel or, in the case of a satellite location an authorized employee of the gaming

operation, shall confirm the customer's identification. Such verification shall include the type of identification credential examined, credential number, expiration date of credential, and date credential was examined. A driver's license is the preferred method for verifying the customer's identity. A passport, non-resident alien identification card, other government issued identification credential or another picture identification credential normally acceptable as a means of identification when cashing checks, may also be used.

(iii) If the customer appears in person at the pari-mutuel, the employee shall record the customer's

(A) Name.

(B) Permanent home address (other than a post office box number) and telephone number.

(C) Mailing address, if different from the home address..

(D) Date of birth, gender, description and number of identifying credential examined.

(E) Approved credit line or amount of initial wagering account deposit, account number, date account opened.

(iv) At a minimum, the pari-mutuel department shall obtain a signed statement from the customer attesting to the items stipulated in above subsection (1)(vii).

(v) The employee or third party who verifies the customer's identity and residence and who obtains and records the information on behalf of the pari-mutuel department shall sign a statement attesting to their witnessing of the customer's signature required by above subsections (1)(vii) and (2)(iv).

(3) For each wagering account, the pari-mutuel department, when accepting wagering communications, shall record the customer's secure personal identification number, the date/time, amount of each deposit/withdrawal, wager placed (including wagering transaction number), payout on winning wagers, charges and adjustments.

(4) In addition to the posting of the wager in the off-track pari-mutuel race computer system, all wagering communications shall be electronically recorded and retained for a period of 60 days. Such recordings shall be made immediately available to the Tribal gaming regulatory authority upon request.

(5) All wagering account applications and amendments thereto shall be retained by the pari-mutuel department for all active accounts. Applications rejected shall be retained for at least one year following the rejection. Applications and amendments thereto for closed accounts shall be retained for at least one year following closure of the account.

Justification: Proposed revision is intended to establish the controls governing the creation of customer wagering accounts, inside and outside the jurisdiction in which the gaming operation is located, and record-keeping requirements associated with such accounts.

(f) ~~(e)~~ 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 (or identification number), station number, the writer/cashier identifier, the date and time, and cash balance.

Comment (March): This standard needs to be removed or revised as it appears to be incorporated into item (c)(2) above.

Response: Agree that standard is redundant. (c) (2) will be revised accordingly.

(2) The pari-mutuel computer system shall calculate the amount of net cash that should be in each writer/cashier station. A supervisor is required to access this information.

Comment (March): This proposed standard reads as a technical requirement regarding the capability of the computer system; this standard should be revised to reflect an audit standard.

Response: Disagree. The pari-mutuel system must calculate the amount of net cash for comparison with the amount of cash turn-in for each writer/cashier station. (Comparable to taking a final reading on a retail cash register.)

(3) (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~~ turn-in for the shift and any variances between the cash turn-in and the amount that the pari-mutuel computer system reports should be in each station; and

(ii) Signature of two employees who have verified the cash ~~turned-in~~ turn-in for the shift. Unverified transfers of cash and/or cash equivalents are prohibited.

(iii) When the cash is transferred from one writer/cashier to the next writer/cashier, the cash summary report for the shift shall reflect for each writer/cashier and each station the amount of cash turn-in and any variances between the cash turn-in and the amount of net cash that the pari-mutuel computer system indicates should be in each writer/cashier station. The outgoing writer/cashier and incoming writer/cashier shall sign the summary report attesting to their independent cash counts.

(iv) Above standards do not apply to SAMs.

Justification: Revisions are intended to clarify the check out process and to recognize that cash banks may be transferred from one writer/cashier to another at shift change.

(f) (g) Employee wagering. Pari-mutuel employees shall be prohibited from wagering on race events while on duty, including during break periods.

(h) For each SAM (betting kiosk):

(1) At least weekly, all winning tickets and vouchers in the SAM shall be removed by a minimum of two employees, at least one of which is independent of pari-mutuel,

(2) At least weekly, a minimum of two employees, at least one of which is independent of pari-mutuel, shall remove all cash from the SAM, count the cash and document the count.

(3) Whenever employees remove winning tickets or vouchers from a SAM, or cash is removed from or inserted, reports shall be generated reflecting the SAM transactions and accountability.

(4) At least weekly and whenever employees remove winning tickets, vouchers or cash from a SAM, the SAM transactions shall be reconciled by pari-mutuel or accounting department employees as follows:

Comment (March): We recommend revising this standard so that “personnel independent of the pari-mutuel department” be the only ones to reconcile the documents provided for in this proposed standard.

Response: Agree. Modified accordingly.

Proposed revision as a result of March comment:

(4) At least weekly and whenever employees remove winning tickets, vouchers or cash from a SAM, the SAM transactions shall be reconciled by accounting department employees or other employees independent of pari-mutuel as follows:

(i) All the cash remaining in each SAM to the cash loaded into the SAM plus/minus cash transactions.

(ii) The SAM reports shall be compared to the transactions recorded by the pari-mutuel computer system. Variances shall be documented and investigated.

(5) Winning tickets and vouchers shall be turned in to the accounting department.

Comment: We recommend adding “revenue audit department” to the last part of this sentence in order to be consistent with other portions of the MICS.

Response: Agree. Modified accordingly.

Proposed revision as a result of March comment:

(5) Winning tickets and vouchers shall be turned in to the accounting or revenue audit department.

Justification: Proposed revision is intended to establish the controls governing the drop and reconciliation of each SAM (screen-automated machine – kiosk) that is used to accept wagers and pay (voucher) winning tickets.

(i) (g) 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 for each day's operation and shall include, but is not limited to:

(i) Unique transaction identifier;

(ii) Date/time of transaction;

(iii) Type of wager;

(iv) Animal 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 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 the unique transaction identifier(s), description, ticket cost and value, and date purged.~~

(3) If the pari-mutuel operation has the capability and the below information is not otherwise restricted by other laws and regulations or the tribal-state compact, the following reports shall be created daily:

(i) Transaction report which lists, by writer/cashier station, for each ticket sold, voided (tickets cancelled) and paid out (including refunds):

(A) Ticket number.

(B) Transaction time.

(C) Writer/cashier station number.

(D) Writer/cashier number.

(E) Ticket description and amount of transaction.

(F) By writer/cashier, and in total, amount of sales (write and vouchers issued), voids (cancels) , and payouts (including vouchers redeemed).

(G) The above transaction report may be a combination of more than one report (e.g., one for write and one for payouts). Wagering account transactions may be in separate wagering account transaction reports.

(ii) Session (24 hour day) sales summary which lists, for each race and in total for all races:

(A) Gross sales.

(B) Voids (cancels) and voids (cancels) from previous session sales.

(C) Total sales, total sales from previous session and total sales from the session and the previous session combined.

(D) Refunds.

(E) Net sales.

(iii) Race prices report which lists, for each race:

(A) Race date.

(B) Race number.

(C) Winners (e.g., horse identification)

(D) Payout amounts for the different types of wagers.

(iv) Cashed tickets report which lists, by race, the tickets cashed including:

(A) Ticket number.

(B) Writer/cashier (or station number).

(C) Ticket description and the amount of net payout.

(D) Net payouts by race and the grand total for all races.

(E) Cashier ticket report may be combined with the transaction report.

(v) Vouchers sold and redeemed report which lists by writer/cashier station, for each voucher sold (issued) and redeemed (cashed):

(A) Voucher number.

(B) Transaction (i.e., sold/cashed).

(C) Transaction time.

(D) Writer/cashier station number.

(E) Writer/cashier number.

(F) Amount of voucher.

(G) By writer/cashier station, and in total for all writer/cashier stations, the amount of vouchers sold and the amount of vouchers redeemed.

(H) Voucher sold and redeemed report may be combined with the transaction report.

(vi) Refund ticket report which lists for the session (24 hour day), for each ticket refunded:

Comment (March): What is a refunded ticket?

Response: It is a ticket that is cancelled before post time.

Comment (May): Since the explanation of a refunded ticket is not part of the standard, how would someone reading this section understand what it means.

Response: “Refunded ticket report” is a standard report in a pari-mutuel system.

(A) **Ticket number.**

(B) **Ticket description.**

(C) **Session.**

(D) **Refund amount.**

(E) **Total of all refunds.**

(F) **Refund report is not required if the transactions are reflected in the cashed ticket report or transaction report.**

(vii) Teller detail report which lists, by writer/cashier and in total:

(A) **Amount of tickets sold, cashed, voided (canceled), returns, draws, vouchers sold and vouchers cashed.**

(B) **Wagering account deposits, withdrawals, tickets sold, tickets cashed**

(C) **Amount of over/short.**

(viii) Teller balance report which lists for the session (24 hour day), by writer/cashier and in total:

(A) **Amount of tickets/vouchers sold, cashed.**

(B) **Tickets voided (canceled).**

(C) **Wagering account deposits, withdrawals, draws (funds added to stations’ accountability), returns (funds removed from stations’ accountability).**

(D) **Amount computed as cash turn-in, actual reported cash turn-in and over/short.**

(E) For the purpose of this report, wagering account deposits may be included in the sold amount and withdrawals may be included in the cashed amount.

(ix) Futures reconciliation report which lists the amount of, by date of race for today and future event dates:

(A) Wagers written on previous days (previous write).

(B) Wagers written today on future events (write today or future write).

(C) Wagers written on previous days refunded today (previous voided/canceled today).

(D) Wagers written on previous days for today's event/race (futures back-in).

(E) Total remaining wagers written for events/races in the future (net write).

(x) Futures reports:

(A) Futures back-in ticket detail report which lists the tickets written on previous days for races occurring today, by racing meet, including: the ticket number, ticket description, and date of race. The report lists the total amount of wagers written on previous days for today's race.

(B) Future ticket detail report which lists the tickets written on previous days and today for races in the future, by date of race and by race, including: the ticket number, ticket description, and date of race. The future tickets detail report lists totals of the amount of wagers by date of race, by race and for all tickets.

(xi) Unpaid reports, access restricted to authorized personnel:

(A) Unpaid winners detail ticket report which lists the unexpired, winning tickets that have not been paid including: the race date, ticket number, ticket description, and amount of payout, and payout amounts in total.

(B) Unredeemed voucher detail report which lists the unexpired vouchers that have not been redeemed including: the voucher number, date of issue, and amount of voucher, and vouchers in total.

(C) Tickets and vouchers expire when the period of time the pari-mutuel department will honor winning wagers/vouchers has expired. The expiration period shall be approved by the Tribal gaming regulatory authority.

(xii) Purge reports:

(A) Purge detail ticket report which lists the expired, winning tickets that have not been paid, by race and by ticket number, including: the race date, ticket number, ticket description, and amount to be paid. The report lists the total amount of net payouts by race, and the grand total for all races. The report lists the total amount of payouts to be added back into revenue.

(B) Purge detail voucher report which lists the expired vouchers that have not been redeemed including: the voucher number, date of issue, and amount of voucher. The report lists total amount of vouchers to be added back into revenue.

(C) Tickets and vouchers expire when the period of time the pari-mutuel department will honor winning wagers/vouchers has expired. The expiration period shall be approved by the Tribal gaming regulatory authority.

(xiii) Wagering account reports:

(A) Daily account wagering detail report which lists by writer/cashier station number, each transaction including: writer/cashier station number, wagering account number, the transaction (e.g., wager, deposit, withdrawal), and the

transaction amount. The report lists totals by transaction type. Report may be part of the wagering account transaction reports or a combination of reports.

(B) Daily account wagering summary report which lists by writer/cashier station number, for wagering accounts with activity for the day, by wagering account and in total: the amount of deposits, winnings, cancelled wagers, wagers, withdrawals and other adjustments. The report lists totals for write, voids/cancelled, net write, payouts, refunds and net win.

(xiv) Reconciliation report which lists for each race and in total for all races: net sales, negative breakage, commission, positive breakage, paid and unpaid winning wagers, parlay breakage and deposit.

(xv) Daily recap report which lists for each race and in total for all races:

(A) Total write, refunds, net write.

(B) Payouts paid today for races on previous days.

(C) Payouts from wagers written today and paid today (today's total paid or current payouts).

(D) Unpaid winners from race occurred today (today's outs or current unpaids).

(E) Total amount paid today (total paid today).

(F) Unpaid winners and unredeemed vouchers expired today (outs purged today or unpaids to revenue).

(G) Beginning and ending unpaid winners and unredeemed vouchers balances (previous outs and total outs).

(xvi) Exception history report which lists for the session (24 hour day), exception time, employee involved, and dollar amount, if applicable, for pari-mutuel computer

system function exceptions including, but not limited to, sign-on/off and supervisor voids (cancels).

(xvii) Void exception report (i.e., Cancelled Tickets Report) which lists for the day, the ticket number, date and time of the void, station number, writer/cashier voiding the ticket, supervisor authorizing the void, and ticket description.

Justification: Proposed revision is intended to add clarity to the information and reports that the pari-mutuel department should produce to enable the effective tracking of performance and document the department's accountability. Qualifying language has also been added recognizing that in some jurisdictions gaming operations may not be able to obtain all the information requested.

(4) Pari-mutuel computer system documentation for wagering account activity shall be available on demand, and shall include, at a minimum, for a time period of a day, month, year and two-year cumulative basis:

Comment (March): Recommend including qualifying language recognizing that not all pari-mutuel systems have the capability of producing all documentation specified.

Response: Agree. Modified accordingly.

Comment (March): Please specify that only the TGRA can demand this information.

Response: Agree. Modified accordingly.

Comment (March): Recommend "on demand" with "upon request".

Response: Agree. Modified accordingly.

Proposed revision as a result of March comments:

(4) If the pari-mutuel operation has the capability, the pari-mutuel computer system documentation for wagering account activity shall be readily available to the operation or the Tribal gaming regulatory authority upon request, and shall

include, at a minimum, for a time period of a day, month, year and two-year cumulative basis:

(i) Wagering account activity detail report shall list, by wagering account and in total, for all wagering accounts:

(A) Wagering account number.

(B) Beginning balance.

(C) Deposits (date and amount).

(D) Wagers and void wagers (ticket number, transaction date and time, and ticket description).

(E) Winning wagers.

(F) Refunds (ticket number, transaction date and time, ticket description, and payout amount).

(G) Net wagering activity.

(H) Withdrawals (date and amount).

(I) Adjustments (date and amount).

(J) Ending balance.

(ii) Wagering account activity summary report that lists, by wagering account and in total, for all wagering accounts:

(A) Wagering account number.

(B) Customer's name.

(C) Beginning balance.

(D) Deposits.

(E) Amount of wagers.

(F) Amount of winning wagers.

(G) Net wagering activity.

(H) Withdrawals.

(I) Adjustments.

(J) Ending balance.

(K) All wagering accounts regardless of account balance shall be included on the
wagering account activity report

Justification: Proposed revision is intended to establish the minimum controls governing the accountability for customer wagering account activity.

(5) Daily, month-to-date, year-to-date, and two-year cumulative amounts may be
reflected in separate reports rather than one report.

Justification: Proposed revision is intended to clarify that the daily, MTD, YTD and cumulative two year data need not be reflected in a single report.

(6) A month-end reconciliation report shall be created which lists for each race, by
day, the amount of:

(A) Net sales.

(B) Negative breakage.

(C) Commission.

(D) Positive breakage.

(E) Paid and unpaid winning wagers.

(F) Parlay breakage and deposits.

(G) Month-end totals for each race, and in total.

Justification: Proposed revision is intended to define the monthly report of the pari-mutuel activity. Essentially, it is defining the gross gaming revenue computation.

Comment (March): Item (F) “Parlay breakage and deposits” should be two separate items.

Response: Agree. Modified accordingly.

Proposed revision as a result of March comment:

(6) A month-end reconciliation report shall be created which lists for each race, by day, the amount of:

(A) Net sales.

(B) Negative breakage.

(C) Commission.

(D) Positive breakage.

(E) Paid and unpaid winning wagers.

(F) Parlay breakage.

(G) Deposits.

(H) Month-end totals for each race, and in total.

542.11 (j) Accounting and auditing functions has been moved to proposed 542.50

Revenue Audit .

~~(d) Accounting and auditing functions. A gaming operation shall perform the following accounting and auditing functions:~~

~~(1) The pari-mutuel audit shall be conducted by personnel independent of the pari-mutuel operation.~~

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

~~(3) An accounting/audit employee shall review handle, commission, and breakage for each day's play and recalculate the net amount due to or from the systems~~

~~operator on a weekly basis the daily reconciliation report, compare the sales and paid amounts on the report to the amounts on the daily recap report produced by the pari-mutuel computer system, and recalculate the net amount due to or from the hub. An accounting/audit employee shall reconcile the net amount due to or from the hub with the bank account information regarding transfers to/from the hub at least on a monthly basis.~~

~~Justification: Proposed revision is intended to clarify the daily auditing of the reconciliation report and verification of amount due to the hub.~~

~~(4) The accounting employee shall verify actual cash/cash equivalents turned in to the system's summary report for each cashier's drawer (Beginning balance, (+) fills (draws), (+) net write (sold less voids), (-) payouts (net of IRS withholding), (-) cashbacks (pays), (-) cash turn in) total cash turn in amount on the daily teller balance report. Cash turn in is computed as follows: beginning cash balance (+) net write (+) wagering account deposits (-) payouts net of IRS withholding (-) wagering account withdrawals (-) payouts for tickets voided (cancelled) (+) funds added to station (draw) (-) funds removed from station (return) (-) cash turn in (computed on hand).~~

~~Justification: Proposed revision is intended to clarify the auditing procedure for verifying cash turn in and to revise the cash turn in computation to recognize the impact of wagering account transactions.~~

~~Comment: (March): To improve readability, recommend replacing the arithmetic symbols with the words "plus", "minus" and "equals".~~

~~Response: Agree. Modified accordingly.~~

~~Proposed revision as a result of March comment:~~

~~(4) The accounting employee shall verify actual cash/cash equivalents turned in to the system's summary report for each cashier's drawer (Beginning balance, (+) fills (draws), (+) net write (sold less voids), (-) payouts (net of IRS withholding), (-) cashbacks (pays), (-) cash turn in) total cash turn in amount on the daily teller balance report. Cash turn in is computed as follows: beginning cash balance plus net write plus wagering account deposits minus payouts net of IRS withholding minus wagering account withdrawals minus payouts for tickets voided (cancelled) plus funds added to station (also known as draw) minus funds removed from station (also known as return) equals cash turn in (computed on hand).~~

~~(5) For one race per day, accounting/audit personnel shall~~

~~(i) Verify commissions per the daily reconciliation report by recalculating race commissions.~~

~~(ii) Verify daily transfers due to/from the hub by recalculating the deposits. The deposit amount is computed as follows: Net sales (+) negative breakage (-) commissions (-) positive breakage (-) paid and unpaid winning wagers (accrual payouts) (-) deposit.~~

~~Justification: — Proposed revision is intended to add the requirement that accounting/auditing personnel verify commissions due to hub and transfers to/from the hub by reconciling the deposit for at least one race per day.~~

~~Comment: (March): — To improve readability, recommend replacing the arithmetic symbols with the words “plus”, “minus” and “equals”.~~

~~Response: Agree. Modified accordingly.~~

~~Proposed revision as a result of March comment:~~

~~(ii) Verify daily transfers due to/from the hub by recalculating the deposits. The deposit amount is computed as follows: Net sales plus negative breakage minus~~

~~commissions minus positive breakage minus paid and unpaid winning wagers
(accrual payouts) equals deposit.~~

~~(6) From the weekly hub track fee report, accounting/audit personnel shall produce
a pari-mutuel track fee report that lists, for each week and for the month, for each
track and for all tracks in total, the track fees and adjustments.~~

Comment (March): This is something the provider should do. It is our understanding that gaming operations do not pay track fees, the provider does.

Response: We will add the words “if applicable” recognizing that the responsibility for paying track fees could vary by gaming operation,

Proposed revision as a result of March comment:

~~(6) From the weekly hub track fee report, accounting/audit personnel shall produce
a pari-mutuel track fee report that lists, for each week and for the month, for each
track and for all tracks in total, the track fees and adjustments, if applicable.~~

~~(7) Accounting/audit personnel shall trace the track fees and track fee adjustments
to the monthly invoices received from the hub, if applicable.~~

Justification: Proposed revisions are intended to identify necessary auditing procedures to be performed by accounting/audit personnel to proof hub monthly invoices.

~~(8) (5) An accounting employee shall produce a gross revenue recap report to
calculate gross revenue for each day's play and for a 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.~~

~~(6) All winning tickets and vouchers shall be physically removed from the SAM's for each day's play.~~

~~Justification: Proposed revision is deleting the standard since the control is now addressed in another section.~~

~~(7) In the event a SAM does not balance for a day's play, the auditor shall perform the following procedures:~~

~~(i) 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) Verify the results as produced by the system to the results provided by an independent source;~~

~~(vi) Regrade 1% of paid (cashed) tickets to ensure accuracy and propriety; and~~

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

~~Justification: Proposed revision is deleting the existing standard because the scope of investigations into variances may vary from one occurrence to another based on the facts associated therewith. Stipulating that certain procedures be followed in all cases is not considered to be efficient or warranted.~~

~~(8) At least annually, the auditor shall foot the wagers for one day and trace to the total produced by the system.~~

~~(9) At least one day per quarter, the auditor shall recalculate and verify the change in the unpaid winners to the total purged tickets.~~

~~Justification: Proposed revision is deleting the above auditing standards, which are being replaced by more comprehensive auditing procedures at below subsections (12) and (13).~~

~~(9) At least once a quarter, for each SAM, account/auditing personnel shall foot (add) the tickets and the vouchers redeemed for a week and trace the totals to the totals recorded in the pari-mutuel computer system and the related accountability document. Testing performance shall be performed and the results of investigations into all variances shall be documented by SAM.~~

~~Comment (March): Recommend deleting “by SAM” at the end of the last sentence as standard already specifies “for each SAM”.~~

~~Response: Agree. Modified accordingly.~~

~~Proposed revision as a result of March comment:~~

~~(9) At least once a quarter, for each SAM, account/auditing personnel shall foot (add) the tickets and the vouchers redeemed for a week and trace the totals to the totals recorded in the pari-mutuel computer system and the related accountability document. Testing performance shall be performed and the results of investigations into all variances shall be documented.~~

~~(10) Daily, accounting/audit personnel, for payouts made without pari-mutuel computer system authorization at the time of payment, shall:~~

~~(i) Trace all payouts to the pari-mutuel computer system transaction report or the purged tickets report to verify authenticity of the initial wager.~~

(ii) For payouts subsequently entered into the pari-mutuel computer system by pari-mutuel department personnel, compare the manual payout amount to the pari-mutuel computer system amount.

(iii) For payouts not entered into the pari-mutuel computer system by pari-mutuel department personnel, enter the payout into the pari-mutuel computer system and compare the manual payout amount to the pari-mutuel computer system amount.

If the system is inoperative, manually re-grade the ticket to ensure the proper payout amount was made.

(iv) Appeasement payments (e.g., non-winning ticket payouts resulting from a customer compliant or employee error) are not deductible from gross revenue.

~~Justification: Proposed revision is intended to establish the minimum controls governing the auditing of payouts for which the computer system was unable to authorize payment.~~

(11) Accounting/audit personnel shall perform the following procedures for each day, unless indicated otherwise:

(i) Review all system exception reports for propriety of transactions and unusual occurrences including, but not limited to, void (cancel) authorizations and manually paid tickets.

(ii) All noted improper transactions or unusual occurrences noted during the review of exception reports shall be investigated with the results documented.

~~Justification: Proposed revision is intended to establish the requirement that account/auditing personnel review the pari-mutuel computer system's exception reports.~~

(iii) For all voided (cancelled) tickets, accounting/auditing personnel shall perform the following:

~~(A) The pari-mutuel computer system reports which display voided (cancelled) ticket information shall be examined to verify that tickets were properly voided (cancelled) in the computer system.~~

~~(B) The voided (cancelled) tickets shall be examined for a void designation and proper signatures, and for not-in-computer voids (cancels), the date and time stamp on the ticket for the time of the void (cancellation).~~

~~(C) For a pari-mutuel computer system that prints void (cancelled) tickets, verify that a "void (cancelled) ticket" is attached to the original ticket.~~

~~Justification: Proposed revision is intended to establish the minimum auditing requirements specific to voided (cancelled) tickets.~~

~~(iv) For at least one day per week, for at least one race, verify all the race results as produced by the pari-mutuel computer system to the results provided by the wire service.~~

~~Justification: Proposed revision is intended to establish an auditing procedure to confirm the reliability of the race results entered into the pari-mutuel computer system.~~

~~(v) For at least one day per week, re-grade at least 10 paid (cashed) tickets to ensure accuracy and propriety.~~

~~(vi) Daily, select a random sample of at least 5 paid transactions from the pari-mutuel computer system cashed tickets report and trace the transactions to the customer's copy of the paid ticket.~~

~~Justification: Proposed revision is intended to identify minimum auditing procedures specific to the verification of payout transactions.~~

~~(12) Annually, for at least one day, accounting/audit personnel shall perform the following for at least one writer/cashier station:~~

Comment (March): “Annually, for at least one day is not clear.” Please clarify.

Response: Agree that wording is not clear. Standard means that on a yearly basis, for a minimum of one day, accounting/audit personnel shall perform the following procedures for at least one writer/cashier station. Modified accordingly.

Proposed revision as a result of March comment:

(12) On a yearly basis, for a minimum of one day, accounting/audit personnel shall perform the following for at least one writer/cashier station:

(i) Foot (add) the wagers on the restricted pari-mutuel computer system record and trace to the total produced by the pari-mutuel computer system.

(ii) Foot (add) the customer copy of paid tickets and trace to the total produced by the pari-mutuel computer system.

(iii) Foot (add) cashed (redeemed) vouchers and trace to the total produced by the pari-mutuel computer system.

(13) For at least one day per quarter, accounting/audit personnel shall:

(i) Recalculate and verify the change in the unpaid winners and unredeemed vouchers balance to the total purged tickets and vouchers.

(ii) If future wagers are accepted, review the pari-mutuel computer system reports to ascertain that future wagers are properly included in write on the day of the race.

Justification: Proposed revision is intended to establish more comprehensive auditing procedures specific to wagers, payouts, unpaid winners and unredeemed vouchers, and future wagers.