



PARTICIPANT GUIDE

**NATIONAL INDIAN
GAMING COMMISSION**

Oklahoma City Regional
Training Conference

February 11-13, 2020

WinStar Convention Center



Oklahoma City Regional Training Conference
February 11 – 13, 2020
WinStar Convention Center
777 Casino Avenue, Thackerville, OK 73459

	TIME	COURSES**		
Day One	8:30 9:00	Course Opening/Welcome		
	9:00 9:50	NIGC FAQ Panel*		
	10:00 12:00	"Emergency Preparedness" – How to Prepare for the Unthinkable*		
	Lunch (On Your Own)			
	Track 1		Track 2	
	1:00 2:00	AUD-113 Regional Top 10 Findings	AUD-123 Player Promotions: A Fraud Case Study	
	2:10 4:00	AUD-120 Critical Thinking: Internal Audit Training	CMP-117 Gamesmanship*	
	Day Wrap Up, Q&A, Next Day Prep			
	Audit Track		Compliance Track	
	10:00 10:50	AUD-111 Best Practices of Operations*	CMP-118 TICS/SICS: Developing Your Controls	
11:00 12:00	CMP-120 Essential Roles of the Compliance Officer			
Lunch (On Your Own)				
1:00 1:50	AUD-124 Beyond the Gaming Perimeter: Shifting Focus	CMP-120 Essential Roles of the Compliance Officer		
2:00 2:50		CMP-115 Surveillance: Going Beyond the MICS		
3:00 4:00	AUD-123 Player Promotions: A Fraud Case Study			
Day Wrap Up, Q&A, Next Day Prep				
Day Two	IT Track		Compliance Track	
	9:00 10:20	IT-116 Mobile Gaming & Auditing IT Systems*	CMP-121 CJIS: Pathway to Compliance	
	10:30 12:00	IT-119 Fundamentals of IT Regs & Gaming Technology		
	Lunch (On Your Own)			
	1:00 1:50	IT-117 Commission Preparation for GM Certification & Approval*	CMP-121 CJIS: Pathway to Compliance	
	2:00 4:00	IT-120 IT Threats Going Into 2020		
Day Wrap Up, Q&A, RTC Closeout				

* These course will be offered virtually and in-person.

**Course offerings are subject to change.



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Course	Target Audience	Course Description
NIGC FAQ Panel	All	A panel discussion with members of the National Indian Gaming Commission staff from the Office of General Counsel, Regional office Compliance & Audit. The discussion will focus on current trends in Indian Gaming and regional issues. Attendees will have opportunity to pose regulatory questions specific to their operations or trends in Indian Gaming.
Regional Specific Course/Regional Invited Guests	All	The NIGC is proud to invite our tribal partners and/or Federal Partners to present at our Regional Training Conference. This session is dedicated to the importance of having Emergency Preparedness plans in place.
AUD – 113: Regional Top 10 Findings	All	Presentation of the Top 10 most common, region specific, non-compliance findings as identified through annual AUP reports, internal audit reports and NIGC monitoring. This course will provide specific instructions and exercises focusing on the intent of the control as well as identification, development, and implementation of remedies for the findings. Attendees will obtain an increased understanding and ability to identify and remedy like findings at their gaming operations.
AUD – 120: Critical Thinking: Enhancing the Internal Audit	Tribal Gaming Regulators and Operations Personnel	This interactive course is designed to increase the understanding of skillsets needed to objectively look at a standard and apply critical thinking to ensure testing is being done to the highest of standards. The course is intended for experienced operations and regulatory compliance personnel already possessing a working understanding of the internal audit process.
AUD – 111: Best Practices of Operations	Tribal Gaming Regulators and Auditors	Coming Soon
AUD – 124: Beyond the Gaming Perimeter: Shifting Focus	Casino Operations, Internal Auditors, and Regulatory Compliance	Gaming operations must understand that risks exist in all areas, including the non-gaming areas. Are we monitoring these areas? In this session participants will explore what risks are in these areas and why we should be aware of such risks. Participants will learn what questions they should be asking when performing an analysis. We will also discuss how the MICS can be applied to some of these areas and what questions should be asked when analyzing reports.



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CMP – 117: Gamesmanship	All	In the past three years, Gamesmanship courses have focused on management contracts, sole propriety interest and use of net revenue. With the changing and evolving nature of the gaming industry, this course returns to focus on management contracts, with an emphasis on sports wagering contracts. Attendees will review how the Indian Gaming Regulatory Act (IGRA), NIGC regulations, and gaming ordinances establish the authority to review contracts and agreements and how each TGRA can guard against Gamesmanship.
CMP- 118: TICS/SICS: Developing Your Controls	Tribal Gaming Regulators, Auditors and Operations Personnel of all levels	This course will discuss not only where/when elements of control are necessary, but best practices to develop an operational system of internal controls and tribal internal controls. This course should be attended by tribal gaming commissioners, regulatory staff, and operational supervisors who are responsible for developing policy and procedures.
CMP – 120: Essential Roles of the Compliance Officer	TGRA	This course is designed to help compliance staff, both experienced and new, gain additional insight into casino operations by evaluating TICS and SICS compliance with a focus on risk management. Participants will gain a better understanding of where to find various reports on the operations side and how to apply information from various departments i.e. revenue audit, surveillance, and internal audit in their day to day regulatory activities.
CMP – 115: Surveillance: Going Beyond the MICS	Surveillance staff, department managers, TGRA and other Compliance personnel	Over time, the functions and duties of the surveillance department have grown and changed. This course will go beyond the MICS requirements and look at how Surveillance interacts with gaming operations as a whole. The presentation will examine new trends, industry best practices, basic games protection, and the importance of system maintenance.
AUD – 123: Player Promotion: A Fraud Case Study	All	How many times have we said or heard not at my casino? Casino promotions is an industry multimillion-dollar investment to bring in and retain customers, but what happens when you combine a trusted casino employee, a criminal element, collusion, pressure, rationalization and opportunity? In this case we will go over a loss of over \$800,000, which went on for over 2 years. Join us for a firsthand look and dive into a fraud case that will leave you asking yourself a lot of questions such as, “could this happen at our casino?”




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IT – 116: Mobile Gaming: Auditing IT Systems	Tribal Gaming Regulators, Auditors, Operations, and IT personnel of all levels.	In this session participants will explore a brief history of Mobile Gaming within the Gaming Industry. Participants will learn the considerations involved in using mobile technology such as with sports betting. We will discuss geofencing, operational & security considerations, and methods for auditing these rapidly evolving technologies.
IT – 117: Commission Preparation for GM Certification & Approval	Tribal Gaming Regulators, Operations and Auditors of all levels.	In this course, gaming commissioners will learn how games and systems are certified through an Independent Testing Laboratory (ITL). Participants will learn methods of reviewing games prior to approval for play. Common issues and safe practices will be discussed as well. Participants will learn the difference between certification and approval.
IT – 119: Fundamentals of IT Regs. and Gaming Technology	Tribal Gaming Regulators, Operations personnel and IT personnel of all levels.	This course is designed to provide an introductory look at current industry statistics and common findings by region, as well as the importance of regulations along with principle Class II & III Gaming Networks.
IT – 120: IT Threats going into 2020	Regulatory and Operational managers and IT personnel of all levels.	This course focuses on current and trending threats to IT systems and security within the technology framework in casinos be they ransomware, social engineering, physical and logical security, or threats from within. This session will also provide information on what risks exist and how best to combat them from an individual user education standpoint and as part of a greater management strategy.
CMP – 121: CJIS: Moving into 2020	Tribal Gaming Commissioners, Licensing Staff, IT Staff & others with CHRI access, Tribal Local Security Officers (LASO).	This training is intended for tribal gaming commissions or other tribal agencies who submit fingerprints (electronic and hard card) through the NIGC and receive criminal history record information (CHRI) for non-criminal justice purposes (licensing) pursuant to authorizations allowed under federal law (25 U.S.C. § 2710(b)(2)(F), (c)(1)-(2), & (d)(1)(A)). Attendees will become familiar with the compliance requirements of the NIGC Fingerprint MOU, designation of Key Employees and Primary Management Officials, requirements of the FBI Criminal Justice Information Services (CJIS) Security Policy including processing and receiving CHRI, privacy, use, access, security, incident response, storage, destruction, outsourcing contracts, auditing and other required policies as well as the requirement for and role of the local area security officer (LASO).

Emergency Preparedness How to Prepare for the Unthinkable


DISASTER PLANNING
ERAINA PERRIN
CONTINUITY MANAGER – BAYLOR, SCOTT & WHITE HEALTH

DISASTER LIFECYCLE



- Starts and ends with PREPAREDNESS – be ready, develop plans, build relationships, drill/exercise
- Response – putting plans into action, understand the situation and how it affects you
- Recovery – rebuilding, repairing, reopening
- Mitigation – taking steps to prevent future emergencies or minimizing their effects
 - Every \$1 spent on mitigation saves \$6 in future disaster costs

WHY PREPARE?



**WITHOUT AN EMERGENCY PLAN
YOUR BUSINESS CAN END UP HERE.**

Ready.gov/business

Emergency Preparedness How to Prepare for the Unthinkable

A 2012 FEMA survey found that **only 46% of respondents were familiar with local hazards**

What is the **cost of one hour of downtime?**

- Small company = \$8,000
- Midsize company = \$74,000
- Large enterprise = \$700,000
- **YOUR COMPANY = ???**

Companies that experience business interruption of any type and **cannot resume operation within 10 days will likely fail** - 40% of businesses affected by a disaster never reopen

WHAT DOES IT MEAN TO BE PREPARED?

- Identify your risk
- Develop a plan
 - Staff – planning/preparedness for the protection of your staff
 - Space – surveying areas within facilities that could be affected
 - Systems – identifying critical systems and what they need to operate
 - Service – opportunities to engage and serve the community
- Collaborate on risk reduction & testing the plan

STAFF

- Awareness
- Accountability
- Specialized skills
- Transportation
- Communicate
- Training/Drills

Employees are **75% more likely** to take action when employers encourage them to be prepared for disasters

"A prepared employee is a present employee."
Ira Tannenbaum, NYC OEM

"Some people were doing boat rescues, but I didn't have a boat. The only thing I can do is to get water, get bread and help people find stuff."

Emergency Preparedness How to Prepare for the Unthinkable

<p>SPACE</p> <ul style="list-style-type: none">• Understand utilities• Emergency lighting, signage• Badge/controlled access• Parking garages & ancillary facilities• Additional space requirements created by the disaster 	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>
<p>SYSTEMS</p> <ul style="list-style-type: none">• Communication systems – phone, internet, network/servers, cable/tv, teleconference• Product delivery – fuel for vehicles/generators, scanners/shipping tools• Building support systems – HVAC, water, generators, portable lighting• Security/safety systems – badging/access, smoke alarms, video surveillance• Regulatory reporting systems – to ensure continued compliance• Financial – access to records, inventory documentation, invoicing/purchasing, PAYROLL• Guest services – restaurants, cashiers, amenities	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>
<p>SERVICE – WAYS TO ENGAGE</p>  <ul style="list-style-type: none">• Pre-disaster relationships are key<ul style="list-style-type: none">✓ Disasters are local first - know your local Emergency Management officials and how they communicate with business owners✓ Community/Volunteer Organizations Active in Disaster (NGO, COAD, VOAD) – where are your facilities in relation to a shelter?✓ Utilities – what is your restoration priority status?	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>

Emergency Preparedness How to Prepare for the Unthinkable

WAYS TO ENGAGE, CONT'D






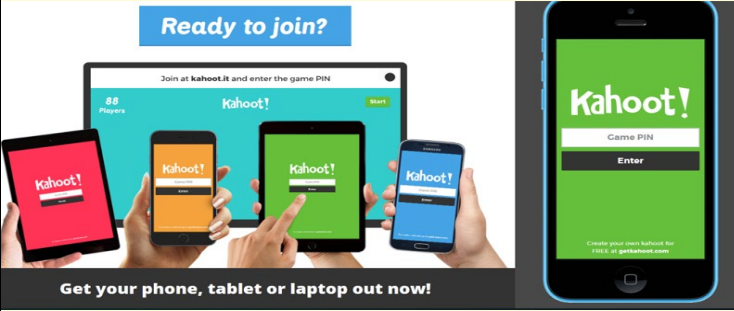
- **Response**
 - ✓ Planning and information sharing
 - Collaboration can identify where additional resources are/are not needed
 - **Double the impact of donations through Public Assistance match**
 - ✓ Social Media messaging – open locations/what supplies are available
- **Recovery**
 - ✓ Long-term recovery groups – have a say in how the community rebuilds
 - ✓ Be aware of the long-term need
 - ✓ Connect company's charitable foundations to support gaps in funding

TOPICS FOR DISCUSSION
(BASED ON PAST REQUESTS FOR INFORMATION)

- **Access, Re-entry, Credentialing**
- Employee safety/resources = how to find employees/relatives, connect with resources
- Evacuations/curfews
- Airport/road status
- Donations (commodities, facilities, space)
- Need trucks/boats/fuel
- Supply chain status
- Fine jewelry/chemicals
- Armed guard reciprocity
- Government POD locations
- Fraud/ATM theft
- Available hotel rooms
- Speakers bureau/DSA requests

QUESTIONS?

AUD-113 OKC Top 10 Regional Findings Participant Guide

 <p>National Indian Gaming Commission</p>  <p>AUD-113</p> <p>Top 10 Regional Findings</p> <p>1</p>	<p>Key Points</p>
 <p>Objective</p> <ul style="list-style-type: none">• Discuss trend of region• Discuss top 10 regional 543 findings  <p>2</p>	<p>Key Points</p>
 <p>Game - Activity</p> <p>Kahoots for 10 minutes</p>  <p>Ready to join?</p> <p>Join at kahoot.it and enter the game PIN</p> <p>88 Players</p> <p>Kahoot!</p> <p>Game PIN</p> <p>Enter</p> <p>Get your phone, tablet or laptop out now!</p> <p>3</p>	<p>Key Points</p> <p>Activity- Play a game of Kahoots</p>

AUD-113 OKC Top 10 Regional Findings Participant Guide



Poll

Do you think the 543 findings in your region have increased or decreased?



4

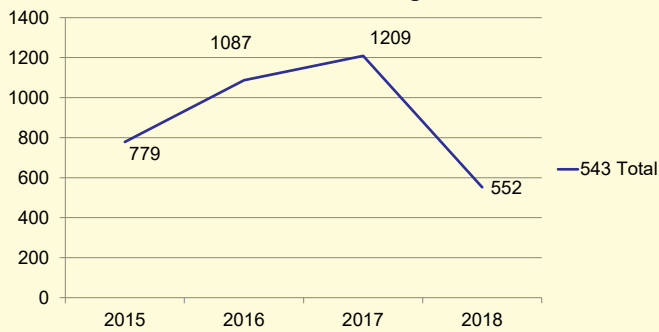
Key Points

Poll



OKC Four-Year Trend

543 Total Findings



6

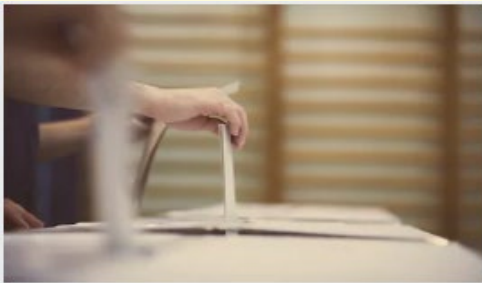
Key Points

This graph shows the number of total 543 findings for the region in the last 4 years



POLL

Which areas do you think are your highest finding area in your region?



12

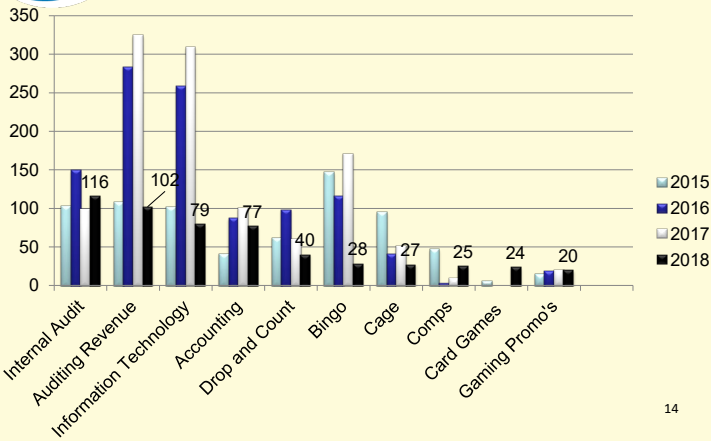
Key Points

Poll

AUD-113 OKC Top 10 Regional Findings Participant Guide



OKC Top 10 543 Findings



14

Key Points

This bar graph shows the top 10 areas of 543 findings for the region for the last 4 years



Concept

Intent

What is the standard asking?
What additional controls have been developed?

Development

Mitigates risk
Ensures compliance

20

Key Points:

- Controls can basically have three functions
 - Prevent something undesired from happening
 - Detect when something undesired happened
 - Corrective Action that should be taken in the event that something undesired happened

Standards should be written in a way that help ensure the intent is met



Highest Non-Compliance IC

Oklahoma City Region
Internal Audit: 543.23 (C)(1)



12/12/2019

22

AUD-113 OKC Top 10 Regional Findings Participant Guide



2nd Highest Non-Compliance IC

Oklahoma City Region
Internal Audit: 543.23(c)(5)



12/12/2019

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Questions?

NIGC Training Program
Traininginfo@nigc.gov

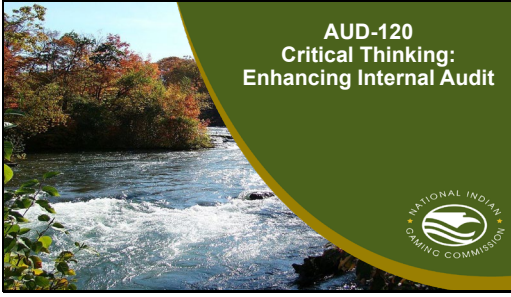
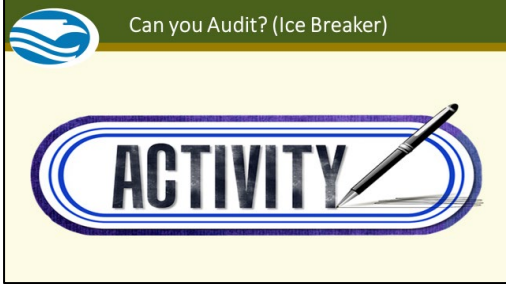

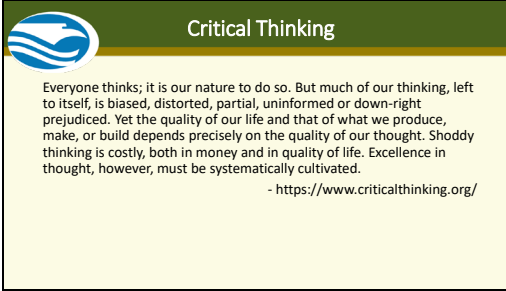


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Instructor Notes

Are there any questions that you still would like answered?





AUD-120 Critical Thinking: Internal Audit Participant Guide

 <p>AUD-120 Critical Thinking: Enhancing Internal Audit</p> <p>NATIONAL INDIAN GAMING COMMISSION</p>	
 <p>Can you Audit? (Ice Breaker)</p> <p>ACTIVITY</p>	<p>KEY POINTS Activity Can you audit? ((Ice Breaker)</p> <p>Supplies:</p> <ul style="list-style-type: none"> Handout #1 Ice Breaker Proposed Training Checklist <p>Directions:</p> <ol style="list-style-type: none"> Split into groups of up to 8 people, but no less than 3 Obtain a copy of the <u>useful</u> checklist created by the presenter Audit away! Return to the training room within 10 minutes Rules <ul style="list-style-type: none"> Don't go into other training rooms Don't go to restricted areas Don't bother casino personnel (you can observe)
 <p>Discussing the Audit Exercise</p> <p>How did we do?</p>	<p>KEY POINTS Discussing the Audit Exercise</p>
 <p>Critical Thinking</p> <p>Everyone thinks; it is our nature to do so. But much of our thinking, left to itself, is biased, distorted, partial, uninformed or down-right prejudiced. Yet the quality of our life and that of what we produce, make, or build depends precisely on the quality of our thought. Shoddy thinking is costly, both in money and in quality of life. Excellence in thought, however, must be systematically cultivated.</p> <p>- https://www.criticalthinking.org/</p>	<p>KEY POINTS Everyone thinks; it is our nature to do so. However, much of our thinking, left to itself, is biased, distorted, partial, uninformed or downright prejudiced. Yet the quality of our life and that of what we produce, make, or build depends precisely on the quality of our thought. Shoddy thinking is costly, both in money and in quality of life. Excellence in thought, however, must be systematically cultivated.</p> <p>- https://www.criticalthinking.org/</p>

AUD-120 Critical Thinking: Internal Audit Participant Guide

 <h3>Critical Thinking</h3> <ul style="list-style-type: none"> Thinking with an objective(s) in mind Tries to answer a question or solve a problem Based on assumption Utilizes data and evidence Based on concepts and theories Inferences and interpretations are used to draw conclusions from data  <p style="text-align: right; font-size: small;">Institute of Internal Auditors (IIA)</p>	<h3>KEY POINTS</h3> <ul style="list-style-type: none"> Thinking with an objective(s) in mind Tries to answer a question or solve a problem Based on assumption Utilizes data and evidence Based on concepts and theories Inferences and interpretations are used to draw conclusions from data
 <h3>Internal Audit Definition</h3> <ul style="list-style-type: none"> As defined by IIA: <ul style="list-style-type: none"> Independent & objective Adds value and improves organization's operations Helps accomplish objectives Systematic, disciplined evaluation Improve effectiveness of risk management, control, and governance <p style="font-size: x-small;">1/22/2020</p>	<h3>KEY POINTS</h3> <p>Internal Audit Definition</p> <ul style="list-style-type: none"> As defined by IIA: <ul style="list-style-type: none"> Independent & objective Adds value and improves organization's operations Helps accomplish objectives Systematic, disciplined evaluation Improve effectiveness of risk management, control, and governance
 <h3>Break</h3>  <p style="text-align: center; font-size: small;">Humerus</p>	<h3>KEY POINTS</h3> <p>Break</p>
 <h3>Creating Systematic Approach</h3> <p><i>(1) Internal auditor(s) perform audits of each department of a gaming operation, at least annually, to review compliance with TICS, SICS, and these MICS, which include at least the following areas:</i></p> <ul style="list-style-type: none"> Audit – But what else? We will come back to this Review of TICS/SICS/MICS <ul style="list-style-type: none"> SICS – What about IA? Relevant Sections <ul style="list-style-type: none"> Hotel, F&B, Receiving, Gas Station, ancillary, etc. 	<h3>KEY POINTS</h3> <p>Creating Systematic Approach</p> <p><i>(1) Internal auditor(s) perform audits of each department of a gaming operation, at least annually, to review compliance with TICS, SICS, and these MICS, which include at least the following areas:</i></p> <p>Audit – But what else? We will come back to this</p> <p>Review of TICS/SICS/MICS</p> <p>SICS – What about IA?</p> <p>Relevant Sections</p> <p>Hotel, F&B, Receiving, Gas Station, ancillary, etc.</p>

AUD-120 Critical Thinking: Internal Audit Participant Guide

 <p>Creating Direction</p> <p>(1) Internal auditor(s) perform audits of each department of a gaming operation, at least annually, to review compliance with TICS, SICS, and these MICS, which include at least the following areas:</p> <ul style="list-style-type: none"> • SICS – What about IA? <ul style="list-style-type: none"> • How are audits performed? • Which departments are audited? • How do we ensure all audits are completed annually? • Do we need to read the TICS/SICS/MICS? 	<p>KEY POINTS</p> <p>Creating Direction</p> <p>(1) Internal auditor(s) perform audits of each department of a gaming operation, at least annually, to review compliance with TICS, SICS, and these MICS, which include at least the following areas:</p> <ul style="list-style-type: none"> • SICS – What about IA? • How are audits performed? • Which departments are audited? • How do we ensure all audits are completed annually? • Do we need to read the TICS/SICS/MICS?
 <p>Policy Language</p> <ul style="list-style-type: none"> • Objective <ul style="list-style-type: none"> • <u>“perform audits ..., at least annually, ...”</u> • Question/Problem <ul style="list-style-type: none"> • How do you ensure all departments are audited annually? <p>Annual Audit Plan!!!</p>	<p>KEY POINTS</p> <p>Policy Language</p> <p>Objective <u>“perform audits ..., at least annually, ...”</u></p> <p>Question/Problem How do you ensure all departments are audited annually?</p> <p>Annual Audit Plan!</p>
 <p>Annual Audit Plan</p> <ul style="list-style-type: none"> • Secondary Objective <ul style="list-style-type: none"> • <u>“(8) Follow-up observations and examinations is performed to verify that corrective action has been taken regarding all instances of non-compliance. The verification is performed within six (6) months following the date of notification of non-compliance.</u> • Question/Problem <ul style="list-style-type: none"> • How do you ensure all follow-up examinations are completed within 6 months? <p>Works for that too!!!</p>	<p>KEY POINTS</p> <p>Annual Audit Plan</p> <p>Secondary Objective <u>“(8) Follow-up observations and examinations is performed to verify that corrective action has been taken regarding all instances of non-compliance. The verification is performed within six (6) months following the date of notification of non-compliance.</u></p> <p>Question/Problem How do you ensure all follow-up examinations are completed within 6 months?</p> <p>Works for that too!</p>
 <p>Annual Audit Plan</p> <p><u>(4) Documentation such as checklists, programs, reports, etc. is prepared to evidence all internal audit work and follow-up performed as it relates to compliance with TICS, SICS, and these MICS, including all instances of noncompliance.</u></p> <ul style="list-style-type: none"> • Objective (INTENT OF STANDARD) <ul style="list-style-type: none"> • Documenting our work • How can we document Work? 	<p>KEY POINTS</p> <p>Annual Audit Plan</p> <p><u>(4) Documentation such as checklists, programs, reports, etc. is prepared to evidence all internal audit work and follow-up performed as it relates to compliance with TICS, SICS, and these MICS, including all instances of noncompliance.</u></p> <ul style="list-style-type: none"> • Objective (INTENT OF STANDARD) <ul style="list-style-type: none"> • Documenting our work • How can we document Work?

AUD-120 Critical Thinking: Internal Audit Participant Guide

	<p>KEY POINTS</p> <p>Here is an example of a poorly completed checklist.</p>
<p>Documenting the Audit</p> <ul style="list-style-type: none"> Objective (INTENT OF STANDARD) <ul style="list-style-type: none"> Documenting our work Critical Thinking <ul style="list-style-type: none"> Why do we ask Revenue Audit to document their work? Adequate documentation allows another auditor to duplicate the work performed 	<p>KEY POINTS</p> <p>Documenting the Audit</p> <ul style="list-style-type: none"> Objective (INTENT OF STANDARD) <ul style="list-style-type: none"> Documenting our work Critical Thinking <ul style="list-style-type: none"> Why do we ask Revenue Audit to document their work? Adequate documentation allows another auditor to duplicate the work performed
<p>Document Work Performed</p> <ul style="list-style-type: none"> Hypothetically, you were able to perform all of the necessary testing of standards Document a detail of your work performed 	<p>KEY POINTS</p> <p>Activity – Document Work Performed</p> <p>Group Discussion</p> <p>Supplies:</p> <p>Handout #1 Work Performed</p> <p>Instructions</p> <ol style="list-style-type: none"> Answer this question: Hypothetically, if you were able to perform all of the necessary testing of standards, document a detail of your work performed. Use the handout to record your responses and be prepared to share with the class.
<p>QUESTIONS</p>	<p>KEY POINTS</p> <p>Questions?</p> <p>Contact Information: Traininginfo@nigc.gov</p>

**NATIONAL INDIAN GAMING COMMISSION
AUDIT CHECKLIST**

#	MICS QUESTION	YES	NO	W/P REF	Cite	COMMENT
1.	Are computers physically secured to prevent unauthorized access?	_____	_____	_____		
2.	Are room(s) secured to prevent unauthorized entry?	_____	_____	_____		
3.	Is required information readily available?	_____	_____	_____		
4.	Are agents' credentials properly displayed?	_____	_____	_____		
5.	Do access logs contain all required information?	_____	_____	_____		
6.	Is signage prominently displayed?	_____	_____	_____		
7.	Are agents wearing appropriate attire?	_____	_____	_____		

Question	Yes	No	W/P Ref	Work Performed	Conclusion
1. Are computers physically secured to prevent unauthorized access?					
2. Are room(s) secured to prevent unauthorized entry?					
3. Is required information readily available?					
4. Are agents' credentials properly displayed?					
5. Do access logs contain all required information?					
6. Is signage prominently displayed?					
7. Are agents wearing appropriate attire?					

Annual Audit Plan FY 2020


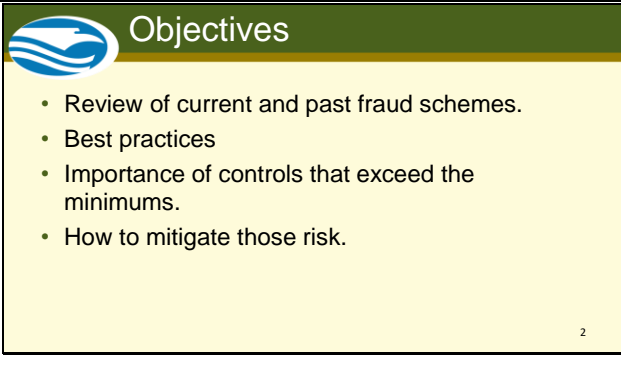

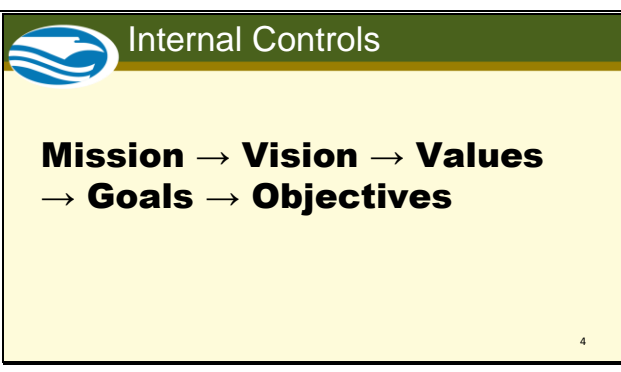
Q1	October	November	December
Week 1	Annual Prep	Paper Bingo Report	E-Bingo Audit
Week 2	Prep Audit Files	Flex Week	E-Bingo Report
Week 3	Paper Bingo Prep	Thanksgiving	Flex Week
Week 4	Paper Bingo Audit	E-Bingo Prep	Christmas

Q2	January	February	March
Week 1	Pull Tabs Prep	Promos/Comps Audit	Drop & Count Audit
Week 2	Pull Tabs Audit	Promos/Comps Report	Drop & Count Report
Week 3	Pull Tabs Report	Flex Week	Paper Bingo Follow-up
Week 4	Promos/Comps Prep	Drop & Count Prep	Cage Prep

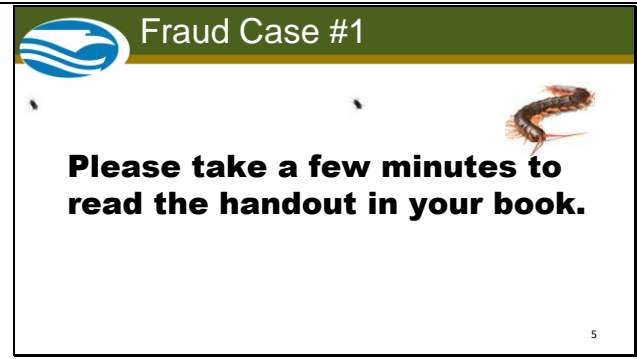
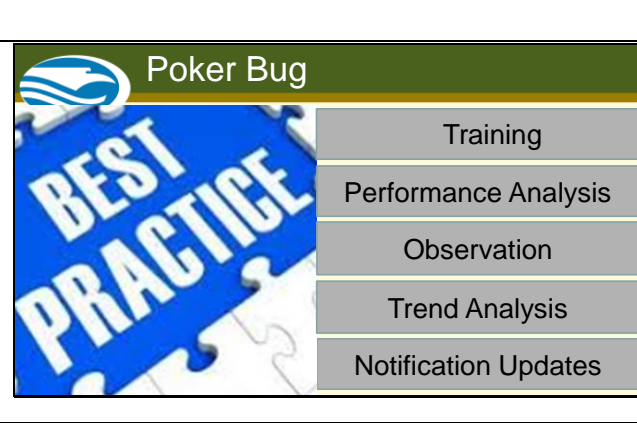
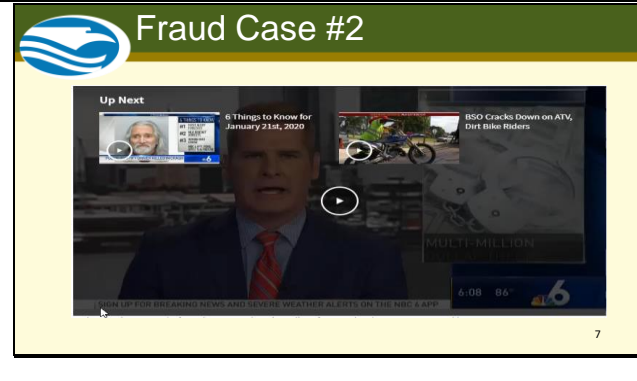

Q3	April	May	June
Week 1	NIGA	IT Prep	Accounting Prep
Week 2	Cage Audit	IT Audit	Accounting Audit
Week 3	Cage Report	IT Report	Accounting Report
Week 4	Flex Week	E-Bingo Follow-up	Pull Tabs Follow-up

Q4	July	August	September
Week 1	July 4th	Cage Follow-up	Flex Week
Week 2	Promos Follow-up	Flex Week	Accounting Follow-up
Week 3	Drop & Count Follow-up	Flex Week	Finalize Audit Files
Week 4	Flex Week	IT Follow-up	Flex Week








AUD-111 Best Practices of Operations Participant Guide

 <p>AUD-111 Best Practices of Operations</p> <p>NATIONAL INDIAN GAMING COMMISSION</p> <p>2/5/2020 1</p>	<p>KEY POINTS</p>
 <p>Objectives</p> <ul style="list-style-type: none"> • Review of current and past fraud schemes. • Best practices • Importance of controls that exceed the minimums. • How to mitigate those risk. <p>2</p>	<p>KEY POINTS</p> <ul style="list-style-type: none"> • Review of current and past fraud schemes. • Best practices • Importance of controls that exceed the minimums. • How to mitigate those risk.
 <p>Why are MICS Important?</p> <p>MICS stands for Minimum Internal Control Standards</p> <p>Abbreviations.com</p> <p>2/5/2020 3</p>	<p>KEY POINTS</p>
 <p>Internal Controls</p> <p>Mission → Vision → Values → Goals → Objectives</p> <p>4</p>	<p>KEY POINTS</p> <p>Internal Controls Mission – Vision – Values – Goals – Objectives</p>

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 <p>Fraud Case #1</p> <p>Please take a few minutes to read the handout in your book.</p> <p>5</p>	<p>KEY POINTS Group Work TIME: 20 minutes Supplies: (per group)</p> <ul style="list-style-type: none"> • Large Post –it Notes/board • Markers • Handout #1 – Finding a Video Poker Bug
 <p>Poker Bug</p> <ul style="list-style-type: none"> Training Performance Analysis Observation Trend Analysis Notification Updates 	<p>KEY POINTS Poker Bug Best Practice</p> <ul style="list-style-type: none"> • Training • Performance Analysis • Observation • Trend Analysis • Notification Updates
 <p>Fraud Case #2</p> <p>Up Next</p> <p>6 Things to Know for January 21st, 2020</p> <p>BSO Cracks Down on ATV, Dirt Bikes Riders</p> <p>MULTI-MILLION</p> <p>6:08 86°</p> <p>7</p>	<p>KEY POINTS Group Work TIME: 15 minutes Supplies: (per group)</p> <ul style="list-style-type: none"> • Large Post –it Notes/board sized paper • Markers
 <p>Miccosukee Fraud</p> <ul style="list-style-type: none"> Procedures Investigation Requirements Reconciliation Drop Physical Security & Testing <p>2/15/2020</p>	<p>KEY POINTS: Best Practice Miccosukee Fraud</p> <ul style="list-style-type: none"> • Procedures • Investigation Requirements • Reconciliation Drop • Physical Security & Testing

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 <h2>Fraud Case #3</h2> <p>Please take a few minutes to read the handout in your book.</p> <p>9</p>	<p>KEY POINTS Group Work TIME: 15 minutes Supplies: (per group) Handout</p> <ul style="list-style-type: none"> • Large Post –it Notes/board sized paper • Markers • Handout #2 Dover Downs Scheme
 <h2>Dover Downs Scheme</h2>  <ul style="list-style-type: none"> Know Structuring Washing Money Internal Controls <p>10</p>	<p>KEY POINTS: Dover Downs Scheme Best Practices Dover Down Scheme</p> <ul style="list-style-type: none"> • Know Structuring • Washing Money • Internal Controls
 <h2>Fraud Case #4</h2>  <p>11</p>	<p>KEY POINTS Group Work TIME: 15 minutes Supplies: (per group)</p> <ul style="list-style-type: none"> • Large Post –it Notes/board sized paper • Marker
 <h2>New York 42.9 Million</h2>  <ul style="list-style-type: none"> Posted Malfunction Policy Prove Testing Written Procedure <p>12</p>	<p>KEY POINTS: New York 42.9 Million Best Practices</p> <ul style="list-style-type: none"> • Posted Malfunction Policy • Prove Testing • Written Procedure

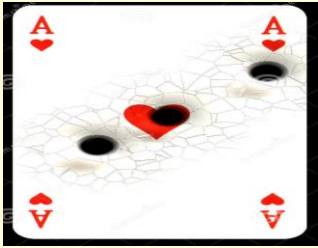

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 <h2>Fraud Case #5</h2> <p>Please take a few minutes to read the handout in your book.</p> <p>13</p>	<p>KEY POINTS: Group Work TIME: 15 minutes Supplies: (per group)</p> <ul style="list-style-type: none"> • Large Post –it Notes/board sized paper • Markers • Handout #4 Mississippi Fraud
 <h2>Mississippi Fraud</h2>  <ul style="list-style-type: none"> • Second Verification • Trend Analysis <p>14</p>	<p>KEY POINTS Mississippi Fraud Best Practices</p> <ul style="list-style-type: none"> • Second Verification • Trend Analysis
 <h2>Table Games Fraud #1</h2> <p>Please take a few minutes to read the handout in your book.</p> <p>21</p>	<p>KEY POINTS Group Work TIME: 15 minutes Supplies: (per group)</p> <ul style="list-style-type: none"> • Large Post –it Notes/board sized paper • Markers • Handout Table Games – Bellagio
 <h2>Bellagio Scheme</h2>  <ul style="list-style-type: none"> • Tables marked properly • Know game • Analysis <p>22</p>	<p>KEY POINTS Bellagio Scheme Best Practices</p> <ul style="list-style-type: none"> • Tables Marked Properly • Know Game • Analysis

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 <p>Table Games Fraud #2</p> <p>Please take a few minutes to read the handout in your book.</p>  <p>23</p>	<p>KEY POINTS Group Work TIME: 15 minutes Supplies: (per group)</p> <ul style="list-style-type: none"> • Large Post –it Notes/board sized paper • Markers • Handout #6 Table Games DOJ
 <p>Cheating Scheme</p>  <p>Layout marked table</p> <p>Training</p> <p>24</p>	<p>KEY POINTS Cheating Scheme Best Practice</p> <ul style="list-style-type: none"> • Layout Marked Table • Training
 <p>Table Games #3</p>  <p>2/5/2020</p> <p>25</p>	<p>KEY POINTS Group Work TIME: 15 minutes Supplies: (per group)</p> <ul style="list-style-type: none"> • Large Post –it Notes/board sized paper • Markers
 <p>Cheating Crew</p>  <p>Throwing dice requirement</p> <p>Train staff</p> <p>26</p>	<p>KEY POINTS Cheating Crew Best Practices</p> <ul style="list-style-type: none"> • Throwing Dice Requirement • Train Staff <p>Group Work TIME: 15 minutes Supplies: (per group)</p> <ul style="list-style-type: none"> • Large Post –it Notes/board sized paper • Markers

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 <h2>Dealer Tells</h2>  <p>What should we be looking for?</p> <p>27</p>	<p>KEY POINTS Dealer Tells What should we be looking for?</p>
 <h2>How do you exploit tells?</h2> <ul style="list-style-type: none">• Hole carding• What is it?  <p>28</p>	<p>KEY POINTS How do you exploit tells? • Hole Carding • What is it?</p>
 <h2>Hole carding</h2> <p>Three things they look for.</p>  <p>29</p>	<p>KEY POINTS Hole Carding Three things they look for</p>
 <h2>Questions</h2> <p>Contact Information: Traininginfo@nigc.gov</p>  <p>30</p>	<p>KEY POINTS Questions Contact Information: Traininginfo@nigc.gov</p>

JOHN KANE WAS on a hell of a winning streak. On July 3, 2009, he walked alone into the high-limit room at the Silverton Casino in Las Vegas and sat down at a video poker machine called the Game King. Six minutes later the purple light on the top of the machine flashed, signaling a \$4,300 jackpot. Kane waited while the slot attendant verified the win and presented the IRS paperwork—a procedure required for any win of \$1,200 or greater—then, 11 minutes later, ding ding ding!, a \$2,800 win. A \$4,150 jackpot rolled in a few minutes after that.

All the while, the casino's director of surveillance, Charles Williams, was peering down at Kane through a camera hidden in a ceiling dome. Tall, with a high brow and an aquiline nose, the 50-year-old Kane had the patrician bearing of a man better suited to playing a Mozart piano concerto than listening to the chirping of a slot machine. Even his play was refined: the way he rested his long fingers on the buttons and swept them in a graceful legato, smoothly selecting good cards, discarding bad ones, accepting jackpot after jackpot with the vaguely put-upon air of a creditor finally collecting an overdue debt.

Williams could see that Kane was wielding none of the array of cheating devices that casinos had confiscated from grifters over the years. He wasn't jamming a light wand in the machine's hopper or zapping the Game King with an electromagnetic pulse. He was simply pressing the buttons. But he was winning far too much, too fast, to be relying on luck alone.

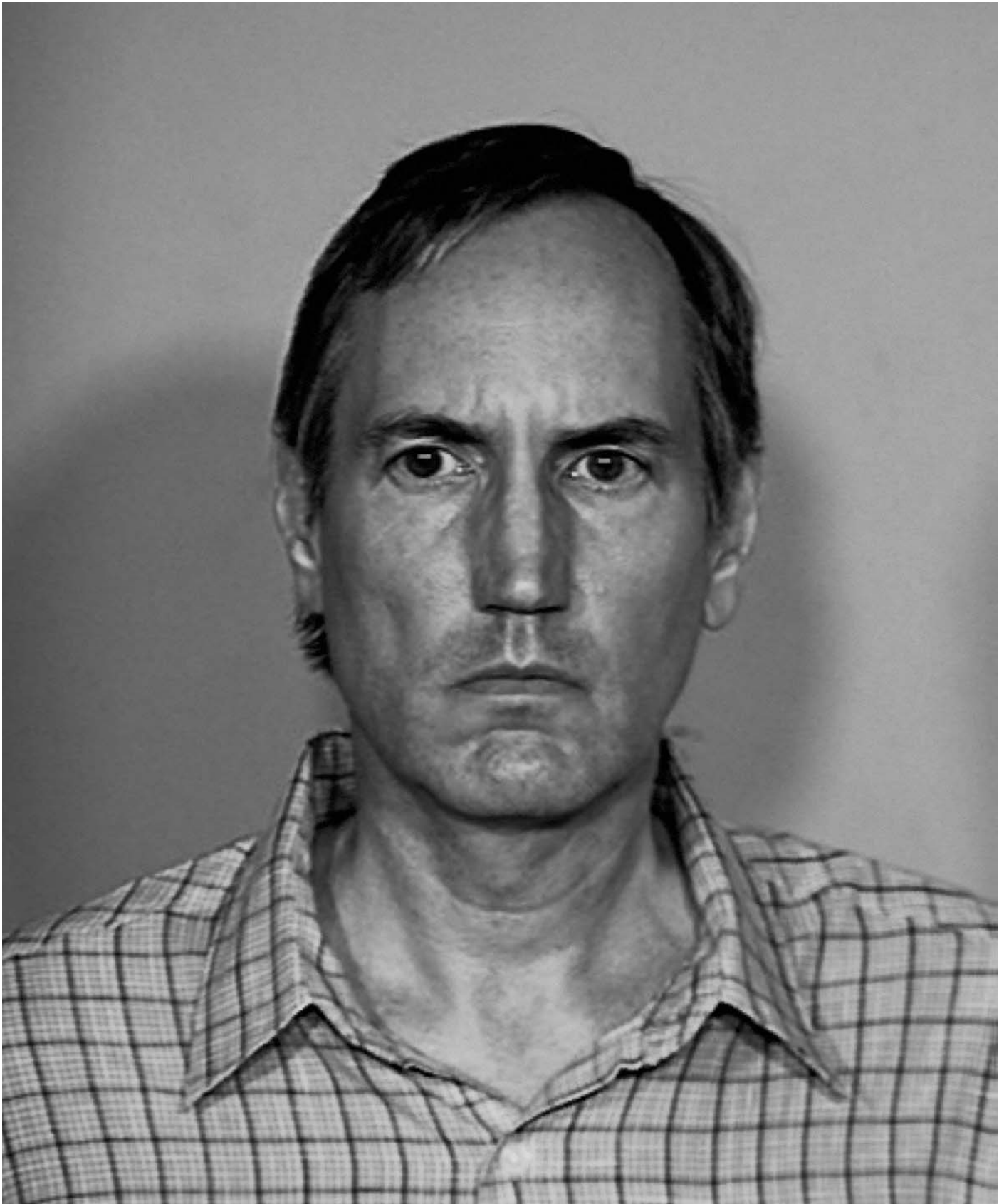
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At 12:34 pm, the Game King lit up with its seventh jackpot in an hour and a half, a \$10,400 payout. Now Williams knew something was wrong: The cards dealt on the screen were the exact same four deuces and four of clubs that yielded Kane's previous jackpot. The odds against that were astronomical. Williams called over the executive in charge of the Silverton's slots, and they reviewed the surveillance tape together.

The evidence was mounting that Kane had found something unthinkable: the kind of thing gamblers dream of, casinos dread, and Nevada regulators have an entire auditing regime to prevent. He'd found a bug in the most popular video slot in Las Vegas.

As they watched the replay for clues, Kane chalked up an eighth jackpot worth \$8,200, and Williams decided not to wait any longer. He contacted the Silverton's head of security, a formidable character with slicked-back silver hair and a black suit, and positioned him outside the slot area. His orders: Make sure John Kane doesn't leave the casino.



Virtuoso pianist John Kane discovered an exploitable software bug in Game King poker machines.  MICHAEL FRIBERG

Kane had discovered the glitch in the Game King three months earlier on the other end of town, at the unpretentious Fremont Hotel and Casino in downtown's Glitter Gulch. He was

overdue for a lucky break. Since the Game King had gotten its hooks in him years earlier he'd lost between tens of thousands and hundreds of thousands annually. At his previous haunt, the locals-friendly Boulder Station, he blew half a million dollars in 2006 alone—a pace that earned him enough Player's Club points to pay for his own Game King to play at his home on the outskirts of Vegas, along with technicians to service it. (The machine was just for fun—it didn't pay jackpots.) “He's played more than anyone else in the United States,” says his lawyer, Andrew Leavitt. “I'm not exaggerating or embellishing. It's an addiction.”

To understand video poker addiction, you have to start with the deceptively simple appeal of the game. You put some money in the machine, place a bet of one to five credits, and the computer deals you a poker hand. Select the cards you want to keep, slap the Draw button, and the machine replaces the discards. Your final hand determines the payout.

When the first video poker machine hit casinos in the 1970s, it was a phenomenal success—gamblers loved that they could make decisions that affected the outcome instead of just pulling a handle and watching the reels spin. The patent holder started a company called International Game Technology that debuted on the Nasdaq in 1981.

IGT's key insight was to tap into the vast flexibility offered by computerized gambling. In 1996, the company perfected its formula with the Game King Multi-Game, which allowed players to choose from several variations on video poker. Casinos snatched up the Game King, and IGT sold them regular firmware upgrades that added still more games to the menu. On September 25, 2002, the company released its fifth major revision—Game King 5.0. Its marketing material was triumphal: “Full of new enhancements, including state-of-the-art video graphics and enhanced stereo sound, the Game King 5.0 Multi-Game suite is sure to rule over your entire casino floor with unprecedented magnificence!” But the new Game King code had one feature that wasn't in the brochure—a series of subtle errors in program number G0001640 that evaded laboratory testing and source code review.

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The bug survived like a cockroach for the next seven years. It passed into new revisions, one after another, ultimately infecting 99 different programs installed in thousands of IGT machines around the world. As far as anyone knows, it went completely undetected until late April 2009, when John Kane was playing at a row of four low-limit Game Kings outside the entrance to a Chinese fast food joint at the Fremont, smoke swirling around him and '90s pop music raining down from the casino sound system.

He'd been switching between game variations and racking up a modest payout. But when he hit the Cash Out button to take his money to another machine, the candle lit at the top of the Game King and the screen locked up with a jackpot worth more than \$1,000. Kane hadn't even played a new hand, so he

knew there was a mistake. He told a casino attendant about the error, but the worker thought he was joking and gave him the money anyway.

At that point, Kane could have forgotten the whole thing. Instead, he called a friend and embarked on the biggest gamble of his life.

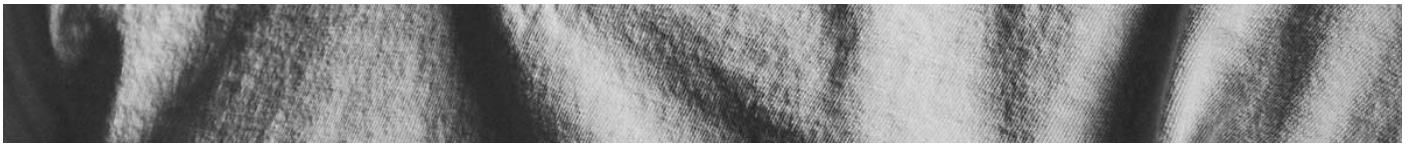
Even before the phone rang in his suburban Pittsburgh home, Andre Nestor had a gut feeling that everything was about to change for him. Superstitious and prone to hunches, he'd felt it coming for days: April 30, 2009, would be exactly 15 years since Nestor ignored an urge to play a set of numbers that came up in the Pennsylvania lottery Big 4.


That was the story of his life—always playing the right numbers at the wrong time. Games of chance had been courting and betraying Nestor since he was old enough to gamble. In 2001 he'd moved to Las Vegas to be closer to the action, answering phones for a bank during the day and wagering his meager paycheck at night. That's when he met John Kane in an AOL chatroom for Vegas locals. Though Nestor was 13 years younger than Kane and perpetually flirting with poverty, they developed an intense addicts' friendship.

Nestor's records show he lost about \$20,000 a year for six years before he gave up, said good-bye to Kane, and moved back to the sleepy Pittsburgh suburb of Swissvale, Pennsylvania, in 2007. For about two years he had a stable life, living off public assistance, gambling infrequently, and playing the occasional lottery ticket. Then Kane called to tell him about a bug he'd found in video poker. Nestor drove to the airport that night and camped there until the next available flight to Las Vegas.

Kane picked him up at the curb at McCarran airport. After a quick breakfast, they drove to the Fremont, took adjacent seats at two Game Kings, and went to work. Kane had some idea of how the glitch operated but hadn't been able to reliably reproduce it. Working together, the two men began trying different combinations of play, game types, and bet levels, sounding out the bug like bats in the dark.

It turned out the Game King's endless versatility was also its fatal flaw. In addition to different game variants, the machine lets you choose the base level of your wagers: At the low-limit Fremont machines, you could select six different denomination levels, from 1 cent to 50 cents a credit.



"You had complete control," Andre Nestor says. "You could win \$500,000 in one day."  MICHAEL FRIBERG

The key to the glitch was that under just the right circumstances, you could switch denomination levels retroactively. That meant you could play at 1 cent per credit for hours, losing pocket change, until you finally got a good hand—like four aces or a royal flush. Then you could change to 50 cents a credit and fool the machine into re-awarding your payout at the new, higher denomination.

Performing that trick consistently wasn't easy—it involved a complicated misdirection that left the Game King's internal variables in a state of confusion. But after seven hours rooted to their seats, Kane and Nestor boiled it down to a step-by-step recipe that would work every time.

Nestor and Kane each rang up a few jackpots, then broke for a celebratory dinner, at which they planned their next move. They would have to expand beyond the Fremont before the casino noticed how much they were winning. Fortunately, Game Kings are ubiquitous in Vegas, installed everywhere from the corner 7-Eleven to the toniest luxury casino. They mapped out their campaign and then headed back to Kane's home for the night.

Kane lived in a spacious house at the far northeast edge of town. His Game King was in the foyer. A spare bedroom down the hall was devoted entirely to a model train set, an elaborate, detailed miniature with tracks snaking and climbing through model towns, up hills, across bridges, and through tunnels, every detail perfect. The home's centerpiece was the living room with its three Steinway grand pianos. Kane is a virtuoso pianist; in the early 1980s he was a leading dance accompanist in the Chicago area, and even today he sells recordings under the vanity label Keynote Records. He left the professional music world only after failing to advance in the prestigious Van Cliburn International Piano Competition. Now he ran a management consulting practice that claimed one-third of the Fortune 100 as clients.

Kane's business was lucrative, so he was accustomed to handling money. But now that they were on the verge of a windfall, he was worried about Nestor; he could see his younger friend returning every cent to the casinos at the roulette tables or blowing it all on frivolities. "If you had a million dollars, what 10 things would you do?" Kane asked him. He wanted Nestor to make a list and really think through his priorities.

Nestor started a list, but it would prove unnecessary. After another day at the Fremont, they branched out. To their surprise, the button sequence didn't work. Over the following days, they explored the Hilton, the Cannery, then the Stratosphere, Terrible's, the Hard Rock, the Tropicana, the Luxor, and five other casinos, drawing the same dismal results everywhere. For some reason, the Game King glitch was only present at the Fremont.

At the end of a frustrating week, Nestor headed to the airport for his return flight with just \$8,000 in winnings. As a final insult, he lost \$700 in a video poker machine while waiting

for his plane.

Kane decided to wring what he could from the four Fremont machines. He learned to speed up the process by using the Game King's Double Up feature, which gave players a chance to double their winnings or lose everything. Respectable payouts that might once have satisfied Kane were garbage now. After five weeks using the new strategy, Kane had pocketed more than \$100,000 from the Fremont.

Unsurprisingly, the Fremont noticed. In modern casinos, every slot machine in the house is wired to a central server, where statistical deviations stick out like a fifth ace. The four machines under the Chinese food sign shot to the top of the Fremont's "loser list" of underperforming games: They'd gone from providing the casino a reliable \$14,500 a month to costing it \$75,000 in May alone.

On May 25, a slot manager approached Kane after one of his wins and announced that he was disabling the Double Up feature on all of the Game Kings—he was aware that Kane used the option copiously, and he figured it must have something to do with his run of luck.

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Kane took the development in stride: The bug, not the Double Up, was the real secret of his success. But he was in for a shock. The next time he played the Game King, the magic button sequence no longer worked. In an instant, the Fremont was no better than all the other casinos that had been immune to the glitch.

He phoned Nestor, who processed the news. With the Double Up option turned on, the bug worked; turned off, it didn't. Whatever internal stew of code made the Game King exploitable, Nestor concluded, the Double Up option had been a key ingredient the whole time. They just hadn't known it.

This wasn't bad news at all. It was the missing link. It explained why the bug had failed them everywhere but at the Fremont. Most casinos don't enable Double Up because it's unpopular with players. But that could easily be changed. High rollers and slot aficionados often have favorite game variants or features that aren't available by default but can be enabled by any passing slot attendant.

Nestor purchased two dress shirts and caught another flight to Las Vegas, where he joined Kane at Harrah's. Row after row of Game Kings were waiting, and, true to the plan, the staff didn't hesitate when Kane and Nestor asked for Double Up to be enabled.

Nestor got the first significant winning hand of the trip: four fours and a kicker for \$500. He tapped the magic sequence, hit Cash Out, and watched with delight as his \$500 became

a \$10,000 jackpot. He tipped the slot attendant \$20.

There were no limits now. They could play anywhere and beat the house wherever they went. Nestor, who'd been scraping by on a \$1,000-a-month welfare check, saw a whole new future unfolding: home ownership, an investment account, security, better clothes, and gifts for his friends back home. For his part, Kane was already well on his way to erasing the massive losses he'd suffered since moving to Sin City.

Working as a team had its advantages. While experimenting with the bug, they discovered that they could trigger a jackpot on the same hand more than once: All they had to do was lower the denomination again and repeat the steps to activate the glitch. They could effectively replay their win over and over, as much as they wanted. It was a risky play—even the busiest casino might notice the same player repeatedly winning with the same hand. But now that they were playing together, Kane and Nestor could ride on each other's jackpots. Nestor won \$4,000 with four aces; then, after waiting a bit, Kane slid over to the same machine and replayed the hand for another \$4,000.

They could even piggyback on other players' wins. No longer confined to four low-limit slots at a single casino, they prowled the floor at Harrah's looking for empty machines still showing a player's jackpot. Once they got an attendant to turn on Double Up, it took only seconds to replay the hand at up to 10 times the original value. Video poker wasn't even gambling anymore. "You had complete control over how much you could win," Nestor says. "If you wanted to go to a casino and win \$500,000 in one day, you could win \$500,000 in one day."

At the end of the evening, Nestor says they went to his cheap hotel room at Bill's Gamblin' Hall and Saloon to settle up. As the benefactor of Kane's discovery, Nestor had agreed to give his old friend half his winnings. But now that the cash was rolling in, he was having second thoughts about the arrangement.

Every jackpot, he realized, was being reported to the IRS, and he'd already won enough from the bug to propel him into a higher tax bracket. If he paid half to Kane off the top, he might wind up without the reserves to pay his tax debt come April of the following year. He broached the subject with Kane: He'd be more comfortable holding on to the money until his taxes were paid. It was just a year. He'd happily give Kane half of his post-tax winnings then.

Kane was indignant but not surprised; leave it to Nestor to turn even free money into a problem to obsess over. He insisted Nestor honor his agreement, and Nestor grew more agitated, his voice rising in pitch. "What am I doing? Why am I even doing this?" he complained. "I'm not winning any money doing this if I'm giving you all this up front."

Kane finally agreed to accept a third of Nestor's \$20,000 take for the day. Nestor says he counted out \$6,000 in hundreds onto an end table, and Kane said good night.

The tension between the men lingered the next day at the Wynn, a towering upscale supercasino with more than 1,300 slots. They played side by side, raking in money and

continuing to argue over the split. Nestor was now of the opinion that he shouldn't have to pay Kane anything. It was Nestor, after all, who'd figured out that the Double Up feature was part of the bug. That should make them square.

“This was my gift to you,” Kane shot back testily. “If you'd found this bug instead of me, you would never have told me about it.”

The accusation stung. Nestor gaped at his friend, then he stood and walked away from the machine.

The next day Nestor nursed his hurt feelings with a solo trip to the Rio. He found a Game King displaying four aces and a kicker and hit it for \$5,600. Then he wandered into the high-limit room and found another four aces. He punched this one twice: \$20,000 at a \$5 denomination, then, after a decent interval, \$8,000 at the \$2 level. Nestor's records show that he eventually left the casino with about \$34,000 in his pockets. He didn't need Kane at all. “There was so much money to be made, what did it even matter?” he says.

On his last day in Vegas, Nestor continued his solo run, hitting a Game King at the Wynn for a combined \$61,000. Back in his room at Bill's, he added up his winnings: He was going home with \$152,250 in cash in his luggage. And he wasn't done yet. There were casinos in Pennsylvania, too, where he could operate without the slightest risk of Kane knowing what he was up to—or demanding a cut up front.

After Nestor left, Kane tore into Vegas with a vengeance. Official numbers have never been released, and Kane declined to speak for this article, but the FBI would later tally Kane's winnings at more than \$500,000 from eight different casinos. The Wynn, where Kane kept four nines on one Game King for days, was the biggest loser at \$225,240.

Back in Pennsylvania, Nestor targeted the newly opened casino at the Meadows Racetrack in Washington County. In contrast to Kane, who played the bug with joyless, businesslike intensity, Nestor was voluble and chatty at the Meadows. He dressed smartly and, according to court documents, brought along a small entourage for company: his roommate, a retired cop named Kerry Laverde; and Patrick Loushil, a server at Red Lobster who agreed to collect some of Nestor's jackpots for him, so they wouldn't all show up on Nestor's tax bill. Nestor hammed it up every time he won, gushing excitedly to the slot workers—“I'm so excited! Here, feel my heart!”—and tipping generously.

But it all began to unravel the night Kane found himself waiting for a payout at the Silverton. The casino's head of security stood just outside the slot area. Kane paced and huffed, spun the swivel chair back and forth like a metronome, and complained to passing slot attendants. Finally, three men strode up to him. The head of security directed Kane to an alcove, handcuffed him, and escorted him away from the video poker machines.

An armed agent from the Gaming Control Board arrived soon after. He sealed the machines Kane had been playing on with orange evidence tape and collected Kane from the back room, where he'd been handcuffed to a chair. Kane's wallet and the \$27,000 in his

pocket were confiscated, and he was booked into the Clark County Detention Center on suspicion of theft.

After a night in jail, Kane was released. On Monday he called Nestor to warn him that the bug had been discovered. He sounded more upset than nestor had ever heard him. “Stay out of the casinos,” Kane said. “Do not go back to the casinos.”

Nestor's heart sank for his old friend. It was painful to imagine Kane suffering the indignity of a night in jail, mug shots, fingerprints, being treated like a common criminal. But after the call, Nestor talked himself into an alternate theory. What if there'd been no arrest? What if Kane suspected—as he must have—that Nestor was using the bug and had made up the story about the Silverton to scare Nestor into stopping, so Kane could have the exploit all to himself? By this time Nestor had been back in Pennsylvania three weeks and had already won nearly \$50,000 from the Meadow's Game King.

He decided to ignore Kane's story and started planning his next trip to the Meadows.

Three days later, in Las Vegas, engineers from the Nevada Gaming Control Board's Technology Division descended on the Silverton. The forensics investigation of the Game King scam had fallen to John Lastusky, a 25-year-old clean-cut USC computer engineering graduate.

Lastusky pulled up the game history on the two machines Kane had played and reviewed the wins, then slid out the logic trays, the metal shelves housing the Game King's electronic guts, and checked the six EPROMs containing the machines' core logic, graphics, and sound routines. There was no sign of tampering. He confiscated the logic trays and packed them up for the trip back to headquarters.

Housed in an anonymous office park near the airport, the GCB's Technology Division was formed in the mid-1980s to police video gambling as it began its Nevada ascent. The division helps set the rigorous standards that gamemakers like IGT must meet to deploy machines in the Silver State. A 3,000-square-foot laboratory at the back of the office is packed end to end with slot machines in various states of undress—some powered down, some in maintenance mode, others stripped to their bare electronics, though most are configured as they would be on a gaming floor.

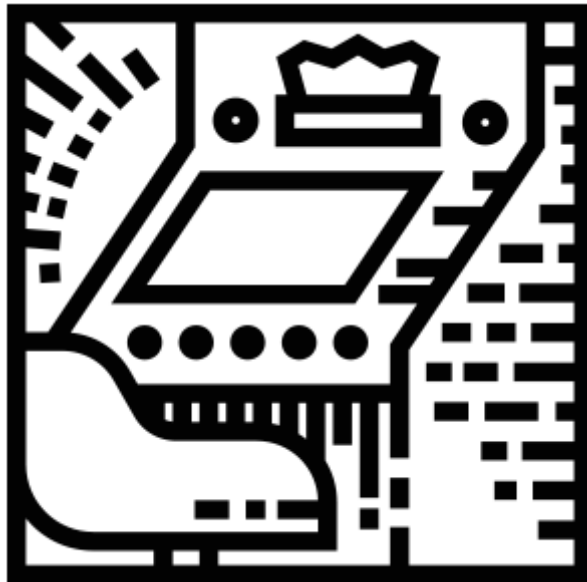
A smaller, locked-down room adjacent to the lab is more important: It houses a permanent repository of the source and executable code for every version of game software ever approved in Nevada—more than 30,000 programs in all. The code vault is at the center of the gaming board's massive software integrity operation. Every new addition is carefully examined: Is the random number generator random enough? Does the game pay out at the advertised rate? Is there logic where there shouldn't be? “We're not necessarily looking for something nefarious, but the goal is to ensure the integrity of the product,” says division chief Jim Barbee.

There's a real, if mostly unrealized, danger of gaming software being backdoored. The concept was proven in 1995, when one of the GCB's own staffers, Ron Harris, went bad.

Harris modified his testing unit to covertly reprogram the EPROMs on the machines he was auditing. His new software commanded the machine to trigger a jackpot upon a particular sequence of button presses—like a Konami Code for cash. He was eventually caught, and he served two years in prison.

HOW THEY BEAT THE HOUSE

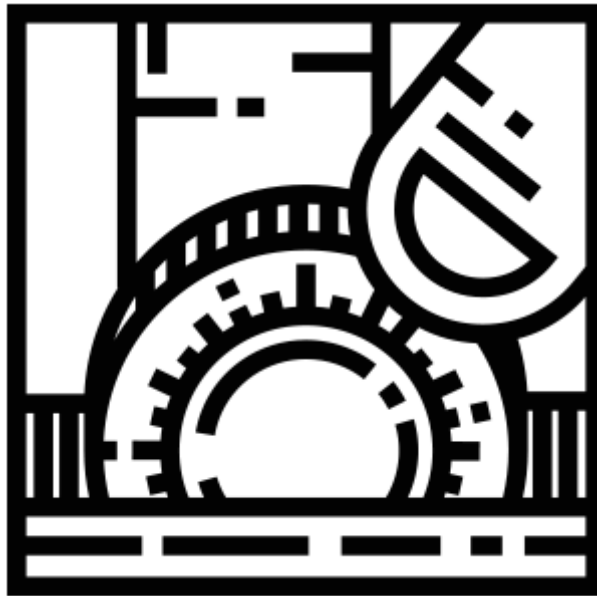
The “Double Up bug” lurking in the software of Game King video poker machines survived undetected for nearly seven years, in part because the steps to reproduce it were so complex. John Kane and Andre Nestor experimented until they could trigger it at will.



1. Locate a Game King video poker machine configured for multi-denomination play. If you're in Las Vegas, you're probably already standing next to one.



2. Flag down a slot attendant and ask them to enable the Double Up option. Say thank you and smile until they walk away.



3. Insert money or a voucher and select the lowest denomination level offered by the machine—for example, \$1 per credit on a \$1, \$2, \$5, \$10 machine.



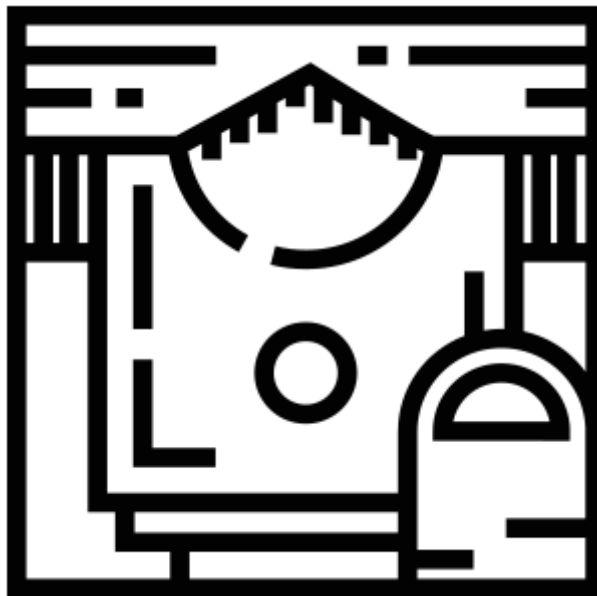
4. Choose your favorite game variant—Triple Double Bonus Poker is fun—and start playing.



5. Keep playing at the \$1 level until you win a big hand. An \$800 royal flush is perfect.



6. With your royal flush showing but not yet cashed out, hit the More Games button on the touchscreen and select a different game variation. Play it until you score a win.



7. Insert more money or a voucher into the machine.



8. Touch the More Games button again, and change to the maximum denomination—in this case, \$10 per credit. Then return to your original \$800 royal flush.



9. Press the Cash Out button. “Jackpot! \$8,000” will appear on the screen and the light on the top of the machine will illuminate. Congratulations!



10. Wait for the slot attendant to show up with an IRS form W-2G (“certain gambling winnings”). Once you've signed it, they'll get the machine to spit out a jackpot ticket.



BRATISLAV MILENKOVIC

That stain on the board's integrity haunts the division to this day. But by all evidence, the division's paranoia, coupled with the game industry's self-interest, have kept video gambling code clean and mostly free of exploitable bugs. That made the Game King case an intriguing puzzle for Lastusky. Armed with the surveillance footage of Kane in action, Lastusky sat at one of the Game Kings in the lab and began experimenting. Within a few days he was able to reliably reproduce the exploit himself. He gave his findings to IGT, which rushed out a warning to its customers advising them to immediately disable the Double Up option. “Replacement programs are being expedited,” the company explained.

Every Game King on the planet running a vulnerable version would need a patch. The upgrade process would be grueling. When an operating system like Windows or OS X has a security bug, customers can download the patch in a few minutes over the Internet. Slot machines aren't online. New programs are burned onto EPROMs by the manufacturer and shipped in the mail in plastic tubes.

Blind to the firestorm erupting in Vegas, Nestor spent the rest of July and most of August playing at the Meadows, until August 31, when the casino finally got suspicious and refused to pay Nestor on a four of a kind. Nestor protested but walked away, breaking into a run as he reached the parking garage.

Nestor was up more than \$480,000. The Game King ride was over, but he had enough money to last him forever.

At 1:30 pm on October 6, 2009, a dozen state and local police converged on Andre Nestor's split-level condo on a quiet, tree-lined street in Swissvale. He was dozing on his living room couch when the banging started. "State police! Open up!" The battering ram hit the door seconds later, splintering the frame and admitting a flood of cops into the house.

Nestor says he started toward the stairs, his hands over his head, when he came face-to-face with a trooper in full riot gear. "Get on the floor!" yelled the trooper, leveling his AR-15 at Nestor's face. Nestor complied. The cop ratcheted the handcuffs on Nestor's wrists, yanked him to his feet, and marched him into the kitchen.

For the next two hours, Nestor watched helplessly, handcuffed to a kitchen chair, while the police ransacked his neat home. They flipped over his mattress, ripped insulation from his ceiling, rifled his PC. At about 4 pm, Nestor's roommate, Laverde, arrived home and was arrested on the spot as an accomplice to Nestor's crimes.

It was the first major gambling scandal in Pennsylvania since the state had legalized slots in 2004. The media portrayed Nestor as a real-life Danny Ocean, and prosecutors hit him with 698 felony counts, ranging from theft to criminal conspiracy. The district attorney seized every penny of Nestor's winnings and gave it back to the Meadows. Nestor and Laverde spent about 10 days in the county jail before making bail.

A defiant Nestor vowed to fight the case—no jury would convict a gambler, he was certain, for beating a slot machine at its own game. But on January 3, 2011, when it was time for jury selection, Nestor was hit with another surprise. Two FBI agents showed up and pulled him from the Washington County courthouse. The Justice Department had taken over the case. Nestor and Kane had both been charged federally in Las Vegas.

As the agents walked him to their car, Nestor stopped in front of a television camera and let loose. "I'm being arrested federally now—for winning at a slot machine!" he shouted in disbelief. "This is what they do to people! They put a machine on the floor, and if it has programming that doesn't take your money and you win on their machine, they will throw you in jail!"

The Las Vegas prosecutors charged Nestor and Kane with conspiracy and violations of the Computer Fraud and Abuse Act. Passed in 1986, the CFAA was enacted to punish hackers who remotely crack computers related to national defense or banking. But in the Internet age the government had been steadily testing the limits of the law in cases that didn't involve computer intrusion in the usual sense. Kane and Nestor, the government argued, exceeded their otherwise lawful access to the Game King when they knowingly exploited a bug. The casinos only authorized gamers to play by the rules of video poker. "To allow customers to access previously played hands of cards at will, would remove the element of chance and obviate the whole purpose of gambling," assistant US attorney for the District of Nevada Michael Chu argued in a court filing. "It would certainly be contrary to the rules of poker."

The defense attorneys pushed for dismissal of the computer hacking charge, on the grounds that anything the Game King allowed players to do through its interface was

“authorized access” by definition: The whole point of playing slots is to beat the machine, and it's up to the computer to set and enforce limits. “All these guys did is simply push a sequence of buttons that they were legally entitled to push,” says Leavitt, Kane's attorney.

The pretrial motions dragged on for more than 18 months, while in the larger legal landscape, the CFAA was going under a microscope for the first time since its passage. In January 2013, coder and activist Aaron Swartz committed suicide after being charged under the same law for bulk-downloading academic articles without permission, spurring calls for reform. Three months later, the US Ninth Circuit Court of Appeals threw out computer hacking charges in a closely watched case against David Nosal, a former executive at a corporate recruiting firm who persuaded three employees to leak him information from the firm's lead database. The Ninth Circuit found that pilfering contacts doesn't become computer hacking just because the data came from a computer instead of a copy machine.

Seeing parallels to the Game King prosecution, the judge overseeing Kane and Nestor's case ordered the government to justify the hacking charge. The prosecutors didn't even try, opting instead to drop the charge—leaving only an ill-fitting “conspiracy to commit wire fraud” count remaining.

Prosecutors had a weak hand, and they knew it. As a December 3, 2013, trial date approached, the Feds made Kane and Nestor separate but identical offers: The first one to agree to testify against the other would walk away with five years of probation and no jail time.

The old gambling buddies had one more game to play together. It was the Prisoner's Dilemma. Without speaking, they both arrived at the optimal strategy: They refused the offer. A few months later, the Justice Department dropped the last of the charges, and they were free.

Kane and Nestor haven't spoken since 2009. After his Silverton arrest, Kane began recording classical music in his house and uploading the videos to a YouTube channel. Last March, after the federal case was dropped, he sent a CD of some of his performances to his high school piano teacher. “I'm essentially now retired from a career in business, have remained single, leading a quiet suburban life,” he wrote.

Nestor's greatest regret is that he let the Game King bug come between him and Kane. “I didn't want it to go that far,” he says. “I thought he and I were friends long enough that these kinds of issues didn't need to happen.” He claims he always intended to pay Kane his cut from the secret jackpots. Now he can't. His roommate, Laverde, signed over Nestor's money in exchange for avoiding a trial of his own. (There are no court filings to suggest that Kane's winnings were seized.) Nestor says the Meadows still has his winnings, and the IRS is chasing him for \$239,861.04 in back taxes, interest, and penalties—money he doesn't have.

If there's one silver lining, it's that Nestor has been banned from Pennsylvania casinos. He still gambles occasionally in neighboring states, but his more pressing addiction right now

is Candy Crush, which he plays on a cheap Android tablet. He cleared 515 levels in two months, using a trick he found on the Internet to get extra lives without paying.

Dover Downs scheme follows common trend

Adam Duverny, The News Journal Published 10:12 a.m. ET June 3, 2016 | Updated 1:33 p.m. ET June 3, 2016



Buy Photo

(Photo: JASON MINTO/THE NEWS JOURNAL)

The scheme recently [revealed to have used Dover Downs Hotel & Casino](#) slot machines to wash drug money was doomed from the start.

The effort made a man, now in custody, a celebrity on casino cameras for his flamboyant playing habits and eventually linked him to a ring of heroin peddlers in Kent and Sussex counties, casino and police officials said. The capture proves the house always wins.

Operation Duck Hunt was a Delaware State Police investigation that concluded in May targeting the heroin distribution ring. Thirteen people were indicted and during the investigation police confiscated 1.75 kilograms of heroin, a cache worth \$1.2 million on the street.

Salman Choudhary was [one of those arrested](#) and is accused of funneling the ill-gotten cash through real estate and local businesses in an effort to legitimize the drug money. But police said he also

brought large sums of cash to Dover Downs hoping to essentially exchange bills that'd make the IRS curious for ones that could be written off as gambling winnings.

"When we found out he was here on the floor, our cameras were trained on him. We cooperated with the regulatory people for over two years," said Ed Sutor, CEO and president of Dover Downs. "If it had not been for us following regulations properly, he wouldn't have been caught, at least not from his activities here."

Gambling establishments nationwide have fought — and earned — a reputation associated with organized crime and shady money practices. For those reasons, they're tightly controlled by state and federal regulations that makes cheating on either side of the blackjack table much more difficult.

But Dover Downs didn't know where Choudhary's money was coming from, nor was it their prerogative to care. And the money went securely into the casino's vault over the course of the two-year investigation.

What the casino knew was how much money Choudhary was spending on each trip, and that their bosses at the Delaware Department of Homeland Security wanted him watched.

It didn't take long before the all-seeing eyes at Dover Downs were focused onto Choudhary, Sutor said.

The casino's 2,400 slot machines are connected to a single mainframe which can track how much money is put into individual devices, and when a gambler uses his rewards card — as Sutor said Choudhary did — how much money an individual is spending and making also can be tracked.

"He came in and started playing slot machines with a lot of cash. Now, we don't have people standing over their shoulder counting how much money they're placing into the machine. We, like all casinos, have a computer behind the scenes," Sutor said. "It got the attention of our state regulators."

If a player feeds a machine more than \$10,000 in a single day, the law requires a casino to file a Currency Transaction Report. Sutor said Choudhary came often and the casino was required to file multiple CTRs over his playing habits.

It wasn't just high-dollar machines that kept Choudhary busy on the gaming floor, Sutor said. He became a regular and did little to try and hide the money he brought along.

Delaware Department of Safety and Homeland Security Division of Gaming Enforcement spokeswoman Wendy Hudson declined to comment on anything that had to do with the investigation

at Dover Downs or the money laundering activities that happen at casinos in general. She cited an ongoing investigation as the reason for her silence.

The same was true at a news conference last month [where the results of Operation Duck Hunt](#) were announced. Police kept mum on the details of the laundering scheme.

"I know you have some good questions, but we have to hold off on that," Delaware State Police spokesman Sgt. Richard Bratz told reporters.

Police did say the laundering scheme and the heroin ring weren't initially linked, but the one investigation proceeded the other.

"It began as a possible money laundering case and evolved into one of the largest heroin seizures in Delaware, along with other asset seizures throughout Sussex County to include money, property and guns," Greg Nolt, director of the Division of Gaming Enforcement, said at the news conference.

A well-documented practice

The practice of washing illicit money through casinos, however, is well documented.

"I don't think casinos are a very good place to launder money. An idiot would do it. Sure, there's other ways you could dream of doing it. But to come in and gamble, to put your money in a machine knowing the casino wins, you're already starting with your foot in a hole," Sutor said. "However, we have all sorts of procedures in place in order to avoid people trying to exchange currency."

A 2014 investigation at Harrington Raceway and Casino centered around a similar theme — and in this case the money was dirty in a literal sense.

"Harrington Casino surveillance confirmed three subjects introduced the bills into machines and cashed out tickets with little or no play. The tainted money was recovered from the machines by DGE Detectives and linked to a bank robbery in Maryland," Hudson said. "The suspects and their vehicle were identified through surveillance video footage. The information was shared with Maryland State Police and the FBI. All three suspects were arrested in Maryland."

[The U.S. Department of the Treasury 2015 money laundering report](#) points to the practice of "structuring" — generally, parceling out what would otherwise be a large cash transaction to avoid reporting requirements — as the most commonly reported practice for washing money through casinos. This is especially prevalent in Nevada, the only state where sports betting is legal which allows their books to funnel illegal out-of-state money.

Another common practice is purchasing chips with cash or depositing funds into a casino account before a minimal amount of play on the casino floor, essentially trading dirty bills for the casino's

clean money. This can work with fake money as well, and according to the Treasury report an average of \$40,000 a week in counterfeit currency is reported by Nevada casinos.

"If someone came into our facility with a large amount of small bills — 5s, 10s, 20s — and tried to get that changed to hundreds or even a check, we wouldn't do it," Sutor said. "That would be facilitating money laundering, and it didn't happen in this case. The people in the cage right behind me, they're all trained. The people in the pits, they're all trained. And we use computers to catch people after the fact."

That training, Sutor said, extends to cashiers offering players advice on how to get around reporting their winnings or having the casino report of the same.

Casinos in New Jersey and Nevada file the most casino suspicious activity reports nationwide, according to the Treasury report, and are the venues most often cited in criminal prosecutions involving money laundering through casinos. In 2013, casinos and card clubs in the United States filed more than 27,000 SARs, more than 40 percent of which came from Nevada and New Jersey.

Delaware casinos filed 26 SARs in 2015 and eight between January and March of this year.

Contact Adam Duvernay at (302) 324-2785 or aduvernay@delawareonline.com.

New York casino: Woman shown \$43M jackpot actually owed \$2.25

By TRIBUNE NEWS SERVICES
NOV 03, 2016 | 3:47 PM
| NEW YORK



In this Oct. 3, 2014, file photo, a visitor to the Resorts World Casino at the Aqueduct racetrack plays an electronic slot machine, in the Queens borough of New York. The casino said on Nov. 3, 2016, that a woman who was shown that

she won nearly \$43 million on a penny slot in August 2016 actually won \$2.25.
(Julie Jacobson / AP)

A woman who appeared to win a life-changing \$42.9 million jackpot at a New York City casino is threatening to sue after being told the big payout she was shown was simply the result of a malfunction.

Katrina Bookman was playing the penny slot machine at Resorts World Casino in August when it displayed a message that read, "Printing Cash Ticket. \$42,949,642.76." She even took a selfie next to the screen to celebrate. But when Bookman tried to collect, the casino told her it was all a big mistake and she was only owed the \$2.25 balance she had on the machine.

"Machine malfunctions are rare, and we would like to extend our apologies to Ms. Bookman for any inconvenience this may have caused," the casino said in a statement

The New York State Gaming Commission investigated and said the bogus payout was "clearly a display malfunction." The machine was taken out of service, repaired and put back a day later, the commission said.

The machine's maximum payout is \$6,500. Resorts World tells The Associated Press that the Gaming Commission told it the casino cannot legally pay Bookman even that amount because a malfunction voids all plays under state law. However, the Gaming Commission told the AP that there are no rules barring Resorts World from offering Bookman money to resolve the situation, even though she didn't win anything.

Resorts World said Bookman printed out a voucher ticket to receive her \$2.25 balance on the machine, but her lawyer disputes that.

Alan Ripka sent a letter to the casino demanding it resolve what he describes as "a terrible situation." The casino responded that the machine's manufacturer should be held liable, Ripka said. He believes a lawsuit could be Bookman's only option and added that the court can figure out who's at fault.

Ripka is hoping Resorts World will "come up with a resolution" to the dispute. He questions whether the broken machine means everyone who used it prior to Bookman should also get their money back.

"If the machine was broken, does that mean nobody could have ever been a winner?"

Slots Supervisor Accused of Rigging Jackpots at Mississippi Casino Says She Hasn't Got the Money

A former slots supervisor at the Silver Slipper Casino in Bay St. Louis, [Mississippi](#) is facing felony charges of embezzlement over accusations she [fixed slot-machine jackpots](#), allegedly pocketing at least \$36,000 via 81 false transactions, *The Biloxi Sun Herald* reports.



A Hancock County Sheriff's Office mugshot of former Silver Slipper employee Geavoni Reese, who claims the jackpots embezzlement scheme was masterminded by another employee to whom she turned over the money.

(Image: Hancock County Sheriff's Office)

Geavoni Reese, 28, of nearby Waveland, was tasked with responding to customers who reported issues with slot machines, as well as determining the validity of jackpots and calculating jackpot amounts that had failed to register on the casino's computer system. It was also her job to calculate customer payouts and complete the appropriate forms associated with payouts.

But it's alleged Reese created false hand-pay jackpots when machines malfunctioned in order to relieve the casino of its money. Now, the Silver Slipper wants its money back – the only problem is, Reese says she hasn't got it.

Casino Files Civil Case

The casino has filed a separate civil suit in a bid to claw back its cash, plus any punitive damages the court might decide to award.

“Silver Slipper takes theft seriously, which is why we are cooperating fully with the government's investigation and have filed a concurrent civil action against those we believe are responsible for perpetrating this fraud,” attorney for the casino John Lassiter told the Sun Herald.

Reese is the only person named in the civil complaint, although the suit also mentions five “currently unknown persons” which it calls “John Does 1-5” who are believed to have “conspired or assisted with perpetrating the scheme designed to defraud Silver Slipper.”

Mysterious ‘Mastermind’ Has the Loot

Reese claims she handed over the money to another employee, who masterminded the scam and recruited other casino staff members besides her. Despite the legal trouble Reese faces, she has sued this so-called mastermind, seeking compensation and punitive damages.

“He is the party that received any funds that were made or received by anyone in connection with this claim,” her complaint says. “If any conversion is taking place, he is the connector.”

The Sun Herald declined to name the so-called mastermind because, unlike Reese, he has not been charged with a crime.

Reese was caught in October 2017 after a customer at the casino informed management he believed she had stolen money by keeping payouts for herself, which was later confirmed by a review of her final shift by video surveillance personnel. She was fired the next day and subsequently arrested by Hancock County Sheriff's Department. The sheriff's office turned over the investigation to the Mississippi Gaming Commission.

By David Ferrara Las Vegas Review-Journal

October 6, 2015 - 4:53 pm

Don't miss the big stories. Like us on Facebook.

No one ever hit a five on the hop like they did.

To say that four men who pulled more than \$1 million from Bellagio craps tables defied the odds would be something of an understatement.

The chances that they legitimately won as much as they did in one of their many sessions over the course of two years: 452 billion-to-1.

That's what MGM statistician Zachary Levine determined after analyzing the suspicious play of two Bellagio high rollers.

Anthony G. Granito and Jeffrey D. Martin won a hop bet — a high-risk verbal proposition — 19 times in 230 rolls in a session captured on video surveillance last year, according to recently released grand jury testimony.

“Their play over that period was so out of line with the mathematics that it's practically no way they could have been playing a fair game of chance,” said Levine, who focuses on table games. “We have some very extreme high-end play at the Bellagio that can result in pretty wild swings, and we have some winners, so we're not saying that winning is impossible, just nobody, even bigger bettors, won to this level.”

Gaming Control Board agents looked into the anomaly and determined that a pair of dealers were “throwing the game” to a couple of their friends.

Bail set

The alleged ringleader of the scheme, former dealer Mark M. Branco, 42, appeared before District Judge Valerie Adair on Tuesday in jail fatigues and shackles. He was ordered held on \$160,000 bail. Martin, his 38-year-old brother-in-law, was given a \$125,000 bail, and allowed time to come up with the money while out of jail.

Granito, 49, suffered chest pains last week when he learned of the 60-count indictment and was undergoing triple bypass surgery at the time of Tuesday's hearing, his lawyer told the judge. Another former Bellagio dealer, James R. Cooper Jr., 43, is now cooperating with authorities and expected to plead guilty on Thursday.

Between July 2012 and July 2014, when the timing was right, Branco and Cooper conspired with Granito and Martin to pay off bets that never transpired, Chief Deputy District Attorney J.P. Raman said.

Because the craps table is often crowded with base dealers, a boxman, a stickman, a floor person and other players, there had to be a "very select set of circumstances that had to line up for them to pull it off," the prosecutor said.

Granito and Martin would make some real bets, but mutter a hops wager as the dice were tossed and Cooper or Branco would pay them "as if they had bet on it," Raman said.

But last year, a fellow dealer noticed suspicious behavior and informed Bellagio management. Cooper told authorities the group had been running the scam for about two years, and Bellagio started tracking the records of the players.

Sometimes underpaid

Defense lawyer Andrew Leavitt, who wants to determine how much money was won legitimately, said Branco sometimes actually underpaid players.

“Not everybody who plays craps loses,” he said. “Sometimes you win. And when you win, that’s not cheating at gambling.”

The scheme was not deeply sophisticated. The group simply played off a flaw in the craps setup, said Theodore Whiting, vice president of corporate surveillance for MGM Resorts.

At the time, a hop bet, which pays about 15-1, was not definitively marked on the table. (MGM has since added a spot for hop bets on the layout, Whiting said.)

Typically, any bet must be placed before the dice are in the air. But Granito and Martin would sometimes call out their phony bets after the shooter released. Only Branco or Cooper would claim to have heard their bets.

“Nobody really has any idea what that bet is because it’s not clearly marked,” Whiting testified. “This is ripe for cheating because we can’t verify it from the eye. The floor can only verify it if they heard the bet.”

When security teams watched Granito and Martin over one particular series, the hop bet “magically” won every time, Whiting testified.

An MGM fraud examiner learned of the player-dealer collusion and launched a background check on everyone involved. She testified that Martin was a former baseball player for the San Diego Padres, but his lawyer, Lucas Gaffney, could not confirm the information. BaseballProspectus.com lists him as a former player but gives no details about his career.

Biggest winners

When Levine analyzed their play over the course of more than 4,000 throws, they were two biggest winners at the casino, he said. The way they were betting, they should have ranked as two of the biggest losers.

Granito's average bet was \$4,400. He played 1,624 rounds and wagered \$7.1 million. He would have been expected to lose \$459,539. Instead, he won \$498,500. Martin wagered \$5.1 million over 2,295 rounds. Bellagio should have expected to come away with \$252,490 of his money. Instead, he won \$587,900.

Overall, they would have been expected to lose \$712,029, Levine testified, but they won a total of \$1,086,400.

Had the two been playing by chance and independently, the probability of them winning at least the total amount they did is 1 in 501,171, according to Levine.

Whiting said he cautions surveillance workers to be on the lookout for hop bets.

“When you see a \$500 or more bet, even at the Bellagio, that’s a lot of money to bet on the hop. That’s suspicious,” he testified. “If you see that it wins, now it’s really suspicious.”

Contact David Ferrara at dferrara@reviewjournal.com or 702-380-1039. Find him on Twitter: [@randompoker](https://twitter.com/randompoker)

Department of Justice
U.S. Attorney's Office
District of Maryland

FOR IMMEDIATE RELEASE
Thursday, December 5, 2019

Former Casino Dealer Sentenced to Federal Prison for Participating in a Cheating Scheme

Scheme Resulted in a Loss of More than \$1 Million

Greenbelt, Maryland – U.S. District Judge Paul W. Grimm sentenced Ming Zhang, age 32, of Alexandria, Virginia, yesterday to 18 months in federal prison, followed by three years of supervised release, for conspiracy to transport stolen funds, in connection with a scheme to defraud Maryland casinos by cheating at the game of baccarat. The total loss caused by Zhang and his co-conspirators was \$1,046,560. Judge Grimm also entered an order requiring Zhang to pay restitution in the total amount of the loss.

The sentence was announced by United States Attorney for the District of Maryland Robert K. Hur and Special Agent in Charge Jennifer C. Boone of the Federal Bureau of Investigation, Baltimore Field Office.

According to Zhang's plea agreement, Zhang worked as a dealer at Casino 1 in Maryland. Zhang's role in the conspiracy was to alert co-conspirator A as to when Zhang was scheduled to deal baccarat at the casino. Baccarat is a card game in which players compare the value of two hands of cards—a "player" and a "dealer" hand. Each card has a point value, and before any cards are dealt, bettors place bets on which hand will be closest to nine. The dealer then distributes the cards between the player and dealer hands according to fixed rules. If a bettor knows the order in which cards appear in the deck, they can predict the outcome of any given baccarat hand with near-perfect accuracy and place their bets accordingly.

Specifically, Zhang admitted that he notified co-conspirator A that he would be dealing baccarat at Casino 1 on September 27, 2017. Once co-conspirator A arrived at the baccarat table at which Zhang was dealing, Zhang exposed a portion of the baccarat deck to co-conspirator A and allowed the co-conspirator to take a picture of the deck, then placed that portion unshuffled into the "shoe," which is a plastic box that keeps the cards in order until they are dealt. Co-Conspirator A and other players placed large bets when the unshuffled portion of the deck came into play.

On September 28, 2017, Zhang lied to investigators at Casino 1 about his knowledge of and participation in the cheating scheme.

Zhang admitted that between July and September 2017, he was present with co-conspirator A and other co-conspirators when they executed the scheme at Casino 2, which was also in Maryland. In August 2017, Zhang met with co-conspirator A at a hotel near Casino 2 and learned how to execute the scheme. Co-conspirator A agreed that Zhang would receive a percentage of the winnings for participating in the scheme and Zhang did benefit financially from executing the scheme.

United States Attorney Robert K. Hur praised the FBI for its work in the investigation. Mr. Hur thanked Assistant U.S. Attorneys Molissa H. Farber and Erin B. Police, who prosecuted the case.

#

Component(s):

USAO - Maryland

Contact:

Marcia Murphy (410) 209-4854

Updated December 5, 2019

AUD-124 Statistical Analysis: Going Beyond the MICS Participant Guide

 <p>AUD-124 Statistical Analysis: Going Beyond the MICS</p>															
 <p>Objectives</p> <ul style="list-style-type: none"> • Non-Gaming areas <ul style="list-style-type: none"> – Inventory – F&B – Purchasing and Receiving <p>2/3/2020 2</p>	<p>KEY POINTS</p>														
 <p>6 cartons!</p> <p>3</p>	<p>KEY POINTS</p>														
 <p>Report to the Nation</p> <p>WHY am I DOING THIS?</p> <p>2/3/2020 4</p>	<p>KEY POINTS</p>														
 <p>Fig 3. How is occupational fraud committed?</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Percent of Cases</th> </tr> </thead> <tbody> <tr> <td>Asset Misappropriation</td> <td>89%</td> </tr> <tr> <td>Corruption</td> <td>38%</td> </tr> <tr> <td>Financial Statement Fraud</td> <td>10%</td> </tr> </tbody> </table> <p>Credit: 2018 Report to the Nation</p>	Category	Percent of Cases	Asset Misappropriation	89%	Corruption	38%	Financial Statement Fraud	10%	<p>KEY POINTS</p>						
Category	Percent of Cases														
Asset Misappropriation	89%														
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 <p>How is occupational fraud initially detected?</p> <table border="1"> <thead> <tr> <th>Method</th> <th>Percent</th> </tr> </thead> <tbody> <tr> <td>TIP</td> <td>40%</td> </tr> <tr> <td>INTERNAL AUDIT</td> <td>15%</td> </tr> <tr> <td>MANAGEMENT REVIEW</td> <td>13%</td> </tr> <tr> <td>BY ACCIDENT</td> <td>7%</td> </tr> <tr> <td>OTHER</td> <td>6%</td> </tr> <tr> <td>ACCOUNT...</td> <td>5%</td> </tr> </tbody> </table> <p>Credit: 2018 Report to the Nation Fig. 9</p>	Method	Percent	TIP	40%	INTERNAL AUDIT	15%	MANAGEMENT REVIEW	13%	BY ACCIDENT	7%	OTHER	6%	ACCOUNT...	5%	<p>KEY POINTS</p>
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ACCOUNT...	5%														
 <p>List</p> <p>ACTIVITY</p> <p>Amongst your table agree upon <u>one</u> theft you are aware of and then we will discuss. Make sure you answer the questions on the handout.</p> <p>2/3/2020 7</p>	<p>KEY POINTS</p>														

AUD-124 Statistical Analysis: Going Beyond the MICS Participant Guide


Inventory



2/3/2020 8

KEY POINTS

Dilemma



2/3/2020

KEY POINTS

Group Activity

TIME: 5-10 minutes

1. Bob a 15 year casino employee who is well liked and works at the player service desk. The casino is doing a big promotional giveaway where they are giving out cooking utensils, with a cost to the casino of \$5.00, to all player card holders, the giveaway ends at 5:00pm and Bob who is working the event gets off at 6:00pm. After the event is over the player service desk has over a 100 cooking utensil sets left over. Bob is observed by surveillance taking one of the giveaways and placing them in his bag when he gets off for the night. **What do you do?**

2. Bob a 15 year casino employee, who is well liked and works in the gift shop, you get a phone call from surveillance to come do a surveillance review, you get to surveillance and they play the footage it shows Bob in the gift shop remove a \$5.00 bill from the register and put it in his front pocket. **What do you do?**

Inventory Control

- Asset tags
- Annual inventories
- Spot Checks
- Inventory turnover ratio

Inventory Turnover =
Sales divided by AI

10

KEY POINTS

Food and Beverage



2/3/2020 11

KEY POINTS

Video - Bar



Preventing Bar & Retail Theft
Hosted by: Anthony Caporale
Director of Beverage and Mixology
Institute of Culinary Education

12

KEY POINTS

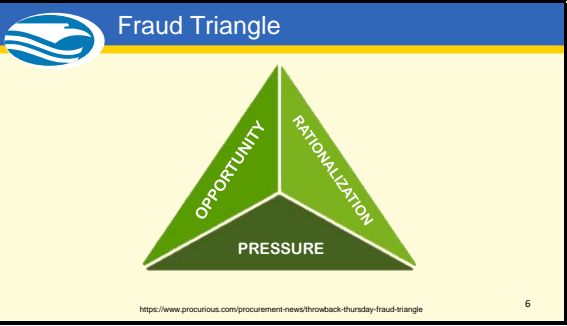
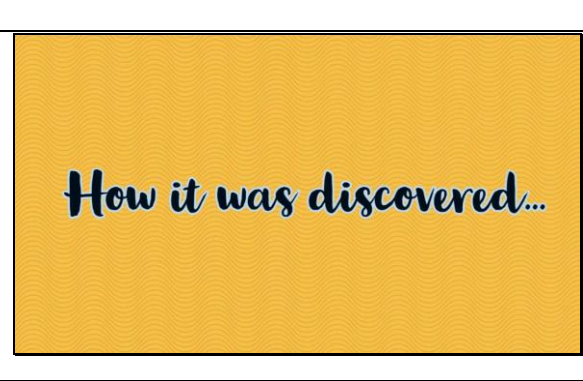
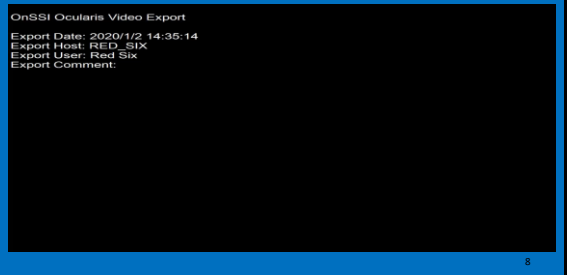
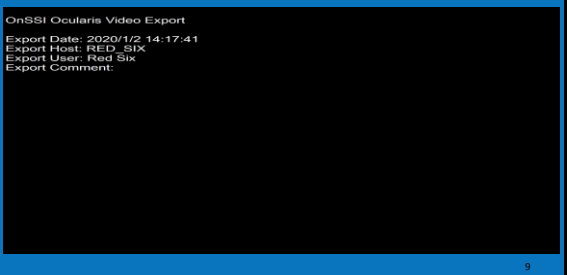
AUD-124 Statistical Analysis: Going Beyond the MICS Participant Guide

 <p>F & B Control</p> <ul style="list-style-type: none"> Supervise Management approval Analyze Investigate <p>2/3/2020 13</p>	<p>KEY POINTS</p>
 <p>Purchasing & Receiving</p> <p>4K</p> <p>ADMIT ONE</p> <p>2/3/2020 14</p>	<p>KEY POINTS</p>
 <p>Purchasing & Receiving Control</p> <ul style="list-style-type: none"> Bid Process Authorizations Segregation of duties Gift policy <p>15</p>	<p>KEY POINTS</p>
 <p>Other areas</p> <p>2/3/2020 16</p>	<p>KEY POINTS</p>
 <p>Kahoots</p> <p>Get into groups, chose a person to use cell phone to answer the questions.</p> <p>ACTIVITY</p> <p>2/3/2020 17</p>	<p>KEY POINTS</p>
 <p>Questions</p> <p>Contact Information: Traininginfo@nigc.gov</p> <p>18</p>	<p>KEY POINTS</p>
 <p>Course Evaluation</p> <ul style="list-style-type: none"> Provide an honest assessment of your experience Written suggestions and comments are greatly appreciate and allow us to improve your experience <p>19</p>	<p>KEY POINTS</p>

AUD-123 Player Promotions – A Fraud Case Study Participant Guide

 <p>National Indian Gaming Commission</p> <p>Promotions Fraud "A Case Study"</p>	<p>KEY POINTS</p>
 <p>What's going on here? <i>"Can you spot the scam?"</i></p>	<p>KEY POINTS What's going on here? Can you spot the scam?</p>
<p>OnSSI Ocularis Video Export Export Date: 2020/1/2 13:56:59 Export Host: RED_SIX Export User: Red Six Export Comment:</p>	<p>KEY POINTS</p>
<p>EXECUTIVE DIRECTOR AT NISQUALLY TRIBAL GAMING AGENCY</p> <p>Bill Goforth</p>	<p>KEY POINTS</p>
<p>What happened.....</p>	<p>KEY POINTS What happened</p>

AUD-123 Player Promotions – A Fraud Case Study Participant Guide

 <p>Fraud Triangle</p> <p>OPPORTUNITY RATIONALIZATION PRESSURE</p> <p>https://www.procurious.com/procurement-news/throwback-thursday-fraud-triangle</p> <p>6</p>	<p>KEY POINTS. The Fraud Triangle: Pressure Rationalization Opportunity</p>
 <p><i>How it was discovered...</i></p>	<p>KEY POINTS How was it discovered?</p>
<p><u>Player Terminal Points Redemption</u></p>  <p>OnSSI Ocularis Video Export Export Date: 2020/1/2 14:35:14 Export Host: RED_SIX Export User: Red Six Export Comment:</p> <p>8</p>	<p>KEY POINTS Player Terminal Points Redemption</p>
<p><u>Kiosk Cash Out</u></p>  <p>OnSSI Ocularis Video Export Export Date: 2020/1/2 14:17:41 Export Host: RED_SIX Export User: Red Six Export Comment:</p> <p>9</p>	<p>KEY POINTS Kiosk Cash Out</p>

AUD-123 Player Promotions – A Fraud Case Study Participant Guide



The Confession Sort of

About 2 ½ years ago I started "loading" points onto Dana Men and Saroun Inen's card. Figuring it was easy I continued. I then asked my brother "Michael" to get more people all were his relatives' mother, brother to his girlfriend. I got my idea from Diane, she didn't tell me how I just got my idea. After some time has passed doing this and not getting caught I decided to let my girlfriend's cousin Nisal do it because he didn't work and I figured he needed the money. He got his friends to make cards Samir Payne, Erik Z. Then when Melledee and Souty came to visit I asked them to make cards. None knew why or anything about the loads. I just loaded let Michael pull points. Gamble most and he'd give me about \$1K sometimes \$500.00 which I just give away since I didn't really need it. All of the people that made cards don't know anything just Nisal and Michael. Michael was not the mastermind, just me. Nobody at work knows about it. Just me. I would go on any tablet put in the rating, then adjust it on the computer. Change date and time."

10

KEY POINTS

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Could this have been discovered sooner?

What about the paperwork?

What would you want to look at?

KEY POINTS

Could this have been discovered sooner?

What about the paperwork?

What would you want to look at?



Top 11 of the Top 50 TG players

Player Name	Player ID	Theo Win	Acutal Win	Points Earned	Table Games buy in	Cash Back Earned
Player 1	123456	322,044	25,600	38,867,180	25,600	\$ 38,867.18
Player 2	234567	317,433	25,400	38,647,960	25,400	\$ 38,647.96
Player 3	345678	305,542	23,800	39,700,892	23,800	\$ 39,700.89
Player 4	456789	304,829	26,100	38,640,256	26,100	\$ 38,640.26
Player 5	567890	303,849	25,000	39,052,236	25,000	\$ 39,052.23
Player 6	98765	303,307	25,600	38,769,100	25,600	\$ 38,769.10
Player 7	987654	302,457	23,700	38,431,040	23,700	\$ 38,431.04
Player 8	876543	297,897	24,200	38,448,286	24,200	\$ 38,448.29
Player 9	765432	278,320	21,750	35,858,200	21,700	\$ 35,858.20
Player 10	654321	261,936	22,360	36,703,688	22,360	\$ 36,703.69
Player 11	111101	251,496	20,300	30,238,360	20,300	\$ 30,238.36
						\$ 413,397.29

12

KEY POINTS

Top 11 of the Top 50 TG players



Pending Rating Report





[Pending Rating Report.pdf](#)

13

KEY POINTS

Pending Rating Report

AUD-123 Player Promotions – A Fraud Case Study Participant Guide

 <p>Click Action Journal</p> <p>Report Action Journal.pdf</p> <p>14</p>	<p>KEY POINTS</p>
<p><i>Lessons learned...</i></p>	<p>KEY POINTS</p> <p>Lessons learned</p>
 <p>Summary</p> <ul style="list-style-type: none">• Fraud went on for 2.5yrs• Trusted Employee bogus player ratings• Lack of review• <u>Know your Customers!</u> <p>16</p>	<p>KEY POINTS</p> <p>Fraud went on for 2.5yrs Trusted Employee bogus player ratings Lack of review <u>Know your Customers!</u></p>
 <p>Questions</p> 	<p>KEY POINTS</p> <p>Questions? Contact Information: Traininginfo@nigc.gov</p>

Top 11 of the Top 50 Table Games Player

Player Name	Player ID	Theo Win	Actual Win	Points Earned	Table Games buy in	Cash Back Earned
Player 1	123456	322,044	25,600	38,867,180	25,600	\$ 38,867.18
Player 2	234567	317,433	25,400	38,647,960	25,400	\$ 38,647.96
Player 3	345678	305,542	23,800	39,700,892	23,800	\$ 39,700.89
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\$						413,357.29

Nisqually Red Wind Casino

Pending Rating Report

Filter: From Date: 9/28/2018 - To: 10/1/2018 - Supervisor ID: 0

Patron ID	Site	Game Date	Time In	Time Out	Time Played	Table	Slip ID	Supervisor	Cash In	Mark Up	Cashless In	Chips In	Foreign Chips	Other Chips	Markers	Total In	Avg Bet	Est. W/L	Auth. ID
450818	1	9/28/2018	17:30	02:34	9:04	EC03	61287364	mshin	0	0	0	400	0	0	0	400	455	-400	mshin
Pending Reason(s): Exceeds Average Bet Limit																			
450818	1	9/28/2018	17:27	02:19	8:52	EC03	61287996	mshin	300	0	0	0	0	0	0	300	455	-300	mshin
Pending Reason(s): Exceeds Time Played Limit																			
450818	1	9/28/2018	16:50	01:54	9:04	LL12	61338899	beverill	300	0	0	0	0	0	0	300	325	-300	mshin
Pending Reason(s): Exceeds Average Bet Limit																			
450818	1	9/29/2018	17:30	23:45	6:15	EC02	61394195	tmartin	0	0	0	300	0	0	0	300	460	-300	mshin
Pending Reason(s): Exceeds Average Bet Limit																			
450818	1	9/29/2018	23:19	01:50	2:31	LL12	61396879	scastro	0	0	0	300	0	0	0	300	325	-300	mshin
Pending Reason(s): Exceeds Average Bet Limit																			
450818	1	9/30/2018	15:06	00:02	8:56	EC03	61438556	mshin	0	0	0	400	0	0	0	400	455	-400	mshin
Pending Reason(s): Exceeds Time Played Limit																			
Player 2																			
513860	1	9/28/2018	17:25	02:19	8:54	EC03	61287365	mshin	0	0	0	500	0	0	0	500	455	-500	mshin
Pending Reason(s): Exceeds Average Bet Limit																			
513860	1	9/28/2018	17:28	02:23	8:55	EC03	61287995	mshin	0	0	0	200	0	0	0	200	440	-200	mshin
Pending Reason(s): Exceeds Average Bet Limit																			
513860	1	9/28/2018	16:54	01:58	9:04	EC02	61339023	beverill	300	0	0	0	0	0	0	300	425	-300	mshin
Pending Reason(s): Exceeds Average Bet Limit																			

Report is an estimate and is not to be used to satisfy revenue or jurisdictional reporting requirements.



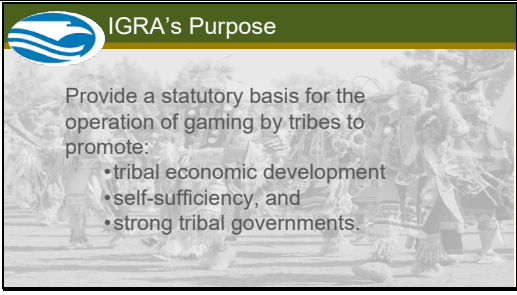
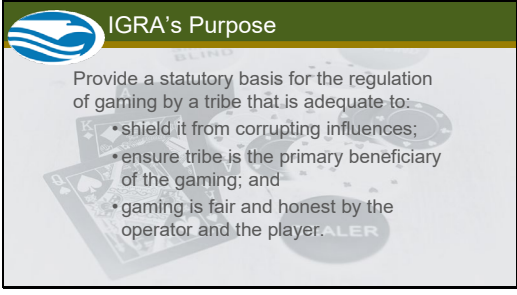

Report Action Journal

Casino RWC






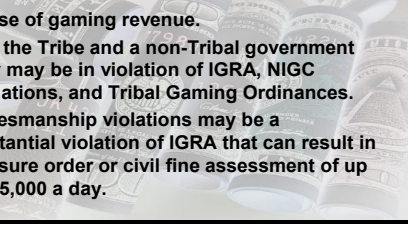

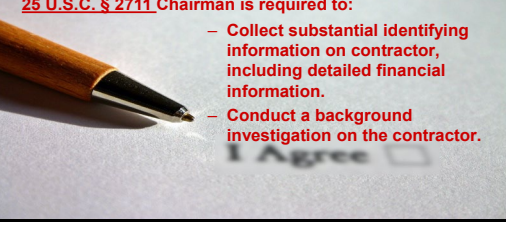

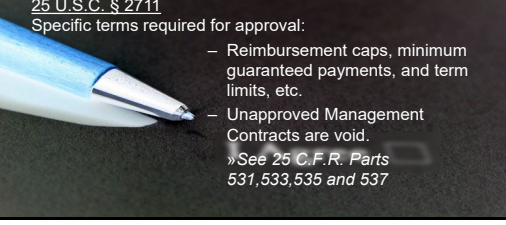
Buy-In
Cash Credit

Tran	Tran Code	Document	Auth	Locn	Buy-In	Cash	Credit	Avg Bet	Paid Out	Theor Win	Theo Win %	Casino Win	Walked	Time
01-Jan-2017 Shift 1														
Acct: 468392														
649158925	TABLACTN		SC583	RBJ04	\$200.00	\$0.00		\$95.00	\$34,353.90	\$701.10	2.00 %	(\$100.00)	\$300.00	4:05
Seat# 4/ Opened by: sc583 / Closed by: MS24341 369---STD,MED,369=95.00/,0=0.00/,0=0.00/,0=0.00/,0=0.00														
468392 Totals:														
					\$200.00	\$0.00		\$95.00	\$34,353.90	\$701.10		(\$100.00)	\$300.00	
01-Jan-2017 Shift 1 Totals:														
					\$200.00	\$0.00		\$95.00	\$34,353.90	\$701.10		(\$100.00)	\$300.00	
08-Jan-2017 Shift 1														
Acct: 468392														
651033762	TABLACTN		MS2434	RSP03	\$200.00	\$0.00		\$100.00	\$76,631.07	\$2,418.93	3.06 %	\$200.00	\$0.00	8:47
790.5---STD,MED,790.5=100.00/,0=0.00/,0=0.00/,0=0.00/,0=0.00														
468392 Totals:														
					\$200.00	\$0.00		\$100.00	\$76,631.07	\$2,418.93		\$200.00	\$0.00	
08-Jan-2017 Shift 1 Totals:														
					\$200.00	\$0.00		\$100.00	\$76,631.07	\$2,418.93		\$200.00	\$0.00	
10-Jan-2017 Shift 1														
Acct: 468392														
651346911	SDSPT65		SDS	R01089	\$100.00	\$0.00		\$1.62	\$30.45	\$3.99	6.00 %	\$36.05	\$0.00	0:23
468392 Totals:														
					\$100.00	\$0.00		\$1.62	\$30.45	\$3.99		\$36.05	\$0.00	
10-Jan-2017 Shift 1 Totals:														
					\$100.00	\$0.00		\$1.62	\$30.45	\$3.99		\$36.05	\$0.00	








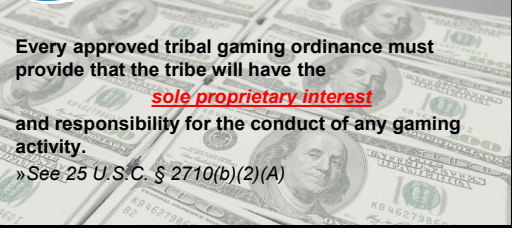


CMP-117 Gamesmanship Participant Guide

 <p>CMP-117 Gamesmanship</p> <p>Heather Nakai Office of General Counsel</p> <p>Steve Steiner Training Program</p> <p>NATIONAL INDIAN GAMING COMMISSION</p>	<p>KEY POINTS</p>
 <p>Indian Gaming Regulatory Act (IGRA)</p> <p>Enacted in 1988 as Public Law 100-497 and codified at 25 U.S.C. 2701</p> <ul style="list-style-type: none"> • Class I • Class II • Class III 	<p>KEY POINTS</p> <p>Enacted in 1988 as Public Law 100-497 and codified at 25 U.S.C. 2701</p> <ul style="list-style-type: none"> • Class I • Class II • Class III
 <p>IGRA's Purpose</p> <p>Provide a statutory basis for the operation of gaming by tribes to promote:</p> <ul style="list-style-type: none"> • tribal economic development • self-sufficiency, and • strong tribal governments. 	<p>KEY POINTS</p> <p>§2702. Declaration of policy</p> <p>The purpose of this chapter is—</p> <p>(1) to provide a statutory basis for the operation of gaming by Indian tribes as a means of promoting tribal economic development, self-sufficiency, and strong tribal governments;</p>
 <p>IGRA's Purpose</p> <p>Provide a statutory basis for the regulation of gaming by a tribe that is adequate to:</p> <ul style="list-style-type: none"> • shield it from corrupting influences; • ensure tribe is the primary beneficiary of the gaming; and • gaming is fair and honest by the operator and the player. 	<p>KEY POINTS</p> <p>§2702. Declaration of policy (continued)</p> <p>(2) to provide a statutory basis for the regulation of gaming by an Indian tribe adequate to shield it from organized crime and other corrupting influences, 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; and</p> <p>(3) to declare that the establishment of independent Federal regulatory authority for gaming on Indian lands, the establishment of Federal standards for gaming on Indian lands, and the establishment of a National Indian Gaming Commission are necessary to meet congressional concerns regarding gaming and to protect such gaming as a means of generating tribal revenue.</p>
 <p>What is Gamesmanship?</p> <ol style="list-style-type: none"> 1. Non-tribal government interest. 2. Manipulates Tribal business relationships associated with Indian gaming operations in furtherance their own interests. 3. Undue influence over the tribal decision making process (as can be the case when the gamesmanship is facilitated by trusted tribal advisors). 	<p>KEY POINTS</p> <ol style="list-style-type: none"> 1. Non-tribal government interest. 2. Manipulates Tribal business relationships associated with Indian gaming operations in furtherance their own interests. 3. Undue influence over the tribal decision-making process (as can be the case when the gamesmanship is facilitated by trusted tribal advisors).






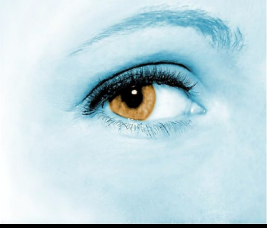




CMP-117 Gamesmanship Participant Guide

 <h2>What is Gamesmanship?</h2>  <ul style="list-style-type: none"> 4. At the expense of the tribal gaming operation and, therefore, the tribe and its citizens. 5. Violates IGRA or NIGC regulations, Tribal Gaming Ordinances and other federal, state or tribal laws. 	<h3>KEY POINTS</h3> <ul style="list-style-type: none"> 4. At the expense of the tribal gaming operation and, therefore, the tribe and its citizens. 5. Violates IGRA or NIGC regulations, Tribal Gaming Ordinances and other federal, state or tribal laws.
 <h2>Gamesmanship Violations</h2> <p>Under IGRA, Gamesmanship violations are enumerated as:</p> <ul style="list-style-type: none"> • Managing an Indian gaming operation without an approved management contract. • A violation of the sole proprietary interest requirement. 	<h3>KEY POINTS</h3> <p>Under IGRA, Gamesmanship violations are enumerated as:</p> <ul style="list-style-type: none"> • Managing an Indian gaming operation without an approved management contract. • A violation of the sole proprietary interest requirement.
 <h2>Gamesmanship Violations</h2> <ul style="list-style-type: none"> • Misuse of gaming revenue. • Both the Tribe and a non-Tribal government party may be in violation of IGRA, NIGC regulations, and Tribal Gaming Ordinances. • Gamesmanship violations may be a substantial violation of IGRA that can result in a closure order or civil fine assessment of up to \$25,000 a day. 	<h3>KEY POINTS</h3> <ul style="list-style-type: none"> • Misuse of gaming revenue. • Both the Tribe and a non-Tribal government party may be in violation of IGRA, NIGC regulations, and Tribal Gaming Ordinances. • Gamesmanship violations may be a substantial violation of IGRA that can result in a closure order or civil fine assessment of up to \$25,000 a day.
 <h2>Management Contracts</h2> <p>25 U.S.C. § 2711 Chairman is required to:</p> <ul style="list-style-type: none"> – Collect substantial identifying information on contractor, including detailed financial information. – Conduct a background investigation on the contractor. 	<h3>KEY POINTS</h3> <p>25 U.S.C. § 2711 Chairman is required to:</p> <ul style="list-style-type: none"> – Collect substantial identifying information on contractor, including detailed financial information. – Conduct a background investigation on the contractor.
 <h2>Management Contracts</h2> <p>25 U.S.C. § 2711 Specific terms required for approval:</p> <ul style="list-style-type: none"> – Reimbursement caps, minimum guaranteed payments, and term limits, etc. – Unapproved Management Contracts are void. » See 25 C.F.R. Parts 531, 533, 535 and 537 	<h3>KEY POINTS</h3> <p>U.S.C. § 2711 Specific terms required for approval:</p> <ul style="list-style-type: none"> – Reimbursement caps, minimum guaranteed payments, and term limits, etc. – Unapproved Management Contracts are void. – See 25 C.F.R. Parts 531, 533, 535 and 537





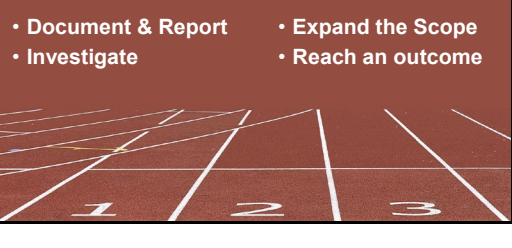



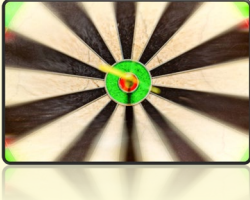
CMP-117 Gamesmanship Participant Guide

 <p>Bulletin 94-5</p> <ul style="list-style-type: none"> Any agreement can be management if it authorizes management activity. Provides distinctions between Consultant Agreements and Management Contracts. Optional Contract Review by Office of General Counsel. 	<p>KEY POINTS</p> <ul style="list-style-type: none"> Any agreement can be management if it authorizes management activity. Provides distinctions between Consultant Agreements and Management Contracts. Optional Contract Review by Office of General Counsel.
 <p>Mgmt Without an Approved Contract</p>  <p>Managing without an approved contract is a substantial violation of IGRA that can result in a closure order or civil fine assessment (up to \$25,000 a day).</p> <p>Both the Tribe and the third party may be in violation of IGRA and NIGC regulations when this occurs. » See 25 C.F.R. § 575.4</p>	<p>KEY POINTS</p> <p>Managing without an approved contract is a substantial violation of IGRA that can result in a closure order or civil fine assessment (up to \$25,000 a day).</p> <p>Both the Tribe and the third party may be in violation of IGRA and NIGC regulations when this occurs. » See 25 C.F.R. § 575.4</p>
 <p>Misuse of Gaming Revenue</p>  <ul style="list-style-type: none"> Violation of IGRA and NIGC regulations. Five specific purposes. When used for some other purpose, can result in a Notice of Violation. 	<p>KEY POINTS</p> <ul style="list-style-type: none"> Violation of IGRA and NIGC regulations. Five specific purposes. When used for some other purpose, can result in a <i>Notice of Violation</i>.
 <p>Sole Proprietary Interest</p> <p>Every approved tribal gaming ordinance must provide that the tribe will have the sole proprietary interest and responsibility for the conduct of any gaming activity. » See 25 U.S.C. § 2710(b)(2)(A)</p> 	<p>KEY POINTS</p> <p>Every approved tribal gaming ordinance must provide that the tribe will have the <u>sole proprietary interest</u> and responsibility for the conduct of any gaming activity. » See 25 U.S.C. § 2710(b)(2)(A)</p>
 <p>Evaluating Sole Proprietary Interest</p>  <ul style="list-style-type: none"> The term of the relationship between the tribe and the third party; The amount of revenue paid to the third-party; and The third party's right of control over the gaming activity. 	<p>KEY POINTS</p> <ul style="list-style-type: none"> The term of the relationship between the tribe and the third party; The amount of revenue paid to the third-party; and The third party's right of control over the gaming activity.








CMP-117 Gamesmanship Participant Guide

<p> Guard Against Gamesmanship</p> <p>Know Your Authority</p> <ul style="list-style-type: none"> • Tribal Gaming Ordinance • IGRA • Gaming Regulations • Policy 	<p>KEY POINTS</p> <p>Know Your Authority</p> <ul style="list-style-type: none"> • Tribal Gaming Ordinance • IGRA • Gaming Regulations • Policy
<p> Know Your Authority</p> <ul style="list-style-type: none"> • What are all of the authorities provided to the TGRA within the approved gaming ordinance? • What level of access does the ordinance provide related to contracts and agreements? • What are your regulations regarding licensing of vendors and 3rd parties? 	<p>KEY POINTS</p> <ul style="list-style-type: none"> • What are all of the authorities provided to the TGRA within the approved gaming ordinance? • What level of access does the ordinance provide related to contracts and agreements? • What are your regulations regarding licensing of vendors and 3rd parties?
<p> Guard Against Gamesmanship</p> <p>Know where to look</p> <ul style="list-style-type: none"> • Contracts <ul style="list-style-type: none"> – Review • Daily Activity <ul style="list-style-type: none"> – Observe • Payments <ul style="list-style-type: none"> – Audit/Test 	<p>KEY POINTS</p> <p>Know where to look</p> <ul style="list-style-type: none"> • Contracts <p>Review</p> <ul style="list-style-type: none"> • Daily Activity <p>Observe</p> <ul style="list-style-type: none"> • Payments <p>Audit/Test</p>
<p> Red Flags</p> <p>Know what to look for</p> <ul style="list-style-type: none"> • Unapproved Management Contracts • Sole Proprietary Interest • Misuse of Gaming Revenue 	<p>KEY POINTS</p> <p>Know what to look for</p> <ul style="list-style-type: none"> • Unapproved Management Contracts • Sole Proprietary Interest • Misuse of Gaming Revenue
<p> Guard Against Gamesmanship</p>  <p>Know how it happens:</p> <ul style="list-style-type: none"> • Lack of Awareness • Good Intentions/Few Options • Pressure • Collusion 	<p>KEY POINTS</p> <p>Know how it happens:</p> <ul style="list-style-type: none"> • Lack of Awareness • Good Intentions/Few Options • Pressure • Collusion

CMP-117 Gamesmanship Participant Guide

 <p>Guard Against Gamesmanship</p> <p>Who knows:</p> <ul style="list-style-type: none"> • Negotiator • Contractor • Author(s) of the contract • CFO • Check signatory • Accounting Department • Department receiving the service 	<p>KEY POINTS</p> <p>Who knows:</p> <ul style="list-style-type: none"> • Negotiator • Contractor • Author(s) of the contract • CFO • Check signatory • Accounting Department • Department receiving the service
 <p>Be Proactive Not Reactive</p>  <ul style="list-style-type: none"> • Promulgate policies and regulations • Enforce and train existing policies and regulations • Research/Training – Build awareness • Educate vendors during licensing • Request and review the contracts • Consider ethics & conflict of interest policies for decision makers 	<p>KEY POINTS</p> <ul style="list-style-type: none"> • Promulgate policies and regulations • Enforce and train existing policies and regulations • Research/Training – Build awareness • Educate vendors during licensing • Request and review the contracts • Consider ethics & conflict of interest policies for decision makers
 <p>Take Action</p> <ul style="list-style-type: none"> • Document & Report • Investigate • Expand the Scope • Reach an outcome 	<p>KEY POINTS</p> <ul style="list-style-type: none"> • Document & Report • Investigate • Expand the Scope • Reach an outcome
 <p>Work With NIGC</p> <ul style="list-style-type: none"> • OGC will review unexecuted agreements • Compliance will review executed agreements • Resources • Training • Expand the scope to other jurisdictions 	<p>KEY POINTS</p> <ul style="list-style-type: none"> • OGC will review unexecuted agreements • Compliance will review executed agreements • Resources • Training • Expand the scope to other jurisdictions
 <p>What is the Desired Outcome?</p> <ul style="list-style-type: none"> • Stop the violation • Amend or void agreements • Return management control to the tribe and/or ensure the tribe is the sole beneficiary • Promulgate controls to prevent reoccurrence • May result in a criminal referral 	<p>KEY POINTS</p> <ul style="list-style-type: none"> • Stop the violation • Amend or void agreements • Return management control to the tribe and/or ensure the tribe is the sole beneficiary • Promulgate controls to prevent reoccurrence • May result in a criminal referral

CMP-117 Gamesmanship Participant Guide

 <h3>What To Expect From NIGC</h3> <ul style="list-style-type: none"> Identifying Gamesmanship is an agency priority. Compliance Officers may: <ul style="list-style-type: none"> Ask questions about Gamesmanship Review contracts at site visits Request copies of contracts, payment records and other associated documents Visit with operations staff about 3rd party services and activities 	<h3>KEY POINTS</h3> <p>Identifying Gamesmanship is an agency priority. Compliance Officers may:</p> <ul style="list-style-type: none"> Ask questions about Gamesmanship Review contracts at site visits Request copies of contracts, payment records and other associated documents Visit with operations staff about 3rd party services and activities 		
 <h3>Sports book Contract & Licensing Issue</h3> 	<h3>KEY POINTS</h3> <p>Sports book contract and licensing issue</p> <p>Supplies: Handout #1 Sports book contract and licensing issue</p> <p>Directions:</p> <ol style="list-style-type: none"> Review the following scenario. Work with your group on the activity. Present your group responses to the other participants. 		
 <h3>Questions</h3> <p>Please reach out to the Division of Compliance or the Office of General Counsel if you have any questions.</p> <p>(202) 632-7003 ContactUs@nigc.gov</p> 	<h3>KEY POINTS</h3> <p>Please reach out to the Division of Compliance or the Office of General Counsel if you have any questions.</p> <p>(202) 632-7003 ContactUs@nigc.gov</p>		
 <h3>POC's</h3> <table border="1" data-bbox="115 1169 623 1394"> <tr> <td> <p>Oklahoma City Region Office 215 Dean A. McGee Avenue Suite 218 Oklahoma City, OK 73102 Phone: (405) 609-8626 Fax: (405) 609-8658</p> </td> <td> <p>Steve Steiner Training Program (503) 545-9986 steven_steiner@nigc.gov</p> <p>Heather Nakai Office of General Counsel (202) 632-7003 heather_nakai@nigc.gov</p> </td> </tr> </table>	<p>Oklahoma City Region Office 215 Dean A. McGee Avenue Suite 218 Oklahoma City, OK 73102 Phone: (405) 609-8626 Fax: (405) 609-8658</p>	<p>Steve Steiner Training Program (503) 545-9986 steven_steiner@nigc.gov</p> <p>Heather Nakai Office of General Counsel (202) 632-7003 heather_nakai@nigc.gov</p>	<h3>KEY POINTS</h3> <p>Oklahoma City Region Office 215 Dean A. McGee Avenue Suite 218 Oklahoma City, OK 73102 Phone: (405) 609-8626 Fax: (405) 609-8658</p> <p>Steve Steiner Training Program (503) 545-9986 steven_steiner@nigc.gov</p> <p>Heather Nakai Office of General Counsel (202) 632-7003 heather_nakai@nigc.gov</p>
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RED FLAGS HANDOUT

Below is a list of Red Flags that may help regulators identify IGRA violations. When one or a combination of these are observed or reported, additional investigation will be needed to determine if there is actually a violation. This is not an exhaustive list and there will be other actions not listed that may constitute an IGRA violation.

Misuse of Gaming Revenue

- Is there a lack of policies and procedures in procurement and accounting?
- Has the TGRA encountered difficulty in promulgating policies and procedures to protect the gaming operation against fraud both internally and externally?
- Are all gaming revenue sources accounted for in the cage and vault and expensed through the casino accounting procedures?
- Is the casino distributing payments directly to tribal members or individuals under the guise of an undocumented tribal assistance programs or loan program, where there is no expectation of repayment?
- Are there proper policy and procedures in place for the issuance of complimentary, most notably discretionary complimentaries. (Who is issuing the comps? Do they have authority within policy to issue (dollar amounts and job titles of issuer)? Who are they issuing the comps too? Are they players, do have any association with vendors, are they issued to decision makers for the gaming facility or tribe?)
- Previous agreements and contracts handled by multiple parties are consolidated into one party at a higher rate of pay.
- Previous contract rates are greatly increased (x2, x10, x100) for no apparent reason when transferred to a new party.
- Fraudulent purchases by casino employee/management.
- Payment of ghost employees.
- Unauthorized write-off of player debt or NSF checks.
- Promotion fraud.
- Misuses of casino charge cards.
- Misuse of complementary services.
- Operating a casino without an approved budget makes misuse harder to track.

RED FLAGS HANDOUT

Management Without an Approved Contract

- Operation managers appear not to be making management decisions or not to have the authority to make decisions. This may be for one part of the gaming or all gaming.
- Are policies and regulations written by outside parties or are approved by 3rd parties before implementation?
- Are 3rd parties present at the casino to consult on issues when not needed or outside agreement?
- Do 3rd parties direct employee activities, directly or indirectly?
- Do 3rd parties maintain close relationship with an elected official(s), or top management?
- Are 3rd parties available to meet with the regulators, or do they disappear when you are on site?
- Do 3rd parties have unescorted access to restricted areas like back of the house, gaming machines, financial information, etc.?
- Is the 3rd party's work consists of tasks that management would typically perform?
- Written documentation between the 3rd party "consultant" and the tribe is non-existent, limited, or off topic.
- The 3rd party is reviewing and approving promotions/marketing.
- Employees and regulators who do not agree with the 3rd party or attempt to regulate the 3rd party are demoted or terminated.
- Operation managers appear not to be making management decisions or not to have the authority to make decisions. This may be for one part of the gaming or all gaming.
- Does the 3rd party have unrestricted access/remote access to your games/gaming system(s) that will allow for changes to be made in relation to payout of the games/gaming system(s).
- Is the 3rd party deciding the payout percentages on your games/gaming systems?
- Is the 3rd party deciding what games will be offered and/or where they will be placed on the floor?
- Is a 3rd party giving final approval of changes to payout percentages, changes of games/gaming system(s) in the tribal facility?
- Does the 3rd party participate in or are they responsible for selecting other vendors at the casino? Including back off house accounting system, insurance, other EGM vendors.
- Does the 3rd party have to agree with management on the decisions above? Consensus is a form of management.
- If the gaming activity requires employees with specialized skills, are those skilled employees provided by a single 3rd party company?
-

RED FLAGS HANDOUT

Sole Proprietary Interest

- Does the 3rd party have control physically or by approval of any of the casino accounts or expense payments?
- Does the manager get a paycheck or a lump sum based on a percentage of revenue?
- If manager receives a bonus based on a percentage of revenue, does their contract list what must be accomplished to achieve the bonus?
- Most common: are payments to the vendor excessive, based on a percentage of revenue, over a long period of time or indefinite? Vendor may have provided significant services in the beginning, but eventually is doing nothing to receive the payments.
- Does the agreement extend beyond 5 or 7 years or beyond the needs of the tribe?
- Does default of the agreement give the vendor land, buildings, or control over gaming?
- Does the vendor control payout, game placement, game selection?
- Does the agreement give the vendor the majority of the floor space or a high percentage of the revenue from each machine or system?
- Compensation that is out of proportion for work performed and/or is based on a percentage of net win, net gaming revenue or gross gaming revenue.
- 3rd party seldom present at the casino (1x week, 1x month, etc.), yet paid significant compensation.
- Previous agreements and contracts handled by multiple parties are consolidated into one party at a higher rate of pay.
- Previous contract rates are greatly increased (x2, x10, x100) for no apparent reason when transferred to a new party.
- Repayment to developer is unlimited or lengthy and based on a percentage of revenues.
- Termination of contract is in favor of vendor or difficult for tribe to terminate.
- Is the vendor paying the tribe game placement fees and retaining substantial control over the machines/systems?

Miscellaneous Red Flags

- No one has a copy of the agreement and the CO cannot find anyone who has reviewed it.
- TGRA or Operations attempt to defend the Parties presence and contributions prior to inquiry.
- Attempts to avoid licensing process or is not fully cooperative.
- Contract is overly simple and vague.
- Presents of new gaming machine vendors and product not typically seen in the market or appears to be substandard in performance.

Activity #1
Sports book contract and licensing issues

1. Review the following scenario.
2. Work with your group on the activity.
3. Present your group responses to the other participants.

Scenario

Tribe X sends their Tribal Chairman, the GM, Economic Development Board, and the ED for the Gaming Commission to G2E in Las Vegas to explore an expansion into Sports Betting. While there, they visited several booths offering technology and tools for operating a sports book, collected contact information from the vendors along with quotes for services, and spent an evening at a sports book in town. It was an enjoyable experience and they made fast friends with a number of people.

They returned to Tribe X and the Chairman reaches out to Gerald Moore, the GM from the Sports Book they visited. After several conversations, Gerald offers to visit Tribe X to get “a feel for their operation.” Gerald arrives and quickly starts making suggestions to the Chairman about how they should set up the sports book, beginning with suggesting they move the poker tables to a back corner and install the sports book in the prime floor location they currently occupied. The Chairman loved the idea and told the GM to move the poker tables. The GM objected since she hadn’t evaluated what financial impact that would have on the operation. Gerald left a few days later and handed the Chairman and several members of the Economic Development Board flyers and price sheets for the vendors he “liked.”

The Tribe moves forward with setting up their Sports Book. The GM is reprimanded for not having already relocated the Poker Tables, and ordered to do so immediately. The GM indicates she will and states that she has put out an RFP for a Sport Book System per the Tribe’s procurement policy. The Economic Development Board tells her they have already chosen the System recommended by Gerald. The GM offers her resignation which is accepted. The Assistant GM is promoted in her place. Gerald makes several more visits to the Tribe and the Sport Book Consulting Agreement is signed with G. Moore Development. The TGRA requests a copy of the Agreement but has trouble getting a copy. Employees are hired and trained, and the operation gets up and running. The Gaming Commission has issued 17 temporary KE and PMO licenses to Gaming Operations employees and 3 temporary KE/PMO licenses to employees of G. Moore. On Day 69, the Gaming Commission issues 19 permanent licenses and has questions for one of the employee of G. Moore, Employee 1. On Day 89, the new GM tells Employee 1 that he will not be allowed to work at the Casino if he is not licensed. Gerald Moore calls the Gaming Commission to find out what the delay was and tells the ED that without Employee 1, the Sports Book would not be operating.

The ED approaches the Economic Development Board and insists on seeing the Sports Book Consulting Agreement. They give him the Agreement and stress that the TGRA has to give Employee 1 a license.

Agreement: Upon Reviewing the Agreement, the ED finds that the terms of the contract are as follows:

Whereas, Tribe X has decided to establish a Sport Book at the Casino;

Whereas, Tribe X has no experience operating a Sports Book;

Whereas, G. Moore is an expert at Sports Book operations and has extensive experience managing such operations;

THEREFORE, the parties agree that Tribe X is hiring G Moore for consulting services to be provided to the Casino.

Term: G. Moore will commence consulting on January 1, 2020, for a term of 6 years, 364 days (Initial Term), plus any period of renewal or extension, shall be referred to herein as the "Term."

Compensation: G. Moore will be compensated with 20% of the *Win* on all authorized forms of wagering made via any device into the sports system from Tribe's Casino, including, but not limited to, from a mobile device, when authorized by the Tribe, shall be collected by G. Moore on or before the fifteenth (15th) day following the end of each month for the immediately preceding month through and including the time period including the last day of the Term. G. Moore shall to Licensee a statement on the first business day of each month setting forth the *Win* of the preceding month and G. Moore's calculation of the fee to be to G. Moore. For the purpose of this Agreement, *Win* is defined as all revenue *minus* wins paid out, free play offered, and other promotions. G. Moore will also receive reimbursement of all travel expenses for monthly visits to the Casino.

Services: G. Moore will provide:

A. During the development phase:

1. Consultation on Book Design;
2. Consultation on surveillance design and operation for the Sports Book;
3. Consultation on development of accounting and other reporting for the Book;
4. Consultation on Book equipment and software;
5. Training for sports book tellers and staff necessary to operate the Sports Book; and
6. Consultation on all such other activities as G. Moore or the Tribe deem necessary.

B. During the operational phase:

1. Fixed odds sports book;
2. Post opening lines and risk management for the "Events"
 - i. "Events" will be those agreed to by G. Moore and Tribe, including, but not limited to, collegiate and professional football, basketball, baseball, soccer, hockey, auto racing, golf, tennis, boxing, and mixed martial arts.
3. A daily win/loss statement to the Tribe.

C. At all times:

1. G. Moore reserves the right, in consultation with Tribe, not to accept wagers on an event.
2. G. Moore will provide 3 skilled employees to be on site at the Casino who will be responsible for setting the wagering odds and wagering opportunities for the Tribe. Each employee is scheduled to be on-site at the Casino, 1 at a time with no more than 5 hours per shift. G. Moore will provide training for tribal employees to handle the Book System.

Activity #1 (Answer Key)
Sports book contract and licensing issues

Tribe X agrees to:

- A. License 3 G. Moore employees.
- B. Provide sufficient space and utilities, as requested by G. Moore for the operation of the Sports Book.

<p>1. Identify “red flags” in this scenario?</p>	<ul style="list-style-type: none"> • • • • • • • • • • • •
<p>2. Identify contract provisions which should be red flags to the Tribe’s Gaming Commission.</p>	<ul style="list-style-type: none"> • • • • • • •
<p>3. What violations of IGRA are likely to occur if the Tribe and G. Moore comply with the Agreement?</p>	<ul style="list-style-type: none"> • • • •
<p>4. Which provisions need of the contract need revisions to rectify the issues?</p>	<ul style="list-style-type: none"> • • • • •

CMP-118 MICS – Understanding Risk, Intent & Implementation

Participant Guide

CMP-118 & 119
MICS - Understanding
Risk, Intent, and
Implementation

NATIONAL INDIAN
GAMING COMMISSION

KEY POINTS

The NIGC saw a need for creating this training because of an increase in non-compliance with respect to 543 more specifically as it relates to the development of TICS/SICS.
In today’s session, we are going to introduce the importance of tailoring your TICS to your operation, and how you can ensure that through strong regulatory controls you are “protecting the assets of your Tribes.”

Parking Lot – Why are you here?

2

KEY POINTS

Why are you here?

The need for this training was determined based on the number of inquiries related to TICS/and SICS development for operations along with the increasing findings related to external reporting in the AUP with respect to a lack of controls being established and procedures being implemented.

Main Ideas

Compliance | Framework | Risk | Fraud | Intent

3

KEY POINTS

Main Ideas

Compliance | Framework | Risk | Fraud | Intent

The NIGC MICS was written with the intent of allowing tribes the autonomy to create standards specific to their operations. Where previous MICS were regulatory driven the intent was to allow tribes the flexibility to create something that works for them. This course is designed to give you the tools to take back to your properties and review, develop and implement a quality set of controls to help ensure regulatory compliance of your operation and ultimately protection for the assets of your operations.

Acronyms

Abbreviation formed from the initial letters
of other words and pronounced as a word.

4

KEY POINTS

Acronyms are abbreviation formed from the initial letters of other words and pronounced as a word.

Acronyms are used in every organization but are not always universal. Let’s talk about what acronyms are used in your organization.

What do these acronyms mean?

5

KEY POINTS

What do each of these acronyms stand for:

MICS –

TICS –

TGRA –

SICS –




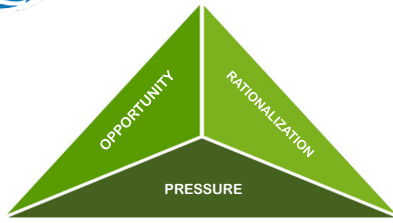

CMP-118 MICS – Understanding Risk, Intent & Implementation

Participant Guide

	IGRA-															
543.3 – How Do I Comply?	<p>KEY POINTS</p> <p>How do I Comply?</p> <p>(b) TICS. TGRAs must ensure that TICS are established and implemented that provide a level of control that equals or exceeds the applicable standards set forth in this part.</p> <p>(c) SICS. Each gaming operation must develop a SICS, as approved by the TGRA, to implement the TICS. <i>(detailed policy and procedure)</i></p>															
Regulatory Framework	<p>KEY POINTS</p> <p>Ordinances include state, tribal, and federal laws including the Tribal Ordinance.</p> <p>More detail is added to the NIGC MICS to create a system of minimum internal controls. This document is used by many operations and is written to be expanded upon based on the needs of each unique facility.</p> <p>The TICS should be a little more specific and add controls specific to the operation.</p> <p>The SICS are the most specific document. They usually have enough detail included so a new employee could perform the task.</p> <p>Main point: understanding why regulations are written with specific language and why. Why NIGC MICS was written using flexible language.</p>															
Regulatory Framework	<p>KEY POINTS</p> <p>Now that you know more about the MICS, TICS, SICS and ordinances let us test your knowledge.</p>															
<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="width: 25%;">Item</th> <th style="width: 25%;">Level of Detail</th> <th style="width: 50%;">Who Writes it?</th> </tr> </thead> <tbody> <tr><td style="height: 20px;"> </td><td> </td><td> </td></tr> <tr><td style="height: 20px;"> </td><td> </td><td> </td></tr> <tr><td style="height: 20px;"> </td><td> </td><td> </td></tr> <tr><td style="height: 20px;"> </td><td> </td><td> </td></tr> </tbody> </table>	Item	Level of Detail	Who Writes it?													
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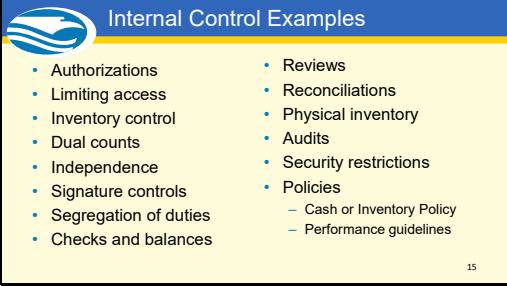
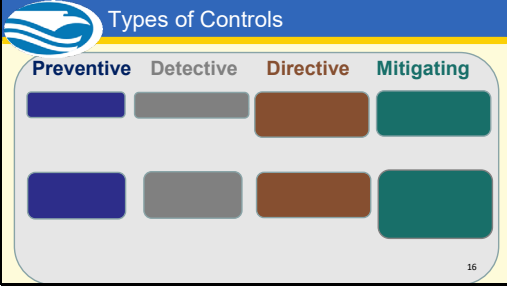

CMP-118 MICS – Understanding Risk, Intent & Implementation

Participant Guide

<div style="background-color: #0056b3; color: white; padding: 5px; font-weight: bold;">What is risk?</div> <div style="display: flex; justify-content: space-between; align-items: flex-start; padding: 5px;"> <div style="width: 60%;"> <ul style="list-style-type: none"> Processes or areas that if not controlled could result in loss or abuse Risk tolerance Accepting risk operations vs. regulatory <ul style="list-style-type: none"> Operations can't "accept the risk" if there is a NIGC "MINIMUM", compact or Tribal ordinance provision </div> <div style="width: 35%; text-align: center;">  </div> </div>	<div style="background-color: #0056b3; color: white; padding: 5px; font-weight: bold;">KEY POINTS</div> <p>What is risk?</p> <ul style="list-style-type: none"> Processes or areas that if not controlled could result in loss or abuse Risk tolerance Accepting risk operations vs. regulatory <ul style="list-style-type: none"> Operations can't "accept the risk" if there is a NIGC "MINIMUM", compact or Tribal ordinance provision <p>WHAT: We understand what regulations we have to follow and why they are written in the manner they are.</p> <p>HOW: How regulators and management help mitigate risks or reduce the "opportunity" we identified with the fraud triangle.</p> <p>WHY: we need a strong system of internal controls?</p>
<div style="background-color: #0056b3; color: white; padding: 5px; font-weight: bold;">Risk Assessment</div> <div style="display: flex; justify-content: space-between; align-items: flex-start; padding: 5px;"> <div style="width: 60%;">  </div> <div style="width: 35%; text-align: center;"> <p style="background-color: black; color: white; padding: 5px; font-weight: bold;">Would you allow banks leaving the vault under \$500 to be unescorted?</p>  </div> </div>	<div style="background-color: #0056b3; color: white; padding: 5px; font-weight: bold;">KEY POINTS</div> <p>Would you allow banks leaving the vault under \$500 to be unescorted?</p> <p>Why do you assess risk?</p> <p>What level of risk are you willing to tolerate?</p> <p>How will you evaluate the level of risk and act accordingly?</p>
<div style="background-color: #0056b3; color: white; padding: 5px; font-weight: bold;">Fraud Triangle</div> <div style="text-align: center; padding: 10px;">  <p style="font-size: small; margin-top: 5px;">https://www.procurement-news/throwback-thursday-fraud-triangle</p> </div>	<div style="background-color: #0056b3; color: white; padding: 5px; font-weight: bold;">KEY POINTS</div> <p>Pressure Rationalization Opportunity</p> <p>Internal controls provide reasonable assurances for asset protection, risk mitigation and reduction in opportunities. FOCUS on the WHY we have internal controls is for FRAUD prevention and the HOW is developing a strong SICS and TICS.</p>
<div style="background-color: #0056b3; color: white; padding: 5px; font-weight: bold;">Internal Controls</div> <div style="display: flex; justify-content: space-between; align-items: flex-start; padding: 5px;"> <div style="width: 60%;"> <p>What do they do?</p> <ul style="list-style-type: none"> Provide reasonable assurance. Helps mitigate risk. Helps management achieve organizational goals. You can add preventive controls or detective controls. </div> <div style="width: 35%; text-align: center;">  </div> </div>	<div style="background-color: #0056b3; color: white; padding: 5px; font-weight: bold;">KEY POINTS</div> <p>So what do we do? How do we protect against fraud?</p> <p>Internal Controls</p> <p>What do they do?</p> <ul style="list-style-type: none"> Provide reasonable assurance. Helps mitigate risk. Helps management achieve organizational goals. You can add preventive controls or detective controls.


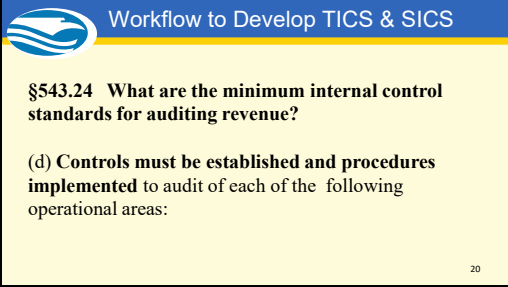
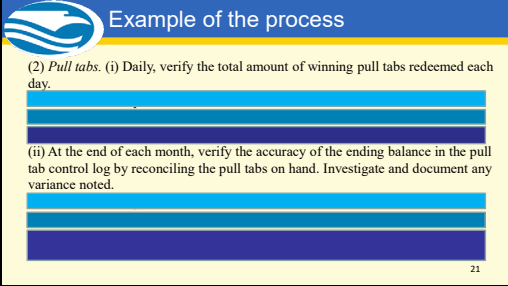

CMP-118 MICS – Understanding Risk, Intent & Implementation

Participant Guide

<div data-bbox="207 205 711 489">  <p>Internal Control Examples</p> <ul style="list-style-type: none"> • Authorizations • Limiting access • Inventory control • Dual counts • Independence • Signature controls • Segregation of duties • Checks and balances • Reviews • Reconciliations • Physical inventory • Audits • Security restrictions • Policies <ul style="list-style-type: none"> – Cash or Inventory Policy – Performance guidelines <p style="text-align: right;">15</p> </div>	<p>KEY POINTS</p> <p>Here is a listing of common internal controls.</p> <ul style="list-style-type: none"> • Authorizations • Limiting access • Inventory control • Dual counts • Independence • Signature controls • Segregation of duties • Checks and balances • Reviews • Reconciliations • Physical inventory • Audits • Security restrictions • Policies <ul style="list-style-type: none"> ○ Cash or Inventory Policy ○ Performance guidelines
<div data-bbox="207 869 711 1152">  <p>Types of Controls</p> <p>Preventive Detective Directive Mitigating</p> <p>16</p> </div>	<p>KEY POINTS</p> <p>Here are some examples of internal controls.</p> <ul style="list-style-type: none"> • Preventive controls are built into, not onto, the system. Designed to deter undesirable events from occurring. • Detective controls are deferred to the end of the process. Designed to detect and correct undesirable events, which have occurred. • Directive Control examples: policy statements, performance guidelines, training programs, and incentive compensation plans. Designed to cause or encourage a future desirable event to occur. • Mitigating controls which are designed to compensate for missing or excessively costly controls.
<div data-bbox="207 1335 711 1619">  <p>The Importance of Intent</p> <p>17</p> </div>	<p>KEY POINTS</p> <p>Intent is the backbone of developing a control.</p> <p>When you understand what a standard is, trying to protect against it is easier to develop a control around it.</p>





CMP-118 MICS – Understanding Risk, Intent & Implementation

Participant Guide

	<p>KEY POINTS</p> <p>You will be reviewing the NIGC Bingo Standards to identify TICS and SICS.</p>
	<p>KEY POINTS</p> <p>Workflow to Develop TICS & SICS</p> <p>§543.24 What are the minimum internal control standards for auditing revenue?</p> <p>(d) Controls must be established and procedures implemented to audit of each of the following operational areas:</p> <p>Workflow controls must be established (TICS) and procedures implemented (SICS).</p>
	<p>KEY POINTS</p> <p>(2) Pull tabs. (i) Daily, verify the total amount of winning pull tabs redeemed each day.</p> <p>Who should be responsible for this? What is the intent of this standard, determine risk, insert internal control; Supervisory, independence, Dual verification, documentation...</p> <p>(ii) At the end of each month, verify the accuracy of the ending balance in the pull tab control log by reconciling the pull tabs on hand. Investigate and document any variance noted.</p> <p>Who should be responsible for this? What is the intent of this standard, determine risk, insert internal control; Supervisory, independence, Dual verification, documentation, notification, variance threshold...</p>
	<p>KEY POINTS</p> <p>Developing SICS</p> <p>You will continue to examine the bingo standards.</p>

CMP-118 MICS – Understanding Risk, Intent & Implementation

Participant Guide

<p> Final Review</p> <ol style="list-style-type: none">1. Basic Risk Assessment evaluation2. Internal Controls3. Fraud Triangle & Game integrity4. Determining intent5. Writing TICS and SICS  <p>24</p>	<p>KEY POINTS</p> <p>What have you learned so far? – CHECK!</p> <ol style="list-style-type: none">1. Basic Risk Assessment evaluation2. Internal Controls3. Fraud Triangle & Game integrity4. Determining intent5. Writing TICS and SICS
<p> Questions?</p> <p>Contact Information: TrainingInfo@nigc.gov</p>  <p>25</p>	<p>KEY POINTS</p> <p>Contact Information: TrainingInfo@nigc.gov</p>

Legend

TICS

SICS

TICS and SICS

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

(a) *Supervision.* Supervision must be provided as needed for bingo operations by an agent(s) with authority equal to or greater than those being supervised.

(b) *Bingo cards.* (1) Physical bingo card inventory controls must address the placement of orders, receipt, storage, issuance, removal, and cancellation of bingo card inventory to ensure that:

(i) The bingo card inventory can be accounted for at all times; and

(ii) Bingo cards have not been marked, altered, or otherwise manipulated.

(2) *Receipt from supplier.*

(i) When bingo card inventory is initially received from the supplier, it must be inspected (without breaking the factory seals, if any), counted, inventoried, and secured by an authorized agent.

(ii) Bingo card inventory records must include the date received, quantities received, and the name of the individual conducting the inspection.

(3) *Storage.*

(i) Bingo cards must be maintained in a secure location, accessible only to authorized agents, and with surveillance coverage adequate to identify persons accessing the storage area.

(ii) For Tier A operations, bingo card inventory may be stored in a cabinet, closet, or other similar area; however, such area must be secured and separate from the working inventory.

(4) *Issuance and returns of inventory.* (TICS)

(i) Controls must be established for the issuance and return of bingo card inventory. Records signed by the issuer and recipient must be created under the following events:

(A) Issuance of inventory from storage to a staging area;

(B) Issuance of inventory from a staging area to the cage or sellers;

(C) Return of inventory from a staging area to storage; and

(D) Return of inventory from cage or seller to staging area or storage.

(ii) [Reserved]

(5) *Cancellation and removal.*

(i) Bingo cards removed from inventory that are deemed out of sequence, flawed, or misprinted and not returned to the supplier must be cancelled to ensure that they are not utilized in the play of a bingo game. Bingo cards that are removed from inventory and returned to the supplier or cancelled must be logged as removed from inventory.

(ii) Bingo cards associated with an investigation must be retained intact outside of the established removal and cancellation policy.

(6) *Logs.*

(i) The inventory of bingo cards must be tracked and logged from receipt until use or permanent removal from inventory.

(ii) The bingo card inventory record(s) must include:

(A) Date;

(B) Shift or session;

(C) Time;

(D) Location;

(E) Inventory received, issued, removed, and returned;

(F) Signature of agent performing transaction;

(G) Signature of agent performing the reconciliation;

(H) Any variance;

(I) Beginning and ending inventory; and

(J) Description of inventory transaction being performed.

(c) *Bingo card sales.* (1) Agents who sell bingo cards must not be the sole verifier of bingo cards for prize payouts.

(2) Manual bingo card sales: In order to adequately record, track, and reconcile sales of bingo cards, the following information must be documented:

(i) Date;

(ii) Shift or session;

(iii) Number of bingo cards issued, sold, and returned;

(iv) Dollar amount of bingo card sales;

(v) Signature, initials, or identification number of the agent preparing the record; and

(vi) Signature, initials, or identification number of an independent agent who verified the bingo cards returned to inventory and dollar amount of bingo card sales.

(3) Bingo card sale voids must be processed in accordance with the rules of the game and established controls that must include the following:

(i) Patron refunds;

(ii) Adjustments to bingo card sales to reflect voids;

(iii) Adjustment to bingo card inventory;

(iv) Documentation of the reason for the void; and

(v) Authorization for all voids.

(4) Class II gaming system bingo card sales. In order to adequately record, track and reconcile sales of bingo cards, the following information must be documented from the server (this is not required if the system does not track the information, but system limitation(s) must be noted):

(i) Date;

(ii) Time;

(iii) Number of bingo cards sold;

(iv) Dollar amount of bingo card sales; and

(v) Amount in, amount out and other associated meter information.

(d) *Draw.* (1) Controls must be established and procedures implemented to ensure that all eligible objects used in the conduct of the bingo game are available to be drawn and have not been damaged or altered. Verification of physical objects must be performed by two agents before the start of the first bingo game/session. At least one of the verifying agents must be a supervisory agent or independent of the bingo games department. **TICS/SICS**

(2) Where the selection is made through an electronic aid, certification in accordance with 25 CFR 547.14 is acceptable for verifying the randomness of the draw and satisfies the requirements of paragraph (d)(1) of this section.

(3) Controls must be established and procedures implemented to provide a method of recall of the draw, which includes the order and identity of the objects drawn, for dispute resolution purposes.

(4) *Verification and display of draw.* Controls must be established and procedures implemented to ensure that:

(i) The identity of each object drawn is accurately recorded and transmitted to the participants. The procedures must identify the method used to ensure the identity of each object drawn.

(ii) For all games offering a prize payout of \$1,200 or more, as the objects are drawn, the identity of the objects are immediately recorded and maintained for a minimum of 24 hours.

(e) *Prize payout.* (1) Controls must be established and procedures implemented for cash or cash equivalents that address the following:

(i) Identification of the agent authorized (by position) to make a payout;

(ii) Predetermined payout authorization levels (by position); and

(iii) Documentation procedures ensuring separate control of the cash accountability functions.

(2) *Verification of validity.*

(i) Controls must be established and procedures implemented to verify that the following is valid for the game in play prior to payment of a winning prize:

(A) Winning card(s);

(B) Objects drawn; and

(C) The previously designated arrangement of numbers or designations on such cards, as described in 25 U.S.C. 2703(7)(A). **TICS/SICS**

(ii) At least two agents must verify that the card, objects drawn, and previously designated arrangement were valid for the game in play.

(iii) Where an automated verification method is available, verification by such method is acceptable.

(3) *Validation.*

(i) For manual payouts, at least two agents must determine the validity of the claim prior to the payment of a prize. The system may serve as one of the validators.

(ii) For automated payouts, the system may serve as the sole validator of the claim.

(4) *Verification.*

(i) For manual payouts, at least two agents must verify that the winning pattern has been achieved on the winning card prior to the payment of a prize. The system may serve as one of the verifiers.

(ii) For automated payouts, the system may serve as the sole verifier that the pattern has been achieved on the winning card.

(5) *Authorization and signatures.*

(i) At least two agents must authorize, sign, and witness all manual prize payouts above \$1,200, or a lower threshold as authorized by management and approved by the TGRA.

(ii) Manual prize payouts above the following threshold (or a lower threshold, as authorized by management and approved by TGRA) must require one of the two signatures and verifications to be a supervisory or management employee independent of the operation of Class II Gaming System bingo:

(A) \$5,000 for a Tier A facility;

(B) \$10,000 at a Tier B facility;

(C) \$20,000 for a Tier C facility; or

(D) \$50,000 for a Tier C facility with over \$100,000,000 in gross gaming revenues.

(iii) The predetermined thresholds, whether set at the MICS level or lower, must be authorized by management, approved by the TGRA, documented, and maintained.

(iv) A Class II gaming system may substitute for one authorization/signature verifying, validating or authorizing a winning card, but may not substitute for a supervisory or management authorization/signature.

(6) Payout records, including manual payout records, must include the following information:

(i) Date and time;

(ii) Amount of the payout (alpha & numeric for player interface payouts); and

(iii) Bingo card identifier or player interface identifier.

(iv) Manual payout records must also include the following:

(A) Game name or number;

(B) Description of pattern covered, such as cover-all or four corners;

(C) Signature of all, but not less than two, agents involved in the transaction;

(D) For override transactions, verification by a supervisory or management agent independent of the transaction; and

(E) Any other information necessary to substantiate the payout.

(f) *Cash and cash equivalent controls.* (1) Cash or cash equivalents exchanged between two persons must be counted independently by at least two agents and reconciled to the recorded amounts at the end of each shift or session. **Unexplained variances must be documented and maintained.** Unverified transfers of cash or cash equivalents are prohibited.

(2) Procedures must be implemented to control cash or cash equivalents based on the amount of the transaction. These procedures must include documentation by shift, session, or other relevant time period of the following:

(i) Inventory, including any increases or decreases;

(ii) Transfers;

(iii) Exchanges, including acknowledging signatures or initials; and

(iv) Resulting variances. **(SICS)**

(3) Any change to control of accountability, exchange, or transfer requires that the cash or cash equivalents be counted and recorded independently by at least two agents and reconciled to the recorded amount.

(g) *Technologic aids to the play of bingo.* Controls must be established and procedures implemented to safeguard the integrity of technologic aids to the play of bingo during installations, operations, modifications, removal and retirements. Such procedures must include the following:

(1) *Shipping and receiving.* **(TICS)**

(i) A communication procedure must be established between the supplier, the gaming operation, and the TGRA to properly control the shipping and receiving of all software and hardware components. Such procedures must include:

(A) Notification of pending shipments must be provided to the TGRA by the gaming operation;

(B) Certification in accordance with 25 CFR part 547;

(C) Notification from the supplier to the TGRA, or the gaming operation as approved by the TGRA, of the shipping date and expected date of delivery. The shipping notification must include:

(1) Name and address of the supplier;

(2) Description of shipment;

(3) For player interfaces: a serial number;

(4) For software: software version and description of software;

(5) Method of shipment; and

(6) Expected date of delivery.

(ii) Procedures must be implemented for the exchange of Class II gaming system components for maintenance and replacement. (SICS)

(iii) Class II gaming system components must be shipped in a secure manner to deter unauthorized access.

(iv) The TGRA, or its designee, must receive all Class II gaming system components and game play software packages, and verify the contents against the shipping notification.

(2) *Access credential control methods.*

(i) Controls must be established to restrict access to the Class II gaming system components, as set forth in §543.20, Information and Technology. (TICS)

(ii) [Reserved]

(3) *Recordkeeping and audit processes.*

(i) The gaming operation must maintain the following records, as applicable, related to installed game servers and player interfaces:

(A) Date placed into service;

(B) Date made available for play;

(C) Supplier;

(D) Software version;

(E) Serial number;

(F) Game title;

(G) Asset and/or location number;

(H) Seal number; and

(I) Initial meter reading.

(ii) Procedures must be implemented for auditing such records in accordance with §543.23, Audit and Accounting. (SICS)

(4) *System software signature verification.*

(i) Procedures must be implemented for system software verifications. These procedures must include comparing signatures generated by the verification programs required by 25 CFR 547.8, to the signatures provided in the independent test laboratory letter for that software version. (SICS)

(ii) An agent independent of the bingo operation must perform system software signature verification(s) to verify that only approved software is installed.

(iii) Procedures must be implemented for investigating and resolving any software verification variances. (SICS)

(iv) Internal audits must be conducted as set forth in §543.23, Audit and Accounting. Such audits must be documented.

(5) *Installation testing.*

(i) Testing must be completed during the installation process to verify that the player interface has been properly installed. This must include testing of the following, as applicable:

(A) Communication with the Class II gaming system;

(B) Communication with the accounting system;

(C) Communication with the player tracking system;

(D) Currency and vouchers to bill acceptor;

(E) Voucher printing;

(F) Meter incrementation;

(G) Pay table, for verification;

(H) Player interface denomination, for verification;

(I) All buttons, to ensure that all are operational and programmed appropriately;

(J) System components, to ensure that they are safely installed at location; and

(K) Locks, to ensure that they are secure and functioning.

(ii) [Reserved]

(6) *Display of rules and necessary disclaimers.* The TGRA or the operation must verify that all game rules and disclaimers are displayed at all times or made readily available to the player upon request, as required by 25 CFR part 547;

(7) TGRA approval of all technologic aids before they are offered for play.

(8) All Class II gaming equipment must comply with 25 CFR part 547, Minimum Technical Standards for Gaming Equipment Used With the Play of Class II Games; and

(9) Dispute resolution.

(h) *Operations. (1) Malfunctions.* Procedures must be implemented to investigate, document and resolve malfunctions. Such procedures must address the following:

(i) Determination of the event causing the malfunction;

(ii) Review of relevant records, game recall, reports, logs, surveillance records;

(iii) Repair or replacement of the Class II gaming component;

(iv) Verification of the integrity of the Class II gaming component before restoring it to operation;
and

(2) *Removal, retirement and/or destruction.* Procedures must be implemented to retire or remove any or all associated components of a Class II gaming system from operation. Procedures must include the following:

(i) For player interfaces and components that accept cash or cash equivalents:

(A) Coordinate with the drop team to perform a final drop;

(B) Collect final accounting information such as meter readings, drop and payouts;

(C) Remove and/or secure any or all associated equipment such as locks, card reader, or ticket printer from the retired or removed component; and

(D) Document removal, retirement, and/or destruction.

(ii) For removal of software components:

(A) Purge and/or return the software to the license holder; and

(B) Document the removal.

(iii) For other related equipment such as blowers, cards, interface cards:

(A) Remove and/or secure equipment; and

(B) Document the removal or securing of equipment.

(iv) For all components:

(A) Verify that unique identifiers, and descriptions of removed/retired components are recorded as part of the retirement documentation; and

(B) Coordinate with the accounting department to properly retire the component in the system records. **(SICS)**

(v) Where the TGRA authorizes destruction of any Class II gaming system components, procedures must be developed to destroy such components. Such procedures must include the following:

(A) Methods of destruction;

(B) Witness or surveillance of destruction;

(C) Documentation of all components destroyed; and

(D) Signatures of agent(s) destroying components attesting to destruction.

(i) *Vouchers.* (1) Controls must be established and procedures implemented to:

(i) Verify the authenticity of each voucher redeemed.

(ii) If the voucher is valid, verify that the patron is paid the appropriate amount.

(iii) Document the payment of a claim on a voucher that is not physically available or a voucher that cannot be validated such as a mutilated, expired, lost, or stolen voucher.

(iv) Retain payment documentation for reconciliation purposes.

(v) For manual payment of a voucher of \$500 or more, require a supervisory employee to verify the validity of the voucher prior to payment. (TICS/SICS)

(2) Vouchers paid during a period while the voucher system is temporarily out of operation must be marked "paid" by the cashier.

(3) Vouchers redeemed while the voucher system was temporarily out of operation must be validated as expeditiously as possible upon restored operation of the voucher system.

(4) Paid vouchers must be maintained in the cashier's accountability for reconciliation purposes.



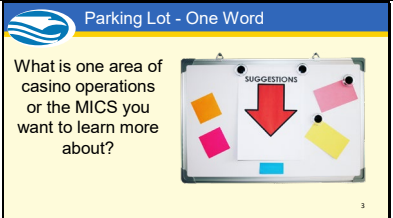


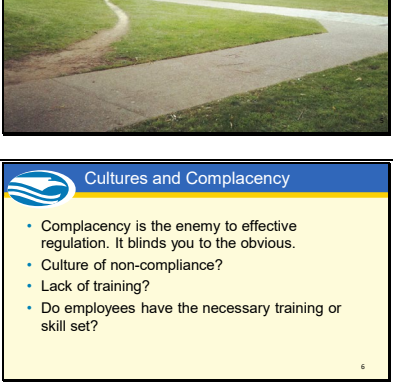
(5) Unredeemed vouchers can only be voided in the voucher system by supervisory employees. The accounting department will maintain the voided voucher, if available.

(j) All relevant controls from §543.20, Information and Technology will apply.




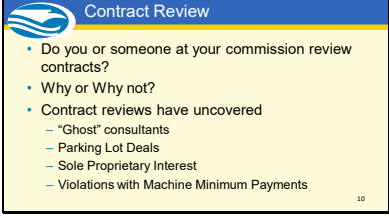

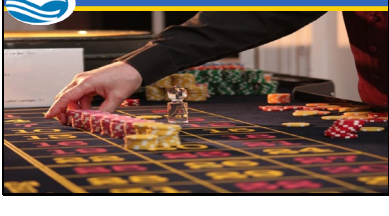
(k) Revenue Audit. Standards for revenue audit of bingo are contained in §543.24, Revenue Audit.

(l) *Variance.* The operation must establish, as approved by the TGRA, the threshold level at which a variance, including deviations from the mathematical expectations required by 25 CFR 547.4, will be reviewed to determine the cause. Any such review must be documented.




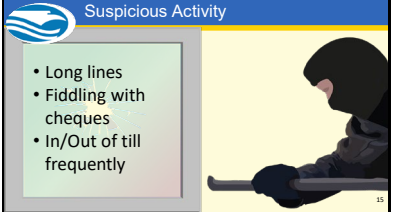

CMP-120 Essential Roles of the Compliance Officer Participant Guide

 <p>National Indian Gaming Commission</p> <p>CMP-120 Essential Roles of the Compliance Officer</p>	<p>KEY POINTS</p> <p>This class will start with a broad overview of the purpose of regulations and some common reasons why regulations are broken.</p> <p>The class will then focus on common tools the regulator can use to identify instances of non-compliance and how to use those tools to increase rates of compliance at their facility.</p>
 <p>Objectives</p> <ul style="list-style-type: none"> Identify patterns and instances of complacency Identify ways to improve an operation's regulatory compliance Understand how to use operations reports to improve compliance 	<p>KEY POINTS</p> <ul style="list-style-type: none"> Identify your regulatory patterns. Look for instances of complacency. Improve communication with various departments. Utilize existing operations reports and conduct investigations to improve rates of compliance.
 <p>Parking Lot - One Word</p> <p>What is one area of casino operations or the MICS you want to learn more about?</p>	<p>KEY POINTS</p> <p>What is one area of casino operations or the MICS you want to learn more about?</p> <p>Write down your response to the question on a sticky note and post it on the parking lot (large post it note).</p>
 <p>Regulating Gaming Mandate</p> <p>Regulatory Bucket</p>	<p>KEY POINTS</p> <ul style="list-style-type: none"> Writing regulations that are appropriate for the level of risk the control seeks to minimize. Monitor Regulation: There many common reports that regulators can use to evaluate the effectiveness of their compliance programs. Investigations: Compliance personnel often times conduct investigations on compliance issues to identify if it is a one off event or if there is a culture of non-compliance. A good investigation should also ask and answer: <ul style="list-style-type: none"> Reasons for non-compliance. Is it a lack of training Is it a lack of skills Is the control relevant or useful?
 <p>Why are regs broken?</p>	<p>KEY POINTS</p> <ul style="list-style-type: none"> Shortcuts Lack of training/skills/abilities Time frame impediments Lazy Sometimes control is outdated, doesn't match other procedures Complacency
 <p>Cultures and Complacency</p> <ul style="list-style-type: none"> Complacency is the enemy to effective regulation. It blinds you to the obvious. Culture of non-compliance? Lack of training? Do employees have the necessary training or skill set? 	<p>KEY POINTS</p> <p>Complacency is the enemy to effective regulation. It blinds you to the obvious.</p> <p>Culture of non-compliance?</p> <p>Lack of training?</p> <p>Do employees have the necessary training or skill set?</p>






CMP-120 Essential Roles of the Compliance Officer Participant Guide

 <p>Daily Patterns/Observations</p> <ul style="list-style-type: none"> • As regulators how do you start your day? • What are your routines? • How often do you visit the gaming floor or surveillance? • How often do you interact with other departments such as Internal Audit? Security? Revenue Audit? Surveillance? Cage? 	<p>KEY POINTS</p> <p>Do you have a pattern?</p> <ul style="list-style-type: none"> • As regulators how do you start your day? • What are your routines? • How often do you visit the gaming floor or surveillance? • How often do you interact with other departments such as Internal Audit? Security? Revenue Audit? Surveillance? Cage?
 <p>Activity-Chart your daily routine</p>	<p>KEY POINTS</p> <ul style="list-style-type: none"> • Network; Get to know the other people around you • Write down your daily duties beyond the required NIGC submissions • Every TGRA/Operation does things a little different. What is important to you?
 <p>Departmental Interdependence</p>	<p>KEY POINTS</p> <ul style="list-style-type: none"> • Departments P&P's intersect • TICS/SICS should be consistent • As revisions to one TIC/SIC are developed review dependent departments for conflicts
 <p>Contract Review</p> <ul style="list-style-type: none"> • Do you or someone at your commission review contracts? • Why or Why not? • Contract reviews have uncovered <ul style="list-style-type: none"> – “Ghost” consultants – Parking Lot Deals – Sole Proprietary Interest – Violations with Machine Minimum Payments 	<p>KEY POINTS</p> <ul style="list-style-type: none"> • Review contracts for violations of IGRA <ul style="list-style-type: none"> ○ Sole Proprietary Interest ○ Managing without approved contract ○ Misuse of Gaming Revenue • Do you or someone at your commission review contracts? • Why or Why not? • Contract reviews have uncovered <ul style="list-style-type: none"> ○ “Ghost” consultants ○ Parking Lot Deals ○ Sole Proprietary Interest ○ Violations with Machine Minimum Payments
 <p>Activity – Contract Review</p> <p>Activity</p> <p>Sole Proprietary Interest</p>	<p>Activity: SPI Red Flags</p> <p>Small Group Activity</p> <p>TIME: 20-30 minutes</p> <p>Supplies: (per group)</p> <p>Red Flags handout</p> <p>Activity Sole Proprietary Interest</p> <p>Instructions</p> <p>Review the contract provisions Services, Term and Financial Compensation in the Executive Lease Agreement on Activity #5.</p> <p>Work with your group to answer the questions in the table at the end of the handout.</p>
 <p>Table Games</p>	<p>KEY POINTS</p> <ul style="list-style-type: none"> • Card Counting • Card Marking • Suspicious Activity • Daily win/loss reports • Chip Walking reports • Know your P&P's!

CMP-120 Essential Roles of the Compliance Officer Participant Guide

 <p>The Gaming Floor</p> <p>Technology is everywhere!</p> <p>Kiosks, ATMs, TITO stations</p> <p>Class II/III EGMs</p> <p>Key Card Entrances</p>	<p>KEY POINTS</p> <ul style="list-style-type: none"> • Technology is everywhere! • Kiosks, ATMs, TITO stations • Class II/III EGMs • Key Card Entrances • Be familiar with 543.20 <ul style="list-style-type: none"> ○ Physical Security ○ Logical Security
 <p>Physical and Logical Security</p>	<p>KEY POINTS</p> <ul style="list-style-type: none"> • Physical Security means a physical separation • Logical Security means passwords, codes, and dual authentication techniques.
 <p>Areas of vulnerability</p>	<p>KEY POINTS</p> <ul style="list-style-type: none"> • Employee Kiosks, ATMs, Jackpot Stations • Located throughout the Gaming Area • Make sure the computer is “locked” • Make sure computer and ports are physically secured. No one without authorized access should be able to touch it. Locked Cabinet. • Check USB Ports front and back • Look for open USB ports and Cat 5 ports around the ends of machine banks, walls, and behind kiosk/ATMS. Most notably these switches and progressive controllers are located in the machine bases on the floor
 <p>Suspicious Activity</p> <ul style="list-style-type: none"> • Long lines • Fiddling with cheques • In/Out of till frequently 	<p>KEY POINTS</p> <p>It would be nice if all suspicious activity looked like this right. Unfortunately, it does not. You may only get subtle indications that something is going on that should not be. On the gaming floor, what do you see that could be suspicious?</p> <ul style="list-style-type: none"> • Long lines at one machine or kiosk? • A TG player following a dealer from table to table? • A potential player walking around the casino paying close attention to other patrons but never seeming to play? • Player hiding their cell phone and trying to push buttons in a certain order or time? Old Pelican Pete Machine issue • Employees constantly getting into floats, tills, change aprons and “sorting” or “counting money” when no transactions occurred. • Guest looking for plug ins for laptops, phones or tablets. • Employee coming up short regularly • What other types of behaviors do you see as suspicious?
 <p>The Eye in the Sky</p>	<p>KEY POINTS</p>

CMP-120 Essential Roles of the Compliance Officer Participant Guide

<p> Reports to review</p> <ul style="list-style-type: none">• Internal Audit Report• External Audit• SAR's• Revenue Audit reports  <p>REPORT</p>	<p>KEY POINTS</p> <ul style="list-style-type: none">• Revenue Audit conducts reports monthly• Internal Audit reports occur throughout year• External Audit• Suspicious Activity
<p> Final Thoughts</p> <ul style="list-style-type: none">• Being an effective regulator requires the flexibility and adaptability to go off script and ask questions about the regulatory health of the operation.• You may not always be the subject matter expert in every area, but you should know who is and don't be afraid to reserve judgement until after consulting them. <p>18</p>	<p>KEY POINTS</p> <ul style="list-style-type: none">• Being an effective regulator requires the flexibility and adaptability to go off script and ask questions about the regulatory health of the operation.• You may not always be the subject matter expert in every area, but you should know who is and don't be afraid to reserve judgement until after consulting them.
<p> Questions</p> <p>Contact Information: TrainingInfo@nigc.gov</p>  <p>19</p>	<p>KEY POINTS</p> <p>Contact Information: TrainingInfo@nigc.gov</p>

RED FLAGS HANDOUT

Below is a list of Red Flags that may help regulators identify IGRA violations. When one of a combination of these are observed or reported, additional investigation will be needed to determine if there is actually a violation. This is not an exhaustive list and there will be other actions not listed that may can constitute an IGRA violation.

Misuse of Gaming Revenue

- Is there a lack of policies and procedures in procurement and accounting?
- Has the TGRA encountered difficulty in promulgating policy and procedures to protect the gaming operation against fraud both internally and externally?
- Are all gaming revenue sources accounted for in the cage and vault and expensed through the casino accounting procedures?
- Is the casino distributing payments directly to tribal members or individuals under the guise of an undocumented tribal assistance programs or loan program, where there is no expectation of repayment?
- Are there proper policy and procedures in place for the issuance of complimentary, most notably discretionary complimentaries. (Who is issuing the comps? Do they have authority within policy to issue (dollar amounts and job titles of issuer)? Who are they issuing the comps too? Are they players, do have any association with vendors, are they issued to decision makers for the gaming facility or tribe?)
- Previous agreements and contracts handled by multiple parties are consolidated into one party at a higher rate of pay.
- Previous contract rates are greatly increased (x2, x10, x100) for no apparent reason when transferred to a new party.
- Fraudulent purchases by casino employee/management.
- Payment of ghost employees.
- Unauthorized write-off of player debt or NSF checks.
- Promotion fraud.
- Misuses of casino charge cards.
- Misuse of complementary services.
- Operating a casino without an approved budget makes misuse harder to track.

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RED FLAGS HANDOUT

Management Without an Approved Contract

- Operation managers appear not to be making management decisions or not to have the authority to make decisions. This may be for one part of the gaming or all gaming.
- Are policies and regulations written by outside parties or are approved by 3rd parties before implementation?
- Are 3rd parties present at the casino to consult on issues when not needed or outside agreement?
- Do 3rd parties direct employee activities, directly or indirectly?
- Do 3rd parties maintain close relationship with an elected official(s), or top management?
- Are 3rd parties available to meet with the regulators, or do they disappear when you are on site?
- Do 3rd parties have unescorted access to restricted areas like back of the house, gaming machines, financial information, etc.?
- Is the 3rd party's work consists of tasks that management would typically perform?
- Written documentation between the 3rd party "consultant" and the tribe is non-existent, limited, or off topic.
- The 3rd party is reviewing and approving promotions/marketing.
- Employees and regulators who do not agree with the 3rd party or attempt to regulate the 3rd party are demoted or terminated.
- Operation managers appear not to be making management decisions or not to have the authority to make decisions. This may be for one part of the gaming or all gaming.
- Does the 3rd party have unrestricted access/remote access to your games/gaming system(s) that will allow for changes to be made in relation to payout of the games/gaming system(s).
- Is the 3rd party deciding the payout percentages on your games/gaming systems?
- Is the 3rd party deciding what games will be offered and/or where they will be placed on the floor?
- Is a 3rd party giving final approval of changes to payout percentages, changes of games/gaming system(s) in the tribal facility?
- Does the 3rd party participate in or are they responsible for selecting other vendors at the casino? Including back off house accounting system, insurance, other EGM vendors.
- Does the 3rd party have to agree with management on the decisions above? Consensus is a form of management.

RED FLAGS HANDOUT




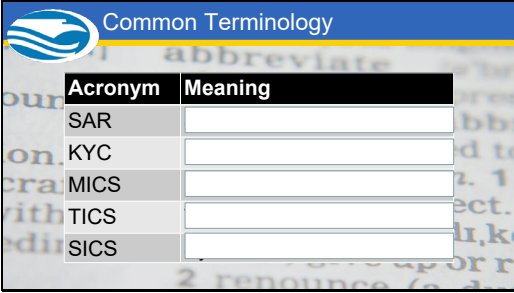
Sole Proprietary Interest

- Does the 3rd party have control physically or by approval of any of the casino accounts or expense payments?
- Does the manager get a paycheck or a lump sum based on a percentage of revenue?
- If manager receives a bonus based on a percentage of revenue, does their contract list what must be accomplished to achieve the bonus?
- Most common: are payments to the vendor excessive, based on a percentage of revenue, over a long period of time or indefinite? Vendor may have provided significant services in the beginning, but eventually is doing nothing to receive the payments.
- Does the agreement extend beyond 5 or 7 years or beyond the needs of the tribe?
- Does default of the agreement give the vendor land, buildings, or control over gaming?
- Does the vendor control payout, game placement, game selection?
- Does the agreement give the vendor the majority of the floor space or a high percentage of the revenue from each machine or system?
- Compensation that is out of proportion for work performed and/or is based on a percentage of net win, net gaming revenue or gross gaming revenue.
- 3rd party seldom present at the casino (1x week, 1x month, etc.), yet paid significant compensation.
- Previous agreements and contracts handled by multiple parties are consolidated into one party at a higher rate of pay.
- Previous contract rates are greatly increased (x2, x10, x100) for no apparent reason when transferred to a new party.
- Repayment to developer is unlimited or lengthy and based on a percentage of revenues.
- Termination of contract is in favor of vendor or difficult for tribe to terminate.
- Is the vendor paying the tribe game placement fees and retaining substantial control over the machines/systems?

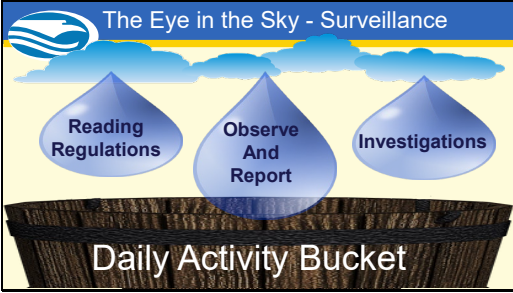


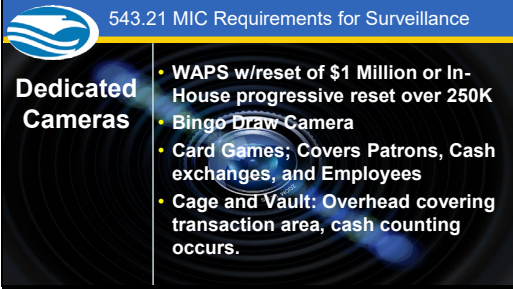
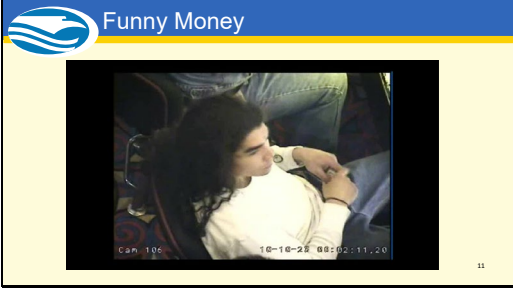
Miscellaneous Red Flags

- No one has a copy of the agreement and the CO cannot find anyone who has reviewed it.
- TGRA or Operations attempt to defend the Parties presence and contributions prior to inquiry.
- Attempts to avoid licensing process or is not fully cooperative.
- Contract is overly simple and vague.
- Presents of new gaming machine vendors and product not typically seen in the market or appears to be substandard in performance.

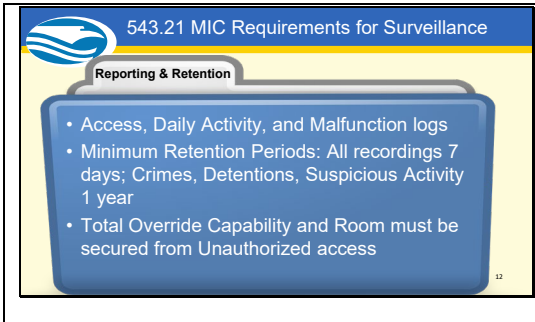



CMP-115 Surveillance – Beyond the MICS Participant Guide

	<p>KEY POINTS</p>												
 <p>Course Objectives</p> <ul style="list-style-type: none"> • Define and discuss common terminology • Identify Minimum Internal Controls Standards (MICS) • Identify barriers to effective operation • How to go beyond the MICS • Identify Industry Best Practices and incorporate them into Reporting and Regulatory Functions 	<p>KEY POINTS</p> <ul style="list-style-type: none"> • Define and discuss common terminology • Identify Minimum Internal Controls Standards (MICS) • Identify barriers to effective operation • How to go beyond the MICS • Identify <u>Industry Best Practices</u> and incorporate them into Reporting and Regulatory Functions 												
 <p>Poll</p> <p>Does your Surveillance fall under the TGRA or Operation?</p>	<p>KEY POINTS</p> <p>Does your Surveillance fall under the TGRA or Operation? What are the pros and cons of each?</p>												
 <p>Common Terminology</p> <table border="1"> <thead> <tr> <th>Acronym</th> <th>Meaning</th> </tr> </thead> <tbody> <tr> <td>SAR</td> <td><input type="text"/></td> </tr> <tr> <td>KYC</td> <td><input type="text"/></td> </tr> <tr> <td>MICS</td> <td><input type="text"/></td> </tr> <tr> <td>TICS</td> <td><input type="text"/></td> </tr> <tr> <td>SICS</td> <td><input type="text"/></td> </tr> </tbody> </table>	Acronym	Meaning	SAR	<input type="text"/>	KYC	<input type="text"/>	MICS	<input type="text"/>	TICS	<input type="text"/>	SICS	<input type="text"/>	<p>KEY POINTS</p> <p>SAR</p> <p>KYC</p> <p>MICS</p> <p>TICS</p> <p>SICS</p>
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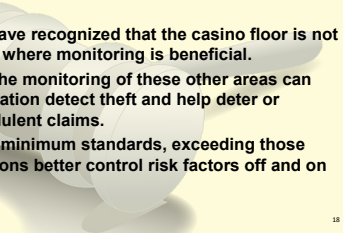
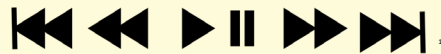
CMP-115 Surveillance – Beyond the MICS Participant Guide

 <p>The Eye in the Sky - Surveillance</p> <p>Reading Regulations Observe And Report Investigations</p> <p>Daily Activity Bucket</p>	<p>KEY POINTS</p> <p>Surveillance Operators are often tasked with reading and understanding the regulations of all the casino’s departments. As Gaming Operations grow so do the responsibilities of the Surveillance Department. The MICS require certain cameras be installed in a variety of places. Surveillance depts. Have expanded, they no longer watch just traditional places such as Table Games and the Cage. Surveillance operators now routinely monitor cameras in Hotels, Food and Beverage outlets, Convenience Stores, Gift Shops, Kitchens, Maintenance Shops, etc. There are now hundreds and often times thousands of cameras installed at each facility. How do you prioritize the area’s to watch? Are you reactive or proactive?</p>
 <p>Did Someone Say Pepper Spray?</p>	<p>KEY POINTS</p>
 <p>Independence of the Department</p> <p>Effective oversight requires functional separation between the Surveillance dept. and casino employees</p>	<p>KEY POINTS</p> <p>Effective oversight requires functional separation between the Surveillance dept. and casino employees</p> <ul style="list-style-type: none"> • Observers have to watch and report on the activities of Casino Employees and Patrons • It is important that the observers remain impartial. • The dept. can often times be asked to assist law enforcement, HR, TGRA, and Management with many different types of investigations that are confidential. In order to remain objective fraternization between the depts. should be discouraged.
 <p>543.21 MIC Requirements for Surveillance</p> <p>Dedicated Cameras</p> <ul style="list-style-type: none"> • WAPS w/reset of \$1 Million or In-House progressive reset over 250K • Bingo Draw Camera • Card Games; Covers Patrons, Cash exchanges, and Employees • Cage and Vault: Overhead covering transaction area, cash counting occurs. 	<p>KEY POINTS</p> <p>Dedicated cameras</p> <ul style="list-style-type: none"> • WAPS w/reset of \$1 Million or In-House progressive reset over 250K • Bingo Draw Camera • Card Games; Covers Patrons, Cash exchanges, and Employees • Cage and Vault: Overhead covering transaction area, cash counting occurs.
 <p>Funny Money</p>	<p>KEY POINTS</p> <p>Two person counterfeit operation using slot floors personnel to exchange large bills for smaller bills.</p>

CMP-115 Surveillance – Beyond the MICS Participant Guide

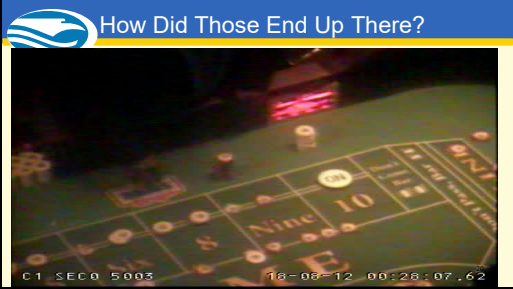
	<p>KEY POINTS Reporting & Retention</p> <ul style="list-style-type: none"> • Access, Daily Activity, and Malfunction logs • Minimum Retention Periods: All recordings 7 days; Crimes, Detentions, Suspicious Activity 1 year • Total Override Capability and Room must be secured from Unauthorized access
	<p>KEY POINTS Operational Barriers</p> <ul style="list-style-type: none"> • Budgets Problems: Lack of equipment, Lack of maintenance, Employees, Training • Lack of Response or Action on Surveillance Reports • Communication with TGRA and Operations • Conflicting priorities
	<p>KEY POINTS Potential Solutions</p> <ul style="list-style-type: none"> • Identify Regulatory requirements for sufficient clarity and Camera Locations • Create monthly Reports highlighting usefulness of the Dept. • Work with TGRA and Operations to identify reporting methods that will aid in reactionary time • List and Identify monthly priorities
	<p>KEY POINTS: Before initiating the round table discussion play a video that highlights all the different ways that the Surveillance Dept. helps protect Casino Assets. After video, ask participants to group up and make a list of all the ways that surveillance is utilized in their facilities.</p> <p>Activity: Round Table Discussion Time: 15 mins Supplies: Butcher paper Markers</p> <p>Instructions: The class will be broken off into groups or by their table depending on how many participants there are in the class. Each table/group will have their own butcher paper and markers. They will be asked to write down what their day-to-day activities are and what steps they take to ensure compliance. Once each group has had time to discuss, the instructor will bring them together as a group and have each group share their answers. To create an overall idea of what their duties are responsibilities are and how they differ from each other.</p>

CMP-115 Surveillance – Beyond the MICS Participant Guide

<div data-bbox="100 159 607 445"> <p>Beyond the MICS - Monitoring</p> <p>How many of you monitor...</p> <ul style="list-style-type: none"> • Food and Beverage areas? <ul style="list-style-type: none"> – Why? • Maintenance Shops? <ul style="list-style-type: none"> – Why? • Back of House/employee areas? <ul style="list-style-type: none"> – Why? • Time clocks? <ul style="list-style-type: none"> – Why?  </div>	<p>KEY POINTS</p> <p>How many of you monitor...</p> <ul style="list-style-type: none"> • Food and Beverage areas? <ul style="list-style-type: none"> – Why? • Maintenance Shops? <ul style="list-style-type: none"> – Why? • Back of House/employee areas? <ul style="list-style-type: none"> – Why? • Time clocks? <ul style="list-style-type: none"> – Why? <p>Let's face it we live in a very litigious society; people looking for a big payday sue companies. Having video footage of incidents can provide an excellent defense in those situations.</p>
<div data-bbox="100 583 607 869"> <p>What Do You Mean There Was a Camera?</p>  </div>	<p>KEY POINTS</p>
<div data-bbox="100 898 607 1184"> <p>Beyond the MICS - Liabilities</p> <ul style="list-style-type: none"> • Operations have recognized that the casino floor is not the only area where monitoring is beneficial. • Investing in the monitoring of these other areas can help the operation detect theft and help deter or prevent fraudulent claims. • MICS are the minimum standards, exceeding those helps operations better control risk factors off and on the floor.  </div>	<p>KEY POINTS</p> <p>Beyond the MICS - Liabilities</p> <ul style="list-style-type: none"> • Operations have recognized that the casino floor is not the only area where monitoring is beneficial. • Investing in the monitoring of these other areas can help the operation detect theft and help deter or prevent fraudulent claims. • MICS are the minimum standards, exceeding those helps operations better control risk factors off and on the floor. <p>Monitoring non-gaming areas of the casino saves money; helps minimize operational risk, increases awareness of Policy and Procedure issues.</p>
<div data-bbox="100 1255 607 1541"> <p>Video Retention-Reactive Responses</p> <p>MICS Requirements</p> <ul style="list-style-type: none"> • MICS require all footage is retained for at least 7 days and at least 1 year for many other incidents. • Many Surveillance depts classify the majority of their work as reactive. • Depts receive reports of incidents on the floor, variances in the cage, found property  </div>	<p>KEY POINTS</p> <p>Video Retention-Reactive Responses</p> <p>MICS Requirements</p> <ul style="list-style-type: none"> • MICS require all footage is retained for at least 7 days and at least 1 year for many other incidents. • Many Surveillance depts. classify the majority of their work as reactive. • Depts. receive reports of incidents on the floor, variances in the cage, found property <p>How many times have you had an incident reported only to try to research it in surveillance and find that the footage you need was overwritten a few days prior? How many times have you gone to review footage only to find that the recording was pixilated or jumpy because the footage was stored at a lower quality than the live footage was viewed at?</p> <p>Compliances Officer have found that it is not uncommon that surveillance installation systems have a default setting that records at a lower image quality than what is viewed live. Often times this setting can be adjusted within the system. With so much of the Depts. work being reactive, it really makes sense to have the highest possible video quality recording and increasing the length of time footage is retained.</p>

CMP-115 Surveillance – Beyond the MICS Participant Guide

The reactive nature of the operation also makes a strong case for consistent camera checks and maintenance. During real time observations, observers have the ability to switch camera views, turn PTZ's etc. When you are reviewing previously recorded footage, you are much more limited. If you have poor or inefficient camera placement, dirty lenses, contrast or brightness level issues, your results can be less than stellar. Operations often times move lights and machine banks, add banners or other floor advertising which can sometimes affect camera function. Daily checks of every camera, combined with quick camera or floor adjustments can help prevent these issues from affecting the Depts. ability to investigate incidents.



KEY POINTS

Video Retention-Reactive Responses

Beyond the MICS

- Many Surveillance depts are digitally recording and backing up footage for 14 to 30 days or more.
- In a reactive role increasing the storage capacity provides many benefits.
- Ensure that recorded video is saved at least at 20 frames/images per second.

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KEY POINTS

Poll

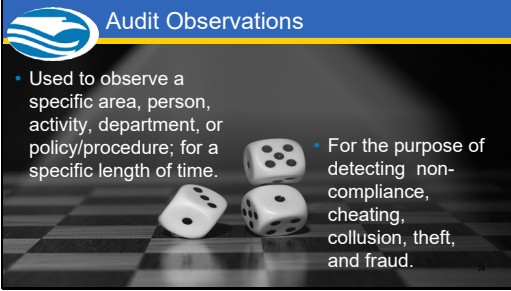
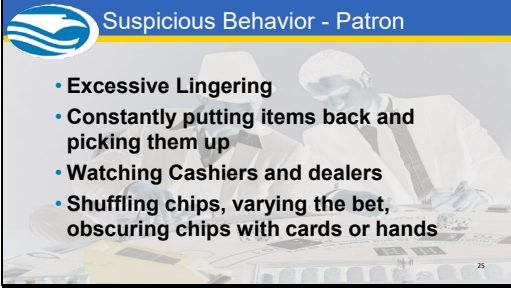
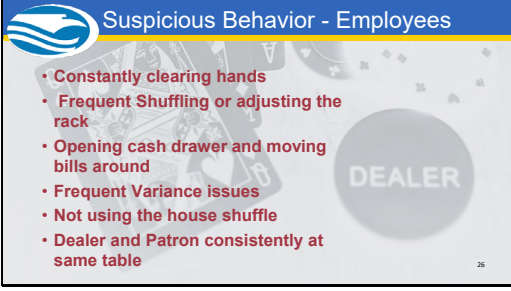

How long do you retain your footage?

Calendar grid showing months from January to December.

KEY POINTS

How long do you retain your footage?

CMP-115 Surveillance – Beyond the MICS Participant Guide

 <p>Audit Observations</p> <ul style="list-style-type: none"> Used to observe a specific area, person, activity, department, or policy/procedure; for a specific length of time. For the purpose of detecting non-compliance, cheating, collusion, theft, and fraud. 	<p>KEY POINTS</p> <p>Audit Observations</p> <ul style="list-style-type: none"> Used to observe a specific area, person, activity, department, or policy/procedure; for a specific length of time. For the purpose of detecting non-compliance, cheating, collusion, theft, and fraud. <p>Internal Audits provide the operation and TGRA with a fair assessment of the current regulatory health of the operation. The Surveillance department is a great asset for insuring that the TICS and SICS that are developed are being actually implemented by the operations personnel. Gaming Inspectors Compliance Officers, and dept. managers can use surveillance footage to analyze rates of compliance.</p>
 <p>Suspicious Behavior - Patron</p> <ul style="list-style-type: none"> Excessive Linger Constantly putting items back and picking them up Watching Cashiers and dealers Shuffling chips, varying the bet, obscuring chips with cards or hands 	<p>KEY POINTS</p> <p>Suspicious Behavior – Patron</p> <ul style="list-style-type: none"> Excessive Linger Constantly putting items back and picking them up Watching Cashiers and dealers Shuffling chips, varying the bet, obscuring chips with cards or hands
 <p>Suspicious Behavior - Employees</p> <ul style="list-style-type: none"> Constantly clearing hands Frequent Shuffling or adjusting the rack Opening cash drawer and moving bills around Frequent Variance issues Not using the house shuffle Dealer and Patron consistently at same table 	<p>KEY POINTS</p> <p>Suspicious Behavior – Employees</p> <ul style="list-style-type: none"> Constantly clearing hands Frequent Shuffling or adjusting the rack Opening cash drawer and moving bills around Frequent Variance issues Not using the house shuffle Dealer and Patron consistently at same table
 <p>Round Table Discussion</p> <p>ACTIVITY</p>	<p>KEY POINTS</p> <p>Activity: Round Table Discussion</p> <p>Time: 15 mins</p> <p>Supplies: Large Post It Notes Markers</p> <p>Instructions:</p> <ul style="list-style-type: none"> Select a note taker and presenter. Write down responses to the following question: <ul style="list-style-type: none"> If you could change anything about your surveillance department, what would it be? Present group answers to the class

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 Questions?

Contact Information:
TrainingInfo@nigc.gov



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KEY POINTS

If you have any questions in the future, please contact NIGC.

Contact Information:

TrainingInfo@nigc.gov