

§543.19 What are the minimum internal control standards for accounting?

- (a) Each gaming operation shall prepare accurate, complete, legible, and permanent records of all transactions pertaining to revenue and gaming activities.
- (b) Each gaming operation shall prepare general accounting records according to Generally Accepted Accounting Principles using a double-entry system of accounting, and shall maintain detailed, supporting, subsidiary records, including, but not limited to:
- (1) Detailed records identifying revenues, expenses, assets, liabilities, and equity for each gaming operation;
 - (2) Detailed records of all markers, IOU's, returned checks, held checks, or other similar credit instruments;
 - (3) Card game statistical game records reflecting drop by each table by shift, by day, cumulative month-to-date, and year-to-date.
 - (4) Bingo analysis reports which, by each player interface (game) compare actual hold percentages to expected hold percentages;

Written Comment (March): Class II bingo games are system based. The player interface in a Class II system is a dumb terminal and statistical info may not be available per player interface. A comparable example in paper bingo would be that the player in seat 27 in a bingo hall wins more or less than the player in seat 32. This provides no relevant data in assessing the performance of the bingo game. The analysis report should address the compilation at the system level in regard to numerous game play.

This standard should apply equally to both paper and electronic format. Therefore, we recommend that the proposed language be revised to read as follows: “Bingo analysis reports which compare actual hold percentages to expected hold percentages.”

Remove “(game)”: a player interface is not a game.

Response: This represents an error in the transition from 542 to 543. It has no relevance to 543.7 Bingo section. Standard will be deleted.

Proposed deletion as a result of March written comment:

~~(4) Bingo analysis reports which, by each player interface (game) compare actual hold percentages to expected hold percentages;~~

(4) ~~(5)~~ Other records required by this part and by the Tribal internal control standards;

(5) ~~(6)~~ Journal entries prepared by the gaming operation and by its independent accountants; and

(6) ~~(7)~~ Any other records specifically required to be maintained.

Written Comment (March): (b) (5) and (b) (7) appear to be redundant. Please clarify the need for having both standards.

Response: The Committee reviewed the proposed regulation and made no comment. (b)(5) refers only to records required by 543 and by the TICS. Other records could be required to be maintained by any external entity. This comment has no bearing on the transition from 542 to 543.

(c) Each gaming operation shall establish administrative and accounting procedures for the purpose of determining effective control over a gaming operation's fiscal affairs. The procedures shall be designed to reasonably ensure that:

(1) Assets are safeguarded;

(2) Financial records are accurate and reliable;

(3) Transactions are performed only in accordance with management's general and specific authorization;

Written Comment (March): Add “pursuant to tribal internal control standards” to the end of the sentence.

Response: The Committee reviewed the proposed regulation and made no comment. Disagree. “Management’s general and specific authorization” is an

accounting term of art.” This comment has no bearing on the transition from 542 to 543.

(4) Transactions are recorded adequately to permit proper reporting of gaming revenue and of fees and taxes, and to maintain accountability of assets;

Written Comment (March): Replace “taxes” with “assessments”.

Response: The Committee reviewed the proposed regulation and made no comment. In this context the standard is referring to excise taxes on certain types of gaming revenue. This comment has no bearing on the transition from 542 to 543.

Note (May): Although the word “taxes” is limited to taxes on specific types of gaming revenue, the word could cause confusion and therefore it is recommended to be struck.

Proposed revision incorporating May note:

(4) Transactions are recorded adequately to permit proper reporting of gaming revenue and ~~of fees and taxes~~, and to maintain accountability of assets;

(5) Recorded accountability for assets is compared with actual assets at reasonable intervals, and appropriate action is taken with respect to any discrepancies; and

(6) Functions, duties, and responsibilities are appropriately segregated in accordance with sound business practices.

Written Comment (March): Add “generally accepted accounting principles” before the word “sound”.

Response: The Committee reviewed the proposed regulation and made no comment. The addition of “generally accepted accounting principles” would be redundant as it is already stated in (b). This comment has no bearing on the transition from 542 to 543.

(d) *Gross gaming revenue computations.* (1) For player interfaces, gross revenue equals drop, less fills, prize payouts and personal property awarded to patrons as gambling winnings.

(2) For each counter game, gross revenue equals:

(i) The cash accepted by the gaming operation on events or games that occur during the month or will occur in subsequent months, less cash paid out during the month to patrons on winning wagers ("cash basis"); or

(ii) The cash accepted by the gaming operation on events or games that occur during the month, plus cash, not previously included in gross revenue, that was accepted by the gaming operation in previous months on events or games occurring in the month, less cash paid out during the month to patrons as winning wagers ("modified accrual basis").

(3) For each card game, gross revenue equals all cash received by the operation as compensation for conducting the game.

(i) A gaming operation shall not include either shill win or loss in gross revenue computations.

(ii) [Reserved]

(4) In computing gross revenue for bingo and pull tabs, the actual cost to the gaming operation of any personal property (other than costs of travel, lodging, services, food, and beverages) awarded as a payout to patrons may be deducted if the gaming operation maintains detailed documents supporting the deduction.

Written Comment (March): If the intent of the parenthetical is to exclude comps from the computation of GGR, then the language needs to be revised accordingly. As the proposed language currently reads the gaming operation would be precluded from giving away trips, etc. as prizes and then deducting it from the GGR computation.

Response: The Committee reviewed the proposed standard and had no comment. The intent of the language is to exclude the deduction of the cost of travel, lodging, services, food and beverages from the computation of GGR due to the difficulty in quantifying the value of these items and the susceptibility to manipulation. The commenter is correct that the items listed are not deductible in

calculating gross gaming revenue. This comment has no bearing on the transition from 542 to 543.

(e) Each gaming operation shall establish internal control systems sufficient to ensure that currency (other than tips or gratuities) received from a patron in the gaming area is promptly placed in a locked box in the table, or, in the case of a cashier, in the appropriate place in the cashier's cage, or on those games which do not have a locked drop box, or on card game tables, in an appropriate place on the table, in the cash register or in another approved repository.

(f) If the gaming operation provides periodic payments to satisfy a prize payout resulting from a wager, the initial installment payment, when paid, and the actual cost of a payment plan, which is funded by the gaming operation, may be deducted from winnings. The gaming operation is required to obtain the approval of all payment plans from the Tribal gaming regulatory authority. For any funding method which merely guarantees the gaming operation's performance, and under which the gaming operation makes payments out of cash flow (e.g. irrevocable letters of credits, surety bonds, or other similar methods), the gaming operation may only deduct such payments when paid to the patron.

(g) Vouchers issued at a player interface shall be deducted from gross revenue as prize payouts in the month the vouchers are issued by the player interface. Vouchers deducted from gross revenue that are not redeemed within a period, not to exceed 180 days of issuance, shall be included in gross revenue. An unredeemed voucher previously included in gross revenue may be deducted from gross revenue in the month redeemed.

(h) A gaming operation may not deduct from gross revenues the unpaid balance of a credit instrument extended for purposes other than gaming.

Written Comment (March): It is our opinion that this proposed standard is unnecessary as GGR is defined in other NIGC regulations.

Response: The Committee reviewed the proposed standard and had no comment. Disagree with comment. Standard is intended to clarify that if the credit instrument is used for something other than gaming purposes, it is not deductible. This comment has no bearing on the transition from 542 to 543.

(i) A gaming operation may deduct from gross revenue the unpaid balance of a credit instrument if the gaming operation documents, or otherwise keeps detailed records of, compliance with the following requirements. Such records confirming compliance shall be made available to the Tribal gaming regulatory authority or the Commission upon request:

(1) The gaming operation can document that the credit extended was for gaming purposes;

(2) The gaming operation has established procedures and relevant criteria to evaluate a patron's credit reputation or financial resources and to then determine that there is a reasonable basis for extending credit in the amount or sum placed at the patron's disposal;

(3) In the case of personal checks, the gaming operation has established procedures to examine documentation, which would normally be acceptable as a type of identification when cashing checks, and has recorded the patron's bank check guarantee card number or credit card number, or has satisfied paragraph (i) (2) of this section, as management may deem appropriate for the check-cashing authorization granted;

(4) In the case of third-party checks for which cash, chips, or tokens have been issued to the patron, or which were accepted in payment of another credit instrument, the gaming operation has established procedures to examine documentation, normally accepted as a

means of identification when cashing checks, and has, for the check's maker or drawer, satisfied paragraph (i) (2) of this section, as management may deem appropriate for the check-cashing authorization granted;

(5) In the case of guaranteed drafts, procedures should be established to ensure compliance with the issuance and acceptance procedures prescribed by the issuer;

(6) The gaming operation has established procedures to ensure that the credit extended is appropriately documented, not least of which would be the patron's identification and signature attesting to the authenticity of the individual credit transactions. The authorizing signature shall be obtained at the time credit is extended.

(7) The gaming operation has established procedures to effectively document its attempt to collect the full amount of the debt. Such documentation includes, but is not limited to, letters sent to the patron, logs of personal or telephone conversations, proof of presentation of the credit instrument to the patron's bank for collection, settlement agreements, or other documents which demonstrate that the gaming operation has made a good faith attempt to collect the full amount of the debt. Such records documenting collection efforts shall be made available to the Tribal gaming regulatory authority or the Commission upon request.

(j) *Allowable and non-allowable deductions from gross revenue.* (1) Any prizes, premiums, drawings, benefits or tickets that are redeemable for cash or merchandise or other promotional allowance, except cash or tokens paid at face value or the cost of personal property awarded directly to a patron as the result of a specific wager, must not be deducted.

(2) Cash paid to fund periodic payments may be deducted.

(3) For bingo and pull tabs, the actual cost of any personal property distributed to a patron as the result of a specific legitimate wager may be deducted, but not travel expenses, food, refreshments, lodging, or services.

Comment (March): The issue here is the difference between a COMP and an advertised prize as a result of a wager. If the NIGC intends for prizes paid to be deductible then that is what should be articulated in this proposed standard. A COMP is not a result of a wager. So, if the NIGC is intending to prohibit the cost of COMPS from GGR then that should be clearly articulated in this proposed standard.

Response: The Committee reviewed the proposed standard and had no comment. The intent of the language is to exclude the deduction of the cost of travel, lodging, services, food and beverages from the computation of GGR due to the difficulty in quantifying the value of these items and the susceptibility to manipulation. The commenter is correct that the items listed are not deductible in calculating gross gaming revenue. This comment has no bearing on the transition from 542 to 543.

(4) A gaming operation that provides a patron with additional play at bingo as the result of an initial wager may deduct all cash or tokens paid directly to that patron as a result of such additional play.

(5) A gaming operation may deduct its pro-rata share of a payout from a game played in a wide area linked system except for a payout made in conjunction with a card game. The amount of the deduction must be determined based upon the written agreement among the gaming establishments participating in the wide area linked system and the operator of the system. All cash prizes and the value of noncash prizes awarded during a contest or tournament conducted in conjunction with a wide area linked system are also deductible on a pro-rata basis to the extent of the compensation received for the right to participate in that contest or tournament.

Comment (March): Please clarify why there is a “card game” reference in this proposed standard? Is there a linked system or WAP for card games?

Response: The Committee reviewed the proposed revision and made no comment. The possibility exists for wide area linked poker games and for that reason the standard recognizes that the house has no interest in the payout that might arise from that operation and therefore, it would not be deductible. The comment has no bearing on the transition from 542 to 543.

(6) Deductibility of free play and promotional items:

<i>(i) Card Games</i>	
(A) Buy-in coupons (e.g., \$25 in chips for \$20 buy-in)	No effect on revenue Written Comment (March): Does “no effect on revenue” mean deductible or non-deductible? Response: The Committee reviewed the proposed revision and made no comment. Card game revenue is derived from the rake. Therefore it is neither deductible nor non-deductible.
(B) Tournaments played with negotiable chips and rake is taken	Rake is included in revenue. No effect on revenue Written Comment (March): Deductible or Not Deductible? Response: The Committee reviewed the proposed revision and made no comment. Card game revenue is derived from the rake. Therefore it is neither deductible nor non-deductible.
(C) Tournaments played with non-negotiable chips, contests and drawings	No effect on revenue. Written Comment (March): Does “no effect on revenue” mean deductible or non-deductible? Response: The Committee reviewed the proposed revision and made no comment. Card game revenue is derived from the rake. Therefore it is neither deductible nor non-deductible.
(D) Prizes (e.g., \$100 prize for high hand of the week)	No effect on revenue. Written Comment (March): Does “no effect on revenue” mean deductible or non-deductible? Response: The Committee reviewed the proposed revision and made no

	comment. Card game revenue is derived from the rake. Therefore it is neither deductible nor non-deductible.
(E) Promotional progressive pot and/or pool payouts	No effect on revenue. Written Comment (March): Does “no effect on revenue” mean deductible or non-deductible? Response: The Committee reviewed the proposed revision and made no comment. Card game revenue is derived from the rake. Therefore it is neither deductible nor non-deductible.
(F) Skill wins and losses	No effect on revenue. Written Comment (March): Does “no effect on revenue” mean deductible or non-deductible? Response: The Committee reviewed the proposed revision and made no comment. Card game revenue is derived from the rake. Therefore it is neither deductible nor non-deductible.
<i>(ii) Bingo</i>	
(A) Match play/discount wagering	Include cash received in sales and all payouts deductible
(B) Free play wagering (negotiable and non-negotiable)	No effect on sales and all payouts deductible
(C) Non-cash prizes	Include cash received in sales and purchase cost of prizes deductible
(D) Promotional activity reimbursement by external party	Include cash received sales and all payouts deductible
(E) Tournaments/contests/drawings	No effect on sales unless part of wide area linked system.
(F) Tournaments which include elements of a	Include total amount wagered in

normal wager	sales, all payouts deductible, tournament prizes not deductible
<u>(E)</u> (G) Appeasement payouts (payments made on non-winning cards in response to patron complaints)	Not deductible
<i>(iii) Pull Tabs</i>	
(A) Match play/discount wagering	Include cash received in sales and all payouts deductible
(B) Free play wagering (negotiable and non-negotiable)	No effect on sales and all payouts deductible
(C) Non-cash prizes	Include cash received in sales and purchase cost of prizes deductible
(D) Promotional activity reimbursement by external party	Include cash received in sales and all payouts deductible
(E) Tournaments/contests/drawings	No effect on sales unless part of wide area linked system.
(F) Tournaments which include elements of a normal wager	Include total amount wagered in sales, all payouts deductible, tournament prizes not deductible
<u>(E)</u> (G) Appeasement payouts (payments made on non-winning pull tabs in response to patron complaints)	Not deductible

Comment (July): Strike (j) (5) (ii) (E) and (F), not applicable to bingo.

Response: Agree.

Revised proposal (j) (5) (ii) (E) and (F) as a result of July comments: (j) (5) (ii) (E) and (F) struck from matrix (above).

Comment (July): Strike (j) (5) (iii) (E) and (F), not applicable to pull tabs.

Response: Agree.

Revised proposal (j) (5) (iii) (E) and (F) as a result of July comments: (j) (5) (iii) (E) and (F) struck from matrix (above).

(7) Credit instruments written off as uncollectible are deductible unless any of the following applies:

- (i) The instrument was not signed by the patron;
- (ii) The gaming operation did not have an address for the patron at the time of accepting the instrument;
- (iii) The gaming operation does not maintain evidence that it has made a reasonable effort to collect the debt;
- (iv) The gaming operation does not maintain evidence that it checked the credit history of the patron before extending the credit;
- (v) The signature of the patron on the instrument was forged and the gaming operation has not made a written report of the forgery to the appropriate law enforcement agency;
- or
- (vi) The gaming operation is unable to produce the credit instrument within a reasonable time after a request by the Commission. (Note: However, this shall not pertain to circumstances beyond the control of the gaming operation e.g., custody of court, stolen, etc.)
- (k) *Maintenance and preservation of books, records, and documents.* (1) All original books, records, and documents pertaining to the conduct of wagering activities shall be

retained by a gaming operation in accordance with the following schedule. A record that summarizes gaming transactions is sufficient, provided that all documents containing an original signature(s) attesting to the accuracy of a gaming related transaction are independently preserved. Original books, records, or documents shall not include copies of originals, except for copies that contain original comments or notations on parts of multi-part forms. The following original books, records, and documents shall be retained by a gaming operation for a minimum of five (5) years:

- (i) Casino cage documents;
- (ii) Documentation supporting the calculation of bingo win;
- (iii) Documentation supporting the calculation of revenue received from card games, and all other gaming activities offered by the gaming operation;
- (iv) Bingo statistical reports;
- (v) Pull tab statistical reports;
- (vi) Internal audit documentation and reports;

Written Comment (March): Recommend deleting “documentation” from this standard as the entity that conducts the internal audit will have to comply with the internal audit portion of the MICS. This will vary from one jurisdiction to another.

Response: The Committee reviewed the proposed revision and had no comment. Disagree with comment. Removing the reference to documentation would imply that only the report needs to be retained for five years. This comment has no bearing on the transition from 542 to 543.

- (vii) Documentation supporting the write-off of gaming credit instruments and named credit instruments;

(viii) All other books, records, and documents pertaining to the conduct of wagering activities that contain original signature(s) attesting to the accuracy of the gaming related transaction.

(2) Unless otherwise specified in this part, all other books, records, and documents shall be retained until such time as the accounting records have been audited by the gaming operation's independent certified public accountants.

(3) The above definition shall apply without regard to the medium by which the book, record or document is generated or maintained (paper, computer-generated, magnetic media, etc.).

Written Comment (March): Replace “definition” with “standard”.

Response: The Committee reviewed the proposed revision and had no comment. Disagree with comment. “Definition” refers to original books, records and documents” not to the standards for retention. This comment has no bearing on the transition from 542 to 543.

Note (May): As a result of the discussion during the conference call, it was decided to substitute “standards” for “definition” to improve clarity.

(3) The above ~~definition~~ standards shall apply without regard to the medium by which the book, record or document is generated or maintained (paper, computer-generated, magnetic media, etc.).