

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

- (a) *Computer applications.* For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control described by the standards in this section, as approved by the Tribal gaming regulatory authority **in writing**, will be acceptable.
- (b) *Standards for drop and count.* The procedures for the collection of the card game drop and the count thereof shall comply with §542.21, §542.31, or §542.41 (as applicable).
- (c) *Standards for supervision.* (1) Supervision shall be provided at all times the card room is in operation by personnel with authority equal to or greater than those being supervised.

Comment (December): “Card room” is not defined.

Response: Agree. Definition has been added to 542.2 as follows:

Card room means a room set aside for the conduct of card games, such as poker. In such games the customers wager against each other rather than against the gaming operation’s bankroll. The revenue derived by the gaming operation is merely a percentage rake-off or a time buy-in (commission charged to play).

Comment (January): Card games are sometimes conducted in areas that have mixed game types, such as card games and table games.

Response: Agree. The definition is not intended to preclude a table game from being located in general proximity to a card game.

Comment (January): The first sentence sufficiently defines the term, remove the last two sentences.

Response: Agree. Definition revised accordingly.

Comment (January): Replace “room” with “area”.

Response: Agree. Definition is revised as follows:

Card room means an area set aside for the conduct of card games, such as poker.

(i) Provided the card game is recorded by the surveillance department:

(A.) A supervisor may function as a dealer without any other supervision for a

period of time of less than one hour if disputes are resolved by supervisory

personnel independent of the card games department; or

(B.) A dealer may function as a supervisor, if not dealing the game.

Justification: Permitting a supervisor to function as a dealer and a dealer to function as a supervisor under limited circumstances provides the gaming operation with flexibility in staffing.

Comment (December): Remove the provision (i), redundant to 542.43(k).

Response: Agree. Surveillance condition is redundant with proposed revision to 542.43(l), which would also be applicable to the corresponding control in 542.23 and 542.33. After striking (c)(1)(i), (c)(1)(i)(A) becomes (c)(1)(i), and (c)(1)(i)(B) becomes (c)(1)(ii).

Comment (December): Replace “Provided” with “If”.

Response: Considering above revision, comment is no longer applicable.

Revised proposal as a result of December comments:

(i) A supervisor may function as a dealer without any other supervision for a period

of time of less than one hour if disputes are resolved by supervisory personnel

independent of the card games department; or

(ii) A dealer may function as a supervisor, if not dealing the game.

Comment (January): Remove (c) (1) (i) and (c) (1) (ii), or include TGRA approval requirement for both.

Response: Disagree. The standard is intended to recognize and accept that there may be times when a supervisor will need to function as a dealer and times when a dealer will be required to function in a supervisory capacity. The TGRA already has the authority to impose standards more stringent than those contained in the MICS, refer Section 542.3(c).

Comment (January): Apply (c) (1) (i) and (c) (1) (ii) to Tier A only, or to Tier A and Tier B only.

Response: Disagree. Although the additional latitude afforded is likely to be relevant to smaller poker rooms, the need for such an alternative is not limited to just Tier A and B properties.

Comment (January): Replace (c) (1) (i) and (c) (1) (ii) with a general standard for TGRA determination of alternative supervision procedures.

Response: Disagree. Although the proposed standard is granting greater latitude to management, it also imposes conditions. If the supervisor is functioning as a dealer, disputes must be resolved by a supervisor independent of the card game department and, if a dealer is functioning as a supervisor, the dealer is prohibited from dealing a game. Although the TGRA has the latitude of disallowing the options provided by the proposed regulation or attaching more stringent standards, the need for the minimum conditions to exist justifies the codification of the rule.

Comment (January): In the preceding suggested replacement general standard, include a provision that the dealer will not resolve disputes arising from the game he/she is dealing.

Response: Agree. Proposed regulation is revised as follows.

Revised proposal as a result of January comments:

(i) A supervisor may function as a dealer without any other supervision if disputes are resolved by supervisory personnel independent of the card games department;

or

(ii) A dealer may function as a supervisor, if not dealing the game.

(2) Exchanges between table banks and the main card room bank (or cage, if a main card room bank is not used) ~~in excess of \$100.00~~ shall be authorized by a supervisor. All

exchanges shall be evidenced by the use of a lammer unless the exchange of chips, tokens, and/or cash takes place at the table. **If table banks are maintained at an imprest level and runners are used for the exchanges at the table, no supervisory authorization is required.**

Justification: The \$100 threshold was eliminated due to its inconsistency with accepted gaming industry practice and its minimal applicability. The addition is intended to facilitate exchanges when the table is maintained on an imprest basis.

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

(4) If applicable, transfers between the main card room bank and the cage shall be properly authorized and documented. **Documentation must be retained for 24 hours.**

Justification: Establishing a minimum time period for retention of documentation is intended to facilitate subsequent reconciliation and investigation of variances.

Comment (December): Retention requirement should be “at least 24 hours”.

Response: Agree. Revised accordingly.

Revised proposal as a result of December comment:

(4) If applicable, transfers between the main card room bank and the cage shall be properly authorized and documented. **Documentation must be retained for at least 24 hours.**

(5) A rake collected or ante placed shall be done in accordance with the posted rules.

(d) *Standards for playing cards.* ~~(1) Playing cards shall be maintained in a secure location to prevent unauthorized access and to reduce the possibility of tampering.~~

~~(2) Used cards shall be maintained in a secure location until marked, scored, or destroyed, in a manner approved by the Tribal gaming regulatory authority, to prevent unauthorized access and reduce the possibility of tampering.~~

~~(3) The Tribal gaming regulatory authority, or the gaming operation as approved by the Tribal gaming regulatory authority, shall establish and the gaming operation shall comply with a reasonable time period, which shall not exceed seven (7) days, within which to mark, cancel, or destroy cards from play.~~

(1) New and used playing cards to be issued to a table shall be maintained in a secure location to prevent unauthorized access and reduce the possibility of tampering. Used playing cards that are not to be re-used shall be properly canceled and removed from service.

Comment (December): Add “subject to procedures established by the gaming operation subject to TGRA approval” to the end of the last sentence.

Response: Agree Revised accordingly.

Revised proposal as a result of December comment:

(1) New and used playing cards to be issued to a table shall be maintained in a secure location to prevent unauthorized access and reduce the possibility of tampering. Used playing cards that are not to be re-used shall be properly canceled and removed from service. The cancelation and removal procedure shall be subject to TGRA review and approval.

~~(i)(2)~~ This standard shall not apply where playing cards are retained for an investigation.

~~(ii) [Reserved]~~

Justification: Revision is intended to result in a more concise and clearer standard.

~~(4) A card control log shall be maintained that documents when cards and dice are received on site, distributed to and returned from tables and removed from play by the gaming operation.~~

~~(e) Plastic cards. Notwithstanding paragraph (d) of this section, if a gaming operation uses plastic cards (not plastic-coated cards), the cards may be used for up to three (3) months if the plastic cards are routinely inspected, and washed or cleaned in a manner and time frame approved by the Tribal gaming regulatory authority.~~

Justification: Deletion is intended to provide greater latitude to management in determining the useful life of cards in play.

~~(e)(f) Standards for shills. (1) Issuance of shill funds shall be recorded on a shill sign-out form and shall have the written approval of the supervisor.~~

~~(2) Shill returns shall be recorded and verified on the shill sign-out form. Returned shill funds shall be recorded on a shill sign-out form and verified by a supervisor who signs the form.~~

Justification: Revisions are intended to clarify the standard and to ensure that an audit trail supporting the issuance and return of shill funds is created.

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

~~(f)(g) Standards for reconciliation of card room bank. (1) The amount of the main card room bank shall be counted, recorded, and reconciled on at least a per shift basis. at least once every eight hours.~~

Comment (December): Add “or when accountability transfers” to the end of the last sentence.

Response: Agree

Revised proposal as a result of December comment:

~~(f) (g) Standards for reconciliation of card room bank. (1) The amount of the main card room bank shall be counted, recorded, and reconciled on at least a per shift basis. at least once every eight hours or when accountability transfers.~~

Justification: Revisions are intended to clarify the standard and to ensure that an audit trail supporting the issuance and return of skill funds is created.

(2) At least once ~~per shift~~ every eight hours, the table banks that were opened during that shift shall be counted, recorded, and reconciled by a dealer or other person, and a supervisor (or an employee independent of the card games department), and shall be attested to by their signatures on the check-out form. For imprest banks that remain with the dealer, the banks shall be counted, recorded and reconciled upon issuance and upon return by the dealer and a supervisor (or an employee independent of the card games department), and attested to by their signing the checkout form.

Justification: The revision is intended to ensure that the table banks are counted, recorded, and reconciled at least once every eight hours. Additionally, an alternative to a supervisor performing the count and reconciliation is afforded the gaming operation. The alternative allows for the task to be performed by an employee independent of the card games department. Furthermore, standards are proposed to address the procedure in which imprest table banks are issued to and returned by a dealer.

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

(i) The payout may be in the form of personal property (e.g., car).

(ii) A combination of a promotion and progressive pool may be offered.

Justification: The revision is intended to clarify that the payout may be in the form of personal property and that a promotion may be an element of the payout.

(2) The conditions for participating in card game promotional progressive pots, pools, and any related promotions including drawings and giveaway programs shall be prominently displayed or available for customer review at the gaming operation.

Comment (December): The NIGC is without jurisdiction to regulate any promotion that occurs within a gaming facility. This is the responsibility of the TGRA, and therefore the proposed standard should be revised to reflect that the gaming operation, subject to TGRA approval, shall develop and implement policies and procedures to ensure that the card room customers are aware of the card game promotional rules and eligibility requirements.

Response: Disagree. Standards governing card room promotional pots and pools have been in the NIGC MICS since their first publication in January 1999. The promotional activities are directly related to the conduct of the gambling games and the codification of minimum internal control standards applicable to the conduct and accounting for the activity and transactions has been determined by the Commission to be within the scope of its authority.

Comment (December): Limit standard to current events.

Response: Agree.

Revised proposal as a result of December comments:

(2) The conditions for participating in current card game promotional progressive pots, pools, and any related promotions including drawings and giveaway programs shall be prominently displayed or available for customer review at the gaming operation.

Justification: The MICS is currently silent with regard to requiring the posting of the conditions for participation in a pot, pool or related promotion. The proposed revision is intended to codify the requirement that the conditions for participation be made available to the card room customers.

(3) Payouts for card game promotional progressive pots, pools and any other promotion, including related drawings and giveaway programs, that are \$500 or more shall be documented at the time of the payout to include the following:

(i) Date and time;

(ii) Dollar amount of payout or description of personal property (e.g., car);

(iii) Reason for payout (e.g., promotion name);

(iv) Signature of one employee verifying, authorizing, and completing the promotional payout with the customer. The employee need not be a card game department employee provided that the required signature is that of the employee completing the payout with the customer; and

(v) Customer's name.

Justification: The MICS is currently silent regarding payout documentation. The revision is intended to identify the accepted controls specific to the payout procedure, customer identification, and proper authorization and verification. It is noteworthy that the controls requested are relevant to payouts of \$500 or more.

Comment (December): Change \$500 threshold to \$600, the IRS reporting threshold.

Response: Agree.

Revised proposal as a result of December comment:

(3) Payouts for card game promotional progressive pots, pools and any other promotion, including related drawings and giveaway programs, that are \$600 or more shall be documented at the time of the payout to include the following:

(i) Date and time;

(ii) Dollar amount of payout or description of personal property (e.g., car);

(iii) Reason for payout (e.g., promotion name);

(iv) Signature of one employee verifying, authorizing, and completing the promotional payout with the customer. The employee need not be a card game department employee provided that the required signature is that of the employee completing the payout with the customer; and

(v) Customer's name.

(4) If the cash (or cash equivalent) payout for the card game promotional progressive pot, pool, or related promotion, including a payout resulting from a drawing or giveaway program, is less than \$500, documentation shall be created to support accountability of the bank from which the payout was made. Such documentation may consist of a line item on a card games department or cage accountability document (e.g., 43 (forty-three) \$10 card games giveaway coupons = \$430).

Justification: The MICS is currently silent regarding payout documentation. The revision is intended to identify the minimum documentation needed to support the bank accountability for payouts of less than \$500. It is noteworthy that the standard establishes less stringent documentation requirements for payouts of less than \$500.

Note: To ensure congruity with above subsection (3), the follow amended proposed revision to (4) is as follows:

Revised proposal incorporating note:

(4) If the cash (or cash equivalent) payout for the card game promotional progressive pot, pool, or related promotion, including a payout resulting from a drawing or giveaway program, is less than \$600, documentation shall be created to support accountability of the bank from which the payout was made. Such documentation may consist of a line item on a card games department or cage accountability document (e.g., 43 (forty-three) \$10 card games giveaway coupons = \$430).

(5)(2) Rules governing promotional pools shall be conspicuously posted in the card room and/or available in writing for customer review. The rules shall and designate:

Comment (December): Limit standard to current events.

Response: Agree

Revised proposal as a result of December comment:

(5)(2) Rules governing current promotional pools shall be conspicuously posted in the card room and/or available in writing for customer review. The rules shall and designate:

- (i) The amount of funds to be contributed from each pot;
- (ii) What type of hand it takes to win the pool (e.g., what constitutes a “bad beat”);
- (iii) How the promotional funds will be paid out;
- (iv) How/when the contributed funds are added to the **jackpots-pools**; and
- (v) Amount/percentage of funds allocated to primary and secondary **jackpots-pools**, if applicable.

Justification: The proposed revisions clarify that the rules need not be posted but may be made available in writing to customers. Additional changes were made to correct terminology.

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

(7)(4) The amount of the **jackpots-pools shall be conspicuously displayed in the card room.**

Justification: Correction of terminology.

(8)(5) At least once a day, the posted pool amount shall be updated to reflect the current pool amount.

(9)(6) At least once a day, increases to the posted pool amount shall be reconciled to the cash previously counted or received by the cage by personnel independent of the card room.

~~(10)(7)~~ All decreases to the pool must be properly documented, including a reason for the decrease.

~~(i) Promotional progressive pots and pools where funds are displayed in the card room.~~

~~(1) Promotional funds displayed in the card room shall be placed in a locked container in plain view of the public.~~

~~(2) Persons authorized to transport the locked container shall be precluded from having access to the contents keys.~~

~~(3) The contents key shall be maintained by personnel independent of the card room.~~

~~(4) At least once a day, the locked container shall be removed by two persons, one of whom is independent of the card games department, and transported directly to the cage or other secure room to be counted, recorded, and verified.~~

~~(5) The locked container shall then be returned to the card room where the posted pool amount shall be updated to reflect the current pool amount.~~

Justification: It is proposed that the standards be struck because the noted procedures (related to funds displayed in the card room) have minimal applicability to tribal gaming.

~~(j) Promotional progressive pots and pools where funds are maintained in the cage.~~

~~(11)(1)~~ Promotional funds removed from the card game shall be placed in a locked container (e.g., a separate locked container affixed to a card game table used solely for promotional pool funds).

Justification: Revision is intended to clarify the reference to locked container.

~~(12)(2)~~ Persons authorized to transport the locked container shall be precluded from having access to the contents keys.

~~(13)-(3)~~ The contents key shall be maintained by ~~personnel~~ a department independent of the card room.

Justification: The revision is intended to clarify that the key shall be maintained by a department rather than an individual.

~~(14)-(4)~~ At least once a day, the locked container shall be removed by two persons, one of whom is independent of the card games department, and transported directly to the cage or other secure room to be counted, recorded, and verified, prior to accepting the funds into cage accountability.

~~(5) The posted pool amount shall then be updated to reflect the current pool amount.~~

Justification: The standard is proposed to be struck because of its redundancy with 542.9 (h) (8).

(h) Card Room Contests and Tournaments (1) All contest/tournament entry fees and prize payouts (including mail transactions) shall be summarized on a cash accountability document on a daily basis.

Comment (December): The parenthetical “including mail transactions” could raise other questions about what is exempted from the term “all”. Recommend striking the parenthetical.

Response: Agree

Revised proposal as a result of December comment:

(1) All contest/tournament entry fees and prize payouts shall be summarized on a cash accountability document on a daily basis.

(2) When contest/tournament entry fees and payouts are transacted, the transactions shall be recorded on a document which contains:

(i) Customer’s name;

(ii) Date of entry/payout;

(iii) Dollar amount of entry fee/payout (both alpha and numeric, or unalterable numeric) and/or nature and dollar value of any noncash payout;

(iv) Signature of individual completing transaction attesting to the receipt or disbursement of the entry fee/payout with the customer; and

(v) Name of contest/tournament.

Comment (December): The proposed standard is burdensome for gaming facilities, therefore we recommend that the standard should be applicable to only those buy-ins/payouts as required by the IRS/Department of Treasury. Additionally, the NIGC needs to take into account how this requirement may invalidate any compact provisions that must be complied with by a tribe. This new requirement will slow down the play of cards in the gaming facilities and affect the amount of revenue that is transferred to the state because customers and employees are needlessly tied up with paperwork on insignificant dollar amounts.

Response: Disagree that the proposed revision could affect a tribe's compliance with a Tribe/State Compact. At Section 542.4 of the MICS, it is stated that, in the event of a conflict between the MICS and a Compact, the Compact shall prevail. Disagree that the proposed revision will unnecessarily have an unfavorable impact on the card room operation. The standards do no more than codify the need to document entry fees received in which the identity of the patron is needed to make the payout and payouts of \$600 or more. The proposed controls are essential to ensuring such transactions are appropriately authorized and recorded.

Comment (December): Separate requirements related to entry fees, and those related to payouts.

Response: Agree. Amended proposed revision follows that address buy-ins separately than payouts.

Revised proposal as a result of December comments:

(2) When contest/tournament entry fees and the identification of the entrant is necessary to making the payout, the transactions shall be recorded on a document which contains:

(i) Customer's name;

(ii) Date of entry;

(iii) Dollar amount of entry fee (both alpha and numeric, or unalterable numeric);

(iv) Signature of individual completing transaction attesting to the receipt the entry fee with the customer; and

(v) Name of contest/tournament.

Comment (January): Response and revised proposal do not adequately address concerns about recording each entrant's name.

Response: Agree. Proposed regulation will be revised to add clarity.

Comment (January): Entrant identification should occur at the conclusion of the tournament.

Response: Disagree. The standard is applicable to events in which the collection of entrant's identifying information is necessary to the conduct of the event.

Comment (January): A customer might be reluctant to enter a tournament if required to provide his/her name.

Response: Disagree. The standard is applicable to events in which the collection of entrant's identifying information is necessary to the conduct of the event.

Comment (January): Include a clarifying parenthetical "(i.e., high hand of the day)".

Response: Agree. Proposed regulation will be revised accordingly.

Comment (January): Tournament entry fee standards should be determined by the gaming operation, and excluded from the NIGC MICS.

Response: Disagree. The proposed regulation is not intended to inhibit management creativity in the conduct of tournaments or other similar activities but possesses the objective of ensuring the participants are adequately informed of the rules governing the activity and that the event is appropriately recognized and recorded in the books and records of the gaming operation.

Comment (January): Committee recommended revision:
(2) When, in accordance with the rules of the contest/tournament as established by the gaming operation, identification of the entrant is required for making the

subsequent payout of \$600 or more,(e.g., high hand of the day/week), the entry fee(s) shall be recorded on a document which contains:

- (i) Customer's name;
- (ii) Date of entry;
- (iii) Dollar amount of entry fee (both alpha and numeric, or unalterable numeric);
- (iv) Signature of individual completing transaction attesting to the receipt the entry fee with the customer; and
- (v) Name of contest/tournament.

Response: Agree. The above proposed revision is accepted. Proposed revision is amended as follows.

Revised proposal as a result of January comments:

(2) When, in accordance with the rules of the contest/tournament as established by the gaming operation, identification of the entrant is required for making the subsequent payout of \$600 or more,(e.g., high hand of the day/week), the entry fee(s) shall be recorded on a document which contains:

- (i) Customer's name;**
- (ii) Date of entry;**
- (iii) Dollar amount of entry fee (both alpha and numeric, or unalterable numeric);**
- (iv) Signature of individual completing transaction attesting to the receipt the entry fee with the customer; and**
- (v) Name of contest/tournament.**

(3) When contest/tournament payouts of \$600 or more are transacted, the transactions shall be recorded on a document which contains:

- (i) Customer's name;**
- (ii) Date of payout;**
- (iii) Dollar amount of entry payout (both alpha and numeric, or unalterable numeric) and/or nature and dollar value of any noncash payout;**

(iv) Signature of individual completing transaction attesting to the disbursement of the payout with the customer; and

(v) Name of contest/tournament.

(4) Contest/tournament prize pools that have the amount of the pool determined through player contributions from card game pots are subject to the requirements of §542.9 (g) (5) and §542.9 (g) (11)-(14).

(5) The contest/tournament entry fees and payouts shall be summarized and posted to the accounting records on at least a monthly basis.

(6) Contest/tournament rules shall be included on all entry forms/brochures and prominently displayed or available for customer review at the gaming operation.

The rules must include at a minimum:

Comment (December): Limit standard to current events.

Response: Agree

Revised proposal as a result of December comment:

(6) Current contest/tournament rules shall be included on all entry forms/brochures and prominently displayed or available for customer review at the gaming operation. The rules must include at a minimum:

Comment (December): Modify to remove potential inference that entry forms and/or brochures must be produced.

Response: Disagree. The rules must be included on the entry forms or brochures and prominently displayed; or, in the alternative, the rules must be provided by the gaming operation to customers. If management opts for the alternative, the rules must be produced upon request from a customer.

(i) All conditions customers must meet to qualify for entry into, and advancement through, the contest/tournament;

(ii) Specific information pertaining to any single contest/tournament, including the dollar amount of money placed into the prize pool; and

Comment (December): Replace “dollar amount of money placed into the prize pool” with “types and amounts of prizes”.

Comment (December): The dollar amount is not always determinable beforehand. Strike the phrase following the comma.

Response: Agree.

Revised proposal as a result of December comments:

(ii) Specific information pertaining to any single contest/tournament, inclusive of the following:

(A) Dollar amount of money placed in to the prize pool;

(B) If dollar amount not predetermined, the method by which the dollar contribution will be determined; and

(C) Description of merchandise contributed, inclusive a dollar value.

(iii) The distribution of funds based on specific outcomes.

Comment (December): Change “specific outcomes” to “expected outcomes”.

Response: Disagree. With regard to contests and tournaments, the reference to specific outcomes is the more applicable term.

(7) Results of each contest/tournament shall be recorded and available for participants to review, including the name of the event, date(s) of event, total number of entries, dollar amount of entry fees, total prize pool, and the dollar amount paid for each winning category.

Comment (December): Limit standard to current events, and limit the availability for review to the conclusion of the event, or within a reasonable time thereafter as determined by the TGRA.

Response: Agree with comment pertaining to current events and a reasonable period to request information on a closed event.

Comment (December): Results available for review should include the name of the winner only at the winner's discretion.

Response: Disagree that the standard should reference the identity of the winner. The TGRA has the latitude of making the control more stringent.

Comment (December): Replace "available" with "posted".

Response: Disagree with requiring the information to be posted. Obliging management to provide the information upon request within a reasonable period is a sufficient control.

Comment (December): Strike "participants to".

Response: Disagree that the reference to participants should be struck. Customers of the gaming operation that participated in a contest or tournament have a vested interest in the noted information.

Comment (December): Limit availability for review to dispute resolution only.

Response: Disagree that the dissemination of the information should be limited to customers that dispute the outcome. Participants should have the latitude of requesting the information on the outcome of the event.

Comment (December): Replace "participants" with "TGRA".

Response: Disagree that access to the information should be limited to the TGRA, which already has the authority to review the data. The control is intended to ensure participants in the contest or tournament have the right to review the information.

Revised proposal as a result of December comments:

(7) Results of current contests/tournaments shall be recorded and available for participants to review, including the name of the event, date(s) of event, total number of entries, dollar amount of entry fees, total prize pool, and the dollar amount paid for each winning category. The gaming operation shall establish a

reasonable retention period to maintain the information, which shall be subject to TGRA concurrence.

(i) For free tournaments (i.e., customer does not pay an entry fee), the above information must be recorded except for the number of entries, dollar amount of entry fees and total prize pool.

Comment (December): This is not a wagering activity and the prize may not be coming out of the prize pool but rather the marketing department. Free tournaments are not gaming activities and the NIGC is without authority to regulate these types of activities. These are management issues that should be regulated by the TGRA.

Response: Agree, (h)(7)(i) struck. Note: (h)(7)(ii - iv) then become (h)(7)(i - iii).

Revised proposal as a result of December comment:

~~(i) For free tournaments (i.e., customer does not pay an entry fee), the above information must be recorded except for the number of entries, dollar amount of entry fees and total prize pool.~~

(i) ~~(ii)~~ For contest/tournament prize pools where the amount of the pool is determined through customer contributions from card game pots, the daily contributions and the total contributions shall be recorded.

(ii) ~~(iii)~~ Two employees, one of whom is independent of the collection of entry fees, shall reconcile the total amount of card game chips issued for the contest/tournament in exchange for entry fees to the final chip count at the end of the contest/tournament. The reconciliation shall be documented and signed by the employees.

(iii) ~~(iv)~~ The aforementioned contest/tournament records shall be maintained for each event.

Comment (December): Strike, duplicates (h)(6)

Response: Agree. (h)(6)(iii) struck.

Revised proposal as a result of December comment:

(iii) (iv) The aforementioned contest/tournament records shall be maintained for each event.

(i) Computerized Player Tracking Systems

Comment (December): Recommend that the NIGC review 542.13(j) at the same time this subsection is reviewed by the Committee in order to ensure that the proposed language is consistent with current standards because nearly every gaming facility has the same player tracking systems for both gaming machines and card games.

Response: Agree/Disagree. The current gaming machine section pertaining to player tracking systems is anticipated to be revised to coincide with the standards herein.

Comment (January): Player tracking system standards should be in a separate section that encompasses all game types.

Response: Disagree. The player tracking system controls are specific to the individual gaming revenue centers.

(1)The following standards apply only to computerized player tracking systems that accumulate points that are subsequently redeemed by the customer for cash, merchandise, etc.

(2)The addition/deletion of points to player tracking accounts other than through an automated process related to actual play must be sufficiently documented (including substantiation of reasons for increases) and authorized/performed by supervisory personnel of the player tracking, promotions, or card games departments.

Comment (December): Remove the term “supervisory” and state that the personnel must be authorized by the TGRA to perform this function.

Response: Disagree. The standard recognizes the importance that the transactions be performed or authorized by a supervisor. If the TGRA were to determine that its approval of the individuals possessing the authority to make point adjustments is warranted, it has the authority to establish a more stringent control.

Comment (December): Replace “authorized/performed” with “authorized or performed”.

Response: Agree. Revised accordingly.

Revised proposal as a result of December comment:

(2)The addition/deletion of points to player tracking accounts other than through an automated process related to actual play must be sufficiently documented (including substantiation of reasons for increases) and authorized or performed by supervisory personnel of the player tracking, promotions, or card games departments.

Comment (December): Add “or authorized designee” after “supervisory personnel” here and throughout subsection (i).

Response: Disagree. The previous revision is sufficient to communicate that the authorization of the adjusting entry by a supervisor is acceptable.

(i) The addition/deletion of points to player tracking accounts authorized by supervisory personnel shall be documented and randomly verified by accounting/audit personnel on a quarterly basis.

Comment (December): The random verification should be more frequent than quarterly.

Comment (December): Strike “on a quarterly basis”.

Comment (December): Replace “on a quarterly basis” with “on at least a quarterly basis, or more often as determined by the TGRA”.

Response: Agree. Revised accordingly.

Revised proposal as a result of December comments:

(i) The addition/deletion of points to player tracking accounts authorized by supervisory personnel shall be documented and randomly verified by accounting/audit personnel on at least a quarterly basis.

(ii) The above requirements do not apply to the deletion of points related to inactive or closed accounts through an automated process.

(3) Employees who redeem points for patrons shall not have access to inactive or closed accounts without supervisory personnel authorization. Documentation of such access and approval shall be created and maintained.

(4) Customer identification is required when redeeming points without a player tracking card.

Comment (December): ID should always be required when redeeming points. Strike “without a player tracking card”.

Response: Agree/Disagree that sufficient risk is posed to justify the requirement that all cases in which points are being redeemed should require the patron to present their ID, e.g. nominal purchases such as a buffet. However, when gaming operations allow patrons to redeem points for cash, the risk is sufficiently elevated to require the additional control.

Revised proposal as a result of December comment:

(4) Customer identification shall be required when redeeming points for cash or at any time points are being redeemed without a player tracking card.

(5) Changes to the player tracking system parameters, such as point structures and employee access, must be performed by supervisory personnel independent of the card games department. Alternatively, changes to player tracking system parameters may be performed by card games supervisory personnel if sufficient

documentation is generated and the propriety of the changes is randomly verified by personnel independent of the card games department on a quarterly basis.

Comment (December): Remove the terms “supervisory” and state that the personnel must be authorized by the TGRA to perform this function.

Response: Disagree. The standard recognizes the importance that parameter changes be performed or authorized by a supervisor. If the TGRA were to determine that its approval of the individuals possessing the authority to make such adjustments is warranted, it has the authority to establish a more stringent control.

(6) All other changes to the player tracking system must be appropriately documented.

Comment (December): Standard is misplaced, should be in the IT section.

Response: Agree, strike (i)(6). Note: (i)(7) then becomes (i)(6).

Revised proposal as a result of December comment:

~~(6) All other changes to the player tracking system must be appropriately documented.~~

(6) (7) Rules and policies for player tracking accounts including the awarding, redeeming and expiration of points shall be prominently displayed or available for customer review at the gaming operation.

Justification: The MICS is currently silent on computerized player tracking systems for card games, which are becoming more prevalent in the industry and warrant the addition of the subject controls. The intent of the standards is to address the risk associated with automated systems that allow points to be redeemed for cash and merchandise.

Proposed sub- section 542.9 (j) Accounting/Audit standards has been moved to proposed Revenue Audit 542.50 (b).

(i) Accounting/Audit Standards

Comment (December): Replace “accounting/auditing” with “revenue audit” throughout subsection (j) to clearly differentiate from the TGRA audit function.

Response: Disagree. With the exception of the compliance section of the MICS, no standards apply to the TGRA.

~~(1) The card games audit shall be conducted by personnel independent of the card games department.~~

~~(2) On a daily basis, audit/accounting personnel shall reconcile the amount indicated on the progressive sign/meter to the cash counted or received by the cage and the payouts made for each promotional progressive pot and pool. This reconciliation must be sufficiently documented (including substantiation of differences, adjustments, etc.).~~

~~(3) The following procedures shall be performed by accounting/audit personnel using the master game sheet prepared by the count team members for each day:~~

Comment (December): The NIGC is prescribing procedures to be used by the gaming operation and not standards. Revise item (3) as follows: “The gaming operation shall establish, subject to TGRA approval, procedures for the performance by accounting/audit personnel each day that address the following: (i) reconciliation of the drop to the applicable accountability documents; (ii) investigation and documentation of variances; (iii) recalculation of card game proceeds; (iv) verification of card game proceeds on the master game sheet; (v) audit of the master game sheet daily for completeness and correctness.”

Comment (December): Strike “procedures”.

Comment (December): Consolidate paragraphs (i) and (ii) in above comment.

Response: Disagree

~~(i) Reconcile the dollar amount of drop proceeds on the master game sheet to the dollar amount recorded in the applicable accountability document using, if~~

applicable, the transfer forms indicating all transfers in/out of the count room, both during and at the end of the count. Investigate and document any variance noted.

(ii) Recalculate card game proceeds (all funds received by the gaming operation as compensation for conducting the game) in total and by shift. For computerized master games sheets that total the count proceeds from each box, accounting personnel are to recalculate rake in total and by shift for one day each month, rather than daily.

(iii) Verify that the correct total of card game proceeds on the master game sheet is recorded in the accounting records.

(iv) Examine the master game sheet for propriety of signatures.

Comment (December): Strike (iv), duplicates Drop and Count standard.

Comment (December): Standard does not include other auditing procedures such as verifying proper correction of errors.

Comment (December): Replace “master game sheet” with “appropriate accountability document” in paragraph (j)(3) and all sub-paragraphs.

Response: Disagree that this section needs to reiterate the controls specific to making corrections on the drop report (manual or computerized). Agree regarding the reference to master game sheet and striking (iv).

Revised proposal as a result of December comments:

(3) The following procedures shall be performed by accounting/audit personnel using the appropriate document prepared by the count team members for each day:

(i) Reconcile the dollar amount of drop proceeds to the dollar amount recorded in the applicable accountability document using, if applicable, the transfer forms indicating all transfers in/out of the count room, both during and at the end of the count. Investigate and document any variance noted.

(ii) Recalculate card game proceeds (all funds received by the gaming operation as compensation for conducting the game) in total and by shift. For computerized systems that total the count proceeds from each box, accounting personnel are to recalculate rake in total and by shift for one day each month, rather than daily.

Comment (January): Remove “, rather than daily”.

Response: — Agree. Proposed revision is amended as follows:

Revised proposal as a result of January comment:

(ii) Recalculate card game proceeds (all funds received by the gaming operation as compensation for conducting the game) in total and by shift. For computerized master games sheets that total the count proceeds from each box, accounting personnel are to recalculate rake in total and by shift for one day each month.

(iii) Verify that the correct total of card game proceeds is recorded in the accounting records.

(4) Monthly, accounting/audit personnel shall review all payouts for the promotional progressive pots, pools, or other promotions to determine proper accounting treatment.

Comment (December): First, the accounting personnel review transactions on a daily basis; Second, this appears to be a function regularly done by compliance personnel, and we see no reason for the establishment of a procedure for the accounting department to audit their own work. The TGRA should determine how often these types of activities are audited, on what basis the audit should occur, and what additional specific standards should apply.

Comment (December): Replace “Monthly” with “At least monthly”.

Response: Disagree that the standard necessarily requires accounting to audit its own work. The accounting data originating from the gaming floor is audited daily by revenue audit; however, the revenue audit function is generally defined as the verification that the financial data is reliable and

~~valid. Data is considered to be valid if it is mechanically sound, e.g. adds up properly. Data is considered to be reliable if it is effective in capturing the activity—is what it is represented to be. Several standards in the MICS require accounting/auditing personnel to review data or work product of data captured to confirm that it is appropriate. The control in question merely requires that the entries to the G/L booking promo payouts were recorded correctly. Noteworthy to this control is the fact that such transactions may require different accounting treatment. For example, a pool payout reduces a liability but a contest payout will typically affect an operating expense.~~

~~Response: Agree regarding the reference to at least monthly. Revised accordingly~~

Revised proposal as a result of December comment:

~~(4) At least monthly, accounting/audit personnel shall review all payouts for the promotional progressive pots, pools, or other promotions to determine proper accounting treatment.~~

~~(5) Monthly, accounting/audit personnel shall perform procedures to ensure that payouts for the promotional progressive pots, pools, or other promotions are conducted in accordance with conditions provided to the customers.~~

~~Comment (December): Replace “Monthly” with “At least monthly”.~~

~~Response: Agree.~~

Revised proposal as a result of December comment:

~~(5) At least monthly, accounting/audit personnel shall perform procedures to ensure that payouts for the promotional progressive pots, pools, or other promotions are conducted in accordance with conditions provided to the customers.~~

~~(6) Daily, accounting/audit personnel shall reconcile all contest/tournament entry and payout forms to the dollar amounts recorded in the appropriate accountability document.~~

(7) For all contests, tournaments, promotional payouts (including payouts from computerized player tracking activity), drawings, and giveaway programs the following documentation shall be maintained:

(i) A copy of the information provided to customers describing the contest, tournament, promotional payout, drawing, and giveaway program (e.g., brochures, fliers);

(ii) Effective dates; and

(iii) Accounting treatment, including general ledger accounts, if applicable.

Comment (December): Redundant to new subsection (h).

Response: Agree, (j)(7) and (i) — (iii) struck.

Revised proposal as a result of December comment:

(7) For all contests, tournaments, promotional payouts (including payouts from computerized player tracking activity), drawings, and giveaway programs the following documentation shall be maintained:

(i) A copy of the information provided to customers describing the contest, tournament, promotional payout, drawing, and giveaway program (e.g., brochures, fliers);

(ii) Effective dates; and

(iii) Accounting treatment, including general ledger accounts, if applicable.

(8) When payment is made to the winners of a contest/tournament, accounting/audit personnel shall reconcile the contest/tournament entry fees collected to the actual contest/tournament payouts made. This reconciliation is to determine whether, based on the entry fees collected, the payouts made and the amounts withheld by the

~~gaming establishment, if applicable, were distributed in accordance with the contest/tournament rules.~~

Comment (December): ~~Redundant to new subsection (h).~~

Response: Agree, (j)(8) struck.

Revised proposal as a result of December comment:

~~(8) When payment is made to the winners of a contest/tournament, accounting/audit personnel shall reconcile the contest/tournament entry fees collected to the actual contest/tournament payouts made. This reconciliation is to determine whether, based on the entry fees collected, the payouts made and the amounts withheld by the gaming establishment, if applicable, were distributed in accordance with the contest/tournament rules.~~

~~(9) For computerized player tracking systems, an accounting/audit employee shall perform the following procedures for at least one day per quarter:~~

~~(i) Review all point addition/deletion authorization documentation, other than for point additions/deletions made through an automated process related to actual card game play, for propriety.~~

~~(ii) Review exception reports including transfers between accounts.~~

~~(iii) Review documentation related to access to inactive and closed accounts.~~

Comment (December): ~~Redundant to new subsection (i).~~

Response: Agree, (j)(9) and (i) — (iii) struck.

Revised proposal as a result of December comment:

~~(9) For computerized player tracking systems, an accounting/audit employee shall perform the following procedures for at least one day per quarter:~~

(i) Review all point addition/deletion authorization documentation, other than for point additions/deletions made through an automated process related to actual card game play, for propriety.

(ii) Review exception reports including transfers between accounts.

(iii) Review documentation related to access to inactive and closed accounts.

(10) At least annually, the computerized card games player tracking system (in-house developed and purchased systems) shall be reviewed by personnel independent of the individuals that set up or make changes to the system parameters. The review is performed to determine that the configuration parameters are accurate and have not been altered without appropriate management authorization (e.g., verify the accuracy of the awarding of points based on the dollar amount wagered). The system shall also be tested, if possible, to further verify the accuracy of the configuration parameters (e.g., simulate activity to verify the accuracy of the amount of points awarded). The test results shall be documented and maintained.

Comment (December): Standard is misplaced, should be in the IT section.

Response: Agree, (j)(10) struck. Note: (j)(11) then becomes (j)(7).

Revised proposal as a result of December comment:

(10) At least annually, the computerized card games player tracking system (in-house developed and purchased systems) shall be reviewed by personnel independent of the individuals that set up or make changes to the system parameters. The review is performed to determine that the configuration parameters are accurate and have not been altered without appropriate

management authorization (e.g., verify the accuracy of the awarding of points based on the dollar amount wagered). The system shall also be tested, if possible, to further verify the accuracy of the configuration parameters (e.g., simulate activity to verify the accuracy of the amount of points awarded). The test results shall be documented and maintained.

(7) (11) Documentation (e.g., log, checklist, notation on reports, and tapes attached to original documents) evidencing the performance of card games audit procedures, the exceptions noted, and the follow up of all card games audit exceptions shall be maintained,

Justification: ~~The MICS are currently silent on accounting/audit standards for card games and promotional pots and pools, contests and tournaments, and computerized player tracking systems for card games. Experience has demonstrated that standards are needed to ensure effective accounting for the activities and revenues. The proposed standards are intended to address this need.~~