

§ 542.15 What are the minimum internal control standards for credit?

(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 **in writing** by the Tribal gaming regulatory authority, will be acceptable.

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

(b) *Credit standards.* The following standards shall apply if the gaming operation authorizes and extends credit to customers:

(1) At least the following information shall be recorded for customers that have credit limits or are issued credit (**including the issuance of markers but** excluding personal checks, payroll checks, cashier's checks, **counter checks** and traveler's checks):

Justification: Clarifies that the issuance of markers is an issuance of credit but counter checks is not.

Comment (October): Verify that this paragraph does not conflict with Section 542.2 definition of credit.

Response: Paragraph is consistent with the Section 542.2 definition of credit.

(i) Customer's name, current address, and signature;

(ii) Identification verifications **including type of identification credential, credential number, expiration date of credential, and date credential was examined. A driver's license is the preferred method for verifying the customer's identity. A passport, non-resident alien identification card, other government issued**

identification credential or another picture identification credential normally acceptable as a means of identification when cashing checks, may also be used.

Justification: Clearly delineates information required to be recorded and preference for driver's license as identification credential.

Comment (October): Include a specific reference to the Tribal ID of the gaming operation's tribe as an accepted alternative identification credential.

Response: Disagree. It is left to management to interpret "other government issued identification credential" to include the Tribal ID of the gaming operation's tribe, taking into consideration the characteristics of the credential, and the specific operating environment.

(iii) Authorized credit limit;

(iv) ~~Documentation of authorization~~ **Signature of approval** by a person ~~designated~~ **authorized** by management to approve credit limits (**for computerized systems, a credit limit approval controlled through system passwords is adequate**);

Justification: Stipulates that the required documentation is a signature of a person authorized to approve credit limits or the use of a password protected system.

(v) **Date, time and amount of** credit issuances and payments; **and**

Justification: Provides for detailed record-keeping of credit issued and repaid.

(vi) Amount of available credit.

(2) Prior to **the issuance of gaming extending** credit, ~~the customer's gaming operation credit record and/or other documentation shall be examined to determine the following the individual preparing to issue the credit shall:~~

(i) **Determine whether the** ~~Properly authorized~~ credit limit is **properly authorized**;

(ii) **Determine the amount of available credit and whether** remaining credit is sufficient to cover the credit issuance; and

(iii) **Verify the identity of the customer by examining the customer's identity credential or other reasonable method to ensure the customer's identity** ~~(except for known customers).~~

Justification: Specifies the tasks that must be performed by the employee preparing to issue the credit prior to credit issuance.

(3) Credit extensions over a specified dollar amounts shall be approved by personnel designated by management.

Justification: Permits the establishment of differing levels of approval for differing dollar amounts.

(4) Proper approval of credit extensions over ten percent (10%) of the previously established limit, **including a temporary increase**, shall be documented.

Justification: Clarifies that a temporary increase, as well as a "permanent" increase must be approved

(5) The job functions of credit approval (i.e., establishing the customer's credit worthiness) and credit extension (i.e., advancing customer's credit) shall be segregated for credit extensions to a single customer of \$10,000 or more per day (applies whether the credit is extended in the pit or the cage).

(6) If cage credit is extended to a single customer in an amount exceeding \$2,500, appropriate gaming personnel shall be notified on a timely basis of the customers playing on cage credit, the applicable amount of credit issued, and the available balance.

Comment (October): Paragraphs (5) and (6) appear to conflict.

Response: Disagree. Paragraph (5) addresses the credit approval and extension process, paragraph (6) addresses floor notification of credit extended by the cage. However, paragraph (6) will be revised to provide more differentiation.

Note: On review, the standard is missing clarification regarding the notification process. Proposal has been modified accordingly.

Revised proposal incorporating note:

(6) If cage credit is extended to a single customer in an amount exceeding **\$2,500, the amount established by management (not to exceed \$10,000, Tribal gaming regulatory authority approval recommended)**, appropriate gaming personnel shall be notified on a timely basis **(e.g., via computer and provided the gaming department can access computer record of gaming activity)** of the customers playing on cage credit, the applicable amount of credit issued, and the available balance.

Comment (December): Replace TGRA approval recommendation with approval requirement.

Comment (December): Notification requirement and TGRA approval of the threshold should be separate paragraphs to enhance clarity.

Response: Agree. Revised accordingly.

Revised proposal as a result of December comments:

(6) If cage credit is extended to a single customer in an amount exceeding **\$2,500, the threshold established by management (threshold not to exceed \$10,000)**, appropriate gaming personnel shall be notified on a timely basis **(e.g., via computer and provided the gaming department can access computer record of gaming activity)** of the customers playing on cage credit, the applicable amount of credit issued, and the available balance.

(i) The threshold amount that the cage is authorized to extend credit without required notification to appropriate gaming personnel shall be approved by the Tribal gaming regulatory authority.

(ii) [Reserved]

(7) Cage marker forms shall be at least two parts (the original marker and a payment slip), prenumbered by the printer or concurrently numbered by the computerized system, and utilized in numerical sequence.

(8) The completed original cage marker shall contain at least the following information:

(i) Marker number;

(ii) Player's name and signature;

(iii) Amount of credit issued (both alpha and numeric); and

(iv) Signature of the cashier.

Justification: Adds the requirement for the cashier's signature.

(9) The completed payment slip shall include the same marker number as the original, date and time of payment, amount of payment, nature of settlement (cash, chips, etc.), and signature of cashier receiving the payment.

(c) *Payment standards.* (1) All payments received on outstanding credit instruments shall be recorded in ink or other permanent form of recordation in the gaming operation's records.

(2) When partial payments are made on credit instruments, they shall be evidenced by a multi-part **sequentially-numbered** receipt (or another equivalent document) that contains:

Justification: Clarifies requirement that receipts must be sequentially numbered.

(i) The same preprinted **receipt** number on all copies;

Justification: Clarifies that it is the same receipt number that is required.

(ii) Customer's name;

(iii) Date of payment;

(iv) Dollar amount of payment (or remaining balance if a new marker is issued), and nature of settlement (cash, chips, etc.);

(v) Signature of individual receiving payment; and

(vi) **Marker N-number** **or other identifying characteristic** of credit instrument on which partial payment is being made.

Justification: Permits the use of identifying characteristic other than marker number.

Comment (October): Strike “or other identifying characteristic”, or provide examples. Phrase is not defined.

Response: Agree. Modified accordingly

Revised proposal as a result of October comment:

(vi) **Marker N-number** of credit instrument on which partial payment is being made.

(3) Unless **credit** account balances are routinely confirmed on a random basis by the accounting or internal audit departments, or statements are mailed by a person

independent of the credit transactions and collections thereon, and the department receiving payments cannot access cash, then the following standards shall apply:

Justification: Clarifies that sub-section refers to credit accounts.

(i) The routing procedures for credit instrument payments by mail require that they be received by a department independent of credit instrument custody and collection;

(ii) ~~Such receipts~~ Credit instrument payments received by mail shall be documented on a listing indicating the customer's name (and the name of the individual making the payment if different than the customer), amount of payment, nature of payment (if other than a check), and date payment received; and

Justification: Clearly specifies the receipts to which the requirement applies and prescribes procedure to be followed if someone other than the customer makes the payment.

(iii) The total amount of the listing of mail receipts shall be reconciled with the total mail receipts recorded on the appropriate accountability form by the accounting department on a random basis (for at least three (3) days per month).

(d) *Access to credit documentation.* (1) Access to credit documentation shall be restricted as follows:

(i) The credit information shall be restricted to those positions that require access and are so authorized by management;

(ii) Outstanding credit instruments shall be restricted to persons authorized by management; and

(iii) Written-off credit instruments shall be further restricted to persons **specified**
authorized by management.

Justification: Substitution of “authorized” for “specified” creates consistency within the sub-section.

(2) [Reserved]

(e) *Maintenance of credit documentation.* (1) All extensions of cage credit, pit credit transferred to the cage, and subsequent payments **received** shall be documented **by cage personnel** on a credit instrument control form.

Justification: Specifies that it is the cage personnel who must prepare this documentation.

(2) Records of all correspondence, transfers to and from outside agencies, and other documents related to issued credit instruments shall be maintained.

(f) *Write-off and settlement standards.* (1) Written-off or settled credit instruments shall be authorized in writing.

(2) Such authorizations shall be made by at least two management officials ~~who are from departments independent of the credit transaction~~ **at least one of whom is independent of the initial credit limit approval process and the issuance and collection of credit relative to the customer’s account. The individuals approving the write-off or settlement must sign a document indicating their authorization.**

Justification: Clarifies the independence requirement and stipulates that the document authorizing the write-off must contain signatures of both individuals.

(3) Completed written-off and settled credit instrument documentation is submitted to the accounting department within 72 hours of completion.

Justification: Requirement added to ensure timely delivery of information to accounting department.

(g) *Collection agency standards.* (1) If credit instruments are transferred to collection agencies or other collection representatives, a copy of the credit instrument and a receipt from the collection representative shall be obtained and maintained until the original credit instrument is returned or payment is received.

(2) A person independent of credit transactions and collections shall periodically review the documents in paragraph (g)(1) of this section **to ensure all required documents are present.**

Justification: Clarifies the objective of reviewing documents.

542.15 (h) *Accounting/auditing standards have been moved to proposed Revenue Audit 542.50 (g).*

~~(h) *Accounting/auditing.* (1) A person independent of the cage, credit, and collection functions shall perform all of the following at least three (3) times per year:~~

~~**(i) Select a sample of credit accounts;**~~

~~**Justification:** Clarifies that not all credit accounts need to be reviewed.~~

~~**(ii) (i) Ascertain compliance with credit limits and other established credit issuance procedures;**~~

~~**(iii) (ii) Randomly Reconcile outstanding balances of both active and inactive (includes write offs and settlements) accounts on the accounts receivable listing to individual credit records and physical instruments. This procedure need only be performed once per year for inactive accounts; and**~~

~~**Justification:** Clarifies that both write offs and settlements are considered inactive accounts.~~

~~(iv) (iii) Examine credit records to determine that appropriate collection efforts are being made and payments are being properly recorded; and~~

~~(iv) (2) For a minimum of five (5) days per month, a person independent of the cage, credit, and collection functions shall subsequently reconcile partial payment receipts shall be subsequently reconciled to the total payments recorded by the cage for the day and shall be numerically accounted for account for the receipts sequentially.~~

Comment (October): Functions other than cage, credit, and collection may not be sufficiently independent to perform the reconciliation.

Response: Disagree. The functions listed here are the functions usually responsible for accepting and accounting for partial payments on credit instruments. Other functions will normally have the degree of independence necessary to perform the reconciliation.

Comment (October): Replace all occurrences of “person independent of cage, credit, and collection functions” in sub-section (h) with “revenue audit”.

Response: Disagree. “Revenue audit” is not a universal term in the industry, and is not defined in Part 542. For gaming operations where revenue audit is a distinct and defined function, and revenue audit is independent of the partial payment transactions, it is left to the TGRA to assign procedures in sub-section (h) to revenue audit.

Note: 542.50 (g) (3) (5) were previously located in 542.14 Cage. However, because they are applicable to credit, they have been moved to this section.

~~(3) A trial balance of gaming operation accounts receivable, including the name of the customer and current balance, shall be prepared at least monthly for active, inactive, settled or written-off accounts.~~

~~(4) The trial balance of gaming operation accounts receivable shall be reconciled to the general ledger each month. The reconciliation and any follow-up performed shall be documented, maintained for inspection, and provided to the Tribal gaming~~

~~regulatory authority upon request.~~

~~(5) On a monthly basis an evaluation of the collection percentage of credit issued to identify unusual trends shall be performed.~~