

# Regulatory Analysis Form

This space for use by IRRC

RECEIVED  
 2006 OCT 25 PM 3:17  
 INDEPENDENT REGULATORY  
 REVIEW COMMISSION

(1) Agency

Pennsylvania Gaming Control Board

(2) I.D. Number (Governor's Office Use)

125 - 49

IRRC Number:

2581

(3) Short Title

Chapters 465: Accounting and Internal Controls; 466: Slot Computer Systems; 467: Commencement of Slot Operations

(4) PA Code Cite

58 PA. Code  
Chapters 465, 466 and 467

(5) Agency Contacts & Telephone Numbers

Primary Contact: Richard Sandusky  
717-214-8111 / [rsandusky@state.pa.us](mailto:rsandusky@state.pa.us)  
Secondary Contact: Michelle Afragola  
610-943-1338 / [mafragola@state.pa.us](mailto:mafragola@state.pa.us)

(6) Type of Rulemaking (check one)

- Proposed Rulemaking  
 Final Order Adopting Regulation  
 Final Order, Proposed Rulemaking Omitted

(7) Is a 120-Day Emergency Certification Attached?

- No  
 Yes: By the Attorney General  
 Yes: By the Governor

(8) Briefly explain the regulation in clear and nontechnical language.

Pursuant to the authority granted to the Board under § 1203 of the Pennsylvania Horse Race Development and Gaming Act (Act) (4 Pa.C.S. § 1203), the Board initially adopted Chapter 465 as a temporary regulation on February 2, 2006 (36 Pa.B. 910), Chapter 466 as a temporary regulation on June 15, 2006 (36 Pa.B. 3416) and Chapter 467 as a temporary regulation on June 28, 2006 (36 Pa.B. 3954). Under § 1203(b) of the Act, these temporary regulations will expire on July 5, 2007.

By this rulemaking, the Board is proposing to replace those temporary regulations with permanent regulations.

(9) State the statutory authority for the regulation and any relevant state or federal court decisions.

§ 1202(b)(14) of the Act (4 Pa.C.S. § 1202(b)(14)) provides the Board with general authority to promulgate regulations as the Board deems necessary to carry out the policy and purposes of the Act. §§ 1207, 1322 and 1520 (4 Pa.C.S. §§ 1207, 1322 and 1520) provide more specific authority for portions of Chapters 465, 466 and 467.

## Regulatory Analysis Form

(10) Is the regulation mandated by any federal or state law or court order, or federal regulation? If yes, cite the specific law, case or regulation, and any deadlines for action.

§ 1203(b) of the Pennsylvania Horse Race Development and Gaming Act (Act)(4 Pa.C.S. § 1203(b)) provides that temporary regulations adopted by the Board shall expire no later than three years following the effective date of the Act. Accordingly, final adoption of the proposed regulations before that date is necessary.

(11) Explain the compelling public interest that justifies the regulation. What is the problem it addresses?

Promulgation of these regulations is necessary to replace the Board's temporary regulations that will expire and are necessary to carry out the policy and purposes of the Act and to enhance the credibility and the integrity of gaming in the Commonwealth.

These regulations are necessary to establish the standards for the accounting and internal control procedures to be utilized and complied with by all licensed facilities in the Commonwealth. These regulations also include requirements for slot computer systems and compliance with specific provisions for the gaming floor layout at the licensed facility and commencement of slot operations.

(12) State the public health, safety, environmental or general welfare risks associated with nonregulation.

Failure to replace the existing temporary regulations could create disruptions in gaming in the Commonwealth which could reduce future gaming revenues and reduce employment opportunities in the gaming industry.

Additionally, the lack of permanent regulations would eliminate the requirements governing the gaming industry that are designed to protect the public and maintain the integrity of gaming in the Commonwealth.

(13) Describe who will benefit from the regulation. (Quantify the benefits as completely as possible and approximate the number of people who will benefit.)

These regulations will not create any immediate benefits at this time. After slot licenses are issued and gaming begins, Pennsylvania residents will benefit through wage or property tax reductions; state, county and local governments and horsemen organizations will receive a percentage of the revenues generated; and Pennsylvania residents will benefit from the increased employment opportunities.

Slot machine licensees will benefit from having a clear understanding of the accounting and internal control procedures, the requirements necessary to commence slot operations and the standards for slot computer systems with which they must comply in the opening and in the operation of the licensed facilities.

## Regulatory Analysis Form

(14) Describe who will be adversely affected by the regulation. (Quantify the adverse effects as completely as possible and approximate the number of people who will be adversely affected.)

These regulations will impose some costs on slot machine licensees as a result of the accounting procedures, reporting and personnel requirements imposed on the licensees by the regulations.

There will be 14 slot machine licensees. There are currently 5 conditional Category 1 licensees.

(15) List the persons, groups or entities that will be required to comply with the regulation. (Approximate the number of people who will be required to comply.)

Applicants for and holders of slot machine licenses will be required to meet the accounting and internal control requirements, the slot computer system standards and the gaming floor and commencement of operations requirements.

(16) Describe the communications with and input from the public in the development and drafting of the regulation. List the persons and/or groups who were involved, if applicable.

Drafts of the temporary regulations were published in the *Pennsylvania Bulletin* and posted on the Board's website for public comment prior to their adoption.

(17) Provide a specific estimate of the costs and/or savings to the regulated community associated with compliance, including any legal, accounting or consulting procedures which may be required.

These regulations impose a number of accounting procedures and reporting requirements on applicants. The regulations require the slot machine licensees to hire independent accountants to provide reports to the Board as well as perform their own accounting procedures in compliance with the regulations.

The regulations also require specific personnel to perform certain duties within the facility. These requirements will impose costs on the slot machine licensee for compliance. However, overall all of the regulations contained in these chapters reflect best management practices in the industry and are designed to ensure that the revenue stream is protected at the licensed facility and will ultimately result in savings to both the slot machine licensee and the Commonwealth through the prevention of theft and the mishandling of funds.

## Regulatory Analysis Form

(18) Provide a specific estimate of the costs and/or savings to local governments associated with compliance, including any legal, accounting or consulting procedures which may be required.

There are no expected costs or savings projected for local governments as a result of these regulations.

(19) Provide a specific estimate of the costs and/or savings to state government associated with the implementation of the regulation, including any legal, accounting, or consulting procedures which may be required.

Most of the costs associated with this proposed rulemaking will be incurred by the Bureau of Corporate Compliance and Internal Controls which is responsible for auditing and reviewing the accounting reports submitted by the slot machine licensees and the independent accountants.

The Commonwealth will experience savings through the protection of the revenue stream by the imposition of the accounting and internal control requirements.

## Regulatory Analysis Form

(20) In the table below, provide an estimate of the fiscal savings and costs associated with implementation and compliance for the regulated community, local government, and state government for the current year and five subsequent years.

	Current FY Year	FY +1 Year	FY +2 Year	FY +3 Year	FY +4 Year	FY +5 Year
<b>SAVINGS:</b>	\$	\$	\$	\$	\$	\$
<b>Regulated Community</b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>Local Government</b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>State Government</b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total Savings</b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>COSTS:</b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>Regulated Community</b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>Local Government</b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>State Government</b>	\$1,439,677	\$1,511,660	\$1,587,243	\$1,666,605	\$1,749,935	\$1,837,431
<b>Total Costs</b>	\$1,439,677	\$1,511,660	\$1,587,243	\$1,666,605	\$1,749,935	\$1,837,431
<b>REVENUE LOSSES:</b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>Regulated Community</b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>Local Government</b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>State Government</b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total Revenue Losses</b>	N/A	N/A	N/A	N/A	N/A	N/A

(20a) Explain how the cost estimates listed above were derived.

The cost estimates shown above are based on preliminary estimates of personnel costs that will be associated with compliance with the requirements contained in the regulations.

### Regulatory Analysis Form

(20b) Provide the past three year expenditure history for programs affected by the regulation.

Program	FY -3	FY -2	FY -1	Current FY
Board Budget	N/A	\$2,900,000	\$13,200,000	\$23,000,000 (Projected)

(21) Using the cost-benefit information provided above, explain how the benefits of the regulation outweigh the adverse effects and costs.

The costs related to these regulations are typical in a regulated gaming environment. The costs are necessary to insure the integrity of gaming and compliance with the accounting and internal control requirements imposed by the Act.

While more costs will likely be incurred by both the industry and the Board in preparation for the opening of the facilities, once gaming begins, there will be substantial financial benefits for taxpayers, horsemen, county and local governments, and individuals who gain employment in gaming and related industries.

Additionally as stated in Item (17), these regulations will ultimately result in savings to both the slot machine licensee and the Commonwealth through the prevention of theft and the mishandling of funds.

(22) Describe the nonregulatory alternatives considered and the costs associated with those alternatives. Provide the reasons for their dismissal.

The only alternative considered was to implement practices based solely on the Act.

Since the Act does not contain enough detail to provide for effective auditing and establishment of internal controls, regulations were deemed necessary.

(23) Describe alternative regulatory schemes considered and the costs associated with those schemes. Provide the reasons for their dismissal.

No other regulatory schemes were considered.

## Regulatory Analysis Form

(24) Are there any provisions that are more stringent than federal standards? If yes, identify the specific provisions and the compelling Pennsylvania interest that demands stronger regulation.

There are no corresponding Federal requirements.

(25) How does this regulation compare with those of other states? Will the regulation put Pennsylvania at a competitive disadvantage with other states?

Many of the provisions in these regulations are similar to those in other gaming jurisdictions.

Nothing in these chapters will put Pennsylvania at a competitive disadvantage with other states.

(26) Will the regulation affect existing or proposed regulations of the promulgating agency or other state agencies? If yes, explain and provide specific citations.

These regulations will replace the existing temporary regulations in Chapters 465, 466 and 467 in 58 PA. Code.

(27) Will any public hearings or informational meetings be scheduled? Please provide the dates, times, and locations, if available.

Because the proposed regulations are not significantly different from the existing temporary regulations, no additional hearings or meetings have been scheduled.

## Regulatory Analysis Form

(28) Will the regulation change existing reporting, record keeping, or other paperwork requirements? Describe the changes and attach copies of forms or reports which will be required as a result of implementation, if available.

The proposed regulations do not change or add new reporting, record keeping or paperwork requirements beyond those that are in the temporary regulations which are described below.

Slot machine licensees will be required to provide extensive documentation in the form of accounting reports, annual audits, suspicious activity reporting and currency transaction reporting.

The regulations provide specific requirements for retention, storage and destruction of books, records and documents related to the accounting and internal controls.

The cashiers' cage, the count room, security and surveillance and the licensed facility overall must comply with specific reporting requirements for certain events such as counting and recording of cash and other forms of revenue.

(29) Please list any special provisions which have been developed to meet the particular needs of affected groups or persons including, but not limited to, minorities, elderly, small businesses, and farmers.

No special provisions have been added.

(30) What is the anticipated effective date of the regulation; the date by which compliance with the regulation will be required; and the date by which any required permits, licenses or other approvals must be obtained?

These regulations will be effective upon publication as a final rule in the *Pennsylvania Bulletin*.

It is anticipated that final regulations will be adopted before the July 5, 2007 expiration date of the existing temporary regulations.

(31) Provide the schedule for continual review of the regulation.

No formal review schedule has been established. Instead, the Board will be constantly reviewing its regulations and proposing amendments as the need arises.

FACE SHEET  
FOR FILING DOCUMENTS  
WITH THE LEGISLATIVE REFERENCE  
BUREAU

(Pursuant to Commonwealth Documents Law)

2581

INDEPENDENT REGULATORY  
REVIEW COMMISSION

2006 OCT 25 PM 3:17

RECEIVED

DO NOT WRITE IN THIS SPACE

Copy below is hereby approved as to form and legality.  
Attorney General

By: N/A  
(Deputy Attorney General)

N/A  
DATE OF APPROVAL

Check if applicable  
Copy not approved. Objections attached.

Copy below is hereby certified to be true and correct  
copy of a document issued, prescribed or promulgated  
by:

**Pennsylvania Gaming  
Control Board**

FISCAL NOTE NO.: 125-49

DATE OF ADOPTION: 10/25/2006

BY: [Signature]  
Thomas Decker, CHAIRMAN

Copy below is hereby approved as to form and legality  
Executive or Independent Agencies

BY: [Signature]  
Frank Donaghue, Chief Counsel

10/25/2006  
DATE OF APPROVAL

(Deputy General Counsel)  
(Chief Counsel - Independent Agency)  
(Strike inapplicable title)

Check if applicable. No Attorney General Approval or  
objection within 30 days after submission.

**PROPOSED RULEMAKING  
COMMONWEALTH OF PENNSYLVANIA**

**58 PA. CODE, SUBPART E, CHAPTERS 465, 466 and 467  
CHAPTER 465 Accounting and Internal Controls  
CHAPTER 466 Slot Computer Systems  
CHAPTER 467 Commencement of Slot Operations**

## PROPOSED RULEMAKING

### PENNSYLVANIA GAMING CONTROL BOARD

[58 PA. CODE CHS. 465, 466 and 467]

The Pennsylvania Gaming Control Board (Board), under the general authority in 4 Pa.C.S. § 1202(b)(14) (relating to general and specific powers) and the specific authority in 4 Pa.C.S. §§ 1207, 1322 and 1520 (relating to regulatory authority of the board; slot machine accounting controls and audits; and automated teller machines), proposes to adopt Chapter 465 (relating to accounting and internal controls), Chapter 466 (relating to slot computer systems) and Chapter 467 (relating to commencement of slot operations) to read as set forth in Annex A.

#### *Purpose of the Proposed Rulemaking*

Under the authority granted to the Board under 4 Pa.C.S. § 1203 (relating to temporary regulations), the Board initially adopted temporary regulations in Chapter 465 at 36 Pa.B. 910 (February 18, 2006), in Chapter 466 at 36 Pa.B. 3416 (July 1, 2006) and in Chapter 467 at Pa.B. 3954 (July 22, 2006). Under 4 Pa.C.S. Part II (relating to gaming), the temporary regulations expire on July 5, 2007.

The Board is proposing to replace the temporary regulations with the permanent regulations in this proposed rulemaking.

#### *Explanation of Chapter 465*

This chapter contains accounting and internal control provisions that apply to applicants for and holders of slot machine licenses. These regulations encompass specific procedural, personnel, accounting, auditing and reporting requirements for the operation of a licensed facility in the Commonwealth.

Amendments to the temporary regulations in this proposed rulemaking include a large number of editorial changes that improve the clarity of the language in the temporary regulations. Section 465.1, which originally contained definitions has been removed. The defined terms originally contained in this section and other defined terms contained in various sections in Chapter 465 will be moved to Chapter

461 in Subpart E., as the defined terms are used throughout the subpart. The other sections of this chapter have been renumbered accordingly. In section 465.9 (relating to surveillance system; surveillance department control, surveillance department restrictions), subsection (j) has been amended to allow the slot machine licensees to retain video surveillance for the collection of slot cash storage boxes for a seven-day period. In section 465.21 (relating to wire transfers) additional conditions have been added for wire transfer reversals. Two additional sections have been added to the regulations, section 465.31, Gaming day and section 465.32, Signature. These provisions do not pose any new requirements; rather the substantive language of these provisions was originally contained in definitions and has been moved from the definitions to create new regulatory sections.

#### *Explanation of Chapter 466*

This chapter addresses the requirements for slot computer systems used by slot machine licensees. The changes proposed in this chapter are editorial and are intended to improve the clarity of the language contained in the existing temporary regulations.

#### *Explanation of Chapter 467*

This chapter addresses the requirements slot machine licensees must meet prior to commencement of slot operations. Included in this chapter are regulations that address the gaming floor requirements, surveillance capabilities, internal controls and audit protocols, and other pre-opening requirements that must be satisfied prior to a slot machine licensee's commencement of operations. The changes proposed in this chapter are editorial and are intended to improve the clarity of the language contained in the existing temporary regulations.

#### *Affected Parties*

This proposed rulemaking imposes requirements on applicants for or holders of slot machine licenses.

#### *Fiscal Impact*

#### *Commonwealth*

This proposed rulemaking will impose costs on the Board to monitor the compliance of slot machine licensees with the requirements in the regulations.

#### *Political Subdivisions*

This proposed rulemaking will have no significant fiscal impact on political subdivisions of the Commonwealth.

#### *Private Sector*

Applicants for and holders of slot machine licenses will experience some costs to comply with the accounting, auditing, personnel and reporting requirements.

#### *General Public*

This proposed rulemaking will have no fiscal impact on the general public.

#### *Paperwork Requirements*

This proposed rulemaking does not impose new reporting or paperwork requirements on the affected parties under the Board's jurisdiction. This proposed rulemaking clarifies the type of information that should be contained in the reports that are currently required to be submitted to the Board.

#### *Effective Date*

The proposed rulemaking will become effective upon final-form publication in the *Pennsylvania Bulletin*.

#### *Public Comments*

Interested persons are invited to submit written comments, suggestions or objections regarding the proposed rulemaking within 30 days after the date of publication in the *Pennsylvania Bulletin* to Paul Resch, Secretary, Pennsylvania Gaming Control Board, P. O. Box 69060, Harrisburg, PA 17106-9060, Attention: Public Comment on Regulation #125-49.

#### *Contact Person*

The contact persons for questions about this proposed rulemaking are Richard Sandusky, Director of Regulatory Review, (717) 214-8111, and Michelle Afragola, Deputy Director of Regulatory Review, (610) 943-1338.

### *Regulatory Review*

Under section 5(a) of the Regulatory Review Act (71 P. S. § 745.5(a)), on October 25, 2006, the Board submitted a copy of this proposed rulemaking and a copy of a Regulatory Analysis Form to the Independent Regulatory Review Commission (IRRC) and to the Chairpersons of the House Tourism and Recreational Development Committee and the Senate Committee on Rules and Executive Nominations. A copy of this material is available to the public upon request.

Under section 5(g) of the Regulatory Review Act, IRRC may convey any comments, recommendations or objections to the proposed rulemaking within 30 days of the close of the public comment period. The comments, recommendations or objections must specify the regulatory review criteria which have not been met. The Regulatory Review Act specifies detailed procedures for review, prior to final publication of the rulemaking, by the Board, the General Assembly and the Governor of comments, recommendations or objections raised.

THOMAS A. DECKER,  
Chairperson

ANNEX A

TITLE. 58. RECREATION

PART VII. GAMING CONTROL BOARD

SUBPART E. SLOT MACHINES AND ASSOCIATED EQUIPMENT

CHAPTER 465. ACCOUNTING AND INTERNAL CONTROLS

- § 465.1. Accounting records.
- § 465.2. Internal control systems and audit protocols.
- § 465.3. Forms, records and documents.
- § 465.4. Standard financial and statistical reports.
- § 465.5. Annual audit; other reports; suspicious activity and currency transaction reporting.
- § 465.6. Retention, storage and destruction of books, records and documents.
- § 465.7. Complimentary services or items.
- § 465.8. Licensed facility.
- § 465.9. Surveillance system; surveillance department control; surveillance department restrictions.
- § 465.10. Surveillance system recording formats.
- § 465.11. Slot machine licensee's organization.
- § 465.12. Access badges and temporary access credentials.
- § 465.13. Firearms; possession within a licensed facility.
- § 465.14. Security department minimum staffing.
- § 465.15. Cashiers' cage.
- § 465.16. Accounting controls for the cashiers' cage.

- § 465.17. Bill validators and slot cash storage boxes.
- § 465.18. Transportation of slot cash storage boxes to and from bill validators; storage.
- § 465.19. Acceptance of tips or gratuities from patrons.
- § 465.20. Personal check cashing.
- § 465.21. Wire transfers.
- § 465.22. Cash equivalents.
- § 465.23. Customer deposits.
- § 465.24. Count room characteristics.
- § 465.25. Counting and recording of slot cash storage boxes.
- § 465.26. Jackpot payouts.
- § 465.27. Annuity jackpots.
- § 465.28. Merchandise jackpots.
- § 465.29. Automated teller machines.
- § 465.30. Waiver of requirements.
- § 465.31. Gaming day.
- § 465.32. Signature.

#### **CHAPTER 466. SLOT COMPUTER SYSTEMS**

- § 466.1. Slot computer systems generally.

#### **CHAPTER 467. COMMENCEMENT OF SLOT OPERATIONS**

- § 467.1. Gaming floor plan.
- § 467.2. Commencement of slot operations generally.

CHAPTER 465. ACCOUNTING AND INTERNAL CONTROLS

§ 465.1. Accounting records.

(a) A slot machine licensee shall maintain complete, accurate, and legible records of all transactions pertaining to the revenues and expenses of each licensed facility.

(b) General accounting records shall be maintained on a double entry system of accounting with transactions recorded on a basis consistent with generally accepted accounting principles in the United States. Detailed, supporting, and subsidiary records sufficient to meet the requirements of subsection (c) shall also be maintained in accordance with the requirements of this chapter.

(c) The detailed, supporting, and subsidiary records include:

(1) Records pertaining to revenue that is taxable or subject to taxation under the act.

(2) Records pertaining to the financial statements and all transactions impacting the financial statements of the slot machine licensee including contracts or agreements with licensed manufacturers, suppliers, junket enterprises, certified and registered vendors, contractors, consultants, management companies, attorneys and law firms, accountants and accounting firms, insurance companies, and financial institutions, including statements and reconciliations related thereto.

(3) Records which identify the handle, payout, actual win amounts and percentages, theoretical win amounts and percentages, and differences between theoretical and actual win amounts and percentages, for each slot machine on a week-to-date, month-to-date and year-to-date basis.

(4) Records documenting the costs of complimentary services and items as defined in § 439.1 (relating to definitions).

(5) Records of all loans and other amounts payable by the slot machine licensee.

(6) Records of all investments, advances, loan and receivable balances due to the slot machine licensee.

(7) Records created in connection with the system of internal controls submitted to the Board under § 465.2 (relating to internal control systems and audit protocols).

(8) Records of all returned checks.

**§ 465.2. Internal control systems and audit protocols.**

(a) An applicant for, or holder of, a slot machine license shall submit to the Board and the Department, in the manner the Board requires, a narrative description of its initial system of administrative and accounting procedures, including its internal control systems and audit protocols (collectively referred to as its "internal controls") at least 90 days before gaming

operations are to commence, unless otherwise directed by the Board. A written system of internal controls must include:

(1) Records of direct and indirect ownership in the proposed slot machine license, its affiliates, intermediaries, subsidiaries or holding companies.

(2) Organization charts depicting appropriate segregation of functions and responsibilities.

(3) A description of the duties and responsibilities of each licensed or permitted position shown on the organization charts and their respective lines of authority.

(4) A detailed narrative description of the administrative and accounting procedures designed to satisfy the requirements of this subpart.

(5) A record retention policy in accordance with § 465.6 (relating to retention, storage and destructions of books, records and documents).

(6) Procedures to ensure that assets are safeguarded, and counted in conformance with effective count procedures.

(7) Other items the Board may request in writing.

(b) A submission must be accompanied by the following:

(1) An attestation by the chief executive officer or other competent person with a direct reporting relationship to the chief executive officer attesting that the officer believes,

in good faith, that the submitted internal controls conform to the requirements of the act and this subpart.

(2) An attestation by the chief financial officer or other competent person with a direct reporting relationship to the chief financial officer attesting that the officer believes, in good faith, that the submitted internal controls are designed to provide reasonable assurance that the financial reporting conforms to generally accepted accounting principles in the United States and complies with applicable laws and regulations, including the act and this subpart.

(c) The initial submission must also be accompanied by a report from an independent certified public accountant or, when appropriate, independent registered public accounting firm, licensed to practice in this Commonwealth. The report should express an opinion as to the effectiveness of the design of the submitted system of internal controls over financial reporting and should further express an opinion as to whether the submitted system of internal controls materially deviates from the requirements of applicable laws and regulations, including the act and this subpart.

(d) A submission by a slot machine licensee or applicant must include, at a minimum, the following:

(1) Administrative controls which include the procedures and records that relate to the decision making processes leading to management's authorization of transactions.

(2) Accounting controls which have as their primary objectives the safeguarding of assets and revenues and the reliability of financial records. The accounting controls must be designed to provide reasonable assurance that:

(i) Transactions or financial events which occur in the operation of a slot machine are executed in accordance with management's general and specific authorization, as approved by the Board.

(ii) Transactions or financial events which occur in the operation of a slot machine are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles in the United States, the act and this subpart.

(iii) Transactions or financial events which occur in the operation of a slot machine are recorded in a manner which provides reliable records, accounts and reports, including the recording of cash and evidences of indebtedness, for use in the preparation of reports to the Board related to slot machines.

(iv) Transactions or financial events which occur in the operation of a slot machine are recorded adequately to

permit proper and timely reporting and calculation of gross terminal revenue, fees and taxes and to maintain accountability for assets.

(v) Access to assets is permitted only in accordance with management's general and specific authorization, as approved by the Board.

(vi) The recorded accountability for assets is compared with existing physical assets at reasonable intervals and appropriate action is taken with respect to any discrepancies.

(3) Procedures and controls for ensuring, in accordance with section 1323 of the act (relating to the central control computer system), that each slot machine directly provides and communicates all required activities and financial details to the central control computer system as set by the Board.

(4) Procedures and controls for ensuring that all functions, duties and responsibilities are appropriately segregated and performed in accordance with sound financial practices by competent, qualified personnel.

(5) Procedures and controls for ensuring, through the use of surveillance and security departments, that the licensed facility is secure during normal operations and during any

emergencies due to malfunctioning equipment, loss of power, natural disaster or any other cause.

(e) The Board, in consultation with the Department, will review each initial submission made under subsection (a) and determine whether it conforms to the requirements of the act and this subpart and provides adequate and effective controls for the operation of slot machines at a licensed facility. A slot machine licensee is prohibited from commencing gaming operations until its system of internal controls is approved by the Board.

(f) If a slot machine licensee intends to make a change or amendment to its system of internal controls, it shall submit to the Board and the Department in the manner prescribed, a narrative description of a change or amendment in its system of internal controls and the two original signed certifications described in subsection (b). The slot machine licensee may implement the change on the 30<sup>th</sup> calendar day following the filing of a complete submission.

(g) If during the 30-day review period in subsection (f), the BCCIC preliminarily determines that a procedure in a submission contains a substantial and material insufficiency likely to have a direct and materially adverse impact on the integrity of slot operations or the control of gross terminal revenue, that Bureau, by written notice to the slot machine licensee, will:

(1) Specify the nature of the insufficiency and, where possible, an acceptable alternative procedure.

(2) Direct that the 30 calendar day review period in subsection (f) be tolled and that any internal controls at issue not be implemented until approved by the Board.

(h) Examples of submissions that may be determined to contain a substantial and material insufficiency likely to have a direct and materially adverse impact on the integrity of slot operations or the control of gross terminal revenue may include the following:

(1) Submissions that fail to provide an audit trail sufficient to permit the review of gaming operations or the reconstruction of gross terminal revenue transactions.

(2) Submissions that fail to provide for the segregation of incompatible functions so that no employee is in a position both to commit an error or to perpetrate a fraud and to conceal the error or fraud in the normal course of the employees duties.

(3) Submissions that do not include forms or other materials referenced in the submission or required by the act or this part that are essential elements of the internal controls.

(4) Submissions that would implement operations or accounting procedures not authorized by the act or this part.

(5) Submissions that are dependent upon the use of equipment or related devices or software not approved by the Board, unless the submissions are required as part of an authorized test of the equipment or related device or software.

(i) Notwithstanding anything contained herein to the contrary, and subject to the exception in subsection (j), any change or amendment to submissions with regard to organization charts required under subsection (a) (2) and the descriptions of the duties and responsibilities of each position shown on the organization charts pursuant to subsection (a) (3) (collectively referred to as the "jobs compendium") may be implemented by the slot machine licensee without the prior approval of the Board provided that the change or amendment shall be submitted to the Board within 5 business days of the date of implementation, which filing includes:

(1) A detailed cover letter listing by department each position title to which modification has been made.

(2) A brief summary of each change.

(3) Instructions regarding any changes in page numbers and the date of implementation.

(j) Notwithstanding any provision to the contrary, the submission of changes or amendments to a jobs compendium involving changes or amendments to license categories, job codes, job functions, reporting lines (including new and deleted

positions) or job titles in the information technology, internal audit, security, slot accounting, slot operations, or surveillance departments must be accompanied by the attestations required in subsection (b) and be submitted to the Board by the end of the business day of implementation.

(k) If in the course of its review of a change or amendment to a jobs compendium the Bureau of Licensing determines that the change or amendment contains a substantial and material insufficiency likely to have a direct and materially adverse impact on the integrity of slot operations or the control of gross terminal revenue, that Bureau, by written notice to the slot machine licensee, will:

(1) Specify the nature of the insufficiency and, when possible, an acceptable alternative procedure.

(2) Advise the slot machine licensee as to whether the implementation of the change or amendment must be suspended pending further evaluation by the Board.

(1) A current version of the internal controls of a slot machine licensee shall be maintained in or made available in electronic form through secure computer access to the accounting and surveillance departments of the slot machine licensee and the Board's on site facilities required under § 465.8 (relating to licensed facility). The slot machine licensee shall also maintain a copy, either in paper or electronic form, of any

superseded internal control procedures, along with the two certifications required to be submitted with respect thereto, for a minimum of 5 years. Each page of the internal controls must indicate the date on which it was approved by the Board.

**§ 465.3. Forms, records and documents.**

(a) Information required by this part to be placed on any form, record, or document and in stored data shall be recorded on the form, record, or document and in stored data in ink or other permanent form.

(b) Whenever duplicate or triplicate copies are required of a form, record, or document, the original, duplicate, and triplicate copies must have the name of the recipient receiving the copy preprinted on the bottom of that copy so as to differentiate between the copies.

(c) Whenever under this part, forms or serial numbers are required to be accounted for and an exception is noted, the exceptions shall be reported in writing to the slot machine licensee's internal audit department and BIE within 2 days of identification of the exception or upon its confirmation, whichever occurs earlier.

(d) Unless otherwise specified in this part, all forms, records, documents, and stored data required to be prepared, maintained, and controlled by this chapter must:

(1) Be in a form prescribed or authorized by the Board.

(2) Have the name of the licensed facility and the title of the form, record, document and, for stored data, the date imprinted or preprinted thereon.

(e) Nothing in this chapter shall be construed as prohibiting a slot machine licensee from preparing more copies of any form, record, or document than those prescribed by this chapter.

**§ 465.4. Standard financial and statistical reports.**

(a) A slot machine licensee shall, upon the request of the Board, file monthly, quarterly, and annual reports of financial and statistical data.

(b) The Board may prescribe standard reporting forms and corresponding filing instructions to be used by a slot machine licensee in filing the monthly, quarterly, and annual reports referenced in subsection (a).

(c) In the event of a license termination, change in business entity, or material change in ownership, the Board may require the filing of financial and statistical reports as it deems necessary, as of the date of occurrence of the event. The slot machine licensee will be notified in writing by the Board.

(d) Adjustments resulting from the annual audit required in § 465.5 (relating to annual audit; other reports; suspicious

activity and currency transaction reporting) shall be recorded in the accounting records of the year to which the adjustment relates. If the adjustments were not reflected in any annual report required hereunder and the Board concludes that the adjustments are significant, the Board may require the slot machine licensee to file a revised annual report. The revised filing shall be due within 30 calendar days after written notification to the slot machine licensee, unless the slot machine licensee submits a written request for an extension prior to the required filing date and the extension is granted by the Board.

**§ 465.5. Annual audit; other reports; suspicious activity and currency transaction reporting.**

(a) A slot machine licensee shall, at its own expense, cause its annual financial statements to be audited in accordance with generally accepted auditing standards (when applicable, the Standards of the Public Company Accounting Oversight Board (United States)) by an independent certified public accountant or, when appropriate, an independent registered public accounting firm, licensed to practice in this Commonwealth.

(b) The annual financial statements shall be prepared on a comparative basis for the current and prior fiscal year and present financial position and results of operations in

conformity with generally accepted accounting principles in the United States.

(c) The financial statements required by this section must include a footnote reconciling and explaining any differences between the financial statements included in any annual report filed in conformity with § 465.4 (relating to standard financial and statistical reports) and the audited financial statements. The footnote must, at a minimum, disclose the effect of adjustments on:

(1) Revenue from the operation of slot machines.

(2) Slot machine revenue net of expenses for complimentary services or items.

(3) Total costs and expenses.

(4) Income before extraordinary items.

(5) Net income.

(d) Two copies of the audited financial statements, together with any management letter or report prepared thereon by the slot machine licensee's independent certified public accountant or, when appropriate, independent registered public accounting firm, shall be filed with the Board not later than 60 days after the end of the licensee's fiscal year.

(e) The slot machine licensee shall require the independent certified public accountant or, when appropriate, independent

registered public accounting firm auditing its financial statements to render the following additional reports:

(1) A report on material weaknesses or significant deficiencies in the system of internal controls noted in the course of the examination of the financial statements.

(2) A report expressing the opinion of the independent certified public accountant or independent registered public accounting firm as to the adequacy of the slot machine licensee's system of internal controls over financial reporting based upon the description of the system of internal controls approved for the slot machine licensee under § 465.2 (relating to internal control systems and audit protocols). When appropriate, the report should make specific recommendations regarding improvements in the system of internal controls.

(f) The slot machine licensee shall prepare a written response to the independent certified public accountant's or independent registered public accounting firm's reports required by paragraphs (e) (1) and (2). The response must indicate, in detail, any corrective actions taken. The slot machine licensee shall submit a copy of the response to the BCCIC within 90 days of receipt of the reports.

(g) The slot machine licensee shall file with the BCCIC two copies of the reports required by subsection (e), and two copies of any other reports on internal controls, administrative

controls, or other matters relative to the slot machine licensee's accounting or operating procedures rendered by the licensee's independent certified public accountant or independent registered public accounting firm within 120 days following the end of the licensee's fiscal year or upon receipt, whichever is earlier.

(h) If the slot machine licensee is publicly held, the slot machine licensee shall submit to the BCCIC three copies of any report, including forms S-1, 8-K, 10-Q, 10-K, proxy or information statements and all registration statements, required to be filed by the slot machine licensee with the SEC or other domestic or foreign securities regulatory agency. The filing with the Board shall be made within 10 days of the time of filing with the applicable Commission or regulatory agency or the due date prescribed by the applicable Commission or regulatory agency, which ever occurs first.

(i) If an independent certified public accountant or independent registered public accounting firm who was previously engaged as the principal accountant to audit the slot machine licensee's financial statements resigns or is dismissed as the slot machine licensee's principal accountant, or another independent certified public accountant or independent registered public accounting firm is engaged as principal accountant, the slot machine licensee shall file a report with

the BCCIC within 10 days following the end of the month in which the event occurs, setting forth the following:

(1) The date of the resignation, dismissal or engagement, as appropriate.

(2) Whether in connection with the audits of the 2 most recent years preceding a resignation, dismissal, or engagement there were any disagreements with the former accountant on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, including a description of each disagreement. The disagreements to be reported include those resolved and those not resolved.

(3) Whether the principal accountant's report on the financial statements for either of the past 2 years contained an adverse opinion or disclaimer of opinion or was qualified. The nature of the adverse opinion, disclaimer of opinion, or qualification shall be described.

(j) The slot machine licensee shall request the former accountant to furnish to the slot machine licensee a letter addressed to the Board stating whether he agrees with the statements made by the slot machine licensee in response to paragraph (2). The letter shall be filed with the Board as an exhibit to the report required by paragraph (2).

(k) The slot machine licensee shall file with the Board a copy of any Suspicious Activity Report-Casino (SARC) it is

required to file under 31 CFR 103.21 (relating to reports by casinos of suspicious transactions). Each SARC shall be filed with the Board concurrently with the Federal filing in a manner to be prescribed by the Board.

(l) The slot machine licensee shall file with the Board a copy of any Currency Transaction Report by Casino (CTRC) it is required to file under 31 CFR 103.22 (relating to reports of transactions in currency). Each CTRC shall be filed with the Board concurrently with the federal filing in a manner to be prescribed by the Board.

(m) Prior to commencing gaming operations, a slot machine licensee shall file with the Board, in a manner to be prescribed by the Board, a copy of its compliance program required under 31 CFR 103.64 (relating to special rules for casinos). Thereafter, a slot machine licensee shall file with the Board any amendment or supplement to its compliance program on or before the effective date of the amendment or supplement.

(n) A slot machine licensee, director, officer, employee or agent who reports a suspicious activity under subsection (k) may not notify any person involved in the suspicious activity that the suspicious activity has been reported.

**§ 465.6. Retention, storage and destruction of books, records and documents.**

(a) For the purposes of this section, "books, records and documents" means any book, record or document pertaining to, prepared in or generated by the operation of the licensed facility including all forms, reports, accounting records, ledgers, subsidiary records, computer generated data, internal audit records, correspondence and personnel records required to be generated and maintained by this part. This definition applies without regard to the medium through which the record is generated or maintained, for example, paper, magnetic media or encoded disk.

(b) Original books, records and documents pertaining to the operation of a licensed facility must be:

(1) Prepared and maintained in a complete, accurate and legible form. Electronic data should be stored in a format that ensures readability, regardless of whether the technology or software that created or maintained it has become obsolete.

(2) Retained on the site of the licensed facility or at another secure location approved under subsection (d).

(3) Kept immediately available for inspection by agents of the Board, the Department and the Pennsylvania State Police during all hours of operation.

(4) Organized and indexed in a manner to provide immediate accessibility to agents of the Board, the Department and the Pennsylvania State Police.

(5) Destroyed only after expiration of the minimum retention period specified in subsection (c), except that the Board may, upon the written request of a slot machine licensee and for good cause shown, permit the destruction at an earlier date.

(c) Original books, records and documents shall be retained by a slot machine licensee for a minimum of 5 years with the following exceptions:

(1) Documentation with regard to gaming vouchers reported to the Board as possibly counterfeit, altered or tampered with should be retained for a minimum of 2 years.

(2) Coupons entitling patrons to cash or slot machine credits, whether unused, voided or redeemed shall be retained for a minimum of 6 months.

(3) Voided gaming vouchers and gaming vouchers redeemed at a location other than a slot machine shall be retained for a minimum of 6 months.

(4) Gaming vouchers redeemed at a slot machine shall be retained for a minimum of 7 days.

(d) A slot machine licensee may request, in writing, that the Board approve a location outside the licensed facility to store original books, records and documents. The request must include the following:

(1) A detailed description of the proposed offsite facility, including security and fire safety systems.

(2) The procedures under which the Board, the Department and the Pennsylvania State Police will be able to gain access to the original books, records and documents retained at the offsite facility.

(e) A slot machine licensee may request, in writing, that the Board approve a microfilm, microfiche or other suitable media system for the copying and storage of original books, records and documents. The request must include representations regarding:

(1) The processing, preservation and maintenance methods which will be employed to insure that the books, records and documents are available in a format which makes them readily available for review and copying.

(2) The inspection and quality control methods which will be employed to insure that microfilm, microfiche or other media when displayed on a reader/viewer or reproduced on paper exhibits a high degree of legibility and readability.

(3) The availability of a reader-printer for use by the Board, the Department and the Pennsylvania State Police at the licensed facility or other location approved by the Board and the readiness with which the books, records or documents

being stored on microfilm, microfiche or other media can be located, read and reproduced.

(4) The availability of a detailed index of all microfilmed, microfiched or other stored data maintained and arranged in a manner to permit the immediate location of any particular book, record or document.

(f) Nothing herein shall be construed as relieving a slot machine licensee from meeting any obligation to prepare or maintain any book, record or document required by any other Federal, State or local governmental body, authority or agency.

**§ 465.7. Complimentary services or items.**

(a) A slot machine licensee shall develop, maintain and apply adequate internal controls over the authorization and issuance of complimentary services or items as defined in § 439.1 (relating to definitions). The slot machine licensee shall maintain a written record of the internal controls under this section and the specific employees to whom they apply. Slot machine licensees are not required to obtain Board approval of the internal controls under this section.

(b) The internal controls must include the following:

(1) The procedures by which the slot machine licensee delegates to its employees the authority to approve the issuance of complimentary services or items.

(2) The procedures by which the slot machine licensee establishes or modifies any conditions or limits, to delegated authority, including limits based on relationships between the authorizer and recipient.

(3) The provisions employed to insure the effective auditing of complimentary services or items.

(c) Complimentary services or items shall be recorded as follows:

(1) A complimentary service or item provided directly to a patron in the normal course of a slot machine licensee's business shall be recorded at an amount based upon the full retail price normally charged for the service or item by the licensee.

(2) A complimentary service or item not offered for sale to a patron in the normal course of a slot machine licensee's business but provided directly by the slot machine licensee shall be recorded at an amount based upon the actual cost to the slot machine licensee of providing the service or item.

(3) A complimentary service or item provided directly or indirectly to a patron on behalf of a slot machine licensee by a third party not affiliated with the slot machine licensee shall be recorded at an amount based upon the actual cost to the licensee of having the third party provide the service or item.

(4) A complimentary service or item provided directly or indirectly to a patron on behalf of a slot machine licensee by a third party who is affiliated with the licensee shall be recorded by the licensee in accordance with the provisions of this section as if the affiliated third party were the licensee.

(d) If a slot machine licensee provides complimentary cash and noncash gifts recorded at a value of \$10,000 or more to a person or the person's guests within any 5-day period, the slot machine licensee shall record the reason why the gifts were provided and maintain the records available for inspection by the Board and the Pennsylvania State Police. When the reason complimentary cash and noncash gifts were provided involves the person's player rating, that rating shall be based upon an evaluation of the amount and frequency of play by the person as recorded in the slot machine licensee's player rating system. For the purposes of this section, "guest" means any person who receives complimentary services or items as a result of his relationship with the person receiving the primary complimentary services or items.

(e) A slot machine licensee shall submit to the Board a report listing each person who, under subsection (d), received \$10,000 or more in complimentary cash and noncash gifts within any 5-day period ending during the preceding month. The report shall be filed by the last day of the month following the month

in which the complimentary cash and noncash gifts were issued and include the total amount of complimentary cash or noncash gifts provided to each person broken down into categories for food and beverage, hotel accommodations, travel and other services.

**§ 465.8. Licensed facility.**

(a) A licensed facility must be equipped with a surveillance system configured and approved in accordance with §§ 465.9 and 465.10 (relating to the surveillance system; surveillance department control; surveillance department restrictions and surveillance system recording formats). Except as otherwise provided in subsection (d)(1), the surveillance system shall be under the exclusive control of the surveillance department.

(b) Restricted areas within the licensed facility shall be designated and approved by the Board for the repair and storage of slot machines. Any area approved and utilized within the licensed facility for slot machine repair shall be covered by the approved surveillance system.

(c) Emergency exits from the gaming floor must be equipped with an audible alarm system, approved by the Board that produces a loud, distinguishable warning sound, discernable in the vicinity of the exit, whenever the emergency door is opened. The alarm system shall be designed to require deactivation and

reset by means of a key. The key is to be maintained by the security department.

(d) Slot machine licensees shall, in accordance with section 1207(13) of the act (relating to regulatory authority of Board), provide for and maintain onsite facilities for use by the Board, the Department, and the Pennsylvania State Police for the purpose of carrying out their respective responsibilities (collectively referred to as the "onsite facilities"). The onsite facilities must be located in the same building as, and be located reasonably proximate to, the gaming floor and include suitable office space, equipment, partitions and supplies to meet the continuing needs of the Board, the Department and the Pennsylvania State Police at the facility including the following:

(1) A surveillance system monitoring room, located within the onsite facilities, with full camera control capability for the reception of transmissions generated by each camera approved for use as part of the slot machine licensee's surveillance system. Full camera control capability includes the ability to override the camera control capability of the slot machine licensee's surveillance system.

(2) An area for the detention of individuals detained or taken into custody by the Pennsylvania State Police. The detention area shall be located within the onsite facilities and

consist of a bench or other apparatus which is permanently affixed to the wall to which the person in custody can be handcuffed with as little discomfort to that person as is reasonably possible under the circumstances.

(3) A fingerprinting and photographing facility for use by the Pennsylvania State Police located in conformance with and outfitted in compliance with specifications established by the Pennsylvania State Police.

(4) Adequate computer, telephone and copying capability to meet the Board's, the Department's and the Pennsylvania State Police's continuing data processing and related needs.

(5) Direct telephone connections between the onsite facilities and the slot machine licensee's surveillance monitoring room and its security department.

(6) Computer terminals facilitating read only access to any computerized slot monitoring system or casino management system, or both, used by the slot machine licensee in its gaming operations.

(e) Keys or alternative locking mechanisms securing access to the onsite facilities shall be under the exclusive custody and control of the Board, the Department or the Pennsylvania State Police respectively.

(f) Slot machine licensees shall provide additional accommodations within the licensed facility as shall be requested by the Board, the Department or the Pennsylvania State Police to accommodate periodic audit, compliance or investigative reviews at the licensed facility.

(g) Slot machine licensees shall provide adequate parking spaces reasonably proximate to the onsite facilities, clearly marked for the Board, the Department or Pennsylvania State Police use only.

(h) Slot machine licensees shall equip licensed facilities with communication systems necessary to insure an effective level of communication between the licensed facility and the Board, the Department, the Pennsylvania State Police, any applicable local law enforcement agency emergency first responders.

**§ 465.9. Surveillance system; surveillance department control; surveillance department restrictions.**

(a) BIE will review surveillance system specifications, inclusive of the camera configuration and any changes or modifications to the system specifications, to determine whether the system provides the adequate and effective surveillance of activities inside and outside the licensed facility mandated by section 1207(11) of the act (relating to regulatory authority of Board). A slot machine licensee may not commence gaming

operations until its surveillance system is approved by the Board.

(b) A slot machine licensee shall at all times provide the Board and the Pennsylvania State Police, upon request, with timely access to its surveillance system and its transmissions. Each member of its surveillance department shall comply with any request made by the Board or the Pennsylvania State Police to:

(1) Use, as necessary, any surveillance monitoring room in the licensed facility.

(2) Display on the monitors in the monitoring room any event capable of being monitored by the surveillance system.

(3) Make a video and, if applicable, audio recording of, and take a still photograph of, any event capable of being monitored by the surveillance system.

(i) The slot machine licensee shall preserve and store each recording or photograph in accordance with the directions of the Board or the Pennsylvania State Police.

(ii) The Board and the Pennsylvania State Police shall have unfettered access to each recording or photograph and, at the request of the Board or Pennsylvania State Police, access to a recording or photograph may be denied to a particular employee or department of the slot machine licensee.

(c) The surveillance system required in this section must include the following:

(1) Light sensitive cameras with lenses of sufficient magnification to allow the operator to read information on a slot machine reel strip and credit meter and equipped with 360° pan, tilt and zoom capabilities, without camera stops, to effectively and clandestinely monitor in detail and from various vantage points, the following:

(i) The gaming conducted at the slot machines in the licensed facility.

(ii) The operations conducted at and in the cashiers' cage and any satellite cage.

(iii) The operations conducted at automated bill breaker, gaming voucher redemption, coupon redemption and jackpot payout machines.

(iv) The count processes conducted in the count room.

(v) The movement of cash and slot cash storage boxes within the licensed facility.

(vi) The entrances and exits to the licensed facility, the gaming floor, and the count room.

(vii) Other areas designated by the Board.

(2) Video recording equipment which, at a minimum, must:

(i) Permit the preservation and viewing of a clear copy of the transmission produced by any camera connected to the surveillance system.

(ii) Be capable of superimposing the time and date of the transmission on each recording made by the video recording equipment.

(iii) Enable the operator to identify and locate, through the use of a meter, counter or other device or method, a particular event which was recorded.

(3) Recording media which shall be replaced immediately upon the manifestation of any significant degradation in the quality of the images or sound, if applicable, recorded thereon. If videotape is utilized it shall be used for no more than 1 year.

(4) Audio capability in the count room installed in a manner that conforms to 18 Pa.C.S. §§ 5701-5781 (relating to Wiretapping and Electronic Surveillance Control Act).

(5) One or more monitoring rooms in the licensed facility which shall be staffed by employees of the slot machine licensee's surveillance department who shall at all times monitor the activities enumerated in paragraph (1) and elsewhere in the licensed facility as required by the Board. Each monitoring room shall be equipped with or serviced by:

(i) A communication system capable of monitoring all of the licensed facility's security department activities.

(ii) Computer terminals which facilitate read only access to any computerized slot monitoring system or casino management system, or both, used by the slot machine licensee in its gaming operation.

(iii) Connections to all casino alarm systems. The systems must provide a visible, audible or combination signal. A robbery, fire or emergency alarm must be perceptually distinguishable from all nonemergency alarms in a manner approved by the Board.

(iv) An updated photo library, consisting of photographs that are no more than 4 years old, of all current employees of the slot machine licensee, which photo library shall be available to the Board and the State Police.

(v) Contain and have readily available current copies of the following:

(A) An operational blueprint of the gaming floor and all areas of the licensed facility subject to camera coverage.

(B) Operating procedures addressing the evacuation of the licensed facility in the event of fire or other emergency.

(C) A contingency plan addressing a planned shutdown of the surveillance system and the contingency plan required by subsection (g) addressing any equipment failure that affects the slot machine licensee's monitoring room together with an emergency contact listing with telephone numbers for persons required to be notified of those events.

(6) An emergency power system, tested at intervals not to exceed 6 months, which can be used to operate the surveillance system in the event of a power failure.

(7) A preventive maintenance program, implemented by technicians assigned to the surveillance department, which insures that the entire surveillance system is maintained in proper working order and that the covers over the cameras are cleaned in accordance with a routine maintenance schedule.

(d) Areas subject to camera coverage under this section must contain continuous lighting that is of sufficient quality to produce clear video recordings and still picture reproductions.

(e) A slot machine licensee's surveillance system must be required to continuously record, during the appropriate times and in the manner indicated in this subsection, transmissions from cameras used to observe the following locations, persons, activities or transactions:

(1) Each transaction conducted at a cashiering location, whether or not that cashiering location services patrons. Coverage of the transaction must include, but not be limited to, recording transmissions from cameras used to observe the face of each person transacting business at each cashiering location from the direction of the cashier.

(2) The main bank, vault, satellite cages and other areas as required by the Board.

(3) The collection of slot cash storage boxes.

(4) The count procedures conducted in the count room.

(5) Any armored car collection or delivery.

(6) Automated bill breaker, gaming voucher redemption, coupon redemption and jackpot payout machines whenever the machines are opened for replenishment or other servicing.

(7) The entrances and exits to the licensed facility, the gaming floor, the cashiers' cage and the count room.

(f) Slot machine licensees shall maintain a surveillance log of all surveillance activities in the monitoring room. The log shall be maintained by monitoring room personnel in a book with bound numbered pages that cannot be readily removed or shall be maintained in an electronic format the Board approves. The log shall be stored and retained in accordance with § 465.6 (relating to retention, storage and destruction of books,

records and documents). The following information shall be recorded in a surveillance log:

(1) Date and time each surveillance event commenced.

(2) The name and Board issued credential number of each person who initiates, performs, or supervises the surveillance.

(3) Where suspicious activity, suspected or alleged regulatory violations or suspected or alleged criminal activity is involved, the reason for the surveillance, including the name, if known, alias or description of each individual being monitored, and a brief description of the activity in which the person being monitoring is engaged. This entry should also include a notation of the reading on the meter, counter or device specified in subsection (c)(2)(iii) that identifies the point on the video recording at which the event was recorded.

(4) The time at which each video recording is commenced and terminated, if different than when surveillance commenced or terminated.

(5) Time each surveillance event terminated.

(6) A summary of the results of the surveillance.

(7) A complete description of the time, date and, if known, the cause of any equipment or camera malfunctions, and the time at which the security department was apprised of the malfunction in accordance with the casino licensee's internal

controls submitted under § 465.2(d)(5) (relating to internal control systems and audit protocols).

(g) In accordance with § 465.2(d)(5), each slot machine licensee shall have a contingency plan, to be utilized whenever there is an equipment failure that affects the slot machine licensee's monitoring room or any other aspect of its surveillance system or operations.

(h) BIE shall be notified immediately, in a manner the Board, of any incident of equipment failure as noted in subsection (f) including the time and cause of the malfunction, if known, the time the slot machine licensee's security department was notified of the malfunction and the nature of any communications with the security department relating to the malfunction.

(i) BIE shall be notified, in a manner approved by the Board, in advance of the following:

- (1) Relocation of an approved camera.
- (2) Change in an approved camera's specifications.
- (3) Change in lighting for areas required to be subject to camera coverage.
- (4) Addition or change to the surveillance system.

(j) Except for paragraph (e)(3), the surveillance recordings required under subsection (e) shall be retained for a minimum of 30 days. All other surveillance recordings shall be

retained for 7 days. All surveillance recordings shall be made available for review upon request by the Board or the Pennsylvania State Police.

(k) Any recording determined by the Board or the Pennsylvania State Police as being of potential evidentiary value shall be stored in accordance with Board or Pennsylvania State Police directives or turned over to the Board or the Pennsylvania State Police upon request. At the request and expense of the slot machine licensee, a copy of any recording turned over to the Board or the Pennsylvania State Police may be made available to the slot machine licensee.

(l) A surveillance employee assigned to the monitoring room shall work from the employee's own monitoring station.

(m) In accordance with § 465.2(a)(5), each slot machine licensee shall be required to submit, for Board approval, a minimum staffing submission with regard to its surveillance monitor rooms. The minimum staffing submission must consider the size and layout of the licensed facility as well as the number of slot machines and must at all times provide for adequate and effective surveillance of activities inside and outside the licensed facility. A slot machine licensee may not implement a change or amendment in its surveillance monitor room minimum staffing submission without prior Board approval of the change or amendment.

(n) A slot machine licensee's surveillance department employees shall be independent of all other departments.

(o) A present or former surveillance department employee may not accept employment as a key employee or gaming employee with the same slot machine licensee for whom he was previously employed as a surveillance department employee unless 1 year has passed since the former surveillance department employee worked in the surveillance department. The present or former surveillance department employee may file a written petition requesting the Board to waive this restriction and permit the employment of a present or former surveillance department employee in a particular position. The Board may grant or deny the waiver upon consideration of the following factors:

(1) Whether the former surveillance department employee will be employed in a department or area of operation that the surveillance department monitors.

(2) Whether the surveillance and security systems of the slot machine licensee will be jeopardized or compromised by the employment of the former surveillance department employee in the particular position.

(3) Whether the former surveillance department employee's knowledge of the procedures of the surveillance department would facilitate the commission by any person of

irregularities or illegal acts or the concealment of any actions or errors.

(p) Entrances to the surveillance monitoring rooms may not be visible from the gaming floor. Any person entering the surveillance monitoring room who is not an employee of the surveillance department assigned to the monitoring room on the particular shift corresponding to the time of entry must sign a monitoring room entry log upon entering the monitoring room. The monitoring room entry log shall be:

(1) Maintained in the monitoring room by monitoring room personnel and retained in accordance with § 465.6 (relating to retention, storage and destruction of books, records and documents).

(2) Maintained in a book with bound numbered pages that cannot be readily removed or shall be maintained in an electronic format as the Board approves.

(3) Signed by each person entering the monitoring room, with each entry containing the following:

(i) The date and time of entering the monitoring room.

(ii) The entering person's name and his department or affiliation.

(iii) The reason for entering the monitoring room.

(iv) The name of the person authorizing the person's entry into the monitoring room.

(v) The date and time of exiting the monitoring room.

(4) Made available for inspection by the Board and Pennsylvania State Police.

**§ 465.10. Surveillance system recording formats.**

(a) A slot machine licensee may utilize either an analog or digital video recording format provided the format selected incorporates current technology with regard to secure system access, video cameras, monitors, recorders, video printers, switches, selectors and other ancillary equipment and provides for adequate and effective surveillance of activities inside and outside the licensed facility.

(b) Digital video recording systems utilized by a slot machine licensee must be in compliance with the technical standards on digital video recording systems adopted by the Board.

**§ 465.11. Slot machine licensee's organization.**

(a) Slot machine licensees' systems of internal controls must, in accordance with the provisions of section 1322 of the act (relating to slot machine accounting controls and audits) and § 465.2 (relating to internal control systems and audit protocols), include organization charts depicting appropriate

segregation of functions and responsibilities and descriptions of the duties and responsibilities for each position shown on each organization chart. Slot machine licensees shall be permitted, except as otherwise provided in this section, to tailor organizational structures to meet the needs or policies of a particular management philosophy. The proposed organizational structure of each slot machine licensee shall be approved by the Board in the absence of a conflict between the organizational structure and the following criteria. A slot machine licensee's organization charts must provide for:

(1) A system of personnel and chain of command which permits management and supervisory personnel to be held accountable for actions or omissions within their areas of responsibility.

(2) The segregation of incompatible functions, duties and responsibilities so that no employee is in a position both to commit an error or to perpetrate a fraud and to conceal the error or fraud in the normal course of his or her duties.

(3) The performance of all functions, duties and responsibilities in accordance with sound financial practices by competent, qualified personnel.

(4) The areas of responsibility which are not so extensive as to be impractical for one person to monitor.

(5) A chief executive officer. For the purposes of this section, a chief executive officer means the person located at the licensed facility who is ultimately responsible for the daily conduct of the slot machine licensee's gaming business, including the direct or indirect supervisor of the departments required by subsection (b), regardless of the form of business association of the slot machine licensee or applicant or the particular title which that person or any other person holds. The slot machine licensee's organization charts must designate which positions, in the absence of the chief executive officer, shall be designated as having responsibility for the daily conduct of the slot machine licensee's gaming business.

(b) A slot machine licensee's system of internal controls must also include, at a minimum, the following departments and supervisory positions, each of which must be categorized as mandatory and must cooperate with, yet perform independently of, all other mandatory departments and supervisory positions of the slot machine licensee. Notwithstanding the foregoing, a department or supervisor of a slot machine licensee that is not required or authorized by this section may operate under or in conjunction with a mandatory department or supervisor provided the organizational structure is consistent with the standards contained within the act and subsection (a). Mandatory departments and supervisory positions are:

(1) A surveillance department supervised by a person located at the licensed facility who functions, for regulatory purposes, as the director of surveillance. The director of surveillance shall be subject to the reporting requirements specified in subsection (c) and shall be licensed as a key employee. The surveillance department shall be responsible for the following:

(i) The clandestine surveillance of the operation of, and gaming conducted at, slot machines.

(ii) The clandestine surveillance of the operation of automated bill breaker, gaming voucher, coupon redemption and jackpot payout machines.

(iii) The clandestine surveillance of the operation of the cashiers' cage and any satellite cage.

(iv) The audio and video recording of activities in the count room in conformance with 18 Pa.C.S. §§ 5701-5781 (relating to Wiretapping and Electronic Surveillance Control Act), and the video recording of movements of cash and slot cash storage boxes.

(v) The detection of cheating, theft, embezzlement, and other illegal activities within the licensed facility.

(vi) The detection of the presence of any person who may or is required to be excluded or ejected from the

licensed facility under section 1514 or 1515 of the act (relating to regulation requiring exclusion of certain persons; repeat offenders excludable from the gaming floor and licensed gaming facilities) and Chapters 511 and 513 (relating to persons required to be excluded; underage gaming), or is self excluded from the gaming floor and gaming activities at all licensed facilities under section 1516 of the act (relating to list of persons self excluded from gaming activities) and Chapter 503 (relating to self exclusion).

(vii) The video recording of those locations, persons, activities or transactions required under § 465.9(e) (relating to surveillance system; surveillance department control; surveillance department restrictions) and of any illegal and unusual activities monitored by the surveillance department.

(viii) The provision of immediate notice to appropriate supervisors, BIE and the Pennsylvania State Police upon detecting, and also upon commencing video recording of, a person who is engaging in or attempting to engage in, or who is reasonably suspected of cheating, theft, embezzlement, a violation of this part or other illegal activities, including a person who is required to be excluded or ejected from the licensed facility under section 1514 of the act, who may or is required to be excluded or ejected from the licensed facility

under section 1514 or 1515 of the act and Chapters 511 or 513 or is self excluded from the gaming floor and gaming activities at all licensed facilities under section 1516 of the act and Chapter 503.

(ix) The clandestine surveillance of any slot computer system or equipment designated for coverage by the Board in conjunction with the approval of a slot machine system, including a slot monitoring system, casino management system, wide area progressive system, gaming voucher system and any communication equipment with the central control computer.

(2) An internal audit department supervised by a person located at the licensed facility who functions, for regulatory purposes, as the director of internal audit. The director of internal audit shall be subject to the reporting requirements specified in subsection (c) and shall be licensed as a key employee.

(3) An information technology department supervised by a person located at the licensed facility who functions, for regulatory purposes, as the information technology director. The information technology director shall be licensed as a key employee and be responsible for the quality, reliability and accuracy of all slot computer systems used by the slot machine licensee regardless of whether data, software or systems are located within or outside the licensed facility. The information

technology director shall further be responsible for the security and physical integrity of, and the accountability and maintenance of, the following:

(i) Access codes and other security controls used to insure appropriately limited access to computer software and the system wide reliability of data.

(ii) Computer tapes, disks, or other electronic storage media containing data relevant to the slot machine licensee's operations.

(iii) Computer hardware, communications equipment and software used in the conduct of the slot machine licensee's operations.

(iv) The computerized slot monitoring system utilized by the slot machine licensee. In specific, the information technology director shall ensure that:

(A) Slot machines located on the gaming floor are connected electronically to the slot machine licensee's computerized slot monitoring system and to the Commonwealth's central control computer in accordance with section 1323 (relating to central control computer system).

(B) The security features of the computerized slot monitoring system prohibit, at a minimum, the deletion, creation or modification of any data unless a permanent record is created that sets forth:

(I) The original information.

(II) Modifications to the original information.

(III) The identity of the employee making the modification.

(VI) If applicable, the identity of each employee authorizing the modification.

(C) Computerized jackpot payout systems utilized by the slot machine licensee are configured to require that any modification of \$100 or more to the original amount recorded on a computerized jackpot payout or system override is authorized by two slot accounting department employees, one of whom is in a position of greater authority than the individual preparing the jackpot payout.

(D) Procedures and controls are in place that define and limit interaction between both the slot operations department and slot accounting department and the computerized slot monitoring system including access to system menus, the establishment of slot machine profile parameters, and the ability of each department to access, delete, create or modify information contained in the slot monitoring system.

(4) A slot operations department supervised by a person located at the licensed facility who functions, for regulatory purposes, as the director of slot operations. The

director of slot operations shall be licensed as a key employee and be responsible for the operation of, and conduct of gaming at, slot machines within the licensed.

(5) A security department supervised by a person located at the licensed facility who functions, for regulatory purposes, as the director of security. The security department must be licensed as a key employee and be responsible for the overall security of the licensed facility including the following:

(i) The physical safety of natural persons.

(ii) The physical safeguarding of assets.

(iii) The protection of the property of both the patron and the slot machine licensee from illegal activity.

(iv) In collaboration with the human resources department or its functional equivalent, the design, implementation and enforcement of a system for the issuance of access badges.

(v) The design, implementation and enforcement of a system for the issuance of temporary access credentials.

(vi) The recording of any unusual incidents within the licensed facility in which the security department is involved. Each incident shall be recorded by security department personnel in a book with bound numbered pages that cannot be readily removed or be maintained in an electronic format the

Board approves. The log shall be stored and retained in accordance with § 465.6 (relating to retention, storage and destruction of books, records and documents). The following information shall be recorded:

- (1) The assignment number of the incident.
- (2) The date and time.
- (3) The nature of the incident.
- (4) The persons involved in the incident.
- (5) The security department employees

assigned to cover the incident.

(vii) The identification and removal of any person who is required to be excluded or ejected from the licensed facility under section 1514 of the act, who may be excluded or ejected from the licensed facility under section 1515 of the act or is self excluded from the gaming floor and gaming activities at all licensed facilities under section 1516 of the act.

(viii) The performance of all duties and responsibilities required under the system of internal controls submitted and approved under § 465.2.

(ix) Providing immediate notice to the Pennsylvania State Police upon detecting the presence in the licensed facility of a person possessing a firearm or handgun in

violation of § 465.13 (relating to firearms; possession within a licensed facility).

(x) Providing immediate notice to appropriate supervisors, BIE and the Pennsylvania State Police upon detecting any person who is engaging in or attempting to engage in, or who is reasonably suspected of cheating, theft, embezzlement, a violation of this part or other illegal activities, including any person who is required to be excluded or ejected from the licensed facility who may or is required to be excluded or ejected from the licensed facility under section 1514 or 1515 of the act and Chapters 511 or 513 or is self excluded from the gaming floor and gaming activities at all licensed facilities under section 1516 of the act and Chapter 503.

(6) A slot accounting department supervised by a person located at the licensed facility who functions, for regulatory purposes, as the director of slot accounting. The director of slot accounting shall be licensed as a key employee and shall be responsible for all slot accounting functions including the preparation and control of records and data, the control of stored data, the control of unused forms, the accounting for and comparison of operational data and forms, and the control and supervision of the cashiers' cage, satellite cages and the count room. In addition to the requirement that

the director of slot accounting be licensed as a key employee, the supervisor of the cashiers' cage shall, on all shifts, be licensed as a key employee.

(c) The supervisors of the surveillance and internal audit departments required by subsection (b) shall comply with the following reporting requirements:

(1) Each supervisor shall report directly to the chief executive officer of the slot machine licensee regarding administrative matters and daily operations. However, a slot machine licensee may allow each of these supervisors to report directly to a management executive of the licensee other than the chief executive officer if that executive reports directly to the chief executive officer.

(2) Each supervisor shall report directly to one of the following persons or entities regarding matters of policy, purpose, responsibility and authority, which persons or entities shall also control the hiring, termination and salary of each supervisor:

(i) The independent audit committee of the slot machine licensee's board of directors.

(ii) The independent audit committee of the board of directors of any holding or intermediary company of the slot machine licensee which has authority to direct the operations of the slot machine licensee.

(iii) The senior surveillance or internal audit executives of any holding or intermediate company included in subparagraph (ii) if the most senior executive in the reporting line reports directly to the independent audit committee of the board of directors of the holding or intermediary company.

(iv) For slot machine licensees or holding companies which are not corporate entities, the noncorporate equivalent of any of the persons or entities listed in subparagraphs (i) - (iii).

(d) The slot machine licensee's personnel shall be trained in all policies, procedures and internal controls relevant to each employee's individual function. Special instructional programs shall be developed by the slot machine licensee in addition to any on-the-job instruction sufficient to enable all members of the departments required by this section to be thoroughly conversant in, and knowledgeable of, the required manner of performance of all transactions relating to their functions.

(e) Notwithstanding any other provision to the contrary, a slot machine licensee may, with the prior approval of the Board, designate and assign more than one person to serve jointly as the supervisor of a department required by this section. Each person approved to serve as a joint supervisor of a mandatory department shall be located at the licensed facility and shall

be individually and jointly accountable and responsible for the operations of that department.

(f) In the event of a vacancy in the chief executive officer position or any mandatory department supervisory position required by subsection (b), the following apply:

(1) The slot machine licensee shall notify the Board within 5 days from the date of vacancy. The notice must be in writing and indicate the following information:

(i) The vacant position.

(ii) The date on which the position became vacant.

(iii) The date on which it is anticipated that the vacancy will be filled on a permanent basis.

(2) The slot machine licensee shall designate a person to assume the duties and responsibilities of the vacant position within 30 days after the date of vacancy. The person may assume the duties and responsibilities of the vacant position on a temporary basis, provided that:

(i) The person does not also function as the department supervisor for any other mandatory department required by this section.

(ii) The person's areas of responsibility will not be so extensive as to be impractical for one person to monitor.

(iii) The position shall be filled on a permanent basis within 120 days of the original date of vacancy.

(3) Within 5 days of filling any vacancy under paragraph (2), the slot machine licensee shall notify the Board thereof. The notice must be in writing and shall indicate the following:

(i) The position.

(ii) The name of the person designated.

(iii) The date that the vacancy was filled.

(iv) An indication of whether the position has been filled on a temporary or permanent basis.

(4) The notices required by this subsection shall be directed to the Bureau of Licensing.

**§ 465.12. Access badges and temporary access credentials.**

(a) For the purposes of this section, an access badge is a form of identification issued by a slot machine licensee and worn by a slot machine licensee employee, for purposes of identifying the areas of the licensed facility where the employee may obtain access in the course of the performance of his normal duties.

(b) Slot machine licensees shall establish procedures, in writing, for readily identifying each person permitted, during the normal course of performing his duties, to have access to one or more restricted areas within the licensed facility.

(1) The procedures must include the requirement that persons wear, in a visible location, an access badge.

(2) The procedures must also include a methodology for updating the access badge procedures to reflect changes and amendments in the slot machine licensee's table of organization and the positions approved with respect thereto.

(3) The procedures must further include provisions expressly addressing access by employees of licensed manufacturers, licensed suppliers and registered and certified vendors.

(c) Slot machine licensees shall also establish procedures, in writing, for readily identifying each person permitted, under temporary or emergency circumstances, to have access to one or more restricted areas within the licensed facility.

(1) The procedures must include the requirement that those persons wear, in a visible location, a temporary access badge.

(2) The procedures must also include a methodology for updating the temporary access badge procedures to reflect changes and amendments in the slot machine licensee's table of organization and the positions approved with respect thereto.

(3) The procedures must further include provisions expressly addressing temporary or emergency access by licensed

manufacturers, licensed suppliers and registered and certified vendors.

(d) The procedures required in subsection (b) are to be designed, implemented and enforced by the security department in collaboration with the human resources department or its functional equivalent. The procedures in subsection (c) are to be designed, implemented and enforced by the security department. Procedures addressing both access badges and temporary access badges shall be retained in the security department and be made immediately available to the Board and the Pennsylvania State Police upon request. The slot machine licensee shall cooperate with the Board in making amendments to its procedures to improve the effectiveness of its access badge and temporary access badge systems.

**§ 465.13. Firearms; possession within a licensed facility.**

(a) Individuals, including security department personnel, are prohibited from possessing any firearm or handgun within a licensed facility without the express written approval of the Board, in accordance with authorization procedures as the Board shall determine. Notwithstanding the general prohibition:

(1) Pennsylvania State Police assigned to its Gaming Enforcement Office may possess a firearm or handgun within the licensed facility.

(2) An on duty officer or agent of any local, State or Federal law enforcement agency having primary jurisdiction over the licensed facility may possess a firearm or handgun in all areas of the licensed facility except the gaming floor or restricted areas servicing the slot operations where that officer or agent is acting in his official capacity. Officers or agents possessing firearms or handguns within a licensed facility under this section shall notify the Board and the Pennsylvania State Police Gaming Enforcement Office of their presence in the licensed facility. Notification shall be made immediately upon entry into the licensed facility or prior to arrival at the licensed facility, if feasible. Notification shall not be required if exigent circumstances exist.

(b) A slot machine licensee may not employ off duty law enforcement officers to provide security related services on the gaming floor, in restricted areas within the licensed facility or in any manner in connection with the conduct of slot machine operations.

(c) To obtain approval for the possession of a firearm or handgun within a licensed facility, an individual shall be required to demonstrate to the Board that the individual:

(1) Has received an adequate course of training in the possession and use of the firearm or handgun.

(2) Is the holder of a valid license for the possession of the firearm or handgun.

(3) Has a compelling need for the possession of the firearm or handgun within the licensed facility.

(d) A slot machine licensee shall post in a conspicuous location at each entrance to the licensed facility signs that may be easily read stating: The possession of a firearm or handgun by any person within this licensed facility without the express written permission of the Pennsylvania Gaming Control Board is prohibited.

**§ 465.14. Security department minimum staffing.**

In accordance with § 465.2(d)(5) (relating to internal control systems and audit protocols), slot machine licensees shall be required to submit, for Board approval, a minimum staffing submission with regard to its security department. The minimum staffing submission must consider the size and layout of the licensed facility as well as the number and configuration of slot machines on the gaming floor and must at all times provide for adequate and effective security of the gaming floor and any restricted areas servicing the gaming operation. A slot machine licensee may not implement a change or amendment in its security department minimum staffing submission without Board approval of the change or amendment.

**§ 465.15. Cashiers' cage.**

(a) A licensed facility shall have on, immediately adjacent or reasonably proximate to the gaming floor, a physical structure known as a cashiers' cage to house the cashiers and to serve as the central location in the licensed facility for:

(1) The custody of the cage inventory comprised of cash (currency or coin) and the forms, documents, and records normally associated with the operation of a slot cage.

(2) The initial financial consolidation of all transactions relating to slot machine activity.

(3) Other functions normally associated with the operation of a cashiers' cage.

(b) The supervisor of the cashiers' cage shall, regardless of shift, be licensed as a key employee.

(c) The cashiers' cage must be designed and constructed to provide maximum security for the materials housed therein and the activities performed therein. Its design and construction must include:

(1) Manually triggered silent alarm systems located at the cashiers' window, vault and in any ancillary office space adjacent or proximate thereto. The systems must be connected directly to the monitoring room of the surveillance department and to the security department.

(2) A double door entry and exit system that will not permit a person to pass through the second door until the first door is securely locked. In addition, the following apply:

(i) The first door leading from the gaming floor of the double door entry and exit system must be controlled by the security department, the surveillance department or, in the alternative, a Board-approved computerized access system designed and administered to provide a functionally equivalent level of security.

(ii) The second door of the double door entry and exit system must be controlled by the cashiers' cage.

(iii) The double door entry and exit system must have surveillance coverage which shall be monitored by the surveillance department.

(iv) An entrance to the cashiers' cage that is not a double door entry and exit system shall be an alarmed emergency exit door only.

(3) Separate manual locks on each door of the double door entry and exit system, the keys to which shall be different from each other.

(d) A licensed facility may also have one or more satellite cages separate and apart from the cashiers' cage, established to maximize security, efficient operations, or patron convenience. A satellite cage may perform any or all of the functions of the

cashiers' cage and must be equipped with an alarm system in compliance with subsection (b)(1). The functions which are conducted in a satellite cage shall be subject to the accounting controls applicable to a cashiers' cage set forth in this subpart.

(e) A slot machine licensee shall maintain, immediately available to the Board and the Pennsylvania State Police, a current list, with credential numbers, of all persons:

(1) Possessing the combination or keys to the locks securing the double door entry and exit system restricting access to the cashiers' cage and any satellite cage and the vault.

(2) Possessing the ability to activate or deactivate alarm systems for the cashiers' cage, any satellite cage and vault.

**§ 465.16. Accounting controls for the cashiers' cage.**

(a) The assets for which slot cashiers are responsible shall be maintained on an imprest basis. At the end of each shift, slot cashiers assigned to the outgoing shift shall record on a cashiers' count sheet the face value of each cage inventory item counted and the total of the opening and closing cage inventories and shall reconcile the total closing inventory with the total opening inventory. Each cashiers' count sheet shall be

signed by the preparing cashier attesting to the accuracy of the information thereon.

(b) At the opening of every shift, in addition to the imprest funds normally maintained by slot cashiers, each slot machine licensee shall have in the cashiers' cage, a reserve cash bankroll adequately funded to pay winning patrons.

(c) The cashiers' cage and any satellite cage shall be physically segregated by personnel and function as follows:

(1) Slot cashiers shall operate with individual imprest inventories of cash and their functions shall include the following:

(i) The receipt of cash and cash equivalents from patrons in exchange for cash under § 465.22 (relating to cash equivalents).

(ii) The receipt of personal checks for gaming and nongaming purposes from patrons in exchange for cash, subject to any limitations on amount required by the Board under § 465.20 (relating to personal check cashing).

(iii) The receipt of cash, cash equivalents, checks issued by the slot machine licensee, annuity jackpot checks, wire transfers and cashless funds transfers from patrons to establish a customer deposit under § 465.23 (relating to customer deposits).

(iv) The receipt of customer deposit forms from patrons in exchange for cash under § 465.23.

(v) The preparation of jackpot payout slips in accordance with this subpart and technical standards adopted by the Board under § 465.26 (relating to jackpot payouts).

(vi) The receipt of gaming vouchers from patrons, or from authorized employees who received gaming vouchers as gratuities, in exchange for cash.

(vii) Issuance, receipt and reconciliation of imprest funds used by slot attendants, including an imprest change/pouch payout fund.

(viii) The issuance of cash to automated bill breaker, gaming voucher, coupon redemption and jackpot payout machines in exchange for proper documentation.

(2) Main bank cashier functions must include the following:

(i) The receipt of cash, cash equivalents, gaming vouchers, jackpot payout slips and personal checks received for gaming and nongaming purposes from slot cashiers in exchange for cash.

(ii) The receipt of cash from the count rooms.

(iii) The receipt of personal checks accepted for gaming and nongaming purposes from slot cashiers for deposit.

(iv) The preparation of the overall cage reconciliation and accounting records.

(v) The preparation of the daily bank deposit for cash, cash equivalents and personal checks.

(vi) The issuance, receipt and reconciliation of imprest funds used by slot attendants.

(vii) The receipt from slot cashiers of documentation with signatures thereon, required to be prepared for the effective segregation of functions in the cashiers' cage.

(viii) The responsibility for the reserve cash bankroll.

(ix) The receipt of unsecured currency and unsecured gaming vouchers and preparation of reports thereon.

(d) At the end of the gaming day a copy of the cashiers' count sheets and related documentation shall be forwarded to the accounting department for agreement of opening and closing inventories, agreement of amounts thereon to other forms, records, and documents required by this subpart and recording of transactions.

**§ 465.17. Bill validators and slot cash storage boxes.**

(a) Slot machines shall be equipped with a bill validator configured to accept any combination of currency, gaming

vouchers, coupons and other instruments as are authorized by the Board for incrementing credits on a slot machine.

(b) Access to the bill validator shall be controlled by at least one lock, the key to which shall be controlled by the slot operations department.

(c) The bill validator in a slot machine shall contain a secure tamper resistant container known as a slot cash storage box. All currency, gaming vouchers, coupons and Board-approved instruments inserted into the bill validator shall be deposited into the slot cash storage box.

(d) The slot cash storage box shall be secured to the bill validator by two separate locks, the keys to which shall be different from each other, one of which may be the lock to the belly door or main door of the slot machine and a second of which is the lock on the release mechanism on the slot cash storage box. The keys shall be maintained and controlled as follows:

(1) The key to the belly door or main door of the slot machine shall be maintained and controlled by the slot operations department.

(2) The key to the lock securing the release mechanism on the slot cash storage box shall be maintained and controlled by the security department. The security department

shall establish a sign-out and sign-in procedure with regard to this key which includes documentation of this transfer.

(e) A slot cash storage box must:

(1) Have at least one lock securing the contents of the slot cash storage box, the key to which shall be maintained and controlled by the slot accounting department.

(2) Have a slot opening through which currency, gaming vouchers and coupons can be inserted into the slot cash storage box.

(3) Have a mechanical arrangement or device that prohibits removal of currency, gaming vouchers and coupons from the slot opening whenever the slot cash storage box is removed from the bill validator.

(4) Be fully enclosed, except for openings that may be required for the operation of the bill validator or the slot cash storage box. However, the location and size of the openings may not affect the security of the slot cash storage box, its contents or the bill validator, and shall be approved by the Board.

(5) Have an asset number that is permanently imprinted, affixed or impressed on the outside of the slot cash storage box which corresponds to the asset number of the slot machine to which the bill validator has been attached. In lieu of the asset number, a slot machine licensee may develop and

maintain, with prior Board approval, a system for assigning a unique identification number to its slot cash storage boxes. The system must ensure that each slot cash storage box can readily be identified, either manually or by computer, when in use with, attached to, and removed from a particular bill validator. Each unique identification number must be permanently imprinted, affixed or impressed on the outside of each slot cash storage box that does not otherwise bear an asset number. The asset number or unique identification number must be conspicuous and clearly visible to persons involved in removing or replacing the slot cash storage box in the bill validator and through the slot machine licensee's surveillance system. Notwithstanding the foregoing, emergency slot cash storage boxes may be maintained without an asset number or a unique identification number, provided the word "emergency" is permanently imprinted, affixed or impressed thereon, and when put into use, are temporarily marked with the asset number of the slot machine to which the bill validator is attached.

(6) Be designed and installed in a manner that renders the slot machine inoperable in the event of the removal or absence of the slot cash storage box.

**§ 465.18. Transportation of slot cash storage boxes to and from bill validators; storage.**

(a) Slot machine licensees shall place on file with the Board, in the manner prescribed by the Board, a schedule setting forth the specific times at which slot cash storage boxes will be brought to or removed from the bill validators along with specifications as to what areas of the gaming floor will be dropped on each pick-up day and the specific transportation route to be utilized from the gaming floor to the count room.

(b) Slot machine licensees shall maintain immediately available to the Board and the Pennsylvania State Police, a current list, with credential numbers, of all employees participating in the transportation of slot cash storage boxes. Any deviation from the schedule setting forth the specific times at which slot cash storage boxes will be brought to or removed from the bill validators, change in the areas to be dropped or the transportation route to the count room shall be noticed to the Board in advance in a manner prescribed by the Board.

(c) Slot cash storage boxes removed from bill validators shall be transported directly to, and secured in, the count room or a trolley storage area located immediately adjacent thereto, configured and secured in a manner approved by the Board, by a minimum of three employees, at least one of which is a member of the security department and at least one of which is a member of the slot accounting department.

(1) Upon its removal from a bill validator, a slot cash storage box shall be placed immediately in an enclosed trolley which is secured by two separately keyed locks. The keys shall be maintained and controlled as follows:

(i) The key to one lock shall be maintained and controlled by the slot accounting department.

(ii) The key to the second lock shall be maintained and controlled by the security department. Access to the security department's key shall be controlled, at a minimum, by a sign-out and sign-in procedure. The security department key shall be returned to its secure location immediately upon the completion of the collection and transportation of the slot cash storage boxes.

(2) Prior to the movement of any trolley containing slot cash storage boxes from the gaming floor into the count room, the drop team supervisor shall verify that the number of slot cash storage boxes being transported from the gaming floor equals the number of slot cash storage boxes scheduled to be collected that day.

(3) A slot cash storage box being replaced by an emergency slot cash storage box shall be transported to, and secured in, the count room by a minimum of three employees, at least one of which is a member of the slot accounting department

and at least one of which is a member of the security department.

(d) Slot cash storage boxes not contained in a bill validator, including emergency slot cash storage boxes that are not actively in use, shall be stored in the count room or other secure area outside the count room approved by the Board, in an enclosed storage cabinet or trolley and secured in the cabinet or trolley by a separately keyed, double locking system. The keys shall be maintained and controlled as follows:

(1) The key to one lock shall be maintained and controlled by the slot accounting department.

(2) The key to the second lock shall be maintained and controlled by a security department. Access to the security department's key shall be limited to a supervisor of that department.

(e) Notwithstanding subsection (c), the security department may, immediately prior to the commencement of the count process, issue its key to the storage cabinet or trolley to a count room supervisor for the purpose of allowing count room personnel to gain access to the slot cash storage boxes to be counted. A key transferred from the custody of the security department to the count room supervisor shall be returned immediately following the conclusion of the count of the slot cash storage boxes and the return of the empty emergency drop boxes and slot cash

storage boxes to their respective storage cabinet or trolley by the count room supervisor. The security department shall establish a sign-out and sign-in procedure which includes documentation of this transfer.

**§ 465.19. Acceptance of tips or gratuities from patrons.**

Notwithstanding the requirements of § 461.8(n) (relating to gaming vouchers), a key employee or gaming employee who serves in a supervisory position is prohibited from soliciting or accepting, and no other gaming employee may solicit, any tip or gratuity from any patron of the slot machine licensee where he is employed. The slot machine licensee may not permit any practices prohibited by this section.

**§ 465.20. Personal check cashing.**

(a) Personal checks accepted by a slot machine licensee under § 501.8 (relating to prohibition on check cashing) to enable a patron to take part in gaming must be:

(1) Drawn on a commercial bank, savings bank, saving and loan association, or credit union and payable on demand.

(2) Drawn for a specific amount.

(3) Made payable to the slot machine licensee.

(4) Currently dated, but not post dated.

(b) Personal checks accepted under subsection (a) shall be presented by the patron directly to a slot cashier who shall:

(1) Restrictively endorse the check "for deposit only" to the bank account designated by the slot machine licensee.

(2) Initial the check.

(3) Date and time stamp the check.

(4) Verify that the signature of the patron on the personal check and the patron's physical appearance agree with information recorded in a patron signature file created and maintained by the slot machine licensee in accordance with subsection (c) or with the signature and photograph or physical description contained on a government-issued identification presented by the patron. The slot machine licensee shall retain adequate documentation evidencing the signature verification performed in connection with the acceptance of each personal check.

(5) For personal checks equaling or exceeding \$500, verify the validity of the check directly with the commercial bank, savings bank, saving and loan association or credit union upon which it is drawn or with a check verification service registered or certified as a vendor with the Board. The slot machine licensee shall retain adequate documentation evidencing the check verification performed in connection with the acceptance of each personal check.

(6) Immediately exchange the personal check for cash in an amount equal to the amount for which the check is drawn, not to exceed \$2,500 per patron per gaming day.

(c) To record a patron's signature in a patron signature file, a slot cashier shall require the person for whom the file is to be created to present for examination the following:

(1) If the identity of the patron is to be confirmed in accordance with subsection (d)(1), one identification.

(2) If the identity of the patron is to be confirmed in accordance with subsection (d)(2), two forms of identification, at least one of which must contain a photograph or general physical description of the patron.

(d) Before a slot machine licensee may use a signature recorded in a patron signature file to verify the identity of a patron or the validity of a signature on a document, the slot machine licensee shall confirm the identity of the patron by either:

(1) Comparing the signature on the identification presented by the patron under subsection (c)(1) with the signature obtained from the patron and verifying the address of the patron's residence with a credit bureau, commercial bank or, if neither of these sources has the person's address on file or will not provide the information, with an alternative source,

which does not include any documentation presented by the patron at the cashiers' cage.

(2) Comparing the signature on each of forms of the identification presented by the patron under subsection (c)(2) with the signature obtained from the patron and comparing the photograph or general physical description contained on at least one of the forms of identification with the patron's actual physical appearance.

(e) A patron signature file established and maintained by a slot machine licensee under subsection (c) must include, in addition to the patron's signature, the following:

(1) The patron's name.

(2) The address of the patron's residence.

(3) The types of identification examined under subsection (d) and an indication whether the identification contained a photograph or physical description of the patron.

(4) For the purposes of this section, a physical description of the patron which includes:

(i) Date of birth.

(ii) Approximate height.

(iii) Approximate weight.

(iv) Hair color.

(v) Eye color.

(5) The date and time that the patron signature file was established.

(6) The procedure by which the identity of the patron was confirmed under subsection (d), including:

(i) The source of confirmation, date and time if confirmed under subsection (d)(1).

(ii) The date and time of confirmation if confirmed under subsection (d)(2).

(7) The signature of the slot cashier or cashiers' cage supervisor who examined the identification of the patron and established the patron signature file, which signature evidences that:

(i) The signature of the patron recorded in the patron signature file is consistent with the signature on each form of identification that was examined.

(ii) The physical description recorded in the patron signature file is consistent with both the actual appearance of the patron and any photograph or physical description that may be contained on an identification that was examined.

(f) Prior to accepting personal checks, each slot machine licensee shall establish a comprehensive system of internal controls applicable to the acceptance of personal checks. The internal controls shall be submitted to and approved by the

Board under § 465.2 (relating to internal control systems and audit protocols). The internal controls submitted by the slot machine licensee must address procedures for complying with this section including the dollar limitation per gaming day contained in subsection (b) (6).

**§ 465.21. Wire transfers.**

(a) A wire transfer accepted by a slot machine licensee on behalf of a patron under § 501.8 (relating to prohibition on check cashing) to enable a patron to take part in gaming shall be recorded in the slot machine licensee's cashiers' cage accountability no later than the next gaming day.

(b) Prior to commencing acceptance of wire transfers for gaming purposes, a slot machine licensee shall establish a comprehensive system of internal controls addressing the acceptance, verification, accounting for and sending of wire transfers. The internal controls shall be submitted to and approved by the Board under § 465.2 (relating to internal control systems and audit protocols).

(c) The internal control procedures developed and implemented by the slot machine licensee under subsection (b) must include:

(1) A cashiers' cage log to record the following information with regard to wire transfers accepted:

(i) A sequential number assigned by the slot machine licensee to the wire transfer transaction.

(ii) The date and time of notification.

(iii) The name of the financial institution and account number to which the funds were transferred.

(iv) The amount of funds transferred.

(v) The name of the patron for whose benefit the funds were transferred.

(vi) The name and address of the financial institution from which the funds were transferred and the account number from which the funds were debited.

(vii) The method by which the slot machine licensee was notified of the receipt of the wire transfer and, if noticed by telephone, the name and title of the person providing notice.

(viii) The signature of the cashiers' cage employee receiving and recording the information required by this subsection.

(ix) When applicable, a notation that the wire transfer has been reversed under subsection (d).

(2) A requirement that a cashiers' cage supervisor other than the cashiers' cage employee who initially documented receipt of the wire transfer verify receipt of the wire transfer.

(3) A requirement that the cashiers' cage supervisor verifying receipt of the wire transfer document the verification process performed in the log required under subparagraph(1) including:

(i) The method by which the receipt of the wire transfer was verified and, if verified by telephone, the name and title of the person providing the verification.

(ii) The date and time of verification.

(iii) The signature of the cashiers' cage supervisor verifying receipt of the wire transfer.

(4) The procedures used to:

(i) Establish, verify and document the identity of the patron.

(ii) Make the wire transfer proceeds available to the patron at the cashiers' cage

(iii) Adjust the cashiers' cage accountability.

(5) A cashiers' cage log to record the following information with regard to wire transfers sent on behalf of a patron:

(i) The name of the patron.

(ii) The date of the transaction.

(iii) The amount of funds transferred.

(iv) The source of funds transferred (cash, cash equivalent, jackpot payout).

(v) The name and address of the financial institution to which the funds will be transferred and the account number to which the funds will be credited.

(vi) The signature of the patron if the request to send a wire transfer is made in person at the cashiers' cage.

(vii) Documentation supporting the receipt of a request by the slot machine licensee to send a wire transfer on behalf of a patron if the request was not made in person at the cashiers' cage.

(viii) The signature of the cashiers' cage employee receiving and recording the information required by this subsection.

(ix) The signature of the cashiers' cage supervisor or accounting department supervisor authorizing the wire transfer.

(6) When sending a wire transfer on behalf of a patron, the procedures used to:

(i) Verify and document the identity of the patron.

(ii) Adjust the cashiers' cage accountability.

(d) A slot machine licensee, on the next gaming day, shall take all steps necessary to return to a patron by wire transfer an amount initially accepted by wire transfer if, at the expiration of 14 gaming days following the deposit into its

operating account of a wire transfer which has no documented business purpose other than having been accepted to enable a patron to take part in gaming both of the following circumstances exist:

(1) The wired funds remain in a slot machine licensee's operating account or cashiers' cage accountability.

(2) The patron has engaged in minimal or no slot play.

(e) The wire transfer returned under subsection (d) shall be sent to the financial institution from which the funds were debited. This reversal of the wire transfer shall be recorded in the wire transfer log maintained under subsection (c)(1).

**§ 465.22. Cash equivalents.**

(a) Prior to accepting cash equivalents for gaming purposes as permitted under § 501.8 (relating to prohibition on check cashing), a slot machine licensee shall establish a comprehensive system of internal controls addressing the acceptance and verification of cash equivalents. The internal controls shall be submitted to and approved by the Board under § 465.2 (relating to internal control systems and audit protocols).

(b) The internal control procedures developed and implemented by the slot machine licensee under subsection (a) must include:

(1) A requirement that cashiers' cage employees perform the specific verification procedures required by the issuer of each cash equivalent accepted. The slot machine licensee shall retain adequate documentation evidencing the verification of each cash equivalent.

(2) A requirement that cashiers' cage employees examine each cash equivalent for counterfeiting, forgery or alteration.

(3) When a slot machine licensee elects to incorporate into its verification procedures a level of reliance on previously accepted cash equivalents, the procedures must articulate the general parameters governing the reliance.

(4) Criteria for cashiers' cage supervisor involvement in the verification process.

(5) Procedures for verifying any patron signature on the cash equivalent. Signature verification must be accomplished in accordance with the signature verification procedures in § 465.20 (relating to personal checks). The slot machine licensee shall retain adequate documentation evidencing each signature verification.

**§ 465.23. Customer deposits.**

(a) At the request of a patron, a slot machine licensee may hold cash, funds accepted by means of wire transfer in accordance with § 465.21 (relating to wire transfers) or cash

equivalents accepted in accordance with § 465.22 (relating to cash equivalents) for a patron's subsequent use for gaming purposes. For the purposes of this section, after complying with this chapter for acceptance and verification, non-cash items shall be considered converted to cash and deposited as cash for credit to the patron in a customer deposit account maintained in the cashiers' cage.

(b) Prior to agreeing to hold a patron's cash, funds accepted by means of wire transfer in accordance with § 465.21 or cash equivalents accepted in accordance with § 465.22 for a patron's subsequent use for gaming purposes, each slot machine licensee shall establish a comprehensive system of internal controls addressing the receipt and withdrawal of a customer deposit. The internal controls shall be submitted to and approved by the Board under § 465.2 (relating to internal control systems and audit protocols).

(c) The internal control procedures developed and implemented by the slot machine licensee under subsection (b) must include:

(1) A requirement that customer deposits be accepted at the cashiers' cage.

(2) A requirement that customer deposits be withdrawn by the patron at the cashiers' cage or upon receipt by the slot

machine licensee of a written request for withdrawal whose validity has been established.

(3) A requirement that the patron receive a receipt for any customer deposit accepted reflecting the total amount deposited, the date of the deposit and the signature of the cashiers' cage employee accepting the customer deposit.

(4) Procedures for verifying the identity of the patron at the time of withdrawal. Signature verification must be accomplished in accordance with the signature verification procedures under § 465.20 (relating to personal checks). The slot machine licensee shall maintain adequate documentation evidencing the patron identification process and signature verification.

**§ 465.24. Count room characteristics.**

(a) A slot machine licensee shall have adjacent or reasonably proximate to the cashiers' cage a room, to be known as a count room, specifically designated, designed and used for counting the contents of slot cash storage boxes.

(b) The count room shall be designed and constructed to provide maximum security for the materials housed therein and for the activities conducted therein. Each slot machine licensee shall design and construct a count room with the following security measures:

(1) A metal door installed on each entrance and exit equipped with an alarm device which audibly signals the surveillance department monitoring room and the security department whenever a door to the count room is opened at times other than those times for which the slot machine licensee has provided prior notice under § 465.25 (relating to counting and recording of slot cash storage boxes).

(2) Each entrance and exit door must be equipped with two separate locks, the keys to which must be different from each other and different from the lock securing the contents of each slot cash storage box. The keys shall be maintained and controlled as follows:

(i) The key to one of the locks shall be maintained and controlled by the security department.

(ii) The key to the other lock shall be maintained and controlled by slot accounting.

(iii) Sign-out and sign-in procedures must be established for both keys.

(c) The following must be located within the count room:

(1) A table constructed of clear glass or similar material for the emptying, counting, and recording of the contents of slot cash storage boxes.

(2) Surveillance cameras capable of effective video monitoring of:

(i) The entire count process.

(ii) The interior of the count room, including any storage cabinets or trolleys used to store slot cash storage boxes and any Board-approved trolley storage area located adjacent to the count room.

**§ 465.25. Counting and recording of slot cash storage boxes.**

(a) A slot machine licensee shall file with the Board, in the manner prescribed by the Board, a schedule setting forth the specific times during which the contents of slot cash storage boxes are to be counted and recorded. Any deviation from the schedule shall be noticed to the Board in advance in a manner prescribed by the Board.

(b) Computerized equipment utilized to count and strap currency, gaming vouchers and coupons must:

(1) Automatically provide two separate counts of the funds at different stages of the count process and, if the separate counts are not in agreement, document the discrepancy.

(2) Be capable of determining the value of a gaming voucher or coupon by independently examining information printed on the gaming voucher or coupon. The information is used by the counting equipment to either calculate the value internally or obtain the value directly from the gaming voucher system or coupon system in a secure manner as approved by the Board. If the gaming voucher system is utilized to obtain the value of a

gaming voucher or coupon, the gaming voucher system must perform a calculation or integrity check to ensure that the value has not been altered in the system in any manner since the time of issuance.

(c) Persons accessing the count room when uncounted funds are present shall wear clothing without any pockets or other compartments with the exception of representatives of the Board, the Department, the Pennsylvania State Police, the security department and the internal audit department.

(d) Persons present in the count room may not:

(1) Carry a handbag or other container unless it is transparent.

(2) Remove their hands from or return them to a position on or above the count table or counting equipment unless the backs and palms of the hands are first held straight out and exposed to the view of other members of the count team and a surveillance camera.

(e) Immediately prior to the commencement of the count, a count room employee shall notify the surveillance department that the count is about to begin to facilitate the recording, under § 465.9(e) (relating to surveillance system; surveillance department control; surveillance department restrictions), of the entire count process.

(f) Prior to commencing gaming operations, a slot machine licensee shall establish a comprehensive system of internal controls addressing the opening, counting and recording of the contents of slot cash storage boxes. The internal controls shall be submitted to and approved by the Board under § 465.2 (relating to internal control systems and audit protocols).

(g) The internal controls developed and implemented by the slot machine licensee under subsection (f) shall include a description of all computer equipment used in the counting and recording process and other systems, if any, that communicate with that computer equipment for purposes related to the counting of gross terminal revenue.

(h) A gaming voucher or coupon deposited in a slot cash storage box shall be counted and included in the calculation of gross terminal revenue without regard to the validity of the gaming voucher or coupon.

(i) A coupon which has not already been canceled upon acceptance or during the count shall be canceled prior to the conclusion of the count, in a manner approved by the Board.

(j) Any variance between the value of cash gaming vouchers and coupons in a slot cash storage box as determined in the count room and the value for that particular slot cash storage box recorded on corresponding reports generated by the gaming voucher system or coupon system shall be disclosed to the Board

in a detailed written report citing each variance, the reason for the variance and the corrective action taken. This variance report shall be filed by the slot machine licensee with the Board within 72 hours of the count that is the subject of the comparison and shall be filed in the manner prescribed by the Board.

**§ 465.26. Jackpot payouts.**

(a) Prior to commencing gaming operations, a slot machine licensee shall establish a comprehensive system of internal controls addressing jackpot payouts that are not paid directly from a slot machine. The internal controls shall be submitted to and approved by the Board under § 465.2 (relating to internal control systems and audit protocols).

(b) The internal control procedures developed and implemented by the slot machine licensee under subsection (a) must include:

(1) A request for jackpot payout document or, in the alternative, an electronic entry into a slot computer system generating jackpot payouts, by a slot attendant or slot supervisor, evidencing the observation by the slot attendant or slot supervisor of the winning combination of characters on the slot machine and a determination as to the appropriate amount of the jackpot payout based on the observed winning combinations.

(2) A requirement that the preparer of the request for jackpot payout document or, in the alternative, the employee performing the electronic entry into the slot computer system, be a slot supervisor if the hand paid jackpot is \$10,000 or more.

(3) A requirement that the following information be on the request for jackpot payout document or electronically entered into the slot computer system and maintained in stored data:

(i) The date and time of the jackpot.

(ii) The asset number of the slot machine on which the jackpot was registered.

(iii) The winning combination of characters constituting the jackpot or a code corresponding to the winning combination of characters constituting the jackpot.

(iv) The amount of the jackpot payout.

(v) The method of payment requested by the patron.

(vi) The signature or identification code of the preparer.

(vii) The following additional signatures or identification codes shall be required if the slot machine or the progressive meter is reset prior to the patron being paid or if payment is made directly to the patron by a slot cashier:

(A) The signature or identification code of a security department member or slot attendant other than the preparer attesting to the winning combination of characters constituting the jackpot and the amount of the jackpot payout.

(B) The signature or identification code of the slot shift manager attesting to the winning combination of characters constituting the jackpot and the amount of the jackpot payout when the jackpot amount is \$25,000 or more.

(4) A requirement that following preparation the request for jackpot payout document be immediately transported by the preparer, or the information made available by the slot computer system, to the cashiers' cage where it will serve to authorize the preparation of a jackpot payout document.

(5) A requirement that if the winning patron will not be paid before the slot machine or progressive meter is reset, the preparer of the request for jackpot payout document or the employee performing the electronic entry required by paragraph (1) shall also prepare a two part receipt document containing the following information:

(i) The date and time of the jackpot.

(ii) The asset number of the slot machine on which the jackpot was registered.

(iii) The winning combination of characters constituting the jackpot or a code corresponding to the winning combination of characters constituting the jackpot.

(iv) The amount of the jackpot payout.

(v) The signature of the winning patron on the original form only.

(vi) The signature of the preparer attesting that the information on the receipt document is correct and agrees with the information on the request for jackpot payout document or in stored data.

(6) A requirement that the receipt document be distributed as follows:

(i) The original shall be immediately delivered to the slot cashier by the preparer, security department member or verifying slot attendant along with the request for jackpot payout document if manually generated in accordance with paragraph (1).

(ii) The duplicate shall be immediately presented to the winning patron who shall be required to present the duplicate receipt document before being paid the jackpot in accordance with the procedures set forth in this section.

(7) A requirement that the following information be on any jackpot payout document generated by the slot computer system:

(i) The asset number of the slot machine on which the jackpot was registered.

(ii) The winning combination of characters constituting the jackpot or a code corresponding to the winning combination of characters constituting the jackpot.

(iii) The date on which the jackpot occurred.

(iv) The amount that is to be paid from cashiers' cage funds. However, this amount may, in the slot machine licensee's discretion, be rounded up to the nearest whole dollar.

(v) The date, time and method of payment.

(vi) The signature or identification code of the preparer.

(8) A requirement that the data in subparagraph (7)

(i) - (vi) not be susceptible to change or removal by any personnel after preparation of a jackpot payout document.

(9) A requirement that whenever the winning patron is paid directly by the slot cashier the following procedures be followed:

(i) A jackpot payout document be generated by the slot computer system in accordance with paragraph (7).

(ii) If a one-part request for jackpot payout document is involved and a security department member or verifying slot attendant other than the preparer has not signed

the one-part request for jackpot payout document, the slot cashier shall summon a security department member or slot attendant other than the preparer of the request for jackpot payout document and provide that employee with the request for jackpot payout document. The security department member or verifying slot attendant shall proceed to the slot machine identified on the request for jackpot payout document and sign the request for jackpot payout document attesting that the winning combination of characters on the slot machine and the amount to be paid match those which appear on the request for jackpot payout document. If the jackpot amount is \$25,000 or more, a slot shift manager shall also sign the request for jackpot payout document attesting that the winning combination of characters on the slot machine and the amount to be paid match those which appear on the request for jackpot payout document. The request for jackpot payout document shall then be immediately returned to the slot cashier.

(iii) After the slot cashier determines that the required signatures verifying the winning combination of characters on the slot machine and the amount to be paid have been placed on the one-part request for jackpot payout document, if the amount being paid is less than \$10,000, the slot cashier shall pay the winning patron in the presence of the preparer of the request for jackpot payout document. If the amount being

paid is \$10,000 or more but less than \$25,000, the slot cashier shall pay the winning patron in the presence of the slot attendant supervisor who prepared the request for jackpot payout document. If the amount being paid by the cashier is \$25,000 or more, the slot cashier shall pay the winning patron in the presence of the slot attendant supervisor and slot shift manager who prepared the request for jackpot payout document in accordance with this subsection. Personnel required by this subsection to witness the payment shall sign the duplicate jackpot payout document attesting to the accuracy of the information on the duplicate jackpot payout document and the disbursement of the payment to the patron.

(iv) If a receipt document under paragraph (5) was issued, the duplicate receipt document shall be signed by the patron in the presence of the slot cashier. The slot cashier shall compare the signature on the duplicate receipt document to that on the original receipt document and make the payment only if the signatures are in agreement.

(v) Once all required signatures are obtained and payment has been made, the slot cashier shall give the duplicate jackpot payout document to a security department member or slot attendant who shall expeditiously deposit it into a locked accounting box.

(vi) The slot cashier shall attach the request for jackpot payout document, if applicable, the original and duplicate receipt document, if applicable, to the original copy of the jackpot payout document. All documents shall be forwarded by the end of the gaming day to the main bank for reimbursement.

(10) A requirement that whenever a winning patron is paid by a slot attendant or slot attendant supervisor, the following procedures be followed:

(i) A jackpot payout document be generated by the slot computer system in accordance with paragraph (7).

(ii) The slot cashier shall disburse the cash or slot licensee check to a slot attendant or slot attendant supervisor if the amount of the jackpot is less than \$10,000 and to a slot attendant supervisor if the amount of the jackpot is \$10,000 or more. The employee receiving the payment shall verify the amount received and sign the original and duplicate of the jackpot payout document attesting to the accuracy of the information on the jackpot payout document and the receipt of the payment from the slot cashier. The slot cashier shall retain the original jackpot payout document and the duplicate jackpot payout document shall be transported with the payment to the slot machine.

(iii) If a one-part request for jackpot payout document is involved and a security department member or

verifying slot attendant other than the preparer has not signed the one-part request for jackpot payout document, the slot attendant or slot attendant supervisor shall provide the duplicate jackpot payout document to the security department member or verifying slot attendant other than the preparer at the slot machine who shall verify that the winning combination of characters on the slot machine and the amount to be paid match those which appear on the duplicate jackpot payout document. If the jackpot amount is \$25,000 or more, and the slot shift manager has not signed the request document, the slot shift manager shall similarly verify that the winning combination of characters on the slot machine and the amount to be paid match those which appear on the duplicate jackpot payout document.

(iv) Once the verifications required by subparagraph (iii) have been completed, if the payment is less than \$10,000, the slot attendant or slot attendant supervisor shall pay the winning patron in the presence of the security department member or second slot attendant who verified the winning combination of characters on the slot machine and the amount to be paid. If the payment is \$10,000 or more, but less than \$25,000, the payment shall be made by a slot attendant supervisor in the presence of the security department member or verifying slot attendant who verified the winning combination of

characters on the slot machine and the amount to be paid. If the payment is \$25,000 or more, the payment shall be made by a slot attendant supervisor in the presence of the security department member or verifying slot attendant and the slot shift manager who verified the winning combination of characters on the slot machine and the amount to be paid. Once the patron has been paid, all personnel required by subparagraph (iii) to witness the payment shall sign the duplicate jackpot payout document attesting that the winning combination of characters on the slot machine and the amount to be paid match those which appear on the duplicate jackpot payout document and the disbursement of the payment to the winning patron.

(v) If a receipt document under paragraph (5) was issued, the slot cashier must give the slot attendant or slot attendant supervisor the original receipt document along with the duplicate jackpot payout document to be transported with the payment. The patron shall be required to sign the duplicate receipt document in the presence of the slot attendant or slot attendant supervisor. The slot attendant or supervisor shall compare the signature on the duplicate receipt document to that on the original receipt document and shall make the payment only if the signatures are in agreement.

(vi) Once payment has been made and the required signatures obtained, the security department member or slot

attendant shall expeditiously deposit the duplicate jackpot payout document into a locked accounting box.

(vii) The slot attendant or slot attendant supervisor shall immediately return the original and duplicate receipt document, if applicable, to the cashiers' cage.

(viii) The slot cashier shall attach the request for jackpot payout document, if applicable, the original and duplicate receipt document, if applicable, to the original copy of the jackpot payout document. All documents shall be forwarded by the end of the gaming day to the main bank for reimbursement.

(11) A requirement that the slot machine licensee's accounting department perform, at the conclusion of each gaming day, effective income control audit procedures over the issuance of jackpot payouts including adequate comparisons to gaming voucher system data.

(12) Details with regard to processing of system overrides or adjustments.

(c) Nothing in this section precludes the use of a slot computer system, approved by the Board, that electronically records the information required on a request for jackpot payout document or facilitates through the slot computer system the verifications and comparisons as to winning combination of characters on the slot machine or amount to be paid required under this section.

(d) Nothing in this section precludes a slot machine licensee from implementing procedures by which a slot attendant, in the presence of a member of the security department, utilizes an imprest inventory of funds secured in a pouch or wallet to pay a jackpot of less than \$1,200 that is not totally and automatically paid directly from a slot machine.

(e) Prior to the payment of a jackpot payout under subsection (d), each slot machine licensee shall establish a comprehensive system of internal controls addressing this method of jackpot payout, the replenishment of the imprest pouch and the attendant reconciliation process. The internal controls shall be submitted to and approved by the Board under § 465.2 (relating to internal control systems and audit protocols).

**§ 465.27. Annuity jackpots.**

(a) A slot machine licensee offering an annuity jackpot payable over 10 years or more may offer a winning patron the option to be paid in a single cash payout, in lieu of the annuity jackpot, in an amount that is equal to the present value of the face amount of the jackpot payout as calculated in subsection (b).

(b) A slot machine licensee may offer a cash payment option. The present value of the cash payout option on an annuity shall be determined by applying a discount rate to each of the future annuity jackpot payments, taking into

consideration the number of years until each jackpot payment would otherwise have been received and adding to that amount the amount of the first cash payment that would otherwise have been received. For the purposes of this subsection, the discount rate shall equal the United States Treasury constant maturity rate for 20 year United States government securities for the week ending prior to the date of the jackpot, as identified in the applicable H.15 Statistical Release issued by the Federal Reserve Board plus 0.5%.

(c) A slot machine licensee may not offer an annuity jackpot payout unless:

(1) The terms and conditions of the annuity jackpot, including the effect on the calculation of the theoretical payout percentage, comply with the act, this subpart and technical standards on jackpot payouts approved by the Board.

(2) The Board has approved the specific offer of the annuity jackpot.

(d) A cash payout made in connection with an annuity jackpot must be made in accordance with § 465.26 (relating to jackpot payouts).

(e) Prior to the payment of an annuity jackpot, each slot machine licensee shall establish a comprehensive system of internal controls addressing the payment of an annuity jackpot. The internal controls shall be submitted to and approved by the

Board under § 465.2 (relating to internal control systems and audit protocols).

(1) The internal control procedures developed and implemented by the slot machine licensee must include:

(i) Procedures to be followed by a winning patron to exercise a cash payout option.

(ii) Procedures with regard to the administration of the trust agreement established to insure the future cash payments due under the annuity jackpot award.

(iii) A requirement that the trustee for the trust fund established by the trust agreement be a slot machine licensee or, for a wide area progressive system offering an annuity jackpot, the slot system operator for that wide area progressive system.

(2) A slot machine licensee may not offer an annuity jackpot until its supporting trust agreement and the internal controls required under this section have been approved in writing by the Board.

**§ 465.28. Merchandise jackpots.**

(a) A slot machine licensee may not offer a merchandise jackpot payout unless:

(1) The terms and conditions of the merchandise jackpot, including the effect on the calculation of the theoretical payout percentage, comply with the act, this subpart

and technical standards on jackpot payouts approved by the Board.

(2) The Board has approved the specific offer of the merchandise jackpot.

(b) A cash payout made in connection with a merchandise jackpot must be made in accordance with § 465.26 (relating to jackpot payouts).

(c) Prior to the payment of a merchandise jackpot, each slot machine licensee shall establish a comprehensive system of internal controls addressing the payment of a merchandise jackpot. The internal controls shall be submitted to and approved by the Board under § 465.2 (relating to internal control systems and audit protocols).

**§ 465.29. Automated teller machines.**

Automated teller machines may be placed at any location within the licensed facility.

**§ 465.30. Waiver of requirements.**

The Board may waive one or more of the requirements of this chapter or technical standards applicable to accounting and internal controls adopted by the Board upon a determination that the nonconforming control or procedure nonetheless meets the operationally integrity requirements of the act, this subpart and technical standards adopted by the Board.

**§ 465.31. Gaming day.**

(a) The beginning and ending times of the gaming day will be determined by the Board and will be uniform for all slot machine licensees for the purposes of determining gross terminal revenue.

(b) Prior to commencing gaming operations, each slot machine licensee shall submit to the Board, in writing, its hours of operation, which times must correspond to the portion of its gaming day it will be open to the public for the purpose of gaming activities. A slot machine licensee may not commence gaming operations until its hours of operation are approved by the Board.

(c) Any change in a slot machine licensee's hours of operation must be noticed to the Board in advance of the change in writing or in an electronic format as approved by the Board.

**§ 465.32. Signature.**

An employee signature may be in either of the following formats:

(1) The employee's first initial, last name and Board license number, written by the employee, immediately adjacent to or above the clearly printed or preprinted title of the employee.

(2) The employee's unique identification number or other computer identification code issued to the employee by the slot machine licensee, if the document to be signed is authorized by

the Board to be generated by a slot computer system and the method of signature is approved or required by the Board.

#### CHAPTER 466. SLOT COMPUTER SYSTEMS

##### § 466.1. Slot computer systems generally.

(a) All aspects of a slot machine licensee's slot computer system shall be located within the licensed facility in accordance with technical standards adopted by the Board.

(b) For the purposes of this section, a slot computer system includes all aspects of a computer system which the act, this subpart or technical standards adopted by the Board either require or permit to be utilized by a slot machine licensee in the conduct of, or monitoring of, slot machine operations including hardware, software and network interfaces used in connection with the operation of a slot monitoring system, casino management system, player tracking system, external bonusing system, cashless funds transfer system and gaming voucher system. A slot computer system will not be construed to include the following:

(1) A slot machine or bill validator.

(2) A wide area progressive slot system.

(3) Other computer systems or applications that the Board determines are not slot computer systems.

(c) The Board may waive one or more of the requirements of this section or technical standards applicable to slot computer

systems adopted by the Board upon a determination that the nonconforming system protocols nonetheless meet the integrity requirements of the act, this subpart and technical standards adopted by the Board.

#### CHAPTER 467. COMMENCEMENT OF SLOT OPERATIONS

##### § 467.1. Gaming floor plan.

(a) An applicant for, or holder of a slot machine license, shall submit to the Board, in a manner the Board requires, a floor plan of its gaming floor and the restricted areas servicing the slot operation. A floor plan shall be:

(1) Drawn to 1/8 inch scale, unless another scale is approved by the Board.

(2) Certified by an architect licensed to practice in this Commonwealth and depict the following:

(i) The gaming floor with notations as to:

(A) Proposed total square footage.

(B) The perimeter of the gaming floor.

(C) A clearly delineated route for underage persons to transverse the gaming floor.

(ii) Each slot machine area on the gaming floor and each slot machine location within each slot machine area. Slot machine locations shall be identified by number in accordance with § 463.3 (relating to slot machine location).

(iii) The number of slot machines on the gaming floor in compliance with section § 1210 of the act (relating to number of slot machines), in total and by slot area.

(iv) Each slot seat on the gaming floor in compliance with § 461.7(t) (relating to slot machine minimum design standards).

(v) Each surveillance camera installed in compliance with § 465.10(a) (relating to surveillance system; surveillance department control, surveillance department restrictions), noting its type and camera number.

(vi) The cashiers' cage and any satellite cashiers' cage, inclusive of each cashiers' cage window and window number, ancillary offices and areas.

(vii) Each count room and any trolley storage area.

(viii) Each automated bill breaker, gaming voucher redemption, coupon redemption and jackpot payout machine.

(ix) Each automated teller machine.

(x) Each area designated for the storage or repair of slot machines.

(xi) Vault and armored car bay locations.

(xii) Additional documentation requested by the Board.

(b) A slot machine licensee may not commence slot operations until the floor plan depicting its gaming floor and all restricted areas servicing the slot operation has been approved in writing by the Board. The approval by the Board will expressly authorize the maximum square footage of gaming floor and maximum number of slot machines which may be operated by the slot machine licensee.

(c) A slot machine licensee may not change or revise the square footage of its gaming floor or the number of slot machines on the floor plan approved under subsection (b) without prior written approval of the Board.

**§ 467.2. Commencement of slot operations generally.**

(a) Prior to the commencement of slot operations at a licensed facility a slot machine licensee shall demonstrate that:

(1) The licensed facility, including the gaming floor and restricted areas servicing the slot operation, complies in all respects with the act, this subpart and technical standards adopted by the Board.

(2) Slot machines and associated equipment installed in the licensed facility and utilized in the conduct of slot machine operations have been tested and approved by the Board in compliance with the act, this subpart and technical standards adopted by the Board.

(3) The gaming floor plan required under § 467.1(a) (relating to gaming floor plan) has been approved by the Board in compliance with the act, this subpart and technical standards adopted by the Board.

(4) The slot machine licensee's proposed site plan and internal control systems and audit protocols have been approved by the Board in compliance with the act, this subpart and technical standards adopted by the Board.

(5) The slot machine licensee is prepared to implement necessary management controls, surveillance and security precautions to insure the efficient conduct of slot operations.

(6) The slot machine licensee's employees are licensed or permitted by the Board and trained in the performance of their responsibilities.

(7) The slot machine licensee has complied with any conditions prerequisite to commencement of slot operations contained in the Statement of Conditions executed under § 423.3 (relating to license issuance and statement of conditions).

(8) The licensed facility is prepared in all respects to receive the public.

(9) The slot machine licensee has successfully completed a test period in accordance with the terms and conditions required by the Board.

(b) Upon a slot machine licensee's successful demonstration of the criteria enumerated in subsection (a), the Board may authorize the date and time at which the slot machine licensee may commence slot operations at the licensed facility and will fix the maximum square footage of gaming floor and maximum number of slot machines which may be operated by the slot machine licensee pursuant to that authorization.

**TRANSMITTAL SHEET FOR REGULATIONS SUBJECT TO THE  
REGULATORY REVIEW ACT**

I.D. NUMBER: 125-49

DATE: 10/25/2006

SUBJECT: Subpart E, Chapters 465, 466 and 467

AGENCY: Pennsylvania Gaming Control Board

2006 OCT 25 PM 3:17  
 INDEPENDENT REGULATORY  
 REVIEW COMMISSION

RECEIVED

**TYPE OF REGULATION**

- Proposed Regulation
- Final Regulation
- Final Regulation with Notice of Proposed Rulemaking Omitted
- 120-day Emergency Certification of the Attorney General
- 120-day Emergency Certification of the Governor
- Delivery of Tolled Regulation
  - a. With Revisions
  - b. Without Revisions

**FILING OF REGULATION**

DATE	SIGNATURE	DESIGNATION
<u>10/25/06</u>	<u>S. Sleggett</u>	House Committee on Tourism & Recreation
<u>10/25/06</u>	<u>CA Barnetto</u>	
<u>10/25/06</u>	<u>Linda Shaffer</u>	Senate Committee on Rules & Executive Nominations
<u>10/25/06</u>	<u>Denayueel-Bowser</u>	
<u>10/25/06</u>	<u>Kathy Cooper</u>	Independent Regulatory Review Commission
<u>10/25/06</u>	<u>C. Lee</u>	Legislative Reference Bureau