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CALIFORNIA
CONTROL COMMISSION

AMENDMENT TO

THE TRIBAL-STATE GAMING COMPACT

BETWEEN

THE STATE OF CALIFORNIA

AND THE

SHINGLE SPRINGS BAND OF MIWOK INDIANS

AMENDMENT TO THE TRIBAL-STATE GAMING COMPACT BETWEEN THE STATE OF CALIFORNIA AND THE SHINGLE SPRINGS BAND OF MIWOK INDIANS

WHEREAS, the State of California (hereinafter "the State") and the Shingle Springs Band of Miwok Indians, Shingle Springs Rancheria (hereinafter "the Tribe"), entered into a compact in 1999 (hereinafter the "1999 Compact"); and

WHEREAS, the State and the Tribe have agreed to revise the 1999 Compact to promote good relations between tribal, state, and local governments and to enhance tribal economic development and self-sufficiency; and

WHEREAS, the Tribe agrees to make a fair revenue contribution to the State, to enter into arrangements to mitigate to the extent practicable the off-reservation environmental and direct fiscal impacts of its Gaming Facility on local communities and local governments, and to offer additional consumer protections; and

WHEREAS, in recognition of the fair revenue contribution and the measures enhancing protections for local governments and the public and to provide a sound basis for the Tribe's decisions with respect to investment in, and the operation of, its Gaming Activities, the State agrees to amend the 1999 Compact to afford the Tribe the opportunity to operate additional Gaming Devices and to extend the term of the Compact; and

WHEREAS, the Tribe wishes to reaffirm its pledge to share its revenues with Non-Compact Tribes; and

WHEREAS, the State and the Tribe have concluded that this amendment to the 1999 Compact provides for a fair contribution to the State from the Tribe's Gaming Operation, enhances the Tribe's exclusive right to operate slot machines, protects the interests of the Tribe and the California public, and will promote and secure long-term stability, mutual respect, and mutual benefits; and

WHEREAS, the State and the Tribe recognize that this amendment is authorized and negotiated and shall take effect pursuant to the Indian Gaming Regulatory Act ("IGRA"); and

WHEREAS, the State and the Tribe agree that all terms of this amendment to the 1999 Compact (collectively the "Amended Compact") are intended to be binding and enforceable.

NOW, THEREFORE, the Tribe and the State hereby amend the 1999 Compact as follows:

I. DEFINITIONS

Section 2.21 is repealed and replaced by the following:

Section 2.21. "Tribe" means the Shingle Springs Band of Miwok Indians, a federally-recognized Indian tribe, or an authorized official or agency thereof.

II. AUTHORIZED FACILITIES

Section 4.2 is repealed and replaced by the following:

Section 4.2. Authorized Gaming Facilities. The Tribe may establish and operate not more than one Gaming Facility within the boundaries of the Shingle Springs Rancheria, as those boundaries existed as of January 1, 2007, located in El Dorado County, as legally described in, and represented on the map at, Exhibit C hereto, and only on the Tribe's Indian lands existing as of January 1, 2007. The Tribe may operate in the Gaming Facility any forms and kinds of gaming permitted by law, but only to the extent allowed under IGRA and the Tribe's Gaming Ordinance and specifically authorized by this Amended Compact. Notwithstanding anything to the contrary in this Amended Compact, however, any independent structures or other improvements ancillary to the Gaming Activities, in which no Class III gaming is conducted, including any roads, parking lots, or walkways, may be on contiguous land to the aforesaid Indian lands (i) which is held by the Tribe in fee where the Tribe's activities thereon are subject to the jurisdiction of State law and the State courts, or (ii) which is Indian land within the meaning of IGRA.

III. REVENUE CONTRIBUTION

A. **Sections 2.15, 4.3.2.3, 5.0, 5.1, 5.2,** and **5.3** are repealed.

B. **Section 4.3.1** is repealed and replaced by the following:

Section 4.3.1.

(a) The Tribe is entitled to operate no more than 5,000 Gaming Devices, but its right to operate any Gaming Devices shall be conditioned upon its making the payments set forth under subdivision (b) in accordance with the terms set forth in subdivision (c).

(b) The Tribe agrees that in consideration of the exclusive right to operate Gaming Devices within the geographic region specified in Section 3.2 of this Amended Compact and to operate Gaming Devices outside the licensing system established by the 1999 Compact, and other valuable consideration, subject to the deduction allowed under subdivision (e), the Tribe shall pay to the State the following percentages of Net Win generated from the operation of the Tribe's Gaming Devices, as follows:

Annual Net Win	Percentage
$0-$200 million	20%
Over $200 million	25%

The payment specified herein has been negotiated between the parties as a fair contribution to be made annually in quarterly payments based upon the Tribe's membership, market conditions, its circumstances, and the rights afforded by this Amended Compact.

(c) The Tribe shall remit to such agency, trust, fund or entity, as the State Director of Finance, pursuant to law, from time to time, shall specify to the Tribe in writing, the payment referenced in subdivision (b) in quarterly payments, which quarterly payments shall be based on the Net Win generated from the Gaming Devices during the immediately preceding quarter, due on the thirtieth day following the end of each calendar quarter (i.e., by April 30 for the first quarter, July 30 for the second quarter, October 30 for the third quarter, and January 30 for the fourth quarter). If the Gaming Activities authorized by the Amended Compact commence during a calendar quarter, the

first payment shall be due on the thirtieth day following the end of the first full quarter of the Gaming Activities and shall cover the period from the commencement of the Gaming Activities to the end of the first full calendar quarter. The quarterly payments shall be accompanied by the certification specified in subdivision (g).

(d) "Net Win" is drop, plus the redemption value of expired tickets, less fills, less payouts, less the actual cost of prizes awarded to a player as a result of a wager placed in connection with the play of a Gaming Device resulting in a winning wager, provided that the Tribe maintains adequate and detailed documents to support the cost of the prize, less Participation Fees. "Participation Fees" is defined as payments made to a Gaming Resource Supplier on a periodic basis by the Gaming Operation for the right to lease or otherwise license for play Gaming Devices that are owned by the Gaming Resource Supplier and which are not generally available for outright purchase by gaming operators. The Tribe assures that it holds no current interest in any company that supplies Gaming Devices and agrees that if it acquires such an interest in the future (except for an interest acquired through an investment in a diversified mutual fund, provided that the mutual fund does not hold a ten percent (10%) or greater interest in the company), it will forego the deduction of such fees with respect to that supplier in which it holds an interest.

(e) The Tribe may deduct from the quarterly payments specified in subdivision (c) payments made during the same calendar quarter by the Tribe for the construction of a state highway project, specifically, High Occupancy Vehicle ("HOV") lanes on Highway 50, pursuant to the Memorandum of Understanding and Intergovernmental Agreement Between the County of El Dorado and the Tribe dated September 28, 2006, up to a total of five million, two hundred thousand dollars ($5,200,000) annually for a total of twenty (20) years.

(f) "Gaming Device," as defined in Section 2.6 of the Amended Compact, includes, but is not limited to, video poker, but does not include electronic, computer, or other technological aids

that qualify as Class II gaming (as defined under IGRA). For purposes of calculating the number of Gaming Devices, each player station, terminal or other device on which a game is played constitutes a separate Gaming Device, irrespective of whether it is part of an interconnected or server-based system of such terminals, stations or devices.

(g) The quarterly payments made pursuant to subdivision (c) shall be accompanied by a certification of the Net Win calculation prepared by the chief financial officer of the Gaming Operation. The certification shall also specify the percentage applied to the quarterly Net Win, as specified in subdivision (b), and the total amount of the quarterly payment. At any time after the fourth quarter payment (which is due by January 30), but in no event later than April 30, the Tribe shall also provide to the agency, trust, fund or entity specified pursuant to subdivision (c) an annual certification of the Net Win calculation for the immediately preceding year by an independent certified public accountant who is not an employee of the Tribe, the Tribal Gaming Agency, or the Gaming Operation, is only otherwise retained by any of these entities to conduct regulatory audits or audits of the Gaming Operation, and has no financial interest in any of these entities. The State Gaming Agency shall have the right to confer with the independent certified public accountant during the certification process and to review and copy all of the independent certified public accountant's work papers and documentation. Copies of the quarterly certifications prepared by the chief financial officer of the Gaming Operation and the annual certifications prepared by the independent certified public accountant shall be sent to the State Gaming Agency at the same time they are provided to the agency, trust, fund or other entity specified pursuant to subdivision (c).

(h) The State Gaming Agency may audit the Net Win calculation, and if it determines that the Net Win is understated, will promptly notify the Tribe and provide a copy of the audit. The State Gaming Agency shall have access to all records deemed necessary by the State Gaming Agency to verify the Net Win calculations, including access to the Gaming Device accounting systems and server-based systems and software and to the data

contained therein. The Tribe, within twenty (20) days, will either accept the difference or provide a reconciliation satisfactory to the State Gaming Agency. If the Tribe accepts the difference or does not provide a reconciliation satisfactory to the State Gaming Agency, the Tribe must immediately pay the amount of the resulting deficiency plus accrued interest thereon at the rate of one percent (1.0%) per month or the maximum rate permitted by state law for delinquent payments owed to the State, whichever is less. If the Tribe does not provide a reconciliation satisfactory to the State Gaming Agency, the Tribe, once payment is made, may commence dispute resolution under Section 9.0. The parties hereto expressly acknowledge that the certifications and information related to payments herein are subject to the confidentiality protections and assurances of Section 7.4.3, subdivision (c), of this Amended Compact.

(i) Notwithstanding anything to the contrary in Amended Compact Section 9.0, any failure of the Tribe to remit its payments referenced in subdivision (b) pursuant to subdivisions (c), (d), (e), (f) and (g) will entitle the State to immediately seek injunctive relief in federal or state court, at the State's election, to compel the payments, plus accrued interest thereon at the rate of one percent (1.0%) per month or the maximum rate permitted by state law for delinquent payments owed to the State, whichever is less; and further, the Tribe expressly consents to be sued in either court, including any related courts of appeal, and expressly waives, and also waives its right to assert, sovereign immunity and any and all defenses based thereon in any such proceeding to enforce said payment obligations. Failure to make timely payment shall be deemed a material breach of this Amended Compact.

(j) If any portion of the fee payments required by subdivision (b) herein remains overdue after the State Gaming Agency has provided written notice to the Tribe of the overdue amount with an opportunity to cure of at least twenty (20) days, the Tribe, not later than sixty (60) days after the date of the payment was due under subdivision (c), shall cease operating all of its Gaming Devices until full payment is made.

(k) If the State Gaming Agency determines that there is an insufficient amount in the Revenue Sharing Trust Fund in a fiscal year to distribute the quarterly payments required by Section 4.3.2.1 of the 1999 Compact pursuant to Government Code section 12012.90 to each eligible recipient Indian tribe, then the State Gaming Agency shall direct a portion of the revenue contribution referenced in subdivision (b) to increase the revenue contribution to the Revenue Sharing Trust Fund in Section 4.3.2.2 in an amount sufficient to ensure the Revenue Sharing Trust Fund has sufficient resources for each eligible recipient Indian tribe to receive quarterly payments pursuant to Government Code section 12012.90.

(l) This Section constitutes a "Section 4.3.1" within the meaning of article 6.5 (commencing with section 63048.6) of chapter 2 of division 1 of title 6.7 of the California Government Code.

C. **Section 4.3.2.2** is repealed and replaced by the following:

Section 4.3.2.2. The Tribe shall pay to the State Gaming Agency for deposit into the Revenue Sharing Trust Fund an annual amount of four million, six hundred thousand dollars ($4,600,000), to be paid in quarterly payments of one million, one hundred and fifty-thousand dollars ($1,150,000) each within thirty (30) days of the end of each calendar quarter (on January 30, April 30, July 30, and October 30). If this Amendment becomes effective during a calendar quarter, payment shall be prorated for the number of days remaining in that quarter. A Revenue Sharing Trust Fund credit in the amount of three hundred thirty-eight thousand, eight hundred five dollars, and seventy-five cents ($338,805.75) shall be applied to the first full quarterly payment due under this Section 4.3.2.2.

D. **Section 4.3.3** is repealed and replaced by the following:

Section 4.3.3. If requested to do so by either party, the parties will promptly commence negotiations in good faith with the other concerning the number of Gaming Devices authorized by Section 4.3.1, subdivision (a).

E. A new **Section 4.3.4** is added as follows:

Section 4.3.4. For purposes of Sections 4.3.1 and 4.3.2.2 of this Amended Compact, the State Gaming Agency shall be the California Gambling Control Commission, unless the State provides otherwise by written notice pursuant to Section 13.0.

IV. AUTHORIZATION AND EXCLUSIVITY

A. **Section 12.4** is repealed.

B. **Section 3.0** is repealed and replaced by the following:

Section 3.0. Authorization and Exclusivity of Class III Gaming.

C. A new **Section 3.**1 is added as follows:

Section 3.1. The Tribe is hereby authorized and permitted to engage in only the Gaming Activities expressly referred to in Section 4.1 and shall not engage in Class III gaming that is not expressly authorized in that Section.

D. A new **Section 3.2** is added as follows:

Section 3.2.

(a) In the event the State authorizes any person or entity other than an Indian tribe with a federally-approved Class III gaming compact to operate Gaming Devices within the Tribe's core geographic market, which for purposes of this Section consists of the geographic area that is within a one hundred (100) mile radius of the Tribe's Gaming Facility, and such person or entity thereafter legally offers for play Gaming Devices within the Tribe's core geographic market as specified in this subdivision, the Tribe shall have the right to: (i) terminate this Amended Compact, in which case the Tribe will lose the right to operate Gaming Devices and other Class III gaming and shall immediately cease all Gaming Activities, or (ii) continue under this Amended Compact, in which case the Tribe shall be relieved of its obligations to make payments to the State

specified in Sections 4.3.1, subdivision (b) and 4.3.2.2, except as set forth in subdivision (b) below, until such time that the operation of Gaming Devices by such person or entity within the Tribe's core geographic market ceases.

(b) (i) Notwithstanding the Tribe's cessation of payments under subdivision (a)(ii), if the Tribe operates no more than 2,000 Gaming Devices throughout any calendar year, it shall nonetheless compensate the State for the actual and reasonable costs of regulation, as determined by the State Director of Finance, or failing agreement between the State and the Tribe on that amount, as determined by arbitration pursuant to Section 9.2 of this Amended Compact.

(ii) Notwithstanding the Tribe's cessation of payments under subdivision (a)(ii), if the Tribe operates more than 2,000 Gaming Devices, it shall nonetheless pay fifteen percent (15%) of the Net Win attributable to all Gaming Devices above 2,000 in quarterly payments in accordance with subdivisions (c), (d), (e), and (g) of Section 4.3.1, but in no event shall the Tribe pay less than the actual and reasonable costs of regulation, as determined in subdivision (b)(i).

(iii) For purposes of subdivision (b)(ii), the Net Win generated from the operation of all Gaming Devices above 2,000 Gaming Devices shall be calculated by multiplying the average Net Win per Gaming Device for the quarter by the maximum number of Gaming Devices operated during that quarter in excess of 2,000. The average Net Win per Gaming Device is the total Net Win for all Gaming Devices for the quarter divided by the maximum number of Gaming Devices operated during that quarter.

(c) Nothing herein shall relieve the Tribe of any obligations it may have pursuant to any intergovernmental agreement entered into pursuant to Sections 10.8.7, 10.8.8, or 10.8.9.

(d) Nothing herein precludes the State Lottery from offering any lottery games or devices that are currently or may hereafter be authorized by state law.

V. TESTING OF GAMING DEVICES

A. The following new **Section 7.5** is added as follows:

Section 7.5. Testing of Gaming Devices.

(a) No Gaming Device may be offered for play unless all of the following occurs:

(i) The manufacturer or distributor which sells, leases, or distributes such Gaming Device (A) has applied for a determination of suitability by the State Gaming Agency at least fifteen (15) days before it is offered for play, (B) has not been found to be unsuitable by the State Gaming Agency, and (C) has been licensed by the Tribal Gaming Agency; and

(ii) The software for the game authorized for play on the Gaming Device has been tested, approved and certified by an independent or state governmental gaming test laboratory (the "Gaming Test Laboratory") as operating in accordance with either the standards of Gaming Laboratories International, Inc. known as GLI-11, GLI-12, and GLI-21, or the technical standards approved by the State of Nevada, or such other technical standards as the State Gaming Agency and the Tribal Gaming Agency shall agree upon, which agreement shall not be unreasonably withheld, and a copy of the certification is provided to the State Gaming Agency by electronic transmission or by mail unless the State Gaming Agency waives in writing receipt of copies of certification; and

(iii) The software for the game authorized for play on the Gaming Device is tested by the Tribal Gaming Agency or a Gaming Test Laboratory appointed by the Tribal Gaming Agency that is not the same laboratory that was

used for the certification required pursuant to subdivision (a)(ii) to ensure that each game authorized for play on the Gaming Device has the correct electronic signature prior to being opened for play by patrons; and

(iv) The hardware and associated equipment for each type of Gaming Device has been tested by the Gaming Test Laboratory to ensure operation in accordance with the applicable Gaming Test Laboratory standards; and

(v) The hardware and associated equipment for each Gaming Device has been tested by the Tribal Gaming Agency prior to operation by the public to ensure operation in accordance with the manufacturer's specifications; and

(vi) The Tribal Gaming Agency shall maintain adequate records that demonstrate compliance with this subdivision (a).

(b) The Gaming Test Laboratory shall be an independent or state governmental gaming test laboratory recognized in the gaming industry which (i) is competent and qualified to conduct scientific tests and evaluations of Gaming Devices, and (ii) is licensed or approved by any of the following states: Arizona, California, Colorado, Illinois, Indiana, Iowa, Michigan, Missouri, Nevada, New Jersey, or Wisconsin. The Tribal Gaming Agency shall submit to the State Gaming Agency documentation that demonstrates the Gaming Test Laboratory satisfies (i) and (ii) herein within thirty (30) days of the effective date of this Amended Compact, or if such use follows the effective date, within fifteen (15) days prior to reliance thereon. If, at any time, the Gaming Test Laboratory license and/or approval required by (ii) herein is suspended or revoked by any of those states or the Gaming Test Laboratory is found unsuitable by the State Gaming Agency, then the State Gaming Agency may reject the use of the Gaming Test Laboratory, and upon such rejection, the Tribal Gaming Agency shall ensure that the Gaming Test Laboratory discontinues its responsibilities under this Section. The Tribe and the State Gaming Agency shall inform the Gaming Test Laboratory in

writing that irrespective of the source of payment of its fees, the Gaming Test Laboratory's duty of loyalty runs equally to the State and the Tribe.

(c) The Tribal Gaming Agency shall ensure that compliance with subdivisions (a) and (b) is audited annually by an independent auditor and shall provide the results of such audits to the State Gaming Agency within ten (10) days of completion. For purposes of this subdivision, an independent auditor shall be a certified public accountant and/or certified internal auditor who is not an employee of the Tribe, Tribal Gaming Agency, or the Gaming Operation, has no financial interest in any of these entities, and is only otherwise retained by any of these entities to conduct regulatory audits or audits under Section 8.1.8.

(d) The State Gaming Agency and its consultants, if any, may inspect the Gaming Devices in operation at the Gaming Facility on a random basis not to exceed four (4) times annually to confirm that they operate and play properly pursuant to the manufacturer's technical standards. The inspections may include all Gaming Device software, hardware, and associated equipment and systems that support the operation of the Gaming Device. The random inspections conducted pursuant to this subdivision shall occur during the Gaming Facility's normal business hours outside of weekends and holidays. Whenever possible, the State Gaming Agency shall not require removal from play any Gaming Device that the State Gaming Agency determines may be fully and adequately tested while still in play. The State Gaming Agency shall provide notice to the Tribal Gaming Agency of such inspection at or prior to the commencement of the random inspection, and a member of the Tribal Gaming Agency shall accompany the State Gaming Agency inspector(s) during the inspection of the Gaming Devices. The Tribal Gaming Agency shall require a member to be available at all times for those purposes. If the Tribal Gaming Agency fails to promptly make a member available for purposes of the inspection, the State Gaming Agency may proceed with the inspection. The State Gaming Agency may conduct additional inspections only upon reasonable belief of any irregularity and after informing the Tribal Gaming Agency

of the basis for such belief. Any consultants engaged or used by the State Gaming Agency to assist and/or perform the State Gaming Agency's inspections pursuant to this subsection (d) shall be subject to the confidentiality protections and assurances set forth in Section 7.4.3 of this Amended Compact.

(e) The Tribal Gaming Agency shall provide to the State Gaming Agency electronic or paper copies of its technical standards, regulations and internal controls applicable to the Tribe's Gaming Devices at least thirty (30) days before offering the Gaming Devices for play and at least thirty (30) days before the effective date of any revisions to the technical standards, regulations, and internal controls.

(f) For purposes of this Section 7.5, the State Gaming Agency shall be the California Gambling Control Commission, unless the State provides otherwise by written notice pursuant to Section 13.0.

VI. BUILDING CODES

Subdivision (d) of **Section 6.4.2** is repealed and subdivisions (d) through (l) of **Section 6.4.2** are added as follows:

Section 6.4.2.

(d) Subdivision (b) shall apply to any Gaming Facility constructed prior to the effective date of this Amended Compact, and subdivisions (e) through (l) herein shall apply to the construction of any Gaming Facility after the effective date of this Amended Compact and to any reconstruction, alteration of, or addition to, any Gaming Facility occurring after the effective date ("Covered Gaming Facility Construction").

(e) In order to ensure the protection of the health and safety of all Gaming Facility patrons, guests, and employees, the Tribe shall adopt or has already adopted, and shall maintain throughout the term of this Amended Compact, an ordinance that requires any Covered Gaming Facility Construction to meet or exceed the California Building Code and the Public Safety Code applicable to the county in which the

Gaming Facility is located as set forth in Titles 19 and 24 of the California Code of Regulations, as those regulations may be amended during the term of this Amended Compact, including but not limited to, codes for building, electrical, energy, mechanical, plumbing, fire, and safety ("Applicable Codes"). All Covered Gaming Facility Construction will also comply with the federal Americans with Disabilities Act, P.L. 101-336, as amended, 42 U.S.C. § 12101 et seq. Notwithstanding the foregoing, the Tribe need not comply with any standard that specifically applies in name or in fact only to tribal facilities. Without limiting the rights of the State under this Section, reference to Applicable Codes is not intended to confer jurisdiction upon the State or its political subdivisions. For purposes of this Section, the terms "building official" and "code enforcement agency" as used in Title 19 and 24 of the California Code of Regulations mean the Tribal Gaming Agency or such other tribal government agency or official as may be designated by tribal law.

(f) In order to ensure compliance with the Applicable Codes, in all cases where the Applicable Codes would otherwise require a permit, the Tribe shall require inspections and shall, for that purpose, employ for any Covered Gaming Facility Construction appropriate plan checkers or review firms that either are California licensed architects or engineers with relevant experience or are on the list, if any, of approved plan checkers or review firms provided by the county in which the Gaming Facility is located, and shall employ project inspectors that have been either certified in compliance with California Health and Safety Code sections 18949.25 through 18949.31 or approved as Class 1 certified inspectors by the Division of the State Architect or approved as Class A certified inspectors by the Office of Statewide Health Planning and Development or their successors. For purposes of this subdivision, the local agency referenced in California Health and Safety Code sections 18949.25 through 18949.31 shall be the Tribe. The Tribe shall require the inspectors to maintain contemporaneous records of all inspections and report in writing any failure to comply with the Applicable Codes to the Tribal Gaming Agency and an agency designated by the State (the "State Designated Agency"). The plan checkers, review firms, and project inspectors shall hereafter be referred to as "Inspector(s)."

(g) In all cases where the Applicable Codes would otherwise require plan check, the Tribe shall require those responsible for any Covered Gaming Facility Construction to maintain for inspection and copying by the State Designated Agency or, upon its request, provide to the State Designated Agency, the documentation set forth below:

(i) The design and construction calculations, and plans and specifications that form the basis for the planned Covered Gaming Facility Construction (the "Design and Building Plans");

(ii) All contract change orders, and other documents that are related to any material changes to a structural detail of the Design and Building Plans or any other changes in the Design and Building Plans; and

(iii) All other contract change orders.

The Tribe shall maintain the Design and Building Plans and the as-built Design and Building Plans for the term of this Amended Compact or until the expiration of twenty four (24) months following permanent cessation of occupancy of the building to which such plans and other documents apply, whichever first occurs.

(h) The State Designated Agency may designate an agent or agents to be given not less than three (3) business days' advance notice of each inspection required under subdivision (f), and the State agent(s) may accompany the Inspector on any such inspection. The Tribe agrees to correct any Gaming Facility condition noted in the inspection that does not meet the Applicable Codes (hereinafter "deficiency"). Upon not less than three (3) business days' notice to the Tribal Gaming Agency, except in circumstances posing a serious or significant risk to the health or safety of any persons, in which case no advance notice is required, the State Designated Agency shall also have the right to conduct an independent inspection of the Gaming Facility to verify compliance with the Applicable Codes before public occupancy and shall report to the Tribal Gaming Agency any alleged deficiency; provided, however, that prior to any exercise by the State of its right to inspect without notice based upon alleged circumstances posing a serious or significant threat to the health or safety of any person, the

State Designated Agency shall provide to the Tribal Gaming Agency, notice in writing specifying in reasonable detail those alleged circumstances.

(i) Upon final certification by the Inspector that a Gaming Facility meets Applicable Codes, the Tribal Gaming Agency shall forward the Inspector's certification to the State Designated Agency within ten (10) days of issuance. If the State Designated Agency objects to that certification, the Tribe shall make a good faith effort to address the State Designated Agency's concerns, but if the State Designated Agency does not withdraw its objection, the matter will be resolved in accordance with the dispute resolution provisions of Section 9.0.

(j) A Gaming Facility shall be issued a certificate of occupancy by the Tribal Gaming Agency based on the final certification specified in subdivision (i). The certificate of occupancy shall be reviewed for continuing compliance on a biennial basis. Inspections by Inspectors (as defined herein) shall be conducted under the direction of the Tribal Gaming Agency, as the basis for issuing any biennial renewals of the certificate of occupancy.

(k) Any failure to remedy within a reasonable period of time any material and timely raised deficiency shall be deemed a violation of this Amended Compact unless the State has acted unreasonably in reporting the deficiency to the Tribe, and furthermore, any deficiency that poses a serious or significant risk to the health or safety of any person shall be deemed a material violation of this Amended Compact and grounds for the Tribal Gaming Agency, or the State Designated Agency pursuant to a court order, to prohibit occupancy of the affected portion of the Gaming Facility until the deficiency is corrected.

(l) The Tribe shall also take all necessary steps to (i) reasonably ensure the ongoing availability of sufficient and qualified fire suppression services to the Gaming Facility and (ii) reasonably ensure that the Gaming Facility satisfies all requirements of the Tribe's fire codes and the fire codes and regulations applicable to the county in which the Gaming Facility is located. Not more than sixty (60) days after the effective date of this Amended Compact and not less than thirty (30) days before the commencement of Gaming Activities in any Gaming

Facility subject to the Covered Gaming Facility Construction requirements of this Section, and not less than biennially thereafter in both cases, and upon at least ten (10) days' notice to the State Designated Agency, the Gaming Facility shall be inspected, at the Tribe's expense, by a tribal official, if any, who is responsible for fire protection on the Tribe's lands, or by an independent expert, for purposes of certifying that the Gaming Facility meets a reasonable standard of fire safety and life safety. The State Designated Agency shall be entitled to designate and have a qualified representative or representatives present during the inspection. During such inspection, the State's representative(s) shall specify to the tribal official or independent expert, as the case may be, any condition which the representative(s) reasonably believes would preclude certification of the Gaming Facility as meeting a reasonable standard of fire safety and life safety. Within fifteen (15) days of the inspection, the tribal official or independent expert shall issue to the Tribal Gaming Agency and the State Designated Agency a report on the inspection, identifying any deficiency in fire safety or life safety at the Gaming Facility or in the ability of the Tribe to meet reasonably expected fire suppression needs of the Gaming Facility. Within fifteen (15) days after the issuance of the report, the tribal official or independent expert shall also require and approve a specific plan for correcting deficiencies, whether in fire safety at the Gaming Facility or in the Tribe's ability to meet the reasonably expected fire suppression needs of the Gaming Facility, including those identified by the State's representative(s). A copy of the plan shall be served on the State Designated Agency and the Tribal Gaming Agency within fifteen (15) days after issuance of the report. Immediately upon correction of all deficiencies identified in the report, the tribal official or independent expert shall certify in writing to the State Designated Agency that all previously identified deficiencies have been corrected. Any failure to correct all deficiencies identified in the report within a reasonable period of time shall be deemed a violation of the Amended Compact, and any failure to promptly correct those deficiencies that pose a serious or significant risk to the health or safety of any person shall be a material violation of the Compact and grounds for the State Gaming Agency or other State Designated Agency to prohibit occupancy of the affected portion of the Gaming Facility pursuant to a court order until the deficiency is corrected.

VII. PATRON DISPUTES

Section 8.1.10, subdivision (d) is repealed and replaced by the following:

(d) (i) The Tribal Gaming Agency shall promulgate regulations governing patron disputes over the play and the operation of any Gaming Activity, including any refusal to pay a patron any alleged winnings from any Gaming Activities, which regulations must meet the following minimum standards:

(A) A patron who makes a complaint to personnel of the Gaming Operation over the play or operation of any game within five (5) days of the play or operation shall be advised in writing of his or her right to request, within fifteen (15) days of the date of making the complaint, resolution of the complaint by the Tribal Gaming Agency, and if dissatisfied with that resolution, to seek binding arbitration of the dispute before a retired judge pursuant to the terms and provisions in subdivision (d)(i)(C) below. The written advisory provided to the patron shall include a patron dispute/complaint form that is consistent with industry standards and which the patron may use to request resolution of the complaint.

(B) Upon written request by the patron for a resolution of his or her complaint, the Tribal Gaming Agency shall conduct a complete investigation, shall provide to the patron a copy of its regulations concerning patron complaints, and shall render a decision in accordance with industry practice extant in Nevada and New Jersey. The decision shall be issued within sixty (60) days of the patron's request, shall be in writing, shall be based on the facts surrounding the dispute, and shall set forth the reasons for the decision.

(C) If the patron is dissatisfied with the decision of the Tribal Gaming Agency, or no decision is issued within the sixty (60) day period, the patron may request that the complaint over claimed prizes or winnings and the

amount thereof, be settled by binding arbitration before a single arbitrator, who shall be a retired judge, in accordance with the streamlined arbitration rules and procedures of JAMS (or if those rules no longer exist, the closest equivalent). The arbitration shall take place within twenty-five (25) miles of the exterior boundaries of the Shingle Springs Rancheria (the "Rancheria"). Upon such request, the Tribe shall consent to such arbitration and agree to abide by the decision of the arbitrator; provided, however, that if any alleged winnings are found to be a result of a mechanical, electronic or electromechanical failure, which is not due to the intentional acts or gross negligence of the Tribe or its agents, the arbitrator shall deny the patron's claim for the winnings but shall award reimbursement of the amounts wagered by the patron which were lost as a result of the failure, unless the arbitrator finds that such failure was the result of the intentional act or gross negligence of the patron. To effectuate its consent to arbitration, the Tribe shall expressly waive, and waive its right to assert, sovereign immunity and any and all defenses based thereon in connection with the arbitrator's jurisdiction and in any action brought in federal court or, if the federal court declines to hear the action, in any action brought in the courts of the State of California that are located in Sacramento County or El Dorado County, including courts of appeal, to (1) enforce the parties' obligation to arbitrate, (2) confirm, correct, modify, or vacate the arbitral award rendered in the arbitration, or (3) enforce or execute a judgment based upon the award. The Tribe agrees not to assert, and will waive any defense, alleging improper venue or forum non conveniens as to such courts. The cost and expenses of such arbitration shall be initially borne by the Tribe but the arbitrator shall award to the prevailing party its costs and expenses (but not attorney fees). Any party dissatisfied with the award of the arbitrator may at the party's election invoke the JAMS Optional Arbitration Appeal Procedure (and if those rules no longer exist, the closest equivalent); provided that the party making such

election must bear all costs and expenses of JAMS and the arbitrators associated with the Appeal Procedure regardless of the outcome.

(ii) At such time that the Tribe establishes a tribal court system, the Tribe may give notice to the State that it seeks to renegotiate in good faith this subdivision (d), in which case, the State and the Tribe shall be obligated to negotiate in good faith the arrangements, if any, by which the tribal court system will adjudicate patron claims covered under this subdivision. In so negotiating, the State shall give due respect to the sovereign rights of the Tribe, and due consideration to the due process safeguards established in the tribal court system, the transparency of the tribal court system, and the appellate rights afforded under the system.

VIII. PROBLEM GAMBLING

A new **Section 8.5** is added as follows:

Section 8.5. Problem Gambling.

(a) Signage. The Tribal Gaming Agency shall display at all public entrances, ATMs located in the Gaming Facility, and exits of the Gaming Facility signage bearing a toll-free help-line number where patrons may obtain assistance for gambling problems.

(b) Educational Materials. The Tribal Gaming Agency shall make available to patrons at conspicuous locations and ATMs in the Gaming Facility educational and information materials which aim at the prevention of problem gambling and which specify where to find assistance.

(c) Training. The Tribal Gaming Agency shall train Gaming Facility supervisors and gaming floor employees on responsible gaming and to identify and manage problem gambling.

(d) Self-exclusion. The Tribal Gaming Agency shall establish self-exclusion programs whereby a self-identified problem gambler may request the halt of promotional mailings, the revocation of privileges for casino services, denial of or restraint on the issuance of credit and check casing services, and exclusion from the Gaming Facility.

(e) Involuntary exclusion. The Tribal Gaming Agency shall establish an involuntary exclusion program that allows the Gaming Operation to halt promotional mailings, deny or restrain the issuance of credit and check cashing services, and deny access to the Gaming Facility to patrons who have exhibited signs of problem gambling.

(f) The Tribal Gaming Agency shall make diligent efforts to prevent underage individuals from loitering in the area of the Gaming Facility where Gaming Activities take place.

(g) The Tribal Gaming Agency shall assure that advertising and marketing of the Gaming Activities at the Gaming Facility contain a responsible gaming message and a toll-free help-line number for problem gamblers, where practical, and make no false or misleading claims.

(h) The Tribal Gaming Agency shall adopt a code of conduct applicable to the Gaming Operation and Gaming Facility, derived, inter alia, from that of the American Gaming Association, that addresses responsible gambling and responsible advertising.

Nothing herein is intended to grant any third party the right to sue based on an alleged violation of these standards.

IX. INSPECTIONS, MONITORING, AND COMPLIANCE

A. A new **Section 7.4.6** is added as follows:

Section 7.4.6. Cooperation with Tribal Gaming Agency. The State Gaming Agency shall meet periodically with the Tribal Gaming

Agency and cooperate in all matters relating to the enforcement of the provisions of this Amended Compact and its Appendix.

B. A new **Section 7.4.7** is added as follows:

Section 7.4.7. Compact Compliance Review. In addition to all other audits, inspections, investigations, and monitoring authorized by this Amended Compact, the State Gaming Agency is authorized to conduct an annual comprehensive Compact compliance review of the Gaming Operation, Gaming Facilities, and Gaming Activities to ensure compliance with all provisions of this Amended Compact, any exhibits and appendices hereto, including, without limitation, minimum internal control standards set forth in Appendix A, and with all laws, ordinances, codes, rules, regulations, policies, internal controls, standards, and procedures that are required to be adopted, implemented, or complied with pursuant to this Amended Compact. The State Gaming Agency may conduct additional periodic reviews of any part of the Gaming Operation, Gaming Facility, and Gaming Activities and other activities subject to this Amended Compact in order to ensure compliance with all provisions of the Amended Compact and its appendices.

C. A new **Section 7.4.8** is added as follows.

Section 7.4.8. Retention of Records. Throughout the term of this Amended Compact and during the pendency of any litigation arising from this Amended Compact, and for one (1) year following the termination of this Amended Compact, the Tribe shall require that all books and records relating to authorized Gaming Activities, including the records of any Management Contractor, the Gaming Operation, and the Tribal Gaming Agency, are separately maintained in order to facilitate auditing of these books and records to ensure compliance with this Amended Compact and its exhibits and appendices. All such records shall be maintained pursuant to generally accepted accounting principles and shall be suitable for audit pursuant to the standards of the American Institute of Certified Public Accountants. The Gaming Operation shall maintain all records it creates or receives relating to the operation and management of Gaming Activities. Records of the Tribal Gaming Agency and the Gaming Operation may be destroyed

prior to the time set forth herein upon written agreement of the Tribe and the State.

X. TRIBAL AUDITS AND MINIMUM INTERNAL CONTROLS

A. **Section 8.1.8** is repealed and replaced by the following:

Section 8.1.8. The conduct of an audit of the Gaming Operation, not less than annually, to be conducted in accordance with this Section.

(a) The audit shall be conducted by an independent certified public accountant who is not an employee of the Tribe, the Tribal Gaming Agency, the Management Contractor, or the Gaming Operation, is only otherwise retained by any of these entities to conduct regulatory audits or independent audits of the Net Win calculations and certifications, and has no financial interest in any of these entities. The independent certified public accountant used for this purpose shall be licensed by the California Board of Accountancy and shall be approved by the State Gaming Agency, or other State Designated Agency, but the State shall not unreasonably withhold its consent.

(b) The audit shall be conducted in accordance with the auditing and accounting standards for audits of casinos of the American Institute of Certified Public Accountants.

(c) Prior to the commencement of the audit, the State Gaming Agency may provide written information to the independent certified public accountant and the Tribal Gaming Agency that it believes will assist in the conduct of the audit.

(d) The Tribal Gaming Agency shall submit a copy of the audited financial statements, notes to the financial statements, all reports, and any management letter(s) the independent certified public accountant has prepared, to the California Gambling Control Commission, or other State Designated Agency, within twenty (20) days of receipt of the audit report by the Tribal Gaming Agency and no later than one hundred twenty (120) days following the end of the accounting period under review.

(e) The State Gaming Agency shall be authorized to confer with the independent certified public accountant at the conclusion of the audit process and to review all of the independent certified public accountant's work papers and documentation relating to the audit of the Gaming Operation. The Tribal Gaming Agency shall be notified of and provided the opportunity to participate in and attend any such conference.

(f) If the annual audit shows that the Tribe made an overpayment from its Net Win to the State during the year covered by the audit, the Tribe's next quarterly payment may be reduced by the amount of the overage. Conversely, if the annual audit shows that the Tribe made an underpayment to the State during the year covered by the audit, the Tribe's next quarterly payment shall be increased by the amount owing.

B. A new **Section 8.6** is hereby added as follows:

Section 8.6. The Tribe shall provide to the California Gambling Control Commission, within twenty (20) days of their submission to the NIGC, copies of the audited financial statements of Class III gaming and management letter(s), if any, provided to the NIGC. All submissions to the California Gambling Control Commission made pursuant to this Section 8.6 shall be subject to the confidentiality protections and assurances set forth in Section 7.4.3, subdivision (c) of this Amended Compact.

C. A new **Section 8.7** is hereby added as follows:

Section 8.7. Minimum Internal Control Standards.

(a) The Tribe shall conduct its Gaming Activities pursuant to an internal control system that implements minimum internal control standards for Class III gaming that are no less stringent than those contained in the Minimum Internal Control Standards of the NIGC (25 C.F.R. Part 542), as they existed on October 19, 2006, and as they may be amended from time to time by the NIGC, without regard to the NIGC's authority to promulgate, enforce, or audit the standards. This requirement is

met through compliance with the provisions set forth in this Section 8.7 and in Section 8.0.

(b) Within thirty (30) days of the effective date of this Amended Compact, the Tribal Gaming Agency shall, if it has not already done so, in accordance with the Tribal Gaming Ordinance, establish Tribal internal control standards for the Gaming Facility that shall: (i) provide a level of control that equals or exceeds the minimum internal control standards set forth in Appendix A to this Amended Compact as it exists currently and as it may be revised; (ii) contain standards for currency transaction reporting that comply with 31 C.F.R. Part 103, as it exists currently and as it may be amended; (iii) satisfy the requirements of Section 8.0; (iv) be consistent with this Amended Compact; (v) require the Gaming Operation to comply with the Tribal internal control standards; and (vi) if the Tribe has commenced Class III gaming operations, establish a deadline, which shall not exceed three (3) months from the effective date of this Amended Compact, by which the Gaming Operation must come into compliance with the Tribal internal control standards. The Tribal Gaming Agency may extend the deadline by an additional sixty (60) days if the Tribal Gaming Agency provides written notice to the State Gaming Agency no later than two (2) weeks before the three-month period expires.

(c) The Gaming Operation shall operate the Gaming Facility pursuant to a written internal control system. The internal control system shall comply with and implement the internal control standards established by the Tribal Gaming Agency pursuant to subdivision (b) of this Section 8.7. The internal control system, and any proposed changes to the system, must be approved by the Tribal Gaming Agency prior to implementation. The internal control system shall be designed to reasonably assure that: (i) assets are safeguarded and accountability over assets is maintained; liabilities are properly recorded and contingent liabilities are properly disclosed; (iii) financial records including records relating to revenues, expenses, assets, liabilities, and equity/fund balances are accurate and reliable; (iv) transactions are performed in accordance with the Tribe's general or specific authorization;

(v) access to assets is permitted only in accordance with the Tribe's specific authorization; (vi) recorded accountability for assets is compared with actual assets at frequent intervals and appropriate action is taken with respect to any discrepancies; and (vii) functions, duties and responsibilities are appropriately segregated and performed in accordance with sound practices by qualified personnel.

(d) The Tribal Gaming Agency shall provide a copy of its written internal control standards and any changes to those internal control standards to the State Gaming Agency within thirty (30) days of approval by the Tribal Gaming Agency. The State Gaming Agency will review and submit to the Tribal Gaming Agency written comments or objections, if any, to the internal control standards and any changes to the standards, within thirty (30) days of receiving them, or by another date agreed upon by the Tribal Gaming Agency and the State Gaming Agency. The State Gaming Agency's review shall be for the purpose of determining whether the Tribal internal control standards and any changes to the standards provide a level of control which equals or exceeds the level of control required by the minimum internal control standards set forth in Appendix A as it exists currently and as it may be revised, and are consistent with this Amended Compact.

(e) The minimum internal control standards set forth in Appendix A to this Amended Compact shall apply to all Gaming Activities, Gaming Facilities and Gaming Operations; however, Appendix A is not applicable to any activities not expressly permitted in this Amended Compact. Should the terms in Appendix A be inconsistent with this Amended Compact, the terms in this Amended Compact shall prevail.

(f) The Tribal Gaming Agency and the State Gaming Agency shall, every three (3) years after the effective date of this Amended Compact, and not later than thirty (30) days after the three-year period, promptly commence negotiations to amend Appendix A to this Amended Compact to continue efficient regulation, foster statewide uniformity of Class III gaming operations, and address future circumstances, including,

without limitation, technological advancements and changes in industry standards. The Tribal Gaming Agency or the State Gaming Agency may, at any time, request negotiations to amend Appendix A to this Amended Compact for the purposes described in this subdivision (f). Such amendments to Appendix A shall not be considered to be an amendment to this Amended Compact. Any disputes regarding the contents of amendments to Appendix A shall be resolved in the manner set forth in Section 9.0 of this Amended Compact.

(g) The Tribe shall cause, at its own expense and not less than annually at the Gaming Operation's fiscal year end, an independent certified public accountant to be engaged to perform "Agreed-Upon Procedures" to verify that the Gaming Operation is in compliance with the Tribal written internal control standards. The independent certified public accountant shall perform the Agreed-Upon Procedures in accordance with Part 542.3, subdivision (f), in Appendix A, as it may be revised. The independent certified public accountant shall issue a report of its findings to the Tribal Gaming Agency within one hundred twenty (120) days after the Gaming Operation's fiscal year end. Promptly upon receipt of the Agreed-Upon Procedures report, and in no event later than fifteen (15) days after receipt of the report, the Tribal Gaming Agency shall provide a complete copy of the Agreed-Upon Procedures report to the State Gaming Agency, along with a copy of any supporting reports or documents the independent certified public accountant has prepared, and any replies the Tribe has prepared in response to the independent certified public accountant's report. Failure to comply with this subdivision (g) shall be deemed a material breach of this Amended Compact.

(h) For purposes of this Section 8.7, the State Gaming Agency shall be the California Gambling Control Commission, unless the State provides otherwise by written notice pursuant to Section 13.0 of the Amended Compact.

XI. PUBLIC AND WORKPLACE HEALTH, SAFETY, AND LIABILITY

A. **Section 10.1** is repealed and replaced by the following:

Section 10.1. The Tribe will not conduct Class III gaming in a manner that endangers the public health, safety, or welfare; provided, however, that nothing herein shall be construed to make applicable to the Tribe any state laws or regulations governing the use of tobacco. Notwithstanding the foregoing, the Tribe agrees to provide a non-smoking area in the Gaming Facility and not to offer or sell tobacco to anyone under eighteen (18) years of age. The Tribe further agrees to utilize a ventilation system throughout the Gaming Facility that exhausts tobacco smoke to the extent reasonably feasible using the best available control technology at the time of construction of any Gaming Facility and any Covered Gaming Facility Construction.

B. **Sections 10.2, subdivisions (a), (b), and (c)** are repealed and replaced by the following:

(a) Adopt and comply with standards no less stringent than state public health standards for food and beverage handling. The Gaming Operation will allow inspection of food and beverage services by state or county health inspectors, during normal hours of operation of the Gaming Facility, to assess compliance with these standards, unless inspections are routinely made by an agency of the United States government to ensure compliance with equivalent standards of the United States Public Health Service. Any report or writing by any inspector shall be transmitted to the State Gaming Agency and the Tribal Gaming Agency within twenty-four (24) hours of its issuance to the Gaming Operation. Nothing herein shall be construed as a submission of the Tribe to the jurisdiction of those state or county health inspectors, but any alleged violations of the standards shall be treated as alleged violations of this Amended Compact.

(b) Adopt and comply with standards no less stringent than federal water quality and safe drinking water standards applicable in California; the Gaming Operation will allow for inspection and testing of Gaming Facility water quality by state or county

health inspectors, as applicable, during normal hours of operation of the Gaming Facility, to assess compliance with these standards, unless inspections and testing are routinely made by an agency of the United States pursuant to, or by the Tribe under express authorization of, federal law, to ensure compliance with federal water quality and safe drinking water standards. Any report or writing by any inspector shall be transmitted to the State Gaming Agency and the Tribal Gaming Agency within twenty-four (24) hours of its issuance to the Gaming Operation. Nothing herein shall be construed as submission of the Tribe to the jurisdiction of those state or county health inspectors, but any alleged violations of the standards shall be treated as alleged violations of this Amended Compact.

(c) Comply with the building and safety standards set forth in Section 6.4, as amended herein.

C. **Section 10.2, subdivision (d)** is repealed and replaced by the following:

Section 10.2(d).

(i) The Tribe shall obtain and maintain a commercial general liability insurance policy consistent with industry standards for non-tribal casinos in the United States and underwritten by an insurer with an A.M. Best rating of A or higher ("Policy"), which provides coverage of no less than ten million dollars ($10,000,000) per occurrence for bodily injury, property damage, and personal injury arising out of, connected with, or relating to the operation of the Gaming Facility or Gaming Activities. In order to effectuate the insurance coverage, the Tribe shall expressly waive, and also waive its right to assert, sovereign immunity and any and all defenses based thereon up to the limits of the Policy in accordance with the tribal ordinance referenced in subdivision (d)(ii) below in connection with any claim for bodily injury, property damage, or personal injury arising out of, connected with, or relating to the operation of the Gaming Facility, including, but not limited to, injuries resulting from entry onto the Tribe's land for purposes

of patronizing the Gaming Facility or providing goods or services to the Gaming Facility; provided, however, that nothing herein requires the Tribe to agree to liability for punitive damages or to waive its right to assert sovereign immunity in connection therewith. The Policy shall acknowledge in writing that the Tribe has expressly waived, and also waived its right to assert, sovereign immunity and any and all defenses based thereon for the purpose of arbitration of those claims up to the limits of the Policy referred to above and for the purpose of enforcement of any ensuing award or judgment and shall include an endorsement providing that the insurer shall not invoke tribal sovereign immunity up to the limits of the Policy; however, such endorsement or acknowledgement shall not be deemed to waive or otherwise limit the Tribe's sovereign immunity beyond the Policy limits.

(ii) The Tribe shall maintain in continuous force a Tort Liability Ordinance which shall, prior to the effective date of this Amended Compact and at all times hereafter, continuously provide at least the following:

(A) That California tort law, including all applicable statutes of limitations, shall govern all claims of bodily injury, property damage, or personal injury arising out of, connected with, or relating to the operation of the Gaming Facility or the Gaming Activities, including, but not limited to, injuries resulting from entry onto the Tribe's land for purposes of patronizing the Gaming Facility or providing goods or services to the Gaming Facility, provided that California law governing punitive damages need not be a part of the Tort Liability Ordinance.

(B) That a claimant shall have two (2) years from the date of accrual of a cause of action to file a written notification with the Tribe that the claimant claims to have suffered an injury or damage covered by this subdivision.

(C) That, in the exercise of sovereignty, the Tribe expressly waives, and also waives its right to assert, sovereign

immunity and any and all defenses based thereon, with respect to the arbitration of claims specified in this subdivision (d), and the judicial enforcement of any award or judgment based thereon, but only up to the limits of the Policy identified in subdivision (d)(i) above; provided, however, such waiver shall not be deemed to waive or otherwise limit the Tribe's sovereign immunity beyond the Policy limits.

(D) That the Tribe consents to binding arbitration before a single arbitrator, who shall be a retired judge, in accordance with the comprehensive arbitration rules and procedures of JAMS (or if those rules no longer exist, the closest equivalent) to the extent of the limits of the Policy, that discovery in the arbitration proceedings shall be governed by section 1283.05 of the California Code of Civil Procedure, that the Tribe shall initially bear the cost of JAMS and the arbitrator, but the arbitrator may award costs to the prevailing party not to exceed those allowable in a suit in California Superior Court, and that any party dissatisfied with the award of the arbitrator may at the party's election invoke the JAMS Optional Arbitration Appeal Procedure (or if those rules no longer exist, the closest equivalent), provided that the party making such election must bear all costs and expenses of JAMS and the arbitrators associated with the Appeal Procedure regardless of the outcome. To effectuate its consent to the foregoing arbitration procedure, the Tribe shall expressly waive, and also waive its right to assert, its sovereign immunity and any and all defenses based thereon in connection with the arbitrator's jurisdiction and in any action brought in the United States District Court where the Tribe's Gaming Facility is located and any related courts of appeal, or, if the federal court declines to hear the action, in any action brought in the courts of the State of California that are located in Sacramento County or El Dorado County, including courts of appeal, to (1) enforce the parties' obligation to arbitrate, (2) confirm, correct, modify, or vacate the arbitral award rendered in the arbitration, or (3) enforce

or execute a judgment based upon the award. The Tribe agrees not to assert, and will waive, any defense alleging improper venue or forum non conveniens as to such courts.

(E) The Tribe's Tort Liability Ordinance may require that, as a prerequisite to arbitration under subdivision (d)(ii)(D), the claimant first exhaust the Tribe's administrative remedies, if any, for resolving the claim (hereinafter the "Tribal Dispute Resolution Process") in accordance with the following standards:

(1) The claimant must bring his or her claim within one hundred eighty (180) days of receipt of the written notice of the Tribal Dispute Resolution Process as long as the notice thereof is served personally on the claimant or by certified mail with an executed return receipt by the claimant and the one hundred eighty (180)-day limitation period is prominently displayed on the front page of the notice.

(2) The Tort Liability Ordinance may provide that any arbitration shall be stayed until the completion of the Tribal Dispute Resolution Process or one hundred eighty (180) days from the date the claim was filed, whichever first occurs, unless the parties mutually agree upon a longer period.

(3) The decision of the Tribal Dispute Resolution Process shall be a reasoned decision, and shall be rendered within one hundred eighty (180) days from the date the claim was filed in connection with the Tribal Dispute Resolution Process.

(iii) Within twenty-one (21) days following written notification that a claimant claims to have suffered an injury or damage covered by this subdivision (d), the Tribe shall notify the claimant by personal service or certified mail, return receipt requested, that the claimant is required within the specified limitation period to

first exhaust the Tribal Dispute Resolution Process, if any exists, and if dissatisfied with the resolution, or if no Tribal Dispute Resolution Process exists, is entitled to arbitrate his or her claim before a retired judge. Failure by the Tribe to comply with this subdivision (d)(iii) shall toll the limitation period so long as the failure continues.

(iv) In the event the Tribe fails to adopt the Tort Liability Ordinance specified in subdivision (b), the tort law of the State of California, including applicable statutes of limitations, shall apply to all claims of bodily injury, personal injury, and property damage arising out of, connected with, or relating to the operation of the Gaming Facility or the Gaming Activities, including, but not limited to, injuries resulting from entry onto the Tribe's land for purposes of patronizing the Gaming Facility or providing goods or services to the Gaming Facility; and the Tribe shall be deemed to have waived its right to assert sovereign immunity up to the limits of the Policy in connection with the arbitration of any such claims, any court proceedings based on such arbitration, including the arbitral award resulting therefrom, and any ensuing judgments.

(v) At such time that the Tribe establishes a tribal court system, the Tribe may give notice to the State that it seeks to renegotiate in good faith this subdivision (d), in which case, the State and the Tribe shall be obligated to negotiate in good faith the arrangements, if any, by which the tribal court system will adjudicate claims of bodily injury, property damage, or personal injury covered under this subdivision (d). In so negotiating, the State shall give due respect to the sovereign rights of the Tribe, and due consideration to the due process safeguards established in the tribal court system, the transparency of the tribal court system, and the appellate rights afforded under the system.

D. Section 10.2, subdivision (f) is repealed and replaced by the following:

(f) Comply with tribal codes and applicable state and federal law regarding public health, public safety, and the environment.

E. Section 10.2, subdivision (g) is repealed and replaced by the following:

(g) Adopt and comply with standards no less stringent than federal laws and state laws forbidding harassment, including sexual harassment, in the workplace, forbidding employers from discrimination in connection with the employment of persons to work or working for the Gaming Operation or in the Gaming Facility on the basis of race, color, religion, ancestry, national origin, gender, marital status, medical condition, sexual orientation, age, or disability, and forbidding employers from retaliation against persons who oppose discrimination or participate in employment discrimination proceedings (hereinafter "harassment, retaliation, or employment discrimination"); provided that nothing herein shall preclude the Tribe from giving a preference in employment to members of federally-recognized Indian tribes pursuant to a duly adopted tribal ordinance.

(i) The Tribe shall obtain and maintain an employment practices liability insurance policy consistent with industry standards for non-tribal casinos in the United States and underwritten by an insurer with an A.M. Best rating of A or higher which provides coverage of at least three million dollars ($3,000,000) per occurrence for unlawful harassment, retaliation, or employment discrimination arising out of the claimant's employment in, in connection with, or relating to the operation of, the Gaming Operation, Gaming Facility or Gaming Activities (hereinafter "Policy"). In order to effectuate the Policy's insurance coverage, the Tribe, in the exercise of its sovereignty, shall expressly waive, and also waive its right to assert, sovereign immunity and any and all defenses based thereon up to the limits of the Policy, in accordance with the tribal ordinance referenced in subdivision (g)(ii) below, in connection with any claim for harassment, retaliation, or employment discrimination arising out of the claimant's employment in, in connection with, or relating to the operation of, the Gaming Operation, Gaming Facility or Gaming Activities; provided, however, that nothing herein requires the Tribe to agree to liability for punitive damages or to waive its right to assert sovereign immunity in connection therewith. The Policy shall acknowledge in writing that the Tribe has expressly waived, and also waived its right to assert, sovereign immunity and any and all defenses based

thereon for the purpose of arbitration of those claims for harassment, retaliation, or employment discrimination up to the limits of such Policy and for the purpose of enforcement of any ensuing award or judgment and shall include an endorsement providing that the insurer shall not invoke tribal sovereign immunity up to the limits of the Policy; however, such endorsement or acknowledgement shall not be deemed to waive or otherwise limit the Tribe's sovereign immunity for any portion of the claim that exceeds the limits of the Policy. Nothing in this provision shall be interpreted to supersede any requirement in the Tribe's employment discrimination complaint ordinance adopted pursuant to subdivision (g)(ii) that a claimant must exhaust administrative remedies as a prerequisite to arbitration.

(ii) The standards shall be subject to enforcement pursuant to an Employment Discrimination Complaint Ordinance ("Ordinance") which shall be adopted by the Tribe prior to the effective date of this Amended Compact and which shall continuously provide at least the following:

(A) That California law shall govern all claims of harassment, retaliation, or employment discrimination arising out of the claimant's employment in, in connection with, or relating to the operation of, the Gaming Operation, Gaming Facility or Gaming Activities; provided that California law governing punitive damages need not be a part of the Ordinance. Nothing in this Section 10.2, subdivision (g), shall be construed as a submission of the Tribe to the jurisdiction of the California Department of Fair Employment and Housing or the California Fair Employment and Housing Commission.

(B) That a claimant shall have one year from the date that an alleged discriminatory act occurred to file a written notice with the Tribe that he or she has suffered prohibited harassment, retaliation, or employment discrimination.

(C) That, in the exercise of its sovereignty, the Tribe expressly waives its right to assert sovereign immunity with respect to the binding arbitration of claims for harassment, retaliation, or employment discrimination, but only up to the limits of the Policy identified in subdivision (g)(i) above; provided, however, such waiver shall not be deemed to waive or otherwise limit the Tribe's sovereign immunity for any portion of the claim that exceeds the limits of the Policy.

(D) That the Tribe consents to binding arbitration before a single arbitrator, who shall be a retired judge, in accordance with the comprehensive arbitration rules and procedures of JAMS (or if those rules no longer exist, the closest equivalent), that discovery in the arbitration proceedings shall be governed by section 1283.05 of the California Code of Civil Procedure, that the Tribe shall initially bear the cost of JAMS and the arbitrator, but the arbitrator may award costs to the prevailing party not to exceed those allowable in a suit in California superior court, and that any party dissatisfied with the award of the arbitrator may at the party's election invoke the JAMS Optional Arbitration Appeal Procedure (or if those rules no longer exist, the closest equivalent), provided that the party making such election must bear all costs and expenses of JAMS and the arbitrators associated with the Appeal Procedure, regardless of the outcome. The arbitration shall take place within seventy-five (75) miles of the Shingle Springs Rancheria, or as otherwise mutually agreed by the parties. To effectuate its consent to the foregoing arbitration procedure, the Tribe shall, in the exercise of its sovereignty, waive its right to assert sovereign immunity in connection with the arbitrator's jurisdiction and in any state or federal court action to (1) enforce the parties' obligation to arbitrate, (2) confirm, correct, or vacate the arbitral award rendered in the arbitration in accordance with section 1285 et seq. of the California Code of Civil Procedure, or (3) enforce or execute a judgment based upon the award. The Tribe agrees not to assert, and will waive, any defense alleging

improper venue or forum non conveniens as to any state or federal court located within Sacramento County or El Dorado County in any such action brought with respect to the arbitration award.

(iii) The Employment Discrimination Complaint Ordinance required under subdivision (g)(ii) may require, as a prerequisite to binding arbitration under subdivision (g)(ii)(D), that the claimant exhaust the Tribe's administrative remedies, if any exist, in the form of a Tribal Discrimination Complaint Resolution Process, for resolving the claim in accordance with the following standards:

(A) Upon notice to the Tribe that the claimant alleges that he or she has suffered prohibited harassment, retaliation, or employment discrimination, the Tribe or its designee shall provide notice by personal service or certified mail, return receipt requested, that the claimant is required to proceed with the Tribe's Employment Discrimination Complaint Resolution Process in the event that the claimant wishes to pursue his or her claim.

(B) The claimant must bring his or her claim within one hundred eighty (180) days of receipt of the written notice ("limitation period") of the Tribe's Employment Discrimination Complaint Resolution Process as long as the notice thereof is served personally on the claimant or by certified mail with an executed return receipt by the claimant and the one hundred eighty (180) day limitation period is prominently displayed on the front page of the notice.

(C) The arbitration may be stayed until the completion of the Tribe's Employment Discrimination Complaint Resolution Process or one hundred eighty (180) days from the date the claim was filed, whichever first occurs, unless the parties mutually agree upon a longer period.

(D) The decision provided pursuant to the Tribe's Employment Discrimination Complaint Resolution

Process shall be in writing, shall be based on the facts surrounding the dispute, shall be a reasoned decision, and shall be rendered within one hundred eighty (180) days from the date the claim was filed, unless the parties mutually agree upon a longer period. The decision shall be delivered to the claimant by personal service or by certified mail, return receipt requested.

(E) If a claimant is dissatisfied with the decision provided pursuant to the Employment Discrimination Complaint Resolution Process, the claimant may request that the complaint be settled by binding arbitration pursuant to subdivision (g)(ii)(D), provided the request for arbitration is made within one hundred eighty (180) days of receipt of the decision of the Tribe's Employment Discrimination Complaint Resolution Process.

(iv) Within fourteen (14) days following notification to the Tribe that a claimant claims that he or she has suffered harassment, retaliation, or employment discrimination, the Tribe shall provide notice by personal service or certified mail, return receipt requested, that the claimant is required within the specified limitation period to first exhaust the Tribe's Employment Discrimination Complaint Resolution Process, if any exists, and if dissatisfied with the resolution, is entitled to arbitrate his or her claim before a retired judge in a binding arbitration proceeding.

(v) In the event the Tribe fails to adopt the Ordinance specified in subdivision (g)(ii), persons who claim they have suffered prohibited harassment, retaliation, or employment discrimination may proceed to arbitration as provided in this subdivision (g), in which California employment discrimination law, including applicable statutes of limitations, shall apply to all such claims arising out of the claimant's employment in, in connection with, or relating to the operation of the Gaming Operation, Gaming Facility or Gaming Activities, and the Tribe shall be deemed to have waived its right to assert sovereign immunity up to the limits of the employment practices liability insurance policy in connection with the arbitration of any such

claims, any court proceedings based on such arbitration, including the arbitral award resulting therefrom, and any ensuing judgments. Nothing in this subdivision (g)(v), shall be interpreted as a waiver of the Tribe's sovereign immunity or consent to the jurisdiction of any court other than for the purposes set forth in this subdivision (g).

(vi) The Tribe shall provide written notice of the employment discrimination complaint ordinance and the procedures for bringing a complaint in its employee handbook. The Tribe also shall post and keep posted in prominent and accessible places in the Gaming Facility where notices to employees and applicants for employment are customarily posted, a notice setting forth the pertinent provisions of the employment discrimination complaint ordinance and information pertinent to the filing of a complaint.

(vii) The Tribe's failure to comply with this subdivision (g), shall be deemed a material breach of this Amended Compact.

F. A new **Section 10.2, subdivision (l)** is added as follows:

Section 10.2.

(l) Adopt and comply with standards no less stringent than the standards of the Fair Labor Standards Act, 29 U.S.C. § 201, et seq., and the United States Department of Labor regulations implementing the Fair Labor Standards Act (29 C.F.R. § 500, et seq.).

G. **Section 10.3, subdivision (c)** is repealed and replaced by the following:

(c) As a matter of comity, with respect to persons, including nonresidents of California, employed at the Gaming Facility or paid items of income by the Gaming Operation, the Gaming Operation shall withhold all taxes due to the State as provided in the California Unemployment Insurance Code and, except for members of the Tribe living on the Tribe's rancheria, the Revenue and Taxation Code, and the regulations thereunder,

and shall forward such amounts as provided in such Codes to the State. The Tribe shall file with the Franchise Tax Board a copy of any information return filed with the Secretary of the Treasury, as provided in the Revenue and Taxation Code and the regulations thereunder, except those pertaining to members of the Tribe living on the Tribe's rancheria.

H. A new **Section 10.3, subdivision (d)** is added as follows:

(d) As a matter of comity, with respect to the earnings of any person employed at the Gaming Facility, the Gaming Operation shall comply with all earnings withholding orders for support of a child, or spouse, or former spouse, and all other orders by which the earnings of an employee are required to be withheld by an employer pursuant to chapter 5 (commencing with section 706.010) of division 1 of title 9 of part 2 of the California Code of Civil Procedure, and with all earnings assignment orders for support made pursuant to Chapter 8 (commencing with section 5200) of part 5 of division 9 of the California Family Code or section 3088 of the Probate Code, or their successor provisions.

XII. WORKERS' COMPENSATION

Section 10.3, subdivision (a) is repealed and replaced by the following:

(a) In lieu of permitting the Gaming Operation to participate in the state statutory workers' compensation system, the Tribe may create and maintain a system that provides redress for Gaming Facility employees' work-related injuries through requiring insurance or self-insurance, which system must include a scope of coverage, provision of up to ten thousand dollars ($10,000) in medical treatment for alleged injury until the date that liability for the claim is accepted or rejected, employee choice of physician (either after thirty (30) days from the date of the injury is reported or if a medical provider network has been established, within the medical provider network), quality and timely medical treatment provided comparable to the state's medical treatment utilization schedule, availability of an independent medical examination to resolve disagreements on appropriate treatment (by an Independent Medical Reviewer on the state's

approved list, a Qualified Medical Evaluator on the state's approved list, or an Agreed Medical Examiner upon mutual agreement of the employer and employee), the right to notice, hearings before an independent tribunal, a means of enforcement against the employer, and benefits (including, but not limited to, disability, rehabilitation and return to work) comparable to those mandated for comparable employees under state law. Not later than the effective date of this Amended Compact, or sixty (60) days prior to the commencement of Gaming Activities under this Amended Compact, the Tribe will advise the State of its election to participate in the statutory workers' compensation system or, alternatively, forward to the State all relevant ordinances that have been adopted and all other documents establishing the system and demonstrating that the system is fully operational and compliant with the comparability standard set forth above. The parties agree that independent contractors doing business with the Tribe must comply with all state workers' compensation laws and obligations.

XIII. MITIGATION OF OFF-RESERVATION IMPACTS

Section 10.8 is repealed and replaced by the following:

Section 10.8. Off-Reservation Impact(s).

Section 10.8.1. Tribal Environmental Impact Report.

(a) Before the commencement of any Project as defined in Section 10.8.6 herein, the Tribe shall prepare a Tribal Environmental Impact Report (hereafter "TEIR"), analyzing the potentially significant off-reservation environmental impacts of the Project pursuant to the process set forth in this Section 10.8; provided, however, that information or data which is relevant to such a TEIR and is a matter of public record or is generally available to the public need not be repeated in its entirety in the TEIR, but may be specifically cited as the source for conclusions stated therein; and provided further that the information or data shall be briefly described, that its relationship to the TEIR shall be indicated, and that the source thereof shall be reasonably available for inspection at a public place or public building. The TEIR shall provide detailed information about the

Significant Effect(s) on the Off- Reservation Environment which the Project is likely to have, including the matters set forth in Exhibit A, shall list ways in which the Significant Effects on the Environment might be minimized, and shall include a detailed statement setting forth all of the following:

(i) All Significant Effects on the Off-Reservation Environment of the proposed Project;

(ii) In a separate section:

(A) Any Significant Effect on the Off-Reservation Environment that cannot be avoided if the Project is implemented;

(B) Any Significant Effect on the Off-Reservation Environment that would be irreversible if the Project is implemented;

(iii) Mitigation measures proposed to minimize Significant Effects on the Off-Reservation Environment, including, but not limited to, measures to reduce the wasteful, inefficient, or unnecessary consumption of energy;

(iv) Whether any proposed mitigation is feasible;

(v) A range of reasonable alternatives to the Project; provided that the Tribe need not address alternatives that would require it to forgo its right to engage in the Gaming Activities authorized by this Amended Compact on its Indian lands;

(vi) Any direct growth-inducing impacts of the Project; and

(vii) Whether the proposed mitigation would be effective to substantially reduce the potential Significant Effects on the Off- Reservation Environment.

(b) In addition to the information required pursuant to subdivision (a), the TEIR shall also contain a statement briefly indicating

the reasons for determining that various effects of the Project on the off-reservation environment are not significant and consequently have not been discussed in detail in the TEIR. In the TEIR, the direct and indirect Significant Effects on the Off-Reservation Environment, including each of the items on Exhibit A, shall be clearly identified and described, giving due consideration to both the short-term and long-term effects. The discussion of mitigation measures shall describe feasible measures which could minimize significant adverse effects, and shall distinguish between the measures that are proposed by the Tribe and other measures proposed by others. Where several measures are available to mitigate an effect, each should be discussed and the basis for selecting a particular measure should be identified. Formulation of mitigation measures should not be deferred until some future time. The TEIR shall also describe a range of reasonable Project alternatives, which would feasibly attain most of the objectives of the Project and which would avoid or substantially lessen any of the Significant Effects on the Off-Reservation Environment, and evaluate the comparative merits of the alternatives; provided that the Tribe need not address alternatives that would cause it to forgo its right to engage in the Gaming Activities authorized by this Amended Compact on its Indian lands. The TEIR must include sufficient information about each alternative to allow meaningful evaluation, analysis, and comparison. The TEIR shall also contain an index or table of contents and a summary, which shall identify each Significant Effect on the Off-Reservation Environment with proposed mitigation measures and alternatives that would reduce or avoid that effect, and issues to be resolved, including the choice among alternatives and whether and how to mitigate the Significant Effects on the Environment. Previously approved land use documents, including, but not limited to, general plans, specific plans, and local coastal plans, may be used to discuss cumulative impact analysis.

Section 10.8.2. Notice of Preparation of Draft TEIR.

(a) Upon commencing the preparation of the draft TEIR, the Tribe shall issue a Notice of Preparation to the State Clearinghouse in the State Office of Planning and Research ("State Clearinghouse"), to the County of El Dorado ("County"), to the public and to other Interested Persons, Agencies and Cities. The Notice shall provide all Interested Persons with information describing the Project and its potential Significant Effects on the Environment sufficient to enable Interested Persons to make a meaningful response or comment. At a minimum, the Notice shall include all of the following information:

(i) A description of the Project;

(ii) The location of the Project shown on a detailed map, preferably topographical, and on a regional map; and

(iii) The probable off-reservation environmental effects of the Project.

(b) The Notice shall also inform Interested Persons of the opportunity to provide comments to the Tribe within thirty (30) days of the date of receipt of the Notice by the State Clearinghouse and the County. The Notice shall also request Interested Persons to identify in their comments the off-reservation environmental issues and reasonable mitigation measures that the Tribe will need to have explored in the draft TEIR.

Section 10.8.3. Notice of Completion of the Draft TEIR.

(a) Within no less than thirty (30) days following receipt of the Notice of Preparation by the State Clearinghouse and the County, the Tribe shall file a copy of the draft TEIR and a Notice of Completion with the State Clearinghouse, the State Gaming Agency, the County, and the California Department of Justice. The Notice of Completion shall include all of the following information:

(i) A brief description of the Project;

(ii) The proposed location of the Project;

(iii) An address where copies of the draft TEIR are available; and

(iv) Notice of a period of forty-five (45) days during which the Tribe may receive comments on the draft TEIR.

(b) The Tribe will serve in a timely manner the Notice of Completion to all Interested Persons and post public notice of the draft TEIR in the office of the County Board of Supervisors and at the public libraries serving the County. In addition, the Tribe will provide public notice by at least one of the procedures below:

(i) Publication of the Notice of Completion at least one time by the Tribe in a newspaper of general circulation in the area affected by the Project. If more than one area is affected, the notice shall be published in the newspaper of largest circulation from among the newspapers of general circulation in those areas; or

(ii) Direct mailing by the Tribe of the Notice of Completion to the owners and occupants of property adjacent to, but outside, the Indian lands on which the Project is to be located. Owners of such property shall be identified as shown on the latest equalization assessment roll.

Section 10.8.4. Issuance of Final TEIR. The Tribe shall prepare, certify and make available to the County, the State Clearinghouse, the State Gaming Agency, and the California Department of Justice, a Final TEIR, which shall consist of:

(a) The draft TEIR or a revision of the draft;

(b) Comments and recommendations received on the draft TEIR either verbatim or in summary;

(c) A list of persons, organizations, and public agencies commenting on the draft TEIR;

(d) The responses of the Tribe to significant environmental points raised in the review and consultation process; and

(e) Any other relevant comments and information added by the Tribe.

Section 10.8.5. The Tribe's failure to prepare a TEIR when required shall be deemed a material breach of this Amended Compact and furthermore shall be grounds for issuance of an injunction or other appropriate equitable relief.

Section 10.8.6. Definitions. For purposes of this Section 10.8, the following terms shall be defined as set forth in this Section 10.8.6.

(a) "Project" is defined as any activity occurring on Indian lands, a principal purpose of which is to serve the Tribe's Gaming Activities or Gaming Operation and which may cause either a direct physical change in the off-reservation environment, or a reasonably foreseeable indirect physical change in the off-reservation environment. This definition shall be understood to include, but not be limited to, the construction or planned expansion of any Gaming Facility and any construction or planned expansion, a principal purpose of which is to serve a Gaming Facility, including, but not limited to, access roads, parking lots, a hotel, an entertainment facility, utility or waste disposal systems, or water supply, as long as such construction or expansion causes a direct or indirect physical change in the off-reservation environment. Notwithstanding the foregoing, "Project" shall not include the Tribe's Interchange Project, as described and evaluated in the September 2002 Final Environmental Impact Report/Environmental Assessment issued by the California Department of Transportation and Bureau of Indian Affairs, and which is described in that document (and is defined herein) to include the access road extending from Honpie Road on Shingle Springs Rancheria to the southwest over a contiguous 5.6-acre parcel held in trust for

the Tribe and an interchange connecting the access road to U.S. Highway 50 (between Shingle Springs Drive and Greenstone Road interchanges in El Dorado County) via an overpass and acceleration and deceleration lanes on Highway 50. Attached hereto as Exhibit B is a map reflecting the Interchange Project, which is in the Indian Reservations Roads system and which is also designated as Project ID No. 38330, Route No. 315, in the Indian Reservation Road Transportation Improvement Program. Nothing herein shall be interpreted to exclude from the definition of Project any reconstruction, alteration of, or addition to the Interchange Project that was not described and evaluated in the September 2002 Final Environmental Impact Report/Environmental Assessment.

(b) "Significant Effect(s) on the Environment" has the same meaning as "Significant Effect(s) on the Off-Reservation Environment" and occur(s) if any of the following conditions exist:

(i) A proposed Project has the potential to degrade the quality of the off-reservation environment, reduce the off-reservation habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, eliminate an off-reservation plant or animal community, reduce the number or restrict the range of an endangered, rare or threatened species, or eliminate important examples of the major periods of California history or prehistory, or to achieve short-term, to the disadvantage of long-term, environmental goals.

(ii) The possible effects on the off-reservation environment of a Project are individually limited but cumulatively considerable. As used herein, "cumulatively considerable" means that the incremental effects of an individual Project are considerable when viewed in connection with the effects of past projects, the effects of other current projects, and the effect of probable future projects.

(iii) The off-reservation environmental effects of a Project will cause substantial adverse effects on human beings, either directly or indirectly.

For purposes of this definition, reservation refers to Indian lands within the meaning of IGRA.

(c) "Interested Persons" means (i) all local, State, and federal agencies, which, if a Project were not taking place on Indian lands, would have responsibility for approving the Project or would exercise authority over the natural resources that may be affected by the Project, (ii) any city with a nexus to the Project, and (iii) any other persons, groups, or agencies that request in writing a notice of preparation of a draft TEIR or have commented on the Project in writing to the Tribe or the County.

Section 10.8.7. Intergovernmental Agreement.

(a) Before commencement of a Project and no later than when the Tribe issues its Final TEIR, the Tribe shall offer to begin negotiations with the County and upon the County's acceptance of the Tribe's offer, shall negotiate with the County and shall enter into an enforceable written agreement with the County which include all of the following:

(i) Provisions providing for the timely mitigation of any Significant Effect on the Off-Reservation Environment (which effects may include, but are not limited to, adverse changes in aesthetics, agricultural resources, air quality, biological resources, cultural resources, geology and soils, hazards and hazardous materials, water resources, land use, mineral resources, traffic, noise, utilities and service systems, and cumulative effects), where such effect is attributable, in whole or in part, to the Project, unless the parties agree that the particular mitigation is infeasible, taking into account economic, environmental, social, technological, and/or other considerations.

(ii) Provisions relating to reasonable compensation for law enforcement, fire protection, emergency medical services and any other public services to be provided by the County to the Tribe for the purposes of the Tribe's Gaming Operation as a consequence of the Project.

(iii) Provisions providing for mitigation of any effect on public safety attributable to the Project, including any reasonable compensation to the County as a consequence thereof.

(iv) Provisions providing for reasonable compensation for programs designed to address gambling addiction.

(b) The Tribe shall not commence a Project until the Intergovernmental Agreement specified in subdivision (a) is executed by the parties or is effectuated pursuant to Section 10.8.8.

Section 10.8.8. Dispute Resolution Process

(a) In order to foster good government-to-government relationships and to assure that the Tribe is not unreasonably prevented from commencing a Project and benefiting therefrom, if an agreement with the County is not entered into within fifty-five (55) days of the submission of the Final TEIR, or such further time as the Tribe or the County (for the purposes of this Section "the parties") may mutually agree in writing, any party may demand binding arbitration before a single arbitrator pursuant to the comprehensive arbitration rules and procedures of JAMS (or if those rules no longer exist, the closest equivalent) with respect to disputes over mitigation or compensation on which the parties cannot reach agreement. Upon mutual agreement of the parties, the arbitration may be before a panel of three arbitrators. Any party dissatisfied with the award of the arbitrator may at the party's election invoke the JAMS Optional Arbitration Appeal Procedure (and if those rules no longer exist, the closest equivalent); provided that the party making such election must bear all costs and expenses of JAMS and the

arbitrators associated with the Appeal Procedure regardless of the outcome.

(b) With respect to each dispute specified in subdivision (a), the arbitrator shall issue an award that provides for feasible mitigation of Significant Effects on the Off-Reservation Environment and on public safety and which reasonably compensates for public services pursuant to Section 10.8.8, without unduly interfering with the principal objectives of the Project or imposing environmental mitigation measures which are different in nature or scale from the type of measures that have been required to mitigate impacts of a similar scale of other projects in the surrounding area, to the extent there are such other projects. The arbitrator shall take into consideration whether the final TEIR provides the data and information necessary to enable the County to determine both whether the Project may result in a Significant Effect on the Off-Reservation Environment and whether the proposed measures in mitigation are sufficient to mitigate any such effect. The arbitrator may require the parties to produce evidence in support of or in opposition to any factual matter deemed by the arbitrator to be relevant and material to the determination of the dispute. If any party does not participate in the arbitration, the arbitrator shall nonetheless conduct the arbitration and issue an award, and the participating party or parties shall submit such evidence as the arbitrator may require therefor. The award shall be deemed part of the Intergovernmental Agreement provided for under Section 10.8.7, and upon request of either party, the arbitrator may include those mitigation and compensation measures upon which the parties have agreed in the award. To effectuate its consent to the foregoing arbitration procedure, the Tribe agrees to expressly waive, and also waive its right to assert, its sovereign immunity and any and all defenses based thereon in connection with the arbitrator's jurisdiction and in any action brought in the United States District Court where the Tribe's Gaming Facility is located and related courts of appeal, or, if the federal court declines to hear the action, in any action brought in the courts of the State of California that are located in Sacramento County or El Dorado County, including courts of appeal, to (1) enforce the parties' obligation to arbitrate, (2)

confirm, correct, modify, or vacate the arbitral award rendered in the arbitration, or (3) enforce or execute a judgment based upon the award. The Tribe agrees not to assert, and will waive, any defense alleging improper venue or forum non-conveniens as to such courts.

Section 10.8.9. Notwithstanding anything to the contrary herein, the Memorandum of Understanding and Intergovernmental Agreement entered into on September 28, 2006, between the County of El Dorado and the Tribe ("the MOU/IGA") constitutes an Intergovernmental Agreement within the meaning of Section 10.8.7 and covers all Projects commenced during the term of this Amended Compact unless the County and the Tribe agree otherwise or unless the MOU/IGA terminates or otherwise becomes unenforceable prior to the termination of this Amended Compact. The Tribe agrees to implement the mitigation measures set forth in the MOU/IGA. Failure of the Tribe to implement the mitigation measures shall constitute a breach of this Amended Compact. Further, the Tribe agrees that the State may enforce the MOU/IGA on behalf of the County, as provided in Section K.5. of the MOU/IGA.

XIV. LICENSURE OF FINANCIAL SOURCES

Section 6.4.6 is repealed and replaced by the following:

Section 6.4.6. Financial Sources.

(a) Subject to subdivision (e) of this Section 6.4.6, any person or entity extending financing, directly or indirectly, to the Tribe for a Gaming Facility or a Gaming Operation (a "Financial Source") shall be licensed by the Tribal Gaming Agency prior to extending that financing.

(b) A license issued under this Section shall be reviewed at least every two (2) years for continuing compliance. In connection with such a review, the Tribal Gaming Agency shall require the Financial Source to update all information provided in the previous application. For purposes of Section 6.5.2, such a review shall be deemed to constitute an application for renewal.

(c) Any agreement between the Tribe and a Financial Source shall include a provision for its termination without further liability on the part of the Tribe, except for the bona fide repayment of all outstanding sums (exclusive of interest) owed as of the date of termination, upon revocation or non-renewal of the Financial Source's license by the Tribal Gaming Agency based on a determination of unsuitability by the State Gaming Agency. The Tribe shall not enter into, or continue to make payments pursuant to, any contract or agreement for the provision of financing with any person whose application to the State Gaming Agency for a determination of suitability has been denied or has expired without renewal.

(d) A Gaming Resource Supplier who provides financing exclusively in connection with the provision, sale, or lease of Gaming Resources obtained from that Supplier may be licensed solely in accordance with licensing procedures applicable, if at all, to Gaming Resource Suppliers, and need not be separately licensed as a Financial Source under this Section.

(e) (i) The Tribal Gaming Agency may, at its discretion, exclude from the licensing requirements of this Section, the following Financial Sources under the circumstances stated.

(A) A federally-regulated or state-regulated bank, savings and loan association, or other federally- or state-regulated lending institution.

(B) An entity identified by Uniform Tribal Gaming Regulation CGCC-2, subdivision (f) (as in effect on July 1, 2006) of the California Gambling Control Commission, when that entity is a Financial Source solely by reason of being (1) a purchaser or a holder of debt securities issued directly or indirectly by the Tribe for a Gaming Facility or by the Gaming Operation or (2) the owner of a participation interest in any amount of indebtedness for which a Financial Source described in subdivision (e)(i)(A) is the creditor.

(C) An investor who, alone or together with any person controlling, controlled by or under common control with such investor, holds less than 10% of all outstanding debt securities issued directly or indirectly by the Tribe for a Gaming Facility or by the Gaming Operation.

(D) An agency of the federal, state or local government providing financing, together with any person purchasing any debt securities of the agency to provide such financing.

(ii) The following are not Financial Sources for purposes of this Section.

(A) An entity identified by Uniform Tribal Gaming Regulation CGCC-2, subdivision (h) (as in effect on July 1, 2006) of the California Gambling Control Commission.

(B) A person or entity whose sole connection with a provision or extension of financing to the Tribe is to provide loan brokerage or debt servicing for a Financial Source at no cost to the Tribe or the Gaming Operation; provided that no portion of any financing provided is an extension of credit to the Tribe or the Gaming Operation by that person or entity.

(C) The holder of any Letter-of-Credit-Backed Bonds identified in Uniform Tribal Gaming Regulation CGCC-1 (as in effect on July 1, 2006), so long as the holder meets the criteria set forth in both paragraphs (1) and (2) of subdivision (a) of Uniform Tribal Gaming Regulations CGCC-1.

(f) In recognition of changing financial circumstances, this Section shall be subject to good faith renegotiation after one (1) year from the effective date of this Amended Compact upon request of either party; provided such renegotiation shall

not retroactively affect transactions that have already taken place where the Financial Source has been excluded or exempted from licensing requirements.

XV. EFFECTIVE DATE AND TERM OF COMPACT

A. **Section 11.1** is amended to read in its entirety as follows:

Section 11.1. Effective Date. This Amended Compact shall not be effective unless and until all of the following have occurred: (a) The Amendment herein is ratified in accordance with state law; and (b) Notice of approval or constructive approval by the United States Secretary of the Interior is published in the Federal Register as provided in 25 U.S.C. § 2710(d)(3)(B).

B. **Section 11.2.1, subdivision (a)** is repealed and replaced by the following:

Section 11.2.1(a). Once effective, this Amended Compact shall remain in full force and effect until December 31, 2029.

C. **Section 11.2.1, subdivision (b)** is repealed.

XVI.NOTICES

Section 13.0 is repealed and replaced by the following:

Section 13.0. Unless otherwise indicated by this Amended Compact, all notices required or authorized to be served shall be served by first-class mail at the following addresses:

Governor
State Capitol
Sacramento, California 95814

Tribal Chairperson
Shingle Springs Band
of Miwok Indians
Shingle Springs Rancheria
5281 Honpie Road
Placerville, CA 95667

The Tribe or State may change the address to which notices shall be sent by providing twenty (20) days' written notice to the other party.

XVII. MISCELLANEOUS

A. **Section 15.4** is repealed.

B. A new **Section 15.7** is hereby added as follows:

Section 15.7. Calculation of time. In computing any period of time prescribed by this Amended Compact, the day of the event from which the designated period of time begins to run shall not be included. The last day of the period so computed shall be included, unless it is a Saturday, a Sunday, or a legal holiday under the Tribe's laws, State law, or federal law. Unless otherwise specifically provided herein, the term "days" shall be construed as calendar days.

C. A new **Section 15.8** is hereby added as follows:

Section 15.8. Whenever the Tribe adopts or amends any ordinance or regulation required to be adopted and/or maintained under the 1999 Compact or this Amended Compact, the Tribe shall provide a copy of such adopted or amended ordinance or regulation to the Governor's Legal Affairs Secretary within thirty (30) days of the effective date of such amended ordinance.

D. A new **Section 15.9** is hereby added as follows:

Section 15.9. The Tribe expressly represents that, as of the date of the Tribe's execution of this Amended Compact, the undersigned Chairman has the authority to execute this Amendment on behalf of the Tribe, including any waivers of the right to sovereign immunity therein, and will provide written proof of such authority and of the ratification of this Amendment by the tribal governing body to the Governor no later than thirty (30) days after this Amendment's execution by the Tribal Chairman. In entering into this Amendment, the State expressly relies upon the foregoing representations by the Tribe, and the State's entry into this Amendment is expressly made contingent upon the truth of those representations. If the Tribe fails to provide written proof of authority to execute this Amendment or written proof of ratification by the Tribe's governing body within thirty (30) days of the Tribal Chairman's execution of this Amendment, the Governor shall have the right to declare this

Compact null and void by written notice filed with the California Secretary of State.

IN WITNESS WHEREOF, the undersigned sign this Amendment on behalf of the State of California and the Shingle Springs Band of Miwok Indians.

STATE OF CALIFORNIA

By: Arnold Schwarzenegger
Governor of the State of California

Executed this 30 day of June 2008, at Sacramento, California

SHINGLE SPRINGS BAND OF MIWOK INDIANS

By: Nicholas H. Fonseca
Chairman of the Shingle Springs Band of Miwok Indians

Executed this 30 day of June 2008, at Sacramento, California

ATTEST:

Debra Bowen
Secretary of State, State of California

EXHIBITS

A. Off-Reservation Environmental Impact Analysis Checklist

B. Map of the Interchange Project

C. Map and Description of the Shingle Springs Rancheria

EXHIBIT A

OFF-RESERVATION ENVIRONMENTAL IMPACT ANALYSIS CHECKLIST

I. AESTHETICS

Would the project:	*Potentially Significant Impact*	*Less Than Significant With Mitigation Incorporation*	*Less than Significant Impact*	*No Impact*
a) Have a substantial adverse effect on a scenic vista?	☐	☐	☐	☐
b) Substantially damage off-reservation scenic resources, including, but not limited to, trees, rock outcroppings, and historic buildings within a state scenic highway?	☐	☐	☐	☐
c) Create a new source of substantial light or glare, which would adversely affect day or nighttime views of historic buildings or views in the area?	☐	☐	☐	☐

II. AGRICULTURAL RESOURCES

Would the project:	*Potentially Significant Impact*	*Less Than Significant With Mitigation Incorporation*	*Less than Significant Impact*	*No Impact*
a) Involve changes in the existing environment, which, due to their location or nature, could result in conversion of off-reservation farmland to non-agricultural use?	☐	☐	☐	☐

III. AIR QUALITY

Would the project:	*Potentially Significant Impact*	*Less Than Significant With Mitigation Incorporation*	*Less than Significant Impact*	*No Impact*
a) Conflict with or obstruct implementation of the applicable air quality plan?	☐	☐	☐	☐
b) Violate any air quality standard or contribute to an existing or projected air quality violation?	☐	☐	☐	☐
c) Result in a cumulatively considerable net increase of any criteria pollutant for which the project region is non-attainment under an applicable federal or state ambient air quality standard (including releasing emissions, which	☐	☐	☐	☐

Would the project:	Potentially Significant Impact	Less Than Significant With Mitigation Incorporation	Less than Significant Impact	No Impact
exceed quantitative thresholds for ozone precursors)?				
d) Expose off-reservation sensitive receptors to substantial pollutant concentrations?	☐	☐	☐	☐
e) Create objectionable odors affecting a substantial number of people off-reservation?	☐	☐	☐	☐

IV. BIOLOGICAL RESOURCES

Would the project:	Potentially Significant Impact	Less Than Significant With Mitigation Incorporation	Less than Significant Impact	No Impact
a) Have a substantial adverse impact, either directly or through habitat modifications, on any species in local or regional plans, policies, or regulations, or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?	☐	☐	☐	☐
b) Have a substantial adverse effect on any off-reservation riparian habitat or other sensitive natural community identified in local or regional plans, policies, and regulations or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?	☐	☐	☐	☐
c) Have a substantial adverse effect on federally protected off-reservation wetlands as defined by Section 404 of the Clean Water Act?	☐	☐	☐	☐
d) Interfere substantially with the movement of any native resident or migratory fish or wildlife species or with established native resident or migratory wildlife corridors, or impede the use of native wildlife nursery sites?	☐	☐	☐	☐
e) Conflict with the provisions of an adopted Habitat Conservation Plan, Natural Community Conservation Plan, or other approved local, regional, or state habitat conservation plan?	☐	☐	☐	☐

V. CULTURAL RESOURCES

Would the project:	Potentially Significant Impact	Less Than Significant With Mitigation Incorporation	Less than Significant Impact	No Impact
a) Cause a substantial adverse change in the significance of an off-reservation historical or archeological resource?	☐	☐	☐	☐
b) Directly or indirectly destroy a unique off-reservation paleontological resource or site or unique off-reservation geologic feature?	☐	☐	☐	☐
c) Disturb any off-reservation human remains, including those interred outside of formal cemeteries?	☐	☐	☐	☐

VI. GEOLOGY AND SOILS

Would the project:	Potentially Significant Impact	Less Than Significant With Mitigation Incorporation	Less than Significant Impact	No Impact
a) Expose off-reservation people or structures to potential substantial adverse effects, including the risk of loss, injury, or death involving:				
i) Rupture of a known earthquake fault, as delineated on the most recent Alquist-Priolo Earthquake Fault Zoning Map issued by the State Geologist for the area or based on other substantial evidence of a known fault? Refer to Division of Mines and Geology Special Publication 42.	☐	☐	☐	☐
ii) Strong seismic ground shaking?	☐	☐	☐	☐
iii) Seismic-related ground failure, including liquefaction?	☐	☐	☐	☐
iv) Landslides?	☐	☐	☐	☐
b) Result in substantial off-reservation soil erosion or the loss of topsoil?	☐	☐	☐	☐

VII. HAZARDS AND HAZARDOUS MATERIALS

Would the project:	Potentially Significant Impact	Less Than Significant With Mitigation Incorporation	Less than Significant Impact	No Impact
a) Create a significant hazard to the off-reservation public or	☐	☐	☐	☐

the off-reservation environment through the routine transport, use, or disposal of hazardous materials?				
b) Create a significant hazard to the off-reservation public or the off-reservation environment through reasonably foreseeable upset and accident conditions involving the release of hazardous materials into the environment?	☐	☐	☐	☐
c) Emit hazardous emissions or handle hazardous or acutely hazardous materials, substances, or waste within one-quarter mile of an existing or proposed off-reservation school?	☐	☐	☐	☐
d) Expose off-reservation people or structures to a significant risk of loss, injury or death involving wildland fires.	☐	☐	☐	☐

VIII. WATER RESOURCES

Would the project:	*Potentially Significant Impact*	*Less Than Significant With Mitigation Incorporation*	*Less than Significant Impact*	*No Impact*
a) Violate any water quality standards or waste discharge requirements?	☐	☐	☐	☐
b) Substantially deplete off-reservation groundwater supplies or interfere substantially with groundwater recharge such that there should be a net deficit in aquifer volume or a lowering of the local groundwater table level (e.g., the production rate of pre-existing nearby wells would drop to a level which would not support existing land uses or planned uses for which permits have been granted)?	☐	☐	☐	☐
c) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, in a manner which would result in substantial erosion of siltation off-site?	☐	☐	☐	☐
d) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, or substantially increase the rate or amount of surface runoff in a manner which would result in flooding off-site?	☐	☐	☐	☐
e) Create or contribute runoff water which would exceed the capacity of existing or planned storm water drainage systems or provide substantial additional sources of polluted runoff off-reservation?	☐	☐	☐	☐
f) Place within a 100-year flood hazard area structures, which would impede or redirect off-reservation flood flows?	☐	☐	☐	☐

Would the project:	Potentially Significant Impact	Less Than Significant With Mitigation Incorporation	Less than Significant Impact	No Impact
g) Expose off-reservation people or structures to a significant risk of loss, injury or death involving flooding, including flooding as a result of the failure of a levee or dam?	☐	☐	☐	☐

IX. LAND USE

Would the project:	Potentially Significant Impact	Less Than Significant With Mitigation Incorporation	Less than Significant Impact	No Impact
a) Conflict with any off-reservation land use plan, policy, or regulation of an agency adopted for the purpose of avoiding or mitigating an environmental effect?	☐	☐	☐	☐
b) Conflict with any applicable habitat conservation plan or natural communities conservation plan covering off-reservation lands?	☐	☐	☐	☐

X. MINERAL RESOURCES

Would the project:	Potentially Significant Impact	Less Than Significant With Mitigation Incorporation	Less than Significant Impact	No Impact
a) Result in the loss of availability of a known off-reservation mineral resource classified MRZ-2 by the State Geologist that would be of value to the region and the residents of the state?	☐	☐	☐	☐
b) Result in the loss of availability of an off-reservation locally important mineral resource recovery site delineated on a local general plan, specific plan, or other land use plan?	☐	☐	☐	☐

XI. NOISE

Would the project result in:	Potentially Significant Impact	Less Than Significant With Mitigation Incorporation	Less than Significant Impact	No Impact
a) Exposure of off-reservation persons to noise levels in excess of standards established in the local general plan or noise ordinance, or applicable standards of other agencies?	☐	☐	☐	☐
b) Exposure of off-reservation persons to excessive groundborne vibration or groundborne noise levels?	☐	☐	☐	☐
c) A substantial permanent increase in ambient noise levels in the off-reservation vicinity of the project?	☐	☐	☐	☐
d) A substantial temporary or periodic increase in ambient noise levels in the off-reservation vicinity of the project?	☐	☐	☐	☐

XII. POPULATION AND HOUSING

Would the project:	Potentially Significant Impact	Less Than Significant With Mitigation Incorporation	Less than Significant Impact	No Impact
a) Induce substantial off-reservation population growth?	☐	☐	☐	☐
b) Displace substantial numbers of existing housing, necessitating the construction of replacement housing elsewhere off-reservation?	☐	☐	☐	☐

XIII. PUBLIC SERVICES

Would the project:	Potentially Significant Impact	Less Than Significant With Mitigation Incorporation	Less than Significant Impact	No Impact
a) Result in substantial adverse physical impacts associated with the provision of new or physically altered off-reservation governmental facilities, the construction of which could cause significant environmental impacts, in order to maintain acceptable service ratios, response times, or other performance objectives for any of the off-reservation public services:				
Fire protection?	☐	☐	☐	☐
Police protection?	☐	☐	☐	☐
Schools?	☐	☐	☐	☐

Would the project:	Potentially Significant Impact	Less Than Significant With Mitigation Incorporation	Less than Significant Impact	No Impact
Parks?	☐	☐	☐	☐
Other public facilities?	☐	☐	☐	☐

XIV. RECREATION

Would the project:	Potentially Significant Impact	Less Than Significant With Mitigation Incorporation	Less than Significant Impact	No Impact
a) Increase the use of existing off-reservation neighborhood and regional parks or other recreational facilities such that substantial physical deterioration of the facility would occur or be accelerated?	☐	☐	☐	☐

XV. TRANSPORTATION / TRAFFIC

Would the project:	Potentially Significant Impact	Less Than Significant With Mitigation Incorporation	Less than Significant Impact	No Impact
a) Cause an increase in off-reservation traffic, which is substantial in relation to the existing traffic load and capacity of the street system (i.e., result in a substantial increase in either the number of vehicle trips, the volume-to-capacity ratio on roads, or congestion at intersections)?	☐	☐	☐	☐
b) Exceed, either individually or cumulatively, a level of service standard established by the county congestion management agency for designated off-reservation roads or highways?	☐	☐	☐	☐
c) Substantially increase hazards to an off-reservation design feature (e.g., sharp curves or dangerous intersections) or incompatible uses (e.g., farm equipment)?	☐	☐	☐	☐
d) Result in inadequate emergency access for off-reservation responders?	☐	☐	☐	☐

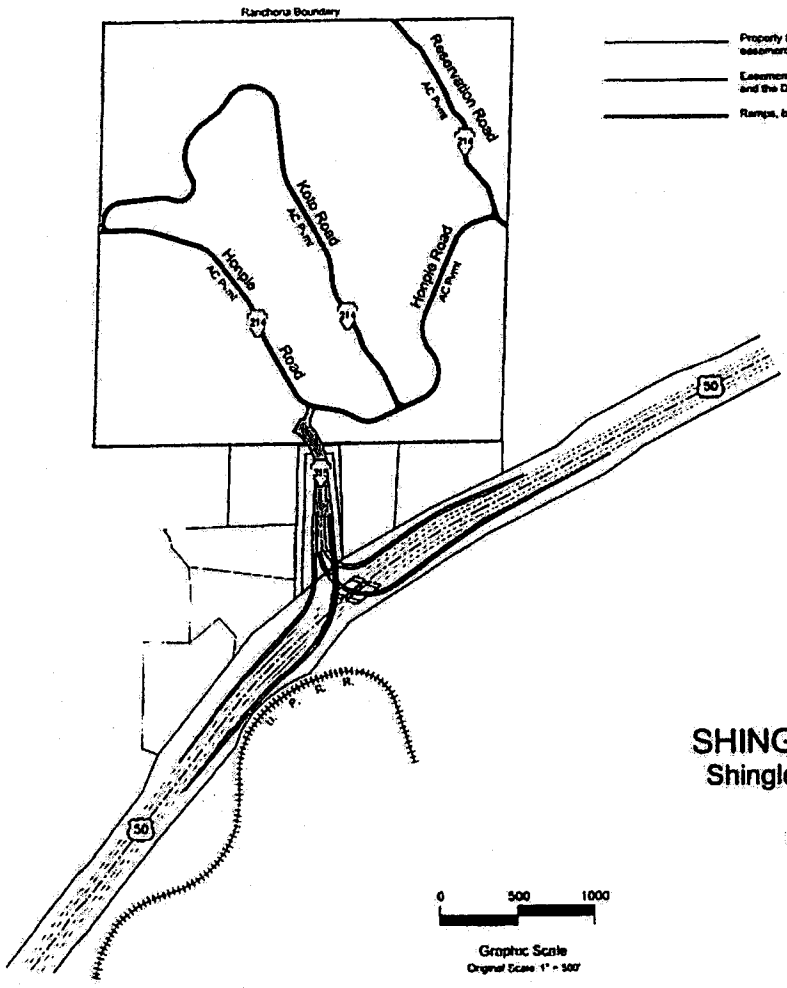
XVI. UTILITIES AND SERVICE SYSTEMS

Would the project:	*Potentially Significant Impact*	*Less Than Significant With Mitigation Incorporation*	*Less than Significant Impact*	*No Impact*
a) Exceed off-reservation wastewater treatment requirements of the applicable Regional Water Quality Control Board?	☐	☐	☐	☐
b) Require or result in the construction of new water or wastewater treatment facilities or expansion of existing facilities, the construction of which could cause significant off-reservation environmental effects?	☐	☐	☐	☐
c) Require or result in the construction of new storm water drainage facilities or expansion of existing facilities, the construction of which could cause significant off-reservation environmental effects?	☐	☐	☐	☐
d) Result in a determination by an off-reservation wastewater treatment provider (if applicable), which serves or may serve the project that it has inadequate capacity to serve the project's projected demand in addition to the provider's existing commitments?	☐	☐	☐	☐

XVII. CUMULATIVE EFFECTS

Would the project:	*Potentially Significant Impact*	*Less Than Significant With Mitigation Incorporation*	*Less than Significant Impact*	*No Impact*
a) Have impacts that are individually limited, but cumulatively considerable off-reservation? "Cumulatively considerable" means that the incremental effects of a project are considerable when viewed in connection with the effects of past, current, or probable future projects.	☐	☐	☐	☐

EXHIBIT B



Property to be acquired by the Shingle Springs Band of Miwok Indians with a blanket easement for access to be granted to the Department of the Interior, Bureau of Indian Affairs

Easement to be granted to the State of California by the Shingle Springs Band of Miwok Indians and the Department of the Interior, Bureau of Indian Affairs.

Ramps, bridges and roadways proposed for addition to the Indian Reservation Roads.

N

0 500 1000

Graphic Scale

Original Scale: 1" = 500'

Indian Reservation Road Map

SHINGLE SPRINGS RANCHERIA

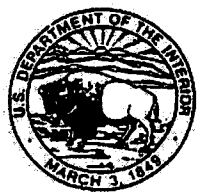
Shingle Springs Band of Miwok Indians

Showing the Additions Proposed
In Conjunction with the Access Interchange
to Route 50

Located in
Section 29, T. 10 N., R. 10 W.,
Mount Diablo Base & Meridian
El Dorado County, California

Date: September 16, 2002 Sheet 1 of 1

EXHIBIT C



United States Department of the Interior

BUREAU OF INDIAN AFFAIRS
Sacramento Area Office
2800 Cottage Way
Sacramento, California 95825

IN REPLY REFER TO:

AUG 2 6 1998

Ms. Joann Adams
Shingle Springs Rancheria
P. O. Box 1340
Shingle Springs, California 95682

Dear Ms. Adams:

In response to your telephone request of August 26, 1998, enclosed are photocopies of the March 11, 1920 deed to the United States of America for the tract commonly known as the "Shingle Springs Rancheria" and the BIA's Road Atlas Map for the rancheria. This tract was purchased by the United States for Indian use.

Our records reflect that the subject property, consisting of approximately 160 acres, is the recognized land base for the Shingle Springs Band of Indians.

Sincerely,

Area Director

Enclosures

cc: Superintendent, CCA w/copies of encls. for info./file

Deed dated March 11, 1920 (160.00 acres)

108 201 1773

Notary Public in and for said County of Glacier, State of Montana, personally appeared George Westwolf, known to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.

In witness thereof, I have hereunto set my hand affixed my official seal the day and year in this certificate first above written.

Stuart J. Hazlett
Notary Public, Kerrite, State of Montana
My Com. expires April 15-1923

(Seal)

23444
1920 This Indenture, made this 11th day of March 1920 between Claude E. Cooper as administrator of the estate of Walter J. Meldrum, also known as W. J. Meldrum, deceased, the party of the first part and United States of America, the party of the second part,

Witnesseth:

That Whereas, the Superior Court of the State of California, in and for the County of Sacramento, did on the 6th day of October, 1919 make an order decreeing that a conveyance be executed to the party of the second part of the property hereinafter described, a certified copy of said order having been recorded in the office of the County Recorder of the County of El Dorado, State of California, within which County the said lands are situated, on the 30th day of October, 1919, which said order is now on file and of record in the office of the County Recorder of El Dorado, State of California, which said record thereof in said Recorder's Office, is hereby referred to for greater Certainty.

Now, Therefore, said Claude E. Cooper, as administrator of the estate of Walter J. Meldrum, also known as W. J. Meldrum, deceased, party of the first part, pursuant to said order, aforesaid, of said Superior Court for and in consideration of the sum of $1400.00 lawful money of the United States of America, to him in hand paid by the said party of the second part, the receipt of which is hereby acknowledged, has granted, bargained, sold and conveyed, and by these presents, does grant, bargain, sell and convey unto the said party of the second part all right, title, interest and estate of the said Walter J. Meldrum, also known as W. J. Meldrum, at the time of his death and all the right, title and interest that the said estate or said Administrator, by operation of law

or otherwise may have secured in addition to that of said deceased, at the time of his death, in and to all that certain real property situated in the County of Sacramento, State of California, and [illegible] and particularly described as follows, [illegible] The North-west one-quarter (N.W.¼) of Section twenty-nine (29) in Township ten (10) North of Range ten (10) East, M.D.B. & M.

Together with all and singular the tenements, hereditaments and appurtenances whatsoever to the same belonging or in anyway appertaining.

To Have and To Hold all singular the above mentioned and described premises, together with the appurtenances, unto the said United States of America, for the use and occupancy of the Sacramento Verona Band of Homeless Indians.

In Witness Whereof, the said party of the first part, as administrator of the estate of said deceased, as administrator of the estate of said deceased, as aforesaid, has executed these presents the day and year first above written.

Seal

Revenue Stamps $1.00

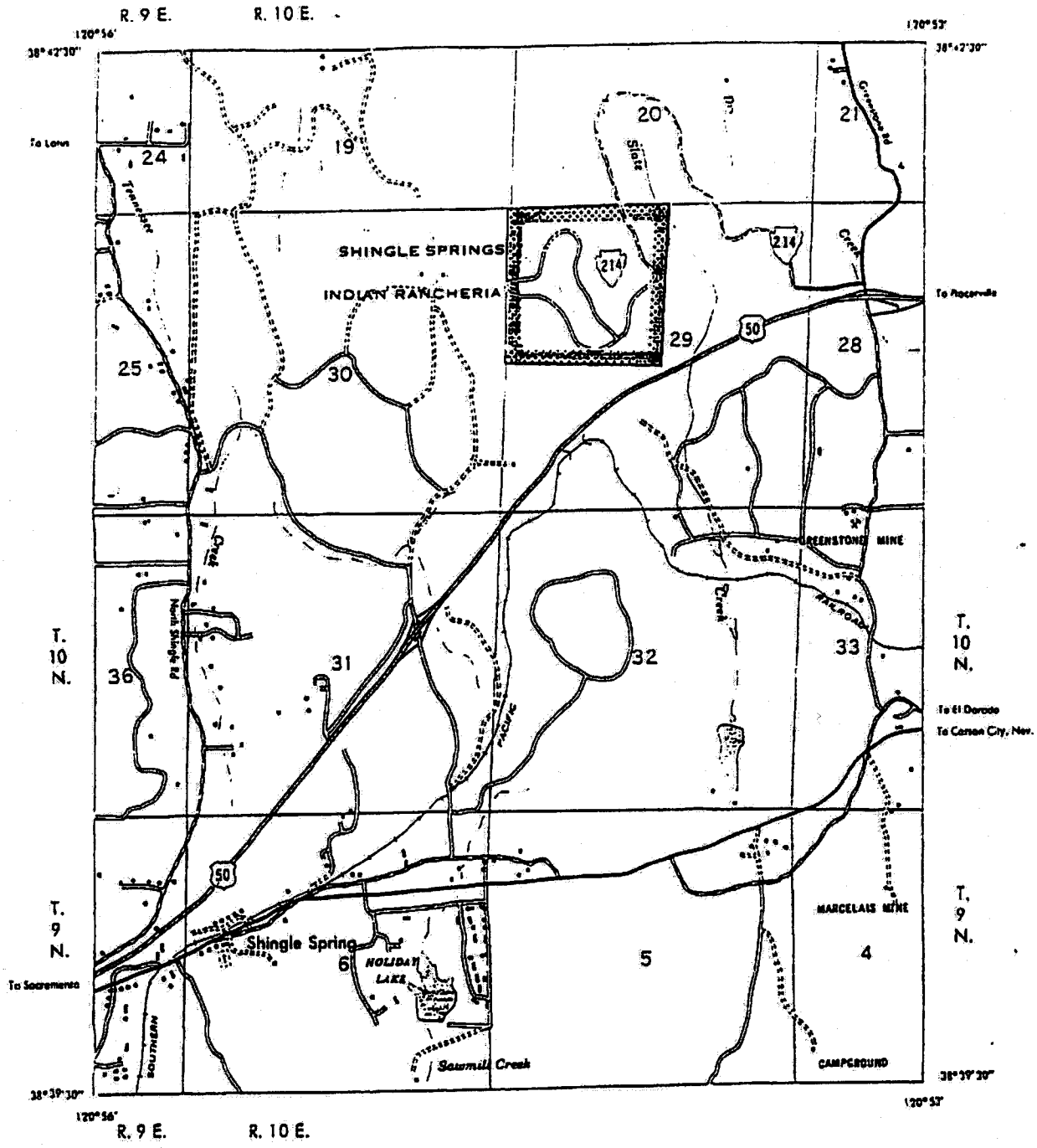
Claude E. Cooper
Administrator of the estate of
Walter J. Meldrum, deceased

State of California }
County of Sacramento } ss

On this 11th day of March 1921, before me, C. H. S. Bidwell, a notary Public in and for the County of Sacramento, State of California, personally appeared Claude E. Cooper known to me to be the person whose name is subscribed to the foregoing instrument, as administrator of the estate of Walter J. Meldrum, also known as Wm. J. Meldrum, deceased, and he acknowledged to me that he, as said administrator, executed the same.

In Witness Whereof, I have hereunto set my hand and affixed my official seal, at the County of Sacramento, the day and year in this certificate first above written.

C. H. S. Bidwell
Notary Public in and for the
County of Sacramento of California



SHINGLE SPRINGS INDIAN RANCHERIA

MDB & M EL DORADO COUNTY, CALIFORNIA

SCALE 2" = 1 MILE

TRIBAL-STATE COMPACT

BETWEEN

THE STATE OF CALIFORNIA

AND THE

SHINGLE SPRINGS BAND OF MIWOK INDIANS

APPENDIX A

MINIMUM INTERNAL CONTROL STANDARDS

June 2008

APPENDIX A

MINIMUM INTERNAL CONTROL STANDARDS

(BASED ON CODE OF FEDERAL REGULATIONS (CFR) PART 542)

TABLE OF CONTENTS

Section	Contents	Page Number
§ 542.1	What does this part cover?	1
§ 542.2	What are the definitions for this part?	1
§ 542.3	How do I comply with this part?	9
§ 542.4	Reserved	13
§ 542.5	Reserved	13
§ 542.6	Reserved	14
§ 542.7	Reserved	14
§ 542.8	Reserved	14
§ 542.9	Reserved	14
§ 542.10	Reserved	14
§ 542.11	What are the minimum internal control standards for pari-mutuel wagering?	14
§ 542.12	What are the minimum internal control standards for banking and percentage card games?	18
§ 542.13	What are the minimum internal control standards for gaming devices?	26
§ 542.14	What are the minimum internal control standards for the cage?	38
§ 542.15	What are the minimum internal control standards for credit?	40
§ 542.16	What are the minimum internal control standards for information technology?	43
§ 542.17	What are the minimum internal control standards for complimentary services or items?	46
§ 542.18	Reserved	46
§ 542.19	What are the minimum internal control standards for accounting?	46
§ 542.20	What is a Tier A gaming operation?	50
§ 542.21	What are the minimum internal control standards for drop and count for Tier A gaming operations?	50
§ 542.22	What are the minimum internal control standards for internal audit for Tier A gaming operations?	64
§ 542.23	What are the minimum internal control standards for surveillance for Tier A gaming operations?	66
§ 542.30	What is a Tier B gaming operation?	68
§ 542.31	What are the minimum internal control standards for drop and count for Tier B gaming operations?	69
§ 542.32	What are the minimum internal control standards for internal audit for Tier B gaming operations?	83
§ 542.33	What are the minimum internal control standards for surveillance for Tier B gaming operations?	85
§ 542.40	What is a Tier C gaming operation?	89
§ 542.41	What are the minimum internal control standards for drop and count for Tier C gaming operations?	89
§ 542.42	What are the minimum internal control standards for internal audit for Tier C gaming operations?	103
§ 542.43	What are the minimum internal control standards for surveillance for a Tier C gaming operation?	105

APPENDIX A

MINIMUM INTERNAL CONTROL STANDARDS

Compliance with Requirements of this Appendix. The following minimum internal control standards shall apply to all Tribal Gaming Activities, Gaming Facilities and Gaming Operations; however, this Appendix is not applicable to any activities not expressly permitted in the Compact. In addition, should the terms in this Appendix be inconsistent with the Compact, the terms in the Compact shall prevail.

§ 542.1 What does this part cover?

This part establishes the minimum internal control standards for gaming operations on Indian land.

§ 542.2 What are the definitions for this part?

The definitions in this section shall apply to all sections of this part unless otherwise noted.

Account access card means an instrument used to access customer accounts for wagering at a gaming machine. Account access cards are used in connection with a computerized account database. Account access cards are not "smart cards."

Accountability means all items of cash, chips, coins, tokens, plaques, receivables, and customer deposits constituting the total amount for which the bankroll custodian is responsible at a given time.

Accumulated credit payout means credit earned in a gaming device that is paid to a customer manually in lieu of a gaming device payout.

Actual hold percentage means the percentage calculated by dividing the win by the drop or coin-in (number of credits wagered). Can be calculated for individual banking or percentage card games or gaming devices, or type of banking or percentage card games or gaming devices, on a per day or cumulative basis.

Ante means a player's initial wager or predetermined contribution to the pot before the dealing of the first hand.

Banking card games means games played with cards that are banked by the house whereby the house pays all winning bets and collects all losing bets.

Betting station means the area designated in a pari-mutuel area that accepts wagers and pays winning bets.

Betting ticket means a printed, serially numbered form used to record the event upon which a wager is made, the amount and date of the wager, and sometimes the line or spread (odds).

Bill acceptor means the device that accepts and reads cash by denomination in order to accurately register customer credits.

Bill acceptor canister means the box attached to the bill acceptor used to contain cash received by bill acceptors.

Bill acceptor canister release key means the key used to release the bill acceptor canister from the bill acceptor device.

Bill acceptor canister storage rack key means the key used to access the storage rack where bill acceptor canisters are secured.

Bill acceptor drop means cash contained in bill acceptor canisters.

Bill-in meter means a meter included on a gaming device accepting cash that tracks the number of bills put in the gaming device.

Boxperson means the first-level supervisor who is responsible for directly participating in and supervising the operation and conduct of any allowable banking card game based upon craps not using dice.

Breakage means the difference between actual bet amounts paid out by a racetrack to bettors and amounts won due to bet payments being rounded up or down. For example, a winning bet that should pay $4.25 may be actually paid at $4.20 due to rounding.

Cage means a secure work area within the gaming operation for cashiers and a storage area for the gaming operation bankroll.

Cage accountability form means an itemized list of the components that make up the cage accountability.

Cage credit means advances in the form of cash or gaming chips made to customers at the cage. Documented by the players signing an IOU or a marker similar to a counter check.

Cage marker form means a document, signed by the customer, evidencing an extension of credit at the cage to the customer by the gaming operation.

Calibration module means the section of a weigh scale used to set the scale to a specific amount or number of coins to be counted.

Call bets means a wager made without cash or chips, reserved for a known customer and includes marked bets (which are supplemental bets made during a hand of play). For the purpose of settling a call bet, a hand of play in a banking card game based upon craps not using dice is defined as a natural winner (e.g., seven of eleven on the come-out deal), a natural loser (e.g., a two, three or twelve on the come-out deal), a seven-out, or the player making his point, whichever comes first.

Cash-out ticket means an instrument of value generated by a gaming device representing a cash amount owed to a customer at a specific gaming device. This instrument may be wagered at other gaming devices by depositing the cash-out ticket in the gaming device bill acceptor.

Chips means cash substitutes, in various denominations, issued by a gaming operation and used for wagering.

Coin-in meter means the meter that displays the total amount wagered in a gaming device that includes coins-in and credits played.

Coin meter count machine means a device used in a coin room to count coin.

Coin room means an area where coins and tokens are stored.

Coin room inventory means coins and tokens stored in the coin room that are generally used for gaming device department operation.

Commission means the National Indian Gaming Commission (NIGC).

Complimentary means a service or item provided at no cost, or at a reduced cost, to a customer.

Count means the total funds counted for a particular game, gaming device, shift, or other period.

Count room means a room where the coin and cash drop from gaming devices, banking and percentage card games, or other games are transported to and counted.

Count team means personnel that perform either the count of the gaming device drop and/or the banking or percentage card game drop.

Counter check means a form provided by the gaming operation for the customer to use in lieu of a personal check.

Credit means the right granted by a gaming operation to a customer to defer payment of debt or to incur debt and defer its payment.

Credit limit means the maximum dollar amount of credit assigned to a customer by the gaming operation.

Credit slip means a form used to record either:

(1) The return of chips from a banking or percentage card game table to the cage; or

(2) The transfer of IOUs, markers, or negotiable checks from a banking or percentage card game table to a cage or bankroll.

Customer deposits means the amounts placed with a cage cashier by customers for the customers' use at a future time.

Dealer means an employee who operates a game, individually or as a part of a crew, administering house rules and making payoffs.

Dedicated camera means a video camera required to continuously record a specific activity.

Drop (for gaming devices) means the total amount of cash, cash-out tickets, coupons, coins, and tokens removed from drop buckets and/or bill acceptor canisters.

Drop (for banking and percentage card games) means the total amount of cash, chips, and tokens removed from drop boxes, plus the amount of credit issued at the banking and percentage card game tables.

Drop box means a locked container affixed to the banking or percentage card game table into which the drop is placed. The game type, table number, and shift are indicated on the box.

Drop box contents keys means the key used to open drop boxes.

Drop box release keys means the key used to release drop boxes from banking and percentage card game tables.

Drop box storage rack keys means the key used to access the storage rack where drop boxes are secured.

Drop bucket means a container located in the drop cabinet (or in a secured portion of the gaming device in coinless/cashless configurations) for the purpose of collecting coins, tokens, cash-out tickets, and coupons from the gaming device.

Drop cabinet means the wooden or metal base of the gaming device that contains the gaming device drop bucket.

Drop period means the period of time that occurs between sequential drops.

Earned and unearned take means race bets taken on present and future race events. Earned take means bets received on current or present events. Unearned take means bets taken on future race events.

EPROM means erasable programmable read-only memory or other equivalent game software media.

Fill means a transaction whereby a supply of chips, coins, or tokens is transferred from a bankroll to a banking or percentage card game or gaming device.

Fill slip means a document evidencing a fill.

Future wagers means bets on races to be run in the future (e.g., Kentucky Derby).

Game server means an electronic selection device, utilizing a random number generator.

Gaming device means a gaming device as defined in the Compact.

Gaming device analysis report means a report prepared that compares theoretical to actual hold by a gaming device on a monthly or other periodic basis.

Gaming device booths and change banks means a booth or small cage in the gaming device area used to provide change to players, store change aprons and extra coin, and account for jackpot and other payouts.

Gaming device count means the total amount of coins, tokens, and cash removed from a gaming device. The amount counted is entered on the Gaming Device Count Sheet and is considered the drop. Also, the procedure of counting the coins, tokens, and cash or the process of verifying gaming device coin and token inventory.

Gaming device pay table means the reel strip combinations illustrated on the face of the gaming device that can identify payouts of designated coin amounts.

Gaming operation accounts receivable (for gaming operation credit) means credit extended to gaming operation customers in the form of markers, returned checks, or other credit instruments that have not been repaid.

Gross gaming revenue means annual total amount of cash wagered on class II and class III games and admission fees (including table or card fees), less any amounts paid out as prizes or paid for prizes awarded.

Hold means the relationship of win to coin-in for gaming devices and win to drop for banking and percentage card games.

Hub means the person or entity that is licensed to provide the operator of a pari-mutuel wagering operation information related to horse racing that is used to determine winners of races or payoffs on wagers accepted by the pari-mutuel wagering operation.

Internal audit means persons who perform an audit function of a gaming operation that are independent of the department subject to audit. Independence is obtained through the organizational reporting relationship, as the internal audit department shall not report to management of the gaming operation. Internal audit activities should be conducted in a manner that permits objective evaluation of areas examined. Internal audit personnel may provide audit coverage to more than one (1) operation within a Tribe's gaming operation holdings.

Issue slip means a copy of a credit instrument that is retained for numerical sequence control purposes.

Jackpot payout means the portion of a jackpot paid by gaming device personnel. The amount is usually determined as the difference between the total posted jackpot amount and the coins paid out by the gaming device. May also be the total amount of the jackpot.

Lammer button means a type of chip that is placed on a banking or percentage card game table to indicate that the amount of chips designated thereon has been given to the customer for wagering on credit before completion of the credit instrument.

Marker means a document, signed by the customer, evidencing an extension of credit to him by the gaming operation.

Marker credit play means that players are allowed to purchase chips using credit in the form of a marker.

Marker inventory form means a form maintained at banking and percentage card games or in the gaming operation pit that are used to track marker inventories at the individual table or pit.

Marker transfer form means a form used to document transfers of markers from the pit to the cage.

Master credit record means a form to record the date, time, shift, game, table, amount of credit given, and the signatures or initials of the persons extending the credit.

Master game program number means the game program number listed on a gaming device EPROM.

Master game sheet means a form used to record, by shift and day, each banking and percentage card game's winnings and losses. This form reflects the opening and closing table inventories, the fills and credits, and the drop and win.

Mechanical coin counter means a device used to count coins that may be used in addition to or in lieu of a coin weigh scale.

Meter means an electronic (soft) or mechanical (hard) apparatus in a gaming device. May record the number of coins wagered, the number of coins dropped, the number of times the handle was pulled, or the number of coins paid out to winning players.

MICS means minimum internal control standards in this part 542.

Motion activated dedicated camera means a video camera that, upon its detection of activity or motion in a specific area, begins to record the activity or area.

Multi-game gaming device means a gaming device that includes more than one (1) type of game option.

On-line gaming device monitoring system means a system used by a gaming operation to monitor gaming device meter readings and/or other activities on an on-line basis.

Order for credit means a form that is used to request the transfer of chips or markers from a banking or percentage card game table to the cage. The order precedes the actual transfer transaction that is documented on a credit slip.

Par percentage means the percentage of each dollar wagered that the house wins (i.e., gaming operation advantage).

Par sheet means a specification sheet for a gaming device that provides gaming device hold percentage, model number, hit frequency, reel combination, number of reels, number of coins that can be accepted, and reel strip listing.

Pari-mutuel wagering means a system of wagering on horse races, jai-alai, greyhound, and harness racing, where the winners divide the total amount wagered, net of commissions and operating expenses, proportionate to the individual amount wagered.

Payment slip means that part of a marker form on which customer payments are recorded.

Payout means a transaction associated with a winning event.

Percentage card games means a card game in which the operator has no interest in the game's outcome but takes a percentage of all amounts wagered or won.

PIN means the personal identification number used to access a player's account.

Pit podium means a stand located in the middle of the banking or percentage card game tables used by gaming operation supervisory personnel as a workspace and a record storage area.

Pit supervisor means the employee who supervises all games in a pit.

Player tracking system means a system typically used in gaming device departments that can record the gaming device play of individual customers.

Post time means the time when a pari-mutuel track stops accepting bets in accordance with rules and regulations of the applicable jurisdiction.

Primary and secondary jackpots means promotional pools offered at certain banking or percentage card games that can be won in addition to the primary pot.

Progressive gaming device means a gaming device, with a payoff indicator, in which the payoff increases as it is played (i.e., deferred payout). The payoff amount is accumulated, displayed on a gaming device, and will remain until a player lines up the jackpot symbols that result in the progressive amount being paid.

Progressive jackpot means deferred payout from a progressive gaming device.

Progressive banking or percentage card game means banking or percentage card games that offer progressive jackpots.

Promotional payout means merchandise or awards given to players by the gaming operation based on a wagering activity.

Random number generator means a device that generates numbers in the absence of a pattern. Commonly used in gaming devices to generate game outcome.

Reel symbols means symbols listed on reel strips of gaming devices.

Rim credit means extensions of credit that are not evidenced by the immediate preparation of a marker and does not include call bets.

Runner means a gaming employee who transports chips/cash to or from a banking or percentage card game table and a cashier.

SAM means a screen-automated machine used to accept pari-mutuel wagers. SAMs also pay winning tickets in the form of a voucher, which is redeemable for cash.

Shift means an eight-hour period, unless otherwise approved by the Tribal gaming agency, not to exceed twenty-four (24) hours.

Shill means an employee financed by the house and acting as a player for the purpose of starting or maintaining a sufficient number of players in a game.

Short pay means a payoff from a gaming device that is less than the listed amount.

Soft count means the count of the contents in a drop box or a bill acceptor canister.

State gaming agency means "State Gaming Agency," as defined in the Compact.

Statistical drop means total amount of money, chips and tokens contained in the drop boxes, plus pit credit issued, minus pit credit payments in cash in the pit.

Statistical win means closing bankroll, plus credit slips for cash, chips or tokens returned to the cage, plus drop, minus opening bankroll, minus fills to the banking or percentage card game table, plus marker credits.

Sufficient clarity means use of monitoring and recording at a minimum of 20 frames per second. Multiplexer tape recordings are insufficient to satisfy the requirement of sufficient clarity.

Surveillance room means a secure location(s) in a gaming operation used primarily for casino surveillance.

Surveillance system means a system of video cameras, monitors, recorders, video printers, switches, selectors, and other ancillary equipment used for casino surveillance.

Table inventory means the total coins, chips, and markers at a banking or percentage card game table.

Table inventory form means the form used by gaming operation supervisory personnel to document the inventory of chips, coins, and tokens on a banking or percentage card game table at the beginning and ending of a shift.

Table tray means the container located on banking or percentage card game tables where chips, coins, or cash are stored that are used in the game.

Take means the same as earned and unearned take.

Theoretical hold means the intended hold percentage or win of an individual gaming device as computed by reference to its payout schedule and reel strip settings or EPROM.

Theoretical hold worksheet means a worksheet provided by the manufacturer for all gaming devices that indicate the theoretical percentages that the gaming device should hold based on adequate levels of coin-in. The worksheet also indicates the reel strip settings, number of credits that may be played, the payout schedule, the number of reels and other information descriptive of the particular type of gaming device.

Tier A means gaming operations with annual gross gaming revenues of more than $1 million but not more than $5 million.

Tier B means gaming operations with annual gross gaming revenues of more than $5 million but not more than $15 million.

Tier C means gaming operations with annual gross gaming revenues of more than $15 million.

Tokens means a coin-like cash substitute, in various denominations, used for gambling transactions.

Tribal gaming agency means "Tribal Gaming Agency," as defined in the Compact.

Vault means a secure area within the gaming operation where tokens, checks, cash, coins, and chips are stored.

Weigh/count means the value of coins and tokens counted by a weigh machine.

Weigh scale calibration module means the device used to adjust a coin weigh scale.

Weigh scale interface means a communication device between the weigh scale used to calculate the amount of funds included in drop buckets and the computer system used to record the weigh data.

Weigh tape means the tape where weighed coin is recorded.

Wide area progressive gaming device means a progressive gaming device that is linked to gaming devices in other operations and play on the gaming devices affect the progressive amount. As wagers are placed, the progressive meters on all of the linked gaming devices increase.

Win means the net win resulting from all gaming activities.

Win-to-write hold percentage means win divided by write to determine hold percentage.

Wrap means the method of storing coins after the count process has been completed, including, but not limited to, wrapping, racking, or bagging. May also refer to the total amount or value of the counted and stored coins.

Write means the total amount wagered in pari-mutuel operations.

Writer means an employee who writes pari-mutuel tickets.

§ 542.3 How do I comply with this part?

(a) *Compliance based upon tier.* (1) Tier A gaming operations must comply with §§542.1 through 542.18, and §§542.20 through 542.23.

(2) Tier B gaming operations must comply with §§542.1 through 542.18, and §§542.30 through 542.33.

(3) Tier C gaming operations must comply with §§542.1 through 542.18, and §§542.40 through 542.43.

(b) *Determination of tier.* (1) The determination of tier level shall be made based upon the individual annual gross gaming revenues at each gaming facility, as indicated within the gaming operation's audited financial statements. Gaming operations moving from one tier to another shall have nine (9) months from the date of the independent certified public accountant's audit report to achieve compliance with the requirements of the new tier.

(2) The Tribal gaming agency may extend the deadline by an additional six (6) months if written notice is provided to the State gaming agency no later than two (2) weeks before the expiration of the nine (9) month period.

(c) Reserved.

(d) Reserved.

(e) Reserved.

(f) *CPA testing.* (1) An independent certified public accountant (CPA) shall be engaged to perform "Agreed-Upon Procedures" to verify that the gaming operation is in compliance with the minimum internal control standards (MICS) set forth in this part. The CPA shall report each event and procedure discovered by or brought to the CPA's attention that the CPA believes does not satisfy the minimum standards. The "Agreed-Upon Procedures" may be performed in conjunction with the annual audit. The CPA shall report its findings to the Tribe, Tribal gaming agency, and management. The Tribe shall submit two (2) copies of the report to the State gaming agency within 120 days of the gaming operation's fiscal year end. This regulation is intended to communicate the Commission's position on the minimum agreed-upon procedures to be performed by the CPA. Throughout these regulations, the CPA's engagement and reporting are based on Statements on Standards for Attestation Engagements (SSAEs) in effect as of December 31, 2003, specifically SSAE 10 ("Agreed-Upon Procedures Engagements"). If future revisions are made to the SSAEs or new SSAEs are adopted that are applicable to this type of engagement, the CPA is to comply with any new or revised professional standards in conducting engagements pursuant to these regulations and the issuance of the agreed-upon procedures report. The CPA shall perform the "Agreed-Upon Procedures" in accordance with the following:

(i) As a prerequisite to the evaluation of the gaming operation's internal control systems, it is recommended that the CPA obtain and review an organization chart depicting segregation of functions and responsibilities, a description of the duties and responsibilities of each position shown on the organization chart, and an accurate, detailed narrative description of the gaming operation's procedures in effect that demonstrate compliance.

(ii) Complete the CPA NIGC or State gaming agency MICS Compliance checklists or other comparable testing procedures. The checklists should measure compliance on a sampling basis by performing walk-throughs, observations and substantive testing. The CPA shall complete separate checklists for each gaming revenue center, cage and credit, internal audit, surveillance, information technology and complimentary services or items. All questions on each applicable checklist should be completed. Work-paper references are suggested for all "no" responses for the results obtained during testing (unless a note in the "W/P Ref" can explain the exception).

(iii) The CPA shall perform, at a minimum, the following procedures in conjunction with the completion of the checklists:

(A) At least one (1) unannounced observation of each of the following: Gaming device coin drop, gaming device currency acceptor drop, banking or percentage card games drop, gaming device coin count, gaming device currency acceptor count, and banking or percentage card games count. The AICPA's "Audits of Casinos" Audit and Accounting Guide states that "observations of operations in the casino cage and count room should not be announced in advance * * *" For purposes of these procedures, "unannounced" means that no officers, directors, or employees are given advance information regarding the dates or times of such observations. The independent accountant should make arrangements with the gaming operation and Tribal gaming agency to ensure proper identification of the CPA's personnel and to provide for their prompt access to the count rooms.

(*1*) The gaming device coin count observation would include a weigh scale test of all denominations using pre-counted coin. The count would be in process when these tests are performed, and would be conducted prior to the commencement of any other walk-through procedures. For computerized weigh scales, the test can be conducted at the conclusion of the count, but before the final totals are generated.

(*2*) The checklists should provide for drop/count observations, inclusive of hard drop/count, soft drop/count and currency acceptor drop/count. The count room would not be entered until the count is in process and the CPA would not leave the room until the monies have been counted and verified to the count sheet by the CPA and accepted into accountability. If the drop teams are

unaware of the drop observations and the count observations would be unexpected, the hard count and soft count rooms may be entered simultaneously. Additionally, if the gaming device currency acceptor count begins immediately after the banking or percentage card games count in the same location, by the same count team, and using the same equipment, the currency acceptor count observation can be conducted on the same day as the banking or percentage card games count observation, provided the CPA remains until monies are transferred to the vault/cashier.

(B) Observations of the gaming operation's employees as they perform their duties.

(C) Interviews with the gaming operation's employees who perform the relevant procedures.

(D) Compliance testing of various documents relevant to the procedures. The scope of such testing should be indicated on the checklist where applicable.

(E) For new gaming operations that have been in operation for three (3) months or less at the end of their business year, performance of this regulation, section 542.3(f), is not required for the partial period.

(2) Alternatively, at the discretion of the Tribe, the Tribe may engage an independent certified public accountant (CPA) to perform the testing, observations and procedures reflected in paragraphs (f)(1)(i), (ii), and (iii) of this section utilizing the Tribal internal control standards adopted by the Tribal gaming agency. Accordingly, the CPA will verify compliance by the gaming operation with the Tribal internal control standards. Should the Tribe elect this alternative, as a prerequisite, the CPA will perform the following:

(i) The CPA shall compare the Tribal internal control standards to the MICS to ascertain whether the criteria set forth in the MICS are adequately addressed.

(ii) The CPA may utilize personnel of the Tribal gaming agency to cross-reference the Tribal internal control standards to the MICS, provided the CPA performs a review of the Tribal gaming agency personnel's work and assumes complete responsibility for the proper completion of the work product.

(iii) The CPA shall report each procedure discovered by or brought to the CPA's attention that the CPA believes does not satisfy paragraph (f)(2)(i) of this section.

(3) *Reliance on Internal Auditors.* (i) The CPA may rely on the work of an internal auditor, to the extent allowed by the professional standards, for the performance of the recommended procedures specified in paragraphs (f)(1)(iii)(B), (C), and (D) of this section, and for the completion of the checklists as they relate to the procedures covered therein provided that the internal audit department can demonstrate to the satisfaction of the CPA that the requirements contained within §542.22, 542.32, or 542.42, as applicable, have been satisfied.

(ii) Agreed-upon procedures are to be performed by the CPA to determine that the internal audit procedures performed for a past 12-month period (includes two 6-month periods) encompassing a portion or all of the most recent business year has been properly completed. The CPA will apply the following Agreed-Upon Procedures to the gaming operation's written assertion:

(A) Obtain internal audit department work-papers completed for a 12-month period (includes two 6-month periods) encompassing a portion or all of the most recent business year and determine whether the CPA NIGC MICS Compliance Checklists or other comparable testing procedures

were included in the internal audit work-papers and all steps described in the checklists were initialed or signed by an internal audit representative.

(B) For the internal audit work-papers obtained in paragraph (f)(3)(ii)(A) of this section, on a sample basis, reperform the procedures included in CPA NIGC MICS Compliance Checklists or other comparable testing procedures prepared by internal audit and determine if all instances of noncompliance noted in the sample were documented as such by internal audit. The CPA NIGC MICS Compliance Checklists or other comparable testing procedures for the applicable Drop and Count procedures are not included in the sample reperformance of procedures because the CPA is required to perform the drop and count observations as required under paragraph (f)(1)(iii)(A) of this section of the Agreed-Upon Procedures. The CPA's sample should comprise a minimum of three (3) percent of the procedures required in each CPA NIGC MICS Compliance Checklist or other comparable testing procedures for the gaming device and banking and percentage card game departments and five (5) percent for the other departments completed by internal audit in compliance with the internal audit MICS. The reperformance of procedures is performed as follows:

(*1*) For inquiries, the CPA should either speak with the same individual or an individual of the same job position as the internal auditor did for the procedure indicated in their checklist.

(*2*) For observations, the CPA should observe the same process as the internal auditor did for the procedure as indicated in their checklist.

(*3*) For document testing, the CPA should look at the same original document as tested by the internal auditor for the procedure as indicated in their checklist. The CPA need only retest the minimum sample size required in the checklist.

(C) The CPA is to investigate and resolve any differences between their reperformance results and the internal audit results.

(D) Documentation is maintained for five (5) years by the CPA indicating the procedures reperformed along with the results.

(E) When performing the procedures for paragraph (f)(3)(ii)(B) of this section in subsequent years, the CPA must select a different sample so that the CPA will reperform substantially all of the procedures after several years.

(F) Any additional procedures performed at the request of the Commission, the Tribal gaming agency, State gaming agency, or management should be included in the Agreed-Upon Procedures report transmitted to the State gaming agency.

(4) *Report Format.* (i) The NIGC has concluded that the performance of these procedures is an attestation engagement in which the CPA applies such Agreed-Upon Procedures to the gaming operation's assertion that it is in compliance with the MICS and, if applicable under paragraph (f)(2) of this section, the Tribal internal control standards provide a level of control that equals or exceeds that of the MICS. Accordingly, the Statements on Standards for Attestation Engagements (SSAE's), specifically SSAE 10, issued by the Auditing Standards Board is currently applicable. SSAE 10 provides current, pertinent guidance regarding agreed-upon procedure engagements, and the sample report formats included within those standards should be used, as appropriate, in the preparation of the CPA's agreed-upon procedures report. If future revisions are made to this standard or new SSAEs are adopted that are applicable to this type of engagement, the CPA is to comply with any revised professional standards in issuing their agreed upon procedures report. The Commission or State gaming agency will provide an

Example Report and Letter Formats upon written request that may be used and contain all of the information discussed below:

(A) The report must describe all instances of procedural noncompliance, regardless of materiality, with the MICS, and all instances where the Tribal gaming agency's regulations do not comply with the MICS. When describing the agreed-upon procedures performed, the CPA should also indicate whether procedures performed by other individuals were utilized to substitute for the procedures required to be performed by the CPA. For each instance of noncompliance noted in the CPA's agreed-upon procedures report, the following information must be included:

(*1*) The citation of the applicable MICS for which the instance of noncompliance was noted.

(*2*) A narrative description of the noncompliance, including the number of exceptions and sample size tested.

(5) *Report Submission Requirements.* (i) The CPA shall prepare a report of the findings for the Tribe and management. The Tribe shall submit two (2) copies of the report to the State gaming agency no later than 120 days after the gaming operation's fiscal year end. This report should be provided in addition to any other reports required to be submitted to the State gaming agency.

(ii) The CPA should maintain the work-papers supporting the report for a minimum of five (5) years. Digital storage is acceptable. The Commission or State gaming agency may request access to these work-papers, through the Tribe.

(6) *CPA NIGC MICS Compliance Checklists.* In connection with the CPA testing pursuant to this section and as referenced therein, the Commission or State gaming agency will provide CPA MICS Compliance Checklists upon written request.

§ 542.4 Reserved.

§ 542.5 Reserved.

§ 542.6 Reserved

(a) *Small gaming operations.* This part shall not apply to small gaming operations provided that:

(1) The Tribal gaming regulatory authority permits the operation to be exempt from this part;

(2) The annual gross gaming revenue of the operation does not exceed $1 million; and

(3) The Tribal gaming regulatory authority develops and the operation complies with alternate procedures that:

(i) Protect the integrity of games offered; and

(ii) Safeguard the assets used in connection with the operation.

(b) *Charitable gaming operations.* This part shall not apply to charitable gaming operations provided that:

(1) All proceeds are for the benefit of a charitable organization;

(2) The Tribal gaming regulatory authority permits the charitable organization to be exempt from this part;

(3) The charitable gaming operation is operated wholly by the charitable organization's employees or volunteers;

(4) The annual gross gaming revenue of the charitable gaming operation does not exceed $100,000;

(i) Where the annual gross gaming revenues of the charitable gaming operation exceed $100,000, but are less than $1 million, paragraph (a) of this section shall also apply; and

(ii) [Reserved]

(5) The Tribal gaming regulatory authority develops and the charitable gaming operation complies with alternate procedures that:

(i) Protect the integrity of the games offered; and

(ii) Safeguard the assets used in connection with the gaming operation.

(c) Independent operators. Nothing in this section shall exempt gaming operations conducted by independent operators for the benefit of a charitable organization.

§ 542.7 Reserved.

§ 542.8 Reserved.

§ 542.9 Reserved.

§ 542.10 Reserved.

§ 542.11 What are the minimum internal control standards for pari-mutuel wagering?

(a) *Exemptions.* (1) The requirements of this section shall not apply to gaming operations who house pari-mutuel wagering operations conducted entirely by a state licensed simulcast service provider pursuant to an approved tribal-state compact if:

(i) The simulcast service provider utilizes its own employees for all aspects of the pari-mutuel wagering operation;

(ii) The gaming operation posts, in a location visible to the public, that the simulcast service provider and its employees are wholly responsible for the conduct of pari-mutuel wagering offered at that location;

(iii) The gaming operation receives a predetermined fee from the simulcast service provider; and

(iv) The Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency, shall establish and the gaming operation shall comply with standards that ensure that the gaming operation receives, from the racetrack, its contractually guaranteed percentage of the handle.

(2) Gaming operations that contract directly with a state regulated racetrack as a simulcast service provider, but whose on-site pari-mutuel operations are conducted wholly or in part by tribal gaming operation employees, shall not be required to comply with paragraphs (h)(5) thru (h)(9) of this section.

(i) If any standard contained within this section conflicts with state law, a tribal-state compact, or a contract, then the gaming operation shall document the basis for noncompliance and shall maintain such documentation for inspection by the Tribal gaming agency, State gaming agency, and the Commission.

(ii) The Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency, shall establish and the gaming operation shall comply with standards that ensure that the gaming operation receives, from the racetrack, its contractually guaranteed percentage of the handle.

(b) *Computer applications.* For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control described by the standards in this section, as approved by the Tribal gaming agency, will be acceptable.

(c) *Betting ticket and equipment standards.* (1) All pari-mutuel wagers shall be transacted through the pari-mutuel satellite system. In case of computer failure between the pari-mutuel book and the hub, no tickets shall be manually written.

(2) Whenever a betting station is opened for wagering or turned over to a new writer/cashier, the writer/cashier shall sign on and the computer shall document gaming operation name (or identification number), station number, the writer/cashier identifier, and the date and time.

(3) A betting ticket shall consist of at least two (2) parts:

(i) An original, which shall be transacted and issued through a printer and given to the customer; and

(ii) A copy that shall be recorded concurrently with the generation of the original ticket either on paper or other storage media (e.g., tape or diskette).

(4) Upon accepting a wager, the betting ticket that is created shall contain the following:

(i) A unique transaction identifier;

(ii) Gaming operation name (or identification number) and station number;

(iii) Race track, race number, horse identification or event identification, as applicable;

(iv) Type of bet(s), each bet amount, total number of bets, and total take; and

(v) Date and time.

(5) All tickets shall be considered final at post time.

(6) If a gaming operation voids a betting ticket written prior to post time, it shall be immediately entered into the system.

(7) Future wagers shall be accepted and processed in the same manner as regular wagers.

(d) *Payout standards.* (1) Prior to making payment on a ticket, the writer/cashier shall input the ticket for verification and payment authorization.

(2) The computer shall be incapable of authorizing payment on a ticket that has been previously paid, a voided ticket, a losing ticket, or an unissued ticket.

(e) *Checkout standards.* (1) Whenever the betting station is closed or the writer/cashier is replaced, the writer/cashier shall sign off and the computer shall document the gaming operation name (or identification number), station number, the writer/cashier identifier, the date and time, and cash balance.

(2) For each writer/cashier station a summary report shall be completed at the conclusion of each shift including:

(i) Computation of cash turned in for the shift; and

(ii) Signature of two (2) employees who have verified the cash turned in for the shift. Unverified transfers of cash and/or cash equivalents are prohibited.

(f) *Employee wagering.* Pari-mutuel employees shall be prohibited from wagering on race events while on duty, including during break periods.

(g) *Computer reports standards.* (1) Adequate documentation of all pertinent pari-mutuel information shall be generated by the computer system.

(2) This documentation shall be restricted to authorized personnel.

(3) The documentation shall be created for each day's operation and shall include, but is not limited to:

(i) Unique transaction identifier;

(ii) Date/time of transaction;

(iii) Type of wager;

(iv) Animal identification or event identification;

(v) Amount of wagers (by ticket, writer/SAM, track/event, and total);

(vi) Amount of payouts (by ticket, writer/SAM, track/event, and total);

(vii) Tickets refunded (by ticket, writer, track/event, and total);

(viii) Unpaid winners/vouchers ("outs") (by ticket/voucher, track/event, and total);

(ix) Voucher sales/payments (by ticket, writer/SAM, and track/event);

(x) Voids (by ticket, writer, and total);

(xi) Future wagers (by ticket, date of event, total by day, and total at the time of revenue recognition);

(xii) Results (winners and payout data);

(xiii) Breakage data (by race and track/event);

(xiv) Commission data (by race and track/event); and

(xv) Purged data (by ticket and total).

(4) The system shall generate the following reports:

(i) A reconciliation report that summarizes totals by track/event, including write, the day's winning ticket total, total commission and breakage due the gaming operation, and net funds transferred to or from the gaming operation's bank account;

(ii) An exception report that contains a listing of all system functions and overrides not involved in the actual writing or cashing of tickets, including sign-on/off, voids, and manually input paid tickets; and

(iii) A purged ticket report that contains a listing of the unique transaction identifier(s), description, ticket cost and value, and date purged.

(h) *Accounting and auditing functions.* A gaming operation shall perform the following accounting and auditing functions:

(1) The parimutuel audit shall be conducted by personnel independent of the parimutuel operation.

(2) Documentation shall be maintained evidencing the performance of all parimutuel accounting and auditing procedures.

(3) An accounting employee shall review handle, commission, and breakage for each day's play and recalculate the net amount due to or from the systems operator on a weekly basis.

(4) The accounting employee shall verify actual cash/cash equivalents turned in to the system's summary report for each cashier's drawer (Beginning balance, (+) fills (draws), (+) net write (sold less voids), (−) payouts (net of IRS withholding), (−) cashbacks (paids), (=) cash turn-in).

(5) An accounting employee shall produce a gross revenue recap report to calculate gross revenue for each day's play and for a month-to-date basis, including the following totals:

(i) Commission;

(ii) Positive breakage;

(iii) Negative breakage;

(iv) Track/event fees;

(v) Track/event fee rebates; and

(vi) Purged tickets.

(6) All winning tickets and vouchers shall be physically removed from the SAM's for each day's play.

(7) In the event a SAM does not balance for a day's play, the auditor shall perform the following procedures:

(i) Foot the winning tickets and vouchers deposited and trace to the totals of SAM activity produced by the system;

(ii) Foot the listing of cashed vouchers and trace to the totals produced by the system;

(iii) Review all exceptions for propriety of transactions and unusual occurrences;

(iv) Review all voids for propriety;

(v) Verify the results as produced by the system to the results provided by an independent source;

(vi) Regrade 1% of paid (cashed) tickets to ensure accuracy and propriety; and

(vii) When applicable, reconcile the totals of future tickets written to the totals produced by the system for both earned and unearned take, and review the reports to ascertain that future wagers are properly included on the day of the event.

(8) At least annually, the auditor shall foot the wagers for one (1) day and trace to the total produced by the system.

(9) At least one (1) day per quarter, the auditor shall recalculate and verify the change in the unpaid winners to the total purged tickets.

§ 542.12 What are the minimum internal control standards for banking and percentage card games?

(a) *Computer applications.* For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control described by the standards in this section, as approved by the Tribal gaming agency, will be acceptable.

(b) *Standards for drop and count.* The procedures for the collection of the banking and percentage card game drop and the count thereof shall comply with §542.21, §542.31, or §542.41 (as applicable).

(c) *Fill and credit standards.* (1) Fill slips and credit slips shall be in at least triplicate form, and in a continuous, prenumbered series. Such slips shall be concurrently numbered in a form utilizing the alphabet and only in one (1) series at a time. The alphabet need not be used if the numerical series is not repeated during the business year.

(2) Unissued and issued fill/credit slips shall be safeguarded and adequate procedures shall be employed in their distribution, use, and control. Personnel from the cashier or pit departments shall have no access to the secured (control) copies of the fill/credit slips.

(3) When a fill/credit slip is voided, the cashier shall clearly mark "void" across the face of the original and first copy, the cashier and one (1) other person independent of the transactions shall

sign both the original and first copy, and shall submit them to the accounting department for retention and accountability.

(4) Fill transactions shall be authorized by pit supervisory personnel before the issuance of fill slips and transfer of chips, tokens, or cash equivalents. The fill request shall be communicated to the cage where the fill slip is prepared.

(5) At least three (3) parts of each fill slip shall be utilized as follows:

(i) One (1) part shall be transported to the pit with the fill and, after the appropriate signatures are obtained, deposited in the appropriate banking or percentage card game drop box;

(ii) One (1) part shall be retained in the cage for reconciliation of the cashier bank; and

(iii) For computer systems, one (1) part shall be retained in a secure manner to insure that only authorized persons may gain access to it. For manual systems, one (1) part shall be retained in a secure manner in a continuous unbroken form.

(6) For Tier C gaming operations, the part of the fill slip that is placed in the appropriate banking or percentage card game drop box shall be of a different color for fills than for credits, unless the type of transaction is clearly distinguishable in another manner (checking a box on the form shall not be a clearly distinguishable indicator).

(7) The table number, shift, and amount of fill by denomination and in total shall be noted on all copies of the fill slip. The correct date and time shall be indicated on at least two (2) copies.

(8) All fills shall be carried from the cashier's cage by a person who is independent of the cage or pit.

(9) The fill slip shall be signed by at least the following persons (as an indication that each has counted the amount of the fill and the amount agrees with the fill slip):

(i) Cashier who prepared the fill slip and issued the chips, tokens, or cash equivalent;

(ii) Runner who carried the chips, tokens, or cash equivalents from the cage to the pit;

(iii) Dealer or boxperson who received the chips, tokens, or cash equivalents at the gaming table; and

(iv) Pit supervisory personnel who supervised the fill transaction.

(10) Fills shall be broken down and verified by the dealer or boxperson in public view before the dealer or boxperson places the fill in the table tray.

(11) A copy of the fill slip shall then be deposited into the drop box on the table by the dealer, where it shall appear in the soft count room with the cash receipts for the shift.

(12) Table credit transactions shall be authorized by a pit supervisor before the issuance of credit slips and transfer of chips, tokens, or other cash equivalent. The credit request shall be communicated to the cage where the credit slip is prepared.

(13) At least three (3) parts of each credit slip shall be utilized as follows:

(i) Two (2) parts of the credit slip shall be transported by the runner to the pit. After signatures of the runner, dealer, and pit supervisor are obtained, one (1) copy shall be deposited in the appropriate banking or percentage card game drop box and the original shall accompany transport of the chips, tokens, markers, or cash equivalents from the pit to the cage for verification and signature of the cashier.

(ii) For computer systems, one (1) part shall be retained in a secure manner to insure that only authorized persons may gain access to it. For manual systems, one (1) part shall be retained in a secure manner in a continuous unbroken form.

(14) The table number, shift, and the amount of credit by denomination and in total shall be noted on all copies of the credit slip. The correct date and time shall be indicated on at least two (2) copies.

(15) Chips, tokens, and/or cash equivalents shall be removed from the table tray by the dealer or boxperson and shall be broken down and verified by the dealer or boxperson in public view prior to placing them in racks for transfer to the cage.

(16) All chips, tokens, and cash equivalents removed from the banking or percentage card game tables and markers removed from the pit shall be carried to the cashier's cage by a person who is independent of the cage or pit.

(17) The credit slip shall be signed by at least the following persons (as an indication that each has counted or, in the case of markers, reviewed the items transferred):

(i) Cashier who received the items transferred from the pit and prepared the credit slip;

(ii) Runner who carried the items transferred from the pit to the cage;

(iii) Dealer who had custody of the items prior to transfer to the cage; and

(iv) Pit supervisory personnel who supervised the credit transaction.

(18) The credit slip shall be inserted in the drop box by the dealer.

(19) Chips, tokens, or other cash equivalents shall be deposited on or removed from gaming tables only when accompanied by the appropriate fill/credit or marker transfer forms.

(20) Cross fills (the transfer of chips between banking or percentage card games) and even cash exchanges are prohibited in the pit.

(d) *Table inventory forms.* (1) At the close of each shift, for those table banks that were opened during that shift:

(i) The table's chip, token, coin, and marker inventory shall be counted and recorded on a table inventory form; or

(ii) If the table banks are maintained on an imprest basis, a final fill or credit shall be made to bring the bank back to par.

(2) If final fills are not made, beginning and ending inventories shall be recorded on the master game sheet for shift win calculation purposes.

(3) The accuracy of inventory forms prepared at shift end shall be verified by the outgoing pit supervisor and the dealer. Alternatively, if the dealer is not available, such verification may be provided by another pit supervisor or another supervisor from another gaming department. Verifications shall be evidenced by signature on the inventory form.

(4) If inventory forms are placed in the drop box, such action shall be performed by a person other than a pit supervisor.

(e) *Banking and percentage card games computer generated documentation standards.* (1) The computer system shall be capable of generating adequate documentation of all information recorded on the source documents and transaction detail (e.g., fill/credit slips, markers, etc.).

(2) This documentation shall be restricted to authorized personnel.

(3) The documentation shall include, at a minimum:

(i) System exception information (e.g., appropriate system parameter information, corrections, voids, etc.); and

(ii) Personnel access listing, which includes, at a minimum:

(A) Employee name or employee identification number (if applicable); and

(B) Listing of functions employees can perform or equivalent means of identifying the same.

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

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

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

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

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

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

(h) *Standards for supervision.* Pit supervisory personnel (with authority greater than those being supervised) shall provide supervision of all banking and percentage card games.

(i) *Analysis of banking and percentage card games performance standards.* (1) Records shall be maintained by day and shift indicating any single-deck blackjack games that were dealt for an entire shift.

(2) Records reflecting hold percentage by table and type of game shall be maintained by shift, by day, cumulative month-to-date, and cumulative year-to-date.

(3) This information shall be presented to and reviewed by management independent of the pit department on at least a monthly basis.

(4) The management in paragraph (i)(3) of this section shall investigate any unusual fluctuations in hold percentage with pit supervisory personnel.

(5) The results of such investigations shall be documented, maintained for inspection, and provided to the Tribal gaming agency upon request.

(j) *Accounting/auditing standards.* (1) The accounting and auditing procedures shall be performed by personnel who are independent of the transactions being audited/accounted for.

(2) If a banking or percentage card game has the capability to determine drop (*e.g.,* bill-in/coin-drop meters, bill acceptor, computerized record, etc.) the dollar amount of the drop shall be reconciled to the actual drop by shift.

(3) Accounting/auditing employees shall review exception reports for all computerized banking and percentage card games systems at least monthly for propriety of transactions and unusual occurrences.

(4) All noted improper transactions or unusual occurrences shall be investigated with the results documented.

(5) Evidence of banking and percentage card games auditing procedures and any follow-up performed shall be documented, maintained for inspection, and provided to the Tribal gaming agency upon request.

(6) A daily recap shall be prepared for the day and month-to-date, which shall include the following information:

(i) Drop;

(ii) Win; and

(iii) Gross revenue.

(k) *Marker credit play.* (1) If a gaming operation allows marker credit play (exclusive of rim credit and call bets), the following standards shall apply:

(i) A marker system shall allow for credit to be both issued and repaid in the pit.

(ii) Prior to the issuance of gaming credit to a player, the employee extending the credit shall contact the cashier or other independent source to determine if the player's credit limit has been properly established and there is sufficient remaining credit available for the advance.

(iii) Proper authorization of credit extension in excess of the previously established limit shall be documented.

(iv) The amount of credit extended shall be communicated to the cage or another independent source and the amount documented within a reasonable time subsequent to each issuance.

(v) The marker form shall be prepared in at least triplicate form (triplicate form being defined as three (3) parts performing the functions delineated in the standard in paragraph (k)(1)(vi) of this section), with a preprinted or concurrently printed marker number, and utilized in numerical sequence. (This requirement shall not preclude the distribution of batches of markers to various pits.)

(vi) At least three (3) parts of each separately numbered marker form shall be utilized as follows:

(A) Original shall be maintained in the pit until settled or transferred to the cage;

(B) Payment slip shall be maintained in the pit until the marker is settled or transferred to the cage. If paid in the pit, the slip shall be inserted in the appropriate banking or percentage card game drop box. If not paid in the pit, the slip shall be transferred to the cage with the original;

(C) Issue slip shall be inserted into the appropriate banking or percentage card game drop box when credit is extended or when the player has signed the original.

(vii) When marker documentation (e.g., issue slip and payment slip) is inserted in the drop box, such action shall be performed by the dealer or boxperson at the table.

(viii) A record shall be maintained that details the following (e.g., master credit record retained at the pit podium):

(A) The signature or initials of the person(s) approving the extension of credit (unless such information is contained elsewhere for each issuance);

(B) The legible name of the person receiving the credit;

(C) The date and shift of granting the credit;

(D) The table on which the credit was extended;

(E) The amount of credit issued;

(F) The marker number;

(G) The amount of credit remaining after each issuance or the total credit available for all issuances;

(H) The amount of payment received and nature of settlement (e.g., credit slip number, cash, chips, etc.); and

(I) The signature or initials of the person receiving payment/settlement.

(ix) The forms required in paragraphs (k)(1)(v), (vi), and (viii) of this section shall be safeguarded, and adequate procedures shall be employed to control the distribution, use, and access to these forms.

(x) All credit extensions shall be initially evidenced by lammer buttons, which shall be displayed on the table in public view and placed there by supervisory personnel.

(xi) Marker preparation shall be initiated and other records updated within approximately one (1) hand of play following the initial issuance of credit to the player.

(xii) Lammer buttons shall be removed only by the dealer or boxperson employed at the table upon completion of a marker transaction.

(xiii) The original marker shall contain at least the following information:

(A) Marker number;

(B) Player's name and signature;

(C) Date; and

(D) Amount of credit issued.

(xiv) The issue slip or stub shall include the same marker number as the original, the table number, date and time of issuance, and amount of credit issued. The issue slip or stub shall also include the signature of the person extending the credit, and the signature or initials of the dealer or boxperson at the applicable table, unless this information is included on another document verifying the issued marker.

(xv) The payment slip shall include the same marker number as the original. When the marker is paid in full in the pit, it shall also include the table number where paid, date and time of payment, nature of settlement (cash, chips, etc.), and amount of payment. The payment slip shall also include the signature of pit supervisory personnel acknowledging payment, and the signature or initials of the dealer or boxperson receiving payment, unless this information is included on another document verifying the payment of the marker.

(xvi) When partial payments are made in the pit, a new marker shall be completed reflecting the remaining balance and the marker number of the marker originally issued.

(xvii) When partial payments are made in the pit, the payment slip of the marker that was originally issued shall be properly cross-referenced to the new marker number, completed with all information required by paragraph (k)(1)(xv) of this section, and inserted into the drop box.

(xviii) The cashier's cage or another independent source shall be notified when payments (full or partial) are made in the pit so that cage records can be updated for such transactions. Notification shall be made no later than when the customer's play is completed or at shift end, whichever is earlier.

(xix) All portions of markers, both issued and unissued, shall be safeguarded and procedures shall be employed to control the distribution, use and access to the forms.

(xx) An investigation shall be performed to determine the cause and responsibility for loss whenever marker forms, or any part thereof, are missing. These investigations shall be documented, maintained for inspection, and provided to the Tribal gaming agency upon request.

(xxi) When markers are transferred to the cage, marker transfer forms or marker credit slips (or similar documentation) shall be utilized and such documents shall include, at a minimum, the date, time, shift, marker number(s), table number(s), amount of each marker, the total amount transferred, signature of pit supervisory personnel releasing instruments from the pit, and the signature of cashier verifying receipt of instruments at the cage.

(xxii) All markers shall be transferred to the cage within twenty-four (24) hours of issuance.

(xxiii) Markers shall be transported to the cashier's cage by a person who is independent of the marker issuance and payment functions (pit clerks may perform this function).

(l) *Name credit instruments accepted in the pit.* (1) For the purposes of this paragraph, name credit instruments means personal checks, payroll checks, counter checks, hold checks, traveler's checks, or other similar instruments that are accepted in the pit as a form of credit issuance to a player with an approved credit limit.

(2) The following standards shall apply if name credit instruments are accepted in the pit:

(i) A name credit system shall allow for the issuance of credit without using markers;

(ii) Prior to accepting a name credit instrument, the employee extending the credit shall contact the cashier or another independent source to determine if the player's credit limit has been properly established and the remaining credit available is sufficient for the advance;

(iii) All name credit instruments shall be transferred to the cashier's cage (utilizing a two-part order for credit) immediately following the acceptance of the instrument and issuance of chips (if name credit instruments are transported accompanied by a credit slip, an order for credit is not required);

(iv) The order for credit (if applicable) and the credit slip shall include the customer's name, amount of the credit instrument, the date, time, shift, table number, signature of pit supervisory personnel releasing instrument from pit, and the signature of the cashier verifying receipt of instrument at the cage;

(v) The procedures for transacting table credits at standards in paragraphs (c)(12) through (19) of this section shall be strictly adhered to; and

(vi) The acceptance of payments in the pit for name credit instruments shall be prohibited.

(m) *Call bets.* (1) The following standards shall apply if call bets are accepted in the pit:

(i) A call bet shall be evidenced by the placement of a lammer button, chips, or other identifiable designation in an amount equal to that of the wager in a specific location on the table;

(ii) The placement of the lammer button, chips, or other identifiable designation shall be performed by supervisory/boxperson personnel. The placement may be performed by a dealer only if the supervisor physically observes and gives specific authorization;

(iii) The call bet shall be settled at the end of each hand of play by the preparation of a marker, repayment of the credit extended, or the payoff of the winning wager. Call bets extending beyond one (1) hand of play shall be prohibited; and

(iv) The removal of the lammer button, chips, or other identifiable designation shall be performed by the dealer/boxperson upon completion of the call bet transaction.

(n) *Rim credit.* (1) The following standards shall apply if rim credit is extended in the pit:

(i) Rim credit shall be evidenced by the issuance of chips to be placed in a neutral zone on the table and then extended to the customer for the customer to wager, or to the dealer to wager for the customer, and by the placement of a lammer button or other identifiable designation in an amount equal to that of the chips extended; and

(ii) Rim credit shall be recorded on player cards, or similarly used documents, which shall be:

(A) Prenumbered or concurrently numbered and accounted for by a department independent of the pit;

(B) For all extensions and subsequent repayments, evidenced by the initials or signatures of a supervisor and the dealer attesting to the validity of each credit extension and repayment;

(C) An indication of the settlement method (e.g., serial number of marker issued, chips, cash);

(D) Settled no later than when the customer leaves the table at which the card is prepared;

(E) Transferred to the accounting department on a daily basis; and

(F) Reconciled with other forms utilized to control the issuance of pit credit (e.g., master credit records, table cards).

(o) *Foreign currency.* (I) The following standards shall apply if foreign currency is accepted in the pit:

(i) Foreign currency transactions shall be authorized by a pit supervisor/boxperson who completes a foreign currency exchange form before the exchange for chips or tokens;

(ii) Foreign currency exchange forms include the country of origin, total face value, amount of chips/token extended (i.e., conversion amount), signature of supervisor/boxperson, and the dealer completing the transaction;

(iii) Foreign currency exchange forms and the foreign currency shall be inserted in the drop box by the dealer; and

(iv) Alternate procedures specific to the use of foreign valued gaming chips shall be developed by the Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency.

§ 542.13 What are the minimum internal control standards for gaming devices?

(a) *Standards for gaming devices.* (1) For this section only, credit or customer credit means a unit of value equivalent to cash or cash equivalents deposited, wagered, won, lost, or redeemed by a customer.

(2) Coins shall include tokens.

(3) For all computerized gaming device systems, a personnel access listing shall be maintained, which includes at a minimum:

(i) Employee name or employee identification number (or equivalent); and

(ii) Listing of functions employee can perform or equivalent means of identifying same.

(b) *Computer applications.* For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control described by the standards in this section, as approved by the Tribal gaming agency, will be acceptable.

(c) *Standards for drop and count.* The procedures for the collection of the gaming device drop and the count thereof shall comply with §542.21, §542.31, or §542.41 (as applicable).

(d) *Jackpot payouts, gaming devices fills, short pays and accumulated credit payouts standards.* (1) For jackpot payouts and gaming device fills, documentation shall include the following information:

(i) Date and time;

(ii) Gaming device number;

(iii) Dollar amount of cash payout or gaming device fill (both alpha and numeric) or description of personal property awarded, including fair market value. Alpha is optional if another unalterable method is used for evidencing the amount of the payout;

(iv) Game outcome (including reel symbols, card values, suits, etc.) for jackpot payouts. Game outcome is not required if a computerized jackpot/fill system is used;

(v) Preprinted or concurrently printed sequential number; and

(vi) Signatures of at least two (2) employees verifying and witnessing the payout or gaming device fill (except as otherwise provided in paragraphs (d)(1)(vi)(A), (B), and (C) of this section).

(A) Jackpot payouts over a predetermined amount shall require the signature and verification of a supervisory or management employee independent of the gaming device department (in addition to the two (2) signatures required in paragraph (d)(1)(vi) of this section). Alternatively, if an on-line accounting system is utilized, only two (2) signatures are required: one (1) employee and one (1) supervisory or management employee independent of the gaming device department. This predetermined amount shall be authorized by management (as approved by the Tribal gaming agency), documented, and maintained.

(B) With regard to jackpot payouts and hopper fills, the signature of one (1) employee is sufficient if an on-line accounting system is utilized and the jackpot or fill is less than $1,200.

(C) On graveyard shifts (eight-hour maximum) payouts/fills less than $100 can be made without the payout/fill being witnessed by a second person.

(2) For short pays of $10.00 or more, and payouts required for accumulated credits, the payout form shall include the following information:

(i) Date and time;

(ii) Gaming device number;

(iii) Dollar amount of payout (both alpha and numeric); and

(iv) The signature of at least one (1) employee verifying and witnessing the payout.

(A) Where the payout amount is $50 or more, signatures of at least two (2) employees verifying and witnessing the payout. Alternatively, the signature of one (1) employee is sufficient if an on-line accounting system is utilized and the payout amount is less than $3,000.

(3) Computerized jackpot/fill systems shall be restricted so as to prevent unauthorized access and fraudulent payouts by one person as required by §542.16(a).

(4) Payout forms shall be controlled and routed in a manner that precludes any one person from producing a fraudulent payout by forging signatures or by altering the amount paid out subsequent to the payout and misappropriating the funds.

(e) *Promotional payouts or awards.* (1) If a gaming operation offers promotional payouts or awards that are not reflected on the gaming device pay table, then the payout form/documentation shall include:

(i) Date and time;

(ii) Gaming device number and denomination;

(iii) Dollar amount of payout or description of personal property (*e.g.,* jacket, toaster, car, etc.), including fair market value;

(iv) Type of promotion (*e.g.,* double jackpots, four-of-a-kind bonus, etc.); and

(v) Signature of at least one (1) employee authorizing and completing the transaction.

(f) *Gaming device department funds standards.* (1) The gaming device booths and change banks that are active during the shift shall be counted down and reconciled each shift by two (2) employees utilizing appropriate accountability documentation. Unverified transfers of cash and/or cash equivalents are prohibited.

(2) The wrapping of loose gaming device booth and cage cashier coin shall be performed at a time or location that does not interfere with the hard count/wrap process or the accountability of that process.

(3) A record shall be maintained evidencing the transfers of wrapped and unwrapped coins and retained for seven (7) days.

(g) *EPROM control standards.* (1) At least annually, procedures shall be performed to insure the integrity of a sample of gaming device game program EPROMs, or other equivalent game software media, by personnel independent of the gaming device department or the gaming devices being tested.

(2) The Tribal gaming agency, or the gaming operation subject to the approval of the Tribal gaming agency, shall develop and implement procedures for the following:

(i) Removal of EPROMs, or other equivalent game software media, from devices, the verification of the existence of errors as applicable, and the correction via duplication from the master game program EPROM, or other equivalent game software media;

(ii) Copying one gaming device program to another approved program;

(iii) Verification of duplicated EPROMs before being offered for play;

(iv) Receipt and destruction of EPROMs, or other equivalent game software media; and

(v) Securing the EPROM, or other equivalent game software media, duplicator, and master game EPROMs, or other equivalent game software media, from unrestricted access.

(3) The master game program number, par percentage, and the pay table shall be verified to the par sheet when initially received from the manufacturer.

(4) Gaming devices with potential jackpots in excess of $100,000 shall have the game software circuit boards locked or physically sealed. The lock or seal shall necessitate the presence of a person independent of the gaming device department to access the device game program EPROM, or other equivalent game software media. If a seal is used to secure the board to the frame of the gaming device, it shall be pre-numbered.

(5) Records that document the procedures in paragraph (g)(2)(i) of this section shall include the following information:

(i) Date;

(ii) Gaming device number (source and destination);

(iii) Manufacturer;

(iv) Program number;

(v) Personnel involved;

(vi) Reason for duplication;

(vii) Disposition of any permanently removed EPROM, or other equivalent game software media;

(viii) Seal numbers, if applicable; and

(ix) Approved testing lab approval numbers, if available.

(6) EPROMS, or other equivalent game software media, returned to gaming devices shall be labeled with the program number. Supporting documentation shall include the date, program number, information identical to that shown on the manufacturer's label, and initials of the person replacing the EPROM, or other equivalent game software media.

(h) *Standards for evaluating theoretical and actual hold percentages.*

(1) Accurate and current theoretical hold worksheets shall be maintained for each gaming device.

(2) For multi-game/multi-denominational gaming devices, an employee or department independent of the gaming device department shall:

(i) Weekly, record the total coin-in meter;

(ii) Quarterly, record the coin-in meters for each pay table contained in the gaming device; and

(iii) On an annual basis, adjust the theoretical hold percentage in the gaming device statistical report to a weighted average based upon the ratio of coin-in for each game pay table.

(3) For those gaming operations that are unable to perform the weighted average calculation as required by paragraph (h)(2) of this section, the following procedures shall apply:

(i) On at least an annual basis, calculate the actual hold percentage for each gaming device;

(ii) On at least an annual basis, adjust the theoretical hold percentage in the gaming device statistical report for each gaming device to the previously calculated actual hold percentage; and

(iii) The adjusted theoretical hold percentage shall be within the spread between the minimum and maximum theoretical payback percentages.

(4) The adjusted theoretical hold percentage for multi-game/multi-denominational gaming devices may be combined for gaming devices with exactly the same game mix throughout the year.

(5) The theoretical hold percentages used in the gaming device analysis reports should be within the performance standards set by the manufacturer.

(6) Records shall be maintained for each gaming device indicating the dates and type of changes made and the recalculation of theoretical hold as a result of the changes.

(7) Records shall be maintained for each gaming device that indicate the date the gaming device was placed into service, the date the gaming device was removed from operation, the date the gaming device was placed back into operation, and any changes in gaming device numbers and designations.

(8) All of the gaming devices shall contain functioning meters that shall record coin-in or credit-in, or on-line gaming device monitoring system that captures similar data.

(9) All gaming devices with bill acceptors shall contain functioning billing meters that record the dollar amounts or number of bills accepted by denomination.

(10) Gaming device in-meter readings shall be recorded at least weekly (monthly for Tier A and Tier B gaming operations) immediately prior to or subsequent to a gaming device drop. On-line gaming device monitoring systems can satisfy this requirement. However, the time between readings may extend beyond one (1) week in order for a reading to coincide with the end of an accounting period only if such extension is for no longer than six (6) days.

(11) The employee who records the in-meter reading shall either be independent of the hard count team or shall be assigned on a rotating basis, unless the in-meter readings are randomly verified quarterly for all gaming devices and bill acceptors by a person other than the regular in-meter reader.

(12) Upon receipt of the meter reading summary, the accounting department shall review all meter readings for reasonableness using pre-established parameters.

(13) Prior to final preparation of statistical reports, meter readings that do not appear reasonable shall be reviewed with gaming device department employees or other appropriate designees, and exceptions documented, so that meters can be repaired or clerical errors in the recording of meter readings can be corrected.

(14) A report shall be produced at least monthly showing month-to-date, year-to-date (previous twelve (12) months data preferred), and if practicable, life-to-date actual hold percentage computations for individual gaming devices and a comparison to each gaming device's theoretical hold percentage previously discussed.

(15) Each change to a gaming device's theoretical hold percentage, including progressive percentage contributions, shall result in that gaming device being treated as a new gaming device in the statistical reports (*i.e.*, not commingling various hold percentages), except for adjustments made in accordance with paragraph (h)(2) of this section.

(16) If promotional payouts or awards are included on the gaming device statistical reports, it shall be in a manner that prevents distorting the actual hold percentages of the affected gaming devices.

(17) The statistical reports shall be reviewed by both gaming device department management and management employees independent of the gaming device department on at least a monthly basis.

(18) For those gaming devices that have experienced at least 100,000 wagering transactions, large variances (three percent (3%)or more) between theoretical hold and actual hold shall be investigated and resolved by a department independent of the gaming device department with the findings documented and provided to the Tribal gaming agency upon request in a timely manner.

(19) Maintenance of the on-line gaming device monitoring system data files shall be performed by a department independent of the gaming device department. Alternatively, maintenance may be performed by gaming device supervisory employees if sufficient documentation is generated and it is randomly verified on a monthly basis by employees independent of the gaming device department.

(20) Updates to the on-line gaming device monitoring system to reflect additions, deletions, or movements of gaming devices shall be made at least weekly prior to in-meter readings and the weigh process.

(i) *Gaming device hopper contents standards.* (1) When gaming devices are temporarily removed from the floor, gaming device drop and hopper contents shall be protected to preclude the misappropriation of stored funds.

(2) When gaming devices are permanently removed from the floor, the gaming device drop and hopper contents shall be counted and recorded by at least two (2) employees with appropriate

documentation being routed to the accounting department for proper recording and accounting for initial hopper loads.

(j) *Player tracking system.* (1) The following standards apply if a player tracking system is utilized:

(i) The player tracking system shall be secured so as to prevent unauthorized access (e.g., changing passwords at least quarterly and physical access to computer hardware, etc.).

(ii) The addition of points to members' accounts other than through actual gaming device play shall be sufficiently documented (including substantiation of reasons for increases) and shall be authorized by a department independent of the player tracking and gaming devices. Alternatively, addition of points to members' accounts may be authorized by gaming device supervisory employees if sufficient documentation is generated and it is randomly verified by employees independent of the gaming device department on a quarterly basis.

(iii) Booth employees who redeem points for members shall be allowed to receive lost players club cards, provided that they are immediately deposited into a secured container for retrieval by independent personnel.

(iv) Changes to the player tracking system parameters, such as point structures and employee access, shall be performed by supervisory employees independent of the gaming device department. Alternatively, changes to player tracking system parameters may be performed by gaming device supervisory employees if sufficient documentation is generated and it is randomly verified by supervisory employees independent of the gaming device department on a monthly basis.

(v) All other changes to the player tracking system shall be appropriately documented.

(k) *In-house progressive gaming device standards.* (1) A meter that shows the amount of the progressive jackpot shall be conspicuously displayed at or near the gaming devices to which the jackpot applies.

(2) At least once each day, each gaming operation shall record the amount shown on each progressive jackpot meter at the gaming operation except for those jackpots that can be paid directly from the gaming device's hopper;

(3) Explanations for meter reading decreases shall be maintained with the progressive meter reading sheets, and where the payment of a jackpot is the explanation for a decrease, the gaming operation shall record the jackpot payout number on the sheet or have the number reasonably available; and

(4) Each gaming operation shall record the base amount of each progressive jackpot the gaming operation offers.

(5) The Tribal gaming agency shall approve procedures specific to the transfer of progressive amounts in excess of the base amount to other gaming devices. Such procedures may also include other methods of distribution that accrue to the benefit of the gaming public via an award or prize.

(l) *Wide area progressive gaming device standards.* (1) A meter that shows the amount of the progressive jackpot shall be conspicuously displayed at or near the gaming devices to which the jackpot applies.

(2) As applicable to participating gaming operations, the wide area progressive gaming device system shall be adequately restricted to prevent unauthorized access (e.g., changing passwords at least quarterly, restrict access to EPROMs or other equivalent game software media, and restrict physical access to computer hardware, etc.).

(3) The Tribal gaming agency shall approve procedures for the wide area progressive system that:

(i) Reconcile meters and jackpot payouts;

(ii) Collect/drop gaming device funds;

(iii) Verify jackpot, payment, and billing to gaming operations on pro-rata basis;

(iv) System maintenance;

(v) System accuracy; and

(vi) System security.

(4) Reports, where applicable, adequately documenting the procedures required in paragraph (l)(3) of this section shall be generated and retained.

(m) *Accounting/auditing standards.* (1) Gaming device accounting/auditing procedures shall be performed by employees who are independent of the transactions being reviewed.

(2) For on-line gaming device monitoring systems, procedures shall be performed at least monthly to verify that the system is transmitting and receiving data from the gaming devices properly and to verify the continuing accuracy of the coin-in meter readings as recorded in the gaming device statistical report.

(3) For weigh scale and currency interface systems, for at least one (1) drop period per month accounting/auditing employees shall make such comparisons as necessary to the system generated count as recorded in the gaming device statistical report. Discrepancies shall be resolved prior to generation/distribution of gaming device reports.

(4) For each drop period, accounting/auditing personnel shall compare the coin-to-drop meter reading to the actual drop amount. Discrepancies should be resolved prior to generation/distribution of on-line gaming device monitoring system statistical reports.

(5) Follow-up shall be performed for any one (1) gaming device having an unresolved variance between actual coin drop and coin-to-drop meter reading in excess of three percent (3%) and over $25.00. The follow-up performed and results of the investigation shall be documented, maintained for inspection, and provided to the Tribal gaming agency upon request.

(6) For each drop period, accounting/auditing employees shall compare the bill-in meter reading to the total bill acceptor drop amount for the period. Discrepancies shall be resolved before the generation/distribution of gaming device statistical reports.

(7) Follow-up shall be performed for any one (1) gaming device having an unresolved variance between actual currency drop and bill-in meter reading in excess of an amount that is both more than $25 and at least three percent (3%) of the actual currency drop. The follow-up performed

and results of the investigation shall be documented, maintained for inspection, and provided to the Tribal gaming agency upon request.

(8) At least annually, accounting/auditing personnel shall randomly verify that EPROM or other equivalent game software media changes are properly reflected in the gaming device analysis reports.

(9) Accounting/auditing employees shall review exception reports for all computerized gaming device systems on a daily basis for propriety of transactions and unusual occurrences.

(10) All gaming device auditing procedures and any follow-up performed shall be documented, maintained for inspection, and provided to the Tribal gaming agency upon request.

(n) *Cash-out tickets.* For gaming devices that utilize cash-out tickets, the following standards apply. This standard is not applicable to Tiers A and B. Tier A and B gaming operations shall develop adequate standards governing the security over the issuance of the cash-out paper to the gaming devices and the redemption of cash-out slips.

(1) In addition to the applicable auditing and accounting standards in paragraph (m) of this section, on a quarterly basis, the gaming operation shall foot all jackpot cash-out tickets equal to or greater than $1,200 and trace totals to those produced by the host validation computer system.

(2) The customer may request a cash-out ticket from the gaming device that reflects all remaining credits. The cash-out ticket shall be printed at the gaming device by an internal document printer. The cash-out ticket shall be valid for a time period specified by the Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency. Cash-out tickets may be redeemed for payment or inserted in another gaming device and wagered, if applicable, during the specified time period.

(3) The customer shall redeem the cash-out ticket at a change booth or cashiers' cage. Alternatively, if a gaming operation utilizes a remote computer validation system, the Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency, shall develop alternate standards for the maximum amount that can be redeemed, which shall not exceed $2,999.99 per cash-out transaction.

(4) Upon presentation of the cash-out ticket(s) for redemption, the following shall occur:

(i) Scan the bar code via an optical reader or its equivalent; or

(ii) Input the cash-out ticket validation number into the computer.

(5) The information contained in paragraph (n)(4) of this section shall be communicated to the host computer. The host computer shall verify the authenticity of the cash-out ticket and communicate directly to the redeemer of the cash-out ticket.

(6) If valid, the cashier (redeemer of the cash-out ticket) pays the customer the appropriate amount and the cash-out ticket is electronically noted "paid" in the system. The "paid" cash-out ticket shall remain in the cashiers" bank for reconciliation purposes. The host validation computer system shall electronically reconcile the cashier's banks for the paid cashed-out tickets.

(7) If invalid, the host computer shall notify the cashier (redeemer of the cash-out ticket). The cashier (redeemer of the cash-out ticket) shall refuse payment to the customer and notify a supervisor of the invalid condition. The supervisor shall resolve the dispute.

(8) If the host validation computer system temporarily goes down, cashiers may redeem cash-out tickets at a change booth or cashier's cage after recording the following:

(i) Serial number of the cash-out ticket;

(ii) Date and time;

(iii) Dollar amount;

(iv) Issuing gaming device number;

(v) Marking ticket "paid"; and

(vi) Ticket shall remain in cashier's bank for reconciliation purposes.

(9) Cash-out tickets shall be validated as expeditiously as possible when the host validation computer system is restored.

(10) The Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency, shall establish and the gaming operation shall comply with procedures to control cash-out ticket paper, which shall include procedures that:

(i) Mitigate the risk of counterfeiting of cash-out ticket paper;

(ii) Adequately control the inventory of the cash-out ticket paper; and

(iii) Provide for the destruction of all unused cash-out ticket paper.

(iv) Alternatively, if the gaming operation utilizes a computer validation system, this standard shall not apply.

(11) If the host validation computer system is down for more than four (4) hours, the gaming operation shall promptly notify the Tribal gaming agency or its designated representative.

(12) These gaming device systems shall comply with all other standards (as applicable) in this part including:

(i) Standards for bill acceptor drop and count;

(ii) Standards for coin drop and count; and

(iii) Standards concerning EPROMS or other equivalent game software media.

(o) *Account access cards.* For gaming devices that utilize account access cards to activate play of the gaming device, the following standards shall apply:

(1) *Equipment.* (i) A central computer, with supporting hardware and software, to coordinate network activities, provide system interface, and store and manage a player/account database;

(ii) A network of contiguous player terminals with touch-screen or button-controlled video monitors connected to an electronic selection device and the central computer via a communications network;

(iii) One or more electronic selection devices, utilizing random number generators, each of which selects any combination or combinations of numbers, colors, and/or symbols for a network of player terminals.

(2) *Player terminals standards.* (i) The player terminals are connected to a game server;

(ii) The game server shall generate and transmit to the bank of player terminals a set of random numbers, colors, and/or symbols at regular intervals. The subsequent game results are determined at the player terminal and the resulting information is transmitted to the account server;

(iii) The game server shall be housed in a game server room or a secure locked cabinet.

(3) *Customer account maintenance standards.* (i) A central computer acting as an account server shall provide customer account maintenance and the deposit/withdrawal function of those account balances;

(ii) Customers may access their accounts on the computer system by means of an account access card at the player terminal. Each player terminal may be equipped with a card reader and personal identification number (PIN) pad or touch screen array for this purpose;

(iii) All communications between the player terminal, or bank of player terminals, and the account server shall be encrypted for security reasons.

(4) *Customer account generation standards.* (i) A computer file for each customer shall be prepared by a clerk, with no incompatible functions, prior to the customer being issued an account access card to be utilized for gaming device play. The customer may select his/her PIN to be used in conjunction with the account access card.

(ii) For each customer file, an employee shall:

(A) Record the customer's name and current address;

(B) The date the account was opened; and

(C) At the time the initial deposit is made, account opened, or credit extended, the identity of the customer shall be verified by examination of a valid driver's license or other reliable identity credential.

(iii) The clerk shall sign-on with a unique password to a terminal equipped with peripherals required to establish a customer account. Passwords are issued and can only be changed by information technology personnel at the discretion of the department director.

(iv) After entering a specified number of incorrect PIN entries at the cage or player terminal, the customer shall be directed to proceed to a clerk to obtain a new PIN. If a customer forgets, misplaces or requests a change to their PIN, the customer shall proceed to a clerk for assistance.

(5) *Deposit of credits standards.* (i) The cashier shall sign-on with a unique password to a cashier terminal equipped with peripherals required to complete the credit transactions. Passwords are issued and can only be changed by information technology personnel at the discretion of the department director.

(ii) The customer shall present cash, chips, coin or coupons along with their account access card to a cashier to deposit credits.

(iii) The cashier shall complete the transaction by utilizing a card scanner that the cashier shall slide the customer's account access card through.

(iv) The cashier shall accept the funds from the customer and enter the appropriate amount on the cashier terminal.

(v) A multi-part deposit slip shall be generated by the point of sale receipt printer. The cashier shall direct the customer to sign the deposit slip receipt. One (1) copy of the deposit slip shall be given to the customer. The other copy of the deposit slip shall be secured in the cashier's cash drawer.

(vi) The cashier shall verify the customer's balance before completing the transaction. The cashier shall secure the funds in their cash drawer and return the account access card to the customer.

(vii) Alternatively, if a kiosk is utilized to accept a deposit of credits, the Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency, shall establish and the gaming operation shall comply with procedures that safeguard the integrity of the kiosk system.

(6) *Prize standards.* (i) Winners at the gaming devices may receive cash, prizes redeemable for cash or merchandise.

(ii) If merchandise prizes are to be awarded, the specific type of prize or prizes that may be won shall be disclosed to the player before the game begins.

(iii) The redemption period of account access cards, as approved by the Tribal gaming agency, shall be conspicuously posted in the gaming operation.

(7) *Credit withdrawal.* The customer shall present their account access card to a cashier to withdraw their credits. The cashier shall perform the following:

(i) Scan the account access card;

(ii) Request the customer to enter their PIN, if the PIN was selected by the customer;

(iii) The cashier shall ascertain the amount the customer wishes to withdraw and enter the amount into the computer;

(iv) A multi-part withdrawal slip shall be generated by the point of sale receipt printer. The cashier shall direct the customer to sign the withdrawal slip;

(v) The cashier shall verify that the account access card and the customer match by:

(A) Comparing the customer to image on the computer screen;

(B) Comparing the customer to image on customer's picture ID; or

(C) Comparing the customer signature on the withdrawal slip to signature on the computer screen.

(vi) The cashier shall verify the customer's balance before completing the transaction. The cashier shall pay the customer the appropriate amount, issue the customer the original withdrawal slip and return the account access card to the customer;

(vii) The copy of the withdrawal slip shall be placed in the cash drawer. All account transactions shall be accurately tracked by the account server computer system. The copy of the withdrawal slip shall be forwarded to the accounting department at the end of the gaming day; and

(viii) In the event the imaging function is temporarily disabled, customers shall be required to provide positive ID for cash withdrawal transactions at the cashier stations.

(p) *Smart cards.* All smart cards (i.e., cards that possess the means to electronically store and retrieve data) that maintain the only source of account data are prohibited.

§ 542.14 What are the minimum internal control standards for the cage?

(a) *Computer applications.* For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control described by the standards in this section, as approved by the Tribal gaming agency, will be acceptable.

(b) *Personal checks, cashier's checks, payroll checks, and counter checks.* (1) If personal checks, cashier's checks, payroll checks, or counter checks are cashed at the cage, the Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency, shall establish and the gaming operation shall comply with appropriate controls for purposes of security and integrity.

(2) The Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency, shall establish and the gaming operation shall comply with procedures for the acceptance of personal checks, collecting and recording checks returned to the gaming operation after deposit, re-deposit, and write-off authorization.

(3) When counter checks are issued, the following shall be included on the check:

(i) The customer's name and signature;

(ii) The dollar amount of the counter check (both alpha and numeric);

(iii) Customer's bank name and bank account number;

(iv) Date of issuance; and

(v) Signature or initials of the person approving the counter check transaction.

(4) When traveler's checks or other guaranteed drafts such as cashier's checks are presented, the cashier shall comply with the examination and documentation procedures as required by the issuer.

(c) *Customer deposited funds.* If a gaming operation permits a customer to deposit funds with the gaming operation at the cage, the following standards shall apply.

(1) The receipt or withdrawal of a customer deposit shall be evidenced by at least a two-part document with one (1) copy going to the customer and one (1) copy remaining in the cage file.

(2) The multi-part receipt shall contain the following information:

(i) Same receipt number on all copies;

(ii) Customer's name and signature;

(iii) Date of receipt and withdrawal;

(iv) Dollar amount of deposit/withdrawal; and

(v) Nature of deposit (cash, check, chips); however,

(vi) Provided all of the information in paragraph (c)(2)(i) through (v) is available, the only required information for all copies of the receipt is the receipt number.

(3) The Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency, shall establish and the gaming operation shall comply with procedures that:

(i) Maintain a detailed record by customer name and date of all funds on deposit;

(ii) Maintain a current balance of all customer cash deposits that are in the cage/vault inventory or accountability; and

(iii) Reconcile this current balance with the deposits and withdrawals at least daily.

(4) The gaming operation, as approved by the Tribal gaming agency, shall describe the sequence of the required signatures attesting to the accuracy of the information contained on the customer deposit or withdrawal form ensuring that the form is signed by the cashier.

(5) All customer deposits and withdrawal transactions at the cage shall be recorded on a cage accountability form on a per-shift basis.

(6) Only cash, cash equivalents, chips, and tokens shall be accepted from customers for the purpose of a customer deposit.

(7) The Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency, shall establish and the gaming operation shall comply with procedures that verify the customer's identity, including photo identification.

(8) A file for customers shall be prepared prior to acceptance of a deposit.

(d) *Cage and vault accountability standards.* (1) All transactions that flow through the cage shall be summarized on a cage accountability form on a per shift basis and shall be supported by documentation.

(2) The cage and vault (including coin room) inventories shall be counted by the oncoming and outgoing cashiers. These employees shall make individual counts for comparison for accuracy and maintenance of individual accountability. Such counts shall be recorded at the end of each shift during which activity took place. All discrepancies shall be noted and investigated. Unverified transfers of cash and/or cash equivalents are prohibited.

(3) The Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency, shall establish and the gaming operation shall comply with a minimum bankroll formula to ensure the gaming operation maintains cash or cash equivalents (on hand and in the bank, if readily accessible) in an amount sufficient to satisfy obligations to the gaming operation's customers as they are incurred. A suggested bankroll formula will be provided by the Commission or State gaming agency upon written request.

(e) *Chip and token standards.* The Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency, shall establish and the gaming operation shall comply with procedures for the receipt, inventory, storage, and destruction of gaming chips and tokens.

(f) *Coupon standards.* Any program for the exchange of coupons for chips, tokens, and/or another coupon program shall be approved by the Tribal gaming agency prior to implementation. If approved, the gaming operation shall establish and comply with procedures that account for and control such programs.

(g) *Accounting/auditing standards.* (1) The cage accountability shall be reconciled to the general ledger at least monthly.

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

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

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

(5) All cage and credit accounting procedures and any follow-up performed shall be documented, maintained for inspection, and provided to the Tribal gaming agency upon request.

(h) *Extraneous items.* The Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency, shall establish and the gaming operation shall comply with procedures to address the transporting of extraneous items, such as coats, purses, and/or boxes, into and out of the cage, coin room, count room, and/or vault.

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

(a) *Computer applications.* For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control described by the standards in this section, as approved by the Tribal gaming agency, will be acceptable.

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

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

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

(ii) Identification verifications;

(iii) Authorized credit limit;

(iv) Documentation of authorization by a person designated by management to approve credit limits; and

(v) Credit issuances and payments.

(2) Prior to extending credit, the customer's gaming operation credit record and/or other documentation shall be examined to determine the following:

(i) Properly authorized credit limit;

(ii) Whether remaining credit is sufficient to cover the credit issuance; and

(iii) Identity of the customer (except for known customers).

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

(4) Proper approval of credit extensions over ten percent (10%) of the previously established limit shall be documented.

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

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

(7) Cage marker forms shall be at least two (2) parts (the original marker and a payment slip), prenumbered by the printer or concurrently numbered by the computerized system, and utilized in numerical sequence.

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

(i) Marker number;

(ii) Player's name and signature; and

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

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

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

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

(i) The same preprinted number on all copies;

(ii) Customer's name;

(iii) Date of payment;

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

(v) Signature of employee receiving payment; and

(vi) Number of credit instrument on which partial payment is being made.

(3) Unless account balances are routinely confirmed on a random basis by the accounting or internal audit departments, or statements are mailed by a person independent of the credit transactions and collections thereon, and the department receiving payments cannot access cash, then the following standards shall apply:

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

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

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

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

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

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

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

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

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

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

(2) Such authorizations shall be made by at least two (2) management officials who are from departments independent of the credit transaction.

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

(2) A person independent of credit transactions and collections shall periodically review the documents in paragraph (g)(1) of this section.

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

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

(ii) Randomly reconcile outstanding balances of both active and inactive accounts on the accounts receivable listing to individual credit records and physical instruments;

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

(iv) For a minimum of five (5) days per month, partial payment receipts shall be subsequently reconciled to the total payments recorded by the cage for the day and shall be numerically accounted for.

§ 542.16 What are the minimum internal control standards for information technology?

(a) *General controls for gaming hardware and software.* (1) Management shall take an active role in making sure that physical and logical security measures are implemented, maintained, and adhered to by personnel to prevent unauthorized access that could cause errors or compromise data or processing integrity.

(i) Management shall ensure that all new gaming vendor hardware and software agreements/contracts contain language requiring the vendor to adhere to tribal internal control standards applicable to the goods and services the vendor is providing.

(ii) Physical security measures shall exist over computer, computer terminals, and storage media to prevent unauthorized access and loss of integrity of data and processing.

(iii) Access to systems software and application programs shall be limited to authorized personnel.

(iv) Access to computer data shall be limited to authorized personnel.

(v) Access to computer communications facilities, or the computer system, and information transmissions shall be limited to authorized personnel.

(vi) Standards in paragraph (a)(1) of this section shall apply to each applicable department within the gaming operation.

(2) The main computers (i.e., hardware, software, and data files) for each gaming application (e.g., gaming devices, pari-mutuel wagering, banking and percentage card games, etc.) shall be in a secured area with access restricted to authorized persons, including vendors.

(3) Access to computer operations shall be restricted to authorized personnel to reduce the risk of loss of integrity of data or processing.

(4) Incompatible duties shall be adequately segregated and monitored to prevent error in general information technology procedures to go undetected or fraud to be concealed.

(5) Non-information technology personnel shall be precluded from having unrestricted access to the secured computer areas.

(6) The computer systems, including application software, shall be secured through the use of passwords or other approved means where applicable. Management personnel or persons independent of the department being controlled shall assign and control access to system functions.

(7) Passwords shall be controlled as follows unless otherwise addressed in the standards in this section.

(i) Each user shall have their own individual password;

(ii) Passwords shall be changed at least quarterly with changes documented; and

(iii) For computer systems that automatically force a password change on a quarterly basis, documentation shall be maintained listing the systems and the date the user was given access.

(8) Adequate backup and recovery procedures shall be in place that include:

(i) Frequent backup of data files;

(ii) Backup of all programs;

(iii) Secured off-site storage of all backup data files and programs, or other adequate protection; and

(iv) Recovery procedures, which are tested on a sample basis at least annually with documentation of results.

(9) Adequate information technology system documentation shall be maintained, including descriptions of hardware and software, operator manuals, etc.

(b) *Independence of information technology personnel.* (1) The information technology personnel shall be independent of the gaming areas (*e.g.,* cage, pit, count rooms, etc.). Information technology personnel procedures and controls should be documented and responsibilities communicated.

(2) Information technology personnel shall be precluded from unauthorized access to:

(i) Computers and terminals located in gaming areas;

(ii) Source documents; and

(iii) Live data files (not test data).

(3) Information technology personnel shall be restricted from:

(i) Having unauthorized access to cash or other liquid assets; and

(ii) Initiating general or subsidiary ledger entries.

(c) *Gaming program changes.* (1) Program changes for in-house developed systems should be documented as follows:

(i) Requests for new programs or program changes shall be reviewed by the information technology supervisor. Approvals to begin work on the program shall be documented;

(ii) A written plan of implementation for new and modified programs shall be maintained, and shall include, at a minimum, the date the program is to be placed into service, the nature of the change, a description of procedures required in order to bring the new or modified program into service (conversion or input of data, installation procedures, etc.), and an indication of who is to perform all such procedures;

(iii) Testing of new and modified programs shall be performed and documented prior to implementation; and

(iv) A record of the final program or program changes, including evidence of user acceptance, date in service, programmer, and reason for changes, shall be documented and maintained.

(d) *Security logs.* (1) If computer security logs are generated by the system, they shall be reviewed by information technology supervisory personnel for evidence of:

(i) Multiple attempts to log-on, or alternatively, the system shall deny user access after three (3) attempts to log-on;

(ii) Unauthorized changes to live data files; and

(iii) Any other unusual transactions.

(2) This paragraph shall not apply to personal computers.

(e) *Remote dial-up.* (1) If remote dial-up to any associated equipment is allowed for software support, the gaming operation shall maintain an access log that includes:

(i) Name of employee authorizing modem access;

(ii) Name of authorized programmer or manufacturer representative;

(iii) Reason for modem access;

(iv) Description of work performed; and

(v) Date, time, and duration of access.

(f) *Document storage.* (1) Documents may be scanned or directly stored to an unalterable storage medium under the following conditions.

(i) The storage medium shall contain the exact duplicate of the original document.

(ii) All documents stored on the storage medium shall be maintained with a detailed index containing the gaming operation department and date. This index shall be available upon request by the Commission or State gaming agency.

(iii) Upon request and adequate notice by the Commission or State gaming agency, hardware (terminal, printer, etc.) shall be made available to perform auditing procedures.

(iv) Controls shall exist to ensure the accurate reproduction of records up to and including the printing of stored documents used for auditing purposes.

(v) The storage medium shall be retained for a minimum of five (5) years.

§ 542.17 What are the minimum internal control standards for complimentary services or items?

(a) Each Tribal gaming agency or gaming operation shall establish and the gaming operation shall comply with procedures for the authorization, issuance, and tracking of complimentary services and items, including cash and non-cash gifts. Such procedures must be approved by the Tribal gaming agency and shall include, but shall not be limited to, the procedures by which the gaming operation delegates to its employees the authority to approve the issuance of complimentary services and items, and the procedures by which conditions or limits, if any, which may apply to such authority are established and modified (including limits based on relationships between the authorizer and recipient), and shall further include effective provisions for audit purposes.

(b) At least monthly, accounting, information technology, or audit personnel that cannot grant or receive complimentary privileges shall prepare reports that include the following information for all complimentary items and services equal to or exceeding $100 or an amount established by the Tribal gaming agency, which shall not be greater than $100:

(1) Name of customer who received the complimentary service or item;

(2) Name(s) of authorized issuer of the complimentary service or item;

(3) The actual cash value of the complimentary service or item;

(4) The type of complimentary service or item (i.e., food, beverage, etc.); and

(5) Date the complimentary service or item was issued.

(c) The internal audit or accounting departments shall review the reports required in paragraph (b) of this section at least monthly. These reports shall be made available to the Tribe, Tribal gaming agency, audit committee, other entity designated by the Tribe, and the Commission and State gaming agency upon request.

§ 542.18 Reserved.

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

(a) Each gaming operation shall prepare accurate, complete, legible, and permanent records of all transactions pertaining to revenue and gaming activities.

(b) Each gaming operation shall prepare general accounting records according to Generally Accepted Accounting Principles on a double-entry system of accounting, maintaining detailed, supporting, subsidiary records, including, but not limited to:

(1) Detailed records identifying revenues, expenses, assets, liabilities, and equity for each gaming operation;

(2) Detailed records of all markers, IOU's, returned checks, hold checks, or other similar credit instruments;

(3) Individual and statistical game records to reflect statistical drop, statistical win, and the percentage of statistical win to statistical drop by each banking and percentage card game, and to reflect statistical drop, statistical win, and the percentage of statistical win to statistical drop for each type of banking and percentage card game, by shift, by day, cumulative month-to-date and year-to-date, and individual and statistical game records reflecting similar information for all other games;

(4) Gaming device analysis reports which, by each gaming device, compare actual hold percentages to theoretical hold percentages;

(5) The records required by this part and by the Tribal internal control standards;

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

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

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

(1) Assets are safeguarded;

(2) Financial records are accurate and reliable;

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

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

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

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

(d) *Gross gaming revenue computations.* (1) For banking and percentage card games, gross revenue equals the closing table bankroll, plus credit slips for cash, chips, tokens or

personal/payroll checks returned to the cage, plus drop, less opening table bankroll and fills to the table, and money transfers issued from the game through the use of a cashless wagering system.

(2) For gaming devices, gross revenue equals drop, less fills, jackpot payouts and personal property awarded to patrons as gambling winnings. Additionally, the initial hopper load is not a fill and does not affect gross revenue. The difference between the initial hopper load and the total amount that is in the hopper at the end of the gaming operation's fiscal year should be adjusted accordingly as an addition to or subtraction from the drop for the year.

(3) Reserved.

(4) (i) Reserved.

(ii) In computing gross revenue for gaming devices, the actual cost to the gaming operation of any personal property distributed as losses to patrons may be deducted from winnings (other than costs of travel, lodging, services, food, and beverages), if the gaming operation maintains detailed documents supporting the deduction.

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

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

(g) For payouts by wide-area progressive gaming device systems, a gaming operation may deduct from winnings only its pro rata share of a wide-area gaming device system payout.

(h) Cash-out tickets issued at a gaming device shall be deducted from gross revenue as jackpot payouts in the month the tickets are issued by the gaming device. Tickets deducted from gross revenue that are not redeemed within a period, not to exceed 180 days of issuance, shall be included in gross revenue. An unredeemed ticket previously included in gross revenue may be deducted from gross revenue in the month redeemed.

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

(j) A gaming operation may deduct from gross revenue the unpaid balance of a credit instrument if the gaming operation documents, or otherwise keeps detailed records of, compliance with the following requirements. Such records confirming compliance shall be made available to the Tribal gaming agency, State gaming agency, or the Commission upon request, and demonstrate, without limitation, the following:

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

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

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

(4) In the case of third-party checks for which cash, chips, or tokens have been issued to the patron, or which were accepted in payment of another credit instrument, the gaming operation has established procedures to examine documentation, normally accepted as a means of identification when cashing checks, and has, for the check's maker or drawer, satisfied paragraph (j)(2) of this section, as management may deem appropriate for the check-cashing authorization granted;

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

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

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

(k) Maintenance and preservation of books, records and documents. (1) All original books, records and documents pertaining to the conduct of wagering activities shall be retained by the gaming operation in accordance with the following schedule. A record that summarizes gaming transactions is sufficient, provided that all documents containing an original signature(s) attesting to the accuracy of a gaming related transaction are independently preserved. Original books, records or documents shall not include copies of originals, except for copies that contain original comments or notations on parts of multi-part forms. The following original books, records and documents shall be retained by a gaming operation for a minimum of five (5) years:

(i) Casino cage documents;

(ii) Documentation supporting the calculation of banking and percentage card game win;

(iii) Documentation supporting the calculation of gaming device win;

(iv) Documentation supporting the calculation of revenue received from gaming devices, pari-mutuel wagering, and banking and percentage card games.

(v) Banking and percentage card games statistical analysis reports;

(vi) Gaming device statistical analysis reports;

(vii) Reserved.

(viii) Internal audit documentation and reports;

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

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

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

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

§ 542.20 What is a Tier A gaming operation?

A Tier A gaming operation is one with annual gross gaming revenues of more than $1 million but not more than $5 million.

§ 542.21 What are the minimum internal control standards for drop and count for Tier A gaming operations?

(a) *Computer applications.* For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control described by the standards in this section, as approved by the Tribal gaming agency, will be acceptable.

(b) *Banking and percentage card game drop standards.* (1) The setting out of empty banking or percentage card game drop boxes and the drop shall be a continuous process.

(2) At the end of each shift:

(i) All locked banking or percentage card game drop boxes shall be removed from the banking or percentage card game tables by a person independent of the pit shift being dropped;

(ii) A separate drop box shall be placed on each banking and percentage card game table opened at any time during each shift or a gaming operation may utilize a single drop box with separate openings and compartments for each shift; and

(iii) Upon removal from the banking and percentage card game tables, banking and percentage card game drop boxes shall be transported directly to the count room or other equivalently secure area with comparable controls and locked in a secure manner until the count takes place.

(3) If drop boxes are not placed on all banking and percentage card game tables, then the pit department shall document which tables were open during the shift.

(4) The transporting of banking and percentage card game drop boxes shall be performed by a minimum of two (2) persons, at least one (1) of whom is independent of the pit shift being dropped.

(5) All banking and percentage card game drop boxes shall be posted with a number corresponding to a permanent number on the gaming table and marked to indicate game, table number, and shift.

(c) *Soft count room personnel.* (1) The banking and percentage card game soft count and the gaming device bill acceptor count shall be performed by a minimum of two (2) employees.

(2) Count room personnel shall not be allowed to exit or enter the count room during the count except for emergencies or scheduled breaks. At no time during the count, shall there be fewer than two (2) employees in the count room until the drop proceeds have been accepted into cage/vault accountability.

(3) Count team members shall be rotated on a routine basis such that the count team is not consistently the same two (2) persons more than four (4) days per week. This standard shall not apply to gaming operations that utilize a count team of more than two (2) persons.

(4) The count team shall be independent of transactions being reviewed and counted. The count team shall be independent of the cage/vault departments, however, a dealer or a cage cashier may be used if this person is not allowed to perform the recording function. An accounting representative may be used if there is an independent audit of all soft count documentation.

(d) *Banking and percentage card game soft count standards.* (1) The banking and percentage card game soft count shall be performed in a soft count room or other equivalently secure area with comparable controls.

(2) Access to the count room during the count shall be restricted to members of the drop and count teams, with the exception of authorized observers, supervisors for resolution of problems, and authorized maintenance personnel.

(3) If counts from various revenue centers occur simultaneously in the count room, procedures shall be in effect that prevent the commingling of funds from different revenue centers.

(4) The banking and percentage card game drop boxes shall be individually emptied and counted in such a manner to prevent the commingling of funds between boxes until the count of the box has been recorded.

(i) The count of each box shall be recorded in ink or other permanent form of recordation.

(ii) A second count shall be performed by an employee on the count team who did not perform the initial count.

(iii) Corrections to information originally recorded by the count team on soft count documentation shall be made by drawing a single line through the error, writing the correct figure above the original figure, and then obtaining the initials of at least two (2) count team members who verified the change, unless the count team only has two (2) members in which case the initials of only one (1) verifying member is required.

(5) If cash counters are utilized and the count room table is used only to empty boxes and sort/stack contents, a count team member shall be able to observe the loading and unloading of all cash at the cash counter, including rejected cash.

(6) Banking and percentage card game drop boxes, when empty, shall be shown to another member of the count team, or to another person who is observing the count, or to surveillance.

(7) Orders for fill/credit (if applicable) shall be matched to the fill/credit slips. Fills and credits shall be traced to or recorded on the count sheet.

(8) Pit marker issue and payment slips (if applicable) removed from the banking or percentage card game drop boxes shall either be:

(i) Traced to or recorded on the count sheet by the count team; or

(ii) Totaled by shift and traced to the totals documented by the computerized system. Accounting personnel shall verify the issue/payment slip for each table is accurate.

(9) Foreign currency exchange forms (if applicable) removed from the banking or percentage card game drop boxes shall be reviewed for the proper daily exchange rate and the conversion amount shall be recomputed by the count team. Alternatively, this may be performed by accounting/auditing employees.

(10) The opening/closing banking and percentage card game table and marker inventory forms (if applicable) shall either be:

(i) Examined and traced to or recorded on the count sheet; or

(ii) If a computerized system is used, accounting personnel can trace the opening/closing banking and percentage card game table and marker inventory forms to the count sheet. Discrepancies shall be investigated with the findings documented and maintained for inspection.

(11) The count sheet shall be reconciled to the total drop by a count team member who shall not function as the sole recorder.

(12) All members of the count team shall sign the count document or a summary report to attest to their participation in the count.

(13) All drop proceeds and cash equivalents that were counted shall be turned over to the cage or vault cashier (who shall be independent of the count team) or to an authorized person/employee independent of the revenue generation and the count process for verification. Such person shall certify by signature as to the accuracy of the drop proceeds delivered and received.

(14) The count sheet, with all supporting documents, shall be delivered to the accounting department by a count team member or a person independent of the cashiers department. Alternatively, it may be adequately secured (e.g., locked container to which only accounting personnel can gain access) until retrieved by the accounting department.

(15) Access to stored, full banking or percentage card game drop boxes shall be restricted to authorized members of the drop and count teams.

(e) *Gaming device bill acceptor drop standards.* (1) A minimum of two (2) employees shall be involved in the removal of the gaming device drop, at least one (1) of whom is independent of the gaming device department.

(2) All bill acceptor canisters shall be removed only at the time previously designated by the gaming operation and reported to the Tribal gaming agency, except for emergency drops.

(3) The bill acceptor canisters shall be removed by a person independent of the gaming device department then transported directly to the count room or other equivalently secure area with comparable controls and locked in a secure manner until the count takes place.

(i) Security shall be provided over the bill acceptor canisters removed from the gaming devices and awaiting transport to the count room.

(ii) The transporting of bill acceptor canisters shall be performed by a minimum of two (2) persons, at least one (1) of whom is independent of the gaming device department.

(4) All bill acceptor canisters shall be posted with a number corresponding to a permanent number on the gaming device.

(f) *Gaming device bill acceptor count standards.* (1) The gaming device bill acceptor count shall be performed in a soft count room or other equivalently secure area with comparable controls.

(2) Access to the count room during the count shall be restricted to members of the drop and count teams, with the exception of authorized observers, supervisors for resolution of problems, and authorized maintenance personnel.

(3) If counts from various revenue centers occur simultaneously in the count room, procedures shall be in effect that prevent the commingling of funds from different revenue centers.

(4) The bill acceptor canisters shall be individually emptied and counted in such a manner to prevent the commingling of funds between canisters until the count of the canister has been recorded.

(i) The count of each canister shall be recorded in ink or other permanent form of recordation.

(ii) Corrections to information originally recorded by the count team on soft count documentation shall be made by drawing a single line through the error, writing the correct figure above the original figure, and then obtaining the initials of at least two (2) count team members who verified the change.

(5) If cash counters are utilized and the count room table is used only to empty canisters and sort/stack contents, a count team member shall be able to observe the loading and unloading of all cash at the cash counter, including rejected cash.

(6) Canisters, when empty, shall be shown to another member of the count team, or to another person who is observing the count, or to surveillance.

(7) The count sheet shall be reconciled to the total drop by a count team member who shall not function as the sole recorder.

(8) All members of the count team shall sign the count document or a summary report to attest to their participation in the count.

(9) All drop proceeds and cash equivalents that were counted shall be turned over to the cage or vault cashier (who shall be independent of the count team) or to an authorized person/employee independent of the revenue generation and the count process for verification. Such person shall certify by signature as to the accuracy of the drop proceeds delivered and received.

(10) The count sheet, with all supporting documents, shall be delivered to the accounting department by a count team member or a person independent of the cashiers department. Alternatively, it may be adequately secured (e.g., locked container to which only accounting personnel can gain access) until retrieved by the accounting department.

(11) Access to stored bill acceptor canisters, full or empty, shall be restricted to:

(i) Authorized members of the drop and count teams; and

(ii) Authorized personnel in an emergency for resolution of a problem.

(g) *Gaming device coin drop standards.* (1) A minimum of two (2) employees shall be involved in the removal of the gaming device drop, at least one (1) of whom is independent of the gaming device department.

(2) All drop buckets shall be removed only at the time previously designated by the gaming operation and reported to the Tribal gaming agency, except for emergency drops.

(3) Security shall be provided over the buckets removed from the gaming device drop cabinets and awaiting transport to the count room.

(4) As each gaming device is opened, the contents shall be tagged with its respective gaming device number if the bucket is not permanently marked with the gaming device number. The contents shall be transported directly to the area designated for the counting of such drop proceeds. If more than one (1) trip is required to remove the contents of the gaming devices, the filled carts of coins shall be securely locked in the room designed for counting or in another equivalently secure area with comparable controls. There shall be a locked covering on any carts in which the drop route includes passage out of doors.

(i) Alternatively, a smart bucket system that electronically identifies and tracks the gaming device number, and facilitates the proper recognition of gaming revenue, shall satisfy the requirements of this paragraph.

(5) Each drop bucket in use shall be:

(i) Housed in a locked compartment separate from any other compartment of the gaming device and keyed differently than other gaming device compartments; and

(ii) Identifiable to the gaming device from which it is removed. If the gaming device is identified with a removable tag that is placed in the bucket, the tag shall be placed on top of the bucket when it is collected.

(6) Each gaming device shall have drop buckets into which coins or tokens that are retained by the gaming device are collected. Drop bucket contents shall not be used to make change or pay hand-paid payouts.

(7) The collection procedures may include procedures for dropping gaming devices that have trays instead of drop buckets.

(h) *Hard count room personnel.* (1) The weigh/count shall be performed by a minimum of two (2) employees.

(2) At no time during the weigh/count shall there be fewer than two (2) employees in the count room until the drop proceeds have been accepted into cage/vault accountability.

(i) If the gaming device count is conducted with a continuous mechanical count meter that is not reset during the count and is verified in writing by at least two(2) employees at the start and end of each denomination count, then one (1) employee may perform the wrap.

(3) Count team members shall be rotated on a routine basis such that the count team is not consistently the same two (2) persons more than four (4) days per week. This standard shall not apply to gaming operations that utilize a count team of more than two (2) persons.

(4) The count team shall be independent of transactions being reviewed and counted. The count team shall be independent of the cage/vault departments, unless they are non-supervisory gaming device employees and perform the laborer function only (A non-supervisory gaming device employee is defined as a person below the level of gaming device shift supervisor). A cage cashier may be used if this person is not allowed to perform the recording function. An accounting representative may be used if there is an independent audit of all count documentation.

(i) *Gaming device coin count and wrap standards.* (1) Coins shall include tokens.

(2) The gaming device coin count and wrap shall be performed in a count room or other equivalently secure area with comparable controls.

(i) Alternatively, an on-the-floor drop system utilizing a mobile scale shall satisfy the requirements of this paragraph, subject to the following conditions:

(A) The gaming operation shall utilize and maintain an effective on-line gaming device monitoring system, as described in §542.13(m)(3);

(B) Components of the on-the-floor drop system shall include, but not be limited to, a weigh scale, a laptop computer through which weigh/count applications are operated, a security camera available for the mobile scale system, and a VCR or other video recording device to be housed within the video compartment of the mobile scale. The system may include a mule cart used for mobile weigh scale system locomotion.

(C) The gaming operation must obtain the security camera available with the system, and this camera must be added in such a way as to eliminate tampering.

(D) Prior to the drop, the drop/count team shall ensure the scale batteries are charged;

(E) Prior to the drop, a videotape or other video recording media shall be inserted into the VCR or other video recording device used to record the drop in conjunction with the security camera system and the VCR or other video recording device shall be activated;

(F) The weigh scale test shall be performed prior to removing the unit from the hard count room for the start of the weigh/drop/count;

(G) Surveillance shall be notified when the weigh/drop/count begins and shall be capable of monitoring the entire process;

(H) An observer independent of the weigh/drop/count teams (independent observer) shall remain by the weigh scale at all times and shall observe the entire weigh/drop/count process;

(I) Physical custody of the key(s) needed to access the laptop and video compartment shall require the involvement of two (2) persons, one (1) of whom is independent of the drop and count team;

(J) The mule key (if applicable), the laptop and video compartment keys, and the remote control for the VCR or other video recording device shall be maintained by a department independent of the gaming device department. The appropriate personnel shall sign out these keys;

(K) A person independent of the weigh/drop/count teams shall be required to accompany these keys while they are checked out, and observe each time the laptop compartment is opened;

(L) The laptop access panel shall not be opened outside the hard count room, except in instances when the laptop must be rebooted as a result of a crash, lock up, or other situation requiring immediate corrective action;

(M) User access to the system shall be limited to those employees required to have full or limited access to complete the weigh/drop/count; and

(N) When the weigh/drop/count is completed, the independent observer shall access the laptop compartment, end the recording session, eject the videotape or other video recording media, and deliver the videotape or other video recording media to surveillance.

(3) Access to the count room during the count shall be restricted to members of the drop and count teams, with the exception of authorized observers, supervisors for resolution of problems, and authorized maintenance personnel.

(4) If counts from various revenue centers occur simultaneously in the count room, procedures shall be in effect that prevent the commingling of funds from different revenue centers.

(5) The following functions shall be performed in the counting of the gaming device drop:

(i) Recorder function, which involves the recording of the gaming device count; and

(ii) Count team supervisor function, which involves the control of the gaming device weigh and wrap process. The supervisor shall not perform the initial recording of the weigh/count unless a weigh scale with a printer is used.

(6) The gaming device drop shall be counted, wrapped, and reconciled in such a manner to prevent the commingling of gaming device drop coin with coin (for each denomination) from the next gaming device drop until the count of the gaming device drop has been recorded. If the coins are not wrapped immediately after being weighed or counted, they shall be secured and not commingled with other coins.

(i) The amount of the gaming device drop from each gaming device shall be recorded in ink or other permanent form of recordation on a gaming device count document by the recorder or mechanically printed by the weigh scale.

(ii) Corrections to information originally recorded by the count team on gaming device count documentation shall be made by drawing a single line through the error, writing the correct figure

above the original figure, and then obtaining the initials of at least two (2) count team members who verified the change.

(A) If a weigh scale interface is used, corrections to gaming device count data shall be made using either of the following:

(*1*) Drawing a single line through the error on the gaming device document, writing the correct figure above the original figure, and then obtaining the initials of at least two (2) count team employees. If this procedure is used, an employee independent of the gaming device department and count team shall enter the correct figure into the computer system prior to the generation of related gaming device reports; or

(2) During the count process, correct the error in the computer system and enter the passwords of at least two (2) count team employees. If this procedure is used, an exception report shall be generated by the computer system identifying the gaming device number, the error, the correction, and the count team employees attesting to the correction.

(7) If applicable, the weight shall be converted to dollar amounts prior to the reconciliation of the weigh to the wrap.

(8) If a coin meter is used, a count team member shall convert the coin count for each denomination into dollars and shall enter the results on a summary sheet.

(9) The recorder and at least one (1) other count team member shall sign the weigh tape and the gaming device count document attesting to the accuracy of the weigh/count.

(10) All members of the count team shall sign the count document or a summary report to attest to their participation in the count.

(11) All drop proceeds and cash equivalents that were counted shall be turned over to the cage or vault cashier (who shall be independent of the count team) or to an authorized person/employee independent of the revenue generation and the count process for verification. Such person shall certify by signature as to the accuracy of the drop proceeds delivered and received.

(12) All gaming device count and wrap documentation, including any applicable computer storage media, shall be delivered to the accounting department by a count team member or a person independent of the cashier's department. Alternatively, it may be adequately secured (*e.g.,* locked container to which only accounting personnel can gain access) until retrieved by the accounting department.

(13) If the coins are transported off the property, a second (alternative) count procedure shall be performed before the coins leave the property. Any variances shall be documented.

(14) Variances. Large (by denomination, either $1,000 or 2% of the drop, whichever is less) or unusual (*e.g.,* zero for weigh/count or patterned for all counts) variances between the weigh/count and wrap shall be investigated by management personnel independent of the gaming device department, count team, and the cage/vault functions on a timely basis. The results of such investigation shall be documented, maintained for inspection, and provided to the Tribal gaming agency upon request.

(j) *Security of the coin room inventory during the gaming device coin count and wrap.* (1) If the count room serves as a coin room and coin room inventory is not secured so as to preclude access by the count team, then the following standards shall apply:

(i) At the commencement of the gaming device count the following requirements shall be met:

(A) The coin room inventory shall be counted by at least two (2) employees, one (1) of whom is a member of the count team and the other is independent of the weigh/count and wrap procedures;

(B) The count in paragraph (j)(1)(i)(A) of this section shall be recorded on an appropriate inventory form;

(ii) Upon completion of the wrap of the gaming device drop:

(A) At least two (2) members of the count team (wrap team), independently from each other, shall count the ending coin room inventory;

(B) The counts in paragraph (j)(1)(ii)(A) of this section shall be recorded on a summary report(s) that evidences the calculation of the final wrap by subtracting the beginning inventory from the sum of the ending inventory and transfers in and out of the coin room;

(C) The same count team members shall compare the calculated wrap to the weigh/count, recording the comparison and noting any variances on the summary report;

(D) A member of the cage/vault department shall count the ending coin room inventory by denomination and shall reconcile it to the beginning inventory, wrap, transfers, and weigh/count; and

(E) At the conclusion of the reconciliation, at least two (2) count/wrap team members and the verifying employee shall sign the summary report(s) attesting to its accuracy.

(iii) The functions described in paragraph (j)(1)(ii)(A) and (C) of this section may be performed by only one (1) count team member. That count team member must then sign the summary report, along with the verifying employee, as required under paragraph (j)(1)(ii)(E).

(2) If the count room is segregated from the coin room, or if the coin room is used as a count room and the coin room inventory is secured to preclude access by the count team, all of the following requirements shall be completed, at the conclusion of the count:

(i) At least two (2) members of the count/wrap team shall count the final wrapped gaming device drop independently from each other;

(ii) The counts shall be recorded on a summary report;

(iii) The same count team members (or the accounting department) shall compare the final wrap to the weigh/count, recording the comparison, and noting any variances on the summary report;

(iv) A member of the cage/vault department shall count the wrapped gaming device drop by denomination and reconcile it to the weigh/count;

(v) At the conclusion of the reconciliation, at least two (2) count team members and the cage/vault employee shall sign the summary report attesting to its accuracy; and

(vi) The wrapped coins (exclusive of proper transfers) shall be transported to the cage, vault or coin vault after the reconciliation of the weigh/count to the wrap.

(k) *Transfers during the gaming device coin count and wrap.* (1) Transfers may be permitted during the count and wrap only if permitted under the internal control standards approved by the Tribal gaming agency.

(2) Each transfer shall be recorded on a separate multi-part form with a preprinted or concurrently-printed form number (used solely for gaming device count transfers) that shall be subsequently reconciled by the accounting department to ensure the accuracy of the reconciled gaming device drop.

(3) Each transfer must be counted and signed for by at least two (2) members of the count team and by a person independent of the count team who is responsible for authorizing the transfer.

(l) *Gaming device drop key control standards.* (1) Gaming device coin drop cabinet keys, including duplicates, shall be maintained by a department independent of the gaming device department.

(2) The physical custody of the keys needed to access gaming device coin drop cabinets, including duplicates, shall require the involvement of two (2) persons, one (1) of whom is independent of the gaming device department.

(3) Two (2) employees (separate from key custodian) shall be required to accompany such keys while checked out and observe each time gaming device drop cabinets are accessed.

(m) *Banking and percentage card game drop box key control standards.* (1) Tier A gaming operations shall be exempt from compliance with this paragraph if the Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency, establishes and the gaming operation complies with procedures that maintain adequate key control and restricts access to the keys.

(2) Procedures shall be developed and implemented to insure that unauthorized access to empty banking or percentage card game drop boxes shall not occur from the time the boxes leave the storage racks until they are placed on the tables.

(3) The involvement of at least two (2) persons independent of the cage department shall be required to access stored empty banking or percentage card game drop boxes.

(4) The release keys shall be separately keyed from the contents keys.

(5) At least two (2) count team members are required to be present at the time count room and other count keys are issued for the count.

(6) All duplicate keys shall be maintained in a manner that provides the same degree of control as is required for the original keys. Records shall be maintained for each key duplicated that indicate the number of keys made and destroyed.

(7) Logs shall be maintained by the custodian of sensitive keys to document authorization of personnel accessing keys.

(n) *Banking and percentage card game drop box release keys.* (1) Tier A gaming operations shall be exempt from compliance with this paragraph if the Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency, establishes and the gaming operation complies with procedures that maintain adequate key control and restricts access to the keys.

(2) The banking and percentage card game drop box release keys shall be maintained by a department independent of the pit department.

(3) Only the person(s) authorized to remove banking and percentage card game drop boxes from the banking and percentage card game tables shall be allowed access to the banking and percentage card game drop box release keys; however, the count team members may have access to the release keys during the soft count in order to reset the banking and percentage card game drop boxes.

(4) Persons authorized to remove the banking and percentage card game drop boxes shall be precluded from having simultaneous access to the banking and percentage card game drop box contents keys and release keys.

(5) For situations requiring access to a banking and percentage card game drop box at a time other than the scheduled drop, the date, time, and signature of employee signing out/in the release key must be documented.

(o) *Bill acceptor canister release keys.* (1) Tier A gaming operations shall be exempt from compliance with this paragraph if the Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency, establishes and the gaming operation complies with procedures that maintain adequate key control and restricts access to the keys.

(2) The bill acceptor canister release keys shall be maintained by a department independent of the gaming device department.

(3) Only the person(s) authorized to remove bill acceptor canisters from the gaming devices shall be allowed access to the release keys.

(4) Persons authorized to remove the bill acceptor canisters shall be precluded from having simultaneous access to the bill acceptor canister contents keys and release keys.

(5) For situations requiring access to a bill acceptor canister at a time other than the scheduled drop, the date, time, and signature of employee signing out/in the release key must be documented.

(p) *Banking and percentage card game drop box storage rack keys.* (1) Tier A gaming operations shall be exempt from compliance with this paragraph if the Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency, establishes and the gaming operation complies with procedures that maintain adequate key control and restricts access to the keys.

(2) Persons authorized to obtain banking and percentage card game drop box storage rack keys shall be precluded from having simultaneous access to banking and percentage card game drop box contents keys, with the exception of the count team.

(q) *Bill acceptor canister storage rack keys.* (1) Tier A gaming operations shall be exempt from compliance with this paragraph if the Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency, establishes and the gaming operation complies with procedures that maintain adequate key control and restricts access to the keys.

(2) Persons authorized to obtain bill acceptor canister storage rack keys shall be precluded from having simultaneous access to bill acceptor canister contents keys, with the exception of the count team.

(r) *Banking and percentage card game drop box contents keys.* (1) Tier A gaming operations shall be exempt from compliance with this paragraph if the Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency, establishes and the gaming operation complies with procedures that maintain adequate key control and restricts access to the keys.

(2) The physical custody of the keys needed for accessing stored, full banking and percentage card game drop box contents shall require the involvement of persons from at least two (2) separate departments, with the exception of the count team.

(3) Access to the banking and percentage card game drop box contents key at other than scheduled count times shall require the involvement of at least two (2) persons from separate departments, including management. The reason for access shall be documented with the signatures of all participants and observers.

(4) Only count team members shall be allowed access to banking and percentage card game drop box contents keys during the count process.

(s) *Bill acceptor canister contents keys.* (1) Tier A gaming operations shall be exempt from compliance with this paragraph if the Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency, establishes and the gaming operation complies with procedures that maintain adequate key control and restricts access to the keys.

(2) The physical custody of the keys needed for accessing stored, full bill acceptor canister contents shall require involvement of persons from two (2) separate departments, with the exception of the count team.

(3) Access to the bill acceptor canister contents key at other than scheduled count times shall require the involvement of at least two (2) persons from separate departments, one (1) of whom must be a supervisor. The reason for access shall be documented with the signatures of all participants and observers.

(4) Only the count team members shall be allowed access to bill acceptor canister contents keys during the count process.

(t) *Gaming device computerized key security systems.* (1) Computerized key security systems which restrict access to the gaming device drop and count keys through the use of passwords, keys or other means, other than a key custodian, must provide the same degree of control as indicated in the aforementioned key control standards; refer to paragraphs (l), (o), (q) and (s) of this section. Note: This standard does not apply to the system administrator. The system administrator is defined in paragraph (t)(2)(i) of this section.

(2) For computerized key security systems, the following additional gaming device key control procedures apply:

(i) Management personnel independent of the gaming device department shall assign and control user access to keys in the computerized key security system (*i.e.*, system administrator) to ensure that gaming device drop and count keys are restricted to authorized employees.

(ii) In the event of an emergency or the key box is inoperable, access to the emergency manual key(s) (a.k.a. override key) used to access the box containing the gaming device drop and count keys requires the physical involvement of at least three (3) persons from separate departments, including management. The date, time, and reason for access, must be documented with the signatures of all participating employees signing out/in the emergency manual key(s).

(iii) The custody of the keys issued pursuant to paragraph (t)(2)(ii) of this section requires the presence of two (2) persons from separate departments from the time of their issuance until the time of their return.

(iv) Routine physical maintenance that requires accessing the emergency manual key(s) (a.k.a. override key) and does not involve the accessing of the gaming device drop and count keys requires the presence of two (2) persons from separate departments. The date, time and reason for access must be documented with the signatures of all participating employees signing out/in the emergency manual key(s).

(3) For computerized key security systems controlling access to gaming device drop and count keys, accounting/audit personnel, independent of the system administrator, will perform the following procedures:

(i) Daily, review the report generated by the computerized key security system indicating the transactions performed by the individual(s) that adds, deletes, and changes user's access within the system (*i.e.*, system administrator). Determine whether the transactions completed by the system administrator provide an adequate control over the access to the gaming device drop and count keys. Also, determine whether any gaming device drop and count key(s) removed or returned to the key cabinet by the system administrator was properly authorized.

(ii) For at least one (1) day each month, review the report generated by the computerized key security system indicating all transactions performed to determine whether any unusual gaming device drop and count key removals or key returns occurred.

(iii) At least quarterly, review a sample of users that are assigned access to the gaming device drop and count keys to determine that their access to the assigned keys is adequate relative to their job position.

(iv) All noted improper transactions or unusual occurrences are investigated with the results documented.

(4) Quarterly, an inventory of all count room, drop box release, storage rack and contents keys is performed and reconciled to records of keys made, issued, and destroyed. Documented investigations shall be performed for all unaccounted keys.

(u) *Banking and percentage card games computerized key security systems.* (1) Computerized key security systems which restrict access to the banking and percentage card game drop and count keys through the use of passwords, keys or other means, other than a key custodian, must provide the same degree of control as indicated in the aforementioned key control standards; refer to paragraphs (m), (n), (p) and (r) of this section. Note: This standard does not apply to the system administrator. The system administrator is defined in paragraph (u)(2)(ii) of this section.

(2) For computerized key security systems, the following additional banking and percentage card game key control procedures shall apply:

(i) Management personnel independent of the banking and percentage card game department shall assign and control user access to keys in the computerized key security system (*i.e.*, system administrator) to ensure that banking and percentage card game drop and count keys are restricted to authorized employees.

(ii) In the event of an emergency or the key box is inoperable, access to the emergency manual key(s) (a.k.a. override key) used to access the box containing the banking and percentage card

game drop and count keys requires the physical involvement of at least three (3) persons from separate departments, including management. The date, time, and reason for access, must be documented with the signatures of all participating employees signing out/in the emergency manual key(s).

(iii) The custody of the keys issued pursuant to paragraph (u)(2)(ii) of this section requires the presence of two (2) persons from separate departments from the time of their issuance until the time of their return.

(iv) Routine physical maintenance that requires accessing the emergency manual key(s) (a.k.a. override key) and does not involve the accessing of the banking and percentage card games drop and count keys, only requires the presence of two (2) persons from separate departments. The date, time and reason for access must be documented with the signatures of all participating employees signing out/in the emergency manual key(s).

(3) For computerized key security systems controlling access to banking and percentage card games drop and count keys, accounting/audit personnel, independent of the system administrator, will perform the following procedures:

(i) Daily, review the report generated by the computerized key security system indicating the transactions performed by the individual(s) that adds, deletes, and changes user's access within the system (*i.e.*, system administrator). Determine whether the transactions completed by the system administrator provide an adequate control over the access to the banking and percentage card games drop and count keys. Also, determine whether any banking and percentage card games drop and count key(s) removed or returned to the key cabinet by the system administrator was properly authorized.

(ii) For at least one (1) day each month, review the report generated by the computerized key security system indicating all transactions performed to determine whether any unusual banking and percentage card games drop and count key removals or key returns occurred.

(iii) At least quarterly, review a sample of users that are assigned access to the banking and percentage card games drop and count keys to determine that their access to the assigned keys is adequate relative to their job position.

(iv) All noted improper transactions or unusual occurrences are investigated with the results documented.

(4) Quarterly, an inventory of all count room, banking and percentage card game drop box release, storage rack and contents keys is performed and reconciled to records of keys made, issued, and destroyed. Documented investigations shall be performed for all unaccounted keys.

(v) *Emergency drop procedures.* Emergency drop procedures shall be developed by the Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency.

(w) *Equipment standards for gaming device count.* (1) A weigh scale calibration module shall be secured so as to prevent unauthorized access (e.g., prenumbered seal, lock and key, etc.).

(2) A person independent of the cage, vault, gaming device, and count team functions shall be required to be present whenever the calibration module is accessed. Such access shall be documented and maintained.

(3) If a weigh scale interface is used, it shall be adequately restricted so as to prevent unauthorized access (passwords, keys, etc.).

(4) If the weigh scale has a zero adjustment mechanism, it shall be physically limited to minor adjustments (e.g., weight of a bucket) or physically situated such that any unnecessary adjustments to it during the weigh process would be observed by other count team members.

(5) The weigh scale and weigh scale interface (if applicable) shall be tested by a person or persons independent of the cage, vault, and gaming device departments and count team at least quarterly. At least annually, this test shall be performed by internal audit in accordance with the internal audit standards. The result of these tests shall be documented and signed by the person or persons performing the test.

(6) Prior to the gaming device count, at least two (2) employees shall verify the accuracy of the weigh scale with varying weights or with varying amounts of previously counted coin for each denomination to ensure the scale is properly calibrated (varying weights/coin from drop to drop is acceptable).

(7) If a mechanical coin counter is used (instead of a weigh scale), the Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency, shall establish and the gaming operation shall comply, with procedures that are equivalent to those described in paragraphs (u)(4), (u)(5), and (u)(6) of this section.

(8) If a coin meter count machine is used, the count team member shall record the machine number denomination and number of coins in ink on a source document, unless the meter machine automatically records such information.

(i) A count team member shall test the coin meter count machine prior to the actual count to ascertain if the metering device is functioning properly with a predetermined number of coins for each denomination.

§ 542.22 What are the minimum internal control standards for internal audit for Tier A gaming operations?

(a) *Internal audit personnel.* (1) For Tier A gaming operations, a separate internal audit department must be maintained. Alternatively, designating personnel (who are independent with respect to the departments/procedures being examined) to perform internal audit work satisfies the requirements of this paragraph.

(2) The internal audit personnel shall report directly to the Tribe, Tribal gaming agency, audit committee, or other entity designated by the Tribe in accordance with the definition of internal audit in §542.2.

(b) *Audits.* (1) Internal audit personnel shall perform audits of all major gaming areas of the gaming operation. The following shall be reviewed at least annually:

(i) Reserved.

(ii) Reserved.

(iii) Reserved.

(iv) Reserved.

(v) Pari-mutuel wagering, including write and payout procedures, and pari-mutuel auditing procedures;

(vi) Banking and percentage card games, including but not limited to, fill and credit procedures, pit credit play procedures, rim credit procedures, soft drop/count procedures and the subsequent transfer of funds, unannounced testing of count room currency counters and/or currency interface, location and control over sensitive keys, the tracing of source documents to summarized documentation and accounting records, and reconciliation to restricted copies;

(vii) Gaming devices, including but not limited to, jackpot payout and gaming device fill procedures, gaming device drop/count and bill acceptor drop/count and subsequent transfer of funds, unannounced testing of weigh scale and weigh scale interface, unannounced testing of count room currency counters and/or currency interface, gaming device drop cabinet access, tracing of source documents to summarized documentation and accounting records, reconciliation to restricted copies, location and control over sensitive keys, compliance with EPROM duplication procedures, and compliance with MICS procedures for gaming devices that accept currency or coin(s) and issue cash-out tickets or gaming devices that do not accept currency or coin(s) and do not return currency or coin(s);

(viii) Cage and credit procedures including all cage, credit, and collection procedures, and the reconciliation of trial balances to physical instruments on a sample basis. Cage accountability shall be reconciled to the general ledger;

(ix) Information technology functions, including review for compliance with information technology standards;

(x) Complimentary service or item, including but not limited to, procedures whereby complimentary service items are issued, authorized, and redeemed; and

(xi) Any other internal audits as required by the Tribe, Tribal gaming agency, audit committee, or other entity designated by the Tribe.

(2) In addition to the observation and examinations performed under paragraph (b)(1) of this section, follow-up observations and examinations shall be performed to verify that corrective action has been taken regarding all instances of noncompliance cited by internal audit, the independent accountant, and/or the Commission or State gaming agency. The verification shall be performed within six (6) months following the date of notification.

(3) Internal audit observations shall be performed on an unannounced basis (i.e., without the employees being forewarned that their activities will be observed). Additionally, if the independent accountant also performs the internal audit function, the accountant shall perform separate observations of the banking and percentage card games/gaming device drops and counts to satisfy the internal audit observation requirements and independent accountant tests of controls as required by the American Institute of Certified Public Accountants guide.

(c) *Documentation.* (1) Documentation (e.g., checklists, programs, reports, etc.) shall be prepared to evidence all internal audit work performed as it relates to the requirements in this section, including all instances of noncompliance.

(2) The internal audit department shall operate with audit programs, which, at a minimum, address the MICS. Additionally, the department shall properly document the work performed, the conclusions reached, and the resolution of all exceptions. Institute of Internal Auditors standards are recommended but not required.

(d) *Reports.* (1) Reports documenting audits performed shall be maintained and made available to the Commission and State gaming agency upon request.

(2) Such audit reports shall include the following information:

(i) Audit objectives;

(ii) Audit procedures and scope;

(iii) Findings and conclusions;

(iv) Recommendations, if applicable; and

(v) Management's response.

(e) *Material exceptions.* All material exceptions resulting from internal audit work shall be investigated and resolved with the results of such being documented and retained for five years.

(f) *Role of management.* (1) Internal audit findings shall be reported to management.

(2) Management shall be required to respond to internal audit findings stating corrective measures to be taken to avoid recurrence of the audit exception.

(3) Such management responses shall be included in the internal audit report that will be delivered to management, the Tribe, Tribal gaming agency, audit committee, or other entity designated by the Tribe.

(g) *Internal Audit Guidelines.* In connection with the internal audit testing pursuant to paragraph (b)(1) of this section, the Commission or State gaming agency shall develop recommended Internal Audit Guidelines, which shall be available upon request.

§ 542.23 What are the minimum internal control standards for surveillance for Tier A gaming operations?

(a) Tier A gaming operations must, at a minimum, maintain and operate an unstaffed surveillance system in a secured location whereby the areas under surveillance are continually recorded.

(b) The entrance to the secured location shall be located so that it is not readily accessible by either gaming operation employees who work primarily on the casino floor, or the general public.

(c) Access to the secured location shall be limited to surveillance personnel, designated employees, and other persons authorized in accordance with the surveillance department policy. Such policy shall be approved by the Tribal gaming agency.

(d) The surveillance system shall include date and time generators that possess the capability to display the date and time of recorded events on video and/or digital recordings. The displayed date and time shall not significantly obstruct the recorded view.

(e) The surveillance department shall ensure staff is trained in the use of the equipment, knowledge of the games, and house rules.

(f) Each camera required by the standards in this section shall be installed in a manner that will prevent it from being readily obstructed, tampered with, or disabled by customers or employees.

(g) Each camera required by the standards in this section shall possess the capability of having its picture recorded. The surveillance system shall include sufficient numbers of recorders to simultaneously record multiple gaming and count room activities, and record the views of all dedicated cameras and motion activated dedicated cameras.

(h) Reasonable effort shall be made to repair each malfunction of surveillance system equipment required by the standards in this section within seventy-two (72) hours after the malfunction is discovered. The Tribal gaming agency shall be notified of any camera(s) that has malfunctioned for more than twenty-four (24) hours.

(1) In the event of a dedicated camera malfunction, the gaming operation and/or the surveillance department shall, upon identification of the malfunction, provide alternative camera coverage or other security measures, such as additional supervisory or security personnel, to protect the subject activity.

(i) Reserved.

(j) Reserved.

(k) Reserved.

(l) *Banking and percentage card games*—(1) *Operations with four (4) or more banking or percentage card games.* Except as otherwise provided in paragraphs (l)(3), (l)(4), and (l)(5) of this section, the surveillance system of gaming operations operating four (4) or more banking or percentage card games shall provide at a minimum one (1) pan-tilt-zoom camera per two (2) tables and surveillance must be capable of taping:

(i) With sufficient clarity to identify customers and dealers; and

(ii) With sufficient coverage and clarity to simultaneously view the table bank and determine the configuration of wagers, card values, and game outcome.

(iii) One (1) dedicated camera per table and one (1) pan-tilt-zoom camera per four (4) tables may be an acceptable alternative procedure to satisfy the requirements of this paragraph.

(2) *Operations with three (3) or fewer banking or percentage card games.* The surveillance system of gaming operations operating three (3) or fewer banking or percentage card games shall:

(i) Comply with the requirements of paragraph (l)(1) of this section; or

(ii) Have one (1) overhead camera at each table.

(3) *Craps.* All banking card games based upon craps not using dice shall have two (2) dedicated cross view cameras covering both ends of the table.

(4) Reserved.

(5) Reserved.

(m) *Progressive banking and percentage card games.* (1) Progressive banking and percentage card games with a progressive jackpot of $25,000 or more shall be recorded by dedicated cameras that provide coverage of:

(i) The table surface, sufficient that the card values and card suits can be clearly identified;

(ii) An overall view of the entire table with sufficient clarity to identify customers and dealer; and

(iii) A view of the progressive meter jackpot amount. If several tables are linked to the same progressive jackpot meter, only one (1) meter need be recorded.

(n) *Gaming devices.* (1) Except as otherwise provided in paragraphs (n)(2) and (n)(3) of this section, gaming devices offering a payout of more than $250,000 shall be recorded by a dedicated camera(s) to provide coverage of:

(i) All customers and employees at the gaming device; and

(ii) The face of the gaming device, with sufficient clarity to identify the payout line(s) of the gaming device.

(2) *In-house progressive gaming device.* In-house progressive gaming devices offering a base payout amount (jackpot reset amount) of more than $100,000 shall be recorded by a dedicated camera(s) to provide coverage of:

(i) All customers and employees at the gaming device; and

(ii) The face of the gaming device, with sufficient clarity to identify the payout line(s) of the gaming device.

(3) *Wide-area progressive gaming device.* Wide-area progressive gaming devices offering a base payout amount of $1 million or more and monitored by an independent vendor utilizing an on-line progressive computer system shall be recorded by a dedicated camera(s) to provide coverage of:

(i) All customers and employees at the gaming device; and

(ii) The face of the gaming device, with sufficient clarity to identify the payout line(s) of the gaming device.

(4) Notwithstanding paragraph (n)(1) of this section, if the gaming device is a multi-game gaming device, the Tribal gaming agency, or the gaming operation subject to the approval of the Tribal gaming agency, may develop and implement alternative procedures to verify payouts.

(o) *Currency and coin.* The surveillance system shall record a general overview of all areas where currency or coin may be stored or counted.

(p) *Video recording and/or digital record retention.* (1) All video recordings and/or digital records of coverage provided by the dedicated cameras or motion-activated dedicated cameras required by the standards in this section shall be retained for a minimum of seven (7) days.

(2) Recordings involving suspected or confirmed gaming crimes, unlawful activity, or detentions by security personnel, must be retained for a minimum of thirty (30) days.

(3) Duly authenticated copies of video recordings and/or digital records shall be provided to the Commission and State gaming agency upon request.

(q) *Video library log.* A video library log, or comparable alternative procedure approved by the Tribal gaming agency, shall be maintained to demonstrate compliance with the storage, identification, and retention standards required in this section.

(r) *Malfunction and repair log.* (1) Surveillance personnel shall maintain a log or alternative procedure approved by the Tribal gaming agency that documents each malfunction and repair of the surveillance system as defined in this section.

(2) The log shall state the time, date, and nature of each malfunction, the efforts expended to repair the malfunction, and the date of each effort, the reasons for any delays in repairing the malfunction, the date the malfunction is repaired, and where applicable, any alternative security measures that were taken.

§ 542.30 What is a Tier B gaming operation?

A Tier B gaming operation is one with gross gaming revenues of more than $5 million but not more than $15 million.

§ 542.31 What are the minimum internal control standards for drop and count for Tier B gaming operations?

(a) *Computer applications.* For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control described by the standards in this section, as approved by the Tribal gaming agency, will be acceptable.

(b) *Banking and percentage card game drop standards.* (1) The setting out of empty banking and percentage card game drop boxes and the drop shall be a continuous process.

(2) At the end of each shift:

(i) All locked banking and percentage card game drop boxes shall be removed from the tables by a person independent of the pit shift being dropped;

(ii) A separate drop box shall be placed on each table opened at any time during each shift or a gaming operation may utilize a single drop box with separate openings and compartments for each shift; and

(iii) Upon removal from the tables, banking and percentage card game drop boxes shall be transported directly to the count room or other equivalently secure area with comparable controls and locked in a secure manner until the count takes place.

(3) If drop boxes are not placed on all tables, then the pit department shall document which tables were open during the shift.

(4) The transporting of banking and percentage card game drop boxes shall be performed by a minimum of two (2) persons, at least one (1) of whom is independent of the pit shift being dropped.

(5) All banking and percentage card game drop boxes shall be posted with a number corresponding to a permanent number on the gaming table and marked to indicate game, table number, and shift.

(6) Surveillance shall be notified when the drop is to begin so that surveillance may monitor the activities.

(c) *Soft count room personnel.* (1) The banking and percentage card game soft count and the gaming device bill acceptor count shall be performed by a minimum of two (2) employees.

(i) The count shall be viewed live, or on video recording and/or digital record, within seven (7) days by an employee independent of the count.

(2) Count room personnel shall not be allowed to exit or enter the count room during the count except for emergencies or scheduled breaks. At no time during the count, shall there be fewer than two (2) employees in the count room until the drop proceeds have been accepted into cage/vault accountability. Surveillance shall be notified whenever count room personnel exit or enter the count room during the count.

(3) Count team members shall be rotated on a routine basis such that the count team is not consistently the same two (2) persons more than four (4) days per week. This standard shall not apply to gaming operations that utilize a count team of more than two (2) persons.

(4) The count team shall be independent of transactions being reviewed and counted. The count team shall be independent of the cage/vault departments, however, a dealer or a cage cashier may be used if this person is not allowed to perform the recording function. An accounting representative may be used if there is an independent audit of all soft count documentation.

(d) *Banking and percentage card game soft count standards.* (1) The banking and percentage card game soft count shall be performed in a soft count room or other equivalently secure area with comparable controls.

(2) Access to the count room during the count shall be restricted to members of the drop and count teams, with the exception of authorized observers, supervisors for resolution of problems, and authorized maintenance personnel.

(3) If counts from various revenue centers occur simultaneously in the count room, procedures shall be in effect that prevent the commingling of funds from different revenue centers.

(4) The banking and percentage card game drop boxes shall be individually emptied and counted in such a manner to prevent the commingling of funds between boxes until the count of the box has been recorded.

(i) The count of each box shall be recorded in ink or other permanent form of recordation.

(ii) A second count shall be performed by an employee on the count team who did not perform the initial count.

(iii) Corrections to information originally recorded by the count team on soft count documentation shall be made by drawing a single line through the error, writing the correct figure above the original figure, and then obtaining the initials of at least two (2) count team members who verified the change, unless the count team only has two (2) members in which case the initials of only one (1) verifying count team member is required.

(5) If currency counters are utilized and the count room table is used only to empty boxes and sort/stack contents, a count team member shall be able to observe the loading and unloading of all currency at the currency counter, including rejected currency.

(6) Banking and percentage card game drop boxes, when empty, shall be shown to another member of the count team, or to another person who is observing the count, or to surveillance, provided the count is monitored in its entirety by a person independent of the count.

(7) Orders for fill/credit (if applicable) shall be matched to the fill/credit slips. Fills and credits shall be traced to or recorded on the count sheet.

(8) Pit marker issue and payment slips (if applicable) removed from the banking and percentage card game drop boxes shall either be:

(i) Traced to or recorded on the count sheet by the count team; or

(ii) Totaled by shift and traced to the totals documented by the computerized system. Accounting personnel shall verify the issue/payment slip for each banking and percentage card game table is accurate.

(9) Foreign currency exchange forms (if applicable) removed from the banking and percentage card game drop boxes shall be reviewed for the proper daily exchange rate and the conversion amount shall be recomputed by the count team. Alternatively, this may be performed by accounting/auditing employees.

(10) The opening/closing banking or percentage card game table and marker inventory forms (if applicable) shall either be:

(i) Examined and traced to or recorded on the count sheet; or

(ii) If a computerized system is used, accounting personnel can trace the opening/closing banking or percentage card game table and marker inventory forms to the count sheet. Discrepancies shall be investigated with the findings documented and maintained for inspection.

(11) The count sheet shall be reconciled to the total drop by a count team member who shall not function as the sole recorder.

(12) All members of the count team shall sign the count document or a summary report to attest to their participation in the count.

(13) All drop proceeds and cash equivalents that were counted shall be turned over to the cage or vault cashier (who shall be independent of the count team) or to an authorized person/employee independent of the revenue generation and the count process for verification. Such person shall certify by signature as to the accuracy of the drop proceeds delivered and received.

(14) The count sheet, with all supporting documents, shall be delivered to the accounting department by a count team member or a person independent of the cashiers department. Alternatively, it may be adequately secured (e.g., locked container to which only accounting personnel can gain access) until retrieved by the accounting department.

(15) Access to stored, full banking and percentage card game drop boxes shall be restricted to authorized members of the drop and count teams.

(e) *Gaming device bill acceptor drop standards.* (1) A minimum of two (2) employees shall be involved in the removal of the gaming device drop, at least one (1) of whom is independent of the gaming device department.

(2) All bill acceptor canisters shall be removed only at the time previously designated by the gaming operation and reported to the Tribal gaming agency, except for emergency drops.

(3) Surveillance shall be notified when the drop is to begin so that surveillance may monitor the activities.

(4) The bill acceptor canisters shall be removed by a person independent of the gaming device department then transported directly to the count room or other equivalently secure area with comparable controls and locked in a secure manner until the count takes place.

(i) Security shall be provided over the bill acceptor canisters removed from the gaming devices and awaiting transport to the count room.

(ii) The transporting of bill acceptor canisters shall be performed by a minimum of two (2) persons, at least one (1) of whom is independent of the gaming device department.

(5) All bill acceptor canisters shall be posted with a number corresponding to a permanent number on the gaming device.

(f) *Gaming device bill acceptor count standards.* (1) The gaming device bill acceptor count shall be performed in a soft count room or other equivalently secure area with comparable controls.

(2) Access to the count room during the count shall be restricted to members of the drop and count teams, with the exception of authorized observers, supervisors for resolution of problems, and authorized maintenance personnel.

(3) If counts from various revenue centers occur simultaneously in the count room, procedures shall be in effect that prevent the commingling of funds from different revenue centers.

(4) The bill acceptor canisters shall be individually emptied and counted in such a manner to prevent the commingling of funds between canisters until the count of the canister has been recorded.

(i) The count of each canister shall be recorded in ink or other permanent form of recordation.

(ii) Corrections to information originally recorded by the count team on soft count documentation shall be made by drawing a single line through the error, writing the correct figure above the original figure, and then obtaining the initials of at least two (2) count team members who verified the change.

(5) If currency counters are utilized and the count room table is used only to empty canisters and sort/stack contents, a count team member shall be able to observe the loading and unloading of all currency at the currency counter, including rejected currency.

(6) Canisters, when empty, shall be shown to another member of the count team, to another person who is observing the count, or to surveillance, provided that the count is monitored in its entirety by a person independent of the count.

(7) The count sheet shall be reconciled to the total drop by a count team member who shall not function as the sole recorder.

(8) All members of the count team shall sign the count document or a summary report to attest to their participation in the count.

(9) All drop proceeds and cash equivalents that were counted shall be turned over to the cage or vault cashier (who shall be independent of the count team) or to an authorized person/employee independent of the revenue generation and the count process for verification. Such person shall certify by signature as to the accuracy of the drop proceeds delivered and received.

(10) The count sheet, with all supporting documents, shall be delivered to the accounting department by a count team member or a person independent of the cashiers department. Alternatively, it may be adequately secured (e.g., locked container to which only accounting personnel can gain access) until retrieved by the accounting department.

(11) Access to stored bill acceptor canisters, full or empty, shall be restricted to:

(i) Authorized members of the drop and count teams; and

(ii) Authorized personnel in an emergency for the resolution of a problem.

(g) *Gaming device coin drop standards.* (1) A minimum of two (2) employees shall be involved in the removal of the gaming device drop, at least one (1) of whom is independent of the gaming device department.

(2) All drop buckets shall be removed only at the time previously designated by the gaming operation and reported to the Tribal gaming agency, except for emergency drops.

(3) Surveillance shall be notified when the drop is to begin in order that surveillance may monitor the activities.

(4) Security shall be provided over the buckets removed from the gaming device drop cabinets and awaiting transport to the count room.

(5) As each gaming device is opened, the contents shall be tagged with its respective gaming device number if the bucket is not permanently marked with the gaming device number. The contents shall be transported directly to the area designated for the counting of such drop proceeds. If more than one (1) trip is required to remove the contents of the gaming devices, the filled carts of coins shall be securely locked in the room designed for counting or in another equivalently secure area with comparable controls. There shall be a locked covering on any carts in which the drop route includes passage out of doors.

(i) Alternatively, a smart bucket system that electronically identifies and tracks the gaming device number, and facilitates the proper recognition of gaming revenue, shall satisfy the requirements of this paragraph.

(6) Each drop bucket in use shall be:

(i) Housed in a locked compartment separate from any other compartment of the gaming device and keyed differently than other gaming device compartments; and

(ii) Identifiable to the gaming device from which it is removed. If the gaming device is identified with a removable tag that is placed in the bucket, the tag shall be placed on top of the bucket when it is collected.

(7) Each gaming device shall have drop buckets into which coins or tokens that are retained by the gaming device are collected. Drop bucket contents shall not be used to make change or pay hand-paid payouts.

(8) The collection procedures may include procedures for dropping gaming devices that have trays instead of drop buckets.

(h) *Hard count room personnel.* (1) The weigh/count shall be performed by a minimum of two (2) employees.

(i) The count shall be viewed either live, or on video recording and/or digital record within seven (7) days by an employee independent of the count.

(2) At no time during the weigh/count shall there be fewer than two (2) employees in the count room until the drop proceeds have been accepted into cage/vault accountability. Surveillance shall be notified whenever count room personnel exit or enter the count room during the count.

(i) If the gaming device count is conducted with a continuous mechanical count meter that is not reset during the count and is verified in writing by at least two (2) employees at the start and end of each denomination count, then one (1) employee may perform the wrap.

(3) Count team members shall be rotated on a routine basis such that the count team is not consistently the same two (2) persons more than four (4) days per week. This standard shall not apply to gaming operations that utilize a count team of more than two (2) persons.

(4) The count team shall be independent of transactions being reviewed and counted. The count team shall be independent of the cage/vault departments, unless they are non-supervisory gaming device employees and perform the laborer function only (a non-supervisory gaming device employee is defined as a person below the level of gaming device shift supervisor). A cage cashier may be used if this person is not allowed to perform the recording function. An accounting representative may be used if there is an independent audit of all count documentation.

(i) *Gaming device coin count and wrap standards.* (1) Coins shall include tokens.

(2) The gaming device coin count and wrap shall be performed in a count room or other equivalently secure area with comparable controls.

(i) Alternatively, an on-the-floor drop system utilizing a mobile scale shall satisfy the requirements of this paragraph, subject to the following conditions:

(A) The gaming operation shall utilize and maintain an effective on-line gaming device monitoring system, as described in §542.13(m)(3);

(B) Components of the on-the-floor drop system shall include, but not be limited to, a weigh scale, a laptop computer through which weigh/count applications are operated, a security camera available for the mobile scale system, and a VCR or other video recording device to be housed within the video compartment of the mobile scale. The system may include a mule cart used for mobile weigh scale system locomotion.

(C) The gaming operation must obtain the security camera available with the system, and this camera must be added in such a way as to eliminate tampering.

(D) Prior to the drop, the drop/count team shall ensure the scale batteries are charged;

(E) Prior to the drop, a videotape or other video recording media shall be inserted into the VCR or other video recording device used to record the drop in conjunction with the security camera system and the VCR or other video recording device shall be activated;

(F) The weigh scale test shall be performed prior to removing the unit from the hard count room for the start of the weigh/drop/count;

(G) Surveillance shall be notified when the weigh/drop/count begins and shall be capable of monitoring the entire process;

(H) An observer independent of the weigh/drop/count teams (independent observer) shall remain by the weigh scale at all times and shall observe the entire weigh/drop/count process;

(I) Physical custody of the key(s) needed to access the laptop and video compartment shall require the involvement of two (2) persons, one (1) of whom is independent of the drop and count team;

(J) The mule key (if applicable), the laptop and video compartment keys, and the remote control for the VCR or other video recording device shall be maintained by a department independent of the gaming device department. The appropriate personnel shall sign out these keys;

(K) A person independent of the weigh/drop/count teams shall be required to accompany these keys while they are checked out, and observe each time the laptop compartment is opened;

(L) The laptop access panel shall not be opened outside the hard count room, except in instances when the laptop must be rebooted as a result of a crash, lock up, or other situation requiring immediate corrective action;

(M) User access to the system shall be limited to those employees required to have full or limited access to complete the weigh/drop/count; and

(N) When the weigh/drop/count is completed, the independent observer shall access the laptop compartment, end the recording session, eject the videotape or other video recording media, and deliver the videotape or other video recording media to surveillance.

(3) Access to the count room during the count shall be restricted to members of the drop and count teams, with the exception of authorized observers, supervisors for resolution of problems, and authorized maintenance personnel.

(4) If counts from various revenue centers occur simultaneously in the count room, procedures shall be in effect that prevent the commingling of funds from different revenue centers.

(5) The following functions shall be performed in the counting of the gaming device drop:

(i) Recorder function, which involves the recording of the gaming device count; and

(ii) Count team supervisor function, which involves the control of the gaming device weigh and wrap process. The supervisor shall not perform the initial recording of the weigh/count unless a weigh scale with a printer is used.

(6) The gaming device drop shall be counted, wrapped, and reconciled in such a manner to prevent the commingling of gaming device drop coin with coin (for each denomination) from the next gaming device drop until the count of the gaming device drop has been recorded. If the coins are not wrapped immediately after being weighed or counted, they shall be secured and not commingled with other coin.

(i) The amount of the gaming device drop from each gaming device shall be recorded in ink or other permanent form of recordation on a gaming device count document by the recorder or mechanically printed by the weigh scale.

(ii) Corrections to information originally recorded by the count team on gaming device count documentation shall be made by drawing a single line through the error, writing the correct figure above the original figure, and then obtaining the initials of at least two (2) count team members who verified the change.

(A) If a weigh scale interface is used, corrections to gaming device count data shall be made using either of the following:

(*1*) Drawing a single line through the error on the gaming device document, writing the correct figure above the original figure, and then obtaining the initials of at least two (2) count team employees. If this procedure is used, an employee independent of the gaming device department and count team shall enter the correct figure into the computer system prior to the generation of related gaming device reports; or

(*2*) During the count process, correct the error in the computer system and enter the passwords of at least two (2) count team employees. If this procedure is used, an exception report shall be generated by the computer system identifying the gaming device number, the error, the correction, and the count team employees attesting to the correction.

(7) If applicable, the weight shall be converted to dollar amounts before the reconciliation of the weigh to the wrap.

(8) If a coin meter is used, a count team member shall convert the coin count for each denomination into dollars and shall enter the results on a summary sheet.

(9) The recorder and at least one (1) other count team member shall sign the weigh tape and the gaming device count document attesting to the accuracy of the weigh/count.

(10) All members of the count team shall sign the count document or a summary report to attest to their participation in the count.

(11) All drop proceeds and cash equivalents that were counted shall be turned over to the cage or vault cashier (who shall be independent of the count team) or to an authorized person/employee independent of the revenue generation and the count process for verification. Such person shall certify by signature as to the accuracy of the drop proceeds delivered and received.

(12) All gaming device count and wrap documentation, including any applicable computer storage media, shall be delivered to the accounting department by a count team member or a person independent of the cashier's department. Alternatively, it may be adequately secured (e.g., locked

container to which only accounting personnel can gain access) until retrieved by the accounting department.

(13) If the coins are transported off the property, a second (alternative) count procedure shall be performed before the coins leave the property. Any variances shall be documented.

(14) Variances. Large (by denomination, either $1,000 or 2% of the drop, whichever is less) or unusual (e.g., zero for weigh/count or patterned for all counts) variances between the weigh/count and wrap shall be investigated by management personnel independent of the gaming device department, count team, and the cage/vault functions on a timely basis. The results of such investigation shall be documented, maintained for inspection, and provided to the Tribal gaming agency upon request.

(j) *Security of the coin room inventory during the gaming device coin count and wrap.* (1) If the count room serves as a coin room and coin room inventory is not secured so as to preclude access by the count team, then the following standards shall apply:

(i) At the commencement of the gaming device count the following requirements shall be met:

(A) The coin room inventory shall be counted by at least two (2) employees, one (1) of whom is a member of the count team and the other is independent of the weigh/count and wrap procedures;

(B) The count in paragraph (j)(1)(i)(A) of this section shall be recorded on an appropriate inventory form;

(ii) Upon completion of the wrap of the gaming device drop:

(A) At least two (2) members of the count team (wrap team), independently from each other, shall count the ending coin room inventory;

(B) The counts in paragraph (j)(1)(ii)(A) of this section shall be recorded on a summary report(s) that evidences the calculation of the final wrap by subtracting the beginning inventory from the sum of the ending inventory and transfers in and out of the coin room;

(C) The same count team members shall compare the calculated wrap to the weigh/count, recording the comparison and noting any variances on the summary report;

(D) A member of the cage/vault department shall count the ending coin room inventory by denomination and shall reconcile it to the beginning inventory, wrap, transfers and weigh/count; and

(E) At the conclusion of the reconciliation, at least two (2) count/wrap team members and the verifying employee shall sign the summary report(s) attesting to its accuracy.

(iii) The functions described in paragraph (j)(1)(ii)(A) and (C) of this section may be performed by only one (1) count team member. That count team member must then sign the summary report, along with the verifying employee, as required under paragraph (j)(1)(ii)(E).

(2) If the count room is segregated from the coin room, or if the coin room is used as a count room and the coin room inventory is secured to preclude access by the count team, all of the following requirements shall be completed, at the conclusion of the count:

(i) At least two (2) members of the count/wrap team shall count the final wrapped gaming device drop independently from each other;

(ii) The counts shall be recorded on a summary report;

(iii) The same count team members (or the accounting department) shall compare the final wrap to the weigh/count, recording the comparison, and noting any variances on the summary report;

(iv) A member of the cage/vault department shall count the wrapped gaming device drop by denomination and reconcile it to the weigh/count;

(v) At the conclusion of the reconciliation, at least two (2) count team members and the cage/vault employee shall sign the summary report attesting to its accuracy; and

(vi) The wrapped coins (exclusive of proper transfers) shall be transported to the cage, vault or coin vault after the reconciliation of the weigh/count to the wrap.

(k) *Transfers during the gaming device coin count and wrap.* (1) Transfers may be permitted during the count and wrap only if permitted under the internal control standards approved by the Tribal gaming agency.

(2) Each transfer shall be recorded on a separate multi-part form with a preprinted or concurrently-printed form number (used solely for gaming device count transfers) that shall be subsequently reconciled by the accounting department to ensure the accuracy of the reconciled gaming device drop.

(3) Each transfer must be counted and signed for by at least two (2) members of the count team and by a person independent of the count team who is responsible for authorizing the transfer.

(l) *Gaming device drop key control standards.* (1) Gaming device coin drop cabinet keys, including duplicates, shall be maintained by a department independent of the gaming device department.

(2) The physical custody of the keys needed to access gaming device coin drop cabinets, including duplicates, shall require the involvement of two (2) persons, one (1) of whom is independent of the gaming device department.

(3) Two employees (separate from key custodian) shall be required to accompany such keys while checked out and observe each time gaming device drop cabinets are accessed, unless surveillance is notified each time keys are checked out and surveillance observes the person throughout the period the keys are checked out.

(m) *Banking and percentage card game drop box key control standards.* (1) Procedures shall be developed and implemented to insure that unauthorized access to empty banking and percentage card game drop boxes shall not occur from the time the boxes leave the storage racks until they are placed on the tables.

(2) The involvement of at least two (2) persons independent of the cage department shall be required to access stored empty banking and percentage card game drop boxes.

(3) The release keys shall be separately keyed from the contents keys.

(4) At least two (2) count team members are required to be present at the time count room and other count keys are issued for the count.

(5) All duplicate keys shall be maintained in a manner that provides the same degree of control as is required for the original keys. Records shall be maintained for each key duplicated that indicate the number of keys made and destroyed.

(6) Logs shall be maintained by the custodian of sensitive keys to document authorization of personnel accessing keys.

(n) *Banking and percentage card game drop box release keys.* (1) The banking and percentage card game drop box release keys shall be maintained by a department independent of the pit department.

(2) Only the person(s) authorized to remove banking and percentage card game drop boxes from the banking and percentage card game tables shall be allowed access to the banking and percentage card game drop box release keys; however, the count team members may have access to the release keys during the soft count in order to reset the banking and percentage card game drop boxes.

(3) Persons authorized to remove the banking and percentage card game drop boxes shall be precluded from having simultaneous access to the banking and percentage card game drop box contents keys and release keys.

(4) For situations requiring access to a banking and percentage card game drop box at a time other than the scheduled drop, the date, time, and signature of employee signing out/in the release key must be documented.

(o) *Bill acceptor canister release keys.* (1) The bill acceptor canister release keys shall be maintained by a department independent of the gaming device department.

(2) Only the person(s) authorized to remove bill acceptor canisters from the gaming devices shall be allowed access to the release keys.

(3) Persons authorized to remove the bill acceptor canisters shall be precluded from having simultaneous access to the bill acceptor canister contents keys and release keys.

(4) For situations requiring access to a bill acceptor canister at a time other than the scheduled drop, the date, time, and signature of employee signing out/in the release key must be documented.

(p) *Banking and percentage card game drop box storage rack keys.* Persons authorized to obtain banking and percentage card game drop box storage rack keys shall be precluded from having simultaneous access to banking and percentage card game drop box contents keys with the exception of the count team.

(q) *Bill acceptor canister storage rack keys.* Persons authorized to obtain bill acceptor canister storage rack keys shall be precluded from having simultaneous access to bill acceptor canister contents keys with the exception of the count team.

(r) *Banking and percentage card game drop box contents keys.* (1) The physical custody of the keys needed for accessing stored, full banking and percentage card game drop box contents

shall require the involvement of persons from at least two (2) separate departments, with the exception of the count team.

(2) Access to the banking and percentage card game drop box contents key at other than scheduled count times shall require the involvement of at least two (2) persons from separate departments, including management. The reason for access shall be documented with the signatures of all participants and observers.

(3) Only count team members shall be allowed access to banking and percentage card game drop box contents keys during the count process.

(s) *Bill acceptor canister contents keys.* (1) The physical custody of the keys needed for accessing stored, full bill acceptor canister contents shall require involvement of persons from two (2) separate departments, with the exception of the count team.

(2) Access to the bill acceptor canister contents key at other than scheduled count times shall require the involvement of at least two (2) persons from separate departments, one (1) of whom must be a supervisor. The reason for access shall be documented with the signatures of all participants and observers.

(3) Only the count team members shall be allowed access to bill acceptor canister contents keys during the count process.

(t) *Gaming device computerized key security systems.* (1) Computerized key security systems which restrict access to the gaming device drop and count keys through the use of passwords, keys or other means, other than a key custodian, must provide the same degree of control as indicated in the aforementioned key control standards; refer to paragraphs (l), (o), (q) and (s) of this section. Note: This standard does not apply to the system administrator. The system administrator is defined in paragraph (t)(2)(i) of this section.

(2) For computerized key security systems, the following additional gaming device key control procedures shall apply:

(i) Management personnel independent of the gaming device department shall assign and control user access to keys in the computerized key security system (*i.e.*, system administrator) to ensure that gaming device drop and count keys are restricted to authorized employees.

(ii) In the event of an emergency or the key box is inoperable, access to the emergency manual key(s) (a.k.a. override key) used to access the box containing the gaming device drop and count keys, requires the physical involvement of at least three (3) persons from separate departments, including management. The date, time, and reason for access, must be documented with the signatures of all participating employees signing out/in the emergency manual key(s).

(iii) The custody of the keys issued pursuant to paragraph (t)(2)(ii) of this section, requires the presence of two (2) persons from separate departments from the time of their issuance until the time of their return.

(iv) Routine physical maintenance that requires accessing the emergency manual key(s) (a.k.a. override key) and does not involve the accessing of the gaming device drop and count keys, requires the presence of two (2) persons from separate departments. The date, time and reason for access must be documented with the signatures of all participating employees signing out/in the emergency manual key(s).

(3) For computerized key security systems controlling access to gaming device drop and count keys, accounting/audit personnel, independent of the system administrator, will perform the following procedures:

(i) Daily, review the report generated by the computerized key security system indicating the transactions performed by the individual(s) that adds, deletes, and changes user's access within the system (i.e., system administrator). Determine whether the transactions completed by the system administrator provide an adequate control over the access to the gaming device drop and count keys. Also, determine whether any gaming device drop and count key(s) removed or returned to the key cabinet by the system administrator was properly authorized.

(ii) For at least one (1) day each month, review the report generated by the computerized key security system indicating all transactions performed to determine whether any unusual gaming device drop and count key removals or key returns occurred.

(iii) At least quarterly, review a sample of users that are assigned access to the gaming device drop and count keys to determine that their access to the assigned keys is adequate relative to their job position.

(iv) All noted improper transactions or unusual occurrences are investigated with the results documented.

(4) Quarterly, an inventory of all count room, drop box release, storage rack and contents keys is performed, and reconciled to records of keys made, issued, and destroyed. Documented investigations shall be performed for all unaccounted keys.

(u) *Banking and percentage card games computerized key security systems.* (1) Computerized key security systems which restrict access to the banking and percentage card game drop and count keys through the use of passwords, keys or other means, other than a key custodian, must provide the same degree of control as indicated in the aforementioned key control standards, refer to paragraphs (m), (n), (p) and (r) of this section. Note: This standard does not apply to the system administrator. The system administrator is defined in paragraph (u)(2)(ii) of this section.

(2) For computerized key security systems, the following additional banking and percentage card game key control procedures apply:

(i) Management personnel independent of the banking and percentage card game department shall assign and control user access to keys in the computerized key security system (i.e., system administrator) to ensure that banking and percentage card game drop and count keys are restricted to authorized employees.

(ii) In the event of an emergency or the key box is inoperable, access to the emergency manual key(s) (a.k.a. override key) used to access the box containing the banking and percentage card game drop and count keys, requires the physical involvement of at least three (3) persons from separate departments, including management. The date, time, and reason for access, must be documented with the signatures of all participating employees signing out/in the emergency manual key(s).

(iii) The custody of the keys issued pursuant to paragraph (u)(2)(ii) of this section, requires the presence of two (2) persons from separate departments from the time of their issuance until the time of their return.

(iv) Routine physical maintenance that requires accessing the emergency manual key(s) (a.k.a. override key) and does not involve the accessing of the banking and percentage card games drop and count keys, requires the presence of two (2) persons from separate departments. The date, time and reason for access must be documented with the signatures of all participating employees signing out/in the emergency manual key(s).

(3) For computerized key security systems controlling access to banking and percentage card games drop and count keys, accounting/audit personnel, independent of the system administrator, will perform the following procedures:

(i) Daily, review the report generated by the computerized key security system indicating the transactions performed by the individual(s) that adds, deletes, and changes user's access within the system (i.e., system administrator). Determine whether the transactions completed by the system administrator provide an adequate control over the access to the banking and percentage card games drop and count keys. Also, determine whether any banking and percentage card games drop and count key(s) removed or returned to the key cabinet by the system administrator was properly authorized.

(ii) For at least one (1) day each month, review the report generated by the computerized key security system indicating all transactions performed to determine whether any unusual banking and percentage card games drop and count key removals or key returns occurred.

(iii) At least quarterly, review a sample of users that are assigned access to the banking and percentage card games drop and count keys to determine that their access to the assigned keys is adequate relative to their job position.

(iv) All noted improper transactions or unusual occurrences are investigated with the results documented.

(4) Quarterly, an inventory of all count room, banking and percentage card game drop box release, storage rack and contents keys is performed, and reconciled to records of keys made, issued, and destroyed. Documented investigations shall be performed for all unaccounted keys.

(v) *Emergency drop procedures.* Emergency drop procedures shall be developed by the Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency.

(w) *Equipment standards for gaming device count.* (1) A weigh scale calibration module shall be secured so as to prevent unauthorized access (e.g., prenumbered seal, lock and key, etc.).

(2) A person independent of the cage, vault, gaming device, and count team functions shall be required to be present whenever the calibration module is accessed. Such access shall be documented and maintained.

(3) If a weigh scale interface is used, it shall be adequately restricted so as to prevent unauthorized access (passwords, keys, etc.).

(4) If the weigh scale has a zero adjustment mechanism, it shall be physically limited to minor adjustments (e.g., weight of a bucket) or physically situated such that any unnecessary adjustments to it during the weigh process would be observed by other count team members.

(5) The weigh scale and weigh scale interface (if applicable) shall be tested by a person or persons independent of the cage, vault, and gaming device departments and count team at least quarterly. At least annually, this test shall be performed by internal audit in accordance with the

internal audit standards. The result of these tests shall be documented and signed by the person or persons performing the test.

(6) Prior to the gaming device count, at least two (2) employees shall verify the accuracy of the weigh scale with varying weights or with varying amounts of previously counted coin for each denomination to ensure the scale is properly calibrated (varying weights/coin from drop to drop is acceptable).

(7) If a mechanical coin counter is used (instead of a weigh scale), the Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency, shall establish and the gaming operation shall comply with procedures that are equivalent to those described in paragraphs (u)(4), (u)(5), and (u)(6) of this section.

(8) If a coin meter count machine is used, the count team member shall record the machine number denomination and number of coins in ink on a source document, unless the meter machine automatically records such information.

(i) A count team member shall test the coin meter count machine before the actual count to ascertain if the metering device is functioning properly with a predetermined number of coins for each denomination.

§ 542.32 What are the minimum internal control standards for internal audit for Tier B gaming operations?

(a) *Internal audit personnel.* (1) For Tier B gaming operations, a separate internal audit department must be maintained. Alternatively, designating personnel (who are independent with respect to the departments/procedures being examined) to perform internal audit work satisfies the requirements of this paragraph.

(2) The internal audit personnel shall report directly to the Tribe, Tribal gaming agency, audit committee, or other entity designated by the Tribe in accordance with the definition of internal audit in §542.2.

(b) *Audits.* (1) Internal audit personnel shall perform audits of all major gaming areas of the gaming operation. The following shall be reviewed at least annually:

(i) Reserved.

(ii) Reserved.

(iii) Reserved.

(iv) Reserved.

(v) Pari-mutuel wagering, including write and payout procedures, and pari-mutuel auditing procedures;

(vi) Banking and percentage card games, including but not limited to, fill and credit procedures, pit credit play procedures, rim credit procedures, soft drop/count procedures and the subsequent transfer of funds, unannounced testing of count room currency counters and/or currency interface, location and control over sensitive keys, the tracing of source documents to summarized documentation and accounting records, and reconciliation to restricted copies;

(vii) Gaming devices, including but not limited to, jackpot payout and gaming device fill procedures, gaming device drop/count and bill acceptor drop/count and subsequent transfer of funds, unannounced testing of weigh scale and weigh scale interface, unannounced testing of count room currency counters and/or currency interface, gaming device drop cabinet access, tracing of source documents to summarized documentation and accounting records, reconciliation to restricted copies, location and control over sensitive keys, compliance with EPROM duplication procedures, and compliance with MICS procedures for gaming devices that accept currency or coin(s) and issue cash-out tickets or gaming devices that do not accept currency or coin(s) and do not return currency or coin(s);

(viii) Cage and credit procedures including all cage, credit, and collection procedures, and the reconciliation of trial balances to physical instruments on a sample basis. Cage accountability shall be reconciled to the general ledger;

(ix) Information technology functions, including review for compliance with information technology standards;

(x) Complimentary service or item, including but not limited to, procedures whereby complimentary service items are issued, authorized, and redeemed; and

(xi) Any other internal audits as required by the Tribe, Tribal gaming agency, audit committee, or other entity designated by the Tribe.

(2) In addition to the observation and examinations performed under paragraph (b)(1) of this section, follow-up observations and examinations shall be performed to verify that corrective action has been taken regarding all instances of noncompliance cited by internal audit, the independent accountant, and/or the Commission or State gaming agency. The verification shall be performed within six (6) months following the date of notification.

(3) Internal audit observations shall be performed on an unannounced basis (i.e., without the employees being forewarned that their activities will be observed). Additionally, if the independent accountant also performs the internal audit function, the accountant shall perform separate observations of the banking and percentage card games/gaming device drops and counts to satisfy the internal audit observation requirements and independent accountant tests of controls as required by the American Institute of Certified Public Accountants guide.

(c) *Documentation.* (1) Documentation (e.g., checklists, programs, reports, etc.) shall be prepared to evidence all internal audit work performed as it relates to the requirements in this section, including all instances of noncompliance.

(2) The internal audit department shall operate with audit programs, which, at a minimum, address the MICS. Additionally, the department shall properly document the work performed, the conclusions reached, and the resolution of all exceptions. Institute of Internal Auditors standards are recommended but not required.

(d) *Reports.* (1) Reports documenting audits performed shall be maintained and made available to the Commission and State gaming agency upon request.

(2) Such audit reports shall include the following information:

(i) Audit objectives;

(ii) Audit procedures and scope;

(iii) Findings and conclusions;

(iv) Recommendations, if applicable; and

(v) Management's response.

(e) *Material exceptions.* All material exceptions resulting from internal audit work shall be investigated and resolved with the results of such being documented and retained for five (5) years.

(f) *Role of management.* (1) Internal audit findings shall be reported to management.

(2) Management shall be required to respond to internal audit findings stating corrective measures to be taken to avoid recurrence of the audit exception.

(3) Such management responses shall be included in the internal audit report that will be delivered to management, the Tribe, Tribal gaming agency, audit committee, or other entity designated by the Tribe.

(g) *Internal Audit Guidelines.* In connection with the internal audit testing pursuant to paragraph (b)(1) of this section, the Commission or State gaming agency shall develop recommended Internal Audit Guidelines, which shall be available upon request.

§ 542.33 What are the minimum internal control standards for surveillance for Tier B gaming operations?

(a) The surveillance system shall be maintained and operated from a staffed surveillance room and shall provide surveillance over gaming areas.

(b) The entrance to the surveillance room shall be located so that it is not readily accessible by either gaming operation employees who work primarily on the casino floor, or the general public.

(c) Access to the surveillance room shall be limited to surveillance personnel, designated employees, and other persons authorized in accordance with the surveillance department policy. Such policy shall be approved by the Tribal gaming agency. The surveillance department shall maintain a sign-in log of other authorized persons entering the surveillance room.

(d) Surveillance room equipment shall have total override capability over all other satellite surveillance equipment located outside the surveillance room.

(e) The surveillance system shall include date and time generators that possess the capability to display the date and time of recorded events on video and/or digital recordings. The displayed date and time shall not significantly obstruct the recorded view.

(f) The surveillance department shall ensure staff is trained in the use of the equipment, knowledge of the games, and house rules.

(g) Each camera required by the standards in this section shall be installed in a manner that will prevent it from being readily obstructed, tampered with, or disabled by customers or employees.

(h) Each camera required by the standards in this section shall possess the capability of having its picture displayed on a monitor and recorded. The surveillance system shall include sufficient

numbers of monitors and recorders to simultaneously display and record multiple gaming and count room activities, and record the views of all dedicated cameras and motion activated dedicated cameras.

(i) Reasonable effort shall be made to repair each malfunction of surveillance system equipment required by the standards in this section within seventy-two (72) hours after the malfunction is discovered. The Tribal gaming agency shall be notified of any camera(s) that has malfunctioned for more than twenty-four (24) hours.

(1) In the event of a dedicated camera malfunction, the gaming operation and/or surveillance department shall immediately provide alternative camera coverage or other security measures, such as additional supervisory or security personnel, to protect the subject activity.

(j) Reserved.

(k) Reserved.

(l) Reserved.

(m) Reserved.

(n) *Pari-mutuel.* The surveillance system shall monitor and record general activities in the pari-mutuel area, to include the ticket writer and cashier areas, with sufficient clarity to identify the employees performing the different functions.

(o) *Banking and percentage card games*—(1) *Operations with four (4) or more banking or percentage card games.* Except as otherwise provided in paragraphs (o)(3), (o)(4), and (o)(5) of this section, the surveillance system of gaming operations operating four (4) or more banking or percentage card games shall provide at a minimum one (1) pan-tilt-zoom camera per two (2) tables and surveillance must be capable of taping:

(i) With sufficient clarity to identify customers and dealers; and

(ii) With sufficient coverage and clarity to simultaneously view the table bank and determine the configuration of wagers, card values, and game outcome.

(iii) One (1) dedicated camera per table and one (1) pan-tilt-zoom camera per four (4) tables may be an acceptable alternative procedure to satisfy the requirements of this paragraph.

(2) *Operations with three (3) or fewer banking or percentage card games.* The surveillance system of gaming operations operating three (3) or fewer banking or percentage card games shall:

(i) Comply with the requirements of paragraph (o)(1) of this section; or

(ii) Have one (1) overhead camera at each table.

(3) *Craps.* All banking card games based upon craps not using dice shall have two (2) dedicated cross view cameras covering both ends of the table.

(4) Reserved.

(5) Reserved.

(p) *Progressive banking and percentage card games.* (1) Progressive banking and percentage card games with a progressive jackpot of $25,000 or more shall be monitored and recorded by dedicated cameras that provide coverage of:

(i) The table surface, sufficient that the card values and card suits can be clearly identified;

(ii) An overall view of the entire table with sufficient clarity to identify customers and dealer; and

(iii) A view of the progressive meter jackpot amount. If several tables are linked to the same progressive jackpot meter, only one meter need be recorded.

(q) *Gaming devices.* (1) Except as otherwise provided in paragraphs (q)(2) and (q)(3) of this section, gaming devices offering a payout of more than $250,000 shall be monitored and recorded by a dedicated camera(s) to provide coverage of:

(i) All customers and employees at the gaming device, and

(ii) The face of the gaming device, with sufficient clarity to identify the payout line(s) of the gaming device.

(2) *In-house progressive gaming device.* In-house progressive gaming devices offering a base payout amount (jackpot reset amount) of more than $100,000 shall be monitored and recorded by a dedicated camera(s) to provide coverage of:

(i) All customers and employees at the gaming device; and

(ii) The face of the gaming device, with sufficient clarity to identify the payout line(s) of the gaming device.

(3) *Wide-area progressive gaming device.* Wide-area progressive gaming devices offering a base payout amount of $1 million or more and monitored by an independent vendor utilizing an on-line progressive computer system shall be recorded by a dedicated camera(s) to provide coverage of:

(i) All customers and employees at the gaming device; and

(ii) The face of the gaming device, with sufficient clarity to identify the payout line(s) of the gaming device.

(4) Notwithstanding paragraph (q)(1) of this section, if the gaming device is a multi-game gaming device, the Tribal gaming agency, or the gaming operation subject to the approval of the Tribal gaming agency, may develop and implement alternative procedures to verify payouts.

(r) *Cage and vault.* (1) The surveillance system shall monitor and record a general overview of activities occurring in each cage and vault area with sufficient clarity to identify employees within the cage and customers and employees at the counter areas.

(2) Each cashier station shall be equipped with one (1) dedicated overhead camera covering the transaction area.

(3) The surveillance system shall provide an overview of cash transactions. This overview should include the customer, the employee, and the surrounding area.

(s) *Fills and credits.* (1) The cage or vault area in which fills and credits are transacted shall be monitored and recorded by a dedicated camera or motion activated dedicated camera that provides coverage with sufficient clarity to identify the chip values and the amounts on the fill and credit slips.

(2) Controls provided by a computerized fill and credit system may be deemed an adequate alternative to viewing the fill and credit slips.

(t) *Currency and coin.* (1) The surveillance system shall monitor and record with sufficient clarity all areas where currency or coin may be stored or counted.

(2) The surveillance system shall provide for:

(i) Coverage of scales shall be sufficiently clear to view any attempted manipulation of the recorded data.

(ii) Monitoring and recording of the banking and percentage card game drop box storage rack or area by either a dedicated camera or a motion-detector activated camera.

(iii) Monitoring and recording of all areas where coin may be stored or counted, including the hard count room, all doors to the hard count room, all scales and wrapping machines, and all areas where uncounted coin may be stored during the drop and count process.

(iv) Monitoring and recording of soft count room, including all doors to the room, all banking and percentage card game drop boxes, safes, and counting surfaces, and all count team personnel. The counting surface area must be continuously monitored and recorded by a dedicated camera during the soft count.

(v) Monitoring and recording of all areas where currency is sorted, stacked, counted, verified, or stored during the soft count process.

(u) Change booths. The surveillance system shall monitor and record a general overview of the activities occurring in each gaming device change booth.

(v) *Video recording and/or digital record retention.* (1) All video recordings and/or digital records of coverage provided by the dedicated cameras or motion-activated dedicated cameras required by the standards in this section shall be retained for a minimum of seven (7) days.

(2) Recordings involving suspected or confirmed gaming crimes, unlawful activity, or detentions by security personnel, must be retained for a minimum of thirty (30) days.

(3) Duly authenticated copies of video recordings and/or digital records shall be provided to the Commission and State gaming agency upon request.

(w) *Video library log.* A video library log, or comparable alternative procedure approved by the Tribal gaming agency, shall be maintained to demonstrate compliance with the storage, identification, and retention standards required in this section.

(x) *Malfunction and repair log.* (1) Surveillance personnel shall maintain a log or alternative procedure approved by the Tribal gaming agency that documents each malfunction and repair of the surveillance system as defined in this section.

(2) The log shall state the time, date, and nature of each malfunction, the efforts expended to repair the malfunction, and the date of each effort, the reasons for any delays in repairing the malfunction, the date the malfunction is repaired, and where applicable, any alternative security measures that were taken.

(y) *Surveillance log.* (1) Surveillance personnel shall maintain a log of all surveillance activities.

(2) Such log shall be maintained by surveillance room personnel and shall be stored securely within the surveillance department.

(3) At a minimum, the following information shall be recorded in a surveillance log:

(i) Date;

(ii) Time commenced and terminated;

(iii) Activity observed or performed; and

(iv) The name or license credential number of each person who initiates, performs, or supervises the surveillance.

(4) Surveillance personnel shall also record a summary of the results of the surveillance of any suspicious activity. This summary may be maintained in a separate log.

§ 542.40 What is a Tier C gaming operation?

A Tier C gaming operation is one with annual gross gaming revenues of more than $15 million.

§ 542.41 What are the minimum internal control standards for drop and count for Tier C gaming operations?

(a) *Computer applications.* For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control described by the standards in this section, as approved by the Tribal gaming agency, will be acceptable.

(b) *Banking and percentage card game drop standards.* (1) The setting out of empty banking and percentage card game drop boxes and the drop shall be a continuous process.

(2) At the end of each shift:

(i) All locked banking and percentage card game drop boxes shall be removed from the banking and percentage card game tables by a person independent of the pit shift being dropped;

(ii) A separate drop box shall be placed on each banking and percentage card game table opened at any time during each shift or a gaming operation may utilize a single drop box with separate openings and compartments for each shift; and

(iii) Upon removal from the tables, banking and percentage card game drop boxes shall be transported directly to the count room or other equivalently secure area with comparable controls and locked in a secure manner until the count takes place.

(3) If drop boxes are not placed on all tables, then the pit department shall document which tables were open during the shift.

(4) The transporting of banking and percentage card game drop boxes shall be performed by a minimum of two (2) persons, at least one (1) of whom is independent of the pit shift being dropped.

(5) All banking and percentage card game drop boxes shall be posted with a number corresponding to a permanent number on the gaming table and marked to indicate game, table number, and shift.

(6) Surveillance shall be notified when the drop is to begin so that surveillance may monitor the activities.

(c) *Soft count room personnel.* (1) The banking and percentage card game soft count and the gaming device bill acceptor count shall be performed by a minimum of three (3) employees.

(2) Count room personnel shall not be allowed to exit or enter the count room during the count except for emergencies or scheduled breaks. At no time during the count, shall there be fewer than three (3) employees in the count room until the drop proceeds have been accepted into cage/vault accountability. Surveillance shall be notified whenever count room personnel exit or enter the count room during the count.

(3) Count team members shall be rotated on a routine basis such that the count team is not consistently the same three (3) persons more than four (4) days per week. This standard shall not apply to gaming operations that utilize a count team of more than three (3) persons.

(4) The count team shall be independent of transactions being reviewed and counted. The count team shall be independent of the cage/vault departments, however, an accounting representative may be used if there is an independent audit of all soft count documentation.

(d) *Banking and percentage card game soft count standards.* (1) The banking and percentage card game soft count shall be performed in a soft count room or other equivalently secure area with comparable controls.

(2) Access to the count room during the count shall be restricted to members of the drop and count teams, with the exception of authorized observers, supervisors for resolution of problems, and authorized maintenance personnel.

(3) If counts from various revenue centers occur simultaneously in the count room, procedures shall be in effect that prevent the commingling of funds from different revenue centers.

(4) The banking and percentage card game drop boxes shall be individually emptied and counted in such a manner to prevent the commingling of funds between boxes until the count of the box has been recorded.

(i) The count of each box shall be recorded in ink or other permanent form of recordation.

(ii) A second count shall be performed by an employee on the count team who did not perform the initial count.

(iii) Corrections to information originally recorded by the count team on soft count documentation shall be made by drawing a single line through the error, writing the correct figure above the original figure, and then obtaining the initials of at least two (2) count team members who verified the change.

(5) If currency counters are utilized and the count room table is used only to empty boxes and sort/stack contents, a count team member shall be able to observe the loading and unloading of all currency at the currency counter, including rejected currency.

(6) Banking and percentage card game drop boxes, when empty, shall be shown to another member of the count team, or to another person who is observing the count, or to surveillance, provided the count is monitored in its entirety by a person independent of the count.

(7) Orders for fill/credit (if applicable) shall be matched to the fill/credit slips. Fills and credits shall be traced to or recorded on the count sheet.

(8) Pit marker issue and payment slips (if applicable) removed from the banking and percentage card game drop boxes shall either be:

(i) Traced to or recorded on the count sheet by the count team; or

(ii) Totaled by shift and traced to the totals documented by the computerized system. Accounting personnel shall verify the issue/payment slip for each table is accurate.

(9) Foreign currency exchange forms (if applicable) removed from the banking and percentage card game drop boxes shall be reviewed for the proper daily exchange rate and the conversion amount shall be recomputed by the count team. Alternatively, this may be performed by accounting/auditing employees.

(10) The opening/closing banking or percentage card game table and marker inventory forms (if applicable) shall either be:

(i) Examined and traced to or recorded on the count sheet; or

(ii) If a computerized system is used, accounting personnel can trace the opening/closing banking or percentage card game table and marker inventory forms to the count sheet. Discrepancies shall be investigated with the findings documented and maintained for inspection.

(11) The count sheet shall be reconciled to the total drop by a count team member who shall not function as the sole recorder.

(12) All members of the count team shall sign the count document or a summary report to attest to their participation in the count.

(13) All drop proceeds and cash equivalents that were counted shall be turned over to the cage or vault cashier (who shall be independent of the count team) or to an authorized person/employee independent of the revenue generation and the count process for verification. Such person shall certify by signature as to the accuracy of the drop proceeds delivered and received.

(14) The count sheet, with all supporting documents, shall be delivered to the accounting department by a count team member or a person independent of the cashiers department.

Alternatively, it may be adequately secured (e.g., locked container in which only accounting personnel can gain access) until retrieved by the accounting department.

(15) Access to stored, full banking and percentage card game drop boxes shall be restricted to authorized members of the drop and count teams.

(e) *Gaming device bill acceptor drop standards.* (1) A minimum of three (3) employees shall be involved in the removal of the gaming device drop, at least one (1) of whom is independent of the gaming device department.

(2) All bill acceptor canisters shall be removed only at the time previously designated by the gaming operation and reported to the Tribal gaming agency, except for emergency drops.

(3) Surveillance shall be notified when the drop is to begin so that surveillance may monitor the activities.

(4) The bill acceptor canisters shall be removed by a person independent of the gaming device department then transported directly to the count room or other equivalently secure area with comparable controls and locked in a secure manner until the count takes place.

(i) Security shall be provided over the bill acceptor canisters removed from the gaming devices and awaiting transport to the count room.

(ii) The transporting of bill acceptor canisters shall be performed by a minimum of two (2) persons, at least one (1) of whom is independent of the gaming device department.

(5) All bill acceptor canisters shall be posted with a number corresponding to a permanent number on the gaming device.

(f) *Gaming device bill acceptor count standards.* (1) The gaming device bill acceptor count shall be performed in a soft count room or other equivalently secure area with comparable controls.

(2) Access to the count room during the count shall be restricted to members of the drop and count teams, with the exception of authorized observers, supervisors for resolution of problems, and authorized maintenance personnel.

(3) If counts from various revenue centers occur simultaneously in the count room, procedures shall be in effect that prevent the commingling of funds from different revenue centers.

(4) The bill acceptor canisters shall be individually emptied and counted in such a manner to prevent the commingling of funds between canisters until the count of the canister has been recorded.

(i) The count of each canister shall be recorded in ink or other permanent form of recordation.

(ii) Corrections to information originally recorded by the count team on soft count documentation shall be made by drawing a single line through the error, writing the correct figure above the original figure, and then obtaining the initials of at least two (2) count team members who verified the change.

(5) If currency counters are utilized and the count room table is used only to empty canisters and sort/stack contents, a count team member shall be able to observe the loading and unloading of all currency at the currency counter, including rejected currency.

(6) Canisters, when empty, shall be shown to another member of the count team, or to another person who is observing the count, or to surveillance, provided that the count is monitored in its entirety by a person independent of the count.

(7) The count sheet shall be reconciled to the total drop by a count team member who shall not function as the sole recorder.

(8) All members of the count team shall sign the count document or a summary report to attest to their participation in the count.

(9) All drop proceeds and cash equivalents that were counted shall be turned over to the cage or vault cashier (who shall be independent of the count team) or to an authorized person/employee independent of the revenue generation and the count process for verification. Such person shall certify by signature as to the accuracy of the drop proceeds delivered and received.

(10) The count sheet, with all supporting documents, shall be delivered to the accounting department by a count team member or a person independent of the cashiers department. Alternatively, it may be adequately secured (e.g., locked container to which only accounting personnel can gain access) until retrieved by the accounting department.

(11) Access to stored bill acceptor canisters, full or empty, shall be restricted to:

(i) Authorized members of the drop and count teams; and

(ii) Authorized personnel in an emergency for the resolution of a problem.

(g) *Gaming device coin drop standards.* (1) A minimum of three (3) employees shall be involved in the removal of the gaming device drop, at least one (1) of whom is independent of the gaming device department.

(2) All drop buckets shall be removed only at the time previously designated by the gaming operation and reported to the Tribal gaming agency, except for emergency drops.

(3) Surveillance shall be notified when the drop is to begin in order that surveillance may monitor the activities.

(4) Security shall be provided over the buckets removed from the gaming device drop cabinets and awaiting transport to the count room.

(5) As each gaming device is opened, the contents shall be tagged with its respective gaming device number if the bucket is not permanently marked with the gaming device number. The contents shall be transported directly to the area designated for the counting of such drop proceeds. If more than one (1) trip is required to remove the contents of the gaming devices, the filled carts of coins shall be securely locked in the room designed for counting or in another equivalently secure area with comparable controls. There shall be a locked covering on any carts in which the drop route includes passage out of doors.

(i) Alternatively, a smart bucket system that electronically identifies and tracks the gaming device number, and facilitates the proper recognition of gaming revenue, shall satisfy the requirements of this paragraph.

(6) Each drop bucket in use shall be:

(i) Housed in a locked compartment separate from any other compartment of the gaming device and keyed differently than other gaming device compartments; and

(ii) Identifiable to the gaming device from which it is removed. If the gaming device is identified with a removable tag that is placed in the bucket, the tag shall be placed on top of the bucket when it is collected.

(7) Each gaming device shall have drop buckets into which coins or tokens that are retained by the gaming device are collected. Drop bucket contents shall not be used to make change or pay hand-paid payouts.

(8) The collection procedures may include procedures for dropping gaming devices that have trays instead of drop buckets.

(h) *Hard count room personnel.* (1) The weigh/count shall be performed by a minimum of three (3) employees.

(2) At no time during the weigh/count shall there be fewer than three (3) employees in the count room until the drop proceeds have been accepted into cage/vault accountability. Surveillance shall be notified whenever count room personnel exit or enter the count room during the count.

(i) If the gaming device count is conducted with a continuous mechanical count meter that is not reset during the count and is verified in writing by at least three (3) employees at the start and end of each denomination count, then one (1) employee may perform the wrap.

(3) Count team members shall be rotated on a routine basis such that the count team is not consistently the same three (3) persons more than four (4) days per week. This standard shall not apply to gaming operations that utilize a count team of more than three (3) persons.

(4) The count team shall be independent of transactions being reviewed and counted. The count team shall be independent of the cage/vault departments, unless they are non-supervisory gaming device employees and perform the laborer function only (a non-supervisory gaming device employee is defined as a person below the level of gaming device shift supervisor). A cage cashier may be used if this person is not allowed to perform the recording function. An accounting representative may be used if there is an independent audit of all count documentation.

(i) *Gaming device coin count and wrap standards.* (1) Coins shall include tokens.

(2) The gaming device coin count and wrap shall be performed in a count room or other equivalently secure area with comparable controls.

(i) Alternatively, an on-the-floor drop system utilizing a mobile scale shall satisfy the requirements of this paragraph, subject to the following conditions:

(A) The gaming operation shall utilize and maintain an effective on-line gaming device monitoring system, as described in §542.13(m)(3);

(B) Components of the on-the-floor drop system shall include, but not be limited to, a weigh scale, a laptop computer through which weigh/count applications are operated, a security camera available for the mobile scale system, and a VCR or other video recording device to be housed

within the video compartment of the mobile scale. The system may include a mule cart used for mobile weigh scale system locomotion.

(C) The gaming operation must obtain the security camera available with the system, and this camera must be added in such a way as to eliminate tampering.

(D) Prior to the drop, the drop/count team shall ensure the scale batteries are charged;

(E) Prior to the drop, a videotape or other video recording media shall be inserted into the VCR or other video recording device used to record the drop in conjunction with the security camera system and the VCR or other video recording device shall be activated;

(F) The weigh scale test shall be performed prior to removing the unit from the hard count room for the start of the weigh/drop/count;

(G) Surveillance shall be notified when the weigh/drop/count begins and shall be capable of monitoring the entire process;

(H) An observer independent of the weigh/drop/count teams (independent observer) shall remain by the weigh scale at all times and shall observe the entire weigh/drop/count process;

(I) Physical custody of the key(s) needed to access the laptop and video compartment shall require the involvement of two (2) persons, one (1) of whom is independent of the drop and count team;

(J) The mule key (if applicable), the laptop and video compartment keys, and the remote control for the VCR or other video recording device shall be maintained by a department independent of the gaming device department. The appropriate personnel shall sign out these keys;

(K) A person independent of the weigh/drop/count teams shall be required to accompany these keys while they are checked out, and observe each time the laptop compartment is opened;

(L) The laptop access panel shall not be opened outside the hard count room, except in instances when the laptop must be rebooted as a result of a crash, lock up, or other situation requiring immediate corrective action;

(M) User access to the system shall be limited to those employees required to have full or limited access to complete the weigh/drop/count; and

(N) When the weigh/drop/count is completed, the independent observer shall access the laptop compartment, end the recording session, eject the videotape or other video recoding media, and deliver the videotape or other video recording media to surveillance.

(3) Access to the count room during the count shall be restricted to members of the drop and count teams, with the exception of authorized observers, supervisors for resolution of problems, and authorized maintenance personnel.

(4) If counts from various revenue centers occur simultaneously in the count room, procedures shall be in effect that prevent the commingling of funds from different revenue centers.

(5) The following functions shall be performed in the counting of the gaming device drop:

(i) Recorder function, which involves the recording of the gaming device count; and

(ii) Count team supervisor function, which involves the control of the gaming device weigh and wrap process. The supervisor shall not perform the initial recording of the weigh/count unless a weigh scale with a printer is used.

(6) The gaming device drop shall be counted, wrapped, and reconciled in such a manner to prevent the commingling of gaming device drop coin with coin (for each denomination) from the next gaming device drop until the count of the gaming device drop has been recorded. If the coins are not wrapped immediately after being weighed or counted, they shall be secured and not commingled with other coin.

(i) The amount of the gaming device drop from each gaming device shall be recorded in ink or other permanent form of recordation on a gaming device count document by the recorder or mechanically printed by the weigh scale.

(ii) Corrections to information originally recorded by the count team on gaming device count documentation shall be made by drawing a single line through the error, writing the correct figure above the original figure, and then obtaining the initials of at least two (2) count team members who verified the change.

(A) If a weigh scale interface is used, corrections to gaming device count data shall be made using either of the following:

(*1*) Drawing a single line through the error on the gaming device document, writing the correct figure above the original figure, and then obtaining the initials of at least two (2) count team employees. If this procedure is used, an employee independent of the gaming device department and count team shall enter the correct figure into the computer system prior to the generation of related gaming device reports; or

(*2*) During the count process, correct the error in the computer system and enter the passwords of at least two (2) count team employees. If this procedure is used, an exception report shall be generated by the computer system identifying the gaming device number, the error, the correction, and the count team employees attesting to the correction.

(7) If applicable, the weight shall be converted to dollar amounts before the reconciliation of the weigh to the wrap.

(8) If a coin meter is used, a count team member shall convert the coin count for each denomination into dollars and shall enter the results on a summary sheet.

(9) The recorder and at least one (1) other count team member shall sign the weigh tape and the gaming device count document attesting to the accuracy of the weigh/count.

(10) All members of the count team shall sign the count document or a summary report to attest to their participation in the count.

(11) All drop proceeds and cash equivalents that were counted shall be turned over to the cage or vault cashier (who shall be independent of the count team) or to an authorized person/employee independent of the revenue generation and the count process for verification. Such person shall certify by signature as to the accuracy of the drop proceeds delivered and received.

(12) All gaming device count and wrap documentation, including any applicable computer storage media, shall be delivered to the accounting department by a count team member or a person independent of the cashier's department. Alternatively, it may be adequately secured (e.g., locked container to which only accounting personnel can gain access) until retrieved by the accounting department.

(13) If the coins are transported off the property, a second (alternative) count procedure shall be performed before the coins leave the property. Any variances shall be documented.

(14) Variances. Large (by denomination, either $1,000 or 2% of the drop, whichever is less) or unusual (e.g., zero for weigh/count or patterned for all counts) variances between the weigh/count and wrap shall be investigated by management personnel independent of the gaming device department, count team, and the cage/vault functions on a timely basis. The results of such investigation shall be documented, maintained for inspection, and provided to the Tribal gaming agency upon request.

(j) *Security of the count room inventory during the gaming device coin count and wrap.* (1) If the count room serves as a coin room and coin room inventory is not secured so as to preclude access by the count team, then the following standards shall apply:

(i) At the commencement of the gaming device count the following requirements shall be met:

(A) The coin room inventory shall be counted by at least two (2) employees, one (1) of whom is a member of the count team and the other is independent of the weigh/count and wrap procedures;

(B) The count in paragraph (j)(1)(i)(A) of this section shall be recorded on an appropriate inventory form;

(ii) Upon completion of the wrap of the gaming device drop:

(A) At least two (2) members of the count team (wrap team), independently from each other, shall count the ending coin room inventory;

(B) The counts in paragraph (j)(1)(ii)(A) of this section shall be recorded on a summary report(s) that evidences the calculation of the final wrap by subtracting the beginning inventory from the sum of the ending inventory and transfers in and out of the coin room;

(C) The same count team members shall compare the calculated wrap to the weigh/count, recording the comparison and noting any variances on the summary report;

(D) A member of the cage/vault department shall count the ending coin room inventory by denomination and shall reconcile it to the beginning inventory, wrap, transfers, and weigh/count; and

(E) At the conclusion of the reconciliation, at least two (2) count/wrap team members and the verifying employee shall sign the summary report(s) attesting to its accuracy.

(2) If the count room is segregated from the coin room, or if the coin room is used as a count room and the coin room inventory is secured to preclude access by the count team, all of the following requirements shall be completed, at the conclusion of the count:

(i) At least two (2) members of the count/wrap team shall count the final wrapped gaming device drop independently from each other;

(ii) The counts shall be recorded on a summary report;

(iii) The same count team members (or the accounting department) shall compare the final wrap to the weigh/count, recording the comparison and noting any variances on the summary report;

(iv) A member of the cage/vault department shall count the wrapped gaming device drop by denomination and reconcile it to the weigh/count;

(v) At the conclusion of the reconciliation, at least two (2) count team members and the cage/vault employee shall sign the summary report attesting to its accuracy; and

(vi) The wrapped coins (exclusive of proper transfers) shall be transported to the cage, vault or coin vault after the reconciliation of the weigh/count to the wrap.

(k) *Transfers during the gaming device coin count and wrap.* (1) Transfers may be permitted during the count and wrap only if permitted under the internal control standards approved by the Tribal gaming agency.

(2) Each transfer shall be recorded on a separate multi-part form with a preprinted or concurrently-printed form number (used solely for gaming device count transfers) that shall be subsequently reconciled by the accounting department to ensure the accuracy of the reconciled gaming device drop.

(3) Each transfer must be counted and signed for by at least two (2) members of the count team and by a person independent of the count team who is responsible for authorizing the transfer.

(l) *Gaming device drop key control standards.* (1) Gaming device coin drop cabinet keys, including duplicates, shall be maintained by a department independent of the gaming device department.

(2) The physical custody of the keys needed to access gaming device coin drop cabinets, including duplicates, shall require the involvement of two (2) persons, one (1) of whom is independent of the gaming device department.

(3) Two (2) employees (separate from key custodian) shall be required to accompany such keys while checked out and observe each time gaming device drop cabinets are accessed, unless surveillance is notified each time keys are checked out and surveillance observes the person throughout the period the keys are checked out.

(m) *Banking and percentage card game drop box key control standards.* (1) Procedures shall be developed and implemented to insure that unauthorized access to empty banking and percentage card game drop boxes shall not occur from the time the boxes leave the storage racks until they are placed on the tables.

(2) The involvement of at least two (2) persons independent of the cage department shall be required to access stored empty banking and percentage card game drop boxes.

(3) The release keys shall be separately keyed from the contents keys.

(4) At least three (3) (two (2) for banking and percentage card game drop box keys in operations with three (3) banking or percentage card games or fewer) count team members are required to be present at the time count room and other count keys are issued for the count.

(5) All duplicate keys shall be maintained in a manner that provides the same degree of control as is required for the original keys. Records shall be maintained for each key duplicated that indicate the number of keys made and destroyed.

(6) Logs shall be maintained by the custodian of sensitive keys to document authorization of personnel accessing keys.

(n) *Banking and percentage card game drop box release keys.* (1) The banking and percentage card game drop box release keys shall be maintained by a department independent of the pit department.

(2) Only the person(s) authorized to remove banking and percentage card game drop boxes from the tables shall be allowed access to the banking and percentage card game drop box release keys; however, the count team members may have access to the release keys during the soft count in order to reset the banking and percentage card game drop boxes.

(3) Persons authorized to remove the banking and percentage card game drop boxes shall be precluded from having simultaneous access to the banking and percentage card game drop box contents keys and release keys.

(4) For situations requiring access to a banking and percentage card game drop box at a time other than the scheduled drop, the date, time, and signature of employee signing out/in the release key must be documented.

(o) *Bill acceptor canister release keys.* (1) The bill acceptor canister release keys shall be maintained by a department independent of the gaming device department.

(2) Only the person(s) authorized to remove bill acceptor canisters from the gaming devices shall be allowed access to the release keys.

(3) Persons authorized to remove the bill acceptor canisters shall be precluded from having simultaneous access to the bill acceptor canister contents keys and release keys.

(4) For situations requiring access to a bill acceptor canister at a time other than the scheduled drop, the date, time, and signature of employee signing out/in the release key must be documented.

(p) *Banking and percentage card game drop box storage rack keys.* (1) A person independent of the pit department shall be required to accompany the banking and percentage card game drop box storage rack keys and observe each time banking and percentage card game drop boxes are removed from or placed in storage racks.

(2) Persons authorized to obtain banking and percentage card game drop box storage rack keys shall be precluded from having simultaneous access to banking and percentage card game drop box contents keys with the exception of the count team.

(q) *Bill acceptor canister storage rack keys.* (1) A person independent of the gaming device department shall be required to accompany the bill acceptor canister storage rack keys and observe each time canisters are removed from or placed in storage racks.

(2) Persons authorized to obtain bill acceptor canister storage rack keys shall be precluded from having simultaneous access to bill acceptor canister contents keys with the exception of the count team.

(r) *Banking and percentage card game drop box contents keys.* (1) The physical custody of the keys needed for accessing stored, full banking and percentage card game drop box contents shall require the involvement of persons from at least two (2) separate departments, with the exception of the count team.

(2) Access to the banking and percentage card game drop box contents key at other than scheduled count times shall require the involvement of at least three (3) persons from separate departments, including management. The reason for access shall be documented with the signatures of all participants and observers.

(3) Only count team members shall be allowed access to banking and percentage card game drop box content keys during the count process.

(s) *Bill acceptor canister contents keys.* (1) The physical custody of the keys needed for accessing stored, full bill acceptor canister contents shall require involvement of persons from two (2) separate departments, with the exception of the count team.

(2) Access to the bill acceptor canister contents key at other than scheduled count times shall require the involvement of at least three (3) persons from separate departments, one (1) of whom must be a supervisor. The reason for access shall be documented with the signatures of all participants and observers.

(3) Only the count team members shall be allowed access to bill acceptor canister contents keys during the count process.

(t) *Gaming device computerized key security systems.* (1) Computerized key security systems which restrict access to the gaming device drop and count keys through the use of passwords, keys or other means, other than a key custodian, must provide the same degree of control as indicated in the aforementioned key control standards; refer to paragraphs (l), (o), (q) and (s) of this section. Note: This standard does not apply to the system administrator. The system administrator is defined in paragraph (t)(2)(i) of this section.

(2) For computerized key security systems, the following additional gaming device key control procedures shall apply:

(i) Management personnel independent of the gaming device department assign and control user access to keys in the computerized key security system (i.e., system administrator) to ensure that gaming device drop and count keys are restricted to authorized employees.

(ii) In the event of an emergency or the key box is inoperable, access to the emergency manual key(s) (a.k.a. override key) used to access the box containing the gaming device drop and count keys, requires the physical involvement of at least three (3) persons from separate departments, including management. The date, time, and reason for access, must be documented with the signatures of all participating employees signing out/in the emergency manual key(s).

(iii) The custody of the keys issued pursuant to paragraph (t)(2)(ii) of this section requires the presence of two (2) persons from separate departments from the time of their issuance until the time of their return.

(iv) Routine physical maintenance that requires accessing the emergency manual key(s) (a.k.a. override key) and does not involve the accessing of the gaming device drop and count keys, requires the presence of two (2) persons from separate departments. The date, time and reason

for access must be documented with the signatures of all participating employees signing out/in the emergency manual key(s).

(3) For computerized key security systems controlling access to gaming device drop and count keys, accounting/audit personnel, independent of the system administrator, will perform the following procedures:

(i) Daily, review the report generated by the computerized key security system indicating the transactions performed by the individual(s) that adds, deletes, and changes user's access within the system (i.e., system administrator). Determine whether the transactions completed by the system administrator provide an adequate control over the access to the gaming device drop and count keys. Also, determine whether any gaming device drop and count key(s) removed or returned to the key cabinet by the system administrator was properly authorized.

(ii) For at least one (1) day each month, review the report generated by the computerized key security system indicating all transactions performed to determine whether any unusual gaming device drop and count key removals or key returns occurred.

(iii) At least quarterly, review a sample of users that are assigned access to the gaming device drop and count keys to determine that their access to the assigned keys is adequate relative to their job position.

(iv) All noted improper transactions or unusual occurrences are investigated with the results documented.

(4) Quarterly, an inventory of all count room, drop box release, storage rack and contents keys is performed, and reconciled to records of keys made, issued, and destroyed. Documented investigations shall be performed for all unaccounted keys.

(u) *Banking and percentage card games computerized key security systems.* (1) Computerized key security systems which restrict access to the banking and percentage card game drop and count keys through the use of passwords, keys or other means, other than a key custodian, must provide the same degree of control as indicated in the aforementioned key control standards; refer to paragraphs (m), (n), (p) and (r) of this section. Note: This standard does not apply to the system administrator. The system administrator is defined in paragraph (u)(2)(ii) of this section.

(2) For computerized key security systems, the following additional banking and percentage card game key control procedures apply:

(i) Management personnel independent of the banking and percentage card game department shall assign and control user access to keys in the computerized key security system (i.e., system administrator) to ensure that banking and percentage card game drop and count keys are restricted to authorized employees.

(ii) In the event of an emergency or the key box is inoperable, access to the emergency manual key(s) (a.k.a. override key) used to access the box containing the banking and percentage card game drop and count keys, requires the physical involvement of at least three (3) persons from separate departments, including management. The date, time, and reason for access, must be documented with the signatures of all participating employees signing out/in the emergency manual key(s).

(iii) The custody of the keys issued pursuant to paragraph (u)(2)(ii) of this section requires the presence of two (2) persons from separate departments from the time of their issuance until the time of their return.

(iv) Routine physical maintenance that requires accessing the emergency manual key(s) (a.k.a. override key) and does not involve the accessing of the banking and percentage card games drop and count keys, requires the presence of two (2) persons from separate departments. The date, time and reason for access must be documented with the signatures of all participating employees signing out/in the emergency manual key(s).

(3) For computerized key security systems controlling access to banking and percentage card games drop and count keys, accounting/audit personnel, independent of the system administrator, will perform the following procedures:

(i) Daily, review the report generated by the computerized key security system indicating the transactions performed by the individual(s) that adds, deletes, and changes user's access within the system (i.e., system administrator). Determine whether the transactions completed by the system administrator provide an adequate control over the access to the banking and percentage card games drop and count keys. Also, determine whether any banking and percentage card games drop and count key(s) removed or returned to the key cabinet by the system administrator was properly authorized.

(ii) For at least one (1) day each month, review the report generated by the computerized key security system indicating all transactions performed to determine whether any unusual banking and percentage card games drop and count key removals or key returns occurred.

(iii) At least quarterly, review a sample of users that are assigned access to the banking and percentage card games drop and count keys to determine that their access to the assigned keys is adequate relative to their job position.

(iv) All noted improper transactions or unusual occurrences are investigated with the results documented.

(4) Quarterly, an inventory of all count room, banking and percentage card game drop box release, storage rack and contents keys is performed and reconciled to records of keys made, issued, and destroyed. Documented investigations shall be performed for all unaccounted keys.

(v) *Emergency drop procedures.* Emergency drop procedures shall be developed by the Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency.

(w) *Equipment standards for gaming device count.* (1) A weigh scale calibration module shall be secured so as to prevent unauthorized access (e.g., prenumbered seal, lock and key, etc.).

(2) A person independent of the cage, vault, gaming device, and count team functions shall be required to be present whenever the calibration module is accessed. Such access shall be documented and maintained.

(3) If a weigh scale interface is used, it shall be adequately restricted so as to prevent unauthorized access (passwords, keys, etc.).

(4) If the weigh scale has a zero adjustment mechanism, it shall be physically limited to minor adjustments (e.g., weight of a bucket) or physically situated such that any unnecessary adjustments to it during the weigh process would be observed by other count team members.

(5) The weigh scale and weigh scale interface (if applicable) shall be tested by a person or persons independent of the cage, vault, and gaming device departments and count team at least quarterly. At least annually, this test shall be performed by internal audit in accordance with the internal audit standards. The result of these tests shall be documented and signed by the person or persons performing the test.

(6) Prior to the gaming device count, at least two (2) employees shall verify the accuracy of the weigh scale with varying weights or with varying amounts of previously counted coin for each denomination to ensure the scale is properly calibrated (varying weights/coin from drop to drop is acceptable).

(7) If a mechanical coin counter is used (instead of a weigh scale), the Tribal gaming agency, or the gaming operation as approved by the Tribal gaming agency, shall establish and the gaming operation shall comply with procedures that are equivalent to those described in paragraphs (u)(4), (u)(5), and (u)(6) of this section.

(8) If a coin meter count machine is used, the count team member shall record the machine number denomination and number of coins in ink on a source document, unless the meter machine automatically records such information.

(i) A count team member shall test the coin meter count machine before the actual count to ascertain if the metering device is functioning properly with a predetermined number of coins for each denomination.

§ 542.42 What are the minimum internal control standards for internal audit for Tier C gaming operations?

(a) *Internal audit personnel.* (1) For Tier C gaming operations, a separate internal audit department shall be maintained whose primary function is performing internal audit work and that is independent with respect to the departments subject to audit.

(2) The internal audit personnel shall report directly to the Tribe, Tribal gaming agency, audit committee, or other entity designated by the Tribe in accordance with the definition of internal audit in §542.2.

(b) *Audits.* (1) Internal audit personnel shall perform audits of all major gaming areas of the gaming operation. The following shall be reviewed at least annually:

(i) Reserved.

(ii) Reserved.

(iii) Reserved.

(iv) Reserved.

(v) Pari-mutuel wagering, including write and payout procedures, and pari-mutuel auditing procedures;

(vi) Banking and percentage card games, including without limitation, fill and credit procedures, pit credit play procedures, rim credit procedures, soft drop/count procedures and the subsequent transfer of funds, unannounced testing of count room currency counters and/or currency

interface, location and control over sensitive keys, the tracing of source documents to summarized documentation and accounting records, and reconciliation to restricted copies;

(vii) Gaming devices, including without limitation, jackpot payout and gaming device fill procedures, gaming device drop/count and bill acceptor drop/count and subsequent transfer of funds, unannounced testing of weigh scale and weigh scale interface, unannounced testing of count room currency counters and/or currency interface, gaming device drop cabinet access, tracing of source documents to summarized documentation and accounting records, reconciliation to restricted copies, location and control over sensitive keys, compliance with EPROM duplication procedures, and compliance with MICS procedures for gaming devices that accept currency or coin(s) and issue cash-out tickets or gaming devices that do not accept currency or coin(s) and do not return currency or coin(s);

(viii) Cage and credit procedures including all cage, credit, and collection procedures, and the reconciliation of trial balances to physical instruments on a sample basis. Cage accountability shall be reconciled to the general ledger;

(ix) Information technology functions, including review for compliance with information technology standards;

(x) Complimentary service or item, including but not limited to, procedures whereby complimentary service items are issued, authorized, and redeemed; and

(xi) Any other internal audits as required by the Tribe, Tribal gaming agency, audit committee, or other entity designated by the Tribe.

(2) In addition to the observation and examinations performed under paragraph (b)(1) of this section, follow-up observations and examinations shall be performed to verify that corrective action has been taken regarding all instances of noncompliance cited by internal audit, the independent accountant, and/or the Commission or State gaming agency. The verification shall be performed within six (6) months following the date of notification.

(3) Internal audit observations shall be performed on an unannounced basis (i.e., without the employees being forewarned that their activities will be observed). Additionally, if the independent accountant also performs the internal audit function, the accountant shall perform separate observations of the banking and percentage card games/gaming device drops and counts to satisfy the internal audit observation requirements and independent accountant tests of controls as required by the American Institute of Certified Public Accountants guide.

(c) *Documentation.* (1) Documentation (e.g., checklists, programs, reports, etc.) shall be prepared to evidence all internal audit work performed as it relates to the requirements in this section, including all instances of noncompliance.

(2) The internal audit department shall operate with audit programs, which, at a minimum, address the MICS. Additionally, the department shall properly document the work performed, the conclusions reached, and the resolution of all exceptions. Institute of Internal Auditors standards are recommended but not required.

(d) *Reports.* (1) Reports documenting audits performed shall be maintained and made available to the Commission and the State gaming agency upon request.

(2) Such audit reports shall include the following information:

(i) Audit objectives;

(ii) Audit procedures and scope;

(iii) Findings and conclusions;

(iv) Recommendations, if applicable; and

(v) Management's response.

(e) *Material exceptions.* All material exceptions resulting from internal audit work shall be investigated and resolved with the results of such being documented and retained for five (5) years.

(f) *Role of management.* (1) Internal audit findings shall be reported to management.

(2) Management shall be required to respond to internal audit findings stating corrective measures to be taken to avoid recurrence of the audit exception.

(3) Such management responses shall be included in the internal audit report that will be delivered to management, the Tribe, Tribal gaming agency, audit committee, or other entity designated by the Tribe.

(g) *Internal Audit Guidelines.* In connection with the internal audit testing pursuant to paragraph (b)(1) of this section, the Commission or State gaming agency shall develop recommended Internal Audit Guidelines, which shall be available upon request.

§ 542.43 What are the minimum internal control standards for surveillance for a Tier C gaming operation?

(a) The surveillance system shall be maintained and operated from a staffed surveillance room and shall provide surveillance over gaming areas.

(b) The entrance to the surveillance room shall be located so that it is not readily accessible by either gaming operation employees who work primarily on the casino floor, or the general public.

(c) Access to the surveillance room shall be limited to surveillance personnel, designated employees, and other persons authorized in accordance with the surveillance department policy. Such policy shall be approved by the Tribal gaming agency. The surveillance department shall maintain a sign-in log of other authorized persons entering the surveillance room.

(d) Surveillance room equipment shall have total override capability over all other satellite surveillance equipment located outside the surveillance room.

(e) In the event of power loss to the surveillance system, an auxiliary or backup power source shall be available and capable of providing immediate restoration of power to all elements of the surveillance system that enable surveillance personnel to observe the banking and percentage card games remaining open for play and all areas covered by dedicated cameras. Auxiliary or backup power sources such as a UPS System, backup generator, or an alternate utility supplier, satisfy this requirement.

(f) The surveillance system shall include date and time generators that possess the capability to display the date and time of recorded events on video and/or digital recordings. The displayed date and time shall not significantly obstruct the recorded view.

(g) The surveillance department shall ensure staff is trained in the use of the equipment, knowledge of the games, and house rules.

(h) Each camera required by the standards in this section shall be installed in a manner that will prevent it from being readily obstructed, tampered with, or disabled by customers or employees.

(i) Each camera required by the standards in this section shall possess the capability of having its picture displayed on a monitor and recorded. The surveillance system shall include sufficient numbers of monitors and recorders to simultaneously display and record multiple gaming and count room activities, and record the views of all dedicated cameras and motion activated dedicated cameras.

(j) Reasonable effort shall be made to repair each malfunction of surveillance system equipment required by the standards in this section within seventy-two (72) hours after the malfunction is discovered. The Tribal gaming agency shall be notified of any camera(s) that has malfunctioned for more than twenty-four (24) hours.

(1) In the event of a dedicated camera malfunction, the gaming operation and/or the surveillance department shall immediately provide alternative camera coverage or other security measures, such as additional supervisory or security personnel, to protect the subject activity.

(k) Reserved.

(l) Reserved.

(m) Reserved.

(n) Reserved.

(o) *Pari-mutuel.* The surveillance system shall monitor and record general activities in the pari-mutuel area, to include the ticket writer and cashier areas, with sufficient clarity to identify the employees performing the different functions.

(p) *Banking and percentage card games*—(1) *Operations with four (4) or more banking or percentage card games.* Except as otherwise provided in paragraphs (p)(3), (p)(4), and (p)(5) of this section, the surveillance system of gaming operations operating four (4) or more banking or percentage card games shall provide at a minimum one (1) pan-tilt-zoom camera per two (2) tables and surveillance must be capable of taping:

(i) With sufficient clarity to identify customers and dealers; and

(ii) With sufficient coverage and clarity to simultaneously view the table bank and determine the configuration of wagers, card values, and game outcome.

(iii) One (1) dedicated camera per table and one (1) pan-tilt-zoom camera per four (4) tables may be an acceptable alternative procedure to satisfy the requirements of this paragraph.

(2) *Operations with three (3) or fewer banking or percentage card games.* The surveillance system of gaming operations operating three (3) or fewer banking or percentage card games shall:

(i) Comply with the requirements of paragraph (p)(1) of this section; or

(ii) Have one (1) overhead camera at each table.

(3) *Craps.* All banking card games based upon craps not using dice shall have two (2) dedicated cross view cameras covering both ends of the table.

(4) Reserved.

(5) Reserved.

(q) *Progressive banking and percentage card games.* (1) Progressive banking and percentage card games with a progressive jackpot of $25,000 or more shall be monitored and recorded by dedicated cameras that provide coverage of:

(i) The table surface, sufficient that the card values and card suits can be clearly identified;

(ii) An overall view of the entire table with sufficient clarity to identify customers and dealer; and

(iii) A view of the progressive meter jackpot amount. If several tables are linked to the same progressive jackpot meter, only one (1) meter need be recorded.

(r) *Gaming devices.* (1) Except as otherwise provided in paragraphs (r)(2) and (r)(3) of this section, gaming devices offering a payout of more than $250,000 shall be monitored and recorded by a dedicated camera(s) to provide coverage of:

(i) All customers and employees at the gaming device, and

(ii) The face of the gaming device, with sufficient clarity to identify the payout line(s) of the gaming device.

(2) *In-house progressive gaming device.* In-house progressive gaming devices offering a base payout amount (jackpot reset amount) of more than $100,000 shall be monitored and recorded by a dedicated camera(s) to provide coverage of:

(i) All customers and employees at the gaming device; and

(ii) The face of the gaming device, with sufficient clarity to identify the payout line(s) of the gaming device.

(3) *Wide-area progressive gaming device.* Wide-area progressive gaming devices offering a base payout amount of $1 million or more and monitored by an independent vendor utilizing an on-line progressive computer system shall be recorded by a dedicated camera(s) to provide coverage of:

(i) All customers and employees at the gaming device; and

(ii) The face of the gaming device, with sufficient clarity to identify the payout line(s) of the gaming device.

(4) Notwithstanding paragraph (r)(1) of this section, if the gaming device is a multi-game gaming device, the Tribal gaming agency, or the gaming operation subject to the approval of the Tribal gaming agency, may develop and implement alternative procedures to verify payouts.

(s) *Cage and vault.* (1) The surveillance system shall monitor and record a general overview of activities occurring in each cage and vault area with sufficient clarity to identify employees within the cage and customers and employees at the counter areas.

(2) Each cashier station shall be equipped with one (1) dedicated overhead camera covering the transaction area.

(3) The surveillance system shall provide an overview of cash transactions. This overview should include the customer, the employee, and the surrounding area.

(t) *Fills and credits.* (1) The cage or vault area in which fills and credits are transacted shall be monitored and recorded by a dedicated camera or motion activated dedicated camera that provides coverage with sufficient clarity to identify the chip values and the amounts on the fill and credit slips.

(2) Controls provided by a computerized fill and credit system maybe deemed an adequate alternative to viewing the fill and credit slips.

(u) *Currency and coin.* (1) The surveillance system shall monitor and record with sufficient clarity all areas where currency or coin may be stored or counted.

(2) Audio capability of the soft count room shall also be maintained.

(3) The surveillance system shall provide for:

(i) Coverage of scales shall be sufficiently clear to view any attempted manipulation of the recorded data.

(ii) Monitoring and recording of the banking and percentage card game drop box storage rack or area by either a dedicated camera or a motion-detector activated camera.

(iii) Monitoring and recording of all areas where coin may be stored or counted, including the hard count room, all doors to the hard count room, all scales and wrapping machines, and all areas where uncounted coin may be stored during the drop and count process.

(iv) Monitoring and recording of soft count room, including all doors to the room, all banking and percentage card game drop boxes, safes, and counting surfaces, and all count team personnel. The counting surface area must be continuously monitored and recorded by a dedicated camera during the soft count.

(v) Monitoring and recording of all areas where currency is sorted, stacked, counted, verified, or stored during the soft count process.

(v) *Change booths.* The surveillance system shall monitor and record a general overview of the activities occurring in each gaming device change booth.

(w) *Video recording and/or digital record retention.* (1) All video recordings and/or digital records of coverage provided by the dedicated cameras or motion-activated dedicated cameras required by the standards in this section shall be retained for a minimum of seven (7) days.

(2) Recordings involving suspected or confirmed gaming crimes, unlawful activity, or detentions by security personnel, must be retained for a minimum of thirty (30) days.

(3) Duly authenticated copies of video recordings and/or digital records shall be provided to the Commission and State gaming agency upon request.

(x) *Video library log.* A video library log, or comparable alternative procedure approved by the Tribal gaming agency, shall be maintained to demonstrate compliance with the storage, identification, and retention standards required in this section.

(y) *Malfunction and repair log.* (1) Surveillance personnel shall maintain a log or alternative procedure approved by the Tribal gaming agency that documents each malfunction and repair of the surveillance system as defined in this section.

(2) The log shall state the time, date, and nature of each malfunction, the efforts expended to repair the malfunction, and the date of each effort, the reasons for any delays in repairing the malfunction, the date the malfunction is repaired, and where applicable, any alternative security measures that were taken.

(z) *Surveillance log.* (1) Surveillance personnel shall maintain a log of all surveillance activities.

(2) Such log shall be maintained by surveillance room personnel and shall be stored securely within the surveillance department.

(3) At a minimum, the following information shall be recorded in a surveillance log:

(i) Date;

(ii) Time commenced and terminated;

(iii) Activity observed or performed; and

(iv) The name or license credential number of each person who initiates, performs, or supervises the surveillance.

(4) Surveillance personnel shall also record a summary of the results of the surveillance of any suspicious activity. This summary may be maintained in a separate log.