

**MINIMUM INTERNAL CONTROL STANDARDS (MICS) FOR GAMBLING
ESTABLISHMENTS – PHASE IV
CAGE OPERATION AND FUNCTIONS, AND SECURITY OF FLOOR BANKS, GAMBLING EQUIPMENT
AND CONFIDENTIAL DOCUMENTS**

SUMMARY OF 45-DAY WRITTEN COMMENTS WITH RECOMMENDED RESPONSES

PROPOSED ACTION:

Initially, the proposed regulations focused on the design, construction, location and use of podiums and workstations on the gambling floor. As a result of the discussions at prior roundtables with the Commission, the Bureau of Gambling Control (Bureau) and industry members, the focus of this proposal has been shifted to safeguarding assets, gambling equipment and confidential documents. Therefore, the proposed regulations have been reduced to more basic elements for securing and safeguarding assets, equipment and documents. The more prescriptive detailed requirements for the furniture in which things are kept have been largely eliminated.

This proposed action will make changes within Articles 1 and 3, Chapter 7, Division 18, Title 4 of the California Code of Regulations. The proposed changes are as follows:¹

Section 12360. Chapter Definitions.

In Article 1, Section 12360 provides definitions for numerous terms that govern the construction of Chapter 7. This section incorporates the definitions in Business and Professions Code section 19805 and Section 12002 of Chapter 1, and includes specific definitions for the words and phrases “gaming activity,” “house rules,” “licensee,” “security department” and “surveillance unit.” This action would add definitions for several new terms that will be used in Article 3. The proposed amendments to Section 12360 are as follows:

1. A new subsection (d) would be added with a definition for the term “floor bank.” The definition of this term is being added as a convenient means of referring, in general, to an individual imprest fund kept on or near the gambling floor.

Comments/Suggestions:

Mr. Kyle R. Kirkland, Club One Casino and The Deuce Lounge and Casino, in an e-mail received December 2, 2013 (Mr. Kirkland) – The definition of a floor bank in subsection (d) [pg. 2, lines 1-3]² should include clarification of what constitutes a “mobile cabinet,” as referenced in Section 12387.

¹ The descriptions of the affected regulations and proposed changes to those regulations, as well as the descriptions of the proposed new regulations, are based on the regulation text published October 18, 2013.

² All page and line references refer to the regulation text published October 18, 2013, unless otherwise specified.

Recommended Response:

This suggestion was considered but was not incorporated, as this subsection simply defines the term “floor bank,” in general, without regard to the receptacles (mobile cabinets) where a floor bank may be kept. Given the clear meaning of the term “mobile cabinet” in the context in which it is used in Section 12387, no definition is required. From the context in which the term “mobile cabinet” is used in Section 12387, it is clear that it is intended to be synonymous with the term “chip cart,” a commonly used term that is understood throughout the industry. Chip carts are sometimes used by chip runners in a few cardrooms to provide chip sales and exchanges on the gaming floor as a convenient service to players. In some cardrooms – mostly small ones – a mobile cabinet may be used in lieu of stationary cabinets; in others they may be used in combination with stationary cabinets.

Furthermore, based on staff’s research and all of the discussions and workshops that preceded this proposed action, it is clear that there is no confusion amongst affected parties about what is meant by the term “mobile cabinet,” even though it appears that very few cardrooms actually use them.

Section 12386. Cage Operation and Functions.

In Article 3, Section 12386 prescribes the MICS that must be addressed in licensees’ policies and procedures relative to the operation and functions of cages. These include standards for cage location, design and construction; security and accountability; staffing and access; activity reconciliation; and, surveillance. The scope and complexity of many of these standards progressively escalate with the higher tiers.

1. Paragraph (1) of subsection (a) would be amended to eliminate language that authorized the cage to be accessible to the public. “Accessible to the public” usually means that customers may enter the room; however, customers are not allowed in the cage and the cage is specifically made secure to keep them out. Language would be added to clarify that the purpose of a cage is to provide for a convenient location in which to conduct patron transactions while maintaining security and accountability for not only funds, but for monetary transactions occurring at the cage and all cage contents. Cage content may include, but is not limited to, the cage bank, cashiers’ banks, and gambling equipment and confidential documents, when kept in a cage. Since gambling equipment and confidential documents are permitted to be, and often are kept in a cage, their protection is just as important as the protection of funds (banks).

Comments/Suggestions:

Mr. Alan Titus, on behalf of Artichoke Joe’s, in a letter dated November 27, 2013 (Mr. Titus) – The construction of the second sentence in paragraph (1) of subsection (a) [pg. 3, lines 8-12], is awkward. Specification of cage content is unnecessary, but if it is included it should be in a separate sentence. This should be rewritten as follows:

“A cage shall be located, designed, constructed and operated to provide convenience for patron transactions while maintaining appropriate security and accountability for all cage contents and for all monetary transactions occurring at the cage.”

Recommended Response:

This comment is accepted. Accordingly, the second sentence in paragraph (1) of subsection (a) has been modified to read as follows:

“A cage shall be located, designed, constructed and operated to provide convenience for patron transactions while maintaining appropriate security and accountability for all monetary transactions occurring at the cage and for all cage contents.”

2. Paragraph (2) of subsection (a) would be amended to clarify that the names of gambling enterprise employees who work in a cage are not required to be included in the organizational charts of the gambling enterprise. To make this clear, the word “designated” would be changed to “assigned” throughout this paragraph, and the second sentence would be reworded to indicate that the title, classification or position of cage employees must be listed on the organizational charts.

Comments/Suggestions:

Mr. Titus – The second sentence of this subsection [pg. 3, lines 14-16] should be reworded in the plural.

Recommended Response:

This comment is accepted. Accordingly, the second sentence in paragraph (2) of subsection (a) has been modified to read as follows:

“The titles, classifications or positions of all employees assigned to process monetary transactions at a cage shall be listed on the gambling enterprise’s organizational chart.”

3. In paragraph (2) of subsection (a), the reference to the duties of cage employees would be changed to provide that those employees’ duties “may include any or all of” the specific duties listed in this paragraph. Subparagraph (A) specifies that those duties may include custody of the cage inventory or custody of an individual cage drawer inventory.

Comments/Suggestions:

Mr. Keith A. Sharp, on behalf of Hawaiian Gardens Casino, in a letter dated December 2, 2013 (Mr. Sharp) – The term “individual cage drawer inventory” in subparagraph (A) [pg. 3, lines 19-21] is not defined. That term should either be defined or changed to “cashier’s bank.”

Recommended Response:

This comment is accepted. Accordingly, subparagraph (A) of paragraph (2) of subsection (a) has been modified to read as follows:

“Custody of the cage inventory or individual cashiers’ banks, which is comprised of currency, coin, patron checks, gambling chips, forms, documents and records consistent with the operation of a cage or an individual cashier’s bank.”

4. Paragraph (5) of subsection (a) would be amended to specify that it is the cage and cashiers’ banks that are to be reconciled, not all cage “activity.” The requirement to summarize all cage transactions would be deleted since reconciliations of recordable transactions are already required. To ensure that reconciliations will continue to be documented in Tier I and Tier II cardrooms, the requirement in paragraph (2) of subsection (b) would be moved to paragraph (5) of subsection (a) as a new subparagraph (B) and the current text of paragraph (5) would become subparagraph (A). Subparagraph (B) would then require cardrooms in all tiers, including Tiers I and II, to document their reconciliation of each cage and cashier’s bank on a cage accountability form including minimal basic information, as specified. In the relocation of paragraph (2) of subsection (b), the accounting referred to therein would be clarified to apply to the cage and cashiers’ banks, and *if applicable*, players’ and dealers’ banks.

Comments/Suggestions:

Mr. Sharp; Mr. Andrew Schneiderman, Commerce Casino, in a letter dated December 2, 2013 (Mr. Schneiderman); and Mr. David Fried, on behalf of California Grand Casino and Oaks Card Club, in a letter dated December 2, 2013 (Mr. Fried) – Paragraph (5) of subsection (a) [pg. 4, line 17 – page 5, line 7] should be amended so that the amount assigned or issued from the cage to the dealer trays is recorded. Cashiers’ and dealers’ shifts may not coincide in every gambling establishment so the cage reconciliation and dealer tray reconciliations cannot be done at the same time. Also, balancing the dealer trays would require a cashier or other cage employee to leave the cage to balance the dealer trays on the gaming floor. This is time consuming, disruptive and unnecessary. All that is necessary is to record the amount assigned or issued from the cage to dealer trays. The amount in the trays should then be counted at least once per day or shift and any variance recorded and attached to the cage accountability form rather than recorded in it.

Recommended Response:

This comment is accepted in part. A dealer’s tray is not generally regarded as an imprest bank because there is the commingling of dealer tip amounts in that tray. The only time it really sits at an imprest balance is the moment it is checked in and the moment it is checked out. At every other time it is not an imprest bank, technically. Therefore, the dealer trays cannot be balanced to an imprest amount during a shift.

The cage accountability form is prepared by the incoming and outgoing cage personnel each shift. These personnel are responsible for counting down what is in the cage. There are amounts assigned to dealer trays and floor banks, and those amounts should be included in the cage accountability form. However, the cage personnel are not actually going out on the gaming floor and counting down the dealer trays or the floor banks. For that reason, it is not possible or practical to include in the cage accountability form an actual count of each dealer tray and each floor bank. What the cage accountability form should show is what has been assigned to those trays and banks.

For purposes of the end-of-shift cage accountability reconciliation, the amounts issued for dealer trays and floor banks should be sufficient, and would be consistent with the provisions of paragraph (2) of subsection (c). Accordingly, clause 3. of subparagraph (B) has been modified to read as follows:

- “3. An accounting of the contents of the cage bank, cashiers’ banks and, if applicable, players’ banks in use during the subject shift, including:
 - i. The beginning shift balances, unless an imprest is used;
 - ii. All transactions recordable to the general ledger;
 - iii. The ending balances of cash and chips;
 - iv. An identification of any overage or shortage with an explanation, if known.
4. The amount assigned or issued from the cage to dealers’ banks and floor banks in use during the subject shift.
5. The printed name and signature of each assigned cage employee performing the reconciliation, as applicable.”

After considering the suggestion to create an entirely new requirement or process of counting dealer trays and recording variances, it appears that this suggestion would require a substantive change that was not contemplated in this proposed action as noticed. As such, it does not appear to be an appropriate subject to include in a 15-day change proposal. Therefore, this suggestion has not been incorporated.

5. Paragraph (1) of subsection (b) would be deleted and paragraph (2) would be moved to subsection (a), as discussed in number 4. above, leaving only paragraph (3) which would then become subsection (b). Subsection (b) would be amended to require that cardrooms in Tiers III through V have the reconciliations specified in paragraph (5) of subsection (a) posted to the general ledger by someone other than an assigned cage employee or cage supervisor.

Comments/Suggestions:

Mr. Fried – The requirement of subsection (b) [pg. 5, line 19 – page 6, line 11] to have an employee other than a cage employee or cage supervisor post cage reconciliations for Tiers III through V licensees should apply only to Tiers IV and V. In a Tier III cardroom, often the bookkeeper posts information to the general ledger and also supervises the cage in the sense that the bookkeeper reviews cage activity and employees, but does not actually process

transactions in the cage. This requirement could be moved to subsection (c), or it should be reworded as follows:

“In addition to the requirements of subsection (a), the policies and procedures for Tiers III through and including V shall require that the cage and cashiers’ banks reconciliations specified in paragraph (5) of subsection (a) be posted and reconciled to the general ledger by someone other than an assigned cage employee or cage supervisor whose primary duty is supervision of the cage.”

Recommended Response:

This suggestion was considered but not incorporated. This separation of duties is intended to assist in preserving the integrity of the reconciliation. It was originally made applicable to Tiers III through V because the cardrooms in lower tiers are so small that they will rarely have the additional employees necessary to comply with this requirement. This is an existing requirement that has been in effect since April of 2010 and, to date, the Commission has not received any information to suggest that any Tier III or higher cardroom has had a problem with compliance.

Furthermore, adding the suggested qualification at the end of the sentence seems redundant in that a cage supervisor’s primary duty would be the supervision of the cage. Adding this qualification is unnecessary and might make this provision confusing and unclear.

6. Paragraph (2) of subsection (c) would be amended to clarify that these provisions apply to all banks, and the reference to beginning and ending balances would be deleted as unnecessary. Subparagraph (C) would also be amended to clarify that the “amount,” rather than the “source,” of other items of monetary value is to be itemized. Reference to “dealers’ banks” and “chip runner’s banks” would be removed from the examples of other items of monetary value. Subparagraph (D) would be added to address the dealers’ banks and floor (chip runners’) banks by specifically requiring an itemization of the amount assigned to each of those banks.

Comments/Suggestions:

Mr. Sharp – Use of the term “all banks” in paragraph (2) of subsection (c) [page 6, lines 23-26] is confusing. Are there banks other than cage bank, cashier bank, floor bank, player’s bank or dealer bank? If so, they should be identified. If not, the words “identified in paragraph (5) of subsection (a)” should be added after “for all banks.”

Recommended Response:

This comment was considered and accepted, by deleting the phrase “for all banks,” as it is unnecessary. This paragraph already makes reference to the same cage accountability form and reconciliation addressed in paragraph (5) of subsection (a), and that paragraph does identify the relevant banks. In addition, paragraph (2) of subsection (c), in its subparagraphs, already identifies the same relevant banks. Because paragraph (5) of subsection (a) and

paragraph (2) of subsection (c) specifically refer to the same banks, further specificity or clarification is unnecessary and the phrase “for all banks” has been deleted.

Section 12387. Security and Use of Cardroom, Cage and Floor Banks; Security of Gambling Equipment and Confidential Documents.

This proposed action would also establish a new Section 12387 in Article 3, which would require cardrooms of all tiers to adopt specified minimum policies and procedures regarding the security and use of floor banks, and the security of gambling equipment and confidential documents, on the gambling floor.

Subsection (a) requires licensees in all tiers to establish policies and procedures to provide for the security of floor banks. Floor banks are generally used throughout the industry to provide certain gambling enterprise employees convenient access to chips and funds on the gaming floor in order to provide services to patrons that would otherwise have to be conducted at a cage. A floor bank will have an imprest value, albeit in an amount typically much less than the amount held in a cage bank. While the total value of the floor bank is less than that of a cage bank, there remains the potential for losses. In some instances, the value of a single floor bank may be as high as \$30,000; possibly even more in high-stakes areas or the largest cardrooms. Therefore, it is necessary and appropriate that precautions be taken to safeguard and properly account for these assets in order to minimize the risk of loss and maintain the integrity of the licensee’s assets and financial records.

1. Paragraph (3) of subsection (a) would require that any cabinet used or intended to be used to contain a floor bank, be located so that it is clearly visible for security and surveillance purposes, and that it be kept under continuous recorded video surveillance with camera coverage that shall be adequate for monitoring and recording the contents of any drawer when open, to the extent reasonably possible, and all activities involving the floor bank. This paragraph would also allow the use of a mobile cabinet and would require that it be kept at a fixed secure location under continuous recorded video surveillance when not being actively used on the gambling floor.

Comments/Suggestions:

Mr. Nathan DaValle, Assistant Bureau Chief, Bureau of Gambling Control, in a letter dated November 27, 2013 – Bureau compliance staff should be provided the opportunity to review and approve the sufficiency and clarity of surveillance recordings of cabinets used to contain a floor bank. The Bureau suggests that (the third sentence of) paragraph (3) of subsection (a) [page 8, lines 14-16] should be amended to read as follows:

“The Bureau approved camera coverage shall be adequate to enable monitoring and recording of the contents of any drawer when open, to the extent reasonably possible, and of all activities involving the floor bank.”

Recommended Response:

This comment and suggestion was considered, but was declined. The addition of the phrase “bureau approved” in paragraph (3) of subsection (a) is unnecessary. This paragraph already incorporates the applicable provisions of Section 12396 which addresses specific surveillance requirements. The activities relative to the use and storage of floor banks would certainly be considered “critical activities related to ... gambling operations” within the meaning of Section 12396(a)(1). The requirements being proposed here in paragraph (3) of subsection (a) add further specificity to the existing requirements of Section 12396.

Moreover, the Bureau is already given the authority to review and approve a licensee’s surveillance operations. Section 12372 provides that a licensee’s security and surveillance plans must implement all applicable provisions of Article 3 of Chapter 7, which includes Sections 12387 and 12396. Section 12372 also gives the Bureau the authority to review and approve licensees’ security and surveillance plans. Adding the phrase “Bureau approved” in the third sentence of paragraph (3) of subsection (a) of Section 12387 would not provide any greater review and approval authority than currently exists.

2. Paragraph (6) of subsection (a) would require the licensee to establish the maximum imprest amount that may be assigned to the each floor bank and would limit the imprest amount that may be assigned to a floor bank in a mobile cabinet to \$20,000. This is an integral element in any system of internal controls. This provision would not interfere with the licensee’s discretion in establishing those amounts. Licensees are also free to adjust the amounts assigned to various floor banks as business needs dictate. Retail businesses commonly set limitations on the amount of cash that may be kept in cash drawers or cash registers. Banks limit the amount of cash held in tellers’ drawers. It is an important part of protecting assets and limiting the exposure to monetary losses.

Comments/Suggestions:

Mr. Sharp and Mr. Kirkland – Capping the amount that may be assigned to a floor bank in a mobile cabinet at \$20,000 [page 9, lines 1-2] is unnecessary, arbitrary, and too low. It is an enforcement issue as to whether a licensee can justify an amount, whether greater or less than \$20,000, as being the amount reasonably necessary for the activities associated with the bank during any shift. The Commission should eliminate any maximum cap on the imprest amount that may be assigned to a floor bank in a mobile cabinet or, in the alternative, increase the amount to at least \$30,000, or establish tiered maximums.

Recommended Response:

This comment was considered and accepted, in part. The limit on the imprest amount that may be assigned to a floor bank in a mobile cabinet was increased to \$30,000. This limit does not apply to floor banks held in stationary cabinets.

This is an integral element in any system of internal controls. Retail businesses commonly set limitations on the amount of cash that may be kept in cash drawers or cash registers. Financial institutions limit the amount of cash held in tellers’ drawers. This is an important

part of protecting assets and limiting the exposure to monetary losses. This is particularly important with respect to floor banks kept in mobile cabinets due to the increased vulnerability created by their mobility.

3. Paragraph (7) of subsection (a) would require the licensee to adopt policies and procedures for the establishment of specific provisions governing the sale or distribution of gambling chips and the disbursement of cash to patrons from a floor bank by the assigned gambling enterprise employee.

This paragraph would also limit the redemption of chips from a floor bank to a maximum amount of \$500, except when the floor bank is being temporarily used as a cage in compliance with the provisions of Section 12386. This paragraph would explicitly prohibit any redemption of chips from a floor bank in a mobile cabinet.

Comments/Suggestions:

Mr. Kirkland – Limiting the maximum redemption of chips from a floor bank [page 9, lines 5-7] to \$500 seems low. I would suggest increasing the amount to \$2,500. Presumably, there would be no limit on the amount of chips which can be sold from a floor bank.

Recommended Response:

This comment was considered, but the suggestion was declined. Based on comments throughout the various workshops and discussions concerning this regulation, as well as staff's observations in actual visits to cardrooms, it has been determined that the majority of cardrooms do not permit the redemption of chips from a floor bank. The few cardrooms that do allow redemptions from floor banks try to discourage the practice, but limit the amount of any redemption to \$500. As has been stated consistently in the workshops and discussions, floor banks are used as a convenience to chip runners in providing some limited service to patrons at the gaming tables on the gaming floor. Floor banks are not intended to be used as a cage or cashier's bank, nor should they be. The cabinets in which floor banks are kept on the gaming floor are neither designed nor intended to be operated as a cage. This provision is intended to ensure the security of funds and protect the integrity of the cardroom's assets.

Subsection (b) requires licensees in all tiers to establish policies and procedures to provide for the security of gambling equipment and confidential documents when kept on the gaming floor. Typically, storage for holding such things as gambling equipment, confidential documents, customer service items, miscellaneous supplies and blank forms is provided on the gaming floor. Some of these items – gambling equipment and confidential documents – need to be secured, protected and properly accounted for. Therefore, it is necessary and appropriate that precautions be taken to safeguard and properly account for the cardroom's assets in order to maintain the integrity of gambling operations and minimize the risk of cheating, as well as to maintain the integrity and confidentiality of patrons' personal and financial information.

1. Subparagraph (A) of paragraph (1) of subsection (b) would require that gambling equipment be secured in a locked receptacle, drawer or compartment when being kept, held or stored in

any public area of the gambling establishment. Any gambling equipment that is too large to be placed in a receptacle, drawer or compartment when not in use, or that is normally left on a gambling table when not in use, would be required to be secured with a locking mechanism (e.g., a cable lock) to prevent it from being moved or tampered with.

Comments/Suggestions:

Mr. Sharp – As used in subparagraph (A) of paragraph (1) of subsection (b) [page 9, line 11], what is the definition of the term “public area?” Is a “card desk” on a gambling floor that is only accessible by gambling establishment personnel in a “public area,” thereby necessitating that all gambling equipment therein be secured at all times?

Recommended Response:

This comment was considered, but does not require any change in the proposed regulation. The gambling floor is clearly a “public area” of a cardroom since patrons are generally allowed unrestricted access to that area. Therefore, any furnishing or fixture located on the gaming floor would be in a public area. For example, a cabinet located on the gambling floor, whether it holds a floor bank, gambling equipment, confidential documents, or just cleaning supplies, is still in a public area. Assuming that a “card desk” is used to store playing cards on the gaming floor, those playing cards would be subject to the provisions of this regulation. It is what is kept in a drawer or compartment that determines whether that drawer or compartment must be locked.

Comments/Suggestions:

Mr. Schneiderman, Mr. Fried, Mr. Sharp and Mr. Kirkland – The requirement in subparagraph (A) of paragraph (1) of subsection (b) [page 9, lines 13-16] of locking shufflers to tables when not in use seems unnecessary. The existing regulations call for tables to be under continuous surveillance providing a good degree of security against tampering. Shufflers are routinely swap from one table to another if one fails or there is a game change. Locking them to the tables will result in interruptions to continuous gaming and the customer experience. Overall, moving a shuffler is no small task; the notion that staff or patrons would swap one out without notice is highly unlikely given the size, weight and bulk of current equipment. It is suggested that the regulation be amended to exclude shufflers from the gambling equipment that must be secured with a locking mechanism.

The shufflers used in California cardrooms all weigh between 17 and 29 pounds, depending on the make and model. These are heavy, bulky, awkward devices that are not easily carried away. It is suggested that the regulation require that a shuffler, if used for games other than poker, be locked to the table only if it weighs less than five pounds.

There hasn't been a single instance in this country in which a shuffle machine has been impermissibly removed from a table, compromised and then introduced back into a game. There has been only one known or reported incident similar to this and it occurred in Macau in 2012. There is no issue that requires regulatory action and the Commission is urged to

except shuffle machines from this requirement. To do otherwise will place an undue burden on licensees which, on balance, is not justified by any necessary regulatory purpose.

Recommended Response:

These comments were considered and accepted. Accordingly, subparagraph (A) of paragraph (2) of subsection (a) has been modified to read as follows:

“(1)(A) When kept, held or stored in any public area of the gambling establishment, gambling equipment not actively being used shall be secured in a receptacle, drawer or compartment, with a locking mechanism securing the contents. The locking mechanism shall remain locked at all times, except when being accessed by an authorized gambling enterprise employee in the performance of his or her duties. If a keyed lock or locking mechanism is used, the key shall not be left in the lock when the receptacle is not being accessed. All keys, combinations and access codes shall be subject to the applicable key security and control provisions of Section 12395. This subparagraph shall not apply to any gambling equipment that cannot be secured in a receptacle, drawer or compartment when not in use due to its size.”

2. Subparagraph (B) of paragraph (1) of subsection (b) would require that confidential documents be secured in a locked receptacle, drawer or compartment when being kept, held or stored in any public area of the gambling establishment. This requirement would apply to all confidential documents and information, except when maintained electronically or when in use, in which cases the document or information shall be covered and kept out of public view to the extent reasonably possible.

Comments/Suggestions:

Mr. Kirkland – Requiring, in Subparagraph (B) of paragraph (1) of subsection (b) [page 9, lines 24-26], that confidential documents be locked may limit the review and use of important documents. Confidential documents should be kept in a controlled area, under continuous surveillance and out of public view. They should be locked when and if the area is no longer monitored by area staff or surveillance.

Recommended Response:

This comment was considered, but was declined. As drafted, the regulation makes clear that the requirement to secure confidential documents in a locked receptacle does not apply to any document that is being used or that is maintained electronically. When being used or when maintained electronically, confidential documents are required to be kept out of public view, to the extent reasonably possible. No change is necessary as the proposed regulation already provides essentially what is suggested in this comment.

Subsection (c) provides that, if a licensee allows access to or the use of any cabinet used or intended to be used for any of the purposes described in subsection (a) or (b), to any TPPPS

company, that access and use shall be exclusive to the TPPPS company and its employees, and the cabinet shall not be used by the licensee for any purpose.

Comments/Suggestions:

Mr. Kirkland – Subsection (c) [page 9, lines 13-16] should be amended to allow Tiers I and II cardrooms and their TPPPS providers to use separate locked drawers within the same cabinet. At one of our cardrooms we share a podium with our TPPPS provider; they have separate drawers and keys. Neither one of us needs our own separate cabinet given the modest transaction volume and limited space. Requiring separate cabinets would result in unnecessary use of floor space.

Recommended Response:

This comment was considered, but was declined. The concern with sharing a cabinet, even when access to separate drawers or compartments is segregated, is that TPPPS personnel should not have an opportunity to access the cardroom's funds, equipment or confidential documents. According to the Bureau, this has caused many complications in conducting investigations when too many people are congregating in the same location. The concerns about TPPPS employees having access to or sharing cabinets are similar to allowing them to share or have access to the cardroom cage. If these cabinets were simply used to house blank forms, miscellaneous office supplies, or the like, the concept of sharing cabinets would not be an issue. However, when a licensee utilizes a podium for financial transactions, holding assets, storing confidential documentation or gambling equipment, and other purposes, the over-arching concern is that of segregation of functions and controlled access.

According to information provided by the Bureau during the discussions and workshops that preceded this proposed action, there are approximately 21 Tier I and II cardrooms in Northern California with approved TPPPS contracts. Of those 21, only two share a cabinet, on the gaming floor, with the TPPPS company. Of those two cardrooms, only one keeps chips inside separately keyed drawers within the same cabinet. The other maintains all chips and confidential documents inside its cage. Based on this information, the issue of having separate cabinets for cardroom and TPPPS does not appear to be a significant issue for the smaller tiers, where space limitations would be of most concern.