

**Modified Text of Proposed Regulations
Second 15-Day Change**

**MINIMUM INTERNAL CONTROL STANDARDS (MICS) FOR GAMBLING ESTABLISHMENTS:
GENERAL TERMS, CONDITIONS & DEFINITIONS; POLICIES & PROCEDURES; DROP & DROP
COLLECTION; COUNT & COUNT ROOM FUNCTIONS; AND CAGE FUNCTIONS.**

CGCC-GCA-2008-03-R

TITLE 4. BUSINESS REGULATIONS.

DIVISION 18. CALIFORNIA GAMBLING CONTROL COMMISSION.

CHAPTER 7. CONDITIONS OF OPERATION FOR GAMBLING ESTABLISHMENTS.

ARTICLE 1. GENERAL PROVISIONS.

§ 12360. Chapter Definitions.

The definitions in Business and Professions Code section 19805 govern the construction of this chapter. As used in this chapter:

(a) "Licensee" means "owner licensee" as defined in Business and Professions Code section 19805, subdivision (ac).

(b) "Security department," means the operational entity within a gambling establishment that is responsible, but not necessarily solely responsible, for patrol of the public areas of the establishment, and to assist in:

(1) Maintaining order and security;

(2) Excluding underage patrons;

(3) Responding to incidents involving patrons or others;

(4) Detecting, reporting and deterring suspected illegal activity; and

(5) Completing incident reports.

(c) "Surveillance unit," means the operational system or entity within a gambling establishment that is responsible for the video recording, as may be specified in Article 3 of this chapter, of all activities required to be under surveillance, monitored and/or recorded pursuant to the Act and this division for the purposes of detecting, documenting and reporting suspected illegal activities, including suspected gambling by persons under 21 years of age, and assisting the personnel of the security department in the performance of their duties.

NOTE: Authority cited: Section 19811, 19824, 19840, 19841 and 19924, Business and Professions Code. Reference:

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1 Section 19805, 19841, 19860 and 19924, Business and Professions Code.

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3 ARTICLE 3. ~~RESERVED~~ MINIMUM INTERNAL CONTROL STANDARDS (MICS)
4 FOR GAMBLING ESTABLISHMENTS.

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7 **§ 12380. Minimum Internal Control Standards; General Terms, Conditions, Definitions.**

8 (a) “Minimum Internal Control Standards,” or “MICS,” are the minimum requirements to
9 operate a gambling establishment as set forth in this chapter, and include, but are not limited to,
10 administration controls, and controls requiring segregation of duties. A licensee must meet or
11 exceed these requirements in controlling ~~its~~ *their* gambling operation.

12 (b) The purposes of the MICS are to better ensure the maintenance of accurate records, the
13 recording of all income, the safeguarding of assets and records of the gambling establishment,
14 operational efficiency and integrity, and adherence to prescribed policies and procedures.

15 (c) Failure by a licensee to comply with the requirements of this article ~~or to cure a deficiency~~
16 ~~noticed pursuant to subsection (e) of Section 12381~~ constitutes an unsuitable method of
17 operation and is a ground for disciplinary action.

18 (d) For purposes of this article:

19 (1) “Tier I licensee,” means an owner licensee authorized to operate one to five tables.

20 (2) “Tier II licensee,” means an owner licensee authorized to operate six to ten tables.

21 (3) “Tier III licensee,” means an owner licensee authorized to operate eleven to thirty tables.

22 (4) “Tier IV licensee,” means an owner licensee authorized to operate thirty-one to sixty
23 tables.

24 (5) “Tier V licensee,” means an owner licensee authorized to operate sixty-one or more
25 tables.

26 (6) Absent specific reference to a particular tier, any requirement of any regulation in this
27 article shall be deemed to be applicable to all licensees.

28 ~~(e) As used in this article:~~

29 ~~(1) “Security department,” means the operational entity within a gambling establishment that~~
30 ~~is responsible, but not necessarily solely responsible, for physically safeguarding patrons and~~
31 ~~patron’s property, personnel, and the licensee’s assets and property; detecting and deterring~~
32 ~~criminal acts; detaining, or assisting in the detention of, persons who may be involved in illegal~~
33 ~~acts for the purpose of notifying appropriate law enforcement authorities; and preventing or~~

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1 ~~assisting in the prevention of gambling by persons who are less than 21 year of age.~~
2 ~~(2) “Surveillance unit,” means the operational system or entity within a gambling~~
3 ~~establishment that is responsible for the video recording, as may be further specified in this~~
4 ~~article, of all activities required to be under surveillance, monitored and/or recorded pursuant to~~
5 ~~the Act and this division for the purposes of detecting and documenting illegal activities,~~
6 ~~detecting and documenting gambling by persons under 21 years of age, and assisting the~~
7 ~~personnel of the security department in the performance of their duties. The surveillance units~~
8 ~~for licensees in Tier V shall be continuously staffed during the hours of operation of the~~
9 ~~gambling business and during all drop collection and count procedures, whether conducted~~
10 ~~during the hours of operation or not. The surveillance units for Tiers I through and including IV~~
11 ~~are not required to be staffed, except as may otherwise be required in this article.~~

12 NOTE: Authority cited: Sections 19840, 19841 and 19924, Business and Professions Code. Reference: Sections
13 19840, 19841, 19922 and 19924, Business and Professions Code.
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16 **§ 12381. Policies and Procedures.**

17 (a) All licensees shall have written policies and procedures that ~~shall address each major area~~
18 ~~of the gambling establishment operations and~~ meet or exceed the MICS contained in this article.

19 (b) A licensee’s policies and procedures shall be communicated to employees through new
20 employee orientations and periodic training sessions.

21 (c) Adherence to the policies and procedures established to comply with this article shall be
22 required.

23 (d) On request, copies of a licensee’s policies and procedures shall be provided, within a
24 reasonable time specified, for the Commission and/or Bureau to review.

25 ~~(e) If the Bureau determines that the policies and procedures do not adequately address the~~
26 ~~requirements of this article, within 10 days of that determination the Bureau shall give written~~
27 ~~notice to the licensee identifying the deficiencies and specifying a time certain within which~~
28 ~~those deficiencies must be cured. The time initially specified shall be reasonable under the~~
29 ~~circumstances known to the Bureau, but in no event shall it exceed 30 days. The time specified~~
30 ~~may be extended for a period not to exceed 30 days upon written request and a showing of good~~
31 ~~cause by the licensee. Requests for extension of time shall be submitted to the Bureau at least~~

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~~ten days prior to the end of the time specified in the initial written notice or in any extension of time.~~

~~(e)~~(e) Unless otherwise specified in this chapter, all forms, books, records, logs, lists, recordings and any and all other original source or duplicate documentation required to be maintained by a licensee pursuant to this chapter shall be:

(1) Recorded in English;

(2) Recorded in a permanent form or media; *and*

(3) Maintained for a minimum of three years, unless otherwise specified, in a secured area on site at the gambling establishment or at a California facility approved in advance by the Bureau; *and*.

(4) Made immediately available to Bureau personnel upon request, between the hours of 9:00 a.m. and 6:00 5:00 p.m. on weekdays (excluding holidays), or as otherwise mutually agreed to by the licensee and the Bureau.

~~(e)~~(f) In addition to the requirements of subsection (a) through and including ~~(e)~~(e), licensees in Tiers II through and including V shall assign the overall responsibility for establishing, periodically reviewing, monitoring, and testing for compliance with their MICS policies and procedures to a specific owner licensee or ~~member of management~~ key employee and shall document the assignment in the licensee's policies and procedures. Tests for compliance with MICS policies and procedures shall be performed at least annually, and may be performed by a licensee's staff, other than the person or persons who normally perform the duties being tested, or by agents or outside consultants (e.g., a certified public accountant) for the licensee. The results of the tests, and a detailed record of the efforts to correct any noncompliance found as a result of the tests, shall be documented and the documentation retained by the licensee.

~~(h)~~(g) Licensees shall establish and implement policies and procedures in accordance with the applicable provisions of this section no later than *[the first day of the first full month six months following the effective date of this section]*.

NOTE: Authority cited: Sections 19827, 19840, 19841 and 19924, Business and Professions Code. Reference: Sections 19827, 19841, 19922 and 19924, Business and Professions Code.

§ 12384. Drop and Drop Collection.

(a) The policies and procedures for all Tiers shall meet or exceed the following standards for

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1 the drop and collection of the drop for non-electronic gambling tables:

2 (1) Drop collection fees shall be deposited into a secure container, known as a “drop box,”
3 that shall be securely attached to the gambling table. A drop box shall be constructed and
4 controlled in a manner to provide for the security of its contents.

5 (2) If a jackpot or any other player-funded gaming activity is offered, jackpot collections
6 shall be deposited into a separate drop box, or otherwise segregated, and accounted for
7 separately.

8 (3) Drop boxes shall have all of the following:

9 (A) A lock securing the contents.

10 (B) A separate lock securing the drop box to the gambling table. This lock shall be keyed
11 differently from the lock securing the contents of the drop box.

12 (C) An individual identifier that corresponds to the gambling table to which the drop box is
13 attached and the shift, if applicable, for which it is used, and that can be documented when the
14 box is removed from the table. Visible drop box identifiers shall be imprinted or impressed on
15 the box and capable of being seen and read in video surveillance recordings, either while
16 attached to the table or when removed from the table and immediately displayed to a surveillance
17 camera. If a bar code or an equivalent system is used, in addition to the imprinted or impressed
18 identifiers, it shall have the capability to identify each drop box by shift and table, the person or
19 persons performing the collection, and the date and time of the collection.

20 (D) An opening through which chips collected for fees shall be inserted.

21 (4) An emergency, interim, or temporary drop box may be maintained without a number or
22 marking, if the applicable designation is permanently imprinted or impressed thereon and, when
23 put into use, it is temporarily marked as provided in subparagraph (C) of paragraph (3) above.

24 (5) A drop box, when removed from a gambling table, whether in use or not, shall be
25 afforded security sufficient to protect the drop box and its contents and shall be stored in a secure
26 area while awaiting the count.

27 (6) A drop box, when not in use during a shift, may be stored on a gambling table ~~if the entire~~
28 ~~area is secure or covered by surveillance during that period of time.~~

29 (7) The licensee shall establish and schedule the time(s) for the collection of drop boxes and
30 shall ensure that the entire drop collection process is recorded by video surveillance. Except as
31 otherwise provided in subsection (c), the drop box collection may be performed more frequently

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1 or less frequently than the time(s) scheduled by the licensee when circumstances warrant a
2 reasonable deviation from the established schedule.

3 (8) The drop collection shall be performed by at least one licensed or permitted individual.

4 (b) In addition to the requirements of subsection (a), the policies and procedures for Tiers III
5 through and including V shall include the following standards for drop collection:

6 (1) All drop boxes, whether in use or not, shall be removed from the gambling table as
7 provided in subsection (a) by at least one ~~key~~ employee of the gambling establishment who holds
8 a valid license or work permit, accompanied by at least one member of the security department
9 or its equivalent. The ~~key~~ employee of the gambling establishment shall not be a member of the
10 security department or its equivalent.

11 (2) *Notwithstanding the provisions of paragraph (1) of this subsection, or any other*
12 *provision of this article related to the designation of employees to perform the drop collection, a*
13 *Tier III licensee that does not directly employ security personnel may have the drop collection*
14 *performed by at least two employees of the gambling establishment who hold a valid license or*
15 *work permit and who are each assigned to a different department.*

16 (3) The names of the individuals performing the drop collection shall be documented either
17 by software or in writing and, when documented in writing, those individuals who performed the
18 collection shall legibly print their names and sign the documentation.

19 ~~(3)~~ (4) A drop box, when not in use during a shift, may be stored on a gambling table if the
20 entire area is covered by recorded video surveillance during that period of time.

21 (c) In addition to the requirements of subsections (a) ~~through and including (e)~~ and (b), the
22 policies and procedures for ~~Tiers IV and V~~ *Tier V* ~~Tiers IV and V~~ shall include standards for drop
23 collection that provide for ~~continuous live monitoring of the drop collection process by at least~~
24 ~~one member of the surveillance unit during the recording of the video surveillance the~~
25 *designation of at least one employee of the gambling establishment who holds a valid license or*
26 *work permit to video monitor the drop collection process and that the entire drop collection*
27 *process be continuously recorded by video surveillance.*

28 (d) Licensees shall establish and implement the applicable standards for drop collection
29 specified in subsections (a) through and including ~~(d)~~ (c) no later than [the first day of the first
30 full month six months following the effective date of this section].

31 NOTE: Authority cited: Sections 19840, 19841 and 19924, Business and Professions Code. Reference: Sections

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1 19841, 19922 and 19924, Business and Professions Code.

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4 **§ 12385. Count; Count Room Functions.**

5 (a) The policies and procedures for all Tiers shall meet or exceed the following standards for
6 count room functions:

7 (1) The licensee shall ensure that the contents of drop boxes are counted and recorded in a
8 manner and in a location within the licensed gambling establishment that ensures the appropriate
9 security and proper accounting of all gambling chips.

10 (2) The licensee shall designate an individual or individuals, each holding a valid gambling
11 license or work permit, who shall be responsible for performing the drop count. The opening,
12 counting and recording of the contents of a drop box shall be performed in the presence of and
13 by the designated individual(s).

14 (3)(A) Drop box counts shall be permanently recorded, in ink or another form approved by
15 the owner licensee, on a daily count sheet or the equivalent, which documents all of the
16 following information, as applicable:

17 1. The name of the gambling establishment;

18 2. The date and time of the count;

19 3. The shift, individual box number and table number of each box counted;

20 4. The amount in each individual box;

21 5. The total number of boxes counted; and

22 6. The printed or recorded name(s) of the individual(s) conducting the count and, if a hard
23 copy record, the signature(s) of the individual(s).

24 (B) Corrections to the information initially recorded for the drop count prior to the
25 completion and signing of a hard copy daily count sheet shall be permitted. Corrections shall be
26 made by drawing a single line through the error and writing the correct figures above the original
27 figures or by another method approved by the Bureau. The designated individual making the
28 correction shall write his or her initials and the date, in ink, immediately next to the correct
29 figures. The correction, in a hard copy of a daily count sheet, of errors discovered subsequent to
30 the completion and signing by the designated individual(s) shall require the completion of a
31 revised or amended count sheet, which shall be maintained with the original count sheet.

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1 (4) The entire count process, beginning with the opening of the first drop box and continuing
2 through completion of the count sheet, shall be continuously recorded by video surveillance.

3 (5) The contents of a drop box shall not be mixed or commingled with the contents of any
4 other drop box prior to the counting and recording of its contents.

5 (6) A drop box shall be emptied in a manner that will identify and record the box
6 identification, as specified in Section 12384, subsection (a), paragraph (3), subparagraph (C), and
7 paragraph (4), and so that video surveillance recording will document that all contents are
8 removed from the drop box for the count.

9 (b)(1) In addition to the requirements of subsection (a), the policies and procedures for Tiers
10 II through and including V shall include standards for count room functions that require the use
11 and maintenance of a secured area known as the count room for the counting of gambling chips,
12 which shall:

13 (A) Be designed and constructed to provide appropriate security for the materials housed
14 therein and for the activities conducted therein;

15 (B) Not be used as a storage facility for items or materials not directly associated with the
16 count process or cage functions, nor have any removable containers other than drop boxes that
17 could be used to conceal chips or cash.

18 (2) If the count room is used to store chips, cash, drop boxes or any other items or materials
19 that are directly associated with the count, the interior of the room and all of its contents shall be
20 under constant recorded video surveillance.

21 (c) In addition to the requirements of subsection (a) and (b), the policies and procedures for
22 Tiers III through and including V shall include the following standards for count room functions:

23 (1) The number of individuals designated by the licensee, pursuant to paragraph (2) of
24 subsection (a), to perform the drop count shall not be less than two individuals, or one individual
25 using an automated chip counting machine that counts, sorts and racks the chips, and records the
26 count electronically on the licensee's computer system.

27 (2) The designated individuals performing the count shall be attired so as to reduce their
28 ability to conceal chips on their person; for example, by wearing, over their regular clothing,
29 smocks or other clothing with no pockets.

30 (3) At the conclusion of the count, a cage or vault cashier or at least the equivalent shall count
31 the chips received and verify the accuracy of the count and count sheets.

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1 (4) Count sheets verified pursuant to paragraph (3) above shall, immediately following
2 verification, be remitted to the accounting department or its equivalent, or deposited in a locked
3 box, located in a secure area of the gambling establishment, the contents of which are accessible
4 only by the accounting department or its equivalent. Count sheets shall be maintained and
5 controlled by the accounting department or its equivalent.

6 (d) In addition to the requirements of subsections (a) through and including (c), the policies
7 and procedures for Tiers IV and V shall include the following standards for count room
8 functions:

9 (1) The count room shall be a fully enclosed room that is ~~independent~~ *separate and apart*
10 from all other rooms in the gambling establishment and is equipped with an alarm system or
11 device connected to all entrances to the count room which causes a signaling to the surveillance
12 unit or its equivalent, whenever any door to the count room is opened.

13 (2) Immediately prior to the commencement of the count, one of the designated individuals
14 shall notify the surveillance unit, *or its equivalent*, that the count is about to begin. ~~The entire~~
15 ~~count process shall be continuously live monitored and recorded by video surveillance.~~ *At least*
16 *one employee of the gambling establishment who holds a valid license or work permit shall be*
17 *designated to video monitor the count process and the entire count process shall be continuously*
18 *recorded by video surveillance.*

19 (3) Immediately prior to the opening of a drop box, the door to the count room shall be
20 secured. Except as otherwise authorized by the licensee's policies and procedures, no person
21 shall be permitted to enter or leave the count room, except during a normal work break or in an
22 emergency, until the entire counting, recording, and verification process is completed.

23 (e) In addition to the requirements of subsections (a) through and including (d), the policies
24 and procedures for Tier V shall include standards for count room functions that require the drop
25 count to be performed by not less than three individuals designated by the licensee pursuant to
26 paragraph (2) of subsection (a), or two individuals using an automated chip counting machine
27 that counts, sorts and racks the chips, and records the count electronically on the licensee's
28 computer system.

29 (f) Licensees shall establish and implement the applicable standards for count and count room
30 functions specified in subsections (a) through and including (e) no later than *[the first day of the*
31 *first full month six months following the effective date of this section]*.

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1 NOTE: Authority cited: Sections 19840, 19841 and 19924, Business and Professions Code. Reference: Sections
2 19841, 19922 and 19924, Business and Professions Code.

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5 **§ 12386. Cage Functions.**

6 (a) The policies and procedures for all Tiers shall meet or exceed the following standards for
7 the cage:

8 (1) The licensee shall maintain within the gambling establishment at least one separate and
9 secure area at a fixed location that is accessible to the public, and that is designated as the cage.
10 The cage shall be located, designed, constructed and operated to provide appropriate security and
11 accountability for funds.

12 (2) The licensee shall designate at least one employee to process monetary transactions
13 through the cage, ~~who~~. All employees designated to process monetary transactions through the
14 cage shall be listed by title or position on the gambling establishment's organizational chart, and
15 ~~who~~ shall be responsible for, ~~at a minimum,~~ any or all of the following:

16 (A) Custody of the cage or individual cage drawer inventory, which is comprised of currency,
17 coin, patron checks, gambling chips, forms, documents and records consistent with the operation
18 of a cage or individual cage drawer.

19 (B) Receipt, distribution, and redemption of gambling chips.

20 (C) Deposits to and withdrawals from players' banks and dealers' banks.

21 (D) Cashing checks and/or extensions of credit for patrons, as permitted by the licensee's
22 policies and procedures.

23 (E) Preparation of cage accountability reconciliations and records necessary to document
24 compliance with the requirements of this chapter.

25 ~~Preparation of records necessary to document~~ Record patron information that is necessary
26 for compliance with the requirements of Title 31 of the United States Code, Part 31 of the Code
27 of Federal Regulations and subsection (a) of Section 12404 of this chapter.

28 (G) Ensuring the proper accounting and safeguarding of funds and chips.

29 (3) Routine access and entry into the cage area shall be limited to on-duty cage personnel
30 designated pursuant to paragraph (2) of this subsection. Other employees of the gambling
31 establishment who hold a valid gambling license or work permit may be granted access to the
32 cage area for the purpose of performing their duties.

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1 (4) A log shall be maintained to document entry into the cage by any person not authorized
2 access pursuant to paragraphs (2) and (3) of this subsection. The log must contain the person's
3 name, title, date of entry, and time entering and exiting; or provide substantially equivalent
4 information through an automated access control system. Any automated access control system
5 must provide a secure, tamperproof means of recording and maintaining entry and exit
6 information.

7 (5) Cage activity shall be reconciled after each shift by the incoming and outgoing designated
8 cage employees. If an ~~impress~~ imprest drawer is used, each outgoing designated cage employee
9 responsible for an ~~impressed~~ imprest drawer shall reconcile his or her drawer to the ~~impressed~~
10 imprest amount. All transactions that flow through the cage shall be appropriately summarized
11 and documented, in writing, for each shift. The cage activity reconciliations shall be posted and
12 reconciled to the general ledger at least monthly. For the purposes of this paragraph, the word
13 “shift” means an individual employee’s shift, or two or more employees that work the same
14 schedule.

15 (6) The purchase or redemption of chips by a patron may only occur at the cage or from a
16 designated gambling establishment employee on the gambling floor. Licensees shall not permit
17 proposition player ~~service~~ services providers to purchase or redeem chips for cash or cash
18 equivalents from a patron or to sell chips to a patron. For the purposes of this article, the
19 purchase or redemption of chips or the sale of chips shall not include the exchange of a chip or
20 chips of one total value for a chip or chips of an equal total value.

21 (b) In addition to the requirements of subsection (a), the policies and procedures for Tiers III
22 through and including V shall include the following standards for the cage:

23 (1) The cage and cage activities shall be under continuous recorded video surveillance.

24 (2) The reconciliation of the cage transactions provided for in paragraph (5) of subsection (a),
25 shall be summarized on a cage accountability form that shall include, at a minimum, all of the
26 following, as applicable:

27 (A) The date of the reconciliation;

28 (B) The designation of the shift being reconciled;

29 (C) An accounting of all items in the cage inventory (e.g., cash, coin, chips, players’ and
30 dealers’ banks, etc.), for each cage window, drawer or bankroll in use during the subject shift,
31 including:

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- 1 1. The beginning shift balances, unless an ~~impress~~ imprest drawer is used;
2 2. All credits (receipts);
3 3. All debits (disbursements);
4 4. The ending balances;
5 5. An identification of any overage or shortage with an explanation, if known.
6 (D) The printed name and signature of each designated cage employee (incoming and
7 outgoing, unless an ~~impress~~ imprest drawer is used) performing the reconciliation.
8 (3) The cage activity reconciliations specified in paragraph (2) of this subsection shall be
9 posted and reconciled to the general ledger, as provided in paragraph (5) of subsection (a), by
10 someone other than a designated cage employee or cage supervisor.
11 (c) In addition to the requirements of subsections (a) and (b), the policies and procedures for
12 Tiers IV and V shall include the following standards for the cage:
13 (1) The design and construction of the cage shall include:
14 (A) A manually triggered silent alarm system connected directly to the surveillance unit, or
15 its equivalent, or an alarm monitoring agency; and
16 (B) Access through a secured door or doors, which shall be under constant recorded video
17 surveillance.
18 (2) In addition to the information specified in paragraph (2) of subsection (b), the cage
19 accountability form referenced therein shall include an itemization of the following, with
20 beginning and ending balances for ~~non-impressed~~ non-imprest drawers, and ending balances for
21 ~~impressed~~ imprest drawers:
22 (A) Cash and coin by denomination;
23 (B) Chips by denomination;
24 (C) All other items of monetary value (e.g., markers, patron checks, players' and dealers'
25 banks, chip runners' banks, etc.), specifying the source of each;
26 (3) The licensee shall maintain a list of the names of all persons designated pursuant to
27 paragraph (2) of subsection (a) as being authorized to access and/or enter the cage, which list
28 shall specify those persons who possess the combination or the keys or who control the
29 mechanism to open the devices securing the entrance to the cage, and those who possess the
30 ability to operate the alarm system.

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1 (d) In addition to the requirements of subsections (a), (b) and (c), the policies and procedures
2 for Tier V shall include standards for the cage that require monitored and recorded video
3 surveillance of the interior of the cage and all of its contents, and the exterior of all access doors.

4 (e) Licensees shall establish and implement the applicable standards for cage functions
5 specified in subsections (a) ~~and (b)~~ through and including (d) no later than [the first day of the
6 first full month six months following the effective date of this section].

7 NOTE: Authority cited: Sections 19840, 19841 and 19924, Business and Professions Code. Reference: Sections
8 19841, 19922 and 19924, Business and Professions Code.

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