

MINIMUM INTERNAL CONTROL STANDARDS (MICS) FOR GAMBLING ESTABLISHMENTS – PHASE IV

CAGE OPERATION AND FUNCTIONS, AND SECURITY OF CARDROOM, CAGE AND FLOOR BANKS, AND GAMBLING EQUIPMENT AND CONFIDENTIAL DOCUMENTS

SUMMARY OF MAY 21, 2013 WORKSHOP 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 proposed 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 (a) would be added with a definition for the term “cage bank.” The definition of this term is being added as a convenient means of referring, in general, to the imprest fund, including gambling chips, cash and cash equivalents, that is held in a cage which includes cashier banks. The cage bank is part of, and accountable to, the cardroom bank.

A new subsection (b) would be added with a definition for the term “cardroom bank.” The definition of this term is being added as a convenient means of referring, in general, to the total imprest fund that is maintained for use in gambling operations. The cardroom bank includes the cage banks and floor banks. In other words, this is the main bank to which all other banks are accountable.

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 draft dated May 2, 2013.

A new subsection (c) would be added with a definition for the term “cashier bank.” The definition of this term is being added as a convenient means of referring, in general, to the individual imprest fund in an individual cashier’s drawer. A cashier’s bank is part of and accountable to the cage bank.

A new subsection (e) 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 the individual imprest funds kept on or near the gambling floor. A floor bank is part of, and accountable to, the cardroom bank.

Comments:

It was suggested that the definitions for “cage bank” and “cardroom bank” are still not clear and do not conform to generally accepted terminology. However, it was acknowledged that terminology and practices are not uniform across cardrooms creating a difficulty in producing definitions and regulations that will be uniformly acceptable. It was pointed out that while some cardrooms individually count the cashier imprest funds and then merge them into a larger grouping of imprest funds, others keep the cashier imprest funds absolutely separate until they are confirmed as part of the cardroom reconciliation. Also, a cage cashier may have not only what is in the drawer, but accountable for additional chips or cash behind their station that becomes too large to maintain in a drawer or other similar space.

A sample summary of fund bank concepts was provided. One concept is the overall fund of the cardroom for the gambling operations to which other specific funds, some of them imprest, feed into, which might be in the cage or on the floor. Another concept included the total of all funds kept in the cage (total revenue), that fluctuates from day to day without limit.

Suggestions included somehow collapsing the four “bank” definitions. Suggestions for new “bank” definitions included individual imprest banks verses a total of all imprest funds; imprest banks and general funds; or an “inside cage bank” for the heavily secured funds and “outside cage banks” for imprests on the floor that need additional controls. Following discussion, “cardroom bank” was generally accepted by the attendees to be the total of all cardroom activity funds, including but not limited to imprest funds, rather than just the total of imprest funds for the cardroom.

Recommended Response:

The definition for the term “cardroom bank” will be deleted as that term will no longer be used in these regulations. The definition of the term “cage bank” will be modified to delete reference to a cardroom bank and the cage bank having an imprest.

2. A new subsection (d) would be added with a definition for the term “confidential document.” The definition of this term is being added as a convenient means of referring to several different types of documents, records or writings with similar characteristics. This would include documents that contain any private financial or personal information directly

obtained from or provided by the subject (e.g., patron credit and check cashing information, exclusion lists, Title 31 report forms, etc.) concerning any individual or group of individuals, or information or documents that are otherwise protect under any other provision of law. [e.g., Title 1.81 (commencing with § 1798.80) of Part 4, Division 3 of the Civil Code]

Comments:

Use of the word “confidential” for this definition is inappropriate in this context as confidential refers to knowledge of or access to the document being limited and kept secret, but does not necessarily refer to whether the document jeopardizes the safety and security of patrons, employees, or the cardroom. However, the term “personal information” is too comprehensive and subjective as to what is “personal.” Finally, the phrase beginning on page 2, line 2,² that states, “that contain any private financial or personal information directly obtained from or provided by the subject” could be the main part of this definition.

Recommended Response:

This definition was rewritten to accommodate the majority of these comments; however, the term “confidential document” itself was not changed. Examples are given for the types of documents that are included, generally. Personal information is addressed in the California Information Practices Act (Civil Code) and in case law. It is a term that should be easily understood given the context in which it is being used here.

3. Comments; section as a whole:

This regulation started out very detailed and has evolved to be simpler and more focused, but the definitions seem to reflect details that are no longer present or necessary. The podium bank is a primary focus, but some flexibility should be present. The definitions should be reviewed for necessity and conformity to the more simplistic regulations, deleting some altogether.

Recommended Response:

As discussed above, one definition has been deleted and others have been modified for clarity and consistency.

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. Comments; section as a whole:

Subsection (a) provides guidelines for all tiers, subsection (b) provides additional guidelines for Tiers III – IV, subsection (c) provides additional guidelines for Tiers IV and V, and

² All page and line references refer to the regulation text draft dated May 2, 2013, unless otherwise specified.

subsection (d) provides additional guidelines for Tier V. It was suggested that, while a need to accommodate cardroom size in other guidelines was necessary, general money handling should be the same regardless of size. This subsection should be collapsed to provide the same requirements regardless of tier.

Recommended Response:

Business and Professions Code section 19840 mandates that the regulations adopted by the Commission take into consideration the operational differences of large and small cardrooms, to the extent appropriate. That is the primary reason the tiers were developed. The scope and complexity of many of the MICS for cage operation and functions progressively escalate with the higher tiers. This takes into consideration not only the operational differences, but also the differing levels of risk between large and small cardrooms.

2. In subsection (a), paragraph (1), this proposed action clarifies the purpose and function of a cage and details what a cage should be designed to protect.

Comments:

On page 3, at line 17, the current language in this regulation provides that a cage is a “fixed location that is accessible to the public.” This rulemaking effort provides the opportunity to correct this error. A cage is definitively not accessible to the public. Accessible to the public usually means that customers may enter the room; however, not only are customers not allowed in the cage but the cage is specifically made secure to keep them out. The sentence beginning on page 3, line 18, is acceptable.

The following language is suggested: “The licensee shall maintain within the gambling establishment at least one separate and secure area at a fixed location that is not accessible to patrons, designated as a cage, to house playing chips and cash and to process transactions with customers for issuance and redemption of playing chips. Transactions are to be processed through a secure window or windows to the cage, designed to prevent entry by patrons and to prevent theft of contents in the cage.”

Recommended Response:

These suggestions were generally accepted and this paragraph was rewritten for clarification. The phrase “accessible to the public” was deleted from the first sentence. The second sentence was modified to specify that a cage must be “located, designed, constructed and operated to provide *convenience for patron transactions while maintaining* appropriate security and accountability...”

The suggested language includes reference to “secure windows designed to prevent entry” which could be interpreted as requiring the cage to be located in a separately enclosed room. The current regulation was originally written so as not to impose that requirement on licensees in Tiers I-III. However, this concept would be appropriate for licensees in Tiers IV and V and will be addressed in subsection (c).

3. Subsection (a), paragraph (2) establishes the requirements for documenting and following the custody of cage funds and inventory. Language was added to paragraphs (2) through (6) of subsection (a) for clarification and to provide consistency with provisions of the proposed adoption of Section 12387.

Comments:

In subsection (a), paragraph (2), the phrase “transactions through a cage” on page 3, line 23, is confusing and awkward as “through” is not appropriate. It is suggested the first sentence on page 3, line 22, be rewritten as follows: “The licensee shall designate at least one gambling enterprise employee to process monetary transactions for customers at the cage or cages.” It is suggested that the use of “through” the cage be changed throughout this set of regulations.

Recommended Response:

The references to transaction being processed “through” a cage were changed to refer to transactions being processed “at” a cage.

Comments:

In subsection (a), paragraph (2), on page 3, beginning on line 24, it is unclear as to what is required to be listed on the organizational chart. Do specific names need to be used with the title or position, or simply the list of positions? Suggested language was, “The organizational chart for the licensee shall indicate those positions held by employees who are designated to process monetary transactions at the cage or cages.”

Recommended Response:

Based on a review of the Rulemaking File for the original adoption of this section, it has been determined that it was never the intent of this paragraph to require names in organizational charts. The Final Statement of Reasons for MICS I states (pg. 11, first bullet):

“Subsection (a), paragraph (2) requires that at least one employee be designated to process transactions through the cage and that all of the employees who work the cage be identified as such on the cardroom’s organizational chart. This regulation also lists the various duties and responsibilities of those employees who work the cage. This requirement is intended to ensure that each employee assigned to work in the cage is identified and that the designation is documented. This is a basic element in safeguarding the licensee’s assets and protecting sensitive and confidential information that may be present in the cage.”

Also, in response to a comment and question about organizational charts in MICS I, the response from the Final Statement of Reasons was as follows (pg. 24, item 22-b):

“As written, *only the title or position* must be listed on the organizational chart.” (Emphasis added.)

It does not appear that there was any intent in the original adoption of this provision to require the inclusion of employee names in organizational charts. The Bureau has also confirmed it was not their understanding then, nor is it now, that employee names are required or needed in organizational charts.

No change in the text is necessary as the record is clear concerning the intent of this provision.

Comments:

In subsection (a), paragraph (2), the sentence on page 3, line 25, begins “The designated employee’s duties shall include any or all of the following.” “Shall” is a mandate, but “any or all” indicates permissiveness. This is confusing and should be clarified.

Recommended Response:

“Shall” has been changed to “may.”

Comments:

Subsection (a), paragraph (2), subparagraph (B) uses the phrase, on page 4, line 3, “receipt and distribution of gambling chips.” However, other regulations in this set use other terminology. Section 12386(a)(6) on page 5, line 11, uses the terms “purchase or redemption of gambling chips,” and Section 12387(a)(8) on page 9, line 14, uses the terms “sale or distribution of gambling chips.” It is suggested that the phrasing be consistent throughout this set of regulations. It is also suggested that the terms “issuance” and “redemption” are more appropriate as chips are not technically “purchased” or “sold.”

Recommended Response:

The previously proposed language change was made in response to comments from industry representatives. In this context, receipt is intended to refer to not only the receipt of chips from the vault or count room, but also receipt from patrons (for redemption). Distribution includes the sale of chips to patrons and the return of chips to storage. The terms used in paragraph (6) refer specifically to transactions with patrons; i.e., selling chips to patrons and redeeming chips from patrons. The terms “sale,” “sold,” “sell” and “purchase,” are terms commonly used in the industry when referring to transactions with patrons that involve gambling chips. While those transactions may not be “sales” or “purchases” in a strict technical sense, these are well understood terms and changing them might lead to unnecessary confusion.

Comments:

In paragraph (2) of subsection (a), subparagraphs (C) and (D) contain terms that refer to items or services that are not offered at all cardrooms. It is suggested that “if applicable” be inserted in front of “dealers’ banks” and “extensions of credit.”

Recommended Response:

In subparagraph (C), the phrase “if applicable” has been added to the end of the sentence so that it will apply to both players’ banks and dealers’ banks. As the comment indicates, not all cardrooms have or use dealer’s banks. However, we have also been told that not all cardrooms have or use players’ banks.

With respect to subparagraph (D), however, the addition of the qualifying phrase “if applicable” is unnecessary and would be redundant. The phrase “as permitted by the licensee’s policies and procedures” is already included and serves the same purpose as the suggested phrase. Clearly, if the licensee’s policies and procedures do not permit extensions of credit, or even check cashing, these duties would not be applicable.

4. This proposed action, in paragraph (4) of subsection (a), permits an entry log to be maintained either in writing or electronically.

Comments:

In subsection (a), paragraph (4), the log requirement does not include how long the log needs to be maintained. It is suggested that a time limit be added.

Recommended Response:

Section 12381(e)(3) already provides that all forms, books, records, logs and lists must be maintained for a minimum of three years.

5. In subsection (a), paragraph (5), this proposed action would add the cage and cashiers’ banks to what must be reconciled and summarized for each shift in current regulation.

Comments:

In subsection (a), paragraph (5), the term “reconciled” in current regulation on page 4, line 26, needs clarification as to what “reconciliation” requires. The next sentence seems to refer to reconciliation as a count to confirm the presence of the imprest amount, but then the remainder of the subsection seems to require more.

Recommended Response:

The proposed language was modified for clarification. The cage and cashiers’ banks are to be reconciled. If an imprest is used, the imprest shall be balanced by the responsible outgoing employee at the end of shift. The requirement to summarize all transactions was removed and only recordable transactions and reconciliations are required to be posted to the general ledger.

Comments:

In subsection (a), paragraph (5) there is a sentence on page 5, starting at line 2, that says, “All transactions that flow through a cage shall be appropriately summarized and documented, in writing, for each shift.” Cage transactions include changes in players’ banks and check cashing or credit extension, which create a paper trail, and cash for chips or chips for cash

transactions, which are not summarized but rather checked as a total balance or reconciliation at the end of each shift. The phrasing of “all transactions” could include documenting each transaction as it happens. While a balance sheet that includes both of these categories should be done at the end of shift, perhaps the wording could be phrased to reflect this issue.

It was suggested that this phrasing could mirror subsection (b) of this section. It was also suggested that the line be struck or re-written in its entirety, or perhaps modified to exclude cash for chips or chips for cash. This would allow the documentation to focus on what transactions affect the general ledger.

Bureau information: The Bureau indicated that this sentence is necessary as it provides a guideline for smaller cardrooms.

Recommended Response:

The sentence was deleted.

Comments:

In subsection (a), paragraph (5) there is a sentence on page 5, starting at line 3 that states, “The cage and cashiers’ banks reconciliation shall be posted and reconciled to the general ledger at least monthly.” It was suggested that because a cashier’s bank had a set amount, there was nothing to post. Either the bank reconciled or it did not.

Recommended Response:

This sentence was changed to only require that recordable transactions and reconciliations be posted to the general ledger.

Comments:

In subsection (a), paragraph (5) there is a sentence on page 5, starting at line 4, that says, “For the purposes of this section, the word ‘shift’ means an individual employee’s shift, or two or more employees that work the same schedule.” It was suggested that this sentence may cause complications in actual practice as the definition allows two options, but the options are not mutually exclusive and no direction is provided to determine which alternative to apply. Another comment is that this sentence may be repetitive of the sentence beginning on page 4, starting at line 26, that says, “Cage and cashiers’ banks shall be reconciled after each shift by the incoming and outgoing designated cage employees.” It was suggested that the line on page 5, starting at line 4, be struck.

Recommended Response:

This sentence was removed.

6. In subsection (b), paragraph (1), subparagraph (C), this proposed action would replace references to cash, coin, and chips with the terms cage bank and cashiers’ banks, and makes additional edits for simplicity and clarity.

Comments:

In subsection (b), paragraph (1), subparagraph (C), there is a sentence on page 5, at line 27, in which the phrase “dealers’ banks” is used. These banks are issued by the cage with specific amounts and can be spot checked. They are not counted to the chip, but rather it is counted by matching the issued amount. It was suggested that the wording be altered to “what was issued or assigned” rather than “counted” to reference these banks. Additionally in this sentence, it is unclear if monetary and non-monetary items need to be part of the accounting of “all items in the cage inventory.” If not, it is suggested that “gambling equipment” and “confidential documents” are excluded.

Recommended Response:

This subparagraph was modified to require an accounting of the contents of the cage bank, cashiers’ banks and, if applicable, players’ banks and dealer’s banks. Therefore, other cage contents would be excluded.

Comments:

In subsection (b), paragraph (1), subparagraph (C), there are phrases on page 6, at lines 3 and 4, stating “all credits” and “all debits,” that are confusing as to what the terms mean. It was suggested that the terms be merged into “all recordable transactions, excluding cash for chips or chips for cash” or “all transactions recordable to the general ledger.”

Recommended Response:

The two references were merged in to one reference to “All transactions recordable to the general ledger.”

Comments:

In subsection (b), paragraph (1), subparagraph (C), the term on page 6, at line 5, reads “the ending balances.” It was suggested that “of cash and chips” should be added, or that it be merged with the immediately preceding clauses to read “the ending balances of cash and chips and all transactions recordable to the general ledger.”

Recommended Response:

The phrase “of cash and chips” was added.

7. Subsection (b), paragraph (1), subparagraph (D), requires that the cage accountability form include the printed name and signature of each incoming and outgoing designated employee (unless an imprest drawer is used) performing the reconciliation.

Comments; Subsection (b), paragraph (1), subparagraph (D):

Subparagraph (D) has caused confusion as to why one with an imprest drawer should not have to provide a signature for the drawer. While it was pointed out that a cardroom may require stronger requirements than the minimum standards, it was suggested that either the entire parenthetical, or at least the “unless an imprest drawer is used,” be struck.

Recommended Response:

This provision was clarified by removing the parenthetical in its entirety and adding the phrase “as applicable” at the end of the sentence.

8. Subsection (c), paragraph (1), addresses additional requirements for the design and construction of a cage, including a requirement that a cage be a separately enclosed room.

Comments; Subsection (c), paragraph (1):

The earlier comments concerning paragraph (1) of subsection (a) addressed certain design and construction elements for a cage. In part, it was suggested that language be added that would, in effect, require a cage to be an enclosed room with secure windows.

Recommended Response:

This comment was accepted. Since Tiers I-III licensees are not required to maintain an enclosed room as a cage, and since the requirement for an enclosed room is included in subsection (c) to apply to Tiers IV and IV, the clarifying language will be added in paragraph (1) of subsection (c). The new language will specify that a cage shall be a secure enclosed structure with at least one cashier window, that the cashier window(s) shall be secure and designed to prevent entry into, and theft from, the cage. All current requirements for secure doors, surveillance and alarm systems would remain.

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 cardroom 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 cardroom banks. Cardroom 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 cardroom bank will have an imprest value, albeit in an amount typically much less than the amount held in a cage bankroll. While the total value of the cardroom bank is less than that of a cage bankroll, there remains a potential for losses. In some instances, the value of a single cardroom 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 cardroom assets in order to minimize the risk of loss and maintain the integrity of the licensee’s assets and financial records.

1. Subsection (a), paragraph (1) would require that a cardroom bank, cage bank or floor bank, when kept in any public area of a gambling establishment, be secured in a locked receptacle, drawer or compartment. This paragraph would allow the lock or locking mechanism of the receptacle, drawer or compartment to be keyed in common with any similar receptacle,

drawer or compartment used for the same purpose. This paragraph would specify that the drawer or compartment shall remain locked, with the key removed, except when being appropriately accessed and that all keys, combinations and access codes shall be subject to the key security and control provisions of Section 12395.

Comments:

It was mentioned that cardroom banks and cage banks are typically maintained in a vault or locked room, and it would be impractical to keep ALL chips, cash, etc., in a “receptacle, drawer or compartment.” It was also mentioned that a cage bank and cardroom bank cannot be stored in any public area as they are in the cage which forbids public access. It was suggested that cage bank and cardroom bank should be removed from this section.

Recommended Response:

The references to cardroom and cage banks were removed and the regulation has been modified throughout to focus on the floor banks.

Comments:

Subsection (a), paragraph (1), it was suggested wording similar to “if the designated employee is authorized to have access to all those locations” to allow for an employee, like a chip runner, to have one key for multiple areas when appropriate. It was mentioned that either the sentence that starts on page 7, line 21 or the sentence that starts on page 7, line 27 may be the appropriate location to add this wording. Also, monetary and non-monetary storage access needs to be addressed. A final suggestion was to draft language into paragraph (1) similar to “if an imprest amount of chips and cash is assigned to the responsibility of a single employee, only that employee may have access.”

Recommended Response:

To address these issues, the paragraph was modified to allow drawers or compartments to be keyed in common, if those drawers or compartments are used for the same purpose, and are accessible exclusively to one employee during a shift. The employee’s manager or supervisor would be allowed to have a master key. This is consistent with the concept of separation of functions in internal controls.

2. Subsection (a), paragraph (2) 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. This paragraph would also allow the use of a mobile cabinet if it is kept at a designated fixed location when in use in order to provide for consistent surveillance.

Comments:

The term “designated fixed location” is confusing. Does this refer to when the cabinet is in use, when it is unattended on the floor, or when it is stored and not in use? Industry members with cabinets explained usage is currently limited to change and chips for cash functions but not for cashing out and is never left unattended on the floor. Suggestions included allowing the general surveillance to cover the cabinet when in use, leaving surveillance decisions up to

the establishment as long as the funds contained within were kept to a low amount, and treating the cabinet as any podium. Specific suggestions were to strike the sentence beginning on page 8, at line 4, that states “If a mobile cabinet is used, it shall be kept at a designated fixed location when in use in order to provide for consistent surveillance,” or to make the sentence refer to when a cabinet is NOT in use.

Recommended Response:

This paragraph was changed to provide that a mobile cabinet shall be kept at a fixed secure location under constant surveillance when not being actively used on the gambling floor.

Comments:

Paragraph (2), as well as paragraph (3), does not include the language “when kept, held or stored” and therefore appears to apply regardless of the location of the cabinet or whether it is in use. It is suggested to add this phrase in these paragraphs or to subsection (a) to apply to all subsection (a) paragraphs.

Recommended Response:

This comment is rejected. The phrase “when kept, held or stored” refers to the floor bank itself. Paragraphs (2) and (3) relate to the cabinets, whether in use or not, which are located in any public area of the gambling establishment, as provided in (a)(1).

3. Subsection (a), paragraph (4) would prohibit the commingling of a floor bank with any equipment, documents, supplies or other materials that are not directly related to a floor bank, in the same drawer or compartment. This paragraph would also prohibit the use of the cabinet or any other drawer, compartment or receptacle therein, from being used to store any personal property of any employee, patron, or any other person; or to store any equipment, documents, supplies or other materials that are not directly related to the conduct of gambling operations.

Comments:

The phrase “not directly related” at line 13 of page 8 should be defined or clarified.

Recommended Response:

The meaning should be fairly obvious and a definition or clarification is not necessary.

4. Subsection (a), paragraph (5) would require close monitoring of the area immediately surrounding any cabinet containing or intended to contain a floor bank in order to control and safeguard the contents of the cabinet.

Comments:

This paragraph should be deleted as it is just good business practice already performed and is duplicative of paragraph (2) in this subsection.

Recommended Response:

This comment is accepted and paragraph (5) has been deleted.

5. Subsection (a), paragraph (6) would require that each floor bank be individually reconciled as part of a cardroom bank reconciliation and be itemized in that reconciliation.

Comments:

The term “reconciled” is again unclear. The idea of having all banks counted at the same time is impractical and unnecessary. The following wording was specifically suggested without much objection: “Each floor bank shall be individually balanced not less than daily and the imprest amount included in the cardroom bank reconciliation.” It is necessary that the word “balanced” refer to the individual floor banks and “reconciliation” refer to the cardroom bank to make this sentence mutually acceptable to multiple cardrooms. The word “balance” could also replace the word “imprest” in that sentence.

Alternate language submitted was, “A floor bank shall be counted and the balance of the imprest verified at the end of the shift of any employee in possession of the bank.”

Recommended Response:

This comment is accepted and the paragraph rewritten as follows:

“Each floor bank shall be individually balanced not less than daily and the imprest amount included in the cage bank reconciliation.”

6. Subsection (a), paragraph (7) would require the establishment of the maximum value that may be assigned to the cardroom bank and each cage bank and floor bank.

Comments:

A limit on how much the mobile cabinets could maintain was offered. A \$5000 limit was proposed, but countered with information that \$5000 would not be enough in some cardrooms. It was then suggested that the limit should not be regulated to apply to all cardrooms in all areas, but instead to state that each cardroom must set the limit in their policies and provide this amount to the Bureau for audit purposes. It was also stated that for safety concerns that this limit should not be made public.

As to the phrasing, it was suggested that the cage bank and cardroom bank should be unlimited in order to maximize business and profitability – the business does not want to refuse the losses of a patron because they have maximized their bank limit. But it was agreed that the floor banks, including mobile cabinets, should have a pre-set limit.

An additional comment submitted found the word “value” unclear. If “value” refers to imprest amount, this amount should be allowed to fluctuate per business needs.

Recommended Response:

These comments were generally accepted. Cage and cardroom banks have been eliminated. The paragraph was rewritten to provide that the maximum imprest amount that may be assigned to each floor bank shall be based on a reasonable estimate of the amount necessary for the activities associated with the bank during any shift. The maximum imprest amount that may be assigned to a floor bank in a mobile cabinet shall not exceed \$20,000 at any time due to the higher vulnerability.

7. Subsection (a), paragraph (8) would require 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 designated gambling enterprise employee.

Comments:

This regulation requires each cardroom to have specific provisions governing the “sale or distribution” of chips and the disbursement of cash, but provides no guidance on what type of policies and procedures would comply or not comply with the requirement. It is suggested to further clarify this paragraph, and replace the term “sale” with “issuance.”

Recommended Response:

The intent is to require written procedures that describe how employees are to perform transactions. This might include, for example, how currency and chips are to be counted out and displayed for the surveillance cameras.

In this context, “sale” refers specifically to transactions with patrons and “distribution” refers to the return of chips to storage. The terms “sale,” “sold” and “sell,” are terms commonly used in the industry when referring to transactions with patrons that involve gambling chips. While those transactions may not be “sales” in a strict technical sense, these are well understood terms and changing them might lead to unnecessary confusion.

Further clarification is added to this paragraph to specifically address the disbursement of cash to patrons from a floor bank. The redemption of chips by a patron from a floor bank shall be limited to a maximum amount of \$500, except that no redemptions shall be allowed from a floor bank in a mobile cabinet.

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. Subsection (b), paragraph (1) would require that gambling equipment and 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 paragraph would allow the lock or locking mechanism of the receptacle, drawer or compartment to be keyed the same as any similar receptacle, drawer or compartment used for the same purpose. This paragraph would specify that the drawer or compartment shall remain locked, with the key removed, except when being appropriately accessed and that all keys, combinations and access codes shall be subject to the key security and control provisions of Section 12395. This paragraph further provides that confidential documents, when in use, shall be covered and kept out of public view to the extent reasonably possible.

Comments, subsection (b), paragraph (1), subparagraph (A):

Comments were made referring to the need for compartments containing floor banks to be keyed differently from compartments containing gambling equipment and other materials, but beyond that common keying of other compartments should be allowed. It was suggested that the phrasing “reasonable system of key control” be used.

Recommended Response:

To address these issues, the paragraph was modified to allow drawers or compartments to be keyed in common, if those drawers or compartments are used for the same purpose, and are accessible exclusively to one employee during a shift. The employee’s manager or supervisor would be allowed to have a master key. This is consistent with the concept of separation of functions in internal controls.

Comments, subsection (b), paragraph (1), subparagraph (A):

The sentence on page 9, starting at line 18, states “When kept, held or stored in any public area of the gambling establishment, gambling equipment shall be secured in a receptacle, drawer or compartment, with a locking mechanism securing the contents.” The question of when the equipment (e.g., playing cards) is being “prepared” was raised as being difficult to apply here because the equipment is not yet in use, but is not being “kept, held or stored” either. The term “gambling equipment” is also very broad. It was suggested that because the equipment is in custody when it is being prepared (e.g., playing cards), “kept, held or stored” does not apply.

Recommended Response:

During preparation the equipment should be considered to be technically “in use.” If the equipment is actively undergoing preparation to be put into use it isn’t being stored and it isn’t unattended. This can be clarified in the record without the need to get into a complicated and overly detailed description in the regulation text itself.

Comments, subsection (b), paragraph (1), subparagraph (A):

Another point was raised regarding the card shufflers. The shufflers are gambling equipment, but are often left on the tables when not in use.

Recommended Response:

To address the issue of gambling equipment that is either too large to be secured in a receptacle, drawer or compartment, or that is normally left on a gambling table when not in use, this paragraph was modified to require that the equipment be secured in a manner that prevents it from being moved or tampered with. This may be accomplished by the use of a simple cable lock or some other suitable method.

Comments, subsection (b), paragraph (1), subparagraph (B):

Computers and computer screens are not addressed here, and are becoming increasingly the norm for confidential documents. To address both electronic and hard copy methods of document security, it was suggested the words beginning on page 10, starting at line 2, stating, "...secured in a receptacle, drawer or compartment, as specified in subparagraph (A), except when in use. Confidential documents, when in use, shall be covered and..." be struck. The paragraph should then read, "When kept, held or stored in any public area of the gambling establishment, confidential documents shall be kept out of public view, to the extent reasonably possible."

Recommended Response:

This comment is accepted and the language was modified to accommodate it. Provisions were added to address documents that are maintained electronically.

2. Subsection (c) provides two options that would govern access to or the use of any cabinet described in subsection (a) or (b) by any third-party provider of proposition player services (TPPPS) company. The first option 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. The second option includes an exception that would permit Tier I and Tier II licensees, in specified circumstances, to permit a TPPPS company to access or use an individual drawer or compartment if that access or use is completely segregated from access or use by any other entity or person.

Comments:

It was suggested without argument that option 1 (keeping access separate) was the appropriate option, regardless of tier.

Recommended Response:

This subsection has been rewritten in accordance with option 1. Cabinets may not be shared with TPPPS companies and their employees.