

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 OCTOBER 18, 2012 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 Commission/Bureau staff and industry members, the focus of this proposal has been shifted to the principal purpose of this proposal; i.e., 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, and 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:

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 (a) would be added with a definition for the terms “bankroll” or “cage bankroll.” The definition of this term is being added as a convenient means of referring, in general, to the gambling chips, cash and cash equivalents that are included in a cage inventory.

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 gambling chips, cash and cash equivalents that are frequently kept on the gambling floor to be used by chip runners in providing service to patrons. The cardroom banks are considered to be part of the cage bankroll for recordkeeping and accountability purposes.

Comments:

These definitions refer to imprest funds that are found around a cardroom. There’s an imprest fund in the cage, there are imprest funds around the cardroom. In one case they’re called a bankroll and then in another case they’re called banks, cardroom banks. They

should either be one or the other, different terms shouldn't be used. The term bankroll really doesn't quite fit. A bankroll connotes something very different. This is a chip bank, an imprest fund, something like that would be a term that could be used. Perhaps add a third definition, like "floor banks."

Recommended Response:

We were trying to find a term to describe the overall monetary contents of the cage; i.e., cash, chips, cash equivalents. Then, from that, define other terms to describe what is used on the gambling floor. The purpose is to find terms that can be used throughout this chapter as a short cut in referring to all the specific items. "Bankroll" and "cardroom bank" were terms that were defined and used in another state's regulations. For better clarity and consistency, these terms and definitions were replaced, as follows:

"Cardroom bank" – An imprest fund which is maintained for use exclusively in gambling operations. The cardroom bank consists of monetary assets including, but not limited to, gambling chips, cash and cash equivalents, that are in use or available for use, including all cage banks and floor banks. In other words, this is the main bank to which all other banks are accountable.

"Cage bank" – An imprest fund that is part of and accountable to the licensee's cardroom bank consisting of monetary assets including, but not limited to, gambling chips, cash and cash equivalents, maintained inside a cage.

"Cashier bank" – An imprest fund, that is part of and accountable to the licensee's cage bank, consisting of monetary assets including, but not limited to, gambling chips, cash and cash equivalents, maintained in an individual cashier's drawer inside a cage.

"Floor bank" – An imprest fund that is part of and accountable to the licensee's cardroom bank consisting of monetary assets including, but not limited to, gambling chips, cash and cash equivalents, maintained outside a cage on or near the gambling floor.

Comments:

The definition of "cage bankroll" says it includes the imprest cashier drawers. The inclusion of imprest cashier drawers conflicts with existing controls in some cardrooms and should be separate. For example, the cage has an imprest and then the cashier drawers are all separate imprest funds. The head cashier is responsible for the cage imprest and the line cashiers, who have their own drawers, cannot touch the cage imprest. These funds are separated to establish responsibility for them. If you put cashier drawers into the cage definition, it starts going against the controls that have existed for a long time.

Recommended Response:

Licensees may establish their own controls according to their individual needs and preferences. The definitions do not affect who is assigned responsibility for the funds by the licensee. The changes in definitions above may alleviate much of this concern.

Comments:

Also, maybe we could have separate terms for the persons who handle the money; for example, “custodian.”

There are banks around the floor; there are chip banks in the cage. All of these together form a large bank, which you could call the cardroom bank. There’s no one person who’s responsible for the cardroom bank, but at least at our cardroom there’s one person always assigned to these others. They are the ones responsible and I would call them custodians. That would be normal accounting terminology.

Recommended Response:

We can look into developing additional terms, but that does not appear to be necessary at this time.

Comments:

Not everybody uses the same terminology. The idea of kind of a simple qualitative approach, that there are things in the cage and there are things outside the cage seems to be good. Whatever terminology is used should capture that, that’s probably sufficient for what you’re trying to do in the rest of the regulation.

Recommended Response:

See revised definitions.

Comments:

Wouldn’t it be possible for the licensees, in the development of their policies and procedures for the cage and cage functions to designate that there are other terms that are used that would fit within these categories? Wouldn’t that be a way to fix it, without having to do so in the regulation, itself?

Recommended Response:

Licensees may establish their own controls and terminology according to their individual needs and preferences. The definitions are applicable to the use of the terms in the regulations themselves. These defined terms provide a standard point of reference in applying the regulations.

2. A new subsection (c) 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 financial or personal information (e.g., patron credit and check cashing information, exclusion lists, Title 31 report forms, etc.) concerning any individual or group of individuals; any internal control procedure information; or any other information or document, the public disclosure of which may jeopardize the safety and security of patrons, employees and their property or the assets of the gambling enterprise, or the integrity of gambling operations.

Comments:

It was suggested that, on page 1, in line 29, after the phrase “group of individuals,” the phrase “or any of the licensee’s internal control procedure information other than fire safety and evacuation plans” be struck. The internal control procedures and policies that have to be kept confidential, and which are subject to the definition, are those that may jeopardize the safety or security of patrons. It seems unnecessary to go beyond that. There are some cases where cardrooms are required to disclose what could be considered internal control information.

Recommended Response:

This comment and suggestion is accepted and the phrase “or any of the licensee’s internal control procedure information other than fire safety and evacuation plans” has been deleted.

Comments:

On page 1 in line 27 where it says, “documents that contain any financial or personal information...,” that should be changed to read, “private financial or personal information...” The concern is that, on the gambling floor, employees are responsible for cash transaction tracking so that they know when someone reaches the Title 31 reporting threshold. They will use a tracking form to track certain customers if the cash in or cash out transactions reach the level that they have to be tracked for Title 31 purposes. There won’t be any private financial or personal information. There will be an identifier, like the person’s name (if known) or a physical description and then just a description of cash in and cash out. When they reach the reporting thresholds then they have to comply with Title 31. But that information (Title 31 reports) is kept in the cage, it’s not accessible on the gaming floor.

This information needs to be easily accessible to the employees who are supposed to maintain it, so it can’t be locked away somewhere. Maybe the cardrooms could simply be required to have some procedure for how it handles the information, without putting it inside the definition of confidential documents which have to be locked away.

Even a last name can open the door to identity theft, so this definition is appropriately broad. But safeguarded but accessible is reasonable.

Recommended Response:

These comments were accepted and modifications were made to this subsection. On page 1 in line 27, “documents that contain any financial or personal information...,” was changed to read, “documents that contain any private financial or personal information directly obtained from or provided by the subject...” An additional qualification was also added to include documents that are protected under any other provision of law. For example, Title 1.81 (commencing with § 1798.80) of Part 4 of Division 3 of the Civil Code addresses the protection of customer information and records.

3. A new subsection (d) would be added with a definition for the term “gambling equipment.” The definition of this term is being added as a convenient means of referring to gambling

equipment, in general. Gambling equipment may include playing cards, tiles, dice, dice cups, card shufflers, gaming tables, or any other equipment or supplies used or intended for use in the play of any controlled game.

Comments:

Does a gambling equipment definition apply here?

Recommended Response:

This definition is included here because this regulation refers to how these items are to be safeguarded on the gambling floor. Additional provisions specifically relating to “gambling equipment” will be addressed in another MICS phase.

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.

Numerous conforming, editorial, grammatical and nonsubstantive changes would be made throughout Section 12386 to clarify and ensure that the provisions of this section apply to all cages and cage areas, irrespective of their designation.

1. Comments; Subsection (a), Paragraph (1):

It is not clear why gambling equipment and confidential documents are included in the description of cage contents and a discussion of the cage.

Recommended Response:

These are items that are frequently kept in a cage in some cardrooms. The intent was to ensure that these items are properly safeguarded.

2. Comments; Subsection (a), Paragraph (2):

In subsection (a), paragraph (2), there’s a sentence on page 3, starting at line 13, that says, “All employees designated to process monetary transactions through a cage shall be listed by title, classification or position on the gambling establishment’s organization chart.” The proposed amendments add the word “classification.” The meaning of this sentence has never been real certain as to what, exactly, is supposed to be on the organizational chart. An organizational chart generally just has the titles of positions and it’s not clear that that’s what is meant here. Does this require employees’ names to be included in an organizational chart? If so, is that really necessary?

Bureau Information: As requested and agreed at the workshop, the Bureau provided responses to the following questions concerning this requirement:

(1) Do you recall the reason for this?

“As indicated in the final statement of reasons for MICS I, pages 10-11:

‘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 in 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.’”

(2) Did the Bureau intend that the employees’ names be included?

“The Bureau cannot find any information which would indicate that in the development of this regulation section that it was ever the Bureau’s intention or recommendation that the organization chart contain employees’ names.”

(3) How is this information used in compliance visits, audits and investigations?

“As noted above in the response for question 1, the FSOR for MICS I indicates that the requirement for this information ‘...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.’

“The Bureau supports the contention that the organization chart is ‘a basic element in safeguarding the licensee’s assets...’ and adds to this sentiment that this information is also documentation of the licensee’s implementation of section 12395 (security regulations) as it pertains to maintaining close control over access to the cage.”

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.

3. Comments; Subsection (a), Paragraph (2), Subparagraph (B):

It is unclear why redemption is deleted in (2)(B), but is still used in (6).

Recommended Response:

As noted in previous roundtable discussions, “receipt” and “redemption,” in the context of paragraph (2), were found to be redundant; redemption would be included in receipt. This 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.

4. Comments; Subsection (a), Paragraph (2), Subparagraph (C):

This section would read better if it began with the word “process” so that it would read, “Process deposits to and withdrawals from players’ and dealers’ banks.”

Recommended Response:

This comment and suggestion is accepted and the word “Process” has been added.

5. Comments; Subsection (a), Paragraph (2), Subparagraph (G):

The inclusion of gambling equipment and confidential documents in the items a cashier is responsible to safeguard goes beyond what is necessary.

Recommended Response:

The regulation does not require that all designated employees be responsible for all of the listed duties. This responsibility could be limited to the cage supervisor or head cashier, or whomever the licensee designates as being responsible for the cage and its contents in general.

6. Comments; Subsection (a), Paragraph (5):

Subsection (a), paragraph (5), is confusing as to what is being required. For example, the very first line, “Cage activity shall be reconciled after each shift.” Reconciliations often apply to an imprest, but an imprest fund is not “cage activity.” What may be meant is that at the end of each shift, the Bureau wants the imprest funds to be reconciled. That makes perfect sense, that’s done now. But it should say that more clearly. Instead of saying “after each shift” it should be “when there’s a change in custodian.”

Sometimes there will be a change in custodian mid-shift. Someone is moved someplace else, and then doesn’t the Bureau want the reconciliation at that point, rather than just at the end of the shift?

A lot of the confusion has to do with whether we’re looking for information about the imprest and reconciling it, or are we looking for cage activity and transaction during the shift, which would be very different? If the imprest fund is reconciled, there should be a lot less concern on anyone’s part and a lot less need to keep records.

These comments also apply to subsections (b)(1) and (c)(2).

In a small club there may be a single cashier and that cashier is legally entitled to take breaks. If somebody else takes over the cage during a 10-minute break or a 30-minute lunch break, that could be a change in custodian. That formula won’t work for everybody. Maybe it should say something like reconciled at least once a shift. If there’s a cardroom that wants to say in their policies that there should be a reconciliation when there’s a custodian change, other than breaks, that club is free to do that. But from a regulatory perspective, what the State of California should be interested in is a periodic reconciliation. If cardrooms want to do it in a particular way, that’s fine.

While no law or regulation may be a model of clarity, we’ve had this regulation since 2009. All of the cardrooms have adapted to it. All of the cardrooms, in good faith, probably think they’re in compliance with it with whatever procedures they’re using now. Putting new language in may require cardrooms to change existing practices that are satisfactory.

Is the Bureau, in their field inspections, actually seeing problems with either the interpretation of this or compliance with it? If not, is there a need to reopen all the language for the sake of clarity? All of the cardrooms have already figured out, over the last three years, what their practices should be. The Bureau has three years of inspection history to see if the practices are adequate.

Bureau Information: As requested and agreed at the workshop, the Bureau provided responses to the following questions concerning this requirement:

(1) What is meant by or included in “cage activity?”

“According to the Bureau’s Audit Section, cage activity is any activity that is conducted within the cage, including both incoming and outgoing gambling chips and monies. Cage activity would also include activity pertaining to players’ banks, extension of credit, changes in chip inventory, etc.”

(2) If “cage activity” includes transactions, why is a summary of all transactions necessary?

“As documented in the MICS I FSOR, on page 11:

‘Subsection (a), paragraph (5) requires that a reconciliation of the cage activity be performed at the end of each shift by both the incoming and outgoing designated cage employees; that if an imprest is used, the outgoing employees reconcile their drawers to the imprest amount; that all transactions be appropriately summarized and documented, as specified; and that the cage activity reconciliations be posted and reconciled to the general ledger monthly. *Regular reconciliations and postings are a critical element in any financial accounting system and are a basic internal control standard in any fiscal operation. Regularly occurring reconciliations of transactions confirm the accuracy of the accounting system, timely identify irregularities and errors, and support the credibility of financial reporting. By requiring both the outgoing and the incoming cashiers to perform the shift-change reconciliation, shift-to-shift continuity is established and confirmed, and each cashier is assured of the accuracy and consistency of the amounts they are receiving and transferring.* However, in the case of an imprest amount, each cashier is responsible for his or her own drawer or bankroll. Therefore, there is no need for incoming and outgoing cashiers to be involved in each other’s reconciliations.’ (Emphasis added)

“The Bureau supports the assertions made in the FSOR for this regulation as not only a ‘basic internal control standard in any fiscal operation’ and adds that these provisions are an effort to safeguarding the licensee’s assets.”

(3) Why is a summary of all transactions needed in addition to a reconciliation?

“The Bureau’s Audit Section explains that summary documentation is an overview of the financial activity without the detail. For example, with a monthly bank statement, beginning balances and all individual transactions that add or subtract money from the account, can be many pages of individual line items. The summary portion of a bank statement would basically be the first page of the statement, outlining beginning balance, debits, credits, and ending balance. One would not be able to completely reconcile all transaction activity of their personal bank account from a summary alone, but would refer to the detailed transactions information or line items to verify the transactions within that month.

“Because a summary and detailed reconciliation are different in scope, both are needed.”

Recommended Response:

To provide clarity and consistency with the industry practices, the words “cage activity” have been replaced with “cage and cashier’s banks.” If the Bureau believes that “all cage activity” should include every patron transaction occurring at a cage (e.g., sales and redemptions of chips) that may be unreasonable, unnecessary and excessively burdensome. From the industry comments, that does not appear to be what is occurring.

7. Comments; Subsection (b), Paragraph (1):

The reference to reconciliation of “cage transactions” is unclear. Imprest accounts are subject to reconciliation, but transactions are not. Assuming the regulation refers to reconciliation of funds, does it require reconciliation of just cashier windows or of the separate cage imprest?

Recommended Response:

Refer to the responses in 6, above. Again, the words “cage activity” have been replaced with “cage and cashier’s banks.”

8. Comments; Subsection (b), Paragraph (1), Subparagraph (C):

The use of the term “cage inventory” is not defined and is unclear. Replacing the listed examples with the term “cage bankroll” makes this less clear. Why not just require that the reconciliation of cage imprest include certain items?

The current regulation requires an accounting for each cage window, etc. Does this mean that each cage window or drawer has a “cage inventory?” It is not clear what is being required.

Recommended Response:

The intent was, and is, that this paragraph augment the basic provisions for cage reconciliations ((a)(5)) for cardrooms in tiers III through V. While the term “cage inventory” in subparagraph (C) is not specifically defined, examples of what might be included were given. For clarification and consistency, those examples were changed to read, “(e.g., cage bank, cashiers’ banks, players’ and dealers’ banks, etc.)” From this, it should be clear that what is being discussed is the monetary content of a cage and not the supply of paper clips, note pads, pens and staples.

As specified in the new definitions, each cage window has its own cashier bank which is part of and accountable to the overall cage bank. The individual windows or drawers do not have separate cage banks. In an effort to clarify this, the last phrase of subparagraph (C) was changed to read, “for each cage bank in use during the subject shift, including: ...”

9. Comments; Subsection (b), Paragraph (1), Subparagraph (C), clauses 2. and 3.:

The inclusion in the accounting of beginning and ending balances and identification of overages and shortages makes sense, but the regulation also requires the accounting to include credits and debits. This seems to confuse different financial statements and

accounting practices. An inventory is like the assets on a balance sheet and debits are like expenses on an income statement. An inventory would not include debits and credits so this is very confusing.

“Credits” is used in lieu of receipts and “debits” in lieu of disbursements (in clauses 1. and 2.). Is this different from purchase and redemption?

If it is intended to require the recording of all cash and chip exchanges, that would be impractical and create a substantial burden. Existing recordkeeping is satisfactory.

Recommended Response:

The use of the terms “credits” and “debits” was intended to refer to increases or reductions in a cage or drawer imprest during a shift, although that isn’t clear. This may require further review and discussion.

10. Comments; Subsection (b), Paragraph (1), Subparagraph (D):

A cage supervisor or manager should be permitted to reconcile cage activity. There is no reason to restrict reconciliations to persons outside the cage operations. However, cashiers should not be permitted to perform the reconciliations.

Recommended Response:

This provision does not restrict who may perform reconciliations to persons outside cage operations. It merely requires the inclusion of the printed names and signatures of the designated cage employees performing a reconciliation. It is appropriate for the cashiers to participate in the reconciliation of his or her assigned imprest.

11. Comments; Subsection (c), Paragraph (2):

This regulation has never been clear and now that minor changes are being proposed, it should also be clarified. It requires beginning and ending balances for non-imprest drawers and ending balances for imprest drawers, but isn’t that duplicative of (b)(1)?

This seems to apply to cashier drawers but not to the separate cage imprest. That should be clarified.

Recommended Response:

The reference to beginning and ending balances does appear to be duplicative and elimination should not affect the interpretation or application of this paragraph. Therefore, paragraph (2) has been modified to read, “(2) In addition to the information specified in paragraph (1) of subsection (b), the cage accountability form referenced therein shall include an itemization of the following for non-imprest banks and imprest banks: ...”

For clarification, the word “drawers” was changed to “banks” to ensure that the cage bank or imprest is understood to be included.

12. Comments; Subsection (c), Paragraph (2), subparagraph (C):

The proposal deletes the reference to “chip runners’ banks,” but leaves in “players’ and dealers’ banks.” It is not clear why one is out and the others are left in.

Recommended Response:

What was previously referred to as a “chip runner’s bank” is now defined as a “floor bank.”

13. Comments; Subsection (e):

Subsection (e) establishes a compliance date of April 1, 2010. Should that date be changed or removed now that changes are being proposed in this regulation?

Recommended Response:

The date should remain unchanged because it relates to the initial implementation of this section – which became effective September 24, 2009 – and removing it could actually create more confusion than clarity. At this point, none of the proposed changes are substantive; they don’t create any new requirements or new standards. Even the addition of paragraph (7) to subsection (a) simply clarifies and codifies the Commission’s original intent and interpretation of the applicability of this regulation to any and all cages, irrespective of any designation. Since the proposed changes are merely editorial, technical and clarifying, the initial implementation date has no impact. We note that if any substantive changes were being proposed to amend an existing regulation, it would be difficult to argue that affected individuals and entities would be subject to an implementation date in the past. That would be unreasonable and illogical.

Removing or changing the date could also impact the Bureau’s enforcement actions. That could create more confusion if the Bureau were to someday pursue some form of action against a licensee for noncompliance with the original provisions of this section. Therefore, leaving the date may make it clearer in that respect.

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 through 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, 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 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.

Comments:

Clarify line 7-8, it is unclear what it means. The locks can be the same across different sections and thus different people? While smaller clubs may have different issues, this would be unacceptable in larger clubs. Perhaps wording that individualizes it by tiers?

Recommended Response:

The regulation is permissive rather than mandatory as it uses the term "may," thereby allowing each cardroom to determine what fits or works best for them. This allows the use of a "master key" for owners, managers and supervisors, and keeps employees from having to carrying massive amounts of keys.

2. Subsection (a), paragraph (2) would require that any cabinet used or intended to be used to contain a cardroom 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 – any location chosen that minute could be "designated." Could we edit that to be "pre-designated" to place it in the proper location for security and surveillance?

Since there may be multiple designated locations where mobile cabinets may be placed, the term "location" should be plural.

Recommended Response:

The intent is to make sure that if the cart is used on the floor, it is placed in a fixed location providing required security and surveillance. The term "designated," in this context, assumes pre-designation.

As written, this paragraph does not preclude the designation of multiple fixed locations for a single mobile cabinet, or having multiple mobile cabinets at multiple fixed locations.

3. Subsection (a), paragraph (3) would require that any cabinet used or intended to be used to contain a cardroom bank, 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 cardroom bank. This paragraph would also specify that the camera coverage must be similar to the common overhead view of a cage cashier's station in a cage.

Comments:

Is the last sentence necessary?

Recommended Response:

This sentence was added to clarify the subsection by providing an example. As an example is not necessary, it has been deleted.

4. Subsection (a), paragraph (5) would require close monitoring of the area immediately surrounding any cabinet containing or intended to contain a cardroom bank in order to control and safeguard the contents of the cabinet. This paragraph would also provide that the extended presence of individuals in that area shall be limited to those gambling enterprise employees who are required to use or access the cardroom bank or other contents of the cabinet in the performance of their duties.

Comments:

This is vague and harmful to business. Cardrooms are incredibly social. If customers are told to not be social or told to wait elsewhere if they wish to speak to a supervisor, that customer will leave and no longer gamble at that cardroom. This would be especially harmful to small cardrooms. Generally customers are aware, and employees are very aware, that excess persons need to move along during a shift change. Perhaps we need to revisit a deleted section that addressed different areas based on size of the cardroom? This may be unnecessary as it is handled without regulation.

Bureau Information: As requested and agreed at the workshop, the Bureau provided responses to the following questions concerning this requirement:

- (1) What problem was this supposed to address?

“The Bureau has conducted investigations where criminal activity has occurred at or around the podium. Significant cases of this nature are the investigations at The Oaks and Artichoke Joe’s.

“Secondly, the Bureau is concerned about security and surveillance for the podium area being compromised with patrons congregating in or around the podium area. The more

persons in and around the confined area, the less viable recordings will be of any suspicious activity.”

(2) What is intended?

“The same concerns with access to the cage as intended ‘to reduce the risk of loss or inappropriate access’ are shared with access to the podium.

“Though the concept of podiums being used a satellite cage is not specifically discussed in the development of MICS I, the issue of controlled access to a cage is. As documented in the FSOR, page 11:

‘Subsection (a), paragraph (3) provides that access to the cage shall be limited, restricted and controlled. Cash, chips and sensitive/confidential information are kept in this area. Restricting access to authorized personnel and controlling access by other personnel assists in ensuring the security of the area. This provision is intended to reduce the risk of loss or inappropriate access to sensitive or confidential information and/or documents.’”

(3) Does the Bureau still want to prohibit patron transactions at a podium?

“It has been the Bureau’s position that patron transactions at a podium should not be permitted, with the exception being for the smaller cardrooms when the podium is being used as a cage during cage reconciliations.”

Recommended Response:

This was originally written to restrict access to areas where funds are kept. The basic concern seems to be close monitoring of the area and ensuring the security and safety of the contents of a cabinet. To that end, the first sentence is sufficient. The second sentence describes one method of accomplishing what is discussed in the first sentence and is probably not necessary. Each licensee should be able to determine what steps are necessary based on their individual situation. The second sentence has been deleted.

5. Subsection (a), paragraph (6) would require that records be maintained, either in writing or electronically, to document all transactions involving a cardroom bank and record specified information.

Comments:

This would require cardrooms to generate and maintain records of all transactions, which would appear to include all chip sales and redemptions as well as chip exchanges. This could involve thousands of transactions and we are not aware of any cardroom that currently keeps these records. This would impose a huge new burden on cardrooms and for no purpose.

Sale of chips does not generate revenue; the cardroom owes the money back. The exchange of chips is of even less consequence. Also, there is no corresponding regulation applicable to cage banks, and there is no reason for the inconsistency.

Documenting every transaction at the cage is overwhelming and burdensome. While it is possible to create a new recording system, it is unnecessary – we have payroll records and other documentation that track access.

The second part of the first sentence requires cardrooms to generate records of all employees having access to the cardroom bank. It is not clear why this is combined with the first part of the sentence as the two types of records are quite different. This part is also not clear and the following substitute language is suggested: “Record must be kept for each floor chip bank as to who has access to it at any particular time.”

The second sentence specifies the contents of only the records relating to the designated employees and is another reason for separating the two parts of the first sentence.

Recommended Response:

Recording all transactions is unnecessarily burdensome and records already exist from which employee access and assignment information may be obtained. Without objection, this paragraph has been deleted.

6. Subsection (a), paragraph (7) would require that each cardroom bank be individually reconciled as part of the cage reconciliations and be itemized in those reconciliations.

Comments:

A definition for “reconciliation” for this regulation is needed. Normally, the drawer holds a total, and that total is confirmed, regardless of the specific number of each denomination of chips and cash. If this is asking for specific individual accounting to reconcile, this will be a very burdensome process. Total reconciliation for the entire building is also difficult as some chips are in use and cages close at different times.

Reconciliation of the cardroom banks as part of the cage reconciliation would be difficult as in many cardrooms the cage and floor shifts don’t begin and end on the same schedule and different staff are involved. This is not an industry standard and serves no purpose.

Reconciliation for an imprest fund is simply a count to verify that chips, cash and cash equivalents together total the imprest amount.

Recommended Response:

The terms “floor bank” and “cardroom bank,” as redefined, have been substituted as applicable. This is a reconciliation of the imprest floor bank and inclusion of that reconciliation in the cardroom bank reconciliation.

7. Subsection (a), paragraph (8) would require the establishment of the maximum value that may be assigned to each cardroom bank; and the maximum combined value of all cardroom banks in use at the same time.

Comments:

An imprest drawer has a set maximum, so this regulation is redundant and unnecessary.

Recommended Response:

This regulation was added at the request of the Bureau. The Bureau would like to keep this paragraph, especially for the small clubs.

8. Subsection (a), paragraph (9) would require the written assignment of cardroom banks to designated gambling enterprise employees, including a description of the duties and responsibility of those employees for their assigned cardroom banks.

Comments:

This requirement already exists in other regulations.

It is not clear why these additional records are needed. An employee's duties and responsibilities are contained in his or her duty statement. Assignments can be documented through other currently required or existing records; e.g., key control logs, payroll records, etc.

Recommended Response:

Records already exist from which employee access and assignment information may be obtained. Without objection, this paragraph has been deleted.

9. Subsection (a), paragraph (10) would require the establishment of specific provisions governing the sale or distribution of gambling chips and the disbursement of cash to patrons from a cardroom bank by the designated gambling enterprise employee.

Comments:

What is an example of what this looks like – how is this different from a job description?

Our company has our provisions written out: Perform the transaction so that it can be viewed by the camera; perform only direct exchange of cash amount for that amount of chips, etc.

There must be consistency regarding the use of the terms “sale,” “distribution,” “redemption,” and “receipt,” throughout the proposed regulations.

Recommended Response:

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

The various terms used throughout the proposed regulations must be interpreted according to the context in which they are being used. As noted previously, “receipt” and “redemption” were found to be redundant when used in the context of a cage employee's duties;

redemption would be included in receipt. In this context, receipt would 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. When used elsewhere, the terms “purchase” and “redemption” are meant to refer specifically to transactions with patrons; i.e., selling chips to patrons and redeeming chips from patrons.

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.

Comments:

The Bureau repeats its concern with giving employees universal keys – cards and equipment need increased security, too. Members of industry stated the cameras and limited amount of persons with key keeps the equipment protected.

Recommended Response:

See the response to comments concerning § 12387(a)(1) above (pg. 13).

2. Subsection (b), paragraph (2) would make the provisions of paragraphs (2), (3) and (5) of subsection (a) applicable to any cabinet containing or intended to contain gambling equipment or confidential documents, whether that cabinet also contains a cardroom bank or not.

Comments:

Subsection (a)(3) is irrelevant to this subsection. Also “intended to contain” is overly broad. There is no need to apply the requirements to compartments that do not actually contain gambling equipment or confidential documents.

Recommended Response:

Change “cardroom bank” to “floor bank.” Subsection (a)(3) is not irrelevant; surveillance of a cabinet containing gambling equipment and confidential documents is necessary and appropriate. The phrase “or intended to contain” can be deleted.

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 third-party provider of proposition player services (TPPPS), that access shall be segregated from any other entity or person, except as necessary for security purposes.

Comments:

The Bureau expressed concern and felt that TPPPS personnel should not have access to equipment maintained by licensee. This has caused many complications when investigating and causes an issue when too many people need to be in the same location, and sometimes the drawers are left unlocked. Industry stated requirements should be on a case by case basis as some cardrooms are too small to have separate locations for licensee and TPPPS equipment. Suggested phrasing similar to “unless otherwise accepted by the Commission” or “access shall be as approved by the Commission for Tier 1 Cardrooms.”

In the third line, suggest that the phrase “that access or use” be changed to read “access or use by the TPPPS.”

Bureau Information: As requested and agreed at the workshop, the Bureau provided responses to the following questions concerning this requirement:

- (1) What are the specific concerns regarding the sharing of cabinets if access to specific drawers or compartments is segregated and there are separate locks?

“Concerns about a TPPPS company access to or sharing of podiums are the same as discussed above relative to access to the cage. Were podiums simply used to house uncompleted forms, a trivial amount of miscellaneous office supplies, or the like, then the concept of shared podiums would not be an issue. However, when a licensee utilizes a podium for financial transactions, confidential documentation, gambling equipment (cards, etc.), and other purposes, the over-arching concern is that of controlled access, as required in regulation.

“The cage regulations specify that access to the cage is limited to designated gambling establishment employees (§ 12386(a)(3)). Specifically, ‘routine access and entry into the cage area shall be limited to on-duty cage personnel-designated...’ and ‘[o]ther employees of the gambling establishment who hold a valid gambling license or work permit may be granted access to the cage area for the purpose of performing their duties.’ A TPPPS company or their employees are not employees of the gambling establishment. Therefore, shared access to a podium would be problematic and in violation of regulations.”

- (2) Can the Bureau provide suggestions for alternatives that would take into consideration the size of a cardroom and its space limitations?

“As of October 24, 2012, there are currently 21 Tier I and II gambling establishments in northern California with approved contracts for TPPPS. Of these 21, only two share a podium with the TPPPS. Of these two, only one kept chips inside separately keyed drawers within the podium, while the other maintains all chips and confidential documents inside the cage. Based on these findings, the issue of having separate podiums for cardroom and TPPPS does not appear to be an issue for the smaller tiers, where space limitations would be of most concern.”

Recommended Response:

This subsection could be modified to eliminate the sharing of any cardroom’s cabinet with a TPPPS company or its employees. Then, if a TPPPS company is allowed to use a cabinet that cabinet shall not also be used by the cardroom.

As an alternative, this subsection could be amended to limit the sharing of a cabinet with a TPPPS company or its employees to only Tier I and Tier II cardroom’s, and only if the space limitations of the cardroom do not permit providing exclusive access to an individual cabinet. In those instances where sharing would be permitted, that access shall be segregated from any other entity or person.