

1 CALIFORNIA GAMBLING CONTROL COMMISSION  
2 SPECIFIC LANGUAGE OF PROPOSED REGULATIONS  
3 ACCOUNTING AND FINANCIAL REPORTING REQUIREMENTS FOR GAMBLING ENTERPRISES,  
4 THIRD-PARTY PROVIDERS OF PROPOSITION PLAYER SERVICES, AND GAMBLING BUSINESSES  
5 CGCC-GCA-2014-04-R  
6

7 CALIFORNIA CODE OF REGULATIONS  
8 TITLE 4. BUSINESS REGULATIONS.  
9 DIVISION 18. CALIFORNIA GAMBLING CONTROL COMMISSION.  
10 CHAPTER 1. GENERAL PROVISIONS.

11 **§ 12002. General Definitions.**

12 Unless otherwise specified, the definitions in Business and Professions Code section 19805,  
13 supplemented by the definitions found in Chapter 10 of Title 9 of Part 1 of the Penal Code  
14 (commencing with section 330), shall govern the construction of this division. As used in this  
15 division:

16 (a) “BCII” means the Bureau of Criminal Identification and Information in the California  
17 Department of Justice.

18 (b) “Bureau” means the Bureau of Gambling Control in the California Department of  
19 Justice. For the filing of any information, reports or forms, “Bureau” refers to the Sacramento  
20 office of the Bureau of Gambling Control.

21 (c) “California Games” means controlled games that feature a rotating player-dealer  
22 position, as described in Penal Code section 330.11.

23 (d) “Commission” means the California Gambling Control Commission.

24 (e) “Conviction” means a plea or verdict of guilty or a plea of *nolo contendere*, irrespective  
25 of a subsequent order of expungement under the provisions of Penal Code section 1203.4,  
26 1203.4a, or 1203.45, or a certificate of rehabilitation under the provisions of Penal Code section  
27 4852.13. Any plea entered pursuant to Penal Code section 1000.1 does not constitute a  
28 conviction for purposes of Business and Professions Code section 19859, subdivisions (c) or (d)  
29 unless a judgment of guilty is entered pursuant to Penal Code section 1000.3.

30 (f) “Deadly weapon” means any weapon, the possession or concealed carrying of which is  
31 prohibited by Penal Code section 12020.

1 (g) “Dealer's bank” means the total amount of monies a dealer has on deposit with the  
2 gambling enterprise or is assigned from the cage bank for chip trays.

3 (h) “Drop” means the total amount of compensation collected from patrons or TPPPS  
4 companies by a gambling enterprise to play in controlled games, not including tournament fees.

5 (i) “Executive Director” means the executive officer of the Commission, as provided in  
6 Business and Professions Code section 19816, or his or her designee. If the Executive Director  
7 position is vacant, ~~the~~ “Executive Director” means the officer or employee who shall be so  
8 designated by the Commission.

9 (j) “Fiscal year” means the annual period used by a licensee for financial reporting purposes.

10 (k) “Gambling business” means a business entity that engages the services of employees,  
11 independent contractors, or both to participate in the play of any controlled game that has a  
12 rotating player-dealer position in a gambling establishment. “Gambling business” does not  
13 include the provision of proposition player services.

14 ~~(h)~~(l) “Gambling Control Act” or “Act” means Chapter 5 (commencing with Section 19800)  
15 of Division 8 of the Business and Professions Code.

16 (m) “Jackpot” means a gaming activity appended to the play of a controlled game in a  
17 gambling establishment in which a prize is awarded based on specified criteria.

18 (n) “Licensee” means any person who is licensed or registered, or endorsed on a license or  
19 registration, by the Commission pursuant to the Act or any regulation adopted pursuant to the  
20 Act.

21 (o) “Player's bank” means the total amount of monies a patron or a TPPPS company has on  
22 deposit with the gambling enterprise.

23 ~~(i)~~(p) “Registrant” means a person having a valid registration issued by the Commission.

24 ~~(i)~~(q) “Surrender” means to voluntarily give up all legal rights and interests in a license,  
25 permit, registration, or approval.

26 (r) “Third-party providers of proposition player services” or “TPPPS” or “TPPPS  
27 company” means a business entity which may contract to provide proposition player services to a  
28 gambling enterprise in any controlled game that has a rotating player-dealer position, pursuant to  
29 Business and Professions Code section 19984.

30 Note: Authority cited: Sections 19811, 19823, 19824, 19840, 19841, 19853(a)(3) and 19854, Business and  
31 Professions Code; ~~and Section 7, Government Code~~. Reference: Sections ~~7.5~~, 19800, 19805, 19811, 19816, 19853,  
32 ~~and~~ 19951; ~~and~~ 19984, Business and Professions Code.

1 **§ 12003. General Requirements.**

2 (a) All books, accounts, financial records, and documents required by the Commission or the  
3 Bureau shall be in English.

4 (b) All records required by the Commission or Bureau shall be maintained for a minimum of  
5 five years, unless otherwise specified, in a secure location on the premises of the gambling  
6 establishment or at the main offices of the TPPPS company or gambling business, as applicable.  
7 Records may be maintained at another facility within California when approved in advance by  
8 the Bureau. Any change in an approved location shall be reported to the Bureau by written  
9 notice mailed or delivered within five business days after establishing or changing a storage  
10 location. The location shall be deemed approved if not disapproved by the Bureau within 30  
11 days of the written notice.

12 (c) Each licensee shall provide the Bureau with copies of any records required by the Act or  
13 this division within the time period specified in the request. If the records are maintained in  
14 other than hardcopy form, the licensee shall provide a printed copy pursuant to this section upon  
15 request.

16 (d) Records may be kept, stored, and submitted in a permanent form or media unless  
17 otherwise specified.

18 Note: Authority cited: Sections 19811, 19824, 19840, 19841, 19853 and 19984, Business and Professions Code.  
19 Reference: Sections 19826, 19827, 19841, 19857, 19866 and 19984, Business and Professions Code.

20  
21 CHAPTER 5. ACCOUNTING AND TRANSACTION APPROVALS.

22 ARTICLE 1. ACCOUNTING AND FINANCIAL REPORTING.

23 **§ 12311. Definitions.**

24 (a) Except as otherwise provided in subsection (b), the definitions in Business and  
25 Professions Code section 19805 and Section 12002 shall govern the construction of this chapter.

26 (b) As used in this chapter:

27 (1) "Group I licensee" means a licensee with a reported gross revenue of \$10 million or  
28 more for the preceding fiscal year.

29 (2) "Group II licensee" means a licensee with a reported gross revenue of \$2 million or more  
30 but less than \$10 million for the preceding fiscal year.

31 (3) "Group III licensee" means a licensee with a reported gross revenue of \$500,000 or more

1 but less than \$2 million for the preceding fiscal year.

2 (4) "Group IV licensee" means a licensee with a reported gross revenue of less than  
3 \$500,000 for the preceding fiscal year.

4 (5) "Jackpot administrative fee" means a fee to cover all expenses incurred by the licensee  
5 for administering a jackpot.

6 (6) "Licensee" means "owner licensee" as defined in Business and Professions Code section  
7 19805(ad) and, for the purposes of this chapter, the holder of a third-party provider of  
8 proposition player services or gambling business license or registration.

9 Note: Authority cited: Sections 19811, 19824, 19840, 19841, and 19984, Business and Professions Code.  
10 Reference: Sections 19805, 19840, 19841, 19853 and 19984, Business and Professions Code.

11  
12 **§ 12312. Record Retention and Maintenance; General Provisions.**

13 Each licensee shall:

14 (a) Maintain all records required by this article for a minimum of seven years.

15 (b) Maintain accurate, complete, and legible records of all transactions pertaining to  
16 financial activities. Records must be maintained in sufficient detail to support the amount of  
17 revenue reported to the Bureau in renewal applications.

18 (c) Maintain accounting records identifying the following, as applicable:

19 (1) Revenues, expenses, assets, liabilities, and equity for the gambling enterprise, TPPPS  
20 company or gambling business.

21 (2) Records of all players' banks, dealers' banks, credit transactions, returned checks, and  
22 drop for each table (either by shift or other accounting period).

23 (3) Records required by the licensee's written system of internal controls.

24 (4) Records of all jackpot monies contributed by the gambling enterprise, jackpot monies  
25 collected from patrons, and monies withdrawn for either jackpot administrative fees or payment  
26 to patrons.

27 (d) Maintain a uniform chart of accounts and accounting classifications in order to ensure  
28 consistency, comparability, and effective disclosure of financial information. The chart of  
29 accounts shall provide the classifications necessary to prepare a complete set of financial  
30 statements including, but not limited to, a statement of financial position (balance sheet), a  
31 detailed statement of operations (income statement or profit and loss statement), a statement of

1 changes in equity, a statement of cash flow, and other statements appropriate for the particular  
2 licensee. A chart of accounts shall be submitted with an initial license or registration application  
3 for review and approval by the Bureau.

4 (e) Keep a general ledger, which documents all accounting transactions completed and  
5 posted to accounts listed in the chart of accounts referred to in subsection (d) of this section.  
6 General accounting records shall be maintained on a double-entry system of accounting with  
7 recorded transactions supported by detailed subsidiary records including, but not limited to,  
8 ledgers, invoices, purchase orders, and other source documents.

9 Note: Authority cited: Sections 19811, 19824, 19840, 19841, 19853 and 19984, Business and Professions Code.  
10 Reference: Sections 19826, 19841, 19857 and 19984, Business and Professions Code.

11  
12 **§ 12313. Financial Statements and Reporting Requirements.**

13 (a) A licensee shall prepare financial statements covering all financial activities of the  
14 TPPPS company, gambling business, or the gambling enterprise for each fiscal year, in  
15 accordance with generally accepted accounting principles, unless otherwise provided in this  
16 section. If a gambling enterprise (or a person or entity that has an interest, control, or common  
17 control with the licensee) owns or operates lodging, food, beverage, or any other non-gambling  
18 operation at the gambling establishment, the financial statements must reflect the results of the  
19 gambling operation separately from those non-gambling operations.

20 (1) A Group I licensee shall engage an independent accountant licensed by the California  
21 Board of Accountancy to audit the licensee's annual financial statements in accordance with  
22 generally accepted auditing standards.

23 (2) A Group II licensee shall engage an independent accountant licensed by the California  
24 Board of Accountancy to, at a minimum, review the licensee's annual financial statements in  
25 accordance with standards for accounting and review services or with currently applicable  
26 professional accounting standards. The licensee may elect to engage an independent accountant  
27 licensed by the California Board of Accountancy to audit the annual financial statements in  
28 accordance with generally accepted auditing standards.

29 (3) A Group III licensee shall prepare financial statements including, at a minimum, a  
30 statement of financial position, a statement of income or statement of operations, and disclosure  
31 in the form of notes to the financial statements. If the licensee is unable to produce the financial

1 statements, it shall engage an independent accountant licensed by the California Board of  
2 Accountancy to perform a compilation of the licensee's annual financial statements in accordance  
3 with standards for accounting and review services or with currently applicable professional  
4 accounting standards, including full disclosure in the form of notes to the financial statements.  
5 The licensee may elect to engage an independent accountant licensed by the California Board of  
6 Accountancy to compile or perform a review of the licensee's annual financial statements in  
7 accordance with standards for accounting and review services, or to audit the annual financial  
8 statements in accordance with generally accepted auditing standards.

9 (4)(A) A Group IV licensee shall prepare financial statements that include, at a minimum, a  
10 statement of financial position and a statement of income or statement of operations. If the  
11 licensee is unable to produce the financial statements, it shall do one of the following:

12 1. Engage an independent accountant licensed by the California Board of Accountancy to  
13 perform a compilation of the licensee's annual financial statements in accordance with standards  
14 for accounting and review services or with currently applicable professional accounting  
15 standards. Management may elect not to provide footnote disclosures as would otherwise be  
16 required by generally accepted accounting principles.

17 2. Submit to the Bureau, no later than 120 calendar days following the end of the year  
18 covered by the federal income tax return, copies of the licensee's complete, signed, and duly filed  
19 federal income tax return for the tax year in lieu of the financial statements as otherwise required  
20 under this section.

21 (B) The licensee may elect to engage an independent accountant licensed by the California  
22 Board of Accountancy to compile or review the licensee's financial statements in accordance  
23 with standards for accounting and review services, or to audit the financial statements in  
24 accordance with generally accepted auditing standards.

25 (b) The Bureau may require a Group II, III, or IV licensee to engage an independent  
26 accountant licensed by the California Board of Accountancy to compile or review the licensee's  
27 financial statements in accordance with standards for accounting and review services, or to audit  
28 the financial statements in accordance with generally accepted auditing standards, if there are  
29 concerns about the licensee's operation or financial reporting, including but not limited to:

30 (1) Inadequate internal control procedures;

31 (2) Insufficient financial disclosure;

1 (3) Material misstatement in financial reporting;

2 (4) Inadequate maintenance of financial data; or

3 (5) Irregularities noted during an investigation.

4 (c) Unless otherwise provided in this section, a licensee shall submit copies of the annual  
5 financial statements, with the independent auditor's or accountant's report issued to meet the  
6 requirements under this section, to the Bureau and the Commission no later than 120 calendar  
7 days following the end of the fiscal year covered by the financial statements. If a management  
8 letter is issued, a copy of the management letter must also be submitted to the Bureau, including  
9 the licensee's reply to the management letter, if any.

10 (d) The Bureau or Commission may request additional information and documents from  
11 either the licensee or the licensee's independent accountant, regarding the annual financial  
12 statements or the services performed by the accountant.

13 (e) The Bureau or Commission may require the licensee to engage an independent  
14 accountant licensed by the California Board of Accountancy to perform a fraud audit in the event  
15 that fraud or illegal acts are suspected.

16 Note: Authority cited: Sections 19811, 19823, 19824, 19840, 19841, 19853 and 19984, Business and Professions  
17 Code. Reference: Sections 19841, 19857 and 19984, Business and Professions Code.

18  
19 **§ 12315. Records and Reports of Monetary Instrument Transactions for Gambling**  
20 **Enterprises.**

21 (a) A gambling enterprise is required to file a report of each transaction involving currency  
22 in excess of \$10,000, in accordance with section 14162(b) of the Penal Code.

23 (b) A gambling enterprise shall comply with sections 5313 and 5314 of Title 31 of the  
24 United States Code and with Chapter X of Title 31 of the Code of Federal Regulations, and any  
25 successor provisions.

26 (c) A gambling enterprise, regardless of gross revenue, shall make and keep on file at the  
27 gambling establishment a report of each transaction in currency in excess of \$10,000. These  
28 reports shall be available for inspection at any time as requested by the Bureau. These reports  
29 shall include, but not be limited to:

30 (1) Patron's name;

31 (2) Patron's address;

1 (3) Patron's identification;

2 (4) Amount of transaction;

3 (5) Type of transaction; and

4 (6) Date of transaction.

5 (d) Nothing in this section shall be deemed to waive or to suspend the requirement that a  
6 gambling enterprise make and keep a record and file a report of any transaction otherwise  
7 required by the Bureau or the Commission.

8 Note: Authority cited: Sections 19811, 19824 and 19841, Business and Professions Code. Reference: Section  
9 19841, Business and Professions Code.

10  
11 **§ 12316. Unclaimed or Abandoned Property.**

12 A gambling enterprise shall establish written policies and procedures which comply with  
13 California's Unclaimed Property Law (Code Civ. Proc., section 1500 et seq.), regarding  
14 unclaimed chips, cash, and cash equivalents left at a gaming table or in any player's bank deemed  
15 inactive by the terms of the gambling enterprise's policies and procedures, un-deposited checks  
16 issued by the gambling enterprise to a patron, and un-deposited checks drawn on a gambling  
17 enterprise's account.

18 Records of the date and amount of any unclaimed property sent or reported to the State  
19 Controller shall be kept by the licensee.

20 Note: Authority cited: Sections 19811, 19840, 19841 and 19920, Business and Professions Code. Reference:  
21 Sections 19801 and 19841, Business and Professions Code; and Title 10, Chapter 7 (Commencing with section  
22 1500), Code of Civil Procedure.

23  
24 CHAPTER 7. CONDITIONS OF OPERATION FOR GAMBLING ESTABLISHMENTS.

25 ~~ARTICLE 4. ACCOUNTING AND FINANCIAL REPORTING.~~

26 ~~§ 12400. Definitions.~~

27 ~~(a) Except as otherwise provided in subdivision (b), the definitions in Business and~~  
28 ~~Professions Code section 19805 shall govern the construction of this chapter.~~

29 ~~(b) As used in this chapter:~~

30 ~~(1) "Authorized game" means a controlled game approved by the Bureau of Gambling~~  
31 ~~Control.~~

32 ~~(2) "Dealer's bank" means the total amount of moneys a dealer of the gambling~~



1 ~~establishment has on deposit with the gambling establishment for chip trays.~~

2 ~~(3) "Drop" means the total amount of compensation collected from patrons of a gambling~~  
3 ~~establishment to play in controlled games.~~

4 ~~(4) "Fiscal year" means the annual period used by a licensee for financial reporting~~  
5 ~~purposes.~~

6 ~~(5) "Group I licensee" means a licensee with a reported gross revenue of \$10 million or~~  
7 ~~more for the preceding fiscal year.~~

8 ~~(6) "Group II licensee" means a licensee with a reported gross revenue of \$2 million or more~~  
9 ~~but less than \$10 million for the preceding fiscal year.~~

10 ~~(7) "Group III licensee" means a licensee with a reported gross revenue of less than \$2~~  
11 ~~million for the preceding fiscal year.~~

12 ~~(8) "Jackpot" means a gaming activity appended to the play of an authorized game in a~~  
13 ~~gambling establishment in which a prize is awarded based on predetermined criteria.~~

14 ~~(9) "Jackpot administrative fee" means a fee to cover all expenses incurred by the licensee~~  
15 ~~for administering a jackpot.~~

16 ~~(10) "Licensee" means "owner licensee" as defined in Business and Professions Code~~  
17 ~~section 19805(ad).~~

18 ~~(11) "Player's bank" means the total amount of moneys a patron of the gambling~~  
19 ~~establishment has on deposit with the gambling establishment.~~

20 ~~Note: Authority cited: Sections 19811, 19824, 19840 and 19841, Business and Professions Code. Reference:~~  
21 ~~Sections 19805 and 19841, Business and Professions Code.~~

22  
23 **~~§ 12401. Accounting Records.~~**

24 ~~Each licensee shall:~~

25 ~~(a) Maintain accurate, complete, and legible records of all transactions pertaining to gross~~  
26 ~~revenue as defined in Business and Professions Code section 19805(r). Records must be~~  
27 ~~maintained in sufficient detail to support the amount of revenue reported to the Bureau in~~  
28 ~~renewal applications.~~

29 ~~(b) Maintain accounting records identifying the following:~~

30 ~~(1) Revenues, expenses, assets, liabilities, and equity for the gambling establishment.~~

31 ~~(2) Records of all players' banks, dealers' banks, credit transactions, returned checks, and~~

1 ~~drop for each table (either by shift or other accounting period).~~

2 ~~(3) Records required by the licensee's written system of internal controls.~~

3 ~~(4) Records of all jackpot moneys contributed by the gambling establishment, jackpot~~  
4 ~~moneys collected from patrons, or both, and moneys withdrawn for either jackpot administrative~~  
5 ~~fees or payment to patrons.~~

6 ~~Note: Authority cited: Sections 19811, 19824, 19840 and 19841, Business and Professions Code. Reference:~~  
7 ~~Section 19841, Business and Professions Code.~~

8  
9 ~~§ 12402. Chart of Accounts.~~

10 ~~Each licensee shall:~~

11 ~~(a) Maintain a uniform chart of accounts and accounting classifications in order to ensure~~  
12 ~~consistency, comparability, and effective disclosure of financial information. The chart of~~  
13 ~~accounts shall provide the classifications necessary to prepare a complete set of financial~~  
14 ~~statements including but not limited to a statement of financial position, a statement of~~  
15 ~~operations, a statement of changes in equity, a statement of cash flows, or other statements~~  
16 ~~appropriate for the licensee. If the licensee elects to submit to the Bureau copies of its federal~~  
17 ~~income tax return as provided in Section 12403, the chart of accounts shall contain~~  
18 ~~classifications necessary to prepare the licensee's federal income tax return.~~

19 ~~(b) Within 90 days of the effective date of these regulations, submit the chart of accounts to~~  
20 ~~the Commission for approval. The Commission shall submit a copy of the chart of accounts to~~  
21 ~~the Bureau for review and comment. The Bureau shall provide the Commission with comments,~~  
22 ~~if any, within 15 days of the submission to the Bureau. If the Bureau does not respond within 15~~  
23 ~~days, it shall be deemed that the Bureau does not object to the chart of accounts or have~~  
24 ~~comments. The Commission shall then have 30 days to approve, reject, request additional~~  
25 ~~information, or approve with modification(s) the chart of accounts and advise the licensee.~~

26 ~~(c) Not use a chart of accounts other than the approved chart of accounts, but may create~~  
27 ~~subaccounts for some or all accounting classifications. The licensee may alter the account~~  
28 ~~numbering system, provided that the licensee maintains and provides to the Commission a cross~~  
29 ~~reference to the approved chart of accounts no later than 30 calendar days following the end of~~  
30 ~~the fiscal year in which the change occurs.~~

31 ~~(d) Keep a general ledger, which documents all accounting transactions completed and~~

1 ~~posted to accounts listed in the chart of accounts referred to in subsection (a) of this section.~~

2 ~~General accounting records shall be maintained on a double entry system of accounting with~~

3 ~~recorded transactions supported by detailed subsidiary records, including but not limited to~~

4 ~~ledgers, invoices, purchase orders, and other source documents.~~

5 ~~Note: Authority cited: Sections 19811, 19824, 19840 and 19841, Business and Professions Code. Reference:~~  
6 ~~Section 19841, Business and Professions Code.~~

7  
8 **§ 12403. Financial Statements and Reporting Requirements.**

9 (a) ~~A licensee shall prepare financial statements covering all financial activities of the~~  
10 ~~licensee's gambling operation for each fiscal year, in accordance with generally accepted~~  
11 ~~accounting principles unless otherwise provided in this section. If the licensee (or a person or~~  
12 ~~entity that has an interest, control, or common control with the licensee) owns or operates~~  
13 ~~lodging, food, beverage, or any other non-gambling operation at the establishment, the financial~~  
14 ~~statements must reflect the results of the gambling operation separately from those non-gambling~~  
15 ~~operations.~~

16 (1) ~~A Group I licensee shall engage an independent accountant licensed by the California~~  
17 ~~Board of Accountancy to audit the licensee's annual financial statements in accordance with~~  
18 ~~generally accepted auditing standards.~~

19 (2) ~~A Group II licensee shall engage an independent accountant licensed by the California~~  
20 ~~Board of Accountancy to review the licensee's annual financial statements in accordance with~~  
21 ~~standards for accounting and review services or with currently applicable professional~~  
22 ~~accounting standards. The Bureau or Commission may require the licensee, or the licensee may~~  
23 ~~elect, to engage, an independent accountant licensed by the California Board of Accountancy to~~  
24 ~~audit the annual financial statements in accordance with generally accepted auditing standards, if~~  
25 ~~there are concerns about the licensee's operation or financial reporting, including but not limited~~  
26 ~~to:~~

27 (A) ~~Inadequate internal control procedures;~~

28 (B) ~~Insufficient financial disclosure;~~

29 (C) ~~Material misstatement in financial reporting;~~

30 (D) ~~Inadequate maintenance of financial data; or~~

31 (E) ~~Irregularities noted during an investigation.~~

1       ~~(3) A Group III licensee with a gross revenue of \$500,000 or more per year shall prepare~~  
2 ~~financial statements including at a minimum a statement of financial position, a statement of~~  
3 ~~income or statement of operations, and disclosure in the form of notes to the financial statements.~~  
4 ~~If the licensee is unable to produce the financial statements, it shall engage an independent~~  
5 ~~accountant licensed by the California Board of Accountancy to perform a compilation of the~~  
6 ~~licensee's annual financial statements in accordance with standards for accounting and review~~  
7 ~~services or with currently applicable professional accounting standards, including full disclosure~~  
8 ~~in the form of notes to the financial statements. The Bureau or Commission may require the~~  
9 ~~licensee, or the licensee may elect, to engage an independent accountant licensed by the~~  
10 ~~California Board of Accountancy to compile or review the licensee's financial statements in~~  
11 ~~accordance with standards for accounting and review services, or to audit the financial~~  
12 ~~statements in accordance with generally accepted auditing standards, if there are concerns about~~  
13 ~~the licensee's operation or financial reporting, including but not limited to:~~

- 14       ~~(A) Inadequate internal control procedures;~~  
15       ~~(B) Insufficient financial disclosure;~~  
16       ~~(C) Material misstatement in financial reporting;~~  
17       ~~(D) Inadequate maintenance of financial data; or~~  
18       ~~(E) Irregularities noted during an investigation.~~

19       ~~(4)(A) A Group III licensee with a gross revenue of less than \$500,000 per year shall~~  
20 ~~prepare financial statements that include, at a minimum, a statement of financial position and a~~  
21 ~~statement of income or statement of operations. If the licensee is unable to produce the financial~~  
22 ~~statements, it shall do one of the following:~~

23       ~~1. Engage an independent accountant licensed by the California Board of Accountancy to~~  
24 ~~perform a compilation of the licensee's annual financial statements in accordance with standards~~  
25 ~~for accounting and review services or with currently applicable professional accounting~~  
26 ~~standards and management may elect not to provide footnote disclosures as would otherwise be~~  
27 ~~required by generally accepted accounting principles.~~

28       ~~2. Submit to the Bureau no later than 120 calendar days following the end of the year~~  
29 ~~covered by the federal income tax return, copies of the licensee's complete signed and duly filed~~  
30 ~~federal income tax return for the tax year in lieu of the financial statements as otherwise required~~  
31 ~~under this section.~~

1 ~~(B) The Bureau or Commission may require the licensee, or the licensee may elect, to~~  
2 ~~engage an independent accountant licensed by the California Board of Accountancy to compile~~  
3 ~~or review the licensee's financial statements in accordance with standards for accounting and~~  
4 ~~review services, or to audit the financial statements in accordance with generally accepted~~  
5 ~~auditing standards, if there are concerns about the licensee's operation or financial reporting,~~  
6 ~~including but not limited to:~~

- 7 ~~1. Inadequate internal control procedures;~~
- 8 ~~2. Insufficient financial disclosure;~~
- 9 ~~3. Material misstatement in financial reporting;~~
- 10 ~~4. Inadequate maintenance of financial data; or~~
- 11 ~~5. Irregularities noted during an investigation.~~

12 ~~(b) Unless otherwise provided in this section, a licensee shall submit copies of the annual~~  
13 ~~financial statements, with the independent auditor's or accountant's report issued to meet the~~  
14 ~~requirements under this section, to the Bureau no later than 120 calendar days following the end~~  
15 ~~of the fiscal year covered by the financial statements. If a management letter is issued, a copy of~~  
16 ~~the management letter must also be submitted to the Bureau, including the licensee's reply to the~~  
17 ~~management letter, if any.~~

18 ~~(c) The Bureau or Commission may request additional information and documents from~~  
19 ~~either the licensee or the licensee's independent accountant, regarding the annual financial~~  
20 ~~statements or the services performed by the accountant.~~

21 ~~(d) The Bureau or Commission may require the licensee to engage an independent~~  
22 ~~accountant licensed by the California Board of Accountancy to perform a fraud audit in the event~~  
23 ~~that fraud or illegal acts are suspected.~~

24 ~~Note: Authority cited: Sections 19811, 19824, 19840 and 19841, Business and Professions Code. Reference:~~  
25 ~~Section 19841, Business and Professions Code.~~

#### 26

27 **~~§ 12404. Records and Reports of Monetary Instrument Transactions.~~**

28 ~~(a) A gambling enterprise, as defined in section 19805(m) of the Business and Professions~~  
29 ~~Code, is required to file a report of each transaction involving currency in excess of \$10,000, in~~  
30 ~~accordance with section 14162(b) of the Penal Code.~~

31 ~~(b) A gambling enterprise shall comply with sections 5313 and 5314 of Title 31 of the~~

1 ~~United States Code and with sections 103.21, 103.22, 103.23, 103.63, and 103.64 of Title 31 of~~  
2 ~~the Code of Federal Regulations, and any successor provisions.~~

3 ~~(e) A gambling enterprise, regardless of gross revenue, shall make and keep on file at the~~  
4 ~~gambling establishment a report of each transaction in currency in excess of \$10,000. These~~  
5 ~~reports shall be available for inspection at any time as requested by the Bureau. These reports~~  
6 ~~shall include, but not be limited to:~~

7 ~~(1) Patron's name~~

8 ~~(2) Patron's address~~

9 ~~(3) Patron's identification~~

10 ~~(4) Amount of transaction~~

11 ~~(5) Type of transaction~~

12 ~~(6) Date of transaction.~~

13 ~~(d) Nothing in this section shall be deemed to waive or to suspend the requirement that a~~  
14 ~~gambling enterprise make and keep a record and file a report of any transaction otherwise~~  
15 ~~required by the Bureau or the Commission.~~

16 ~~Note: Authority cited: Sections 19811, 19824, 19840 and 19841, Business and Professions Code. Reference:~~  
17 ~~Section 19841, Business and Professions Code.~~

18  
19 ~~**§ 12405. Record Retention and Disclosure.**~~

20 ~~The licensee shall retain within California all records required to be maintained by the Act~~  
21 ~~or by these regulations for at least seven years after the records are made. Upon request of the~~  
22 ~~Bureau or Commission, a licensee shall provide the Bureau or Commission with copies of such~~  
23 ~~records, within the time period specified in the request. If the records are maintained in~~  
24 ~~electronic form and the licensee is requested to do so, the licensee shall provide a printed copy~~  
25 ~~pursuant to this section.~~

26 ~~Note: Authority cited: Sections 19811, 19824, 19840 and 19841, Business and Professions Code. Reference:~~  
27 ~~Section 19841, Business and Professions Code.~~

28  
29 ~~**§ 12406. Language.**~~

30 ~~A licensee shall make and maintain all books, accounts, and other financial records in~~  
31 ~~English.~~

32 ~~Note: Authority cited: Sections 19811, 19824, 19840 and 19841, Business and Professions Code. Reference:~~

1 ~~Section 19841, Business and Professions Code.~~

2

3 ~~§ 12410. Unclaimed or Abandoned Property.~~

4 ~~A licensee shall establish written policies and procedures which comply with California's~~  
5 ~~Unclaimed Property Law (Code Civ. Proc., section 1500 et seq.), regarding unclaimed chips,~~  
6 ~~cash, and cash equivalents left at a gaming table or in any player's bank deemed inactive by the~~  
7 ~~terms of the licensee's policies and procedures, un-deposited checks issued by the licensee to a~~  
8 ~~patron, and un-deposited checks drawn on a licensee's account.~~

9 ~~Records of the date and amount of any unclaimed property sent or reported to the State~~  
10 ~~Controller shall be kept by the licensee.~~

11 ~~Note: Authority cited: Sections 19811, 19840, 19841(g), 19841(h), 19841(j) and 19920, Business and Professions~~  
12 ~~Code. Reference: Sections 19801, 19841(g), 19841(h) and 19841(j), Business and Professions Code; and Title 10,~~  
13 ~~Chapter 7 (Commencing with section 1500), Code of Civil Procedure.~~

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