

Accounting and Financial Reporting

Title 18, California Code of Regulations, Division 18, Chapter 6

Section 12400. Definitions.

- (a) Except as otherwise provided in subdivision (b), the definitions in Business and Professions Code section 19805 shall govern the construction of this chapter.
- (b) As used in this chapter:
- (1) ~~“Cash equivalent” means a treasury check, personal check, traveler’s check, wire transfer of funds, money order, certified check, cashier’s check, a check drawn on the licensee’s account payable to a patron or to the licensee, a voucher recording cash drawn against a credit card or debit card, or a short term marketable security which can be immediately redeemed~~
“Authorized game” means a controlled game approved by the Division of Gambling Control.
 - (2) “Dealer’s bank” means the total amount of moneys a dealer of the gambling establishment has on deposit with the gambling establishment for chip trays.
 - (3) "Drop" means the total amount of compensation collected from patrons of a gambling establishment to play in controlled games.
 - (4) "Fiscal year" means the annual period used by a licensee for financial reporting purposes.
 - (5) "Group I licensee" means a licensee with a reported gross

revenue of \$10 million or more for the preceding fiscal year.

- (6) "Group II licensee" means a licensee with a reported gross revenue of \$2 million or more but less than \$10 million for the preceding fiscal year.
- (7) "Group III licensee" means a licensee with a reported gross revenue of less than \$2 million for the preceding fiscal year.
- (8) "Jackpot" means a gaming activity appended to the play of an authorized game in a gambling establishment in which a prize is awarded based on predetermined criteria.
- (9) "Jackpot administrative fee" means a fee to cover all expenses incurred by the licensee for administering a jackpot."
- ~~(9)~~ (10) "Player's bank" means the total amount of moneys a patron of the gambling establishment has on deposit with the gambling establishment.

Authority: Sections 19811, 19824, 19840, and 19841, Business and Professions Code

Reference: Section 19841, Business and Professions Code

Section 12401. Accounting Records.

Each licensee shall:

- (a) Maintain accurate, complete, and legible, ~~and permanent~~ records of all transactions pertaining to gross revenue as defined in Business & Professions Code Section 19805(p). Records must be maintained in sufficient detail to support the amount of revenue reported to the Commission in renewal applications.

- (b) Maintain accounting records identifying the following:
- (1) Revenues, expenses, assets, liabilities, and equity for the gambling establishment.
 - (2) Records of all player's banks, dealer's banks, credit transactions, returned checks, and drop for each table (either by shift or other accounting period).
 - (3) Records required by the licensee's written system of internal controls.
 - (4) Records of all jackpot moneys contributed by the gambling establishment, collected from patrons, or both, and moneys withdrawn for either jackpot administrative costs fees or payment to patrons.

Authority: Sections 19811, 19824, 19840, and 19841, Business and Professions Code

Reference: Section 19841, Business and Professions Code

Section 12402. Chart of Accounts.

~~Any Each licensee with gross income at or above the amount stated in~~

~~Business & Professions Code section 19951(d)(3) shall:~~

- (a) Maintain a uniform chart of accounts and accounting classifications in order to ensure consistency, comparability, and effective disclosure of

financial information. The chart of accounts shall provide the classifications necessary to prepare a complete set of financial statements including but not limited to a balance sheet statement of financial position, a statement of operations, a statement of changes in equity, and a statement of cash flows, or other statements appropriate for the licensee. If the licensee elects to submit to the Division and the Commission copies of its federal income tax return as provided in Section 12403, the chart of accounts shall contain classifications necessary to prepare the licensee's federal income tax return.

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

- (c) Not use a chart of accounts other than the approved chart of accounts, but may ~~expand the level of detail~~ create subaccounts for some or all accounting classifications ~~and/or~~. The licensee may alter the account numbering system, provided that the licensee maintains and provides promptly to the Commission a cross reference to the approved chart of accounts no later than 30 calendar days following the end of the fiscal year in which the change occurs.
- (d) Keep a general ledger, which documents all accounting transactions completed and posted to accounts listed in the chart of accounts referred to in subsection (a) ~~above~~ of this section. General accounting records shall be maintained on a double entry system of accounting with recorded transactions ~~recorded on an accrual basis and~~ supported by detailed subsidiary records, including but not limited to ledgers, invoices, purchase orders, and other source documents.

Authority: Sections 19811, 19824, 19840, and 19841, Business and Professions Code

Reference: Section 19841, Business and Professions Code

Section 12403. Standardized Financial Statements and Reporting Requirements.

- (a) A licensee shall prepare financial statements covering all financial

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

- (1) A Group I licensee shall engage an independent accountant licensed by the California Board of Accountancy to audit the licensee's annual financial statements in accordance with generally accepted auditing standards.
- (2) A Group II licensee shall engage an independent accountant licensed by the California Board of Accountancy to review the licensee's annual financial statements in accordance with standards for accounting and review services or with currently applicable professional accounting standards. The Division or Commission may require the licensee, or the

licensee may elect, to engage, an independent accountant licensed by the California Board of Accountancy to audit the annual financial statements in accordance with generally accepted auditing standards, if there are concerns about the licensee's operation or financial reporting, including but not limited to:

(A) Inadequate internal control procedures,

(B) Insufficient financial disclosure,

(C) Material misstatement in financial reporting,

(D) Inadequate maintenance of financial data, or

(E) Irregularities noted during an investigation.

- (3) A Group III licensee with a gross revenues of \$500,000 or more per year shall prepare financial statements ~~similar in form to generally accepted accounting principles for compilations~~ including at a minimum a statement of financial position, a statement of income or statement of operations, and disclosure in the form of notes to the financial statements. If the licensee is unable to produce the financial statements, ~~they~~ it shall engage an independent accountant

licensed by the California Board of Accountancy to perform a compilation of the licensee's annual financial statements in accordance with ~~accounting and compilation services~~ standards for accounting and review services or with currently applicable professional accounting standards, including full disclosure in the form of notes to the financial statements. The Division or Commission may require the licensee ~~to~~, or the licensee may elect to, engage an independent accountant licensed by the California Board of Accountancy to compile or review the licensee's financial statements in accordance with standards for accounting and review services, or to audit the financial statements in accordance with generally accepted auditing standards, if there are concerns about the licensee's operation or financial reporting, including but not limited to:

- (A) Inadequate internal control procedures,
- (B) Insufficient financial disclosure,
- (C) Material misstatement in financial reporting,
- (D) Inadequate maintenance of financial data, or

(E) Irregularities noted during an investigation.

(4)(A) A Group III licensee with a gross revenue of less than \$500,000 per year shall prepare financial statements ~~similar in form to generally accepted accounting principles for compilations~~ that include, at a minimum, a statement of financial position and a statement of income or statement of operations. If the licensee is unable to produce the financial statements, it shall do one of the following:

- (i) Engage an independent accountant licensed by the California Board of Accountancy to perform a compilation of the licensee's annual financial statements in accordance with standards for accounting and ~~compilation~~ review services or with currently applicable professional accounting standards and management may elect not to provide footnote disclosures as would otherwise be

required by generally accepted accounting principles.

- (ii) Submit to the Division and Commission no later than 120 calendar days following the end of the year covered by the federal income tax return, copies of the licensee's complete signed and duly filed federal income tax return for the tax year in lieu of the financial statements as otherwise required under this section.

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

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

- (b) Unless otherwise provided in this section, A a licensee shall submit copies of the annual financial statements, with the independent auditor's or accountant's report issued to meet the requirements under this section, to the Division and Commission ~~as required in section 12403~~ not no later than 120 calendar days following the end of the fiscal year covered by the financial statements. If a management letter is issued, a copy of the management letter must also be submitted to the Division and Commission, including the licensee's reply to the management letter, if any.
- (c) The Division or Commission may request additional information and documents from either the licensee or the licensee's independent accountant, regarding the annual financial statements or the services performed by the accountant.

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

Authority: Sections 19811, 19824, 19840, and 19841, Business and Professions Code

Reference: Section 19841, Business and Professions Code

Section 12404. Records and Reports of Monetary Instrument Transactions.

- (a) A gambling establishment, as defined in section 19805(m) of the Business and Professions Code, is required to file a report of each transaction involving currency in excess of \$10,000, in accordance with ~~sections~~ section 14162(a) and (b) of the Penal Code.
- ~~(b) A gambling establishment shall file a report of the transaction with the Division within fifteen (15) calendar days of the transaction, in accordance with sections 14162(a) and (b) of the Penal Code.~~
- ~~(e)~~ (b) A gambling establishment, ~~regardless of gross revenue,~~ shall ~~file with the Division, within the time specified by federal law, either an original or duplicate report required by Section 6050I of Title 26 of the United States Code, and any regulations adopted thereunder, or an original or duplicate report required by~~ comply with sections 5313 and 5314 of Title 31 of the United States Code and ~~by~~ with sections 103.21, 103.22, ~~and~~ 103.23, 103.63, and 103.64 of Title 31 of the

~~Code of Federal Regulations, and any successor provisions thereto or a duplicate copy of a report required by Section 6050I of Title 26 of the United States Code, and any regulations adopted thereunder.~~

(c) ~~A licensee shall make and keep a record and file with the Division a report of each currency transaction in excess of \$10,000. This requirement applies even if existing federal currency transaction report requirements are repealed or modified.~~ A gambling establishment, regardless of gross revenue, shall make and keep on file at the gambling establishment a report of each transaction in currency in excess of \$10,000. These reports shall be available for inspection at any time as requested by the Division or the Commission. These reports shall include, but not be limited to:

- (1) Patron's name
- (2) Patron's address
- (3) Patron's identification
- (4) Amount of transaction
- (5) Type of transaction
- (6) Date of transaction.

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

Authority: Sections 19811, 19824, 19840, and 19841, Business and Professions Code

Reference: Section 19841, Business and Professions Code

Section 12405. Record Retention and Disclosure.

All records required to be maintained by the Gambling Control Act or by these regulations shall be retained by the licensee within California for at least seven years after such records are made. Upon request of the Division or Commission, a licensee shall provide the Division or Commission with copies of such records, within the time period specified in the request. If the records are maintained in electronic form and the licensee is requested to do so, the licensee shall provide a printed copy pursuant to this section.

Authority: Sections 19811, 19824, 19840, and 19841, Business and Professions Code

Reference: Section 19841, Business and Professions Code

Section 12406. Language.

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

Authority: Sections 19811, 19824, 19840, and 19841, Business and Professions Code

Reference: Section 19841, Business and Professions Code