

PROPOSED PART 543 – MINIMUM INTERNAL CONTROL STANDARDS FOR CLASS II GAMING

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§ 543.1 What does this part cover?

This part establishes the minimum internal control standards for the conduct of Class II games on Indian lands as described in 25 U.S.C. 2701 *et seq.*

§ 543.2 What are the definitions for this part?

The definitions in this section apply to all sections of this part unless otherwise noted.

Accountability. All financial instruments, receivables, and patron deposits constituting the total amount for which the bankroll custodian is responsible at a given time.

Accumulated credit payout. Credit accrued in a player interface that is paid to a patron manually in lieu of a player interface payout (i.e. hand pay, manual pay).

Agent. A person authorized by the gaming operation, as approved by the TGRA, to make decisions or perform assigned tasks or actions on behalf of the gaming operation. This definition permits the use of computer applications to perform the function(s) of an agent.

Bingo paper. A consumable physical object that has one or more bingo cards on its face.

Bingo sales. Sales transactions and/or the value of purchases made by players to participate in the game(s).

Cage. A secure work area within the gaming operation for cashiers which may include a storage area for the gaming operation bankroll.

Chairman. The Chairman of the National Indian Gaming Commission.

Cash equivalents. Documents, financial instruments other than cash, or anything else of representative value to which the gaming operation has assigned a monetary value. A cash equivalent includes, but is not limited to, tokens, chips, coupons, vouchers, payout slips and tickets, and other items to which a gaming operation has assigned an exchange value.

Cashless system. A system that performs cashless transactions and maintains records of those cashless transactions.

Cashless transaction. A movement of funds electronically from one component to another, often to or from a patron deposit account, or promotional account.

Chips. Cash substitutes, in various denominations, issued by a gaming operation.

Class II game. Class II gaming shall have the same meaning as defined in 25 U.S.C. 2703(7)(A).

Class II Gaming System. All components, whether or not technologic aids in electronic, computer, mechanical, or other technologic form, that function together to aid the play of one or more Class II games including accounting functions mandated by these regulations part 547 of this chapter.

Commission. The National Indian Gaming Commission established by the Indian Gaming Regulatory Act, 25 U.S.C. 2701 *et seq.*

Complimentary. A service or item provided at no or reduced cost, to a patron at the discretion of an agent authorized to issue such services or items.

Count. The act of counting and recording the drop and/or other funds. Also, the total funds counted for a particular game, player interface, shift, or other period.

Count room. A secured room location where the count is performed in which the cash and cash equivalents are counted.

Credit line (see Lines of credit). The privilege granted by a gaming operation to a patron to (1) defer payment of debt or (2) to incur debt and defer its payment under specific terms and conditions.

Credit line limit. The maximum dollar amount of credit assigned to a patron by the gaming operation.

Dedicated camera. A video camera that continuously records a specific activity.

Drop. The process of removing the drop boxes from the player interface or point of purchase.

Drop proceeds. The total amount of financial instruments removed from the drop boxes.

Drop box. A locked container in which cash or cash equivalents are placed at the time of the transaction.

Exception Report. A listing of occurrences, transactions or items that fall outside a predetermined range of acceptability.

Financial instrument. Any tangible item of value tendered in Class II game play, including, but not limited to bills, coins, vouchers, and coupons.

Gaming Promotion. A type of marketing activity conducted by a gaming operation which includes two, but not all three, of the following elements: prize, chance, consideration.

Generally Accepted Accounting Principles (GAAP). A widely accepted set of rules, conventions, standards, and procedures for reporting financial information, as established by the Financial Accounting Standards Board (FASB), including but not limited to the standards for casino accounting published by the American Institute of Certified Public Accountant (AICPA).

Governmental Accounting Standards Board (GASB). Generally accepted accounting principles used by state and local governments.

Independent. The separation of functions so that the person or process monitoring, reviewing or authorizing the controlled activity, function, transaction is separate from the persons or process performing the controlled activity, function, transaction.

Lines of credit. The privilege granted by a gaming operation to a patron to (1) defer payment of debt or (2) to incur debt and defer its payment under specific terms and conditions.

Manual payout. Hand payment to a player.

Marker. A document, signed by the patron promising to repay credit issued by the gaming operation.

MICS. Minimum internal control standards in this part.

Patron. A person who is a customer or guest of the gaming operation and may interact with a Class II game. Also may be referred to as a “player”.

Patron deposit account. An account maintained on behalf of a patron, for the purpose of depositing and withdrawing funds for the primary purpose of interacting with a gaming activity.

Permanent Record. Those records that must be maintained for a minimum period of 5 years, including all documents that contain original signatures or represent audit papers.

Player interface. Any component(s) or components of a Class II gaming system, including an electronic or technological aid (not limited to terminals, player stations, handhelds, fixed units, etc.), that directly enables player interaction in a Class II game.

Prize payout. Payment to a player associated with a winning or qualifying event.

Promotional progressive pots and/or pools. Funds contributed to a game by and for the benefit of players and are distributed to players based on a predetermined event.

Restricted patron deposit account. An account that can be accessed only by a specific patron using a secured method.

SSAE. Standards for Attestation Engagements.

Shift. A time period, unless otherwise approved by the tribal gaming regulatory authority, not to exceed 24 hours.

Shill. An agent financed by the gaming operation and acting as a player.

Short pay. The payment of the unpaid balance of an incomplete payout.

System of Internal Controls (SICS). An overall operational framework for a gaming operation incorporating principles of independence and segregation of function comprised of written policies, procedures, and standard practices based on overarching regulatory standards specifically designed to create a system of checks and balances in order to safeguard the integrity of a gaming operation and protect its assets.

Smart card. A card with embedded integrated circuits that possesses the means to electronically store or retrieve account data, and is the only source of that data.

Surveillance operation room(s). The secured area(s) where surveillance is taking place and/or where active surveillance equipment is located.

Surveillance system. A system of video cameras, monitors, recorders, video printers, switches, selectors, and other ancillary equipment used for surveillance.

Tier A. Gaming operations with annual gross gaming revenues of more than \$3 million but not more than \$8 million.

Tier B. Gaming operations with annual gross gaming revenues of more than \$8 million but not more than \$15 million.

Tier C. Gaming operations with annual gross gaming revenues of more than \$15 million.

TGRA. Tribal gaming regulatory authority which is the entity authorized by tribal law to regulate gaming conducted pursuant to the Indian Gaming Regulatory Act.

TICS. Tribal Internal Control Standards.

Unrestricted patron deposit account. An account that may be accessed by the holder of the account number.

Vault. A secure area where cash and cash equivalents are stored.

§ 543.3 How do tribal governments comply with this part?

(a) Determination of tier.

(1) The determination of tier level shall be made based upon the annual gross gaming revenues indicated within the gaming operation's audited financial statements.

(2) Gaming operations moving from one tier to another shall have nine (9) months from the date of the independent certified public accountant's audit report to achieve compliance with the requirements of the new tier. The TGRA may extend the deadline by an additional six (6) months if written notice is provided to the Commission no later than two (2) weeks before the expiration of the nine (9) month period.

(b) TICS. TGRAs shall ensure that TICS are established and implemented that provide a level of control that equals or exceeds those set forth in this part.

(1) Evaluation of Existing TICS. Each TGRA must, in accordance with the tribal gaming ordinance, determine whether and to what extent their TICS require revision to ensure compliance with this part.

(2) Compliance Date. All changes necessary to ensure compliance with this part shall be promulgated within twelve (12) months from the effective date of this part and implemented at the commencement at the next fiscal year. At the discretion of the TGRA, gaming operations may have an additional six (6) months to come into compliance with the TICS.

(c) SICS. Each gaming operation must develop and implement a SICS that, at a minimum, complies with the TICS.

(1) Existing gaming operations. All gaming operations that are operating on or before the effective date of this part, must comply with this part within the time requirements established in paragraph (b) of this section. In the interim, such operations must continue to comply with existing TICS.

(2) New gaming operations. All gaming operations that commence operations after the effective date of this part, must comply with this part before commencement of operations.

(d) Submission to Commission. Tribal regulations promulgated pursuant to this part are not required to be submitted to the Commission pursuant to Sec. 522.3(b) of this chapter.

(e) Enforcement of Commission MICS.

(1) Each TGRA is required to establish and implement TICS pursuant to paragraph (b) of this section. Each gaming operation is then required, pursuant to paragraph (c) of this section, to develop and implement a SICS that complies with the TICS. Failure to do so may subject the tribal operator of the gaming operation, or the management contractor, to penalties under 25 U.S.C. 2713.

(2) Recognizing that tribes are the primary regulator of their gaming operation(s), enforcement action by the Commission will not be initiated under this part without first informing the tribe and TGRA of deficiencies in the SICS of its gaming operation and allowing a reasonable period of time to address such deficiencies. Such prior notice and opportunity for corrective action is not required where the threat to the integrity of the gaming operation is immediate and severe.

§ 543.4 What are the rules of interpretation and of general application for this part?

(a) Minimum standards. A TGRA may establish and implement additional technical standards that are as stringent as, or more stringent than, those set out in this part.

(b) Only applicable standards apply. Gaming equipment and software used with Class II gaming systems shall meet all applicable requirements of this part. For example, if a gaming operation does not offer lines of credit, then any standards that govern credit do not apply.

(c) No Limitation of Technology. This part should not be interpreted to limit the use of technology or to preclude the use of technology not specifically referenced.

(d) Severability. If any provision of this part is declared invalid by a court of competent jurisdiction, such decision shall not affect the remainder of this part.

§ 543.5 [RESERVED]

§ 543.6 Does this part apply to small and charitable gaming operations?

(a) Small gaming operations. This part does not apply to small gaming operations provided that:

- (1) The TGRA permits the operation to be exempt from this part;
- (2) The annual gross gaming revenue of the operation does not exceed \$3 million; and
- (3) The TGRA develops and the operation complies with alternate procedures that:
 - (i) Protect the integrity of games offered;
 - (ii) Safeguard the assets used in connection with the operation; and
 - (iii) Create, prepare and maintain records in accordance with Generally Accepted Accounting Principles.

(b) Charitable gaming operations. This part does not apply to charitable gaming operations provided that:

- (1) All proceeds are for the benefit of a charitable organization;
- (2) The TGRA permits the charitable organization to be exempt from this part;
- (3) The charitable gaming operation is operated wholly by the charitable organization's agents;
- (4) The annual gross gaming revenue of the charitable operation does not exceed \$3 million; and
- (5) The TGRA develops and the charitable gaming operation complies with alternate procedures that:

- (i) Protect the integrity of the games offered;
- (ii) Safeguard the assets used in connection with the gaming operation; and
- (iii) Create, prepare and maintain records in accordance with Generally Accepted Accounting Principles. For more information please see www.fasb.gov or www.fasb.org.

(c) Independent operators. Nothing in this section exempts gaming operations conducted by independent operators for the benefit of a charitable organization.

§ 543.7 What are the minimum internal control standards for bingo?

(a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

(b) Computerized applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Variances. The TGRA shall establish the threshold level at which a variance shall be reviewed. Any such review shall be documented.

(d) Bingo Cards

(1) Inventory of bingo paper.

(i) The bingo paper inventory must be controlled in a manner designed to prevent unauthorized access, misappropriation, or fraud. Such controls shall address bingo paper exchanged between two agents, increases and decreases to inventory, and inventory reconciliation.

(2) Bingo sales.

(i) Bingo sales must be controlled in a manner to adequately record, track, and reconcile all bingo sales, including but not limited to voids of bingo cards.

(ii) When bingo sales are recorded manually, total sales are verified by an agent independent of the bingo sales being verified.

(iii) No person shall have unrestricted access to bingo sales records.

(e) Draw.

(1) The draw must be controlled in a manner that ensures the identity of each object drawn is accurately recorded and transmitted to the participants.

(2) Controls must be present to ensure that all objects eligible for the draw are available to be drawn.

(f) Manual Payouts.

(1) Manual payouts must be controlled in a manner designed to prevent unauthorized access to, or misappropriation of, cash or cash equivalents. Such controls shall include, but not be limited to, the following:

- (i) Manual payout documents;
- (ii) Validation and Verification;
- (iii) Authorization and signatures;
- (iv) Changes to Prize Payout amounts;
- (v) Manually paid promotional prize payouts; and
- (vi) Voids.

(g) Cash or cash equivalent controls. Cash or cash equivalents must be controlled in a manner designed to prevent unauthorized access, misappropriation, forgery or fraud. Such controls shall be in accordance with cash and cash equivalent controls established in sub part 543.14.

(h) Class II Gaming systems. Internal control procedures must be established to safeguard the integrity of all or part of a Class II gaming system during installations, operations, modifications, and retirements. Such procedures must include, but not be limited to, the following:

- (1) Shipping and receiving;
- (2) Access credential control methods;
- (3) Record keeping and audit processes;
- (4) System software signature verification;
- (5) Testing;
- (6) Display of rules and necessary disclaimers such as "Malfunctions void all prizes and pays", etc.
- (7) Dispute resolution;

- (8) Malfunctions; and
- (9) Removal, retirement, and/or destruction.

§ 543.8 What are the minimum internal control standards for pull tabs?

(a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

(b) Computerized applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Variances. The TGRA shall establish the threshold level at which a variance shall be reviewed. Any such review shall be documented.

(d) Inventory of pull tabs. The pull tab inventory must be controlled in a manner designed to prevent unauthorized access, misappropriation, or fraud. Such controls shall address tabs exchanged between two agents, increases and decreases to inventory, and inventory reconciliation.

(c) Pull tab sales.

(1) Pull tab sales must be controlled in a manner to adequately record, track, and reconcile all pull tab sales and voids.

(2) When pull tab sales are recorded manually, total sales are verified by an agent independent of the pull tab sales being verified.

(3) No person shall have unrestricted access to pull tab sales records.

(d) Winning pull tabs.

(1) Redeemed pull tabs must be controlled in a manner to adequately record, track, and reconcile all pull tab payouts.

(2) The redeemed pull tabs shall be defaced so that they cannot be redeemed for payment again.

(e) Cash or cash equivalent controls. Cash or cash equivalents must be controlled in a manner designed to prevent unauthorized access, misappropriation, forgery or fraud. Such controls shall be in accordance with cash and cash equivalent controls established in sub part 543.14.

§ 543.9 What are the minimum internal control standards for card games?

(a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

(b) Computerized applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Variances. The TGRA shall establish the threshold level at which a variance shall be reviewed. Any such review shall be documented.

(d) Supervision. Supervision shall be provided during the card room operations by an agent(s) with authority equal to or greater than those being supervised.

(e) Inventory of playing cards. The playing card inventory must be controlled in a manner designed to prevent unauthorized access, misappropriation, or fraud. Such controls shall address tabs exchanged between two agents, increases and decreases to inventory, and inventory reconciliation.

(f) Shill funds. Issuance and return of shill funds shall be recorded and have the written approval of another agent.

(g) Cash or cash equivalent controls. Cash or cash equivalents must be controlled in a manner designed to prevent unauthorized access, misappropriation, forgery or fraud. Such controls shall be in accordance with cash and cash equivalent controls established in sub part 543.14.

(h) Posted rules. The rules shall be displayed or available for patron review at the gaming operation, including rules governing contests, prize payouts, fees, etc.

(i) Promotional progressive pots and pools such as contests, tournaments, drawings and giveaway programs. Funds contributed by patrons to prize pools shall be returned and documented in accordance with the posted rules.

(1) Promotional pool contributions shall be controlled in a manner to properly distinguish between gaming revenue and promotional pool contributions.

(i) Promotional pool contributions shall be placed in a locked container;

(ii) Agents transporting the locked container shall be precluded from having access to the contents keys.

(2) At least once a day, increases and decreases to the promotional pool amount shall be verified, supported by documentation, recorded and reconciled to the cash by an agent independent of the card room.

§ 543.10 What are the minimum internal control standards for gaming promotions?

(a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

(b) Computerized applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Variances. The TGRA shall establish the threshold level at which a variance shall be reviewed. Any such review shall be documented.

(d) Gaming promotions. Controls must be established in a manner designed to prevent unauthorized access, cheating, misappropriation, forgery or fraud. Such controls must include, but not be limited to, the following:

- (1) Rules of the gaming promotion;
- (2) Gaming promotion accounting; and
- (3) TGRA approval.

§ 543.11 What are the minimum internal control standards for patron deposit accounts and cashless systems?

(a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

(b) Computerized applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Conflicts of Standards. If there are any inconsistencies between these regulations and external standards incorporated by this provision, such as Title 31 and Credit Card Act, such other applicable standards shall prevail.

(d) Variances. The TGRA shall establish the threshold level at which a variance shall be reviewed. Any such review shall be documented.

(e) Patron deposit accounts and cashless systems.

(1) Patron deposit accounts and cashless systems must be controlled in a manner designed to prevent unauthorized access, misappropriation, forgery or fraud.

(2) All smart cards (i.e., cards that possess the means to electronically store or retrieve data) that maintain the only source of account data are prohibited.

(3) Patron deposit accounts may be unrestricted or restricted to a specific patron.

(4) Establishment of patron deposit accounts. The following standards apply when the patron establishes an account and optionally makes an initial deposit.

(i) For restricted patron deposit accounts:

(A) The patron must appear at the gaming operation in person, at a designated area of accountability, and present a valid government issued picture identification credential.

(B) An agent must examine the patron's identification and record, at a minimum, the following information:

(1) Type, number, and expiration date of the identification;

(2) Patron's name;

(3) A unique account identifier;

(4) Date the account was opened; and

(5) The agent's name.

(C) The agent must require the patron to sign the account documentation before the account is activated.

(D) The agent or cashless system shall provide the patron deposit account holder with a secure method of access.

(ii) For unrestricted patron deposit accounts:

- (A) The patron must be informed of the unrestricted nature of the account, and the fact that the account may be accessible to anyone with the account number.
- (B) The patron must acknowledge and accept the risks associated with unrestricted accounts.

(5) Patron deposits, withdrawals and adjustments.

(i) Prior to the patron making a deposit or a withdrawal from a patron deposit account, the agent or cashless system must verify the identity of the patron deposit account, the patron identity for restricted accounts, and availability of funds. Reliance on a secured personal identification number (PIN) entered by the patron is an acceptable method of verifying patron identity.

(ii) Adjustments made to the patron deposit accounts must be performed by an agent.

(iii) When a deposit, withdrawal or adjustment is processed by an agent, a multi-part transaction record must be created containing the following information:

- (A) Same document number on all copies;
- (B) Type of transaction, (e.g., deposit, withdrawal, or adjustment);
- (C) Name or other identifier of the patron for restricted patron deposit accounts;
- (D) The unique account identifier;
- (E) Patron signature for withdrawals, unless a secured method of access is utilized;
- (F) Date and time of transaction;
- (G) Dollar amount of transaction;
- (H) Nature of deposit, withdrawal, or adjustment (e.g., cash, check, chips); and
- (I) Signature of the agent processing the transaction.

(iv) When a patron deposits or withdraws funds from a patron deposit account electronically, the following shall be recorded and reported:

- (A) Date and time of transaction;
- (B) Location (e.g., player interface, kiosk);
- (C) Dollar amount of transaction; and
- (D) The unique account identifier.

(v) Detailed patron deposit account transaction records must be available to the patron upon reasonable request.

(vi) If electronic funds transfers are made to or from a gaming operation bank account for patron deposit account funds, the bank account must be dedicated and may not be used for any other types of transactions.

§ 543.12 [RESERVED]

§ 543.13 [RESERVED]

§ 543.14 What are the minimum internal control standards for the cage, vault, cash and cash equivalents?

(a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

(b) Computerized applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Variances. The TGRA shall establish the threshold level at which a variance shall be reviewed. Any such review shall be documented.

(d) Cash or cash equivalent controls.

(1) Cash or cash equivalents must be controlled in a manner designed to prevent unauthorized access, misappropriation, forgery or fraud. Such controls must include, but not be limited to, the following actions:

- (i) Counting;
- (ii) Recording increases and decreases to inventory;
- (iii) Inventory reconciliation;

- (iv) Issuance and redemption;
- (v) Inspecting, validating and verifying;
- (vi) Cancelations and voids;
- (vii) Authorization; and
- (viii) Document retention.

(e) Check Cashing. Check cashing must be controlled in a manner designed to prevent unauthorized access, misappropriation, forgery or fraud. Such controls must include, but not be limited to, the following:

- (1) Acceptance of checks;
- (2) Deposit of checks (Checks not deposited in the normal course of business are subject to § 543.15 Credit standards).
- (3) Collecting and recording returned checks;
- (4) Re-deposit; and
- (5) Write-off authorization.
- (6) If a third party check cashing or guarantee service is used, the examination and documentation procedures required by the service provider shall apply unless otherwise provided by Tribal law or regulation.

(f) Cage and vault accountability.

- (1) Increases and decreases to cage inventory shall be verified, supported by documentation, and recorded. Unverified transfers of cash and/or cash equivalents are prohibited.
- (2) The cage and vault inventories (including coin rooms/vaults) shall be counted independently by at least two agents, attested to by signature, and recorded in ink or other permanent form at the end of each shift during which activity took place.

(g) Chip(s) and token(s). Controls must be established to ensure accountability of chip and token inventory. Such controls must include, but not be limited to, the following:

- (1) Purchase;
- (2) Receipt;

- (3) Inventory;
- (4) Storage; and
- (5) Destruction.

(h) Cage and vault access. Controls must be established in a manner designed to prevent unauthorized access, misappropriation, forgery or fraud. Such controls must include, but not be limited to, the following:

- (1) Physical access to the cage to cage department agents, designated staff, and other persons authorized; and
- (2) Transportation of extraneous items (e.g., personal belongings, tool boxes, beverage containers, etc.) into and out of the cage.

§ 543.15 What are the minimum internal control standards for lines of credit?

(a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

(b) Computerized applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Variances. The TGRA shall establish the threshold level at which a variance shall be reviewed. Any such review shall be documented.

(d) Establishment of Lines of Credit Policy.

(1) If a gaming operation extends lines of credit, controls must be established to safeguard the assets of the gaming operation. Such controls must include the establishment of a lines of credit policy including the following:

- (i) A process for the patron to apply for, modify, and/or re-establish lines of credit, to include required documentation and credit line limit;
- (ii) Credit issuer authorization levels;
- (iii) Identification of agents authorized to issue lines of credit;
- (iv) A process for verifying lines of credit worthiness of applicants;
- (v) A system for recording patron information; to include:

- (A) Name, current address, and signature;
 - (B) Identification credential;
 - (C) Authorized credit line limit; and
 - (D) Approval by an agent authorized to approve credit line limits;
- (vi) A process for issuing lines of credit to include the following:
- (A) Notice to patron of lines of credit terms including patron written acknowledgment by signature;
 - (B) Completion of a uniquely identified, multi-part, lines of credit issuance form, such as a marker or counter check, which includes the terms of that lines of credit transaction;
 - (C) Signatory requirements;
 - (D) Determining the amount of the patron's available lines of credit;
 - (E) Creation and maintenance of current lines of credit balance record updated at the time of each transaction to assure that lines of credit issued is within the established limit and balance for that patron.
 - (F) Requirement that the agent issuing the lines of credit must be independent of the agent who authorized the lines of credit.
- (vii) A policy establishing credit line limit exceptions to include the following:
- (A) Identification of the agent(s) authorized to permit a credit line limit to be exceeded;
 - (B) Authorization thresholds; and
 - (C) Required documentation.
- (viii) A policy governing increases and decreases to a patron's lines of credit account balances to include the following:
- (A) Documentation and record keeping requirements;
 - (B) Independence between the department that receives the payment and the department that maintains custody of the credit balance for payments made by mail;

(C) Collections;

(D) Periodic audits and confirmation of balances; and

(E) If a collection agency is utilized, a process to ensure documentation of increases and decreases to the lines of credit account balances.

(ix) A policy governing write-offs and settlements to include:

(A) Identification of agent(s) authorized to approve write-offs and settlements;

(B) Authorization levels for write-offs and settlements of lines of credit instruments;

(C) Required documentation for write-offs and settlements;

(D) Independence between the agent who established the lines of credit and the agent writing off or settling the lines of credit instrument.

(E) Necessary documentation for the approval of write-offs and settlements and transmittal to the appropriate department for recording and deductibility.

§ 543.16 What are the minimum internal control standards for Security and Management of Server, Server Software and Data Associated with Class II Gaming Systems?

(a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

(b) Computerized applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Class II gaming systems and physical controls. Controls must be established to ensure:

(1) Control of physical and logical access to server, server software and data associated with Class II gaming systems;

(2) Physical and logical protection of storage media and its contents, including recovery procedures;

(3) Access credential control methods;

(4) Record keeping and audit processes; and,

(d) Independence. All personnel having access to Class II gaming servers, server software and/or data are independent of and restricted from access to:

- (1) Financial instruments (e.g. cash, cash equivalents, vouchers, and coupons);
- (2) Signatory authority over financial instruments and payouts forms; and
- (3) Accounting, audit, and ledger entries.

§ 543.17 What are the minimum internal control standards for complimentary services or items?

(a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

(b) Computerized applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Variances. The TGRA shall establish the threshold level at which a variance shall be reviewed. Any such review shall be documented.

(d) Complimentary services and items. Controls must be established in a manner designed to prevent unauthorized access, misappropriation, forgery or fraud. Such controls must include, but not be limited to, the following:

- (1) How the gaming operation delegates to its personnel the authority to approve the issuance of complimentary services and items, including levels of authorization for the agents approving the issuance of complimentary services and items;
- (2) Written limits and conditions on the approval and issuance of complimentary services or items, and how the conditions or limits of authority may be modified,
- (3) Documentation and recordation requirements for the authorization, issuance, and tracking of complimentary services and items, including cash and non-cash gifts;
 - (i) Complimentary issuance records shall include the following for all complimentary items and services equal to or exceeding an amount established by the TGRA.
 - (A) Name of patron who received the complimentary service or item;

- (B) Name(s) of issuer of the complimentary service or item;
- (C) The actual cash value of the complimentary service or item;
- (D) The type of complimentary service or item (i.e., food, beverage, etc.);
and
- (E) Date the complimentary service or item was issued.

(ii) Reserved.

§ 543.18 How does a gaming operation apply for a variance from the standards of this part?

(a) Variance.

(1) Should a TGRA grant a variance to any provision of these MICS, the TGRA shall deliver a notice of the same to the Commission within ten (10) days of such approval.

(i) The notice shall contain a complete copy of the information presented to the TGRA and the variance as granted.

(ii) The notice shall be forwarded to the Commission within ten (10) days of the granting of the Variance.

(2) During a thirty (30) day period when the Commission first receives the notice required by this subpart, the Chairman may request additional information from the TGRA concerning the subject of variance. Such request shall suspend the thirty (30) day period until the Chairman receives the TGRA response.

(b) Commission Review.

(1) Within the thirty (30) day review period, the Commission may:

(i) Advise the TGRA, in writing, that it has no objection.

(ii) Provide the TGRA a written statement itemizing its objections.

(iii) Take no action, in which case, the TGRA's variance shall be final.

(2) If the Commission has provided the TGRA a statement itemizing objections to the variance:

(i) The TGRA shall reconsider the variance taking into account the objections itemized by the Commission.

(ii) The TGRA may seek reconsideration by submitting a request to the Chairman and members of the Commission.

(iii) Upon receipt of a request for reconsideration, the Commission shall conduct an informal hearing with the TGRA within 30 days, which may be conducted in person or through the exchange of documents, as requested by the TGRA.

(iv) After the informal hearing, the Commission must issue a written decision within 14 days. If the Commission disapproves the variance, such written decision must include an explanation of why the requested variance creates an imminent threat to the integrity of the tribal gaming operation.

§ 543.19 What are the minimum internal control standards for Audit and Accounting?

(a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

(b) Computerized Applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Conflicts of Standards. If there are any inconsistencies between these regulations and external standards incorporated by this provision, such as GASB, GAAP, FASB, and SSAE, such other applicable standards shall prevail.

(d) Operational Audits (formerly "Revenue Audit"). Controls shall be established to ensure:

(1) All audits are designed in a manner to detect unauthorized access, misappropriation or fraud.

(2) All audits are performed within seven (7) days of the audited activity's occurrence as follows, unless otherwise specified:

(i) Gaming revenue and payouts;

(ii) Increases and decreases to inventory;

(iii) Cash equivalent inventory count;

(iv) Exceptions, overrides, and voids;

(v) Complimentary services and items records (Weekly);

- (vi) Manual increases and decreases to/from player accounts (Weekly);
- (vii) Promotions, contests, and tournaments (Weekly); and
- (viii) Key control records (Quarterly).

(3) Minimum bankroll calculations are audited periodically to ensure that the gaming operation maintains cash in an amount sufficient to satisfy the gaming operation's obligations.

(4) At least bi-annually, an inventory of all drop, count, override, and panel keys are performed and increases and decreases in key inventory are reconciled.

(5) Audit results are summarized and recorded.

(6) Controls are developed to account for the receipt, issuance, and use of controlled inventories (including but not limited to bingo cards, pull tabs, playing cards, keys, pre-numbered and/or multi-part forms, etc.).

(7) Adjustments to original data are controlled to ensure all adjustments are properly completed and documented.

(8) Exceptions are reviewed for suspect and/or unusual transactions.

(9) Documentation must be generated and maintained evidencing the performance of audit procedures.

(10) If the audit is not performed by accounting agents, the agent(s) performing the audit are independent of the agents who performed the transactions being reviewed.

(e) Accounting. Controls must be established to ensure each gaming operation:

(1) Prepares accurate, complete, legible, and permanent records of all transactions pertaining to gaming revenue.

(2) Prepares general accounting records on a double-entry system of accounting, maintaining detailed, supporting, subsidiary records, and perform the following:

- (i) Record gaming activity transactions in an accounting system to identify and track all revenues, expenses, assets, and liabilities;
- (ii) Produce income and balance sheet statements;
- (iii) Produce appropriate subsidiary ledgers to support the balance sheet;

- (iv) Inventory and safeguard assets;
- (v) Prepare, review, and maintain accurate financial statements;
- (vi) Prepare minimum bankroll calculations; and
- (vii) Maintain and preserve all financial books, records, and relevant supporting documentation.

(f) Internal audit. Controls shall be established to ensure:

- (1) Internal auditor(s) perform audits of each department of a gaming operation, at least annually, to review compliance with these MICS, TICS, and SICS.
- (2) Internal auditor(s) are independent of the gaming operations with respect to the departments subject to audit (auditors internal to the operation, officers of the TGRA, or outside CPA firm may perform this function).
- (3) Internal auditors report directly to the Tribe, TGRA, audit committee, or other entity designated by the Tribe.
- (4) Documentation (e.g., checklists, programs, reports, etc.) is prepared to evidence all internal audit work and follow-up performed as it relates to compliance with these MICS, TICS, and SICS.
- (5) Reports documenting audits performed are maintained and made available to the Commission upon request.
- (6) All material exceptions resulting from internal audit work are investigated and resolved with the results documented.
- (7) Internal audit findings are reported to management, responded to by management in the internal audit report stating corrective measures to be taken, and delivered to management, the Tribe, TGRA, audit committee, or other entity designated by the Tribe.

(g) Annual Audits.

- (1) Agreed upon procedures. A CPA must be engaged to perform, in accordance with agreed upon procedures and the most recent versions of the Statements on Standards for Attestation Engagements and Agreed-Upon Procedures Engagements (collectively “SSAE’s”), issued by the American Institute of Certified Public Accountants Inc., an assessment of whether the gaming operation is in compliance with these MICS, the TICS, and/or the SICS.

(2) The tribe must submit two copies of the agreed-upon procedures report to the Commission within 120 days of the gaming operation's fiscal year end in conjunction with the submission of the annual financial audit report required under 25 CFR Part 571.

(3) Require management to have sufficient knowledge and understanding of the purpose, nature, and scope of the agreed upon procedures to provide adequate oversight and participation in the process to ensure a meaningful and useful outcome.

(4) Reliance on Internal Audit.

(i) Agreed upon procedures are to be performed by the CPA to determine that the internal audit procedures performed during the fiscal year have been properly completed.

(ii) The CPA may rely on the work of internal audit for the completion of the MICS checklists as they relate to the standards covered by this Part.

(5) Report Format. The Statements on Standards for Attestation Engagements and Agreed-Upon Procedure Engagements (SSAE's) are applicable to agreed upon procedures engagements required in this Part. All noted instances of noncompliance must be documented in the report with a narrative description, the number of exceptions and sample size tested.

§ 543.20 [RESERVED]

§ 543.21 What are the minimum internal control standards for Drop and Count?

(a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

(b) Computerized applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Variances. The TGRA shall establish the threshold level at which a variance shall be reviewed. Any such review shall be documented.

(d) Count Room Access. Controls must be established to limit physical access to the count room to count team agents, designated staff, and other authorized persons. Such controls must include, but not be limited to, the following:

(1) Count team agents shall not be allowed to exit or enter the count room during the count except for emergencies or scheduled breaks.

(2) Surveillance shall be notified whenever count room agents exit or enter the count room during the count.

(3) The count team policy, at a minimum, shall address the transportation of extraneous items (e.g., personal belongings, tool boxes, beverage containers, etc.) into or out of the count room.

(e) Count team. Controls must be established in a manner designed to ensure security of the count and the count room to prevent unauthorized access, misappropriation of funds, and fraud. Such controls must include, but not be limited to, the following:

(1) For Tier A and B operations, all counts shall be performed by a minimum of two (2) agents. For Tier C operations, all counts shall be performed by a minimum of three (3) agents.

(2) For Tier A and B operations, at no time during the count shall there be fewer than two (2) count team agents in the count room until the drop proceeds have been accepted into cage/vault accountability. For Tier C operations, at no time during the count shall there be fewer than three (3) count team agents in the count room until the drop proceeds have been accepted into cage/vault accountability.

(3) For Tier A and B operations, count team agents shall be rotated on a routine basis such that the count team is not consistently the same two (2) agents more than four (4) days per week. This standard shall not apply to gaming operations that utilize a count team of more than two (2) agents. For Tier C operations, count team agents shall be rotated on a routine basis such that the count team is not consistently the same three (3) agents more than four (4) days per week. This standard shall not apply to gaming operations that utilize a count team of more than three (3) agents.

(4) Functions performed by count team agents shall be rotated on a routine basis.

(5) For Tier A and B operations, if the count is not viewed live, the operation must establish controls to ensure a review of the recording within seven (7) days by an agent independent of the count operation and the count being reviewed. For Tier C operations, the count shall be viewed live.

(6) Count team agents shall be independent of the department being counted and the cage/vault departments. An accounting agent may be used if there is an independent audit of all count documentation.

(f) Drop. Controls must be established in a manner designed to ensure security of the drop process to prevent unauthorized access to gaming equipment and the drop, misappropriation of funds, and fraud. Such controls must include, but not be limited to, the following:

- (1) Drop schedules and periods, including procedure to continue drop once started through completion.
- (2) Security during transport of drop boxes, including escort by a minimum of two (2) agents, at least one of whom is independent of the revenue being dropped.
- (3) All drop boxes shall be uniquely identified to correspond with the card table, player interface, and/or other location from which the drop box was removed.
- (4) Security over drop boxes removed and awaiting transport to the count room.
- (5) Security of drop boxes until the count takes place.
- (6) Notification to surveillance when a drop is to begin.
- (7) Provisions for emergency drop.

(g) Count. Controls must be established in a manner designed to ensure security of the count process to prevent unauthorized access to count equipment and the drop, misappropriation of funds, improper manipulation of financial records, and fraud. Such controls must include, but not be limited to, the following:

- (1) Establishment of a dedicated count room;
- (2) Manual count process;
- (3) Utilization, testing, and calibration of counters and/or validation systems;
- (4) Verification of count;
- (5) Prevention of the comingling of funds until recorded per drop box;
- (6) Accurate and permanent forms of recordation for all cash and cash equivalents and rejected cash or cash equivalents;
- (7) For Card Game Counts, additional controls, as applicable, shall be established and procedures implemented to ensure:
 - (i) Fills/credits, Pit Marker Issue/Payment Slips are recorded and forwarded to the appropriate department for verification and reconciliation.

(ii) Opening/closing card table inventory forms are examined and traced to or recorded on the appropriate documentation with discrepancies investigated and results documented.

(8) The reconciliation of count records to the total drop, which shall address, but not be limited to:

(i) Signature of each agent of the count team attesting to their participation in the count;

(ii) Reconciliation of the total drop by a count team agent who shall not function as the sole recorder; and

(iii) Documentation of all unresolved variances.

(9) Transfer of the drop following the count.

(10) All cash and cash equivalent inventory stored in the count room shall be secured from unauthorized access at all times.

(11) Access to stored drop boxes, full or empty.

(h) Controlled Keys or equivalents. Controls shall be established and procedures implemented to safeguard the use, access, and security of keys or other access methods in accordance with the following:

(1) Each of the following requires a separate and unique key lock or alternative secure access method:

(i) Drop cabinet;

(ii) Drop box release;

(iii) Drop box content; and

(iv) Storage racks and carts.

(2) Access to and return of keys or equivalents shall be manually or electronically documented with the date, time, and signature or other unique identifier of the agent accessing or returning the key(s).

(i) For Tier A and B operations, at least two (2) drop team agents are required to be present to access and return keys. For Tier C operations, at least three (3) drop team agents are required to be present to access and return keys.

(ii) For Tier A and B operations, at least two (2) count team agents are required to be present at the time count room and other count keys are issued for the count. For Tier C operations, at least three (two for card game drop box keys in operations with three tables or fewer) count team agents are required to be present at the time count room and other count keys are issued for the count.

(iii) Where an alternative access method is utilized, the use of such method shall be controlled in a manner consistent with the objectives of this standard.

(3) Documentation of all keys, including duplicates, shall be maintained including:

- (i) Unique identifier for each individual key
- (ii) Key storage location
- (iii) Number of keys made, duplicated, and destroyed
- (iv) Authorization and access

(4) Custody of all keys involved in the drop and count shall be maintained by a department independent of the count and drop agents and those departments being dropped and counted.

(5) Other than the count team, no agent shall have access to the drop box content keys while in possession of storage rack keys and/or release keys.

(6) Other than the count team, only agents authorized to remove drop boxes are allowed access to drop box release keys.

(7) Utilization of keys at times other than the scheduled drop and count is properly authorized and documented.

(8) Emergency manual keys (a.k.a. Override Key) for computerized, electronic, and alternative key systems.

§ 543.22 [RESERVED]

§ 543.23 What are the minimum internal control standards for surveillance?

(a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

(b) Computerized applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Surveillance. Controls must be established in a manner designed to prevent unauthorized access, cheating, misappropriation, forgery or fraud. Such controls must include, but not be limited to, the following:

(1) For Tier A, the surveillance system shall be maintained and operated from a secured location, such as a locked cabinet. For Tier B and C, the surveillance system shall be maintained and operated from a staffed surveillance operation room(s).

(2) The surveillance operation room(s) shall be secured to prevent unauthorized entry.

(3) Access to the surveillance operation room(s) shall be limited to surveillance agents, designated staff, and other persons authorized.

(4) Surveillance operation room(s) access logs shall be maintained.

(5) Surveillance operation room equipment shall have total override capability over all other satellite surveillance equipment located outside the surveillance operation room.

(6) Power loss to the surveillance system.

(i) For Tier A, in the event of power loss to the surveillance system, immediate alternative security measures, such as additional supervisory or security agents, shall be provided.

(ii) For Tier B and C, in the event of power loss to the surveillance system, an auxiliary or backup power source shall be available and capable of providing immediate restoration of power to all elements of the surveillance system that enable surveillance agents to observe all areas covered by dedicated cameras.

(7) The surveillance system shall record an accurate date and time stamp on recorded events. The displayed date and time shall not significantly obstruct the recorded view.

(8) All surveillance agents shall be trained in the use of the equipment, and be knowledgeable of the games and house rules.

(9) Each camera required by the standards in this section shall be installed in a manner that will prevent it from being readily obstructed, tampered with, or disabled.

(10) The surveillance system shall:

- (i) Have the capability to display all camera views on a monitor;
- (ii) Include sufficient numbers of recording devices to record the views of all cameras required by this section;
- (iii) Record all camera views; and
- (iv) For Tier B and C only, include sufficient numbers of monitors to simultaneously display gaming and count room activities.

(11) A periodic check of the surveillance systems shall be conducted. When a malfunction of the surveillance system is discovered, the malfunction and necessary repairs shall be documented and repairs initiated within seventy-two (72) hours.

- (i) If a dedicated camera malfunctions, immediate alternative security measures, such as additional supervisory or security agents, shall be provided.
- (ii) The TGRA shall be notified of any surveillance system and/or camera(s) that have malfunctioned for more than twenty-four (24) hours and the alternative security measures being provided.

(d) Additional surveillance requirements. With regard to the following functions, the additional specified requirements shall be implemented:

(1) Bingo.

- (i) For manual draws, the surveillance system shall monitor the bingo ball drawing device or mechanical random number generator, which shall be recorded during the course of the draw by a dedicated camera to identify the balls drawn or numbers selected.
- (ii) The surveillance system shall monitor and record the activities of the bingo game, including drawing, calling, entering, and the balls, numbers or other designations drawn or selected.

(2) Card games.

- (i) Except for card game tournaments, a dedicated camera(s) shall be used to provide:
 - (A) An overview of the activities on each card table surface, including card faces and cash and/or cash equivalents;

(B) An overview of card game activities, including patrons and dealers;
and

(C) An unobstructed view of all posted progressive pool amounts.

(ii) For card game tournaments, a dedicated camera(s) shall be used to provide an overview of tournament activities, including entrances/exits and any area where cash or cash equivalents are exchanged.

(3) Prize payouts. The TGRA shall establish standards for surveillance camera coverage of payouts in excess of \$3,000,000 for fixed prize payouts or progressive reset values. Such camera coverage shall include the activities of patrons and agents at the location of the winning event.

(4) Cash and Cash Equivalents.

(i) The surveillance system shall monitor and record:

(A) An view of the patron, cage agent, vault agent or count team agent(s) and the surrounding area and counting surface;

(B) Payouts of gaming winnings;

(C) Entry and exit doors to and from the cage, vault and other secured count areas;

(D) All count equipment including but not limited to reject bins, weigh scales, wrapping machines, currency and coin counters, and chips sorters;

(E) Any area where the manipulation of recorded data may occur;

(F) Drop and count while in process; for Tier A and B operations, if the count is not viewed live, the operation must establish controls to ensure a review of the recording within seven (7) days by an agent independent of the count operation and the count being reviewed. For Tier C operations, the count shall be viewed live.

(G) All drop boxes and storage racks by either a dedicated camera or a motion-detector activated camera.

(ii) During the count process a dedicated overhead camera(s) or motion-detector activated camera(s) must cover the:

- (A) Transaction area with the ability to identify cash and cash equivalent values;
- (B) All counting surfaces used during the count; and
- (C) All drop boxes and their storage racks.

(e) Recording retention. Controls must be established that include, but are not limited to, the following:

- (1) All recordings required by this section shall be retained for a minimum of seven (7) days; and
- (2) Suspected or confirmed gaming crimes, unlawful or suspicious activity, or detentions by security personnel discovered within the initial retention period shall be copied and retained for a time period, not less than one (1) year.

(f) Logs. Logs must be maintained and demonstrate the following:

- (1) Compliance with the storage, identification, and retention standards required in this section;
- (2) Each malfunction and repair of the surveillance system as defined in this section; and
- (3) Activities performed by surveillance agents.