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INDEPENDENT REGULATORY REVIEW COMMISSION

August 27, 2008

333 MARKET STREET, 14TH FLOOR, HARRISBURG, PA 17101

Frank Donaghue, Acting Executive Director
Pennsylvania Gaming Control Board
Strawberry Square
Verizon Tower, 5th Floor
Harrisburg, PA 17106-9060

Re: Regulation #125-88 (IRRC #2702)
Pennsylvania Gaming Control Board
Slot Machine Testing and Control; Possession of Slot Machines; Accounting and Internal
Controls; and Commencement of Slot Operations

Dear Mr. Donaghue:

Enclosed are the Commission's comments for consideration when you prepare the final version of this regulation. These comments are not a formal approval or disapproval of the regulation. However, they specify the regulatory review criteria that have not been met.

The comments will be available on our website at www.irrc.state.pa.us. If you would like to discuss them, please contact me.

Sincerely,

Kim Kaufman
Executive Director
wbg
Enclosure

cc: Honorable Jane M. Earll, Chairman, Senate Community, Economic and Recreational
Development Committee
Honorable Gerald J. LaValle, Minority Chairman, Senate Community, Economic and
Recreational Development Committee
Honorable Harold James, Majority Chairman, House Gaming Oversight
Honorable Paul I. Clymer, Minority Chairman, House Gaming Oversight

Comments of the Independent Regulatory Review Commission



Pennsylvania Gaming Control Board #125-88 (IRRC #2702)

Slot Machine Testing and Control; Possession of Slot Machines; Accounting and Internal Controls; and Commencement of Slot Operations

August 27, 2008

We submit for your consideration the following comments on the proposed rulemaking published in the June 28, 2008 *Pennsylvania Bulletin*. Our comments are based on criteria in Section 5.2 of the Regulatory Review Act (71 P.S. § 745.5b). Section 5.1(a) of the Regulatory Review Act (71 P.S. § 745.5a(a)) directs the Pennsylvania Gaming Control Board (Board) to respond to all comments received from us or any other source.

1. Central Control Computer System. – Clarity.

The term Central Control Computer System (CCCS) is used in Sections 461a.27 and 465.33. The term “central control computer” is defined in Section 401a.3 of the Board’s regulations. However, the term CCCS is not defined. If there is a difference between the two terms, we recommend that the Board add the appropriate definition. If both terms mean the same thing, we recommend that the term CCCS be changed to “central control computer.”

2. Section 461a.27. RAM clear. – Clarity.

What is meant by the term “financial meters” in Subsection (a)? We recommend that this term be defined.

3. Section 465a.2. Internal control systems and audit protocols. – Clarity.

Subsection (a)(8) requires a licensee to develop procedures “to ensure compliance with section 1513 of the act (relating to political influence).” We have two concerns. First, Paragraphs (i) and (ii) of this subsection are abbreviated paraphrases of Subsections (a) and (b) of Section 1513 of the Act. We question the need for including Paragraphs (i) and (ii) in the proposal.

Second, if the Board retains Paragraphs (i) and (ii), we suggest that they be written in a clearer and more detailed manner.

4. Section 465a.8. Licensed facility. – Implementation procedures; Clarity.

The signs licensees must display indicating the location of the Board's office in the licensed facility must be approved by the Board under Subsection (d)(8). The final-form regulation should provide more detail on how a licensee can obtain the necessary approval from the Board.

5. Section 465a.33. Access to areas containing Central Control Computer System equipment. – Statutory authority; Fiscal impact; Implementation procedures; Reasonableness.

Subsection (a)(1)

A commentator has noted that it would be costly to comply with Subsection (a)(1)(ii), which would require installation of a door that audibly signals the surveillance monitoring room when it is opened. The commentator recommended other procedures that could be used which would provide the necessary level of security. We encourage the Board to consider these less costly options when it develops the final-form regulation.

Subsection (a)(4)

Under this subsection, the security departments of slot machine licensees are required to maintain a list of employees who have access to the CCCS area and that list must be approved by the Department of Revenue (Department). We have two concerns. First, what is the Board's statutory authority for imposing duties on the Department? Is the Department aware of this responsibility and does it have the procedures in place to review and approve the lists? Second, assuming that the Board can adequately address our first comment, we recommend that the final-form regulation provide more detail on how a licensee can obtain the necessary approval from the Department, or in the alternative, the Board.

Subsection (a)(5)

This subsection addresses emergency access to the CCCS area. It states that in emergency situations, access can only be granted with a security escort and notification to the Department, the Bureau and the casino enforcement agents at the licensed facility. We question the need for the notification in a true emergency situation. For example, if a person in the CCCS area is in need of immediate medical attention, we believe it would not be practical to make the

necessary notifications. We suggest that the Board revise or delete the notification requirement from the final-form regulation.

6. Section 467a.1. Gaming floor plan. – Reasonableness; Need.

According to the Board, Subsection (c) is being amended to clarify and streamline the process for approving requests for changes to the gaming floor. Some requests for changes will be required to be filed as a petition and will need approval by the Board. Other requests for changes could be submitted in writing and approved by the Executive Director. A commentator is concerned with a provision that would require the submittal of a petition and Board approval when a licensee wants to relocate two percent or more of the slot machines. They noted that expanding facilities and the potential implementation of new smoking regulations require flexibility regarding the location of slot machines. They believe that the two percent threshold will limit their ability to respond quickly to the needs of their customers. If this provision is retained in the final-form regulation, they ask that the percentage be increased. We agree that the two percent threshold could hamper a licensee's ability to operate in an efficient manner and ask the Board to consider a higher percentage threshold that would require the submittal of a petition and Board approval.