

RULES AND REGULATIONS

TITLE 58. RECREATION

PENNSYLVANIA GAMING CONTROL BOARD

[58 PA. CODE CH. 465]

Response to Public Comment

Subpart E. SLOT MACHINE TESTING, CERTIFICATION AND CONTROL

CHAPTER 465. ACCOUNTING AND INTERNAL CONTROLS

§ 465.12. Slot machine licensee's organization.

*Comment:*

Please confirm that the titles used throughout this section are for the Board's reference and that the applicant may assign different titles to those individuals performing the designated duties.

*Response:*

Yes, different titles may be assigned. The Board has every expectation that an applicant for, or holder of, a slot machine license will utilize different titles for those individuals performing the designated duties.

*Comment:*

§ 465.12(b) generally refers to a slot machine licensee's organization and requires mandatory departments and supervisory positions. In that regard, it appears that certain department heads must be referred to as "directors." Downs Racing does not, in all cases, refer to department heads as "directors." For

example, Downs Racing has a "manager of security" as the highest level person in that department, a vice president of information technology as the highest level person in that department and a director of surveillance as the highest level person in that department. Downs Racing respectfully requests that the Board allow for some flexibility here and that the titles of each of the department heads not be determined by the regulations but that Downs Racing simply be permitted to identify the highest level person in each department to the Board.

*Response:*

The Board has every expectation that an applicant for, or holder of, a slot machine license will utilize different titles for those individuals performing the designated duties.

The proposed regulatory scheme mandates the designation of a person to independently manage the six functions cited but is not intended to mandate the use of a specific title.

*Comment:*

§ 465.12(b)(1)(iii) - MTRA objects to this provision to the extent it would require surveillance of the office of a Cage manager or the Cage supervisor. No activity occurs within those offices that requires surveillance monitoring. Moreover, counseling sessions may occur in the manager's office and these sessions should not be subject to observation.

*Response:*

The Board accepts the recommendation and has revised proposed § 465.12(b)(1)(iii) accordingly.

*Comment:*

§ 465.12(b)(1)(vi) - This section refers to the requirement that a surveillance department should be responsible, without limitation, for the detection of the presence of excluded, ejected or self-excluded persons. While a surveillance department should play an important role in this process, that role should not be solely assigned to that department. In MTGA's experience, the better practice would be that the surveillance department to share responsibility for detection with the security department, and such other regulatory or law enforcement personnel as may be present on the premises, such as officials from the Pennsylvania State Police or the Pennsylvania Gaming Control Board. This increases the likelihood that these persons would be detected as soon as possible, the apparent purpose of this provision. Accordingly, this section should be amended to allow for the potential for shared responsibility.

*Response:*

The Board declines to accept the recommendation. Proposed § 465.12(b)(5)(vi) imposes the same responsibility with regard to excluded and self excluded persons on the security department as is imposed by proposed § 465.12(b)(1)(vi) on the surveillance

department. While certainly Board and Pennsylvania State Police personnel working on site will be alert to the excluded/self-excluded issue, detection is an operator responsibility.

*Comment:*

§ 465.12(b)(2) - This subsection requires a slot machine licensee's internal controls to include an internal audit department supervised by a person located at the licensed facility. The Isle respectfully suggests that the provision be modified to enable licensees to utilize a corporate internal audit department at the licensee's parent company. Isle of Capri Casinos experience is that it does not have an internal audit department at each of its licensed locations, but rather utilizes a central corporate department with on-site auditors that are responsible for one or more facility but are not located at any one casino. This internal control process has been deemed acceptable in all other jurisdictions in which Isle of Capri Casinos operates, and it asks the Board to allow licensees the same flexibility in Pennsylvania.

*Response:*

The Board declines to accept the recommendation. Pennsylvania's regulatory scheme contemplates six mandatory departments in proposed § 465.12(b), all of which must be meaningfully managed from within Pennsylvania. This will require that an individual be designated to serve as internal

audit director for the Pennsylvania slot machine licensee and that the department be staffed as appropriate for the size of the gaming venue. The internal audit director must report in accordance with proposed § 465.12(c), which, at subsection (2)(iii), does permit, under certain enumerated conditions, reporting to a senior internal audit executive at the parent or intermediary company level.

*Comment:*

§ 465.12(b)(3)(A) states that "Each slot machine located on the gaming floor is connected electronically to the slot machine licensee's computerized slot monitoring system and the Commonwealth's central control computer..." How is this to be accomplished? Does the regulation contemplate two connections from each slot machine? Please clarify.

*Response:*

SAS 6.01 compliant slot machines are equipped with multiple communication ports. The act expressly mandates connection to the central control computer system. Today's technology requires that a slot operation operate with a slot monitoring system.

*Comment:*

§ 465.12(b) - This subsection requires a licensee's internal controls to lodge in the security department the responsibility for controlling and maintaining a system for the issuance of

access badges to employees and temporary access credentials to other persons. The Isle asks the Board to permit the bifurcation of responsibility for the access badges from the temporary credentials. In Isle of Capri Casinos' experience, the human relations department oversees the issuance of access badges for employees, as that department is involved in the employees' securing of a gaming license or permit from the Board. Temporary access credentials, however, are controlled by the security department. The Isle asks the Board to modify the provision to allow it the flexibility needed to utilize its existing system for issuing access badges to employees.

*Response:*

The Board accepts the general substance of the recommendation and has revised the regulatory proposal, at proposed § 465.12(b)(iv) and (v), to reflect the rather typical involvement of the human resources department or its functional equivalent in this process. Corresponding revisions have been made to proposed § 465.13(c).

*Comment:*

§ 465.12(b)(5)(vi) - This subsection requires a licensee's security department to be responsible for the identification and removal of any person who is required to be excluded under the act or is self-excluded from gaming. Removal of such persons is clearly a responsibility for the security department. However,

persons who are self-excluded, in particular, are often identified by the cage or the casino management system. The Isle seeks clarification that the provision does not lodge identification exclusively with the security department.

*Response:*

As noted above, the regulatory proposal contemplates that the security and surveillance departments will have primary enforcement responsibilities with regard to excluded/self excluded persons. The Board intends all operating departments to exercise due diligence in this regard. There is no intent to lodge exclusive responsibility in any one department.

*Comment:*

§ 465.12(b)(6) - The applicant's Chief Financial Officer (a key person) will ultimately supervise the count room and cashier's cage. In light of this, MTRA questions the requirement that the direct supervisors of the count room and cashier's cage be considered key employees.

*Response:*

The Board has considered the substance of the comment and has revised the regulatory proposal to eliminate the requirement that the count room supervisor be a key employee. The requirement that the cashiers' cage be supervised by a key employee on all shifts has not been eliminated.

*Comment:*

§ 465.12(b)(6) - This section provides that each licensee must have a slot accounting department supervised by a person referred to as a controller. Included in the controller's duties are the control and supervision of the cashier's cage, any satellite cage and the count room. Downs Racing respectfully requests that this language be amended to allow some flexibility in the title and responsibilities of the head of the slot accounting department. Downs Racing is proposing an organizational structure, similar to what it has used in other jurisdictions, whereby the head of the slot accounting department is referred to as a "director" and the "director" is responsible for all of the areas enumerated in subsection(b)(6) except the control and supervision of the cashier's cage, satellite cages and count room. In MTGA's proposed management structure, the Director of Cage/Count Operations is responsible for these functions and reports directly to the Chief Financial Officer. This management structure has served MTGA well and has proved to be an effective model. MTGA and Downs Racing would again request that the language be amended to take into consideration the above comments.

*Response:*

The Board declines to further revise proposed § 465.12(b)(6). That section requires an independent slot accounting function encompassing the cashiers' cage, the count room and the



income control audit functions. Under the scenario outlined by Downs Racing, the Vice President of Finance position appears to satisfy the regulatory requirement provided that position does not concurrently hold management responsibility for the slot operations, internal audit, IT, security or surveillance functions.

*Comment:*

§ 465.12(c) - This subsection addresses the chain of command for the supervisors of the internal audit and surveillance and the Isle seeks both clarification and modification to its terms. First, the bifurcation of reporting along issue lines in subsections (c)(1) and (2) is vague and could lead to confusion in trying to determine issues involving "administrative matters and daily operations" as opposed to those involving "policy, purpose, responsibility and authority." Presumably, the intent of this regulation is not to prohibit the reporting of administrative and daily operations matters to the entities identified in subsection (c)(2)(i)-(iv), but rather to limit the circumstances where reporting to such entities is mandated. Nonetheless, the criteria of the bifurcation is ambiguous. Second, the Isle requests that subsection (c)(2)(iii) be modified to permit reports to corporate surveillance or internal audit executives, not just the senior executive, with the holding company who directly *or indirectly* report to the independent

audit committee or other appropriate committee of the board of directors of the holding company. For example, the internal audit personnel assigned to Isle of Capri Casinos' licensed facilities report to a regional manager with the holding company who then reports to the Vice President of Internal Auditing. The Vice President reports directly to the independent audit committee of Isle of Capri Casinos' board of directors.

*Response:*

The regulatory scheme contemplated by the Board anticipates very specific reporting lines for the internal audit and surveillance departments. The intent is to have these departments actively directed for all but administrative matters at the level of the Board of Directors or its functional equivalent. With regard to multiple reporting lines at a holding or intermediary company level, proposed § 465.12 (c)(2)(iii) has been revised to allow multiple reporting lines at the intermediary and holding company level provided the most senior executive in the reporting line reports directly to an independent audit committee.

*Comment:*

§ 465.12(c)(2)(i), (ii) and (iii) - These provisions do not take into account that some gaming companies have a compliance committee as well as an audit committee. Surveillance should be allowed to report directly or indirectly to either of these

committees. Additionally, subsection (iii) presumes only one level of executive authority at the corporate level. This subsection should allow the internal audit or surveillance supervisor to report to an individual who reports directly to the senior surveillance or internal audit executive.

*Response:*

The Board declines to accept the recommendation. With regard to multiple reporting lines at a holding or intermediary company level, proposed § 465.12 (c)(2)(iii) has been revised to allow multiple reporting lines at the intermediary and holding company level provided the most senior executive in the reporting line reports directly to an independent audit committee.

*Comment:*

§ 465.12(d) - MTRA questions the need for this provision. It is clear that the licensee will be held responsible for the failure of its employees to comply with Board requirements and the internal control system of the property. It is unclear what this provision adds to the requirement. If the specialized training that makes the employee "thoroughly conversant in, and knowledgeable of, the required manner of performance of all transactions relating to their functions" adds an additional regulatory requirement, applicant requests guidance as to what the standard is. Additionally, if this provision is not

stricken, will licensees be required to submit their training programs to the Board to ensure these programs meet this standard?

*Response:*

The intent of proposed § 465.12(d) is to emphasize that the Board expects slot machine licensee's to adequately train their employees in the system of control. Slot machine licensees will not, in the ordinary course, be required to submit training programs for review.

*Comment:*

§ 465.12(f) - This subsection requires the departments identified in section 465.12 to be supervised "at all times" by a key employee. In practical experience in other jurisdictions, during particular times, a long-term employee who is licensed as a gaming employee and not a key employee will temporarily oversee the referenced departments. The Isle urges the Board to allow for such management flexibility in the regulations.

*Response:*

The Board has revisited the regulatory proposal and has revised it to require that, at a minimum, the director of each of the six mandatory departments identified in § 465.12(b) be licensed as a key employee. The Board has, however, determined it appropriate to continue to require that the cashiers' cage be

supervised on all shifts by a person licensed as a key employee. The regulatory proposal has been revised accordingly.

*Comment:*

§ 465.12(f) - This section requires that each enumerated department must be supervised at all times by at least one "key employee." Downs Racing requests that this section be clarified to allow an employee at the supervisory level to supervise each shift. For example, the cage supervisor should be able to supervise the cage department, the count room supervisor should be able to supervise the count room, etc. It is standard in the industry that supervisory level employees are permitted to supervise the various departments. If the Board requires that the department be supervised at all times by individuals at a level higher than the supervisory level, this will create extraordinary manpower, staffing and scheduling problems.

*Response:*

The Board has revisited the regulatory proposal and has revised it to require that, at a minimum, the director of each of the six mandatory departments identified in § 465.12(b) be licensed as a key employee. The Board has, however, determined it appropriate to continue to require that the cashiers' cage be supervised on all shifts by a person licensed as a key employee. The regulatory proposal has been revised accordingly.

**§ 465.13. Access badges and temporary access credentials.**

*Comment:*

§ 465.13(c) - For the same reasons stated above, this provision should be modified to permit the human relations department to oversee the issuance of access badges to employees, while the security department is responsible for the issuance of temporary and emergency access credentials.

*Response:*

The Board accepts the substance of the recommendation and has revised the regulatory proposal, at proposed § 465.12(b)(iv) and (v), to reflect the rather typical involvement of the human resources department or its functional equivalent in this process. Corresponding revisions have been made to proposed § 465.13(c).

**§ 465.14. Firearms; possession within a licensed facility.**

*Comment:*

§ 465.14(a) - The Pennsylvania State Horse Racing Commission allows for weapons to be carried by security personnel. Applicant requests that the two agencies resolve the conflict between these positions.

*Response:*

The Board is now aware of the conflicting requirements and will confer with both the Horse Racing Commission and the Harness Racing Commission in order to insure an efficient, functional and comprehensive approach to security by Category 1

slot machine licensees. As of this writing, there is no intent to permit armed security guards on the gaming floor or in any restricted areas within the licensed facility.

*Comment:*

§ 465.14(b) - MTRA is not aware of the reason for such a broad prohibition against the use of off-duty police officers. Applicant requests guidance as to when such individuals may be employed by the property.

*Response:*

Proposed § 465.12(b)(5) mandates a security department. Implicit in this requirement is the understanding that the department will be staffed to effectively provide comprehensive security on the gaming floor and in all restricted areas within the licensed facility. A properly staffed security department should not need to, and will not be permitted to utilize, off duty law enforcement officers. The regulatory proposal contains no prohibition on the use of off duty law enforcement in areas other than the gaming floor and restricted areas for special events.

**§ 465.15. Cashiers' cage.**

*Comment:*

§ 465.15(b)(2)(i) - This paragraph assumes that the first door of the double door entry system will be adjacent to the gaming floor. This is not the case for MTRA. Therefore, the

applicant requests that the provision be revised to read "The first door of the double door entry and exit system leading from the gaming floor must be controlled by the security department..."

*Response:*

The Board accepts the substance of the comment and has revised proposed § 465.15(b)(2) accordingly.

*Comment:*

§ 465.15(c) - This provision permits the establishment of satellite cages, provided that such cages are designed and constructed in accordance with the requirements imposed on subsection (b) for the main cashier's cage. Based on its experience, Isle of Capri Casinos submits that the requirements in subsection (b)(2) for a double door entry system are unnecessary for a satellite cage given the small amount of currency kept in such cages. The Isle requests that the provision be modified accordingly.

*Response:*

The Board accepts the substance of the comment and has revised § 465.15(c) to eliminate the mantrap requirement.

**§ 465.16. Accounting validators and slot cash storage boxes.**

*Comment:*

§ 465.16(c)(2)(i) - This subsection states that the main bank cashier's functions shall include receipt of cash and other valuable items, including "original copies of jackpot payout



slips." The Isle requests that the regulation should be changed so as to read "duplicate copies" of such slips. In the Isle's experience, the original slip should remain with the money and ultimately go to the accounting department.

*Response:*

As whether or not the original or a duplicate of the jackpot payout slip remains at the cashiers' cage is jurisdictional and/or operator specific, the Board has elected to utilize, for the purposes of § 465.16(c)(2)(i), a more generic reference to jackpot payouts slips and has revised the regulatory proposal accordingly. Forthcoming regulations on the payment of jackpot payouts in Pennsylvania will define the precise disbursement of a jackpot payout slip.

**§ 465.17. Bill validators and slot cash storage boxes.**

*Comment:*

§ 465.17(a) - WMS respectfully requests the PGCB to change the word "shall" to "may", and add the words "any combination of," so the requirement reads as follows: Each slot machine may be equipped with a bill validator configured to accept any combination of currency, gaming vouchers, coupons and such other instruments as are authorized by the Board for incrementing credits on a slot machine.

*Response:*

The Board accepts the general substance of the comment and has revised § 465.17(a) to clarify that a bill validator may accept any combination of the enumerated instruments.

*Comment:*

§ 465.17(b) - Similar to the comments for § 461.10(g), MTRA does not believe these keys should be controlled by an employee of slot operations. The licensee should have the option of allowing an employee from a department other than slot operations (such as Cage or Security personnel) control these keys. Applicant recommends that this paragraph contain the language found in § 465.17(f) ("...or in accordance with such alternative key controls as the Board shall approve").

*Response:*

The Board declines to accept the recommendation. As the outer door of the slot machine is the door that controls access to the bill validator and is the door that must be opened in order to clear validator jams, this key is most efficiently in the custody and control of slot operations.

*Comment:*

§ 465.17(b) - This section provides that access to the bill validator must be controlled by at least one lock, the key to which shall be controlled by the slot operating department. Downs Racing requests a clarification on what is meant by "bill validator key." There are two keys to a bill validator. First,

there is the key to the door which provides access to the cash box. Second, there is the key to the cash access box itself. Downs Racing requests that this be clarified to define which key is intended. If it is intended that the slot department have access only to the key to the door which provides access to the cash box and not the cash box itself, Downs Racing has no further comment. If, however, it is intended that the slot department have the key to the cash access box itself, Downs Racing believes this section should be amended. For obvious security concerns, the cash access box is opened only in the count room by count room personnel under strict surveillance. Under no circumstances should the slot department have the key to the cash box. This will create serious security concerns and increase the likelihood of theft. Moreover, it is standard in the industry, for the reasons stated above, that the slot operations department does not have control of the key to the cash access box.

*Response:*

Proposed § 465.17(b) addresses the outer door of the slot machine that controls access to the bill validator and is the door that must be opened in order to clear validator jams.

Proposed § 465.17(e) addresses the key to the contents of the slot cash storage box and vests control of that key with slot accounting.

*Comment:*

§ 465.17(e) and (f) - These provisions require each slot cash storage box to have two separate locks, with one key being controlled by the slot accounting department and the other by the security department. Based on its experience, Isle of Capri Casinos submits that two locks is not only unnecessary, but actually could be detrimental. First, the slot accounting department is a controlled area and the additional lock is not needed. Second, the security department has no need to actually use the key to the slot cash storage box. Accordingly, the regulation would result in an extra person having access to the cash box who has no need for such access. In addition to the potential for mischief this causes, the need to call in the security department every time a cash box is opened will slow the accounting process. Notably, in promulgating its new rules, Florida abandoned a similar two lock requirement.

*Response:*

The Board declines to act on the specific recommendation. Nonetheless, the Board has revisited the regulatory proposal and has revised it to require the following minimum controls: the key to the belly door or main door of the slot machine is to be under the custody and control of the slot operations department. The key to the release mechanism securing the slot cash storage box within the slot machine is to be under the custody and

control of the security department. The contents of the slot cash storage box must be secured with a minimum of one key which shall be under the custody and control of the slot accounting department.

*Comment:*

§ 465.17(f) - This section provides that the keys to one of the locks securing the contents of a slot cash storage box must be maintained and controlled by the slot accounting department (or in accordance with such alternative key controls as the Board shall approve) while the key to the second lock shall be maintained and controlled by the security department. In MTGA's experience, the better practice is to have the contents keys housed in the dual control lock box located in the cashier's cage. The cashier's cage is under constant surveillance and provides a safer and better alternative. MTGA requests that this language be amended to allow this procedure or that the Board simply approve this procedure as satisfying the intent of this section. Additionally, in MTGA's experience, a more effective and safer alternative for control of the contents keys is to have control of one key with the security department and control of the other key with the count team personnel rather than the slot accounting department. The slot accounting department is not a twenty-four hour, seven day a week department and therefore, key access problems would be created.

*Response:*

The Board has revisited the regulatory proposal and has revised it to require the following minimum controls: the key to the belly door or main door of the slot machine is to be under the custody and control of the slot operations department. The key to the release mechanism securing the slot cash storage box within the slot machine is to be under the custody and control of the security department. The contents of the slot cash storage box must be secured with a minimum of one key which shall be under the custody and control of the slot accounting department. § 465.12(b)(b) defines slot accounting to include the cashiers' cage, count room or income control audit function.

**§ 465.18. Transportation of slot cash storage boxes to and from bill validators; storage.**

*Comment:*

§ 465.18(b) - This provision requires that all "cash storage boxes removed from bill validators must be transported directly to, and secured in, the count room." The Isle requests that the provision be modified to permit the cash boxes to be taken directly to a properly secured and situated BVA (bill validator acceptor) room. Isle of Capri Casinos' facilities have a count room that is connected by an internal door with a BVA room. The internal door ensures that both the BVA and count

rooms are controlled areas, and that employees working in such areas do not have to be exposed to the public to travel between the two rooms. Storing the cash boxes not currently being counted in the BVA room eliminates clutter and distractions from the count room, and thereby decreases the opportunity for theft.

*Response:*

The Board accepts the general substance of the recommendation and has revised proposed § 465.18(b) to allow for a trolley storage area immediately adjacent to the count room provided it is configured and secured in a manner satisfactory to the Board.

*Comment:*

§ 465.18(b) - This section provides that all slot cash storage boxes removed from bill validators shall be transported directly to, and secured in, the count room by a minimum of three employees, at least one of which is a member of the security department and at least one of which is a member of the slot accounting department. Based upon MTGA's experience, the better and safer practice is to require three individuals in the count room at all times, including one security officer, a count team supervisor and another count team employee of any level. Moreover, it is important to understand that it would be inappropriate for a representative of the accounting department to participate because it could compromise the audit process.

Resource constraints require that all accounting department representatives be a part of the audit process. As a fundamental parameter, and to avoid bias, a department should not audit its own activities. Accordingly, participation of the security department will assure participation by an independent department and required accounting department participation should be eliminated.

*Response:*

The Board declines to accept the recommendation. Proposed § 465.12(b)(b) defines slot accounting to include the cashiers' cage, count room or income control audit function. The expectation is that count room employees will participate in the count process.

*Comment:*

§ 464.18(b)(i) and 465.18(c) - These sections essentially require that the key to one of the locks of a slot cash storage box shall be maintained and controlled by the slot accounting department. Based upon MTGA's experience in this area, the better practice is for that key to be maintained by the count team department, particularly since the accounting department is not open 24 hours a day, seven days a week. It is important to understand that it would be inappropriate for a representative of the accounting department to participate because it could compromise the audit process. Resource



constraints require that all accounting department representatives be a part of the audit process. As a fundamental parameter, and to avoid bias, a department should not audit its own activities. Accordingly, participation of the security department will assure participation by an independent department and required accounting department participation should be eliminated.

*Response:*

The Board declines to accept the recommendation. Proposed § 465.12(b)(b) defines slot accounting to include the cashiers' cage, count room or income control audit function. The expectation is that count room employees will participate in the count process.

*Comment:*

§ 465.18(c) - MTRA requests that any member of the security department be allowed access to the key controlled by Security. This allows for more flexibility and avoids the situation where a supervisor must request an item from a subordinate. This more flexible approach will not compromise the integrity of gaming.

*Response:*

The Board accepts the substance of the comment and has revised proposed § 465.18(c) accordingly.