

# AGENDA

## KANSAS RACING AND GAMING COMMISSION 10:00 a.m., Friday, March 13, 2009

AUDITORIUM A  
Dwight D. Eisenhower State Office Building  
700 SW Harrison, Suite 450  
Topeka, Kansas

### A. CALL TO ORDER

### B. APPROVAL OF THE AGENDA

### C. APPROVAL OF MINUTES

1. [Minutes of February 18, 2009](#)

### D. LOTTERY GAMING FACILITY REPORTS/ITEMS

1. Butler National Service Corp./Boot Hill Casino and Resort

### E. COMMISSION ITEMS

1. KRGC Compliance Audit of Eureka Downs for 2008

*Commission Action:* Commission review and discussion

Staff Presentation: David Schultz, Chief Audit Officer

Staff Recommendation: Staff recommends approval

- a. [Staff Memo](#)
- b. [Eureka 2008 Financial Report Memo](#)
- c. [Accountants' Financial Statements](#)

2. Apportionment of Horse Purse Money

*Commission Action:* Commission review and discussion

Staff Presentation: Charles LaBoy, Director of Audit and Electronic Security

Staff Recommendation: Staff recommends approval as outlined in Staff Memo

- a. [Staff Memo](#)

3. Eureka Downs 2009 Fair Race Meet Application

*Commission Action:* Commission review and discussion

Staff Presentation: Charles LaBoy, Director of Audit and Electronic Security

Staff Recommendation: Staff recommends approval as outlined in Staff Memo

- a. [Staff Memo](#)
- b. [Eureka Downs 2009 Fair Race Meet Application](#)

4. Final Approval And Roll Call Vote On New Regulations

*Commission Action:* Commission review and discussion

Staff Presentation: Patrick Martin, Assistant Attorney General

Staff Recommendation: Staff recommends approval by roll call vote

- a. [Staff Memo](#)
  - b. [K.A.R. 112-12-15. Live horse racing purse supplement fund.](#)
  - c. [K.A.R. 112-13-6. Kansas greyhound breeding development fund.](#)
  - d. [Article 101 – Facility manager certification](#)
  - e. [Article 102 – Gaming supplier and non-gaming supplier certification \(excluding K.A.R. 112-102-2\)](#)
  - f. [Article 103 – Employee certification](#)
  - g. [Article 107 – Electronic gaming machines](#)
  - h. [Article 110 – Technical standards](#)
  - i. [Article 111 – Involuntary exclusions](#)
  - j. [Article 113 – Sanctions](#)
  - k. [Article 114 – Rules of hearings](#)
5. Presentation Of New Regulations
- |                           |  |
|---------------------------|--|
| <i>Commission Action:</i> | <i>Commission review and discussion</i>    |
| Staff Presentation:       | Patrick Martin, Assistant Attorney General |
| Staff Recommendation:     | Staff recommends approval                  |
- a. [Staff Memo](#)
  - b. [Article 104 – Minimum accounting and internal control standards \(K.A.R.s 112-104-34 through 41 only\)](#)
  - c. [Article 108 – Table games](#)

F. PUBLIC COMMENTS

G. STAFF REPORTS

- 1. Executive Director
- 2. Assistant Attorney General
- 3. Director of Administration
  - a. Budget Update
  - b. [Commission Meeting Calendar](#)

H. EXECUTIVE SESSION

- 1. Attorney-client communication

I. FURTHER COMMISSION ACTION

J. OTHER BUSINESS

K. ADJOURNMENT

**KANSAS RACING AND GAMING COMMISSION**

**MINUTES – February 18, 2009**  
**CONFERENCE CALL**

- CALL TO ORDER:  
(A.)
- Chair Sader called the February 18, 2009, conference call meeting to order at 10:00 am. Commissioners Sader, Braun, Falstad, McKechnie, and Schwan were present by teleconference. Others present included Executive Director Stephen Martino; Assistant Attorney General Patrick Martin; Director of Security Don Brownlee; Director of Communications/Responsible Gaming Mike Deines; Commission Recording Secretary Linda Pendarvis and other staff.
- MOTION, APPROVE AGENDA:  
(B.)
- Commissioner Braun (Falstad) moved to approve the agenda as presented. Motion passed unanimously.
- MOTION, APPROVE JANUARY 23, 2009, MEETING MINUTES:  
(C.1.)
- Commissioner McKechnie (Schwan) moved to approve the minutes of the January 23, 2009, commission meeting as submitted. Motion passed unanimously.
- MOTION, APPROVE CONSENT AGENDA:  
(D.)
- Commissioner McKechnie (Falstad) moved to approve the consent agenda as follows:
1. TRAK East - review and approve contracts
    - a. McGladrey & Pullen, Certified Public Accountants, *Kansas City, MO*; Audit services.
- Motion passed unanimously.
- DISCUSSION, POST-HEARING CHANGES TO NON-GAMING SUPPLIER REGULATION:  
(E.1.)
- The commission heard Mr. Martin discuss proposed changes intended to clarify the scope of non-gaming suppliers that KRGC plans to background in conjunction with regulation 112-102-2, non-gaming supplier regulation. Mr. Martin discussed limiting the scope of proposed regulation K.A.R. 112-102-2(b), which defines the scope of non-gaming suppliers that must be commission certified.
- MOTION, APPROVE POST-HEARING CHANGES TO NON-GAMING SUPPLIER REGULATION:  
(E.1.)
- Commissioner McKechnie (Braun) moved to approve the conceptual changes as proposed. Motion passed unanimously.
- CALL FOR PUBLIC COMMENTS:  
(F.)
- Chair Sader called for public comments. There were none.
- STAFF REPORT, MARTINO:  
(G.1.)
- The commission heard a staff report from Mr. Martino.

February 18, 2009

Page 2

STAFF REPORT,  
ASSISTANT ATTORNEY  
GENERAL:  
(G.2.)

The commission heard a staff report from Mr. Martin.

CALENDAR REVIEW:  
(G.3.)

There was no calendar review.

OTHER BUSINESS:  
(H.)

There was no other business to come before the commission.

ADJOURN:  
(I.)

Commissioner Braun (McKechnie) moved to adjourn at 10:23 am.  
Motion passed unanimously.

SUBMITTED BY:

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William Falstad  
Secretary

APPROVED BY:

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Carol H. Sader  
Chair

*Kansas Racing and Gaming Commission*

**STAFF AGENDA MEMORANDUM**

**DATE OF MEETING:** March 13, 2009

**AGENDA ITEM:** **KRGC Compliance Audit of Eureka Downs for 2008**

**PRESENTER:** David Schultz, Chief Audit Officer, KRGC

**ISSUE SUMMARY:** The Eureka Downs 2008 compliance audit was conducted on January 7, 2009, and the financial report is included herein. The Commission may require any fair association or horsemen's nonprofit organization licensee to file a financial audit in accordance with Commission direction (K.A.R. 112-17-11).

**COMMISSION ACTION REQUIRED/REQUESTED:** Commission discussion, consideration and possible action on Eureka Down's 2008 financial report.

**STAFF RECOMMENDATIONS:** Staff recommends approval of the Eureka Down's 2008 financial report.

# Memo

To: Stephen L. Martino, Executive Director, KRGC  
From: Charles LaBoy, Director of Auditing and Electronic Gaming Security, KRGC  
Date: January 29, 2009  
Re: Eureka 2008 Financial Report

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Commission staff has completed a compliance audit of the accompanying Balance Sheet of Eureka Downs, a division of the Kansas Quarter Horse Racing Association, Inc. as of November 30, 2008 and the related Profit and Loss Statement for the year then ended. These financial statements are the responsibility of the company's management. Our objective was to determine whether the underlying financial activity at Eureka Downs was in compliance with the Kansas Racing and Gaming Commission's rules and regulations.

Our compliance audit consisted of inquiries of Eureka Downs personnel and analytical procedures applied to financial data and transactions. This compliance audit is substantially less in scope than an audit of financial statements in accordance with Statement on Auditing Standards, as promulgated by the auditing standards board of the AICPA. During the compliance audit, nothing came to our attention that indicated any non-compliance with Kansas Racing and Gaming rules and regulations during the period under audit. Additionally, no financial statement adjustments of a material nature were proposed by Commission staff to Eureka Downs.

Included is a report titled Eureka Downs 2008 Expense Analysis. The objective of this report was to determine the allocation of the operations of Eureka Downs between expenses that were allowed to be charged against the KRGC grant and expenditures that were not. As detailed in the provided report, expenditures that were allowable to be charged against the grant exceeded the grant award amount by \$49,386. Additionally, this report separated those expenses that were attributable to the pari-mutuel activity at Eureka Downs from non pari-mutuel related expenditures. This analysis concluded that the pari-mutuel activity at Eureka Downs resulted in a net loss of \$16,217. The use of the Eureka Downs facility during periods outside of the horse meet resulted in a net loss of \$18,522.

There was no simulcasting at Eureka Downs in 2008, so the Simulcast Report provided in previous years is not applicable this year.

The final report included is titled Eureka Downs 2008 KRGC Expenses. This report lists commission expenses charged to the Horse Fair Racing Benefit Fund for the regulation of the Eureka Downs 2008 horse meet. Expenses on this report totaled \$72,864.



PUTHOFF & FARMER

CPA's, PA

225 NORTH MARKET • SUITE 355 • WICHITA, KS 67202 • phone 316 262 5056 • fax 316 262 0102

REPORT OF ACCOUNTANTS

Board of Directors  
Kansas Quarter Horse Racing Association, Inc.  
Eureka, Kansas

We have compiled the accompanying balance sheet of Kansas Quarter Horse Racing Association, Inc. as of November 30, 2008 and 2007 and the related statements of income, retained earnings, and cash flows for the years then ended, and the accompanying supplementary information, which are presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and supplementary schedules information that is the representation of management. We have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or any other form of assurance on them.

We are not independent with respect to the Kansas Quarter Horse Racing Association, Inc.

*Puthoff & Farmer CPA's, PA*

PUTHOFF & FARMER CPA's, PA  
January 15, 2009

KANSAS QUARTER HORSE RACING ASSOCIATION, INC.

BALANCE SHEET

As of November 30, 2008 and November 30, 2007

(See Accountants' Compilation Report)

ASSETS

	2008	2007
<b>CURRENT ASSETS</b>		
Cash	\$ 1,695	\$ --
Certificates of Deposit (Note B):		
Pledged	75,000	75,000
Unpledged	27,129	25,000
Acct Rec. - Eureka Downs	0	0
Grant Receivable - AQHA	0	0
Dividend Receivable - KQHRA Concessions	0	0
Prepaid income taxes & tax benefit receivable (Notes A & G)	614	614
Total current assets	<u>104,438</u>	<u>100,614</u>
<b>PROPERTY AND EQUIPMENT (Notes A &amp; H)</b>		
Furniture, Fixtures & Office equipment	14,001	14,001
Machinery and equipment	19,295	41,045
Total property and equipment	<u>33,296</u>	<u>55,046</u>
Less accumulated depreciation	27,496	39,543
Total net property and equipment	<u>5,800</u>	<u>15,503</u>
<b>OTHER ASSETS</b>		
Note Receivable - Eureka Downs	25,000	25,000
Investment in Sub. - KQHRA Concessions (Notes A & D)	11,566	10,908
Investment in Sub. - Eureka Downs (Notes A & C)	(37,447)	(2,876)
Total other assets	<u>(881)</u>	<u>33,032</u>
<b>TOTAL ASSETS</b>	<u>\$ 109,357</u>	<u>\$ 149,149</u>

LIABILITIES AND EQUITY

	2008	2007
<b>CURRENT LIABILITIES</b>		
Bank overdraft	\$ 0	\$ 752
Payroll taxes payable	571	694
Kansas Jackpot Race payable (Note B)	25,000	25,000
Accounts payable - trade	11,487	895
Total current liabilities	<u>37,058</u>	<u>27,341</u>
<b>LONG TERM LIABILITIES</b>		
Kansas Jackpot Race payable (Note B)	50,000	50,000
Total liabilities	<u>87,058</u>	<u>77,341</u>
<b>EQUITY (Note F)</b>		
Retained earnings	22,299	71,808
Total equity	<u>22,299</u>	<u>71,808</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 109,357</u>	<u>\$ 149,149</u>

The accompanying notes are an integral part of these statements

**KANSAS QUARTER HORSE RACING ASSOCIATION, INC.**  
**STATEMENTS OF OPERATIONS AND RETAINED EARNINGS**  
As of November 30, 2008 and November 30, 2007  
(See Accountants' Compilation Report)

	2008	2007
Membership dues	\$ 9,195	\$ 7,600
Administrative Income	11,508	22,578
Convention Registration	3,275	1,414
Silent Auction Income (net)	3,818	5,502
Equity in Undistributed Income - KQHRA Concessions (Note D)	658	1,328
Dividends - KQHRA Concessions	0	0
Equity in Undistributed Income - Eureka Downs (Note C)	(34,739)	4,954
Kansas Jackpot Auction Revenue	103,050	122,105
Equipment Lease Income (Note I)	0	6,000
	96,765	171,481
<b>Total Income</b>		
Advertising	7,060	7,545
Board Meeting Expenses	1,720	1,085
Awards - Races	6,528	14,158
Convention Expense	7,246	8,485
Awards - Convention	3,720	3,855
Catalog Expense	4,515	3,969
Bank Charges and credit card fees	1,826	2,754
Depreciation Expense	3,763	6,034
Dues & Subscriptions	384	210
Donations	0	2,000
Stallion Auction Chute Fees	10,475	14,800
Penalties & Interest	0	0
Legal & Professional Fees	9,435	4,716
Lobby Fees	6,147	13,896
Maintenance	0	108
Meals & Entertainment	311	631
Office Expenses	2,998	1,760
Office Supplies	1,426	2,356
Payroll tax expense	4,227	2,303
Postage	4,079	3,914
Rent or lease expense	3,400	3,200
Added Money	48,975	50,600
Salaries	26,600	25,988
Telephone	2,183	3,143
Travel	1,318	2,700
Utilities	5,080	3,884
Contract Labor	661	451
Other expense	1,259	4,527
	165,336	189,072
<b>Total operating expenses</b>		
Loss from operations	(68,571)	(17,591)
<b>OTHER INCOME</b>		
Interest income	4,282	4,049
A.Q.H.A. Grant Income	15,000	15,000
Miscellaneous Income	0	900
Loss on Sale of Fixed Assets	(440)	0
Donations received	220	165
	19,062	20,114
<b>Total other income</b>		
<b>NET INCOME (LOSS) BEFORE INCOME TAXES</b>	(49,509)	2,523
<b>INCOME TAX (EXPENSE) BENEFIT (NOTE G)</b>	0	0
<b>NET INCOME (LOSS)</b>	(49,509)	2,523

The accompanying notes are an integral part of these statements.

**KANSAS QUARTER HORSE RACING ASSOCIATION, INC.**  
**STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (CONTINUED)**  
As of November 30, 2008 and November 30, 2007  
(See Accountants' Compilation Report)

	2008	2007
NET INCOME (LOSS)	(49,509)	2,523
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>71,808</u>	<u>69,285</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 22,299</u>	<u>\$ 71,808</u>

The accompanying notes are an integral part of these statements

# KANSAS QUARTER HORSE RACING ASSOCIATION, INC.

## STATEMENTS OF CASH FLOWS

As of November 30, 2008 and November 30, 2007

(See Accountants' Compilation Report)

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 146,066	\$ 210,265
Cash paid to suppliers and employees	(151,104)	(190,755)
Interest paid	--	--
Interest received	4,282	4,049
Income tax (payments) refunds	0	1,982
Net cash provided by (used) in operating activities	(756)	25,541
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	0	(6,250)
Dividends received from Subsidiary	0	10,000
Proceeds from sale of equipment	5,332	0
Change in certificates of deposit	(2,129)	1,250
Net cash provided by investing activities	3,203	5,000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on jackpot race payable	(25,000)	(25,000)
Advances on jackpot race payable	25,000	25,000
Change in long-term debt	--	--
Net cash provided by (used) in financing activities	--	--
Net change in cash (bank overdrafts)	2,447	30,541
Cash at beginning of year	(752)	(31,293)
<b>CASH (BANK OVERDRAFTS) AT END OF YEAR</b>	<b>\$ 1,695</b>	<b>\$ (752)</b>

	2008	2007
<b>RECONCILIATION OF NET INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Net Income (loss)	\$ (49,509)	\$ 2,523
Adjustments to reconcile net income (loss) to cash used in operating activities:		
Depreciation	3,763	6,034
Loss on Sale of fixed assets	440	
Change in:		
Prepaid income taxes & tax benefit receivable	0	1,982
Payroll taxes payable	(123)	225
Accounts payable - trade	10,592	(7,941)
Accounts receivable	0	29,000
Investment in Sub. - KQHRA Concessions	(658)	(1,328)
Investment in Sub. - Eureka Downs	34,739	(4,954)
Net cash used in operating activities	\$ (756)	\$ 25,541

The accompanying notes are an integral part of these statements.

# KANSAS QUARTER HORSE RACING ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

November 30, 2008 and 2007  
(See Accountants' Compilation Report)

### NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

#### Business activity

The Company is engaged in the promotion of racing American Quarter Horses in Kansas and across the country. The Company does not extend credit to members or customers. The Company's major source of revenue is through donations of stallion breeding rights from farms across the country. These stallion breeding rights are then auctioned off to members of the association at an annual stallion auction. The produce from these breedings are then eligible, after payment of nomination and sustaining entry fees to the Company, for numerous races sponsored by the Company. The company retains a percentage of these entry fees as administrative income for sponsorship of these restricted races. In addition, the Company engages in the operation of Eureka Downs, a horse racing track located in Eureka, Kansas. The operation of this racing facility is funded largely by a grant from the State of Kansas through the Kansas Racing and Gaming Commission. The Company operates this facility as a division of Kansas Quarter Horse Racing Association, Inc. The Company owns 100% of its' subsidiary, KQHRA Concessions, Inc. This entity operates the concessions for the duration of the race meet at Eureka Downs. The Company, division and subsidiary have no union contracts and generally acquires labor and other services locally.

#### Income recognition

Income is recorded at the time of receipt for all income. Lease income is derived principally from equipment rental which is recognized in the period contracted. Income from interest is recorded at the time of receipt. Income from the Eureka Downs divisions and KQHRA Concessions, Inc. (See Note D), is recognized under the equity method of accounting. Separate compiled financial statements for each of these entities are included with this report.

#### Property and equipment

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. The straight line method is used for substantially all assets for financial reporting purposes over the following estimated useful lives:

Machinery and equipment	3-7 years
Office furniture and equipment	5-7 years

Maintenance, repairs, and renewals which do not materially add to the value of the property and equipment or appreciably prolong its life are charged to expense as incurred.

#### Investments

Investments, consisting of a Eureka Downs, a division of KQHRA, and KQHRA Concessions, Inc., a subsidiary of KQHRA, are carried at cost and are accounted for under the equity method of accounting.

# KANSAS QUARTER HORSE RACING ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

November 30, 2008 and 2007

(See Accountants' Compilation Report)

### NOTE A - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

#### Advertising costs

Advertising costs are expensed as incurred. Advertising expenses were \$7,060 and \$7,545 respectively, for the years ended November 30, 2008 and November 30, 2007.

#### Income taxes

The Company's provision for income taxes is the total of current taxes payable or refundable and tax expense or benefit. The Company has no deferred tax expense or benefit since the same basis of accounting is used for financial report standards and tax laws and regulations. No provision for any additional income tax benefit has been accrued for the most fiscal year.

#### Cash and cash equivalents

For purposes of the statements of cash flows, the Company considers any highly liquid investment instruments with an original maturity of ninety days or less to be a cash equivalent. The Company had no cash equivalents at November 30, 2008 or 2007.

#### Use of estimates in preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE B - CERTIFICATES OF DEPOSIT

At November 30, 2008 and 2007 the Company had certificates of deposit at various financial institutions totaling \$102,129 and \$100,000 respectively. These certificates of deposits have various maturity dates ranging from 6 to 18 months. Interest on these certificates of deposit are paid quarterly. No interest has been accrued on these balances. \$75,000 of these certificates of deposits are pledged to sponsor the Kansas Jackpot Futurity Races. These sponsorships are \$25,000 per year for three years. Other certificates of deposit, if in excess of \$75,000, are unpledged.

### NOTE C - EUREKA DOWNS DIVISION

The company operates the race track facility known as Eureka Downs located in Eureka, Ks. The Company accounts for this operation as a division of the Company. This division is accounted for under the equity method of accounting. For the years ended November 30, 2008 and 2007, the division had a net loss of \$34,739 and net income of \$4,953 respectively.

# KANSAS QUARTER HORSE RACING ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

November 30, 2008 and 2007  
(See Accountants' Compilation Report)

### NOTE D - KQHRA CONCESSIONS

The company owns 100% of a separate subsidiary known as KQHRA Concessions, Inc. This subsidiary is accounted for under the equity method of accounting. For the years ended November 30, 2008 and 2007, the division had net income of \$658 and net income of \$1,328 respectively.

### NOTE E - RELATED PARTIES

At November 30, 2008 and 2007 the Company did not have any accounts payable balances due to members or other related parties at either year end.

### NOTE F - EQUITY

The Company was incorporated in the State of Kansas in 1962 as a nonprofit corporation under Section 501 (c) (5) of the Internal Revenue Code. No common stock is issued. Voting rights are determined under the by-laws of the Company.

### NOTE G - INCOME TAXES

The Company has been granted tax exempt status under Section 501 (c) (5) of the Internal Revenue Code. However, the operation of a race track facility and concessionaire business are not tax-exempt activities. Payments for federal and Kansas income taxes have been projected based on taxable income multiplied by anticipated effective marginal federal and state corporate income tax rates. No provision has been made for the year ended November 30, 2008. The provision for income taxes includes the following for the years ended November 30, 2008 and 2007:

	2008	2007
Current tax benefit (expense)	\$ 0	\$ 0
Deferred expense (benefit)	0	0
Income tax expense (benefit)	\$ 0	\$ 58

### NOTE H - DEPRECIATION EXPENSE

The amount of depreciation expense was \$3,763 and \$6,034, respectively, for the years ended November 30, 2008 and 2007.

### NOTE I - LEASES

The Company rents equipment on an as needed basis. Equipment rentals totaled \$0 and \$6,000 for each of the years ended November 30, 2008 and 2007. All lease are accounted for as operating leases and are renewable annually. The company does not have any capital leases.

## SUPPLEMENTAL INFORMATION

**EUREKA DOWNS**  
**Balance Sheet Prev Year Comparison**  
 As of November 30, 2008

	Nov 30, 08	Nov 30, 07
<b>ASSETS</b>		
<b>Current Assets</b>		
<b>Checking/Savings</b>		
Emprise Bank - General Fund	9,308.44	28,959.23
Emprise Bank - Horsemen's Bkpr	1,863.70	15,407.93
Emprise Bank - Operations Acct.	491.39	1,676.39
<b>Total Checking/Savings</b>	11,663.53	46,043.55
<b>Accounts Receivable</b>		
Accounts Receivable		
Other	142.00	892.85
Returned Checks	0.00	250.00
<b>Total Accounts Receivable</b>	142.00	1,142.85
Horsemen Overpayments	0.00	634.75
<b>Total Accounts Receivable</b>	142.00	1,777.60
<b>Total Current Assets</b>	11,805.53	47,821.15
<b>Fixed Assets</b>		
<b>Machinery &amp; Equipment</b>		
Building	22,683.10	21,869.89
Jockey Equipment	3,297.00	3,297.00
Less Accumulated Depreciation	(37,677.81)	(35,453.35)
Machinery & Equipment	22,833.90	22,584.96
<b>Total Machinery &amp; Equipment</b>	11,136.19	12,298.50
<b>Total Fixed Assets</b>	11,136.19	12,298.50
<b>Other Assets</b>		
Facility Deposit	0.00	10,000.00
Tax Benefit Receivable - Kansas	245.00	245.00
Utility Deposits	725.00	725.00
<b>Total Other Assets</b>	970.00	10,970.00
<b>TOTAL ASSETS</b>	<b>23,911.72</b>	<b>71,089.65</b>
<b>LIABILITIES &amp; EQUITY</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
<b>Accounts Payable</b>		
Accounts Payable	846.59	5,131.36
<b>Total Accounts Payable</b>	846.59	5,131.36
<b>Other Current Liabilities</b>		
Estimated deductable due	2,500.00	2,500.00
Gary Worst Children's Fund	1,863.70	0.00
Horsemen's Bookkeeper		
Carryover	0.00	14,014.56
Horsemen's Bookkeeper - Other	0.00	2,144.27
<b>Total Horsemen's Bookkeeper</b>	0.00	16,158.83
<b>Payroll Liabilities</b>		
SUI-KS	1.54	7.32
<b>Total Payroll Liabilities</b>	1.54	7.32
Small Legal Fees	6,147.21	0.00
<b>Total Other Current Liabilities</b>	10,512.45	18,666.15
<b>Total Current Liabilities</b>	11,359.04	23,797.51
<b>Long Term Liabilities</b>		
Note Payable-GCFA	25,000.00	25,000.00
Note Payable-KQHRA	25,000.00	25,000.00
<b>Total Long Term Liabilities</b>	50,000.00	50,000.00

11:03 AM

01/07/09

Accrual Basis

**EUREKA DOWNS**  
**Balance Sheet Prev Year Comparison**  
As of November 30, 2008

	<u>Nov 30, 08</u>	<u>Nov 30, 07</u>
Total Liabilities	61,359.04	73,797.51
Equity		
Retained Earnings	(2,707.86)	(7,830.09)
Net Income	(34,739.46)	5,122.23
Total Equity	<u>(37,447.32)</u>	<u>(2,707.86)</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>23,911.72</u></b>	<b><u>71,089.65</u></b>

**EUREKA DOWNS**  
**Profit & Loss Prev Year Comparison**  
December 2007 through November 2008

	Dec '07 - Nov 08	Dec '06 - Nov 07
Ordinary Income/Expense		
Income		
Admissions		
Admissions Tax	(1,192.70)	(1,493.43)
General Admission	5,657.97	7,416.59
Turf Room Tables	6,375.60	12,580.00
<b>Total Admissions</b>	<b>10,840.87</b>	<b>18,503.16</b>
Advertising Income		
Condition Book	2,700.00	1,725.00
Programs & Stakes Book	2,150.00	3,382.83
Race Sponsor		
Blanket Costs	(912.31)	(687.00)
Race Sponsor - Other	3,700.00	2,191.75
<b>Total Race Sponsor</b>	<b>2,787.69</b>	<b>1,504.75</b>
Advertising Income - Other	0.00	500.00
<b>Total Advertising Income</b>	<b>7,637.69</b>	<b>7,112.58</b>
Entry Fees		
Starting Fees	6,760.00	11,380.00
<b>Total Entry Fees</b>	<b>6,760.00</b>	<b>11,380.00</b>
KRC Reimbursement	155,018.00	258,416.00
Misc Income	2,240.78	2,797.31
Mutuels Income		
Belmont		
Host Fees - Belmont	0.00	(1,241.42)
Belmont - Other	0.00	2,944.57
<b>Total Belmont</b>	<b>0.00</b>	<b>1,703.15</b>
Churchill Downs		
Host Fees - Churchill	0.00	(2,390.50)
Churchill Downs - Other	0.00	2,142.09
<b>Total Churchill Downs</b>	<b>0.00</b>	<b>(248.41)</b>
Eureka Downs	14,838.06	21,677.26
Pimlico		
Host Fees - Pimlico	0.00	(1,010.39)
Pimlico - Other	0.00	2,196.60
<b>Total Pimlico</b>	<b>0.00</b>	<b>1,186.21</b>
<b>Total Mutuels Income</b>	<b>14,838.06</b>	<b>24,318.21</b>
Program Sales		
Live Racing	4,838.90	8,003.05
<b>Total Program Sales</b>	<b>4,838.90</b>	<b>8,003.05</b>
Purse Income		
Greyhound Simulcast \$\$	30,698.07	52,276.50
Horseman's Purses	60,000.00	179,971.00
Mutuels Income - Horsemen's	9,890.72	18,404.30
Purse Carryover	14,014.56	9,162.76
<b>Total Purse Income</b>	<b>114,603.35</b>	<b>259,814.56</b>
Rents		
Building Rent	3,400.00	3,400.00
Stall Rent	19,932.00	16,277.06
Track Rent	226.00	120.00
<b>Total Rents</b>	<b>23,558.00</b>	<b>19,797.06</b>
<b>Total Income</b>	<b>340,335.65</b>	<b>610,141.93</b>
Expense		
Advertising		
Internet Expense	167.40	125.55

**EUREKA DOWNS**  
**Profit & Loss Prev Year Comparison**  
 December 2007 through November 2008

	Dec '07 - Nov 08	Dec '06 - Nov 07
Miscellaneous	496.57	50.00
Newspaper	260.90	858.44
Promotions	0.00	100.00
Radio	973.00	824.20
Trophies	462.00	400.00
<b>Total Advertising</b>	<b>2,359.87</b>	<b>2,358.19</b>
Ambulance		
EMT	1,708.75	2,940.00
<b>Total Ambulance</b>	<b>1,708.75</b>	<b>2,940.00</b>
Bank Service Charges		
General Fund	59.00	140.00
Bank Service Charges - Other	0.00	15.00
<b>Total Bank Service Charges</b>	<b>59.00</b>	<b>155.00</b>
Cash Over/Short	13.84	(679.91)
Commissions	518.75	871.25
Contract Labor		
Bookkeeping	6,875.00	8,125.00
Singer	100.00	0.00
<b>Total Contract Labor</b>	<b>6,975.00</b>	<b>8,125.00</b>
Depreciation Expense	2,224.46	2,461.22
Equipment		
Gas, Fuel, Oil	1,705.02	4,468.58
Repairs	5,074.34	6,775.65
<b>Total Equipment</b>	<b>6,779.36</b>	<b>11,244.23</b>
Equipment Rent		
Computer Software	750.00	1,625.00
Copier Rental	1,303.15	981.24
Starting Gate	942.00	1,950.00
Tractor & Water Truck	0.00	6,000.00
<b>Total Equipment Rent</b>	<b>2,995.15</b>	<b>10,556.24</b>
Horseman's Purse		
Horsemen's Purse Shortage TB	2,500.00	0.00
Purse C/O to 2008	0.00	14,014.56
Horseman's Purse - Other	114,300.00	245,800.00
<b>Total Horseman's Purse</b>	<b>116,800.00</b>	<b>259,814.56</b>
Insurance		
Broker Fees & Tax	150.00	0.00
Director's & Officer's	2,231.00	2,231.00
General Liability	13,590.52	16,966.36
Jockey		
Deductible	0.00	3,456.19
Jockey - Other	12,566.00	35,032.00
<b>Total Jockey</b>	<b>12,566.00</b>	<b>38,488.19</b>
Property	18,645.00	18,549.00
Work Comp	3,991.00	2,559.00
<b>Total Insurance</b>	<b>51,173.52</b>	<b>78,793.55</b>
Jockey Expenses	(0.53)	0.00
Licenses and Permits	650.00	1,400.00
Miscellaneous	0.00	0.00
Payroll Expenses		
Gross Wages		
Admissions	114.00	481.30
Announcer	650.00	1,130.00
Clerk of Scales	600.00	1,255.00
Director of Operations	3,125.00	3,300.00
General Manager	12,000.00	20,000.00
Horseman's Bookkeeper	5,070.00	6,270.00

**EUREKA DOWNS**  
**Profit & Loss Prev Year Comparison**  
 December 2007 through November 2008

	Dec '07 - Nov 08	Dec '06 - Nov 07
Maintenance	12,496.68	12,684.84
Mutuel Clerks	1,635.02	5,729.72
Mutuel Manager	1,500.00	3,250.00
Office Staff	1,300.52	1,148.82
Outrider	1,300.00	2,200.00
Photo Finish	400.00	550.00
Post Player	0.00	450.00
Printing	0.00	488.00
Program Sales	0.00	365.97
Racing Staff	1,589.75	1,554.75
Reservations	248.00	1,184.00
Security	7,138.13	12,232.21
Security Manager	750.00	1,390.00
Starter	1,500.00	2,750.00
Starting Gate	0.00	4,203.76
Gross Wages - Other	824.64	12.75
<b>Total Gross Wages</b>	<b>52,241.74</b>	<b>82,631.12</b>
Payroll Expenses - Other	2,625.00	0.00
<b>Total Payroll Expenses</b>	<b>54,866.74</b>	<b>82,631.12</b>
Payroll Taxes		
FICA	3,428.48	5,116.90
FUTA	402.38	557.03
Medicare	801.84	1,204.47
SUIKS	164.18	522.47
<b>Total Payroll Taxes</b>	<b>4,796.88</b>	<b>7,400.87</b>
Photo Finish	6,930.00	12,705.00
Postage	631.80	688.20
Professional Fees		
Accounting	4,350.00	3,675.00
Legal Fees	6,147.21	13,895.66
<b>Total Professional Fees</b>	<b>10,497.21</b>	<b>17,570.66</b>
Rent	40,000.00	50,000.00
Repairs		
Building Repairs	7,187.93	4,044.46
Landscaping	0.00	733.00
Road Repairs	0.00	223.54
Stall Repairs	52.24	166.01
Track Repairs	1,232.00	395.00
Track Resurfacing	21,361.27	2,500.00
<b>Total Repairs</b>	<b>29,833.44</b>	<b>8,062.01</b>
Simulcast		
Decoder Fees	0.00	641.93
License Fees	0.00	300.00
<b>Total Simulcast</b>	<b>0.00</b>	<b>941.93</b>
Supplies		
Jockey Supplies	0.00	5.00
Maintenance Supplies	491.86	1,347.02
Office Supplies	591.14	3,143.29
Video	0.00	40.00
<b>Total Supplies</b>	<b>1,083.00</b>	<b>4,535.31</b>
Taxes		
Federal Income	0.00	(2,507.00)
State Income	0.00	15.00
<b>Total Taxes</b>	<b>0.00</b>	<b>(2,492.00)</b>
Tote Charges		
United Tote	10,350.00	21,795.15
<b>Total Tote Charges</b>	<b>10,350.00</b>	<b>21,795.15</b>

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 Accrual Basis

## EUREKA DOWNS

### Profit & Loss Prev Year Comparison

December 2007 through November 2008

	Dec '07 - Nov 08	Dec '06 - Nov 07
Travel & Ent		
Meals	429.58	560.85
Travel	819.59	1,116.96
<b>Total Travel &amp; Ent</b>	<b>1,249.17</b>	<b>1,677.81</b>
Utilities		
Cable	0.00	93.26
Electric	8,106.08	8,606.37
Gas	899.90	1,242.56
Port-a-Potties	969.94	922.67
Telephone	2,527.18	3,904.35
Trash	1,959.42	2,224.00
Water	4,918.01	4,440.89
<b>Total Utilities</b>	<b>19,380.53</b>	<b>21,434.10</b>
Weed Control	195.00	148.00
<b>Total Expense</b>	<b>372,070.94</b>	<b>605,137.49</b>
<b>Net Ordinary Income</b>	<b>(31,735.29)</b>	<b>5,004.44</b>
Other Income/Expense		
Other Income		
Other Income	0.00	200.00
<b>Total Other Income</b>	<b>0.00</b>	<b>200.00</b>
Other Expense		
Bad Debts - Horsemen	634.75	0.00
Gary Worst Memorial	1,863.70	0.00
Other Expenses	0.00	0.00
Seller Over/Shorts	505.72	82.21
<b>Total Other Expense</b>	<b>3,004.17</b>	<b>82.21</b>
<b>Net Other Income</b>	<b>(3,004.17)</b>	<b>117.79</b>
<b>Net Income</b>	<b>(34,739.46)</b>	<b>5,122.23</b>

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 Accrual Basis

**KQHRA CONCESSIONS INC.**  
**Balance Sheet Prev Year Comparison**  
 As of November 30, 2008

	Nov 30, 08	Nov 30, 07
<b>ASSETS</b>		
<b>Current Assets</b>		
Checking/Savings		
Checking - Emprise Bank	10,228.30	8,459.34
<b>Total Checking/Savings</b>	10,228.30	8,459.34
<b>Accounts Receivable</b>		
Accounts Receivable		
Misc. Income	802.50	763.30
<b>Total Accounts Receivable</b>	802.50	763.30
<b>Total Accounts Receivable</b>	802.50	763.30
<b>Other Current Assets</b>		
Inventory		
Liquor	0.00	1,423.44
<b>Total Inventory</b>	0.00	1,423.44
<b>Total Other Current Assets</b>	0.00	1,423.44
<b>Total Current Assets</b>	11,030.80	10,646.08
<b>Fixed Assets</b>		
Equipment		
Accumulated Depreciation	-3,690.01	-3,448.38
Equipment - Other	4,314.13	4,314.13
<b>Total Equipment</b>	624.12	865.75
<b>Total Fixed Assets</b>	624.12	865.75
<b>TOTAL ASSETS</b>	11,654.92	11,511.83
<b>LIABILITIES &amp; EQUITY</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable		
Accounts Payable	0.00	517.68
<b>Total Accounts Payable</b>	0.00	517.68
<b>Other Current Liabilities</b>		
Income Taxes Payable	86.00	86.00
Sales Tax Payable	2.73	0.00
<b>Total Other Current Liabilities</b>	88.73	86.00
<b>Total Current Liabilities</b>	88.73	603.68
<b>Total Liabilities</b>	88.73	603.68
<b>Equity</b>		
Added Capital-KQHRA	1,000.00	1,000.00
Dividends	-10,000.00	-10,000.00
Retained Earnings	19,908.15	18,580.17
Net Income	658.04	1,327.98
<b>Total Equity</b>	11,566.19	10,908.15
<b>TOTAL LIABILITIES &amp; EQUITY</b>	11,654.92	11,511.83

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Accrual Basis

## KQHRA CONCESSIONS INC.

### Profit & Loss Prev Year Comparison

December 2007 through November 2008

	Dec '07 - Nov 08	Dec '06 - Nov 07
<b>Ordinary Income/Expense</b>		
<b>Income</b>		
Miscellaneous Income	1,397.25	535.00
Rent Income	1,200.00	350.00
Sales		0.50
Cash Over/Short	0.01	
Coin Machines	434.05	331.15
Food	0.00	15,355.89
Liquor	340.64	19,607.06
<b>Total Sales</b>	774.70	35,294.60
<b>Total Income</b>	3,371.95	36,179.60
<b>Cost of Goods Sold</b>		
Beer	0.00	5,173.92
Food	7.32	7,833.23
Liquor	1,173.44	2,479.65
Pre-Mix Soft Drinks	486.25	4,216.25
<b>Total COGS</b>	1,667.01	19,703.05
<b>Gross Profit</b>	1,704.94	16,476.55
<b>Expense</b>		
Annual Report Fees	55.00	55.00
Concession Commission	0.00	882.36
Depreciation Expense	241.63	308.35
Dues and Subscriptions	0.00	35.00
Equipment Rental	100.00	700.00
Insurance		
Bond	100.00	100.00
<b>Total Insurance</b>	100.00	100.00
Licenses and Permits	40.00	1,400.00
Payroll Expenses		
Gross Wages	0.00	3,700.86
Manager Salary	0.00	744.89
Sports Bar	0.00	3,480.25
<b>Total Payroll Expenses</b>	0.00	7,926.00
Payroll Taxes		
FICA	0.00	491.42
FUTA	0.00	63.42
Medicare	0.00	114.95
SUIKS	0.00	30.92
<b>Total Payroll Taxes</b>	0.00	700.71
Professional Fees		
Accounting	500.00	450.00
<b>Total Professional Fees</b>	500.00	450.00
Repairs		
Equipment Repairs	0.00	898.15
<b>Total Repairs</b>	0.00	898.15
Supplies		
Concessions	0.00	296.00
Sports Bar	10.27	0.00
<b>Total Supplies</b>	10.27	296.00
Taxes		
Federal	0.00	1,397.00
<b>Total Taxes</b>	0.00	1,397.00
<b>Total Expense</b>	1,046.90	15,148.57

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Accrual Basis

**KQHRA CONCESSIONS INC.**  
**Profit & Loss Prev Year Comparison**  
**December 2007 through November 2008**

	<u>Dec '07 - Nov 08</u>	<u>Dec '06 - Nov 07</u>
Net Ordinary Income	658.04	1,327.98
Net Income	<u>658.04</u>	<u>1,327.98</u>

Kansas Racing and Gaming Commission  
Eureka Downs 2008 Expense Analysis

	Expenses Allowable Under Grant	Other Pari-mutuel Related Activity	Total Pari-Mutuel Related Activity	Non Pari-Mutuel Related Activity	Total
<b>Revenue</b>					
Admissions		\$ 10,841	\$ 10,841		\$ 10,841
Advertising		7,638	7,638		7,638
Rental Income - KQHRA Office			-	3,400	3,400
Entry Fees		6,760	6,760		6,760
Purse carryover		14,015	14,015		14,015
WGP - simulcast revenue		30,698	30,698		30,698
KRGC grant - purse share	60,000		60,000		60,000
KRGC grant - operations share	155,018		155,018		155,018
Miscellaneous income			-	2,240	2,240
Mutuels Income					-
- Horseman's share		9,891	9,891		9,891
- Track share		14,838	14,838		14,838
Program income		4,839	4,839		4,839
Stall rent			-	19,932	19,932
Track rent			-	226	226
<b>Total Revenue</b>	<u>215,018</u>	<u>99,520</u>	<u>314,538</u>	<u>25,798</u>	<u>340,336</u>
<b>Expenses</b>					
Advertising & Promo	-	2,360	2,360		2,360
Ambulance	1,709		1,709		1,709
Bank service charges		59	59		59
Cash over/short		520	520		520
Program Commissions		519	519		519
Bookkeeping	5,156	100	5,256	1,719	6,975
Contributions			-		-
Depreciation expense		1,668	1,668	556	2,224
Dues & Subscriptions			-		-
Equipment fuel	320		320	1,385	1,705
Equipment repairs	3,755		3,755	1,319	5,074
Equipment rental	2,652		2,652	343	2,995
Horsemen's purse	60,000	56,800	116,800		116,800
Horsemen's purse carryover			-		-
Insurance	44,521		44,521	6,653	51,174
Lease expense - racetrack facility	30,000		30,000	10,000	40,000
Licenses & permits		650	650		650
Miscellaneous			-	2,693	2,693
Payroll	50,115		50,115	4,752	54,867
Payroll & other taxes	4,382		4,382	415	4,797
Photo finish	6,930		6,930		6,930
Postage & delivery	461		461	170	631
Printing - cond book, stakes & programs			-		-
Professional fees	675	3,675	4,350	6,147	10,497
Repairs	29,028		29,028	805	29,833
Simulcast fees	-		-		-
Supplies	478		478	605	1,083
Tote charges	10,350		10,350		10,350
Travel & entertainment	754		754	495	1,249
Utilities	13,118		13,118	6,263	19,381
Video service			-		-
<b>Total expenses</b>	<u>264,404</u>	<u>66,351</u>	<u>330,755</u>	<u>44,320</u>	<u>375,075</u>
<b>Net Income</b>	<u>\$ (49,386)</u>	<u>\$ 33,169</u>	<u>\$ (16,217)</u>	<u>\$ (18,522)</u>	<u>\$ (34,739)</u>

Kansas Racing and Gaming Commission  
Eureka Downs 2008 KRGC Expenses

KRGC Expenditures	
Salaries & wages	\$ 50,610
Communication	347
Travel & subsistence	15,322
Lab fees	6,430
Professional and scientific supplies	155
Office supplies	-
Other supplies	-
Total KRGC Expenditures	<u>\$ 72,864</u>

## *Kansas Racing and Gaming Commission*

### **STAFF AGENDA MEMORANDUM**

**DATE OF MEETING:** March 13, 2009

**AGENDA ITEM:** **Apportionment of horse purse money**

**PRESENTER:** Charles LaBoy, Director of Audit and Electronic Security  
Patrick Martin, Assistant Attorney General

**ISSUE SUMMARY:** The cessation of parimutuel racing at The Woodlands in August 2008, prior to the regularly scheduled live horse meet, created a situation where funds totaling \$1,179,835 that had accumulated in accordance with statute and contract could not be disbursed as live horse purses as would normally have happened.

The total horse purse funds were generated as follows:

- a) \$906,672 from horse simulcast at the Woodlands
- b) \$69,768 from horse simulcast at Wichita Greyhound Park in 2007
- c) \$158,926 carryover from the 2007 Woodlands horse meet. Of that amount,
  - i. \$147,800.82 came from horse simulcast, and
  - ii. \$11,124.79 from live horse racing.
- d) \$44,469 from the split of the profit from the 2007 Woodlands outbound horse simulcast signal.

If not disbursed, those funds are subject to being swept by the legislature. Two provisions of the parimutuel racing act direct the Commission on disbursing those funds.

#### **Funds generated from simulcasting**

The Commission's role in disbursing the horse purse funds generated from horse simulcast (\$1,124,241) and itemized in (a), (b) and (c)(i) above is governed by K.S.A 74-8836(g)(4), which states,

...That portion of simulcast purse money determined to be used for horse purses shall be apportioned by the commission to the various horse race meetings held in any calendar year based upon the number of live horse race dates comprising such horse race meetings in the preceding calendar year.

The horse race meetings in the preceding calendar year, 2008, comprised of 6 race days at Eureka Downs and 6 race days at Anthony Downs. In 2009, only two race meetings – Eureka Downs and Anthony -- are being proposed. Therefore, under the parimutuel racing act, the simulcasting funds “shall” be apportioned 50% to Eureka Downs and 50% to Anthony Downs.

### **Non-simulcasting funds**

The horse purse funds generated from live horse racing (\$11,124.79) and itemized in (c)(ii) above fall within K.S.A. 74-8820(a), which states that “An organization licensee shall be required to pay a minimum purse...The commission shall approve the amount of minimum purse which may be paid in stakes races during each race meeting...”

The horse purse funds generated from the split of the outbound horse simulcast (\$44,469) and itemized in (d) above are governed by a contract between Kansas Racing, LLC and the Woodlands Recognized Horse Owners Group which states, “All revenues, after expenses (as approved by the KRGC) are met, earned from the export of The Woodlands signal, shall be split on a 50% - 50% basis with the breed group from which the revenue is derived.”

**COMMISSION ACTION REQUIRED/REQUESTED:** Commission review, discussion and apportionment of horse purse money.

**STAFF RECOMMENDATIONS:** Staff recommends the horse purse money from horse simulcast (\$1,124,241.79) be apportioned 50% to Eureka Downs and 50% to Anthony Downs for their 2009 race meets. Staff recommends that TRAK East be notified of the live horse purse funds (\$11,124.79) that is available for their distribution as horse purses. Staff recommends that The Woodlands Recognized Horse Owners Group be notified of the split of the outbound horse simulcast purse money (\$44,469) that is available for their distribution as horse purses.

*Kansas Racing and Gaming Commission*

**STAFF AGENDA MEMORANDUM**

**DATE OF MEETING:** March 13, 2009

**AGENDA ITEM:** **Application for Eureka Downs 2009 Fair race meet**

**PRESENTER:** Charles LaBoy, Director of Audit and Electronic Security  
KQHRA/GCFA Representative

**ISSUE SUMMARY:** The Kansas Quarter Horse Racing Association and Greenwood County Fair Association have submitted a joint application for a organizational license to conduct ten days of live horse racing in Eureka, KS in 2009 on the following dates: May 25, 30, June 6, 13, 14, 20, 21, 27, 28 and July 5.

**COMMISSION ACTION REQUIRED/REQUESTED:** Commission review, discussion and direction of staff to draft an organizational license order for the Kansas Quarter Horse Racing Association/Greenwood County Fair Association d/b/a Eureka Downs' 2009 horse meet for Commission review and final action at the next Commission meeting.

**STAFF RECOMMENDATIONS:** Staff has reviewed the application and concluded that the application is materially compliant with K.S.A 74-8813, K.S.A. 74-8814 and article 17 of the KRGC rules and regulations. Staff recommends that the noncompliant issues be reconciled with the Kansas Quarter Horse Racing Association and Greenwood County Fair Association and outlined in the organizational license order.

# Kansas Racing Commission

STATE OF KANSAS            )  
  )  
County of Sedgwick        )        ss:

AFFIDAVIT AND WAIVER  
BY  
COUNTY FAIR ASSOCIATION OR HORSEMEN'S  
NON PROFIT ORGANIZATION APPLICATION

Fred Puthoff duly sworn, states,

1. Applicant, Kansas Quarter Horse Racing Association seeks the granting of a privilege from the State of Kansas and acknowledges the burden of proving this applicant's qualifications rests at all times with the applicant.
1. Applicant has filed herewith its completed application for an organization license, consisting of responses to the application and attachments thereto.
1. Applicant acknowledges any license which may be granted to this applicant is predicated upon the information contained in this verified application. For any material false or misleading statement or answer in an application, the application may be rejected, or if a license has already been granted the licensee may be fined or such license may be suspended or revoked or any combination thereof.
1. Applicant verifies that no director, officer, employee or agent of the applicant has been convicted of any of the following in any court of any state or of the United States or has been adjudicated in the last five years in any court of committing as a juvenile an act which, if committed by an adult, would constitute any one of the following: (a) fixing of horse or greyhound races; (b) illegal gambling activity; (c) illegal sale or possession of any controlled substance; (d) operation of any illegal business; (e) repeated acts of violence; or (f) any felony.
1. Applicant verifies that no director or officer of the applicant is addicted to and a user of alcohol or a controlled substance.

1. The undersigned, as the agent of applicant, directors, shareholders, and operating personnel, accepts any risk of adverse public notice, embarrassment, criticism, or other circumstance, including financial loss, which may result from action with respect to this application and expressly waives any claim which may otherwise be brought against the Kansas Racing Commission, its members and staff and the State of Kansas on behalf of the applicant, its officers, directors, shareholders, and operating personnel from action by the Kansas Racing Commission with respect to this application and expressly waives any claim for damages as a result.
1. Applicant has read the attached application consisting of 25 pages and attachments A-1 through A-15 thereto and knows the contents thereof: that the same is true as to his/her own knowledge, information and belief, and as to those matters he/she believes them to be true.

**Kansas Quarter Horse Racing Association**

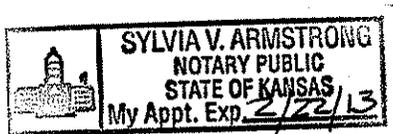
**Applicant**

Arnell C. Pappas

**Name of Authorized Officer**

Treasurer

Subscribed and sworn before me this 3<sup>rd</sup> day of March, 2009.



Sylvia V. Armstrong  
Notary Public

# Kansas Racing Commission

STATE OF KANSAS            )  
  )  
County of Greenwood        )        ss:

AFFIDAVIT AND WAIVER  
BY  
COUNTY FAIR ASSOCIATION OR HORSEMEN'S  
NON PROFIT ORGANIZATION APPLICATION

Hurley Breech duly sworn, states,

1. Applicant, Greenwood County Fair Association, Inc. seeks the granting of a privilege from the State of Kansas and acknowledges the burden of proving this applicant's qualifications rests at all times with the applicant.

1. Applicant has filed herewith its completed application for an organization license, consisting of responses to the application and attachments thereto.

1. Applicant acknowledges any license which may be granted to this applicant is predicated upon the information contained in this verified application. For any material false or misleading statement or answer in an application, the application may be rejected, or if a license has already been granted the licensee may be fined or such license may be suspended or revoked or any combination thereof.

1. Applicant verifies that no director, officer, employee or agent of the applicant has been convicted of any of the following in any court of any state or of the United States or has been adjudicated in the last five years in any court of committing as a juvenile an act which, if committed by an adult, would constitute any on of the following: (a) fixing of horse or greyhound races; (b) illegal gambling activity; (c) illegal sale or possession of any controlled substance; (d) operation of any illegal business; (e) repeated acts of violence: or (f) any felony.

1. Applicant verifies that no director or officer of the applicant is addicted to and a user of alcohol or a controlled substance.

1. The undersigned, as the agent of applicant, directors, shareholders, and operating personnel, accepts any risk of adverse public notice, embarrassment, criticism, or other circumstance, including financial loss, which may result from action with respect to this application and expressly waives any claim which may otherwise be brought against the Kansas Racing Commission, its members and staff and the State of Kansas on behalf of the applicant, its officers, directors, shareholders, and operating personnel from action by the Kansas Racing Commission with respect to this application and expressly waives any claim for damages as a result.

1. Applicant has read the attached application consisting of 25 pages and attachments A-1 through A-15 thereto and knows the contents thereof: that the same is true as to his/her own knowledge, information and belief, and as to those matters he/she believes them to be true.

**Greenwood County Fair Association, Inc.**

**Applicant**

Hurley Breesh

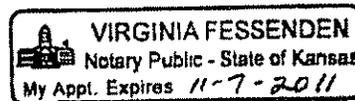
**Name of Authorized Officer**

Vice President

Title

Subscribed and sworn before me this 3rd day of March, 2009.

Virginia Fessenden  
Notary Public



KANSAS QUARTER HORSE RACING ASSOCIATION  
d/b/a EUREKA DOWNS

TABLE OF CONTENTS

	Page number
SECTION I _____	2
SECTION II _____	6
SECTION III _____	9
SECTION IV _____	12
SECTION V _____	13
SECTION VI _____	17
SECTION VII _____	21
ATTACHMENTS _____	A-1 thru A-15
ACCOUNTANTS COMPILATION REPORT ON CURRENT OPERATIONS _____	A-9
ACCOUNTANTS REPORT AND FINANCIAL PROJECTIONS _____	A-11

I. ORGANIZATION INFORMATION  
COUNTY FAIR ASSOCIATION OR HORSEMEN'S  
NONPROFIT APPLICATION

Each county fair association or horsemen's nonprofit organization application shall provide the following information:

a. **PRIMARY APPLICANT**

**Kansas Quarter Horse Racing Association – d/b/a Eureka Downs**  
full name of applicant

**225 N. Market, Suite 355**  
business address

<u><b>Wichita</b></u>	<u><b>Kansas</b></u>	<u><b>67202</b></u>	<u><b>(316) 262-5056</b></u>
city	state	zip	telephone

**1962**  
year of organization

**CO-APPLICANT**

**Greenwood County Fair Association**  
full name of applicant

**P.O. Box 590**  
business address

<u><b>Eureka</b></u>	<u><b>Kansas</b></u>	<u><b>67045</b></u>	<u><b>(620) 583-5721</b></u>
city	state	zip	telephone

**1954**  
year of organization

- b. This application shall contain a certified copy of the applicant's current articles of incorporation, bylaws, rules and regulations or any other agreements or documents that create or govern the applicant's organization. This certified copy shall be included in the attachments to this application. Also, any amendments to the documents shall be filed immediately with the commission, so that, at all times, a current copy of the applicants organization documents will be recorded in the commission office.

**Copies of applicant's current articles of incorporation and bylaws are included herein. See attachment A-1.**

- c. The applicant shall provide a statement of good standing from the Secretary of State. This statement shall be included in the attachments to this application.

**Enclosed please find a statement of good standing from the office of the Secretary of State. See Attachment A-2**

- d. This application shall include the full names, including any aliases or previous name, dates of birth and addresses of the applicant's officers. As to each officer, the applicant shall disclose the nature and extent of any voting interest in the applicant. The applicant also shall disclose the full names, including any aliases or previous name, dates of birth and addresses of any shareholder or member with an interest on three percent or more in the applicant. As to each member or shareholder, the applicant shall disclose the nature and extent of voting interest in the applicant.

**See attachment A-3 for a current listing of the board of directors and officers of the Kansas Quarter Horse Racing Association and the Greenwood County Fair Association. Each director of the Kansas Quarter Horse Racing Association and the Greenwood County Fair Association is permitted one vote. The Kansas Quarter Horse Racing Association is not a stock company and thus has no stockholders. A current listing of the stockholders of the Greenwood County Fair Association in reference at Attachment A-3**

**The management of Eureka Downs will be performed by the following committee of five (5) individuals (Résumé's included in Attachment A-3).**

**Art Teichgraber, Director of the Kansas Quarter Horse Racing Association, Committee Chairman – Eureka Downs Management Committee, 700 N. Main, Eureka, KS 67045 zero shares of stock, committee member is permitted vote (20% voting interest);**

**Fred U. Puthoff, Certified Public Accountant, Treasurer and 1st Vice President of the Kansas Quarter Horse Racing Association, Committee member – Eureka Downs Management Committee, 3650 South 119<sup>th</sup> Street West, Wichita, Kansas, 67215, zero shares of stock, committee member is permitted one vote (20% voting interest);**

**Albert Hogoboom, Director and active Past President of the Kansas Quarter Horse Racing Association, Committee member – Eureka Downs Management Committee, 767 Oil Hill Road, El Dorado, Kansas 67042 zero (0) shares of stock, committee member is permitted one vote (20% voting interest);**

**Hurley Breech, Vice President of the Greenwood County Fair Association, committee member – Eureka Downs Management Committee, 1153 140th Street, Eureka, KS 67045, zero shares of stock, committee member is permitted one vote (20% voting interest);**

**Paul Hendrickson, Director and President of the Greenwood County Fair Association, Committee member – Eureka Downs Management Committee, 300 East Third Street, Eureka, Kansas, 67045, committee member is permitted one vote (20% voting interest);**

e. Was applicant organized within the past five years? No  
yes/no

If yes state:

1. the names of the organization's organizers or promoters;

**N/A**

2. the nature and amount of anything of value received or to be received by each organizer or promoter directly or indirectly from the applicant; and

**N/A**

3. the nature and amount of any assets, services, or other consideration received or to be received by the applicant from the organizers or promoters.

**N/A**

f. State whether the applicant is directly or indirectly controlled to any extent or in any manner by another individual or entity. If so, the applicant shall disclose the identity of the controlling entity and a description of the nature and extent of control.

**The applicant is not directly or indirectly controlled to any extent on in any manner by another individual or entity.**

g. Provide one copy of each contract and agreement that the applicant has executed or proposes to execute and any modification or proposed modification of each contract or agreement. If the contract or agreement is an oral one, a written statement explaining the substance of the oral agreement shall be included. These copies shall be included in the attachments to this application.

**The applicant herewith encloses a copy of the lease agreement with the co-applicant Greenwood County Fair Association, See Attachment A-4.**

**The management committee is currently in negotiations with Am Tote to provide their services through the year 2009.**

**The management committee is currently in negotiations with True Center Gate Company to provide their services through 2009.**

**See Attachment A-4 for a copy of the Co-organization license agreement between the Kansas Quarter Horse racing Association and the Greenwood County Fair Association.**

**See Attachment A-4 for a copy of the concessionaire's agreement between the Kansas Quarter Horse Racing Association and the concessionaire, KQHRA Concessions, Inc.**

**See Attachment A-4 for a copy of the stall lease agreement between the Kansas Quarter Horse Racing Association and the lessee.**

- h. State whether the applicant, or any director, officer policy-making manager, principal shareholder or principal member owns or has owned any interest in any racing-association or gambling-associated firm, partnership, association or corporation licensed by a governmental authority. If so, a description of the circumstances surrounding the interest or participation shall be provided, including the identity of the license or permit holder, the nature of the license or permit, the identity of the issuing authority and the dates of the issuance and any termination of the license or permit.

**To the best of this applicant's knowledge, neither the applicant, nor any committee-member, policy-making manager, principal shareholder or principal member owns or has owned any interest in any racing-associated or gambling-associated firm, partnership, association or corporation licensed by a governmental authority.**

- i. Is there any pending legal proceeding to which the applicant or any subsidiary or related organization is a party NO  
yes/no

If yes, briefly describe the matter. Also, list the name of the court or agency in which it is pending, the date instituted and the principal parties involved. This information shall be included in the attachments to this application. The applicant shall briefly describe any pending legal proceeding involving the property of the applicant, any subsidiary or related organization. The name of

the court or agency in which the matter is pending, the date instituted and the principal parties involved shall be included in the attachments.

**N/ A**

- j. State whether the applicant, any officer, any director, any principal shareholder or any principal member has complied with and is in compliance with K.S.A. 1991 Supp. 74-8810.

**The applicant and its officers and directors have complied with and are in compliance with K.S.A 74-8810. The applicant has no principal shareholders or members.**

- k. Any entity or individual identified for investigation in commission regulations or found to be material to the racing program shall submit to a background investigation conducted by the director of security, director of the Kansas Bureau of Investigation or other person designated by the commission. Each individual or entity so identified shall execute and verify a personal background disclosure form provided by the commission. Those individuals who are required to execute and verify personal background forms include the president, vice-president, security and treasurer of a county fair association and each officer and each director of a horsemen's non profit organization. The forms shall be assembled and filed as outlined in the instruction for applications.

## II. SITE AND PHYSICAL PLANT

Each application for a county fair association or horsemen's nonprofit organization license in which the applicant proposes to own or to construct a racetrack facility shall provide the following information:

- a. Identify the county and municipality where the racetrack or proposed racetrack is or will be located.

**Greenwood - County**

**Eureka - Municipality**

- b. Will the applicant's facility be designed to conduct:

1. horse racing **Yes**\_\_\_\_\_
2. greyhound racing \_\_\_\_\_
3. both horse and greyhound racing \_\_\_\_\_

If horse racing is to be conducted, state the breed of the horse(s) to be raced.

**Thoroughbred, Quarter Horse, Appaloosa, Paint, Arabian, and Mules.**

- c. Attach to the application a site map that reflects existing and proposed highways and streets adjacent to the racetrack facility.

**See Attachment A-5.**

- d. Describe the grandstand, including the indoor and outdoor seating capacities, the location of food, drink, and other concessions, the number and location of restrooms and the number and location of drinking fountains.

**See Attachment A-6.**

- e. State the racetrack dimensions by circumference, width, banking, location of starting gates or boxes, length of stretch and type of surface, as well as a description of equipment that will be used to maintain the track surface. If the applicant proposes more than one racetrack, the applicant shall provide the details for each.

**See Attachment A-6.**

- f. For horse racetracks, describe the facilities to accommodate greyhounds, including the location, number, method of construction, and size of crates, as well as the location, size and number of turnout pens.

**No facilities are presently available to accommodate greyhounds.**

- g. Describe the testing facilities.

**See Attachment A-7**

- h. For horse racetracks, describe the jockey's or driver's quarters, including the changing areas and a list of any equipment to be located in the quarters.

**See Attachment A-6. The jockey quarters are located adjacent to the saddling paddock. Equipment located in the jockey quarters is listed as part of the overall equipment located at the Eureka Downs facility and is referred herein as Attachment A-8.**

- i. If wagering is to be conducted, describe the totalisator system, including the approximate location of better's windows, the money room, totalisator equipment, and, if known, the identity of the totalisator provider.

**As indicated in Section I, paragraph g, this applicant is currently in negotiations with Am Tote for furnishing the tote services. Betting windows are located in the upper clubhouse area as well as in the inside and outside of the lower main level. The money room is located on the main level at the northwest end of the grandstand.**

- j. Describe the parking, including the road surface on the parking areas, the distance between parking and the grandstand, the access to the parking from surrounding streets and highways and the number of public and other parking spaces available.

**The gravel based parking lot is located immediately to the west of the grandstand and is accessible for handicapped parking. The lot is accessible from Jefferson Street and will accommodate at least 1,600 vehicles. See Attachment A-6**

- k. Describe any improvements and equipment to be used for security, fire, and safety purposes, including the identity of the provider of the equipment, if known.

**Applicant intends to contract with Mark Kenneson for the applicant's director of security. Applicant will be working with the local Sheriff's deputies to provide security for the racetrack. In the event of fire, The Eureka Fire Department is located approximately ten (10) blocks from the racing facility. The Greenwood County Emergency Medical Service is located within ten (10) blocks of the racing facility. This applicant will contract with the Greenwood County Emergency Medical Service to provide one (1) ambulance, along with two (2) EMT's during the races. Additional assistance, if necessary, may be obtained from the Greenwood County Hospital located within the city limits. (See VII Requested exemptions - Item (n))**

- l. Describe the starting, timing, video replay and photo finish equipment, including the provider of the equipment, if known.

**As indicated in Section I, paragraph g, the applicant is currently in negotiations with True Center Gate Company for 2009 for the starting gates, and will contract services for a starter. The applicant has contracted with Gene Wilson & Associates to provide the timing and photo finish equipment and personnel. Services for the video replay equipment will be provided at time of contract.**

- m. Describe the work areas to be used by the commission, its employees and agents.

**The steward's tower has been utilized in the past by the commission and will once again be available. The commission satellite office is located at the west end of the office building is available as has been in prior years.**

### III. FINANCES

Each application for a county fair association or horsemen's nonprofit organization licenses shall provide the following information:

- a. If the applicant is a county fair association, attach to this application copies of the past five annual reports of the county fair association files with the state board of agriculture pursuant to K.S.A. 2-128.

**The co-applicant, Greenwood County Fair Association is organized and is governed as a county fair association. Since the state board of agriculture is no longer in existence, these annual reports are no longer required and thus this section is not applicable. Additionally, this report is not applicable for the Kansas Quarter Horse Racing Association since they have never been considered a county fair association.**

- b. Attach to this application a financial statement that reflects the applicant's current assets, including investments, loans, and advances receivable, and fixed assets and current liabilities, including loans and advance payable, long-term debt and equity.

**See Attachment A-9**

- c. State financial projections for each or the first and next three racing years, with separate schedule based upon the number of racing days and types of pari-mutuel wagers the applicant requires to break even and the optimum number of racing days and types of wagers applicant requests for each year.

**Applicant requests seven (10) dates for 2009 as follows; May 25, 30, June 6, 13, 14, 20,21 27,28 and July 4<sup>th</sup>. The types of pari-mutuel wagers being requested are stated in attachment A-10. See accountants report for financial projections in Attachment A-11. Applicant requests an exception for providing projections beyond the immediate year based upon the probability that the organization will not submit an application for a grant unless additional sources of revenue or reduction of fixed costs are attained or additional grant monies are made available.**

- d. State the following assumptions:
  1. average daily attendance;

2. average daily per capita handle and average wager
3. retainage;
4. admissions to the racetrack, including paid and free admissions;
5. parking volume, fees and other revenues;
6. concessions and program sales;
7. purses;
8. pari-mutuel expense
9. breed funds;
10. payroll including reimbursement to the commission as authorized by the act;
11. operating supplies and services;
12. utilities;
13. repairs and maintenance;
14. insurance
15. membership expense;
16. security expense;
17. legal and audit expense;
18. debt service; and
19. reimbursement from county fair horse racing benefit fund.

**See summary of significant projection assumptions and accounting policies in accountant's projected financial statements in Attachment A-11.**

- e. State the following projected profit and loss elements:
  1. total revenue, including projected revenues from retainage and breakage, admissions, parking, concessions, program operations, and the county fair horse racing benefit fund;

**See accountants projected financial statements in Attachment A-11.**

2. Total operating expenses, including projected anticipated expenses for the following:
  - A. purses, including those from county fair horse racing benefit fund;
  - B. pari-mutuel;
  - C. state and local taxes;
  - D. breed funds;
  - E. cost of concession goods and programs;
  - F. advertising and promotion;
  - G. payroll;
  - H. operating supplies and service;
  - I. maintenance and repairs
  - J. security
  - K. legal and audit; and
  - L. background investigations.

**See accountants projected financial statements in Attachment A-11.**

3. Nonoperating expenses, including anticipated expenses for debt service, facility depreciation and identification of the method used, and equipment depreciation and identification of the method used.

**See accountants projected financial statements in Attachment A-11**

- f. State the projected cash flow, including an assessment of:
  1. income, including equity contributions, debt contributions, interest income, operating revenue, and revenues from the county fair horse racing benefit fund; and
  2. disbursements, including land, improvements, equipment, debt service,

operating expense and organizational expense.

**See accountants projected financial statements in Attachment A-11.**

- g. Attach to this application copies of the projected balance sheets as of the end of any development period and the first and the next three racing years setting forth current, fixed and other noncurrent assets, current and long-term liabilities, and capital accounts.

**See accountants projected financial statements in Attachment A-11.**

#### IV. GOVERNMENTAL ACTIONS

Each Application for a county fair association or horsemen's non profit organization license in which the applicant proposes to own or to construct a racetrack facility shall provide the following information.

- a. Is the applicant required to secure any governmental approval for the ownership, operation, or development of the racetrack facility.    yes \_\_\_\_\_ no   X

If yes, provide:

1. a description of the approval, the unit of government involved, the date of the approval and documentation of it;

**N/A**

2. a statement whether public hearings were held. If they were, the applicant shall disclose when and where the hearings were conducted. If they were not held, the applicant shall disclose why they were not held; and

**N/A**

3. a statement whether the unit of government involved attached any conditions to the approval, if so, the applicant shall disclose the conditions, including documentation, and

**N/A**

4. a statement whether any required governmental approvals remain to be obtained, as well as a description of the approval, the unit of government involved, the status of the approval, the likelihood of the approval and the expected date of the approval;

N/A

- b. State whether the racetrack facility complies with all statutes, charter provisions, ordinances and regulations pertaining to the ownership, operation and development of a racetrack facility. If not in compliance, the applicant shall state the reasons why it is not.

**The racetrack facility complies with all the statutes, charter provisions, ordinances and regulations pertaining to the ownership and development of a racetrack facility.**

- c. Has a majority of qualified electors in the county named above approved either:
1.       X       \_\_\_\_\_ The constitutional amendment permitting the conduct of  
          yes       no     horse and greyhound races and pari-mutuel wagering; or
  2.     \_\_\_\_\_     \_\_\_\_\_ a proposition permitting horse or greyhound wagering  
  within the county boundaries.

## V. DEVELOPMENT PROCESS

Each application for a county fair association or horsemen's nonprofit organization license in which the applicant proposes to construct a racetrack facility or to improve an existing racetrack facility shall contain the following information:

- a. State the total costs of the construction of the facility, distinguishing between fixed costs and projections.

**Replacement of a barn destroyed in 2001 by high winds was completed in 2002. The cost to replace the barn in excess of insurance proceeds received was \$15,621. The barn is now fully functional. The facility sustained a large fire in February of 2006 which resulted in the complete loss of the largest barn on the facility. The organization has completed the construction of a new barn on the facility to replace the barn which was lost in the fire and which is now fully functional. The cost of replacement of this barn was approximately \$100,000.**

- b. Individually identify the following costs, distinguishing between fixed costs and projections:
1.     facility design; **Replacement of a barn destroyed in 2001 by high**

winds was completed in 2002. The barn is a free standing, clear span metal building, 74' x 98', with 28 portable stalls. The cost to replace the barn in excess of insurance proceeds received was \$15,621. The barn is now fully functional. The barn which was destroyed in 2006 was built in 1989. The barn was a free standing barn which measured approximately 65' x 320', with 100 Stalls. The organization has completed the construction of a new barn on the facility to replace the barn which was lost in the fire and which is now fully functional. This new barn is measures 74' x 98', with 26 stalls and 2 storage areas. The cost of replacement of this barn was approximatley \$100,000.

2. land acquisition; **None**
3. site preparation; **None to date. The track was completely resurfaced in 2008.**
4. improvements and equipment, individually identifying the costs of the items listed in subparagraphs (e) through (n) of K.A.R. 112-17-3 and other categories of improvements and equipment;

**Projected costs for the facility improvements and equipment: General repairs and maintenance to the facilities will be performed on an "as needed" basis. As previously stated, The organization has received insurance proceeds and is currently obtaining bids for the replacement of this barn as soon as possible.**

5. Interim financing;

**Applicant intends to incur interim financing for operating expenses prior to start up. Applicant intends to enter in to a line of credit agreement with its bank in the amount of \$115,000 to fund pre-opening expenses and start up costs. No equipment additions are anticipated in 2009. In the event that applicant has a loss for 2009, applicant intends to obtain short term loans or capital contributions from Kansas Quarter Horse Racing Association and Greenwood County Fair Association to fund said loss.**

6. permanent financing; and

**See (5) above**

7. organization, administrative, accounting and legal services.

**Applicant will be relying on the five (5) member management committee referred to in I(d) to organize and administrate the various operations of the racetrack. Accounting services will be provided by**

**Puthoff & Farmer, CPA's, PA. Legal services will be contracted on as "as needed" basis. Additionally, applicant intends to consult regularly to seek the guidance and counsel of the Kansas Racing Commission as may be required. Applicant is seeking an operating assistance grant of \$565,000 for 2009 from the county fair horse racing benefit fund.**

- c. Document fixed costs.

**All costs are projected with the exception of the payment by Eureka Downs – Division of the Kansas Quarter Horse Racing Association to the Greenwood County Fair Association for the lease of the facility. Due to the financial constraints of the organization, the Greenwood County Fair has made a one time special consideration to reduce the annual lease payment to \$38,800. This lease is based upon \$30,000 for the period beginning 60 days prior to the start of the race meet and ending 30 days after the close of the race meet, and \$8,800 for the "non race meet" The lease will be renewable annually subject to certain rights and restrictions of both parties to the lease.**

- d. State the schedule for construction of the facility including estimated completion date.

**N/A**

- e. Attach schematic drawings to this application.

**N/A**

- f. Attach to this application copies of any contracts with and performance bonds from the:

1. architect or other design professional;
2. project engineer;
3. construction engineer
4. contractor and subcontractor; and
5. equipment procurement personnel.

**There are no contracts or bonds at this time.**

- g. State whether the site is owned or leased. If so, the applicant shall attach to this application the documentation for the acquisition. If not, the applicant shall state what actions it must take to secure the use if this site;

**The site is owned by the Greenwood County Fair Association subject to the court approval mentioned in section I (i). The Kansas Quarter Horse Racing Association d/b/a Eureka Downs intends to lease these**

**grounds from the Greenwood County Fair Association pursuant to the lease agreement discussed in section I(g) and in the above V(c).**

- h. Describe the equity and debt sources of the financing, including;
1. with respect to each source of equity contribution, and identification of the source, amount, form, method of payment, nature and amount of present commitment, documentation and actions which the applicant will take to obtain more certain commitments and commitments for additional amounts; and
  2. with respect to each source of debt contribution, and identification of the source, amount, form, method of payment, nature and amount of present commitment, documentation and actions which the applicant will take to obtain more certain commitments and commitments for additional amounts.

**It is anticipated that the Kansas Quarter Horse Racing Association will advance sufficient equity to allow the applicant to cover certain start up costs by entering into a line of credit agreement in the amount of \$115,000 with their bank. These amounts will be repaid from cash flow from operations. If necessary, additional capital contributions from Kansas Quarter Horse Racing Association and Greenwood County Fair Association will be requested and will only be repaid from the operations, when and if profitable. Applicant is seeking an operating assistance grant of \$565,000 from the county fair horse racing benefit fund.**

- i. Identify and describe the sources of additional funds, if needed, due to cost overruns, non receipt of expected equity or debt funds, failure to achieve projected revenues or any other cause.

**As of the end of the most recent fiscal year ended November 30, 2008 the Kansas Quarter Horse Racing Association had a positive net worth slightly in excess of \$22,000. In the event of certain costs overruns, failure to secure debt financing or if certain revenues are not achieved, this net worth would be used to cover such items. In addition, applicant intends to obtain an operating loan to accomodate cash flow needs.**

## VI. MANAGEMENT

Each application for a county fair association or horsemen's nonprofit organization license shall provide the following information

- a. State the applicant's management plan, including a budget and the identification of each management position function, job description and qualification. The

applicant shall attach to this application a copy of an organization chart that depicts the chain of command for each management position.

**Applicant's volunteer directors, under the general direction of its management committee president, supervise all operating functions of the race meet. Applicant will continue the same general management structure for its 2009 pari-mutuel race meet under the overall supervision of commission personnel. Applicant will contract the services of Rita Osborn (General Manager), Rita Osborn (Racing Secretary), Alton Hoover (Director of Operations), Tim Mitchell (Starter), Kay Rice (Clerk of Scales), Tara Osborn (Photo Finish Operator), Tara Osborn (Bookkeeper), Angie Lowe (Mutuel Manager) & Mark Kenneson, (Director of Security).**

**Also see attachment A-12.**

- b. Identify management personnel or volunteers and, to the extent known, state for each:
  1. a legal name, any alias and any previous name;
  2. a current residence and business address and a telephone number for each;
  3. any qualification and experience in the following areas;
    - A. general business;
    - B. marketing, promotion and advertising;
    - C. finance and accounting;
    - D. horse or greyhound racing;
    - E. pari-mutuel wagering;
    - F. security; and
    - G. human and animal health and safety; and
  4. a description of the terms and conditions of employment and a copy of any written agreement.

**As signed employment agreements between the applicant and employees are completed, they will be submitted to the commission with a contract cover review sheet. Applicant**

**intends to comply with all federal and state laws with respect to all conditions of employment.**

**See attachment A-13 for personnel listing and job title.**

- c. Identify consultants and other contractors, to the extent known, who have provided or will provide management-related services to the applicant, and state for each;
1. a full name;
  2. a current address and telephone number;
  3. the nature of service provided;
  4. any qualifications and experience; and
  5. a description of the terms and conditions of any agreement and a copy of any written agreement.

**Applicant will employ Rita Osborn as General Manager and has enclosed herein her resume. See Attachment A-14. Other management related services will be provided by the management committee under the guidance of the Kansas Racing Commission.**

- d. Describe memberships in racing organizations held by the applicant, its management personnel and its consultants;

**The applicant is presently a member of the following associations:**

- 1) **American Quarter Horse Association**
- 2) **American Horse Council**
- 3) **Kansas Horse Council**
- 4) **National Organization of Horsemen's Associations**

- e. Describe the applicant's security plan, including:
1. the number and deployment of security personnel serving the applicants during a race meeting.
  2. The specific security plans for the stable or kennel area, detention area, pari-mutuel areas, money room, and other restricted areas;
  3. The specific security plans for detecting persons at the racetrack facility who are subject to provisions of K.S.A. 1991 Supp. 74-8804 (f) (1) through (3) or who have violated commission regulations or the racing act; and
  4. A description of the coordination of the security plan with other law enforcement agencies.

**As in the prior year, applicant contemplates contracting with Mark Kenneson to oversee our security operations and will work in conjunction with the security director of the Kansas Racing & Gaming**

**Commission. Also See Attached A-15.**

- f. Describe the applicant's plans for human health and safety, including emergencies.

**See Attachment A-15**

- g. Describe the applicant's plans for animal health and safety, including provisions for maintenance of the racing surface and removal of the injured racing animals from the track.

**All veterinarians will be required to obtain a category III or IV concessionaires license. There will be a licensed veterinarian at the track while the races are in progress. Injured horses will be screened from the grandstand through the use of a trailer with a covered tarp and removed from the track with a truck and trailer as soon as reasonably possible. Applicant resurfaced the track in 2008. As in prior years applicant will work closely with the Kansas Racing & Gaming Commission on all animal health and safety related matters.**

- h. Describe the applicant's marketing, promotion and advertising plans;

**Applicant projects advertising and promotion expense of \$2,000 for the year ended November 30, 2009. Additional advertising and promotional assistance will be requested from the American Quarter Horse Association as well as other National & State breed Associations. Target areas for advertising will be within a 90 mile radius of Eureka, Kansas.**

- i. Describe the applicant's plan for the conduct of racing including types of racing, specific dates, number of races per day, post times and special events;

**Applicant requests ten (10) dates for 2009 as follows; May 25, 30 June 6, 13, 14, 20, 21, 27, 28 and July 4<sup>th</sup>. Additionally, applicant does not intend to provide simulcast wagering.**

**Post time for all race days will be 1:30 p.m. The applicant intends to write 7 horse races per day with races sufficient to allow all breeds of horses adequate opportunity to race. Additionally, applicant intends to sponsor certain futurities and derbies in conjunction with all breed organizations.**

- j. Describe the applicant's plan for purses, including total purses, formula, stake races, purse-handling procedures, and estimated revenues from the county fair horse racing benefit fund;

**Applicant estimates the total purses for 2009 of \$578,000. The horse purse formula for payout is 55%, 20%, 15%, and 10% for first through fourth places respectively. Horses finishing from 5th place to last place will receive \$545. The payout for futurities and derbies (if applicable) are stated on the entry forms for the respective races, and will be submitted for approval from the Kansas Racing Commission by the organizations which sponsor them. Applicant intends to raise money for purses through local and regional race sponsors. As in the past, certain quarter horse and thoroughbred futurities and derbies have been held with additional money being offered by each breed organization. Applicant will allocate \$25,000 of horse purse money to futurity purses in 2009. See attachment A-16**

- k. State the applicant's plan for furnishing the surety bond or other financial security required by K.S.A. 1991 Supp. 74-8813 (e).

**Applicant intends to contract with a bank or bonding company to furnish a bond necessary to comply with this request.**

- l. If wagering is to be conducted, describe the applicant's plan for pari-mutuel wagering, including the number on line divisions, windows, selling machines, and tellers, stating the uses and duties of each, and accounting procedure, stating audit and supervisory controls;

**The applicant's plan for pari-mutuel wagering remains the same as when the Eureka Downs Horsemen's Association, Inc. and the Greenwood County Fair Association, Inc. successfully conducted horse racing in 2008 as a pari-mutuel facility.**

- m. Describe the applicant's plan for concessions, including whether the licensee will operate the concessions and, if not who will, to the extent known;

**With respect to the concessions, the applicant will enter into an agreement with the Copper Kettle Restaurant of Eureka, Ks which will be responsible for providing all food and beverage concessions and for obtaining certain required alcoholic beverage license(s).**

- n. Describe the applicant's plan for training its personnel.

**A number of the applicant's employees will be those whom have been previously employed by the applicant. An experienced General Manager has been hired to supervise all employees.**

- o. Describe the applicant's plans for compliance with employment laws.

**Applicant will pay at least minimum wage and does not intend to require overtime for its' hourly employees. Applicant intends to pay all social security, Medicare, and unemployment taxes as required by law. Applicant will not discriminate in any manner with respect to its' employment practices and intends to comply with all employment laws.**

## VII. REQUESTED EXEMPTIONS

In accordance with K.A.R. 112-17-114, each county fair association of horsemen's nonprofit organization applicant shall provide the following information if it is requesting any exception from commission regulations:

- a. Separately identify each exception requested.
- b. For each exception, state:
  1. a citation to the specific regulation for which the exception is requested; and
  2. a statement of justification for the request, which details how the exception

will facilitate less costly and simplified procedures and requirement for the race meeting, as provided in K.S.A. 1991 Supp. 74008814(c).

**Applicant requests the following exceptions from the commission regulations;**

- (a) **Waiver of requirement of K.A.R. 112-11-14(a), which requires that ambulance service be available on site during any training period since the response time for local ambulance service on non-race days is minimal.**
- (b) **Waiver of the requirement of K.A.R. 112-11-14(g), which requires a first aid station at the facility staffed by an emergency medical technician and equipped with medical equipment and supplies required in type II ambulance. It is anticipated that an emergency medical technician will be on the racetrack grounds associated with the ambulance and that medical equipment as required by the commission director of security will be present in the first aid office at the track.**
- (c) **Waiver of the requirement K.A.R. 112-11-14(d) which requires that a staffed horse ambulance be at the track each day that**

**horses are on the racetrack. Applicant agrees to provide a staffed horse ambulance during all live race days.**

- (d) Waiver of the requirement of K.R.A 112-7-23(d), which requires that any horse that has not raced in forty five (45) days shall not start any race before it completes one (1) workout and a horse that has not raced in twelve (12) months shall not start any race before it completes two workouts. Applicant requests that the number of days required by K.R.A 112-7-23(d) be changed from forty five (45) days to sixty (60) days. Additionally, applicant requests that the number of workouts be reduces from two (2) workouts for a horse which has never races or has not races in the last twelve months to one (1) workout, provided; however that the stewards or animal health officers shall have discretion to require additional workouts.**
- (e) Waiver of the requirement K.A.R. 112-18-8 which requires that each simulcast race or program displayed on a day when live races are not conducted shall constitute a race day that each simulcasting licensee shall pat a license fee for the simulcasting race day that is identical to the licensee fee it pays for alive racing day. Applicant requests a reduced fee of fifty (50) dollars per day of simulcast races or programs which are displayed on a day when live races are not conducted.**
- (f) 112-7-6 Registration and eligibility. (b) No person shall enter or start a race if: (10) an ownership transfer for a horse is being forwarded to a breed registry.**

**Requested exception: (b) No person shall enter a horse in a race if:**

**(10) an ownership transfer for a horse is being forwarded to a breed registry unless otherwise approved by the stewards prior to entry.**

**Note: This exception is requested so that a horse being transferred is eligible to run (not scratched if sold or claimed) while the paper work is in the process of being changed(may be 1 – 3 weeks), if the transfer papers are sent in to the breed registry by the racing office.**

- (g) 112-7-14 Penalties and allowances. (2) Penalties and sex allowances shall be obligatory. Penalties or allowances shall be claimed at time of entry. Each horse shall not enter or start a race with less that 102 pounds unless the race is a handicap or**

stakes.

**Requested exception: (2) Penalties or allowances shall be claimed at time of entry. Trainers may waive sex allowances, waiver must be made at time of entry. Each horse shall not enter or start a race with less than 102 pounds unless the race is a handicap or stakes.**

**Note: This exception is requested due to the shortage of jockeys and the weights of the jockeys.**

- (h) **K.A.R. 112-7-18(e) Without the permission of the owner or trainer, no jockey shall weigh out if the jockey weighs more than two pounds over the weight assigned to the horse. Under no circumstances shall the margin over the weight limit exceed seven pounds. In such a case, no jockey mount fee shall be due to the overweight jockey.**

**Requested exception: (e) Without the permission of the owner or trainer, no jockey shall weigh out if the jockey weighs more than two pounds over the weight assigned to the horse. Under no circumstances shall the margin over the weight limit exceed seven pounds. In such a case, no jockey mount fee shall be due to the overweight jockey. Applicant requests that due to the shortage of jockeys and the weights of the jockeys, that this underlined portion be changed to a weight agreed upon by Commission Staff, Stewards, Eureka Downs General Manager, and Racing Secretary.**

- (i) **K.A.R. 112-4-1(1)**

**Requested exception: Applicant requests that, for the purpose of simplifying procedures and reducing costs during the meet, the commission waive the requirement that occupational licensees be at least 16 years of age, for the limited purpose of allowing valets and runners (with prior steward approval) to be licensed at fourteen (14) or fifteen (15) years of age.**

- (j) **K.A.R. 112-7-6 (a)(3) No person shall enter or start a horse in a race unless the horse is in the care of a licensed trainer and owned by an owner licensed by scratch time, except that for the first ten days in a race meeting or for stakes races, an owner must be licensed by one hour before first post on the day of the race.**

**Requested exception: In order for entries into any horse race**

to be conducted at Eureka Downs, entries may be accepted by the Racing Office from unlicensed trainers provided that such trainer has, prior to making such an entry, faxed to the Commission Licensing Office at Eureka Downs or the racing thereafter fulfilled all requirements for the licensure prior to 11:00 a.m. on the date of office at Eureka Downs an application for licensure and the race. For the duration of the 2009 horse race meet, all owners must be licensed by one (1) hour before first post on the day of the race. For all stakes races to be run at Eureka Downs, entries may be accepted by the Racing Office from unlicensed trainers provided that such trainer has, prior to making such entry, faxed to the Commission Licensing Office at Eureka Downs or the Racing Office at Eureka Downs an application for licensure and thereafter fulfilled all requirements for licensure prior to 11:00 a.m. on the day of the race.

(k) KSA 74-8814(2)(B)

Requested exception: Applicants request an exception from the requirement of KSA 74-8814(2)(B), which requires that all officers be required to attend a basic security course.

(l) KAR 112-11-5(a)

Requested exception: Applicants request an exception to KAR 112-11-5(a), which requires 20 hours of continuing education for all security officer's prior to renewal of each security officer's license.

m) K.A.R. 112-7-8(b) No owner or trainer shall enter more than two horses in an overnight event. Two horses shall not start to the exclusion of a single horse.

Requested exception: (e) Due to the shortage of horses, applicant requests that an owner or trainer be permitted to enter more than two horses in an overnight race.

n) K.A.R. 112-11-20(3) 24-hour security for the compound enclosure provided by the organization licensee during the official racing season.

Requested exception: Due to budget constraints, applicant requests an exception to reduce the required number of hours for security personnel to 7 p.m. prior to race day until four

**hours after last race. Applicant will place a security camera at the entry gate which will monitor any activity at that entrance during all other hours of operation.**

## *Kansas Racing and Gaming Commission*

### STAFF AGENDA MEMORANDUM

**DATE OF MEETING:** March 13, 2009

**AGENDA ITEM:** **Final approval of two parimutuel regulations and the second and third waves of gaming regulations**

**PRESENTER:** Patrick D. Martin, Assistant Attorney General

**ISSUE SUMMARY:** The Commission's approval by a roll call vote is required before regulations that have been through the rigorous vetting process can be published in the Kansas Register and be made permanent. Staff asks the Commission to formally and finally approve these articles and regulations:

1. Two parimutuel regulations that arise under the Expanded Lottery Act:
  - a. K.A.R. 112-12-5 Live Horse Racing Purse Supplement Fund
  - b. K.A.R. 112-13-6 Kansas Greyhound Breeding Development Fund
2. Eight articles of gaming regulations:
  - a. Facility manager certification, Article 112-101-1 *et seq.*;
  - b. Gaming supplier and non-gaming supplier certification, Article 112-102-1 *et seq.*, *excluding K.A.R. 112-102-2*;
  - c. Employee certification, Article 112-103-1 *et seq.*;
  - d. Electronic gaming machine requirements, Article 112-107-1 *et seq.*;
  - e. Technical standards for EGMs and Central System, Article 112-110-1 *et seq.*;
  - f. Involuntary exclusions, Article 112-111-1 *et seq.*;
  - g. Sanctions, Article 112-113-1 *et seq.*; and
  - h. Rules of hearings, Article 112-114-1 *et seq.*

The regulations should be made permanent because the Expanded Lottery Act generally requires the Commission to create and adopt "such rules and regulations as the commission deems necessary to carry out the duties and functions of the commission pursuant to Kansas expanded lottery act." K.S.A. 74-8772. As a part of that duty, the Commission is responsible for adopting regulations:

[p]romoting the integrity of the gaming and finances of lottery gaming facilities and racetrack gaming facilities and [the Commission] shall meet or exceed industry standards for monitoring and controlling the gaming and finances of lottery gaming facility operations and racetrack gaming facility operations and shall give the Kansas racing and gaming commission sufficient authority to monitor and control the gaming operation and to ensure its integrity and security.

*Id.* at (a).

Of course, K.S.A. 74-8772 is not the only authority relied on for these eight articles and two regulations. Instead, the Expanded Lottery Act contains many other specific commission duties and those specific duties are cited within each regulation. For instance, the Commission is required to create a certification procedure for facility managers under K.S.A. 74-8751, and that statute is listed in the regulations in Article 101.

All of these regulations have followed the rigorous process involved in creating permanent regulations. That is, over the last year, these regulations have been reviewed by the KRGC (and its consultants), the Department of Administration, the Attorney General's office, the Joint Committee on Administrative Rules and Regulations, and members of the regulated community. Suggested revisions from each entity have been adopted into the current sets of regulations.

**COMMISSION ACTION REQUIRED/REQUESTED:** Staff asks the Commission to conduct a **roll call vote** to approve the two parimutuel regulations and eight gaming articles.

**STAFF RECOMMENDATIONS:** Staff recommends approval of the regulations.

**112-12-15. Live horse racing purse supplement fund.** (a) The balance of the money credited to the live horse racing purse supplement fund that is subject to distribution pursuant to K.S.A. 74-8767(a)(3), and amendments thereto, shall be apportioned by the commission to purses for the various horse breeds according to the following formula:

- (1) One-third based on the average percentage of each breed's Kansas-bred horse starters at Kansas racetracks for the previous three calendar years;
- (2) one-third based on the average percentage of each breed's Kansas-certified horses at Kansas racetracks for the previous three calendar years; and
- (3) one-third based on average percentage of each breed's non-Kansas-bred starters at Kansas racetracks for the previous three calendar years.

(b) The official registering agency pursuant to K.S.A. 74-8830, and amendments thereto, shall submit a recommendation to the commission for approval of the amount of all proposed payments pursuant to K.S.A. 74-8767(a)(3), and amendments thereto, based on the contribution to the Kansas horse racing and breeding industries and recommendations by each respective breed group. The commission's staff may also submit a recommendation to the commission under this subsection.

(c) The proposed amount of the distribution shall be submitted to the commission for approval no later than March 1 of each distribution year. (Authorized by and implementing K.S.A. 2008 Supp. 74-8767 and 74-8830; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**FEB 06 2009**

**APPROVED  
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**DEPT. OF ADMINISTRATION**

**FEB 05 2009**

**APPROVED**

**112-13-6. Kansas greyhound breeding development fund.** (a) The balance of the money credited to the live greyhound racing purse supplement fund under K.S.A. 74-8747(a)(3), and amendments thereto, shall be apportioned as follows, unless otherwise specified:

(1) 80 percent to the Kansas-bred purse supplements to be paid monthly to owners of Kansas-bred greyhounds, with the registering agency specifying the following:

(A) A procedure for calculating purse supplement payments to owners of Kansas-bred greyhounds on a point basis, as specified in K.A.R. 112-13-5(c), ensuring that payments will be made each month during a fiscal year; and

(B) a procedure for issuing Kansas-bred purse supplements on a monthly basis; and

(2) 20 percent to supplement stakes races at all Kansas racetrack facilities offering greyhound races and to create special stakes races designed to promote and develop the Kansas greyhound industry, with the registering agency specifying the following:

(A) A procedure for the distribution of funds to supplement stakes races at all Kansas racetrack facilities offering greyhound racing; and

(B) a procedure for the administration of special stakes races created to promote and develop the Kansas greyhound industry, including plans for promotion and operation of the races in a manner that includes opportunities for the participation of all racetrack facilities in Kansas.

(b) The official greyhound breed registering agency shall submit the amount of all proposed payments specified in subsection (a) to the commission for approval.

(c) The proposed amount of the distribution shall be submitted to the commission for approval no later than March 1 of each distribution year based on the recommendations of the

**ATTORNEY GENERAL**

SEP 22 2008

**APPROVED**  
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**DEPT. OF ADMINISTRATION**

SEP 11 2008

**APPROVED** E.4.c (1 of 2)

registering agency. (Authorized by K.S.A. 2007 Supp. 74-8767; implementing K.S.A. 2007  
Supp. 74-8767(b) and 74-8831; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**SEP 25 2008**

**APPROVED  
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**DEPT. OF ADMINISTRATION**

**SEP 25 2008**

**APPROVED**

**112-101-1. Prohibition against uncertified management of a gaming facility.** No person may manage a gaming facility unless that person is a lottery gaming facility manager or racetrack gaming facility manager certified by the commission with a current facility manager's certificate. (Authorized by K.S.A. 2007 Supp. 74-8751 and 74-8772; implementing K.S.A. 2007 Supp. 74-8751; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**OCT 10 2008  
APPROVED  
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**DEPT. OF ADMINISTRATION**

**AUG 15 2008**

**APPROVED**

**112-101-2. Facility manager application procedure.** Each lottery gaming facility manager and each racetrack gaming facility manager that seeks to be certified as a facility manager shall submit the following to the commission staff:

- (a) A completed application for the certificate on a commission-approved form;
- (b) any supporting documents;
- (c) all plans required by these regulations, including the internal controls system plan, surveillance system plan, security plan, responsible gaming plan, and, if applicable, the plan for compliance with the requirements for live racing and purse supplements established pursuant to the act;
- (d) a background investigation deposit as specified in K.A.R. 112-101-5;
- (e) prospective financial statements, including a one-year forecast and a three-year projection, that have been audited by an independent certified public accountant or independent registered certified public accounting firm as to whether the prospective financial information is properly prepared on the basis of the assumptions and is presented in accordance with the relevant financial reporting framework; and
- (f) any other information that the commission deems necessary for investigating or certifying the applicant and its officers, directors, and key employees and any persons directly or indirectly owning an interest of at least 0.5% in the applicant. (Authorized by K.S.A. 2007 Supp. 74-8751 and 74-8772; implementing K.S.A. 2007 Supp. 74-8734, 74-8741, 74-8751 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**OCT 10 2008  
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**DEPT. OF ADMINISTRATION**

**AUG 15 2008**

**APPROVED**

**112-101-3. Background investigations.** (a) Each applicant for a facility manager's certificate and each person whom the executive director deems to have a material relationship to the applicant, including the applicant's officers, directors, and key gaming employees and any persons known to directly or indirectly own an interest of at least 0.5% in the applicant, shall submit to a background investigation conducted by the commission's director of security or other person designated by the executive director. For purposes of this regulation, a material relationship shall mean a relationship in which the person has an influence on the applicant or facility manager or its business and shall be determined according to the criteria in paragraphs (b)(1) through (3).

(b) In determining the level of background investigation that a person shall undergo, all relevant information, including the following, may be considered by the executive director:

- (1) The person's relationship to the applicant;
- (2) the person's interest in the management of the applicant;
- (3) the person's participation with the applicant;
- (4) if applicable, identification of the person as a shareholder in a publicly traded company; and
- (5) the extent to which the person has been investigated in another jurisdiction or by other governmental agencies.

(c) Each person subject to a background investigation shall submit a complete personal disclosure to the commission on a commission-approved form and shall submit

**ATTORNEY GENERAL**

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**APPROVED**

any supporting documentation that the commission staff requests.

(d) Each person that is subject to investigation shall have a duty to fully cooperate with the commission during any investigation and to provide any information that the commission requests. (Authorized by and implementing K.S.A. 2007 Supp. 74-8751 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

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**MAR 19 2008**

**APPROVED BY FDL**

**112-101-4. Affirmative duty to demonstrate qualifications.** Each applicant for a facility manager's certificate shall have an affirmative duty to the commission to demonstrate that the applicant, including the applicant's directors, officers, owners, and key employees, is qualified for certification. (Authorized by and implementing K.S.A. 2007 Supp. 74-8751 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**OCT 10 2008**

**APPROVED  
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**DEPT. OF ADMINISTRATION**

**AUG 19 2008**

**APPROVED**

**112-101-5. Fees and costs.** (a) Each applicant for a facility manager's certificate and each applicant for a certificate as a racetrack gaming facility manager shall provide a background investigation deposit to the commission. That deposit shall be assessed for all fees and costs incurred by the commission in performing the background investigation of the applicant, its officers, directors, and key gaming employees, any persons known to directly or indirectly own an interest of at least 0.5% in the applicant, and any other person as the executive director deems necessary, including any person specified in article 102 or 103.

(b) Any facility manager that wishes to renew its certificate may be required to provide a background investigation deposit. The facility manager shall be assessed for all fees and costs incurred by the commission in performing the background investigation of the applicant, its officers, directors, and key gaming employees, any persons known to directly or indirectly own an interest of at least 0.5% in the applicant, and any other person as the executive director deems necessary, including any person specified in article 102 or 103.

(c) All fees paid to the commission shall be nonrefundable. (Authorized by K.S.A. 2007 Supp. 74-8751 and 74-8772; implementing K.S.A. 2007 Supp. 74-8734, 74-8741, 74-8751, and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**OCT 10 2008**

**APPROVED  
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**DEPT. OF ADMINISTRATION**

**AUG 15 2008**

**APPROVED**

**112-101-6. Disqualification criteria.** (a) A facility manager's certificate shall be denied or revoked by the commission if the applicant or certificate holder itself has been convicted of any felony, crime involving gambling, or crime of moral turpitude.

(b) A certificate may be denied, suspended, or revoked by the commission, and a certificate holder may be otherwise sanctioned by the commission as specified in K.A.R. 112-113-1 if the certificate holder or its officers, directors, key gaming employees, or any person directly or indirectly owning an interest of at least 0.5% in the applicant meets any of the following conditions:

- (1) Has any employees who have knowingly or negligently provided false or misleading material information to the commission or its staff;
- (2) fails to notify the commission staff about a material change in the applicant's or certificate holder's application within three days;
- (3) is delinquent in paying for the cost of regulation, oversight, or background investigations required under the act or any regulations adopted under the act;
- (4) has violated any provision of the act or any regulation adopted under the act;
- (5) has failed to meet any monetary or tax obligation to the federal government or to any state or local government;
- (6) is financially delinquent to any third party;
- (7) has failed to provide information or documentation requested in writing by the commission in a timely manner;
- (8) does not consent to or cooperate with investigations, inspections, searches, or

**ATTORNEY GENERAL**

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having photographs and fingerprints taken for investigative purposes;

(9) has failed to meet the requirements of K.A.R. 112-101-4;

(10) has officers, directors, key gaming employees, or persons directly or indirectly owning an interest of at least 0.5% that have any present or prior activities, criminal records, reputation, habits, or associations meeting either of the following criteria:

(A) Pose a threat to the public interest or to the effective regulation of gaming; or

(B) create or enhance the dangers of unfair or illegal practices in the conduct of gaming; or

(11) has violated any contract provision with the Kansas lottery. (Authorized by and implementing K.S.A. 2007 Supp. 74-8751 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**OCT 20 2008**

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**DEPT. OF ADMINISTRATION**

**AUG 15 2008**

**APPROVED**

**112-101-7. Certificate duration.** Each certificate for a gaming manager shall be issued by the commission for no longer than two years and one month. Each certificate shall expire on the last day of the month of the anniversary date of issue. (Authorized by K.S.A. 2007 Supp. 74-8751 and 74-8772; implementing K.S.A. 2007 Supp. 74-8751; effective P-\_\_\_\_\_.)

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**OCT 10 2008**

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**DEPT. OF ADMINISTRATION**

**AUG 15 2008**

**APPROVED**

**112-101-8. Certificate renewal.** (a) Each renewal application for a facility manager's certificate shall be submitted to the commission staff at least 120 days before the expiration of the current certificate. Each certificate holder shall submit the renewal application on a commission-approved form along with any supporting documents.

(b) Each person seeking to renew its gaming certificate shall be required to meet all requirements for an initial gaming certificate. (Authorized by K.S.A. 2007 Supp. 74-8751 and 74-8772; implementing K.S.A. 2007 Supp. 74-8751; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**OCT 10 2008**

**APPROVED  
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**DEPT. OF ADMINISTRATION**

**AUG 15 2008**

**APPROVED** E.4.d (10 of 22)

**112-101-9. Notice of anticipated or actual change.** (a) Each facility manager or applicant shall notify the commission in writing of any reasonably anticipated or actual change in its directors, officers, or key employees or persons directly or indirectly owning an interest of at least 0.5% in the facility manager or applicant.

(b) Each new director, officer, key employee, or person directly or indirectly owning an interest of at least 0.5% in the facility manager shall submit to a background investigation as specified in K.A.R. 112-101-3 before acting in the person's new capacity.

(c) Failure to comply with this regulation may result in a sanction as specified in K.A.R. 112-113-1. (Authorized by K.S.A. 2007 Supp. 74-8751 and 74-8772; implementing K.S.A. 2007 Supp. 74-8751; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**OCT 20 2008**

**APPROVED  
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**DEPT. OF ADMINISTRATION**

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**112-101-10. Advertising; promotion of responsible gaming.** (a) As used in this regulation, the term “advertisement” shall mean any notice or communication to the public of any information concerning the gaming-related business of an applicant or facility manager through broadcasting, publication or any other means of dissemination. The following notices and communications shall be considered advertisements for purposes of this regulation:

(1) Any sign, notice, or other information required to be provided by the act or by regulation, including the following:

- (A) Notices regarding the rules of the games;
- (B) information about rules of the games, payoffs of winning wagers, and odds;
- (C) gaming guides;
- (D) information imprinted upon gaming table layouts; and
- (E) information imprinted, affixed, or engraved on slot machines or bill changers;

(2) any signs or other directional devices contained in a gaming facility for the purpose of identifying the location of authorized games; and

(3) press releases.

(b) Each facility manager and each applicant shall provide to the executive director any proposed advertisement that references the Kansas lottery at least seven business days in advance of its anticipated publication, broadcast, or other use. The advertisement may be inspected and approved by the executive director before its publication, broadcast, or use.

**ATTORNEY GENERAL**

**OCT 20 2008**

**APPROVED  
M F**

**DEPT. OF ADMINISTRATION**

**AUG 15 2008**

**APPROVED**

(c) Advertisements shall be based on fact and shall not be false, deceptive, or misleading. No advertisement may use any type, size, location, lighting, illustration, graphic depiction, or color resulting in the obscuring of any material fact or fail to specifically designate any material conditions or limiting factors. Each advertisement that the executive director finds to reflect negatively on the state of Kansas or upon the integrity of gaming shall be deemed to be in violation of this regulation, and the facility manager or applicant may be subject to sanction.

(d) Each applicant or facility manager shall be responsible for all advertisements that are made by its employees or agents regardless of whether the applicant or facility manager participated directly in its preparation, placement, or dissemination.

(e) Each on-site advertisement of a facility manager's business shall comply with the facility manager's responsible gaming plan that has been approved by the commission pursuant to article 112. Each advertisement shall reference the Kansas toll-free problem gambling help line in a manner approved by the executive director.

(f) Each applicant and each facility manager shall submit all proposed text and planned signage informing patrons of the toll-free number regarding compulsive or problem gambling to the executive director with its responsible gaming plan required in article 112.

(g) Each advertisement shall be maintained by the facility manager or applicant for at least one year from the date of broadcast, publication, or use, whether that advertisement was placed by, for, or on behalf of the facility manager or applicant. Each

**ATTORNEY GENERAL**

**DEPT. OF ADMINISTRATION**

**OCT 20 2008**  
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**OCT 16 2008**

**APPROVED** E.4.d (13 of 22)

advertisement required to be maintained by this subsection shall be maintained at the principal place of business of the facility manager or applicant and shall be made available or produced for inspection upon the request of the commission.

(h) Each gaming facility manager and each applicant shall maintain a file containing samples of the types and forms of promotional materials not directly related to gaming activity for at least six months from the date of placement of the promotional materials. The promotional materials shall be maintained at the principal place of business of the facility manager or applicant and shall be made available or produced for inspection upon the request of the executive director. (Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 2007 Supp. 74-8752 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**  
**OCT 20 2008**  
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**DEPT. OF ADMINISTRATION**

**AUG 15 2008**

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**112-101-11. Material debt transaction.** (a)(1) No facility manager shall consummate a material debt transaction that involves either of the following without the prior approval of the commission:

(A) Any agreement that provides for any borrowing for a purpose other than capital and maintenance expenditures; or

(B) a guarantee of debt of an affiliate, whether signing a note or otherwise, an assumption of the debt of an affiliate, or an agreement to impose a lien on the approved gaming facility to secure the debts of an affiliate.

(2) A transaction not specified in this subsection shall not require the approval of the commission.

(b) In reviewing any material debt transaction specified in paragraph (a)(1), whether the transaction would deprive the facility manager of financial stability shall be considered by the commission, taking into account the financial condition of the affiliate and the potential impact of any default on the gaming facility manager. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**OCT 20 2008**

**APPROVED  
MF**

**DEPT. OF ADMINISTRATION**

**OCT 16 2008**

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**112-101-12. Notice of bankruptcy or liquidation.** Each facility manager shall notify the commission within one hour following the filing of bankruptcy or an agreement to liquidate any of the following:

- (a) The facility manager;
- (b) any parent company of the facility manager; or
- (c) any subsidiary of the facility manager's parent company. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

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**ATTORNEY GENERAL**

**OCT 20 2008**  
**APPROVED**  
**MF**

**DEPT. OF ADMINISTRATION**

**OCT 16 2008**

**APPROVED** E.4.d (16 of 22)

**112-101-13. Access to gaming facility and information.** (a) Each applicant and each facility manager, including their intermediary companies and holding companies, shall consent to inspections of the gaming facility by commission staff.

(b) Each applicant and each facility manager shall provide all information requested by the commission. The access to information shall be granted upon the commission's request. The applicant or facility manager shall deliver any requested copies of the information within seven calendar days, at the commission's request.

(Authorized by K.S.A. 2008 Supp. 74-8772; implementing K.S.A. 2008 Supp. 74-8752 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**FEB 11 2009**  
**APPROVED**  
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**DEPT. OF ADMINISTRATION**

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**112-101-14. Certification of employees.** (a) Each employee, contractor, and agent of an applicant or facility manager shall be certified by the commission with a current occupation license before performing any tasks or duties or assuming any responsibilities for matters regulated by the commission for the applicant or facility manager pursuant to article 103.

(b) Each applicant and each facility manager shall coordinate the submission of all occupation license applications and background costs and expenses to the commission. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**OCT 20 2008**

**APPROVED  
MF**

**DEPT. OF ADMINISTRATION**

**OCT 16 2008**

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**112-101-15. Reporting requirements.** (a) Each facility manager shall submit a monthly report to the commission listing all contracts the facility manager has had with gaming and non-gaming suppliers for the previous month and cumulatively for the past 12 months.

(b) Each facility manager shall submit a monthly report to the commission listing all persons working in the gaming facility and any ancillary facilities and each person's department, job duty, and function.

(c) At the end of its tax year, each facility manager shall submit to the commission a copy of its certified financial statements, along with an opinion from a certified public accountant or independent registered certified public accounting firm certifying the total revenue from all lottery facility games.

(d) Each facility manager and each applicant for a gaming certificate shall disclose in writing within 11 days any material change in any information provided in the application forms and requested materials submitted to the commission. Each change in information that is not material shall be disclosed to the commission during the facility manager's subsequent application for renewal. For the purpose of this regulation, a change shall be deemed material if the change includes any of the following:

- (1) The personal identification or residence information;
- (2) the officers, directors, or key employees or any persons owning an interest of at least 0.5% in a lottery gaming facility or racetrack gaming facility manager; or
- (3) other information that might affect an applicant's or facility manager's

**ATTORNEY GENERAL**

**OCT 10 2008**

**APPROVED  
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**DEPT. OF ADMINISTRATION**

**AUG 15 2008**

**APPROVED**

suitability to hold a gaming certificate, including any of the following occurrences that happen to the applicant, facility manager, or its material people as determined by the executive director pursuant to K.A.R. 112-101-3:

- (A) Arrests;
- (B) convictions or guilty pleas;
- (C) disciplinary actions or license denials in other jurisdictions;
- (D) significant changes in financial condition, including any incurrence of debt equal to or exceeding \$1,000,000; or
- (E) relationships or associations with persons having criminal records or criminal reputations. (Authorized by and implementing K.S.A. 2007 Supp. 74-8751 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**OCT 10 2008**

**APPROVED  
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**DEPT. OF ADMINISTRATION**

**AUG 15 2008**

**APPROVED**

**112-101-16. Prohibitions.** Each facility manager shall be prohibited from and subject to sanctions as specified in K.A.R. 112-113-1 for the following:

(a) Failing to exercise discretion and judgment to prevent any incident that might adversely reflect on the reputation of the state of Kansas or act as a detriment to the development of the lottery industry, including allowing lewd entertainment at a gaming facility;

(b) failing to conduct advertising and public relations activities in accordance with honest and fair representation;

(c) knowingly or negligently catering to, assisting, employing, or associating with, either socially or in business affairs, persons who have a criminal reputation or who have felony police records, or employing either directly through a contract or other means, any firm or individual in any capacity in which the reputability of the state of Kansas or the lottery industry is liable to be damaged because of the unsuitability of the firm or the individual;

(d) failing to conduct gaming in accordance with the act and these regulations or permitting conduct that could reflect negatively on the reputation of the state of Kansas or act as a detriment to the lottery industry;

(e) failing to report to the commission any known or suspected violations of commission regulations and applicable law;

(f) failing to comply with any regulation or order of the commission or its employees relating to gaming; and

**ATTORNEY GENERAL**

**OCT 20 2008**

**APPROVED  
MF**

**DEPT. OF ADMINISTRATION**

**OCT 16 2008**

**APPROVED**

(g) receiving goods or services from a person or business that does not hold a certificate under article 103 but is required to do so. (Authorized by and implementing K.S.A. 2007 Supp. 74-8751 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**OCT 20 2008**  
**APPROVED**  
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**DEPT. OF ADMINISTRATION**

**AUG 15 2008**  
**APPROVED**

**112-102-1. Prohibition against uncertified business.** No person identified in K.A.R. 112-102-2 as a gaming or non-gaming supplier may provide any equipment or services to a gaming facility or manager unless the person is certified by the commission with a current gaming supplier certificate, non-gaming supplier certificate, or temporary supplier permit. (Authorized by and implementing K.S.A. 2008 Supp. 74-8751 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**FEB 11 2009  
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**DEPT. OF ADMINISTRATION**

**FEB 09 2009**

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**112-102-3. Gaming and non-gaming supplier employees.** Any employee or agent of a gaming or non-gaming supplier may be required by the commission to be separately investigated or licensed. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**OCT 20 2008**

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MF**

**DEPT. OF ADMINISTRATION**

**OCT 16 2008**

**APPROVED**

**112-102-4. Application for a certificate.** Each person seeking a gaming supplier certificate or a non-gaming supplier certificate shall submit the following to the commission staff:

- (a) A completed application for the certificate on a commission-approved form;
- (b) any supporting documents;
- (c) a copy of the applicant's contractual agreement or statement of intent with a facility manager that the applicant expects to be supplying its goods or services. As a part of that contract or statement of intent, the applicant shall describe any arrangement it has made with the facility manager to cover the fees and costs incurred by the commission in performing the background investigation of the applicant pursuant to K.A.R. 112-102-7; and
- (d) any other information that the commission deems necessary for investigating or considering the applicant. (Authorized by and implementing K.S.A. 2007 Supp. 74-8751; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**OCT 20 2008**

**APPROVED  
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**DEPT. OF ADMINISTRATION**

**OCT 16 2008**

**APPROVED E.4.e (3 of 13)**

**112-102-5. Temporary supplier permit.** (a) The commission staff may issue a temporary supplier permit if all of the following conditions are met:

(1) The commission staff determines that the applicant has filed a completed application for a gaming or non-gaming supplier certificate.

(2) The applicant has no immediately known present or prior activities, criminal records, reputation, habits, or associations that meet either of these conditions:

(A) Pose a threat to the public interest or to the effective regulation of gaming;

or

(B) create or enhance the dangers of unfair or illegal practices in the conduct of gaming.

(3) The applicant has completed a supplier-sponsored agreement with each gaming facility that the applicant proposes to conduct business with.

(b) A temporary supplier permit may be issued for a period not to exceed 90 days. Any temporary supplier permit may be extended by the commission's licensing staff for an additional 90 days.

(c) The issuance of a temporary supplier permit shall not extend the duration of the gaming or non-gaming supplier certificate for which the applicant has applied.

(Authorized by and implementing K.S.A. 2007 Supp. 74-8751 and 74-8772; effective P-

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**ATTORNEY GENERAL**

**OCT 10 2008**

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**DEPT. OF ADMINISTRATION**

**AUG 15 2008**

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**112-102-6. Affirmative duty to demonstrate qualifications.** Each applicant for a certificate as a gaming supplier or non-gaming supplier shall have an affirmative duty to the commission to demonstrate that the applicant, including the applicant's directors, officers, stockholders, and principal employees and any persons deemed necessary by the executive director because of that person's relationship to the applicant, is qualified for certification. (Authorized by and implementing K.S.A. 2007 Supp. 74-8751 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**OCT 10 2008**

**APPROVED  
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**DEPT. OF ADMINISTRATION**

**AUG 15 2008**

**APPROVED**

**112-102-7. Background investigations.** Each applicant and each person whom the executive director deems to have a material relationship to the applicant, including officers, directors, key gaming employees, and any persons known to directly or indirectly own an interest of at least 0.5% in the applicant, shall submit to a background investigation conducted by the commission's director of security or other person designated by the executive director.

For purposes of this regulation, a material relationship shall mean a relationship in which a person participates in the business decisions or finances of the applicant or can exhibit control over the applicant, as determined by the executive director. (Authorized by and implementing K.S.A. 2007 Supp. 74-8751 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**OCT 10 2008**

**APPROVED  
M F**

**DEPT. OF ADMINISTRATION**

**AUG 15 2008**

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**112-102-8. Disqualification criteria.** (a) A certificate shall be denied or revoked by the commission if the applicant or certificate holder has been convicted of any felony, crime involving gambling, or crime of moral turpitude.

(b) A certificate may be denied, suspended, or revoked by the commission, and a certificate holder may be sanctioned by the commission under K.A.R. 112-113-1 if the certificate holder or its officers, directors, key gaming employees, or any person known to directly or indirectly own an interest of at least 0.5% in the applicant meets any of the following conditions:

- (1) Has knowingly provided false or misleading material information through its employees to the commission or commission staff;
- (2) fails to notify the commission staff about a material change in the application within 11 days;
- (3) has violated any provision of the act or any regulation adopted under the act;
- (4) has failed to meet any monetary or tax obligation to the federal government or to any state or local government;
- (5) is financially delinquent to any third party;
- (6) has failed to provide information or documentation requested in writing by the commission in a timely manner;
- (7) does not consent to or cooperate with investigations, inspections, searches, or having photographs and fingerprints taken for investigative purposes;

**ATTORNEY GENERAL**

**DEPT. OF ADMINISTRATION**

**OCT 20 2008**

**OCT 16 2008**

**APPROVED  
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**APPROVED** E.4.e (7 of 13)

- (8) has failed to meet the requirements of K.A.R. 112-102-6;
- (9) has any officers, directors, key gaming employees, or any person known to directly or indirectly own an interest of at least 0.5% in the applicant that has any present or prior activities, criminal records, reputation, habits, or associations meeting either of the following criteria:
- (A) Pose a threat to the public interest or to the effective regulation of gaming;
- or
- (B) create or enhance the dangers of unfair or illegal practices in the conduct of gaming; or
- (10) has violated any contract with the Kansas lottery. (Authorized by and implementing K.S.A. 2007 Supp. 74-8751 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**OCT 20 2008**  
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**DEPT. OF ADMINISTRATION**

**AUG 15 2008**

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**112-102-9. Certificate duration.** Each certificate for a gaming supplier or non-gaming supplier shall be issued by the commission for no longer than two years and one month. Each certificate shall expire on the last day of the month of the anniversary date of issue. (Authorized by and implementing K.S.A. 2007 Supp. 74-8751; effective P-

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**ATTORNEY GENERAL**

**OCT 20 2008**

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**DEPT. OF ADMINISTRATION**

**OCT 16 2008**

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**112-102-10. Certificate renewal application.** Each renewal application for a gaming or non-gaming supplier certificate shall be filed with the commission staff at least 120 days before the expiration date of the license. Each certificate holder shall submit the renewal application on a commission-approved form along with any supporting documents. (Authorized by and implementing K.S.A. 2007 Supp. 74-8751; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**OCT 20 2008  
APPROVED  
MF**

**DEPT. OF ADMINISTRATION**

**OCT 16 2008  
APPROVED**

**112-102-11. Change in ownership.** (a) Each change in either of the following shall be sufficient cause for revoking any certificate or temporary permit granted by the commission:

(1) The ownership of the applicant or the holder of a gaming supplier or non-gaming supplier certificate; or

(2) the ownership of any holding or intermediary company of the applicant or certificate holder, unless the holding or intermediary company is a publicly traded corporation.

(b) Each proposed new owner shall submit to the commission an application for initial certification as a gaming supplier or non-gaming supplier and all supporting material. (Authorized by and implementing K.S.A. 2007 Supp. 74-8751 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**OCT 20 2008**

**APPROVED  
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**DEPT. OF ADMINISTRATION**

**OCT 16 2008**

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**112-102-12. Certificates, temporary supplier permits, and badges to be commission property.** (a) Each gaming supplier certificate, non-gaming supplier certificate, temporary supplier permit, and badge issued by the commission shall be the property of the commission.

(b) Possession of a certificate, temporary supplier permit, or badge shall not confer any right upon the certificate holder or temporary permittee to contract with or work for a gaming facility.

(c) Each certificate holder or temporary permittee shall return that person's certificate or temporary supplier permit and each badge in that person's possession to commission staff no later than one day after the certificate holder's or temporary supplier permit holder's business is terminated. (Authorized by and implementing K.S.A. 2007 Supp. 74-8751 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**OCT 20 2008**

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**DEPT. OF ADMINISTRATION**

**OCT 16 2008**

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**112-102-13. Records.** (a) Each gaming supplier and each non-gaming supplier certified by the commission shall maintain that supplier's business records in a place secure against loss and destruction. Each certificate holder shall make these records available to the commission upon the commission's request. The records shall include the following:

- (1) Any correspondence with the commission and any other governmental agencies;
- (2) any correspondence related to the business with a gaming facility, whether proposed or existing;
- (3) a copy of any publicity and promotional materials;
- (4) the personnel files for every employee of the certified gaming supplier or non-gaming supplier, including sales representatives; and
- (5) the financial records for all the transactions related to the certificate holder's business with a gaming facility, whether proposed or existing.

(b) Each certificate holder shall keep the records listed in subsection (a) for at least five years from the date of creation. (Authorized by and implementing K.S.A. 2007 Supp. 74-8751 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**  
**OCT 10 2008**  
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**DEPT. OF ADMINISTRATION**

**AUG 15 2008**

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**112-103-1. Prohibition of unlicensed employment with a facility manager.** No person may work as an employee or independent contractor of a facility manager unless the person is certified to do so with a current occupation license or temporary work permit issued by the commission for the actual job, duty, or position that the person is seeking to perform. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**OCT 10 2008**

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**DEPT. OF ADMINISTRATION**

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**112-103-2. License levels.** (a) Each of the following persons who will be employed by or working for a facility manager in a position that includes the responsibility or authority specified in this subsection, regardless of job title, shall be considered key employees and shall be required to hold a current and valid temporary work permit or level I occupation license issued in accordance with the act and these regulations:

(1) Any person who has authority to perform any of the following:

(A) Hire or fire employees of a facility manager;

(B) establish working policies for a facility manager;

(C) act as the chief financial officer or have financial management

responsibility for a facility manager;

(D) manage all or part of a gaming facility; or

(E) direct, control, manage, or engage in discretionary decision making over a facility manager;

(2) any person who has the authority to develop or administer policy or long-term plans or to make discretionary decisions about the management of a gaming facility or ancillary lottery gaming facility, including any of the following persons:

(A) General manager or chief executive officer;

(B) electronic gaming machine director;

(C) director of surveillance;

(D) director of security;

(E) controller;

**ATTORNEY GENERAL**

**FEB 11 2009**

**APPROVED  
MF**

**DEPT. OF ADMINISTRATION**

**FEB 05 2009**

**APPROVED** 4.f (2 of 22)

(F) director of internal audit;

(G) manager of the management information systems section or of any

information system of a similar nature;

(H) marketing department manager;

(I) administrative operations manager;

(J) hotel general manager; or

(K) restaurant or bar general manager; or

(3) any other person designated as a key employee by the

executive director.

(b) Each person whose responsibilities predominantly involve the maintenance or the conducting of gaming activities or equipment and the assets associated with gaming activities or who will be required to work regularly in a restricted area shall obtain a temporary work permit or a level II occupation license. Each person who will be employed by or working for a facility manager in a position that includes any of the following responsibilities shall obtain a temporary work permit or a level II occupation license:

(1) Supervising the pit area;

(2) functioning as a dealer or croupier;

(3) conducting or supervising any table game;

(4) repairing and maintaining gaming equipment, including slot machines and

bill validators;

**ATTORNEY GENERAL**

**FEB 11 2009**

**APPROVED  
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**DEPT. OF ADMINISTRATION**

**FEB 05 2009**

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- (5) functioning as a gaming cashier or change person;
- (6) assisting in the operation of electronic gaming machines and bill validators, including any person who participates in the payment of jackpots and in the process of filling hoppers, or supervising those persons;
- (7) identifying patrons for the purpose of offering them complimentaries, authorizing the complimentaries, or determining the amount of complimentaries;
- (8) analyzing facility manager operations data and making recommendations to key personnel of the facility manager relating to facility manager marketing, complimentaries, gaming, special events and player ratings, and other similar items;
- (9) entering data into the gaming-related computer systems or developing, maintaining, installing, or operating gaming-related computer software systems;
- (10) collecting and recording patron checks and personal checks that are dishonored and returned by a bank;
- (11) developing marketing programs to promote gaming in the gaming facility;
- (12) processing coins, currency, chips, or cash equivalents of the facility manager;
- (13) controlling or maintaining the electronic gaming machine inventory, including replacement parts, equipment, and tools used to maintain electronic gaming machines;
- (14) having responsibilities associated with the installation, maintenance, or operation of computer hardware for the facility manager computer system;

**ATTORNEY GENERAL**

**FEB 11 2009**  
**APPROVED**  
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**DEPT. OF ADMINISTRATION**

**FEB 05 2009**

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- (15) providing surveillance in a gaming facility;
- (16) providing security in a gaming facility; or
- (17) supervising areas, tasks, or staff within a gaming facility, including any of

the following:

- (A) The surveillance investigations and operations in a facility manager;
- (B) the count room;
- (C) the facility manager shift manager;
- (D) the shift manager or supervisor of the electronic gaming machine

operation;

- (E) the repair and maintenance of the electronic gaming machines and the bill

validators;

- (F) the surveillance department during a shift;
- (G) repair or maintenance of the surveillance system equipment;
- (H) a surveillance department trainee or a surveillance room technician;
- (I) the security department;
- (J) the cage, satellite cage, and vault;
- (K) the collection unit of the facility manager;
- (L) the internal audit department; or
- (M) the management information systems department.

- (c) Each person who will be employed by or working for a facility manager or

with an ancillary lottery gaming facility operator and who is not required under the act or

**ATTORNEY GENERAL**

**DEPT. OF ADMINISTRATION**

**FEB 11 2009**

**FEB 09 2009**

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**APPROVED** (5 of 22)

these regulations to obtain a level I or level II occupation license shall obtain a temporary work permit or a level III occupation license. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**FEB 11 2009**

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**DEPT. OF ADMINISTRATION**

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**112-103-3. Temporary work permit.** (a) The commission staff may issue a temporary work permit to an applicant if both of the following conditions are met:

(1) The commission staff determines that the applicant has filed a completed application for a level I, level II, or level III occupation license.

(2) The applicant has no immediately known present or prior activities, criminal records, reputation, habits, or associations that meet either of these conditions:

(A) Pose a threat to the public interest or to the effective regulation of gaming;

or

(B) create or enhance the dangers of unfair or illegal practices in the conduct of gaming.

(b) A temporary work permit may be issued for an initial period not to exceed 90 days. Any temporary work permit may be extended by the commission's licensing staff for an additional 90 days.

(c) The issuance of a temporary work permit shall not extend the duration of the level I, level II, or level III license for which the applicant has applied. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

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**112-103-4. Application for a license.** Each applicant for a level I, level II, or level III occupation license shall submit a completed application on a commission-approved form to the human resources department of the facility manager with which the applicant seeks employment. The human resources staff shall ensure the form's completeness and shall submit the form to the commission's licensing staff, along with an approval to deduct the amount of the applicant's background investigation fees and costs from the facility manager's background deposit provided to the commission. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**OCT 10 2008**

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**DEPT. OF ADMINISTRATION**

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**112-103-5. Applicant identification.** (a) Each applicant shall have the responsibility to identify that person to commission staff when submitting an application by presenting one of the following:

- (1) A current and valid U.S. passport or certification of naturalization; or
- (2) a current identification card issued by the immigration and naturalization service (INS) containing a photograph or fingerprints and containing identification information including name, date of birth, sex, height, color of eyes, and address.

(b) If the documents specified in subsection (a) are not available and the applicant is a student and a citizen of another country with a federal J-1 authorization, the applicant shall present a signed J-1 authorization document and a valid and current foreign passport with the United States citizenship and immigration stamp attached to the passport.

(c) If none of the documents specified in subsection (a) or (b) are available, the applicant shall present one of the following documents:

- (1) A current and valid state-issued driver's license that has a photograph on the license;
- (2) a current and valid identification card issued to persons who serve in the U.S. military or their dependents that contains a photograph or other identifying information, or both;
- (3) a current and valid school identification card containing a photograph, an expiration date, the seal or logo of the issuing institution, and the signature of the card

ATTORNEY GENERAL

DEPT. OF ADMINISTRATION

FEB 11 2009

FEB 05 2009

APPROVED  
M F

APPROVED 4.f (9 of 22)

holder;

- (4) a current and valid identification card issued by a federal, state, or local government agency that contains a photograph and other identifying information; or
- (5) a certified U.S. birth certificate.
- (d) If the applicant is not a citizen of the United States and cannot provide the documents specified in subsection (a), (b), or (c), the applicant shall provide identification showing a country identification number from the applicant's country of citizenship.
- (e) If the name on any identification document provided by an applicant is different from the name on the application form, the applicant shall provide the commission with a marriage certificate, a divorce decree, a copy of a court order granting a petition for a name change, or any other valid document to verify the applicant's use of a different name.
- (f) If the commission staff determines that there are irregularities with any documentation or type of identification presented by an applicant, the staff may require supplemental identification. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

FEB 11 2009

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DEPT. OF ADMINISTRATION

FEB 05 2009

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**112-103-6. Affirmative duty to demonstrate qualifications.** Each applicant for an occupation license shall have an affirmative duty to the commission to demonstrate that the applicant is qualified for licensure. (Authorized by and implementing K.S.A. 2007 Supp. 74-8751 and 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

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DEPT. OF ADMINISTRATION

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APPROVED BY FDL

**112-103-7. Background investigation.** Each applicant shall submit to a background investigation conducted by the commission's director of security or other person designated by the executive director. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

MAR 26 2008

APPROVED BY



DEPT. OF ADMINISTRATION

MAR 19 2008

APPROVED BY FDL

**112-103-8. Disqualification criteria for a level I, level II, or level III license.** (a) A level I license shall be denied or revoked by the commission if the applicant or licensee is or has been convicted of any felony, crime involving gambling, or crime of moral turpitude.

(b) Any license may be denied, suspended, or revoked by the commission, and any licensee may be sanctioned by the commission if the applicant or licensee meets any of the following conditions:

- (1) Has knowingly provided false or misleading material information to the commission or its staff;
- (2) fails to notify the commission staff about a material change in the applicant's or licensee's application within 10 days;
- (3) has violated any provision of the act or any regulation adopted under the act;
- (4) is unqualified to perform the duties required;
- (5) has failed to meet any monetary or tax obligation to the federal government or to any state or local government;
- (6) is financially delinquent to any third party;
- (7) has failed to provide information or documentation requested in writing by the commission in a timely manner;
- (8) does not consent to or cooperate with investigations, inspections, searches, or having photographs and fingerprints taken for investigative purposes;

**ATTORNEY GENERAL**

OCT 20 2008  
APPROVED  
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**DEPT. OF ADMINISTRATION**

OCT 16 2008

APPROVED 4.f (13 of 22)

- (9) has failed to meet the requirements of K.A.R. 112-103-6; or
- (10) has any present or prior activities, criminal records, reputation, habits, or associations that meet either of the following criteria:
- (A) Pose a threat to the public interest or to the effective regulation of gaming;
- or
- (B) create or enhance the dangers of unfair or illegal practices in the conduct of gaming. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**OCT 20 2008**  
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**DEPT. OF ADMINISTRATION**

**AUG 19 2008**  
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**112-103-9. Examinations.** (a) Any applicant for an occupation license may be required to demonstrate knowledge, qualifications, and proficiency related to the license for which application is made through an examination approved by the commission or its designee.

(b) Any applicant who fails the examination may be retested no earlier than 30 days following the first failure and no earlier than six months following the second failure. Each applicant failing the examination on the third attempt shall be ineligible to retake the examination for one year from the date of the third failure. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

MAR 26 2008

APPROVED BY



DEPT. OF ADMINISTRATION

MAR 19 2008

APPROVED BY FDL

**112-103-10. License duration.** Each occupation license shall be issued for a period of no longer than two years and one month. Each license shall expire on the last day of the month in which the licensee was born. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

MAR 26 2008

APPROVED BY



DEPT. OF ADMINISTRATION

MAR 19 2008

APPROVED BY FDL

**112-103-11. License renewal.** Each occupation licensee wanting to renew the license shall file an application for occupation license renewal with the commission staff. Each application shall be submitted on a form approved by the commission. The completed renewal application shall be filed with the commission staff at least 90 days before expiration of the license. An applicant's failure to timely file the renewal application may result in expiration of the license and an inability to work with or for the gaming licensee.

(Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-

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ATTORNEY GENERAL

MAR 26 2008

APPROVED BY



DEPT. OF ADMINISTRATION

MAR 19 2008

APPROVED BY FDL

**112-103-12. Reapplication after license denial or revocation.** A person who is denied licensure or whose license is revoked shall not reapply for the same or higher level of license for at least one year from the date of the denial or revocation. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

MAR 26 2008

APPROVED BY



DEPT. OF ADMINISTRATION

MAR 19 2008

APPROVED BY FDL

**112-103-13. Reserved.**

**112-103-14. Reserved.**

**112-103-15. License mobility; limitations.** (a) Any licensee may work in any other position at or below that license level. If a licensee changes positions for more than one shift in a seven-day period or moves to another facility, the licensee shall notify the commission's licensing staff about the change.

(b) If the commission's licensing staff determines that the person's license no longer reflects that person's actual position, the person shall be required to reapply for the appropriate occupation license. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

MAR 26 2008

APPROVED BY



DEPT. OF ADMINISTRATION

MAR 19 2008

APPROVED BY FDL

**112-103-16. Licenses, temporary work permits, and badges to be commission**

**property.** (a) Each license, temporary work permit, and badge issued by the commission shall be the property of the commission.

(b) Possession of a license, temporary permit, or badge shall not confer any right upon the temporary permittee or licensee to employment with a facility manager.

(c) Each licensee or temporary permittee shall return the license or temporary work permit and each badge in that person's possession to commission staff within one day if the temporary permittee's or licensee's employment or contract is terminated.

(Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-

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**ATTORNEY GENERAL**

**OCT 10 2008**

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**DEPT. OF ADMINISTRATION**

**AUG 19 2008**

**APPROVED**

**112-107-1. Electronic gaming machine requirements.** (a) Each electronic gaming machine (EGM) approved for use in a gaming facility shall meet the requirements of article 110.

(b) Unless a facility manager's electronic gaming monitoring system is configured to automatically record all of the information required by this article, the facility manager shall be required to house the following entry authorization logs in each EGM:

(1) A machine entry authorization log that documents each time an EGM or any device connected to the EGM that could affect the operation of the EGM is opened. The log shall contain, at a minimum, the following:

- (A) The date and time of opening;
- (B) the purpose for opening the EGM or device;
- (C) the signature and the license or permit number of the person opening and entering the EGM or device; and
- (D) if a device, the asset number corresponding to the EGM in which the device is housed; and

(2) a progressive entry authorization log that documents each time a progressive controller not housed within the cabinet of the EGM is opened. The log shall contain, at a minimum, the following:

- (A) The date and time of opening;
- (B) the purpose for accessing the progressive controller; and

**ATTORNEY GENERAL**

SEP 10 2008  
APPROVED  
MF

**DEPT. OF ADMINISTRATION**

SEP 05 2008

APPROVED<sup>E.4.g (1 of 85)</sup>

(C) the signature and the license or permit number of the person accessing the progressive controller. Each log shall be maintained in the progressive controller unit and have recorded on the log a sequence number and the gaming supplier's serial number of the progressive controller.

(c) Each EGM shall be equipped with a lock controlling access to the card cage door securing the microprocessor, and the lock's key shall be different from any other key securing access to the EGM's components, including its belly door or main door, bill validator, and electronic gaming cash storage box. Access to the key securing the microprocessor shall be limited to a supervisor in the security department. The department's director of security shall establish a sign-out and sign-in procedure for the key, which shall include notification to commission staff before release of the key.

(Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 2007 Supp. 74-8750 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**  
**SEP 10 2008**  
**APPROVED**  
**MF**

**DEPT. OF ADMINISTRATION**  
**SEP 05 2008**  
**APPROVED**

**112-107-2. Testing and approval.** (a) Each EGM prototype and the associated equipment operated in this state shall be approved in accordance with the act, this article, and article 110.

(b) One of the following EGM testing procedures may be required by the executive director:

(1) An abbreviated testing and approval process in accordance with K.A.R. 112-107-3(g); or

(2) testing and approval in accordance with K.A.R. 112-107-3(i). (Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 2007 Supp. 74-8750 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

FEB 14 2008

**APPROVED BY**

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**DEPT. OF ADMINISTRATION**

FEB 11 2008

**APPROVED BY FDL**

E.4.g (3 of 85)

**112-107-3. Submission for testing and approval.** (a) Each EGM prototype and the associated equipment subject to testing and approval under this regulation shall be evaluated by the commission for the following:

(1) Overall operational integrity and compliance with the act, this article, and the technical standards adopted by the commission under article 110;

(2) compatibility and compliance with the central computer system; and

(3) compatibility with any protocol specifications approved by the Kansas lottery commission, including the ability to communicate with the central computer system for the purpose of transmitting auditing program information, real-time information retrieval, and activation and disabling of EGMs.

(b) EGMs and associated equipment that shall be submitted for testing and commission approval include the following:

(1) Bill validators and printers;

(2) electronic gaming monitoring systems, to the extent that the systems interface with EGMs and related systems;

(3) EGM management systems that interface with EGMs and related systems;

(4) player tracking systems that interface with EGMs and related systems;

(5) progressive systems, including wide-area progressive systems;

(6) gaming ticket systems;

(7) external bonusing systems;

(8) cashless funds transfer systems;

**ATTORNEY GENERAL**

**FEB 14 2008**

**APPROVED BY**

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**DEPT. OF ADMINISTRATION**

**JAN 25 2008**

**APPROVED BY FDL E.4.g (4 of 85)**

(9) machines performing gaming ticket, coupon, or jackpot payout transactions;  
(10) coupon systems, to the extent the systems interface with EGMs and related systems; and

(11) other EGM-related systems as determined by the executive director.

(c) A product submission checklist to be completed by an applicant for or holder of a gaming supplier certificate may be prescribed by the executive director.

(d) The chief engineer of the applicant for or holder of a gaming supplier certificate or the engineer in charge of the division of the gaming supplier responsible for producing the product submitted may be required by the executive director to attest that the EGMs and associated equipment were properly and completely tested by the gaming supplier before submission to the commission.

(e) An abbreviated testing and approval process may be utilized by the commission in accordance with the act.

(f) If a facility manager develops software or a system that is functionally equivalent to any of the electronic gaming systems specified in subsection (b), that software or system shall be subject to the testing and approval process of this article to the same extent as if the software or system were developed by a gaming supplier certificate holder. Each reference in this article to the responsibilities of a gaming supplier certificate holder shall apply to a facility manager developing software or systems subject to testing and approval under this article.

**ATTORNEY GENERAL**

**SEP 10 2008**

**APPROVED  
M F**

**DEPT. OF ADMINISTRATION**

**SEP 05 2008**

**APPROVED**

(g) When an applicant or gaming supplier certificate holder seeks to utilize the abbreviated testing and approval process for an EGM prototype, associated device or software, or any modification to an EGM prototype, associated device or software, the applicant or supplier shall submit the following to the independent testing laboratory:

(1) A prototype of the equipment, device, or software accompanied by a written request for abbreviated testing and approval that identifies the jurisdiction within the United States upon which the applicant or supplier proposes that the commission rely. The applicant or supplier shall transport the equipment, device, or software at its own expense and deliver it to the offices of the independent testing laboratory;

(2) a certification executed by the chief engineer or engineer in charge of the applicant or supplier verifying that all of the following conditions are met:

(A) The prototype or modification is identical in all mechanical, electrical, and other respects to one that has been tested and approved by the testing facility operated by the jurisdiction or private testing facility on behalf of the jurisdiction;

(B) the applicant or supplier is currently certified and in good standing in the named jurisdiction, and the prototype has obtained all regulatory approvals necessary to sale or distribution in the named jurisdiction;

(C) in the engineer's opinion, the testing standards of the named jurisdiction are comprehensive and thorough and provide adequate safeguards that are similar to those required by this article; and

**ATTORNEY GENERAL**

**SEP 10 2008**  
**APPROVED**  
**MF**

**DEPT. OF ADMINISTRATION**

**SEP 05 2008**

**APPROVED**

(D) in the engineer's opinion, the equipment, device, or software meets the requirements of the act, this article, and the technical standards adopted by the commission under article 110, including requirements related to the central computer system;

(3) an executed copy of a product submission applicable to the submitted equipment, device, or software unless a substantially similar checklist was filed with the named jurisdiction and is included in the submission package required by paragraph (g)(4);

(4) copies of the submission package and any amendments filed with the named jurisdiction, copies of any correspondence, review letters, or approvals issued by the testing facility operated by the named jurisdiction or a private testing facility on behalf of the named jurisdiction and, if applicable, a copy of the final regulatory approval issued by the named jurisdiction;

(5) a disclosure that details any conditions or limitations placed by the named jurisdiction on the operation or placement of the equipment, device, or software at the time of approval or following approval;

(6) a complete and accurate description of the manner in which the equipment, device, or software was tested for compatibility and compliance with the central computer system and protocol specifications approved by the Kansas lottery, including the ability to communicate with the central computer system for the purpose of

**ATTORNEY GENERAL**

**SEP 10 2008**

**APPROVED  
MF**

**DEPT. OF ADMINISTRATION**

**SEP 05 2008**

**APPROVED**

transmitting auditing program information, real-time information retrieval, and activation and disabling of EGMs;

(7) any hardware, software, and other equipment, including applicable technical support and maintenance, required by the independent testing laboratory to conduct the abbreviated testing and approval process required by the act, this article, and the technical standards adopted by the commission under article 110. The testing equipment and services required by this subsection shall be provided at no cost to the commission; and

(8) any additional documentation requested by the commission that is necessary to evaluate the EGM, associated equipment, or any modification.

(h) When an applicant or a gaming supplier seeks commission approval of an EGM, equipment, device, or software, or any modification to which the abbreviated testing process in subsection (f) is not applicable, the applicant or supplier shall submit the following to the independent testing laboratory:

(1) A prototype of the equipment, device, or software accompanied by a written request for testing and approval. The gaming supplier shall transport the equipment, device, or software at its own expense and deliver the equipment, device, or software to the offices of the commission's independent testing laboratory in accordance with instructions provided;

(2) any certifications required under this regulation;

(3) an executed copy of a current product submission checklist;

**ATTORNEY GENERAL**

**SEP 10 2008**

**APPROVED  
MF**

**DEPT. OF ADMINISTRATION**

**SEP 05 2008**

**APPROVED**

(4) a complete and accurate description of the equipment, device, or software, accompanied by related diagrams, schematics, and specifications, together with documentation with regard to the manner in which the product was tested before its submission to the commission;

(5) any hardware, software, and other equipment, including applicable technical support and maintenance, required by the independent testing laboratory to conduct the testing and approval process required by the act, this article, and the technical standards adopted by the commission under article 110. All testing equipment and services required by this subsection shall be provided at no cost to the commission;

(6) for an EGM prototype, the following additional information, which shall be provided to the commission:

(A) A copy of all operating software needed to run the EGM, including data and graphics information, on electronically readable and unalterable media;

(B) a copy of all source code for programs that cannot be reasonably demonstrated to have any use other than in an EGM, on electronically readable and unalterable media;

(C) a copy of all graphical images displayed on the EGM, including reel strips, rules, instructions, and pay tables;

(D) an explanation of the theoretical return to the player, listing all mathematical assumptions, all steps in the formula from the first principles through the final results of

ATTORNEY GENERAL

FEB 14 2008

APPROVED BY

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DEPT. OF ADMINISTRATION

JAN 25 2008

APPROVED BY FDLg (9 of 85)

all calculations including bonus payouts, and, when a game requires or permits player skill in the theoretical derivations of the payout return, the source of strategy;

(E) hardware block diagrams of the major subsystems;

(F) a complete set of schematics for all subsystems;

(G) a diagram of the wiring harness connection;

(H) a technical or operator manual;

(I) a description of the security methodologies incorporated into the design of the EGM including, when applicable, encryption methodology for all alterable media, auto-authentication of software, and recovery capability of the EGM for power interruption;

(J) a cross reference of product meters to the required meters specified in article 110;

(K) a description of tower light functions indicating the corresponding condition;

(L) a description of each error condition and the corresponding action required to resolve the error;

(M) a description of the use and function of available electronic switch settings or configurable options;

(N) a description of the pseudo random number generator or generators used to determine the results of a wager, including a detailed explanation of operational methodology, and a description of the manner by which the pseudo random number generator and random number selection processes are impervious to outside influences, interference from electromagnetic, electrostatic, and radio frequencies, and influence

ATTORNEY GENERAL

DEPT. OF ADMINISTRATION

FEB 14 2008

JAN 25 2008

APPROVED BY

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APPROVED BY FDL

from ancillary equipment by means of data communications. Test results in support of representations shall be submitted;

(O) specialized hardware, software, or testing equipment, including technical support and maintenance, needed to complete the evaluation, which may include an emulator for a specified microprocessor, personal computers, extender cables for the central processing unit, target reel strips, and door defeats. The testing equipment and services required by this subsection shall be provided at no cost to the commission;

(P) a compiler, or reasonable access to a compiler, for the purpose of building applicable code modules;

(Q) program storage media including erasable programmable read-only memory (EPROM), electronically erasable programmable read-only memory (EEPROM), and any type of alterable media for EGM software;

(R) technical specifications for any microprocessor or microcontroller;

(S) a complete and accurate description of the manner in which the EGM was tested for compatibility and compliance with the central computer system and protocol specifications approved by the Kansas lottery, including the ability to communicate with the central computer system for the purpose of transmitting auditing program information, real-time information retrieval, and activation and disabling of EGMs; and

(T) any additional documentation requested by the commission relating to the EGM;

**ATTORNEY GENERAL**

**SEP 10 2008**

**APPROVED  
MF**

**DEPT. OF ADMINISTRATION**

**SEP 05 2008**

**APPROVED**

(7) if an EGM prototype is modified, including a change in theme, the following additional information, which shall be provided to the commission:

(A) A complete and accurate description of the proposed modification to the EGM prototype, accompanied by applicable diagrams, schematics, and specifications;

(B) when a change in theme is involved, a copy of the graphical images displayed on the EGM, including reel strips, rules, instructions, and pay tables;

(C) when a change in the computation of the theoretical payout percentage is involved, a mathematical explanation of the theoretical return to the player, listing all assumptions, all steps in the formula from the first principles through the final results of all calculations including bonus payouts, and, when a game requires or permits player skill in the theoretical derivations of the payout return, the source of strategy;

(D) a complete and accurate description of the manner in which the EGM was tested for compatibility and compliance with the central computer system and protocol specifications approved by the Kansas lottery, including the ability to communicate with the central computer system for the purpose of transmitting auditing program information, real-time information retrieval and activation, and the disabling of EGMs; and

(E) any additional documentation requested by the commission relating to the modification of the EGM;

(8) for an electronic gaming monitoring system, casino management system, player tracking system, wide-area progressive system, gaming ticket system, external

**ATTORNEY GENERAL**

**SEP 10 2008  
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**DEPT. OF ADMINISTRATION**

**SEP 05 2008  
APPROVED**

bonusing system, cashless funds transfer system, automated gaming ticket, coupon redemption or jackpot payout machine, coupon system, or any other equipment or system required to be tested and approved under subsection (b), the following:

(A) A technical manual;

(B) a description of security methodologies incorporated into the design of the system, which shall include the following, when applicable:

(i) Password protection;

(ii) encryption methodology and its application;

(iii) automatic authentication; and

(iv) network redundancy, backup, and recovery procedures;

(C) a complete schematic or network diagram of the system's major components accompanied by a description of each component's functionality and a software object report;

(D) a description of the data flow, in narrative and in schematic form, including specifics with regard to data cabling and, when appropriate, communications methodology for multisite applications;

(E) a list of computer operating systems and third-party software incorporated into the system, together with a description of their interoperability;

(F) system software and hardware installation procedures;

(G) a list of available system reports;

ATTORNEY GENERAL

FEB 14 2008

APPROVED BY

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DEPT. OF ADMINISTRATION

JAN 25 2008

APPROVED BY FDL

(H) when applicable, features for each system, which may include patron and employee card functions, promotions, reconciliation procedures, and patron services;

(I) a description of the interoperability testing, including test results for each submitted system's connection to EGMs, to ticket, coupon redemption, and jackpot payout machines, and to computerized systems for counting money, tickets, and coupons. This list shall identify the tested products by gaming supplier, model, and software identification and version number;

(J) a narrative describing the method used to authenticate software;

(K) all source codes;

(L) a complete and accurate description, accompanied by applicable diagrams, schematics, and specifications, of the creation of a ticket and the redemption options available;

(M) a complete and technically accurate description, accompanied by applicable diagrams, schematics, and specifications, of the creation of a coupon and the redemption options available;

(N) any specialized hardware, software, or other equipment, including applicable technical support and maintenance required by the independent testing laboratory to conduct the testing and approval process required by the act, this article, and the technical standards adopted by the commission under article 110. The testing equipment and services required by this subsection shall be provided at no cost to the commission; and

ATTORNEY GENERAL

FEB 14 2008

APPROVED BY

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DEPT. OF ADMINISTRATION

JAN 25 2008

APPROVED BY EDL (14 of 85)

(O) any additional documentation requested by the executive director related to the equipment or system being tested; and

(9) for a modification to any of the systems identified in paragraph (h)(8), the following additional information:

(A) A complete and accurate description of the proposed modification to the system, accompanied by applicable diagrams, schematics, and specifications;

(B) a narrative disclosing the purpose for the modification; and

(C) any additional documentation requested by the executive director relating to the modification.

(i) A trial period may be required by the commission to assess the functionality of the prototype or modification in a live gaming environment. The conduct of the trial period shall be subject to compliance by the gaming supplier and the facility manager with any conditions that may be required by the commission. These conditions may include development and implementation of product-specific accounting and internal controls, periodic data reporting to the commission, and compliance with the technical standards adopted under article 110 on trial periods or the prototype or modification adopted by the commission. Termination of the trial period may be ordered by the executive director if the executive director determines that the gaming supplier or the facility manager conducting the trial period has not complied with the conditions required by the commission or that the product is not performing as expected.

**ATTORNEY GENERAL**

**SEP 10 2008**

**APPROVED  
MF**

**DEPT. OF ADMINISTRATION**

**SEP 05 2008**

**APPROVED**

(j) At the conclusion of the testing of a prototype or modification, the independent testing laboratory shall report the results of its testing to the commission. Upon receipt of the independent testing laboratory's report, any one of the following shall be done by the commission:

- (1) Approve;
- (2) approve with conditions;
- (3) reject the submitted prototype or modification; or
- (4) require additional testing or a trial period under subsection (i).

(k) A facility manager shall not install an EGM or associated equipment, or any modification, required to be tested and approved under subsection (b) unless the equipment, device, or software has been approved by the commission and issued a certificate authorizing its use at the gaming facility. The certificate shall be prominently displayed on the approved device. A facility manager shall not modify, alter, or tamper with an approved EGM, the associated equipment, or a commission-issued certificate. Before the removal of the EGM or associated equipment from the gaming facility, the certificate shall be removed by a commission agent. An EGM or the associated equipment installed in a gaming facility in contravention of this requirement shall be subject to seizure by any Kansas law enforcement officer.

(l) The installation of a modification to an EGM prototype or the associated equipment prototype may be authorized by the executive director on an emergency basis to prevent cheating or malfunction, upon the written request of a gaming supplier. The

**ATTORNEY GENERAL**      **DEPT. OF ADMINISTRATION**

**SEP 10 2008**

**APPROVED  
MF**

**SEP 05 2008**

**APPROVED** E.4.g (16 of 85)

request shall specify the name and employer of any persons to be involved in the installation of the modification and the manner in which the installation is to be effected. Within 15 days of receipt of any authorization to install an emergency modification, the gaming supplier shall submit the modification for full testing and approval in accordance with this article.

(m) Each facility manager shall, no later than four hours after detection, notify the commission's security staff of any known or suspected defect or malfunction in any EGM or associated equipment installed in the gaming facility. The facility manager shall comply with any instructions from the commission staff for use of the EGM or associated equipment.

(n) Each facility manager shall file a master list of approved gaming machines as required by K.A.R. 112-107-10. (Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 2007 Supp. 74-8749, 74-8750, and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**SEP 10 2008**  
**APPROVED**  
**MF**

**DEPT. OF ADMINISTRATION**

**SEP 05 2008**  
**APPROVED**

**112-107-5. Transportation of EGMs.** (a) The transportation of any EGM into or out of this state shall be approved in advance by the executive director. The person causing the EGM to be transported or moved shall notify the executive director of the proposed importation or exportation at least 15 days before the EGM is moved. The notice shall include the following information:

- (1) The name and address of the person shipping or moving the EGM;
- (2) the name and address of the person who manufactured, assembled, distributed, or resold the EGM, if different from the person shipping or moving the machine;
- (3) the name and address of a new owner if ownership is being changed in conjunction with the shipment or movement;
- (4) the method of shipment or movement and the name and address of the common carrier or carriers, if applicable;
- (5) the name and address of the person to whom the EGM is being sent and the destination of the EGM, if different from that address;
- (6) the quantity of EGMs being shipped or moved and the manufacturer's make, model, and serial number of each machine;
- (7) the expected date and time of delivery to, or removal from, any authorized location within this state;
- (8) the port of entry or exit, if any, of the EGM if the origin or destination of the EGM is outside the continental United States; and

ATTORNEY GENERAL

FEB 14 2008

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DEPT. OF ADMINISTRATION

JAN 25 2008

APPROVED BY FDC <sup>54g</sup> (18 of 85)

(9) the reason for transporting or moving the EGM.

(b) Each shipment of EGMs shall be sealed before being transported. On arrival at the gaming facility, the shipment shall not be opened or inventoried until the seal is witnessed and broken by an agent of the commission. An agent of the commission shall verify that the EGMs are unloaded, inventoried, and compared to the notice required in subsection (a). The software shall not be loaded in the machine before shipment.

(Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-

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ATTORNEY GENERAL

FEB 14 2008

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**DEPT. OF ADMINISTRATION**

FEB 11 2008

**APPROVED BY FDL**

E.4.g (19 of 85)

**112-107-6. Off-premises storage of EGMs.** (a) A gaming licensee shall not store EGMs off the premises of the gaming facility without prior approval from the commission.

(b) Each gaming licensee seeking to store EGMs off the premises of the gaming facility shall file a written request for off-premises storage with the executive director.

The request shall include all of the following:

- (1) The location and a physical description of the proposed storage facility;
  - (2) a description of the type of surveillance system that has been or will be installed at the storage facility;
  - (3) the gaming licensee's plan to provide continuous security at the storage facility;
  - (4) the number and the name of the manufacturer of the EGMs that will be stored at the facility;
  - (5) the date that the EGMs are expected to arrive at the storage facility; and
  - (6) the date that the EGMs are expected to be moved to the gaming facility.
- (c) Before acting on a request for off-premises storage of EGMs, agents of the commission shall inspect the proposed storage facility.

(d) Each request shall be responded to by the executive director within 30 days. Any request approved by the executive director may be subject to specific terms and conditions imposed by the executive director.

ATTORNEY GENERAL

DEPT. OF ADMINISTRATION

FEB 14 2008

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(e) No software shall be loaded in an EGM during storage. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

FEB 14 2008

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DEPT. OF ADMINISTRATION

FEB 11 2008

APPROVED BY FDL

**112-107-7. Gaming floor plan.** (a) Each applicant or gaming facility manager shall submit to the commission a floor plan of its gaming floor and the restricted areas servicing the electronic gaming operation. The floor plan shall include depictions drawn to a scale of 1/8 inch per foot, unless another scale is approved by the executive director, of the following:

- (1) Each EGM area on the gaming floor and each EGM location within each EGM area. EGM locations shall be identified by number;
- (2) the cage and any satellite cage, including each cage window and window number;
- (3) each count room and any trolley storage area;
- (4) each automated bill validator, gaming ticket redemption machine, coupon redemption machine, and jackpot payout machine;
- (5) each automated teller machine;
- (6) each area designated for the storage or repair of EGMs;
- (7) the location of each vault and armored car bay; and
- (8) any additional documentation requested by the executive director relating to the floor plan for the gaming floor.

(b) A gaming facility manager shall not commence electronic gaming operations until the floor plan depicting the facility manager's gaming floor and all restricted areas servicing the electronic gaming operation has been approved in writing by the executive director.

**ATTORNEY GENERAL**

**SEP 10 2008**

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**DEPT. OF ADMINISTRATION**

**SEP 09 2008**

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(c) A gaming facility manager shall not change the number, configuration, or location of EGMs on the floor plan approved under subsection (b) without the prior written approval of the executive director. (Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 2007 Supp. 74-8752 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

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**DEPT. OF ADMINISTRATION**

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**112-107-9. Testing and software installation on the live gaming floor.** (a) Each gaming licensee shall notify the executive director in writing at least 72 hours before testing any EGMs, associated equipment, and displays on a gaming floor during the gaming licensee's gaming hours. The notification shall include the following:

(1) A detailed narrative description of the type of testing to be conducted, including the reason for the testing, a list of individuals conducting the testing, and the gaming licensee's procedures for conducting the testing;

(2) the date, time, and approximate duration of the testing;

(3) the model, EGM location number, and asset number of the EGM or machines to be tested; and

(4) the location within the gaming facility where the testing shall occur.

(b) Each gaming licensee shall notify the executive director at least 72 hours before installing any new software or installing any change in previously approved software for the following:

(1) Automated gaming ticket and coupon redemption machines;

(2) wide-area progressive systems;

(3) electronic gaming monitoring systems;

(4) casino management systems;

(5) player tracking systems;

(6) external bonusing systems, as specified in K.A.R. 112-107-26;

(7) cashless funds transfer systems;

ATTORNEY GENERAL

DEPT. OF ADMINISTRATION

FEB 14 2008

JAN 24 2008

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E.4.g (24 of 85)

(8) server-supported electronic gaming systems;

(9) server-based electronic gaming systems; and

(10) automated jackpot payout machines.

(c) The notification required by subsection (b) shall include the following:

(1) A description of the reasons for the new installation or change in previously approved software;

(2) a list of the computer components and the programs or versions to be modified or replaced;

(3) a description of any screens, menus, reports, operating processes, configurable options, or settings that will be affected;

(4) the method to be used to complete the proposed installation;

(5) the date that the proposed modification will be installed and the estimated time for completion;

(6) the name, title, and employer of the persons performing the installation;

(7) a diagrammatic representation of the proposed hardware design change;

(8) restrictions on access to the production code by the person implementing the installation; and

(9) procedures to ensure that user and operator manuals are updated to reflect changes in policies and procedures resulting from the proposed installation. (Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 2007 Supp. 74-8750 and 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

DEPT. OF ADMINISTRATION

FEB 14 2008

FEB 11 2008

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E.4.g (25 of 85)

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**112-107-10. Master list of approved gaming machines.** (a) At least 20 days before commencing gaming, each facility manager shall file with the commission, in writing, a complete list of the EGMs and gaming equipment possessed by the facility manager on its gaming floor, in restricted areas off the gaming floor but within the gaming facility as approved by the commission under K.A.R. 112-104-26, and in storage locations in this state off the premises of the gaming facility as approved by the commission under K.A.R. 112-107-6. The list shall be titled as a master list of approved gaming machines.

(b) The master list of approved gaming machines shall contain the following information that, for those EGMs and the gaming equipment located on the gaming floor, shall be presented for each EGM and gaming equipment in consecutive order by the EGM or gaming equipment location number under K.A.R. 112-107-8:

- (1) The date the list was prepared;
- (2) a description of each EGM and all gaming equipment, using the following:
  - (A) Asset number and model and manufacturer's serial number;
  - (B) computer program number and version;
  - (C) denomination, if configured for multiple denominations, and a list of the denominations;
  - (D) manufacturer and machine type, noting cabinet type;
  - (E) if an EGM, specification of whether the EGM is a progressive or a wide-area progressive EGM;

**ATTORNEY GENERAL**

**SEP 10 2008**

**APPROVED  
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**DEPT. OF ADMINISTRATION**

**SEP 05 2008**

**APPROVED**

(F) an indication as to whether the EGM or gaming equipment is configured to communicate with a cashless funds transfer system;

(G) an indication as to whether the EGM or gaming equipment is configured to communicate with a gaming ticket system;

(H) designation of which specific surveillance video system cameras will be able to view that specific machine; and

(I) commission certificate number;

(3) for those EGMs or gaming equipment located off the gaming floor, an indication as to whether the EGM or gaming equipment is in a restricted area off the gaming floor but within the gaming facility under K.A.R. 112-104-26 or is in a commission-approved storage location in this state off the premises of the gaming facility under K.A.R. 112-107-6; and

(4) any additional relevant information requested by the commission.

(c) If an EGM or gaming equipment has been placed in an authorized location on the gaming floor or is stored in a restricted area off the gaming floor but within the gaming facility as approved by the commission under K.A.R. 112-104-26, then all subsequent movements of that EGM or gaming equipment within the gaming facility shall be recorded by an EGM department member in a machine movement log, which shall include the following:

(1) The asset number and model and the manufacturer's serial number of the moved EGM or gaming equipment;

ATTORNEY GENERAL

FEB 14 2008

APPROVED BY



DEPT. OF ADMINISTRATION

JAN 25 2008

APPROVED BY  (27 of 85)

- (2) the date and time of movement;
  - (3) the location from which the EGM or gaming equipment was moved;
  - (4) the location to which the EGM or gaming equipment was moved;
  - (5) the date and time of any required notice to the Kansas lottery in connection with the activation or disabling of the EGM in the central computer system;
  - (6) the signature of the EGM shift manager and the commission's electronic gaming inspector verifying the movement of the EGM or gaming equipment in compliance with this regulation; and
  - (7) any other relevant information the commission may require.
- (d) Before moving an EGM or any gaming equipment that has been placed in an authorized location on the gaming floor, the facility manager shall remove the bill validator canister drop box and transport the drop box to the count room in accordance with the procedures in K.A.R. 112-104-18.
- (e) The facility manager shall daily submit documentation summarizing the movement of EGMs and gaming equipment within a gaming facility to the commission, in writing or in an electronic format approved by the commission.
- (f) On the first Tuesday of each month following the initial filing of a master list of approved gaming machines, a facility manager shall file with the commission, in writing or in an electronic format approved by the commission, an updated master list of approved gaming machines containing the information required in subsection (b).

**ATTORNEY GENERAL****SEP 10 2008  
APPROVED  
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(g) Each gaming supplier and each regulatory or law enforcement agency that possesses EGMs under K.A.R. 112-107-4 shall file with the commission, in writing or in an electronic format approved by the commission, a complete list of the EGMs possessed by the entity. The list shall be titled as a master list of approved gaming machines and shall be filed within three business days of the initial receipt of the EGMs. Each list shall contain the following information:

- (1) The date on which the list was prepared; and
- (2) a description of each EGM by the following:
  - (A) Model and manufacturer's serial number;
  - (B) manufacturer and machine type, noting cabinet type; and
  - (C) specification of whether the EGM is a progressive or a wide-area progressive EGM.

(h) On the first Tuesday of each month following the initial filing of a master list of approved gaming machines, those persons specified in subsection (f) shall file with the commission, in writing or in an electronic format approved by the commission, an updated master list of approved gaming machines containing the information required in subsection (g). (Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 2007 Supp. 74-8750 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**SEP 10 2008**

**APPROVED  
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**DEPT. OF ADMINISTRATION**

**SEP 05 2008**

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**112-107-11. Notice to central computer system.** Each gaming licensee shall obtain authorization from the executive director and the Kansas lottery's executive director before doing any of the following:

- (1) Placing an EGM on the gaming floor;
- (2) moving an EGM to a different location on the gaming floor; or
- (3) removing an EGM from the gaming floor. (Authorized by K.S.A. 2007 Supp.

74-8772; implementing K.S.A. 2007 Supp. 74-8749, 74-8750, and 74-8772; effective P-

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**ATTORNEY GENERAL**

**FEB 14 2008**

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**DEPT. OF ADMINISTRATION**

**FEB 11 2008**

**APPROVED BY FDL**

E.4.g (30 of 85)

**112-107-13. Commencement of electronic gaming operations.** (a) Each facility manager shall demonstrate that the facility manager has met all of the following conditions before commencing electronic gaming at a gaming facility:

(1) The gaming facility, including the gaming floor and restricted areas servicing the electronic gaming operation, meets all the applicable requirements of the act, this article, and article 110.

(2) Each EGM and the associated equipment installed in the gaming facility and utilized in the conduct of EGM operations have been tested and approved by the commission in compliance with the act, this article, and article 110.

(3) The gaming floor plan required under K.A.R. 112-107-7(a) has been approved by the executive director in compliance with the act, this article, and article 110.

(4) The facility manager's internal control system has been approved by the commission in compliance with the act, this article, K.A.R 112-104-1, and article 110.

(5) The facility manager is prepared to implement necessary management controls, surveillance, and security precautions to ensure the efficient conduct of electronic gaming operations.

(6) The facility manager's employees are licensed or permitted by the commission and are trained in the performance of their responsibilities.

(7) The gaming facility is prepared in all respects to receive the public.

(8) The facility manager has successfully completed a test period.

**ATTORNEY GENERAL** **DEPT. OF ADMINISTRATION**

**SEP 10 2008**  
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**SEP 05 2008**  
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(9) For racetrack gaming facility managers, the facility manager has met the live racing requirements under the act.

(b) When a facility manager meets the requirements in subsection (a), the date and time at which the facility manager may begin gaming operations at the gaming facility shall be authorized by the commission. (Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 2007 Supp. 74-8749, 74-8750, and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**SEP 10 2008**

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**DEPT. OF ADMINISTRATION**

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**112-107-14. EGM conversions.** Each gaming licensee shall meet the following requirements:

- (a) Maintain complete and accurate records of all EGM conversions;
- (b) give prior written notice of each EGM conversion to the commission; and
- (c) notify the Kansas lottery commission in accordance with K.A.R. 112-107-11.

(Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 2007 Supp. 74-8750, 74-8752, and 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

FEB 14 2008

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DEPT. OF ADMINISTRATION

FEB 11 2008

APPROVED BY FDL

**112-107-15. Revocations and additional conditions.** The approval of or imposition of additional conditions on an EGM prototype, associated equipment prototype, or modification may be revoked by the commission if the equipment, device, or software meets either of the following conditions:

(a) The equipment, device, or software does not meet the requirements of the act, this article, or article 110.

(b) The EGM, or modification to the EGM, is not compatible or compliant with the central computer system and protocol specifications approved by the Kansas lottery commission or is unable to communicate with the central computer system for the purpose of transmitting auditing program information, real-time information retrieval, and the activation and disabling of EGMs. (Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 2007 Supp. 74-8749, 74-8750, and 74-8772; effective P-  
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ATTORNEY GENERAL

FEB 14 2008

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DEPT. OF ADMINISTRATION

FEB 11 2008

APPROVED BY FDL

**112-107-16. Kiosks as automated gaming ticket and coupon redemption machines.**

(a) Any gaming licensee may utilize a kiosk as an automated gaming ticket and coupon redemption machine if that machine has been tested and approved by the commission under K.A.R. 112-107-3.

(b) Automated gaming ticket and coupon redemption machines may be located on or proximate to the gaming floor of a gaming facility and shall be subject to surveillance coverage under article 106. Each kiosk shall have imprinted, affixed, or impressed on the outside of the machine a unique asset identification number.

(c) Each kiosk shall meet the requirements of article 110.

(d) Before using a kiosk, a gaming licensee shall establish a comprehensive system of internal controls addressing the distribution of currency or coin, or both, to the machines, the removal of gaming tickets, coupons or currency accepted by the machines, and the associated reconciliations. The internal controls shall be submitted to and approved by the commission under K.A.R. 112-104-1.

(e) Each kiosk or the ancillary systems, applications, and equipment associated with reconciliation shall be capable of producing the following reports upon request:

(1) A gaming ticket transaction report. The report shall include the disposition of gaming tickets, including whether the ticket has been paid, partially paid, unpaid, or accepted by a kiosk, which shall include the validation number, the date and time of redemption, amount requested, and the amount dispensed. This information shall be available by reconciliation period, which may be by day, shift, or drop cycle;

ATTORNEY GENERAL

FEB 14 2008

APPROVED BY  
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DEPT. OF ADMINISTRATION

JAN 25 2008

APPROVED BY FDL <sup>E.4.g (35 of 85)</sup>

(2) a coupon transaction report. This report shall include the payment disposition of coupons accepted by a kiosk, which shall include the unique serial number, the date and time of redemption, the amount requested, and the amount dispensed. The information shall be available by reconciliation period, which may be by day, shift, or drop cycle;

(3) a reconciliation report. The report shall include all of the following:

- (A) Report date and time;
- (B) unique asset identification number of the machine;
- (C) total cash balance of the currency cassettes;
- (D) total count of currency accepted by denomination;
- (E) total dollar amount of tickets accepted;
- (F) total count of gaming tickets accepted;
- (G) total dollar amount of coupons accepted; and
- (H) total count of coupons accepted;

(4) gaming ticket, coupon, and currency storage box report. The report shall be generated, at a minimum, whenever a gaming ticket, coupon, or currency storage box is removed from a kiosk. The report shall include all of the following:

- (A) Report date and time;
- (B) unique asset identification number of the machine;
- (C) unique identification number for each storage box in the machine;
- (D) total value of currency dispensed;

ATTORNEY GENERAL

DEPT. OF ADMINISTRATION

FEB 14 2008

JAN 25 2008

APPROVED BY 

APPROVED BY FDL

E.4.g (36 of 85)

(E) total number of bills dispensed by denomination;

(F) total dollar value of gaming tickets accepted;

(G) total count of gaming tickets accepted;

(H) total dollar value of coupons accepted;

(I) total count of coupons accepted; and

(J) the details required to be included in the gaming ticket transaction report required by paragraph (e)(1) and the coupon transaction report required in paragraph (e)(2); and

(5) a transaction report. The report shall include all critical patron transaction history, including the date, time, amount, and disposition of each complete and incomplete transaction. If a kiosk is capable of redeeming multiple tickets or coupons in a single transaction, the transaction history shall include a breakdown of the transaction with regard to the individual gaming tickets and coupons accepted. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

FEB 14 2008

APPROVED BY



DEPT. OF ADMINISTRATION

FEB 11 2008

APPROVED BY FDL

**112-107-17. Automated jackpot payout machines.** (a) Any gaming licensee may utilize an automated jackpot payout machine that has been tested and approved by the commission under K.A.R. 112-107-3.

(b) Each automated jackpot payout machine shall meet the requirements of the act, this article, and article 110.

(c) Before using an automated jackpot payout machine, each gaming licensee shall establish a comprehensive system of internal controls for the payment of jackpot payouts utilizing an automated jackpot payout machine and the distribution of currency or coin, or both, to the machines. The internal controls shall be submitted to and approved by the commission under K.A.R. 112-104-1. (Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 2007 Supp. 74-8750 and 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

FEB 14 2008

APPROVED BY



DEPT. OF ADMINISTRATION

FEB 11 2008

APPROVED BY: EDL (38 of 85)

**112-107-18. Gaming tickets.** (a) A facility manager may utilize gaming tickets and a gaming ticket system that has been tested and approved by the commission under K.A.R. 112-107-3.

(b) Each facility manager shall establish a system of internal controls for the issuance and redemption of gaming tickets. The internal controls shall be submitted and approved by the commission under K.A.R. 112-104-1 and shall address the following:

- (1) The procedures for assigning an EGM's asset number, identifying other redemption locations in the system, and enabling and disabling ticket capabilities for EGMs and redemption locations;
- (2) the procedures for issuance, modification, and termination of a unique system account for each user in accordance with article 110;
- (3) the procedures used to configure and maintain user passwords in accordance with article 110;
- (4) the procedures for restricting special rights and privileges, including administrator and override capabilities, in accordance with article 110;
- (5) the duties and responsibilities of the information technology, internal audit, electronic gaming operations, cage, and accounting departments and the level of access for each position with regard to the gaming ticket system;
- (6) a description of physical controls on all critical hardware, including locks and surveillance. This description shall include the location and security protocols applicable to each piece of equipment;

**ATTORNEY GENERAL**

**DEPT. OF ADMINISTRATION**

**SEP 10 2008**

**SEP 05 2008**

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(7) the procedures for the backup and timely recovery of critical data in accordance with article 110; and

(8) the use of logs to document and maintain the details of commission-approved hardware and software modifications upon implementation.

(c) The system of internal controls required in subsection (b) shall also include controls over the issuance and redemption of gaming tickets and shall include all of the following requirements:

(1) Upon presentation of a gaming ticket for redemption, the electronic gaming cashier or EGM shall use the gaming ticket system to verify the validity of the serial number and value of the ticket, and if valid, the system shall immediately cancel the ticket electronically and permit the redemption of the ticket for the value printed thereon. Before redeeming a gaming ticket, the complete serial number of the unredeemed gaming ticket shall be available only to the system.

(2) The facility manager shall maintain a record of all transactions in the gaming ticket system for at least 210 days from the date of the transaction.

(3) Each gaming ticket shall expire in not less than 180 days from the date of issuance if not redeemed.

(4) A gaming ticket system shall not be configured to issue a gaming ticket exceeding \$10,000.

(5) The facility manager shall maintain a record of unredeemed gaming tickets for all gaming tickets that were issued but not redeemed. The record shall be stored in

**ATTORNEY GENERAL**

**DEPT. OF ADMINISTRATION**

**SEP 10 2008**

**SEP 05 2008**

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the system for a period of time approved by the executive director, which shall be at least one year from the date of issuance of the gaming ticket. The following requirements shall apply:

(A) Each unredeemed gaming ticket record removed from the system after one year shall be stored and controlled in a manner approved by the commission.

(B) Each unredeemed gaming ticket record removed from the system shall be subject to the standard record retention requirements of this article.

(d) The system of internal controls required to be submitted and approved by the commission under subsection (b) shall also include procedures to be used in the following instances:

(1) If the facility manager chooses to pay a patron the represented value of a gaming ticket notwithstanding the fact that the gaming ticket system is inoperable, rendering the manager unable to determine the validity of the gaming ticket at the time of payment. The system of internal controls shall include procedures to verify the ticket once the gaming ticket system becomes operable in accordance with article 110; and

(2) if the facility manager chooses to pay a patron the value of a gaming ticket notwithstanding the fact that the gaming ticket system failed to verify and electronically cancel the gaming ticket when it was scanned. Each payment by the facility manager shall be treated as a complimentary. These payments shall not result in a deduction from EGM income.

**ATTORNEY GENERAL**

**SEP 10 2008**

**APPROVED  
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**DEPT. OF ADMINISTRATION**

**SEP 05 2008**

**APPROVED**

(e) At the end of each gaming day, the gaming ticket system shall be caused by the facility manager to generate reports, and the reports shall be provided to the manager's accounting department, either directly by the system or through the management information systems department. The report, at a minimum, shall contain the following information:

(1) A list of all gaming tickets that have been issued, including the asset number and the serial number of the EGM, and the value, date, and time of issuance of each gaming ticket;

(2) a list of all gaming tickets that have been redeemed and cancelled, including the redemption location, the asset number of the EGM or location if other than an EGM, the serial number, the value, date, and time of redemption for each ticket, the total value of all gaming tickets redeemed at EGMs, and the total value of all gaming tickets redeemed at locations other than EGMs;

(3) the liability for unredeemed gaming tickets;

(4) the readings on gaming ticket-related EGM meters and a comparison of the readings to the number and value of issued and redeemed gaming tickets, as applicable;

(5) the exception reports and audit logs; and

(6) any other relevant reports as required by the executive director.

(f) Each facility manager shall, at the time of discovery, report to the commission audit staff any evidence that a gaming ticket has been counterfeited, tampered with, or

**ATTORNEY GENERAL**

**DEPT. OF ADMINISTRATION**

**SEP 10 2008**

**SEP 05 2008**

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altered in any way that would affect the integrity, accuracy, reliability, or suitability of the gaming ticket.

(g) Upon any attempt to redeem a gaming ticket when the total value of which gaming ticket cannot be completely converted into an equivalent value of credits, the EGM shall perform one of the following procedures:

(1) Automatically issue a new gaming ticket containing the value that cannot be completely converted;

(2) not redeem the gaming ticket and return the gaming ticket to the patron; or

(3) allow for the additional accumulation of credits on a meter that displays the value in dollars and cents.

(h) Each facility manager that utilizes a system or an EGM that does not print a test gaming ticket that is visually distinguishable from a redeemable gaming ticket shall adopt internal controls for all of the following:

(1) The issuance of test currency from the cage; and

(2) the return and reconciliation of the test currency and any gaming tickets printed during the testing process.

(i) Except as provided in subsection (m), each gaming ticket shall be redeemed by a patron for cash, EGM credits, or a check issued by the facility manager in the amount of the gaming ticket redeemed. A facility manager shall not permit redemption of a gaming ticket if the facility manager knows or has reason to know that the ticket meets any of the following conditions:

**ATTORNEY GENERAL**

**SEP 10 2008**

**APPROVED  
MF**

**DEPT. OF ADMINISTRATION**

**SEP 05 2008**

**APPROVED**

(1) Is different from the sample of the gaming ticket approved by the commission;

(2) was previously redeemed; or

(3) was printed as a test gaming ticket.

(j) Any facility manager may effectuate redemption requests submitted by mail.

Gaming tickets redeemed by mail may only be redeemed by a cage supervisor in accordance with internal controls approved by the commission under K.A.R. 112-104-1 that include the following:

(1) Procedures for using the gaming ticket system to verify the validity of the serial number and value of the ticket that, if valid, shall be immediately cancelled electronically by the system; and

(2) procedures for the issuance of a check equal to the value of the ticket.

(k) Gaming tickets redeemed at cashier locations shall be transferred to the facility manager's accounting department on a daily basis. The gaming tickets redeemed by EGMs shall be counted in the count room and forwarded to the manager's accounting department upon the conclusion of the count process. The gaming tickets redeemed at automated gaming ticket redemption machines shall be forwarded to the manager's accounting department upon the conclusion of the cage reconciliation process. The manager's accounting department employees shall perform the following, at a minimum:

(1) On a daily basis, the following:

**ATTORNEY GENERAL**

**SEP 10 2008**

**APPROVED  
MF**

**DEPT. OF ADMINISTRATION**

**SEP 05 2008**

**APPROVED**

(A) Compare gaming ticket system report data to any count room system report data available for that gaming day to ensure proper electronic cancellation of the gaming ticket; and

(B) calculate the unredeemed liability for gaming tickets, either manually or by means of the gaming ticket system; and

(2) on a weekly basis, compare appropriate EGM meter readings to the number and value of issued and redeemed gaming tickets per the gaming ticket system. Meter readings obtained through an electronic gaming monitoring system may be utilized to complete this comparison.

(l) Each facility manager shall provide written notice to the commission audit staff of any adjustment to the value of any gaming ticket. The notice shall be made before or concurrent with the adjustment.

(m) Employees of a facility manager who are authorized to receive gratuities under K.A.R. 112-104-27 may redeem gaming tickets given as gratuities only at a cage. Gaming tickets valued at more than \$100 shall be redeemed at the cage only with the approval of the supervisor of the cashier conducting the redemption transaction.

(n) Each gaming ticket system shall be configured to alert each facility manager to any malfunction in accordance with article 110. Following a malfunction of a system, the facility manager shall notify the commission within 24 hours of the malfunction and shall not utilize the system until the malfunction has been eliminated. A facility manager

**ATTORNEY GENERAL**

**DEPT. OF ADMINISTRATION**

**SEP 10 2008**

**SEP 05 2008**

**APPROVED  
MF**

**APPROVED**

may be permitted by the executive director to utilize the system before the system is restored, for a period not to exceed 72 hours, if all of the following conditions are met:

(1) The malfunction is limited to a single storage media device, including a hard disk drive.

(2) The system contains a backup storage media device not utilized in the normal operation of the system. The backup device shall automatically replace the malfunctioning device and permit a complete recovery of all information in the event of an additional malfunction.

(3) Continued use of the malfunctioning system would not inhibit the ability to perform a complete recovery of all information and would not otherwise harm or affect the normal operation of the system.

(o) Other than a modification to a gaming ticket system that is required on an emergency basis to prevent cheating or malfunction and is approved by the executive director under K.A.R. 112-107-3(m), a modification to a gaming ticket system shall not be installed without being tested and approved under K.A.R. 112-107-3. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

FEB 14 2008

APPROVED BY

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DEPT. OF ADMINISTRATION

FEB 11 2008

APPROVED BY FDL

**112-107-19. Coupons.** (a) Any gaming licensee may utilize coupons and a coupon system that has been tested and approved by the commission under K.A.R. 112-107-3.

(b) The design specifications for the coupon shall meet the requirements of article 110.

(c) The design specifications for the coupon system shall meet the requirements of article 110.

(d) Each gaming licensee shall establish a system of internal controls for the issuance and redemption of coupons before issuing any coupon. The internal controls shall be submitted to and approved by the commission under K.A.R. 112-104-1. The system of internal controls shall include the following requirements:

(1) The package containing the coupons shall be opened and examined by at least two members of the accounting department. Each deviation between the invoice and control listing accompanying the coupons, the purchase or requisition order, and the actual coupons received shall be reported to the controller or to a higher authority in a direct reporting line and to the director of internal audit.

(2) Upon examination of the coupons, the gaming licensee shall cause to be recorded in a coupon control ledger the type and quantity of coupons received, the date of the receipt, the beginning serial number, the ending serial number, the new quantity of unissued coupons on hand, the purchase order or requisition number, any deviations between the number of coupons ordered and the number received, and the signature of any individual who examined the coupons.

ATTORNEY GENERAL DEPT. OF ADMINISTRATION

FEB 14 2008

JAN 24 2008

APPROVED BY

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(3) All unissued coupons shall be stored in the cage, controlled by a cage department supervisor.

(4) A representative from the internal audit department shall prepare a monthly inventory of unissued coupons. Any deviations between the coupon inventory and the coupon control ledger shall be reported to the controller and the director of internal audit.

(5) A representative of the gaming licensee shall estimate the number of coupons needed by shift each day. An accounting department employee shall obtain the quantity of coupons to be issued. If a date indicating when the coupon becomes invalid is not preprinted on the coupon, the accounting department employee shall affix a stamp indicating the date the coupon becomes invalid. The following, at a minimum, shall be recorded in the coupon control ledger:

(A) The date the coupons were issued;

(B) the type of coupons issued;

(C) the beginning serial number of the coupons issued;

(D) the ending serial number of the coupons issued;

(E) the quantity issued and the quantity remaining; and

(F) the signatures of the accounting department employee issuing the coupons and any other department's employee receiving the coupons.

(6) The gaming licensee shall require unused coupons obtained from the accounting department employee to be stored in a locked cabinet until the coupons are distributed to patrons. All coupons remaining unused at the end of a shift shall be either

ATTORNEY GENERAL

DEPT. OF ADMINISTRATION

FEB 14 2008

JAN 24 2008

APPROVED BY *mj*

APPROVED BY *FDL* (48 of 85)

returned to the cage department for receipt and redistribution or kept for use by the following shift if accountability between shifts is maintained. All expired coupons shall be returned to the cage department on a daily basis. Any coupons that are not used by the expiration date indicated on the coupons shall be voided when returned to the cage department.

(7) Documentation shall be prepared by a representative of the gaming licensee for the distribution of coupons to patrons. The documentation shall include the following information, at a minimum:

(A) The date and time or the shift of preparation;

(B) the type of coupons used;

(C) the beginning serial number of the coupons used;

(D) the ending serial number of the coupons used;

(E) the total number of coupons used;

(F) the total number of coupons remaining for use by the next shift or returned to the accounting department; and

(G) the signatures of the gaming licensee's representatives who distributed the coupons.

(8) The coupons shall be redeemed in the following manner:

(A) Coupons redeemable for cash or tokens shall be redeemed only by change persons or at cashiers' booths, the cage, or at any other location within the gaming facility approved by the commission. A change person, booth cashier, or general cage

ATTORNEY GENERAL

DEPT. OF ADMINISTRATION

FEB 14 2008

JAN 24 2008

APPROVED BY

APPROVED BY FDL (49 of 85)



cashier shall accept the coupons in exchange for the stated amount of cash or tokens. Coupons accepted for redemption shall be cancelled by those authorized to accept coupons. Cancellation of coupons shall be done in a manner that cancels the coupon number and shall permit subsequent identification of the individual who accepted and cancelled the coupon. Redeemed coupons shall be maintained and shall be submitted to the main bank not less frequently than at the conclusion of each day.

(B) Coupons redeemable for wagers shall be accepted only in exchange for the wagers stated on the coupons. Cancellation of coupons shall be done in a manner that permits subsequent identification of the individual who accepted and cancelled the coupon. Redeemed coupons shall be maintained and shall be submitted to the main bank not less frequently than at the conclusion of each gaming day.

(C) A coupon redeemable for gaming chips shall be redeemed only by one of the following ways:

(i) At a gaming table and only by a dealer or first-level supervisor who supervises the game, who shall accept the coupon in exchange for the stated amount of gaming chips and shall deposit the coupon into the drop box upon acceptance; or

(ii) by a chip person, who shall accept the coupon only from a patron seated at a poker table at which a game is in progress in exchange for the stated amount of gaming chips and shall cancel the coupon upon acceptance. The coupon shall be cancelled in a manner that permits subsequent identification of the individual who accepted and

ATTORNEY GENERAL

FEB 14 2008

APPROVED BY

*mf*

DEPT. OF ADMINISTRATION

JAN 24 2008

APPROVED BY FDLg (50 of 85)

cancelled the coupon. The cancelled coupons shall be exchanged with the main bank at the conclusion of the chip person's shift, at a minimum.

(D) A match play coupon shall be redeemed only at a gaming table that offers an authorized game in which patrons wager only against the house. The coupon shall be redeemed only by a dealer and only if accompanied by the proper amount of gaming chips required by the coupon. The dealer shall accept the coupon as part of the patron's wager and deposit the coupon into the drop box after the wager is won or lost.

(9) Documentation on unused coupons, voided coupons, and redeemed coupons maintained shall be forwarded on a daily basis to the accounting department, which shall perform the following regarding the coupons:

(A) Review for the propriety of signatures on documentation and for proper cancellation of coupons;

(B) examine for proper calculation, summarization, and recording on documentation, including the master game report;

(C) reconcile by the total number of coupons given to representatives of the department making distribution to patrons, returned for reissuance, distributed to patrons, voided, and redeemed;

(D) record; and

(E) maintain and control until destruction of the coupons is approved by the commission. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

FEB 14 2008

APPROVED BY

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DEPT. OF ADMINISTRATION

FEB 11 2008

APPROVED BY FDL

**112-107-20. EGM computer systems.** (a) All components of a facility manager's production EGM computer system shall be located within the gaming facility. As used in this regulation, "production EGM computer system" shall mean the facility manager's primary EGM computer system comprised of a collection of hardware and software used to process or monitor EGM activity in real time. A production EGM computer system shall include any segregated testing component.

(b) With the written approval of the executive director, a facility manager's back-up EGM computer system, or any part of it, may be located in a secure and remote computer that is under the custody and control of an affiliate, intermediary, subsidiary, or holding company approved by the commission, referred to as a "host entity." A backup EGM computer system may consist of either of the following:

(1) A mirrored backup system that duplicates the production system by recording all slot-related operations on a real-time basis and is designed to become the production system whenever needed; or

(2) a periodic backup system that consists of regularly scheduled recording of selected data, which may include a complete image of the production system or any portion of the system.

(c) At a minimum, each facility manager requesting authorization to allow a backup EGM computer system to reside outside the gaming facility shall certify that both of the following conditions are met:

**ATTORNEY GENERAL**

**SEP 10 2008**

**APPROVED  
MF**

**DEPT. OF ADMINISTRATION**

**SEP 05 2008**

**APPROVED**

(1) Communications between the remote computer and the facility manager's EGM computer system occur using a dedicated and secure communication medium, which may include a leased line.

(2) The remote computer automatically performs the following functions:

(A) Generates daily monitoring logs and real-time alert messages to inform the facility manager and host entity of any system performance problems and hardware problems;

(B) generates daily monitoring logs and real-time alert messages to inform the facility manager of any software errors;

(C) generates daily monitoring logs to inform the facility manager of any unsuccessful attempts by a device, person, or process to obtain computer access;

(D) authenticates the identity of every device, person, and process from which communications are received before granting computer access to the device, person, or process;

(E) ensures that data sent through a transmission is completely and accurately received; and

(F) detects the presence of corrupt or lost data and, as necessary, rejects the transmission.

(d) Unless a remote computer is used exclusively to maintain the EGM computer system of the facility manager, the system shall be partitioned in a manner approved by the executive director and shall include the following:

**ATTORNEY GENERAL**

**DEPT. OF ADMINISTRATION**

**SEP 10 2008**

**SEP 05 2008**

**APPROVED  
MF**

**APPROVED**

(1) A partition manager that meets the following requirements:

(A) The partition manager shall be comprised of hardware or software, or both, and perform all partition management tasks for a remote computer, including creating the partitions and allocating system resources to each partition;

(B) the facility manager and host entity shall jointly designate and identify the security officer who will be responsible for administering the partition manager and maintaining access codes to the partition manager. The security officer shall be an employee of the facility manager or host entity and shall be licensed as a level I employee;

(C) special rights and privileges in the partition manager, including the administrator, shall be restricted to the management information systems director or security officer of the facility manager or host entity, who shall be licensed as level I employees;

(D) access to the partition manager shall be limited to employees of the management information systems departments of the facility manager and host entity; and

(E) software-based partition managers contained in a remote computer shall be functionally limited to performing partition management tasks for the remote computer, while partition managers using hardware and software that are not part of a remote computer may be utilized to perform other functions for a remote computer that are approved by the executive director;

**ATTORNEY GENERAL** **DEPT. OF ADMINISTRATION**

**SEP 10 2008**  
**APPROVED**  
**MF**

**SEP 05 2008**  
**APPROVED**

(2) a separate partition established for the facility manager's EGM computer system that meets the following requirements:

(A) The partition shall be limited to maintaining the software and data of the facility manager for which the partition has been established;

(B) the security officer of the facility manager for which the partition has been established shall be licensed as a level I employee and shall be responsible for maintenance of access codes to the partition; and

(C) special rights and privileges in the partition, including the administrator, shall be restricted to the security officer and the management information systems director of the facility manager for which the partition has been established; and

(3) separate and distinct operating system software, application software, and computer access controls for the partition manager and each separate partition.

(e) Any facility manager may be permitted by the executive director to establish a partition within a computer that contains its EGM computer system for its affiliate, intermediary, subsidiary, or holding company if all of the following requirements are met:

(1) A partition manager comprised of hardware or software, or both, shall be utilized to perform all partition management tasks, including creating the partitions and allocating system resources to each partition.

(2) A security officer shall be designated within the management information systems department of the facility manager to be responsible for administering the

**ATTORNEY GENERAL**

**DEPT. OF ADMINISTRATION**

**SEP 10 2008**

**SEP 05 2008**

**APPROVED  
M F**

**APPROVED**

partition manager and maintaining access codes to the partition manager. Special rights and privileges in the partition manager, including the administrator, shall be restricted to the security officer and the management information systems director of the facility manager.

(3) Special rights and privileges in any partition that has been established for the benefit of an affiliate, intermediary, subsidiary, or holding company shall be restricted to the security officer and information technology director of the affiliate, intermediary, subsidiary, or holding company.

(f) Any facility manager may be permitted by the executive director to maintain backup or duplicate copies of the software and data of its EGM computer system, or any portion of the software and data, in removable storage media devices, including magnetic tapes or disks, in a secure location within a gaming facility or other secure location outside the gaming facility as approved by the executive director for the purposes of disaster recovery.

(g) Notwithstanding the provisions of subsection (a), upon the declaration of a disaster affecting the EGM computer system by the chief executive officer of the facility manager and with the prior written approval of the executive director, a facility manager may maintain the software and data of its EGM computer system, or any portion of the software and data, in a computer located in a secure location outside the gaming facility.

(h) Any facility manager may locate software or data not related to an EGM computer system, including software or data related to the sale of food and beverages, in

**ATTORNEY GENERAL**

**DEPT. OF ADMINISTRATION**

**SEP 10 2008**

**APPROVED  
MF**

**SEP 05 2008**

**APPROVED**

a computer located outside the gaming facility. With the written approval of the executive director, a facility manager may connect the computer to an EGM computer system if all of the following conditions are met:

(1) Logical access to computer software and data of the EGM computer system is appropriately limited.

(2) Communications with all portions of the EGM computer system occur using a dedicated and secure communications medium, which may consist of a leased line.

(3) The facility manager complies with other connection-specific requirements of the commission. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**SEP 10 2008**  
**APPROVED**  
**MF**

**DEPT. OF ADMINISTRATION**

**SEP 05 2008**

**APPROVED**

**112-107-21. Progressive EGMs.** (a) Each progressive EGM shall meet the requirements of article 110.

(b) Each facility manager seeking to utilize a linked EGM shall submit the location and manner of installing any progressive meter display mechanism to the executive director for approval.

(c) An EGM that offers a progressive jackpot shall not be placed on the gaming floor until the executive director has approved the following:

(1) The initial and reset amounts at which the progressive meter or meters will be set;

(2) the proposed system for controlling the keys and applicable logical access controls to the EGMs;

(3) the proposed rate of progression for each progressive jackpot;

(4) the proposed limit for the progressive jackpot, if any; and

(5) the calculated probability of winning each progressive jackpot. The probability shall not exceed 50 million to one.

(d) Progressive meters shall not be turned back to a lesser amount unless one of the following occurs:

(1) The amount indicated has been actually paid to a winning patron.

(2) The progressive jackpot amount won by the patron has been recorded in accordance with a system of internal controls approved under K.A.R. 112-104-1.

**ATTORNEY GENERAL** **DEPT. OF ADMINISTRATION**

**SEP 10 2008**

**APPROVED**  
**MF**

**SEP 05 2008**

**APPROVED**

(3) The progressive jackpot has, upon executive director approval, been transferred to another progressive EGM or wide-area progressive system in accordance with this article.

(4) The change is necessitated by an EGM or meter malfunction. For progressive jackpots governed by subsection (a), an explanation for the malfunction shall be entered on the progressive electronic gaming summary required by this article, and the commission shall be notified of the resetting in writing.

(e) Once an amount appears on a progressive meter, the probability of hitting the combination that will award the progressive jackpot shall not be decreased unless the progressive jackpot has been won by a patron or the progressive jackpot has been transferred to another progressive EGM or wide-area progressive system or removed in accordance with subsection (g).

(f) If an EGM has a progressive meter with digital limitations on the meter, the facility manager shall set a limit on the progressive jackpot, which shall not exceed the display capability of the progressive meter.

(g) Any facility manager may limit, transfer, or terminate a progressive jackpot offered on a gaming floor only under any of the following:

(1) A facility manager may establish a payout limit for a progressive jackpot if the payout limit is greater than the payout amount that is displayed to the patron on the progressive jackpot meter. The facility manager shall provide notice to the commission

**ATTORNEY GENERAL**

**DEPT. OF ADMINISTRATION**

**SEP 10 2008**

**SEP 05 2008**

**APPROVED  
MF**

**APPROVED**

of the imposition or modification of a payout limit on a progressive meter concurrent with the setting of the payout limit.

(2) A facility manager may terminate a progressive jackpot concurrent with the winning of the progressive jackpot if its EGM program or progressive controller was configured before the winning of the progressive jackpot to establish a fixed reset amount with no progressive increment.

(3) A facility manager may permanently remove one or more linked EGMs from a gaming floor if both of the following conditions are met:

(A) If the EGM is part of a wide-area progressive system offered at multiple facilities, the facility manager retains at least one linked EGM offering the same progressive jackpot on its gaming floor.

(B) If the progressive jackpot is only offered in a single gaming facility, at least two linked EGMs offering the same progressive jackpot remain on the gaming floor.

(4) Any facility manager may transfer a progressive jackpot amount on a stand-alone EGM or the common progressive jackpot on an entire link of EGMs with a common progressive meter, including a wide-area progressive system, from a gaming floor. The facility manager shall give notice of its intent to transfer the progressive jackpot to the commission at least 30 days before the anticipated transfer and shall conspicuously display the facility manager's intent to transfer the progressive jackpot on the front of each EGM for at least 30 days. To be eligible for transfer, the progressive jackpot shall meet the following conditions:

**ATTORNEY GENERAL**

**DEPT. OF ADMINISTRATION**

**SEP 10 2008**

**SEP 05 2008**

**APPROVED  
MF**

**APPROVED** E.4.g (60 of 85)

(A) Be transferred in its entirety; and

(B) be transferred to one of the following:

(i) The progressive meter for an EGM or wide-area progressive system with the same or greater probability of winning the progressive jackpot, the same or lower wager requirement to be eligible to win the progressive jackpot, and the same type of progressive jackpot. However, if no other EGM or wide-area progressive system meets all of these qualifications, a transfer of the jackpot to the progressive meter of the most similar EGM or wide-area progressive system available may be authorized by the executive director; or

(ii) the progressive meters of two separate EGMs or wide-area progressive systems if each EGM or wide-area progressive system to which the jackpot is transferred individually satisfies the requirements of paragraph (g)(4)(B)(i).

(5) Any facility manager may immediately and permanently remove a progressive jackpot on a stand-alone progressive EGM, the common progressive jackpot on an entire link of EGMs with a common progressive meter, or an entire wide-area progressive system from a gaming floor if notice of intent to remove the progressive jackpot meets the following requirements:

(A) Is conspicuously displayed on the front of each EGM for at least 30 days; and

(B) is provided in writing to the commission at least 30 days before to the removal of the progressive jackpot.

**ATTORNEY GENERAL**

**DEPT. OF ADMINISTRATION**

**SEP 10 2008**

**SEP 05 2008**

**APPROVED  
MF**

**APPROVED**

(h) The amount indicated on the progressive meter or meters and coin-in meter on each EGM governed by subsection (a) shall be recorded by the facility manager's accounting department or EGM department on a progressive electronic gaming summary report at least once every seven calendar days. Each report shall be signed by the preparer. If not prepared by the accounting department, the progressive electronic gaming summary report shall be forwarded to the accounting department by the end of the gaming day on which it is prepared. An employee of the accounting department shall be responsible for calculating the correct amount that should appear on a progressive meter. If an adjustment to the progressive meters is necessary, the adjustment shall be made by a member of the EGM department as follows:

(1) Supporting documentation shall be maintained to explain any addition or reduction in the registered amount on the progressive meter. The documentation shall include the date, the asset number of the EGM, the amount of the adjustment, and the signatures of the accounting department member requesting the adjustment and the EGM department member making the adjustment; and

(2) the adjustment shall be effectuated within 48 hours of the meter reading.

(i) Except as otherwise authorized by this regulation, each EGM offering a progressive jackpot that is removed from the gaming floor shall be returned to or replaced on the gaming floor within five gaming days. The amount on the progressive meter or meters on the returned or replacement EGM shall not be less than the amount on the progressive meter or meters at the time of removal. If an EGM offering a progressive

**ATTORNEY GENERAL**

SEP 10 2008  
APPROVED  
MF

**DEPT. OF ADMINISTRATION**

SEP 09 2008

**APPROVED**  
E.4.g (62 of 85)

jackpot is not returned or replaced, any progressive meter amount at the time of removal shall, within five days of the EGM's removal, be added to an EGM offering a progressive jackpot approved by the executive director. The EGM shall offer the same or greater probability of winning the progressive jackpot and shall require the same or lower denomination of currency to play that was in use on the EGM that was removed. This subsection shall not apply to the temporary removal by a facility manager, for a period not to exceed 30 days, of all linked EGMs that are part of a particular wide-area progressive system if the progressive jackpot offered by the temporarily removed EGMs remains available on EGMs that are part of the same wide-area progressive system in another gaming facility.

(j) If an EGM is located adjacent to an EGM offering a progressive jackpot, the facility manager shall conspicuously display on the EGM a notice advising patrons that the EGM is not participating in the progressive jackpot of the adjacent EGM.

(Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 2007 Supp. 74-8750 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**SEP 10 2008**  
**APPROVED**  
**MF**

**DEPT. OF ADMINISTRATION**

**SEP 05 2008**  
**APPROVED**

**112-107-22. Wide-area progressive systems.** (a) Two or more facility managers may operate linked progressive EGMs that are interconnected between two or more participating gaming facilities, with the prior written approval of the commission and the Kansas lottery as required under subsection (c). The EGMs participating in the link shall be collectively referred to as a wide-area progressive system.

(b) Each wide-area progressive system shall at all times be installed and operated in accordance with relevant requirements of the act, this article, and article 110.

(c) Each wide-area progressive system shall be operated and administered by participating facility managers in accordance with the terms and conditions of a written agreement executed by the participating facility managers. The agreement shall be referred to as an electronic gaming system agreement. Each electronic gaming system agreement shall be submitted in writing and approved by the commission and the Kansas lottery before implementation and shall meet the requirements of the act, this article, and article 110.

(d) Any facility manager participating in an electronic gaming system agreement may delegate, in whole or in part, the management and administration of a wide-area progressive system to a gaming supplier if the electronic gaming system agreement is executed by the gaming supplier and the terms of the agreement are approved by the commission and the Kansas lottery. The persons designated in an electronic gaming system agreement as being responsible for the management and administration of a wide-area progressive system shall be referred to as the wide-area progressive system operator.

**ATTORNEY GENERAL**

**DEPT. OF ADMINISTRATION**

**SEP 10 2008**

**APPROVED  
MF**

**SEP 05 2008**

**APPROVED**

(e) An agreement between a gaming supplier and a facility manager under which a gaming supplier sells, leases, or services a wide-area progressive system shall not constitute an electronic gaming service agreement, unless the agreement also covers the management and administration of the wide-area progressive system.

(f) Each electronic gaming system agreement providing for the management and administration of a wide-area progressive system shall identify and describe with specificity the duties, responsibilities, and authority of each participating facility manager and each electronic gaming system operator, including the following:

(1) Details with regard to the terms of compensation for the electronic gaming system operator. The agreement shall address to what extent, if any, the electronic gaming system operator is receiving compensation based, directly or indirectly, on an interest, percentage, or share of a facility manager's revenue, profits, or earnings from the management of the wide-area progressive system;

(2) responsibility for the funding and payment of all jackpots and fees associated with the management of the wide-area progressive system;

(3) control and operation of the computer monitoring room required under subsection (l);

(4) a description of the process by which significant decisions with regard to the management of the wide-area progressive system are approved and implemented by the participating facility managers and electronic gaming system operator;

**ATTORNEY GENERAL DEPT. OF ADMINISTRATION**

**SEP 10 2008**

**APPROVED  
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**SEP 05 2008**

**APPROVED**

(5) when applicable, terms satisfactory to the commission with regard to apportionment of responsibility for establishing and servicing any trust agreement associated with any annuity jackpot offered by the wide-area progressive system;

(6) responsibility for generating, filing, and maintaining the records and reports required under the act, this part, and article 110; and

(7) any other relevant requirements of the commission, including those required to comply with the technical standards on wide-area progressive systems adopted by the commission under article 110.

(g) An electronic gaming system agreement submitted to the commission for approval shall be accompanied by a proposed system of internal controls addressing the following:

(1) Transactions directly or indirectly relating to the payment of progressive jackpots, including the establishment, adjustment, transfer, or removal of a progressive jackpot amount and the payment of any associated fees; and

(2) the name, employer, position, and gaming license status of any person involved in the operation and control of the wide-area progressive system.

(h) The information identified in paragraph (g)(2) shall be reviewed by the executive director to determine, based on an analysis of specific duties and responsibilities, which persons shall be licensed. The electronic gaming system manager shall be advised of the executive director's findings. Each participating facility manager

**ATTORNEY GENERAL**

SEP 10 2008

**APPROVED**  
MF

**DEPT. OF ADMINISTRATION**

SEP 05 2008

**APPROVED** E.4.g (66 of 85)

and any participating gaming supplier shall comply with the commission's licensing instructions.

(i) An electronic gaming system manager shall not commence operation and administration of a wide-area progressive system pursuant to the terms of an electronic gaming system agreement until the agreement and the internal controls required under subsection (g) have been approved in writing by the commission and any licensing requirements under subsection (h) have been met.

(j) If an electronic gaming system agreement involves payment to a gaming supplier functioning as a electronic gaming system operator, of an interest, percentage, or share of a facility manager's revenue, profits, or earnings from the operation of a wide-area progressive system, the electronic gaming system agreement may be approved by the commission only if it determines that the total amounts paid to the gaming supplier under the terms of the agreement are commercially reasonable for the managerial and administrative services provided. Nothing in this regulation shall limit the commission's consideration of the electronic gaming system agreement to its revenue-sharing provisions.

(k) Each wide-area progressive system shall be controlled from a computer monitoring room. The computer monitoring room shall meet the following requirements:

(1) Be under the sole possession and control of employees of the wide-area progressive system manager designated in the electronic gaming system agreement for that system. The employees of the wide-area progressive system manager may be

**ATTORNEY GENERAL**

**DEPT. OF ADMINISTRATION**

**SEP 10 2008**

**SEP 05 2008**

**APPROVED  
MF**

**APPROVED**

required to obtain a license or permit if the executive director determines, after a review of the work being performed, that the employees require a license or permit for the protection of the integrity of gaming;

(2) have its monitoring equipment subjected to surveillance coverage either by the surveillance system of a facility manager participating in the electronic gaming system agreement or by a dedicated surveillance system maintained by the wide-area progressive system manager. The surveillance plan shall be approved by the executive director;

(3) be accessible only through a locked door. The door shall be alarmed in a manner that audibly signals the surveillance monitoring room for the surveillance system elected under paragraph (1)(2); and

(4) have a computer monitoring room entry log. The log shall meet the following requirements:

(A) Be kept in the computer monitoring room;

(B) be maintained in a book with bound, numbered pages that cannot be readily removed; and

(C) be signed by each person entering the computer monitoring room who is not an employee of the wide-area progressive system manager employed in the computer monitoring room on that person's assigned shift. Each entry shall contain the following information:

(i) The date and time of entering and exiting the room;

**ATTORNEY GENERAL**

**SEP 10 2008**

**APPROVED  
MF**

**DEPT. OF ADMINISTRATION**

**SEP 05 2008**

**APPROVED**

(ii) the name, department, or license number of the person entering and exiting the room and of the person authorizing the entry; and

(iii) the reason for entering the computer monitoring room.

(l) In evaluating a proposed location for a computer monitoring room, the following factors may be considered by the executive director:

(1) The level of physical and system security offered by the proposed location; and

(2) the accessibility of the location to the commission's audit, law enforcement, and technical staff. (Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 2007 Supp. 74-8750 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**DEPT. OF ADMINISTRATION**

**SEP 10 2008**

**SEP 05 2008**

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**112-107-23. Electronic gaming monitoring systems.** (a) Any gaming licensee may utilize an electronic gaming monitoring system that has an interface between it, EGMs, and related systems if the electronic gaming monitoring system has been tested and approved by the commission under K.A.R. 112-107-3.

(b) Each electronic gaming monitoring system shall meet the requirements of the act, this article, and article 110. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

FEB 14 2008

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DEPT. OF ADMINISTRATION

FEB 11 2008

APPROVED BY FDL  
E.4.g (70 of 85)

**112-107-24. Casino management systems.** (a) Any gaming licensee may utilize a casino management system that has an interface between it, EGMs, and related systems if the casino management system has been tested and approved by the commission under K.A.R. 112-107-3.

(b) Each casino management system shall meet the requirements of the act, this article, and article 110. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

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FEB 14 2008

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DEPT. OF ADMINISTRATION

FEB 11 2008

APPROVED BY FDL

E.4.g (71 of 85)

**112-107-25. Player tracking systems.** (a) Any gaming licensee may utilize a player tracking system that has an interface between it, EGMs, and related systems if the player tracking system has been tested and approved by the commission under K.A.R. 112-107-3.

(b) Each player tracking system shall meet the requirements of the act, this article, and article 110. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

FEB 14 2008

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DEPT. OF ADMINISTRATION

FEB 11 2008

APPROVED BY FDL

E.4.g (72 of 85)

**112-107-26. External bonusing systems.** (a) Any gaming licensee may utilize an external bonusing system that has been tested and approved by the commission under K.A.R. 112-107-3.

(b) The combination of the EGM theoretical payout percentage plus the bonus awards generated by an external bonusing system shall not equal or exceed 100% of the theoretical payout for an EGM on which the external bonus award is available.

(c) Each EGM shall meet the minimum theoretical payout percentage required under this article without the contribution of any external bonus award available on the EGM.

(d) Each external bonusing system shall meet the requirements of the act, this article, and article 110. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

FEB 14 2008

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DEPT. OF ADMINISTRATION

FEB 11 2008

APPROVED BY FDL

E.4.g (73 of 85)

**112-107-27. Cashless funds transfer systems.** (a) Any facility manager may utilize a cashless funds transfer system that has been tested and approved by the commission under K.A.R. 112-107-3.

(b) Each cashless funds transfer system shall meet the requirements of the act, this article, and article 110.

(c) Before utilizing a cashless funds transfer system, each facility manager shall establish a system of internal controls for the cashless funds transfer system. The internal controls shall be submitted to and approved by the commission under K.A.R. 112-104-1. The internal control procedures submitted by the facility manager shall address the integrity, security, and control of the facility manager's cashless funds transfer system shall include the following:

- (1) An overview of the system design;
- (2) system access controls and restrictions;
- (3) override policies and restrictions;
- (4) backup and recovery procedures;
- (5) logical and physical access controls and restrictions;
- (6) network security; and
- (7) procedures for handling customer disputes.

(d) The transfer of electronic credits to an EGM under this regulation shall be initiated only by a patron using an access control. Access controls shall require the use of

**ATTORNEY GENERAL**

**SEP 10 2008**  
**APPROVED**  
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**DEPT. OF ADMINISTRATION**

**SEP 09 2008**

**APPROVED**

a unique access code for each patron. The access code shall be selected by and available to only the patron.

(e) Each facility manager shall maintain a record of every transfer of electronic credits to an EGM under this regulation. Each transfer shall be identified by, at a minimum, the date, the time, and the asset number of the EGM to which the transfer occurred and an identification number assigned to the patron who initiated the transaction. The identification number assigned to a patron for the purposes of this regulation shall be different from the unique access code selected by the patron as part of an access control.

(f) On at least a monthly basis, each facility manager using a cashless funds transfer system shall provide a statement to each patron who has participated in the system that month. The statement shall include, at a minimum, the patron's beginning monthly balance, credits earned, credits transferred to an EGM pursuant to this regulation, and the patron's monthly ending balance. With the written authorization of the patron, the mailing of a monthly statement may be issued electronically to the patron. However, a monthly statement shall not be required for transfers of temporary electronic credits or transfers of electronic credits from a temporary anonymous account.

(g) Each facility manager shall provide notice to the commission in writing of any adjustment to the amount of a credit transferred to an EGM by means of a cashless funds transfer system. The notice shall be submitted on or before the date of the

**ATTORNEY GENERAL**

**SEP 10 2008**  
**APPROVED**  
**MF**

**DEPT. OF ADMINISTRATION**

**SEP 09 2008**  
**APPROVED**

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ATTORNEY GENERAL

FEB 14 2008

APPROVED BY



DEPT. OF ADMINISTRATION

FEB 11 2008

APPROVED BY FDL

**112-107-28. Server-supported electronic gaming systems.** (a) Any gaming licensee may utilize a server-supported electronic gaming system if that system has been tested and approved by the commission under K.A.R. 112-107-3.

(b) Each server-supported electronic gaming system shall meet the requirements of the act, this article, and article 110.

(c) Before utilizing a server-supported electronic gaming system, each gaming licensee shall establish a system of internal controls for the server-supported electronic gaming system. The internal controls shall be submitted to and approved by the commission under K.A.R. 112-104-1. The internal controls submitted by the gaming licensee shall address the integrity, security, and control of the server-supported electronic gaming system. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

FEB 14 2008

APPROVED BY



DEPT. OF ADMINISTRATION

FEB 11 2008

APPROVED BY  (77 of 85)

**112-107-29. Server-based electronic gaming systems.** (a) Any gaming licensee may utilize a server-based electronic gaming system if that system has been tested and approved by the commission under K.A.R. 112-107-3.

(b) Each server-based electronic gaming system shall meet the requirements of the act, this article, and article 110.

(c) Before utilizing a server-based electronic gaming system, each gaming licensee shall establish a system of internal controls for the server-based electronic gaming system. The internal controls shall be submitted to and approved by the commission under K.A.R. 112-104-1. The internal controls submitted by the gaming licensee shall address the integrity, security, and control of its server-based electronic gaming system. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

FEB 14 2008

APPROVED BY



DEPT. OF ADMINISTRATION

FEB 11 2008

APPROVED BY FDL (8 of 85)

**112-107-30. EGMs and associated equipment utilizing alterable storage media.** The use of alterable storage media in an EGM or associated equipment shall meet the requirements of the act, this article, and the technical standards on alterable storage media adopted by the commission under article 110. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

FEB 14 2008

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DEPT. OF ADMINISTRATION

FEB 11 2008

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**112-107-31. Remote system access.** (a) In emergency situations or as an element of technical support, an employee of a gaming supplier may perform analysis of, or render technical support with regard to, a facility manager's electronic gaming monitoring system, casino management system, player tracking system, external bonusing system, cashless funds transfer system, wide-area progressive system, gaming ticket system, or other approved system from a remote location. All remote access to these systems shall be performed in accordance with the following procedures:

(1) Only an employee of a gaming supplier who separately holds an occupation license under article 103 may remotely access a system sold, leased, or otherwise distributed by that gaming supplier for use at a gaming facility.

(2) The gaming supplier shall establish a unique system account for each employee of a gaming supplier identified by that supplier as potentially required to perform technical support from a remote location. All system access afforded pursuant to this regulation shall meet the following requirements:

(A) Be restricted in a manner that requires the facility manager's management information systems department to receive prior notice from the gaming supplier of its intent to remotely access a designated system;

(B) require the facility manager to take affirmative steps, for each instance of access, to activate the gaming supplier's access privileges; and

**ATTORNEY GENERAL**

**SEP 10 2008**

**APPROVED  
MF**

**DEPT. OF ADMINISTRATION**

**SEP 09 2008**

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(C) be designed to appropriately limit the ability of any person authorized under this regulation to deliberately or inadvertently interfere with the normal operation of the system or its data.

(3) A separate log shall be maintained by both the gaming supplier and the facility manager's management information systems department. Each log shall contain, at a minimum, the following information:

- (A) The system accessed, including manufacturer, and version number;
- (B) the type of connection;
- (C) the name and license number of the employee remotely accessing the system;
- (D) the name and license number of the employee in the management information systems department activating the gaming supplier's access to the system;
- (E) the date, time, and duration of the connection;
- (F) the reason for the remote access, including a description of the symptoms or malfunction prompting the need for remote access to the system; and
- (G) any action taken or further action required.

(4) All communications between the gaming supplier and any of the systems identified in subsection (a) shall occur using a dedicated and secure communication facility which may consist of a leased line approved in writing by the executive director.

(b) Each modification of, or remedial action taken with respect to, an approved system shall be processed and approved by the commission either in accordance with the

**ATTORNEY GENERAL**

**SEP 10 2008**

**APPROVED  
MF**

**DEPT. OF ADMINISTRATION**

**SEP 09 2008**

**APPROVED**

emergency modification provisions of K.A.R. 112-107-3(l) or as a standard modification submitted under K.A.R. 112-107-3(h).

(c) If an employee of a gaming supplier is no longer employed by, or authorized by, that manufacturer to remotely access a system pursuant to this regulation, the gaming supplier shall notify, by the end of that business day, the commission and each facility manager that has established a unique system account for that employee of the change in authorization and shall verify with each facility manager that any access privileges previously granted have been revoked.

(d) All remote system access shall be performed in accordance with article 110.

(e) Each facility manager authorizing access to a system by a gaming supplier under this regulation shall be responsible for implementing a system of access protocols and other controls over the physical integrity of that system and the remote access process sufficient to ensure appropriately limited access to software and the systemwide reliability of data. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**SEP 10 2008**  
**APPROVED**  
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**DEPT. OF ADMINISTRATION**

**SEP 09 2008**

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**112-107-32. EGM destruction procedures.** (a) Each gaming licensee shall establish a comprehensive system of internal controls for the EGM destruction procedures required by this regulation. The internal controls shall be submitted to and approved by the commission under K.A.R. 112-104-1.

(b) The gaming licensee shall submit a request in writing with an attached approval letter from the Kansas lottery commission requesting the destruction of an EGM. The notice shall contain the asset number of each EGM that is requested to be destroyed and shall be submitted at least 14 days in advance of the requested destruction date.

(c) When destroying an EGM, the critical program storage media (CPSM) and component parts shall be removed from the EGM before destruction of the cabinet. For the purposes of this regulation, a component part shall mean any part as defined by K.S.A. 21-4302(d)(1)(C), and amendments thereto, and shall include any equipment necessary for any of the following operations by the EGM:

- (1) The acceptance of currency, tickets, coupons, or tokens;
- (2) the discharge of currency, tickets, coupons, or tokens;
- (3) the determination or display of the outcome of the game;
- (4) recordkeeping; and
- (5) security.

ATTORNEY GENERAL

FEB 14 2008

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DEPT. OF ADMINISTRATION

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APPROVED BY FDL

E.4.g (83 of 85)

(d) The CPSM and component parts may be destroyed or placed into the controlled inventory of the EGM department. All destroyed CPSM and component parts shall be destroyed separately from the EGM cabinets.

(e) The destruction of any EGMs, CPSM, and component parts shall be witnessed by an agent of the commission. (Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 2007 Supp. 74-8750 and 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

FEB 14 2008

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DEPT. OF ADMINISTRATION

FEB 11 2008

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**112-107-34. Waivers.** (a) The requirements in this article or article 110 for an EGM may be waived by the commission upon the commission's determination that the EGM, associated equipment, or modification as submitted by the gaming licensee meets the operational integrity requirements of the act, this article, and article 110.

(b) Any gaming supplier may submit a written request to the commission for a waiver for one or more of the requirements in this article or article 110. The request shall include supporting documentation demonstrating how the EGM, associated equipment, or modification for which the waiver has been requested meets the operational integrity requirements of the act, this article, and article 110. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

FEB 14 2008

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DEPT. OF ADMINISTRATION

FEB 11 2008

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**112-110-1. Adoptions by reference.** The following texts by gaming laboratories international (GLI) are hereby adopted by reference:

(a) "GLI-11: gaming devices in casinos," version 2.0, dated April 20, 2007, except the following:

(1) Each reference to a "75% payout percentage," which shall be replaced with "an average of not less than 87% of the amount wagered over the life of the machine";

(2) section 1.1;

(3) section 1.2;

(4) section 1.4; and

(5) the section titled "revision history";

(b) "GLI-12: progressive gaming devices in casinos," version 2.0, dated April 20, 2007, except the following:

(1) Section 1.1;

(2) section 1.2;

(3) section 1.4; and

(4) the section titled "revision history";

(c) "GLI-13: on-line monitoring and control systems (MCS) and validation systems in casinos," version 2.0, dated April 20, 2007, except the following:

(1) Section 1.3;

(2) section 1.5;

(3) the "note" in section 3.4.3; and

ATTORNEY GENERAL

APR 11 2008

APPROVED BY



DEPT. OF ADMINISTRATION

APR 01 2008

APPROVED BY FDL

E.4.h (1 of 37)

(4) the section titled "revision history";

(d) "GLI-15: electronic bingo and keno systems," version 1.2, dated April 12,

2002, except the following:

(1) Section 1.3;

(2) section 1.5; and

(3) the section titled "revision history";

(e) "GLI-16: cashless systems in casinos," version 2.0, dated April 20, 2007,

except the following:

(1) Section 1.2;

(2) section 1.4; and

(3) the section titled "revision history";

(f) "GLI-17: bonusing systems in casinos," version 1.2, dated February 27, 2002,

except the following:

(1) Section 1.2;

(2) section 1.4; and

(3) the section titled "revision history";

(g) "GLI-18: promotional systems in casinos," version 2.0, dated April 20, 2007,

except the following:

(1) Section 1.2;

(2) section 1.4; and

(3) the section titled "revision history";

ATTORNEY GENERAL

APR 11 2008

APPROVED BY



DEPT. OF ADMINISTRATION

APR 01 2008

APPROVED BY FDL

E.4.h (2 of 37)

(h) "GLI-20: kiosks," version 1.4, dated July 1, 2006, except the following:

(1) Section 1.3; and

(2) the section titled "revision history";

(i) "GLI-21: client-server systems," version 2.1, dated May 18, 2007, except the

following:

(1) Section 1.1;

(2) section 1.2;

(3) section 1.4;

(4) each reference to a "75% payout percentage," which shall be replaced with "an average of not less than 87% of the amount wagered over the life of the machine";

and

(5) the section titled "revision history";

(j) "GLI-24: electronic table game systems," version 1.2, dated September 6,

2006, except the following:

(1) Section 1.1;

(2) section 1.3;

(3) each reference to "75% payout percentage," which shall be replaced with "an average of not less than 87% of the amount wagered over the life of the machine"; and

(4) the section titled "revision history";

(k) "GLI-25: dealer controlled electronic table games," version 1.1, dated

September 8, 2006, except the following:

ATTORNEY GENERAL

APR 11 2008

APPROVED BY  
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DEPT. OF ADMINISTRATION

APR 01 2008

APPROVED BY ADL (3 of 37)

- (1) Section 1.1;
- (2) section 1.3; and
- (3) the section titled "revision history"; and
- (1) "GLI-26: wireless gaming system standards," version 1.1, dated January 18,

2007, except the following:

- (1) Section 1.1;
- (2) section 1.2;
- (3) section 1.4; and
- (4) the section titled "revision history". (Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 74-8750 and 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

APR 11 2008

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DEPT. OF ADMINISTRATION

APR 01 2008

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**112-110-2. Central computer system accounting.** (a) Each central computer system (CCS) provided to the commission shall include an accounting and auditing mechanism.

(b) Each CCS shall be capable of supporting a network of 15,000 EGMs and the location controllers and validation stations needed to support the EGMs.

(c) Each CCS shall meet all of the following requirements:

(1) The CCS computers shall obtain all meter reading data in real time, which shall be no longer than two and one-half minutes after any meter acquisition request.

(2) The CCS shall keep accurate records, maintaining a total of at least 14 digits, including cents, in length for each type of datum required and of all income generated by each electronic gaming machine (EGM).

(3) The CCS shall be capable of monitoring the operation of each game and EGM.

(4) The CCS shall be capable of creating reports from the following information by EGM and by game, if applicable:

(A) The number of cents wagered;

(B) the number of cents won;

(C) the number of cents paid out by a printed ticket;

(D) the number of cents accepted from a printed ticket;

(E) the number of cents accepted from each coin, bill, ticket, or other instrument of value;

(F) the number of cents electronically transferred to the EGM;

ATTORNEY GENERAL

APR 11 2008

APPROVED BY

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DEPT. OF ADMINISTRATION

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(G) the number of cents electronically transferred from the EGM;

(H) the number of cents paid out by hand pay, which means the payment of credits that are not totally and automatically paid directly from an EGM, or canceled credit;

(I) the number of cents paid out by jackpot;

(J) the number of cumulative credits representing money inserted by a player;

(K) the number of cents on the credit meter;

(L) the number of games played;

(M) the number of games won;

(N) the number of times the logic area was accessed; and

(O) the number of times the cash door was accessed.

(d) The CCS shall be capable of generating the following reports:

(1) Gaming facility performance reports. The gaming facility performance report for the previous period shall be available to be printed on the first day of the next period. Each gaming facility performance report shall be available to be printed for all facilities and for specific facilities. The report shall include data from each EGM in play at the gaming facility. Each report shall contain the following information:

(A) EGM serial number;

(B) the number of cents played;

(C) the number of cents won;

(D) net terminal income, which is the amount played minus the amount won;

**ATTORNEY GENERAL**

**SEP 08 2008**

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**DEPT. OF ADMINISTRATION**

**SEP 02 2008**

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- (E) Kansas lottery's administrative expenses;
  - (F) gross profits;
  - (G) drop amount; and
  - (H) drop time frame;
- (2) a report that calculates the prize payout percentage of each EGM on the basis of cents won divided by cents played;
- (3) a report that calculates cents played less cents won, divided by the number of EGMs in play at a facility, during the period;
- (4) a report that compares cents played less cents won against total cents in less total cents out by EGMs. This report shall also include the value on the EGM's credit meter;
- (5) a daily report showing the total number of EGMs in play and cents played less cents won;
- (6) performance reports by brand of EGM, game name, game type, and facility number;
- (7) a report by EGM number;
- (8) a report of nonreporting EGMs by facility and by EGM supplier, summarizing the last polled date, EGM manufacturer and serial number, reason for error, and poll address;

**ATTORNEY GENERAL**

**SEP 08 2008**

**APPROVED  
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**DEPT. OF ADMINISTRATION**

**SEP 02 2008**

**APPROVED**

(9) a report of nonreporting intermediary servers that are communicating with the EGMs but not reporting data by facility and by EGM that summarizes the last polled date, EGM manufacturer and serial number, reason for error, and poll address;

(10) a financial summary report listing facility summaries by date, amount played, amount won, net revenue, number of EGMs, and average net revenue by EGM;

(11) a transaction report listing facility, by EGM supplier and by EGM, that summarizes the electronic game machine manufacturer and serial number, cents in, cents out, net revenue, amount played, amount won, progressive jackpot contribution, win frequency, payback percentage, net jackpot won, number of times each game was played, and number of times each play resulted in a win;

(12) a report containing a record of all security events by EGM or event type over a specific time range; and

(13) a financial report based upon a user-specified time frame, by EGM, that summarizes cents in, cents out, net revenue, cents played, cents won, progressive jackpot contribution, win frequency, payback percentage, net jackpot won, games played, and games won.

(e) Each report specified in this regulation shall be available on demand and, if applicable, cover a period determined by Kansas lottery or commission auditing staff. On-demand reporting shall be sortable by date, EGM, game, EGM manufacturer, location, and facility. The time period of each report may be daily, weekly, monthly, and yearly, and sufficient data shall be resident on the database to accommodate a facility

**ATTORNEY GENERAL**

**SEP 08 2008**  
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**DEPT. OF ADMINISTRATION**

**SEP 02 2008**

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manager's need to report on a basis specified by the Kansas lottery or commission auditing staff.

(f) Each EGM event and all configuration data, including configurable pay table information, if applicable, shall be retained for each individual EGM in a backed-up CCS system.

(g) All security event data shall be retained for each individual EGM as well as accumulated for each facility.

(h) All game play statistics, EGM event data, and configuration data, including configurable pay table information, if applicable, shall be retained for each EGM in a backed-up CCS system.

(i) All accounting and security event data shall be retained and shall be accessible for at least seven years.

(j) All accounting and security event data shall be retained for each individual EGM and accumulated for each facility.

(k) Each CCS provider shall provide an invoicing software package for facility licensees. That software package shall allow the Kansas lottery to create periodic statements that interface with an electronic funds transfer account. The CCS shall be able to perform the following functions:

(1) Provide a gross terminal income summary to facilitate daily electronic funds transfer (EFT) sweeps that shall, at a minimum, contain the daily number of EGMs reporting, the daily cash in divided by cash out and daily cash played divided by cash

**ATTORNEY GENERAL**

SEP 08 2008

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DEPT. OF ADMINISTRATION

SEP 02 2008

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won, daily gross EGM income, daily net balances, adjustments, progressive contributions, and jackpot reset values. The gross terminal income summary reports shall show the information by each EGM as well as by track and by total system, retailer, facility manager, and county;

(2) conduct downloading to tape, disk, or other standard data storage devices of the information necessary to facilitate the EFT daily sweep of each facility's net EGM income;

(3) create a balanced data file of general ledger journal entries to record all lottery activities and integrate into general ledger software on a daily basis and on a multiple day basis, as needed;

(4) provide payout analyses that indicate performance by EGM; and

(5) provide reports in a format as specified, by period to period, by the Kansas lottery. (Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 2007 Supp. 74-8749 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

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**DEPT. OF ADMINISTRATION**

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**E.4.h (10 of 37)**

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**112-110-3. Central computer system security.** (a) Each CCS's database shall contain EGM data for at least the prior 24 months. Older data shall also be available from archives for at least seven years. The CCS's vendor shall provide archived data within 24 hours of a request for the data from the Kansas lottery commission or the commission.

(b) Each CCS shall be capable of the following:

- (1) Receiving and retaining a record of events that affect security, including all door openings, stacker access, and signature failure;
- (2) receiving and retaining a record of events that affect the EGM state, including power on, power off, and various faults and hardware failures;
- (3) receiving and retaining a record of events that affect EGM integrity, including random access memory (RAM) corruption and RAM clear;
- (4) receiving and retaining a record of events that affect the status of communication between all components including the EGM, including loss of communication;
- (5) reporting of all events specified in this article;
- (6) receiving and retaining a record of any other events as specified in writing by the Kansas lottery commission or the commission; and
- (7) automatic reporting of faults that require a manual reactivation of the EGM.

These faults shall include the following:

- (A) Logic area cabinet access;
- (B) EGM RAM reset;

ATTORNEY GENERAL

APR 11 2008

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DEPT. OF ADMINISTRATION

APR 01 2008

APPROVED BY FDL

- (C) catastrophic software corruption;
- (D) unrecoverable hardware faults; and
- (E) a failed signature check.

(c)(1) A record of each of the events specified in subsection (b) shall be stored at the central point of the CCS on a hard drive in one or more files of an approved structure.

(2) The record of each stored event shall be marked by a date and time stamp.

(3) Each event shall be detected and recorded to the database and posted to a line printer or terminal monitor within 10 seconds of the occurrence.

(d) Each CCS shall meet the following security requirements:

(1) The ability to deny access to specific databases upon an access attempt, by employing passwords and other system security features. Levels of security and password assignment for all users shall be solely the function of the Kansas lottery;

(2) the ability to allow multiple security-access levels to control and restrict different classes of access to the system;

(3) password sign-on with two level codes comprising the personal identification code and a special password;

(4) system access accounts that are unique to the authorized personnel;

(5) the storage of passwords in an encrypted, nonreversible form;

(6) the requirement that each password be at least 10 characters in length and include at least one nonalphabetic character;

(7) password changes every 30 days;

**ATTORNEY GENERAL**

**SEP 08 2008**

**APPROVED  
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**DEPT. OF ADMINISTRATION**

**SEP 02 2008**

**APPROVED** E.4.h (12 of 37)

- (8) prevention of a password from being used if the password has been used as any of the previous 10 passwords;
- (9) the requirement that the CCS lock a user's access upon three failed attempted log-ins and send a security alert to a line printer or terminal monitor;
- (10) the requirement that connectivity to any gaming system from a remote, non-gaming terminal be approved by the Kansas lottery and the commission, in accordance with K.A.R. 112-107-31. Remote connections shall employ security mechanisms including modems with dial-back, modems with on-off keylocks, message encryption, logging of sessions, and firewall protection;
- (11) the ability to provide a list of all registered users on the CCS, including each user's privilege level;
- (12) the requirement that approved software and procedures for virus protection and detection, if appropriate, be used;
- (13) the requirement that only programs, data files, and operating system files approved by the Kansas lottery and the commission reside on hard drive or in the memory of the CCS computers;
- (14) the requirement that nonroutine access alerts and alarm events be logged and archived for future retrieval;
- (15) the requirement that software signatures be calculated on all devices at all facilities and the signatures be validated by devices on the CCS network. These devices

**ATTORNEY GENERAL**

**SEP 08 2008**  
**APPROVED**  
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**DEPT. OF ADMINISTRATION**

**SEP 02 2008**

**APPROVED**

shall include gaming equipment, location controllers, and cashier stations. These devices shall exclude non-gaming devices, including dumb terminals;

(16) audit trail functions that are designed to track system changes;

(17) time and date stamping of audit trail entries;

(18) capability of controlling data corruption that can be created by multiple log-ons;

(19) the requirement that the gaming software be maintained under an approved software change control system;

(20) the ability to send an alert to any terminal monitor and line printer for any security event that is generated at an EGM or in the system. The system shall allow the system administrator to determine which events should be posted. The events shall be filtered by location;

(21) equipment with a continuous power supply;

(22) the capability of on-line data redundancy if a hard disk peripheral fails during operation; and

(23) provision of a secure way through a graphic user interface for an auditor to make adjustments to the system. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

APR 11 2008

APPROVED BY



DEPT. OF ADMINISTRATION

APR 01 2008

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**112-110-4. Central computer system; configuration and control.** (a) Each CCS shall be able to begin or end gaming functions by a single command for any of the following:

(1) An EGM;

(2) a group of EGMs; or

(3) all EGMs.

(b) Automatic and manual shutdown capabilities shall be available from the CCS.

(c) The software configuration of each CCS gaming system shall be approved by the Kansas lottery and the commission.

(d) Each CCS shall maintain the following information for each EGM or connected device:

(1) Location;

(2) device description, including serial number and manufacturer;

(3) game name;

(4) game type;

(5) configuration, including denomination, software identification number, software version installed on all critical components, game titles available, and progressive jackpot status;

(6) history of upgrades, movements, and reconfigurations; and

(7) any other relevant information as deemed necessary by the Kansas lottery or the commission.

(e) Each CCS shall be able to individually and collectively enroll EGMs.

**ATTORNEY GENERAL**

**SEP 08 2008**

**APPROVED  
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**DEPT. OF ADMINISTRATION**

**SEP 02 2008**

**APPROVED** E.4.h (15 of 37)

(f) Each CCS shall be able to configure each EGM during the initial enrollment process so that the EGM's system-dependent parameters, including denomination, money units, and pay tables, can be programmed or retrieved from the EGMs and validated by the CCS.

(g) Each CCS shall be able to support continuous gaming operations and shall be able to enable and disable electronic gaming machines based on a daily schedule.

(Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 2007 Supp. 74-8749 and 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

APR 11 2008

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DEPT. OF ADMINISTRATION

APR 01 2008

APPROVED BY FDL

**112-110-5. Central computer system; software validation.** (a) Each CCS shall be programmed to initiate a signature validation when an EGM is enrolled.

(b) If an EGM fails the signature validation, the EGM shall not be placed into gaming mode without manual intervention at the CCS level.

(c) One of the following two methods of storing signature check references shall be implemented in the CCS:

(1) Game software image storage in which game software images existing in the EGM are also stored in the CCS; or

(2) precalculated signature results storage in which the table of signature results have a minimum of five entries and those entries are generated from randomly selected seed values for each game and repopulated on a daily basis. The utility program used to generate the signature check result table shall be approved by the Kansas lottery and the commission's electronic security staff.

(d) The game software image and precalculated signature results shall be secured, including by means of password protection and file encryption.

(e) If the image used for validating the EGM software is comprised of more than one program, both of the following requirements shall be met:

(1) The CCS shall have a method to allow each component to be loaded individually.

(2) The CCS shall combine the individual images based upon the scheme supplied by the EGM manufacturer to create the combined image. (Authorized by

**ATTORNEY GENERAL**

**SEP 08 2008**

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**DEPT. OF ADMINISTRATION**

**SEP 02 2008**

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ATTORNEY GENERAL

APR 11 2008

APPROVED BY



DEPT. OF ADMINISTRATION

APR 01 2008

APPROVED BY PDL

**112-110-6. Central computer system communication.** (a) Each CCS provider shall furnish specifications, protocols, and the format of messages to and from the central computer system.

(b)(1) The documentation of the communications protocol shall explain all messages, conventions, and data formats and shall be submitted for approval before delivery of the protocol to EGM manufacturers. Approval shall be obtained before distribution of the communications protocol may commence.

(2) The documentation shall detail the following:

(A) The data format, including the following:

(i) Byte ordering;

(ii) bit order where bits are referenced; and

(iii) negative number format;

(B) message framing, including the following:

(i) Header field;

(ii) address field;

(iii) control field;

(iv) information or data;

(v) frame check sequence; and

(vi) trailer field;

(C) minimum and maximum frame or packet length;

(D) packet termination indication;

**ATTORNEY GENERAL**

**APR 11 2008**

**APPROVED BY**  
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**DEPT. OF ADMINISTRATION**

**MAR 06 2008**

**APPROVED BY FDE** (19 of 37)

- (E) padding techniques;
- (F) special characters used and the function of each character;
- (G) general principles of data exchange; and
- (H) any other specifications required to support the functionality of the system.

(c) All communications between the host system components shall be encrypted with an encryption tool, which may include data encryption standard approved by the commission's auditing staff. Each proprietary encryption system shall be approved by the Kansas lottery before its use.

(d) If the CCS finds an EGM that is not responding within a set number of retries, the EGM shall be logged as not responding and the system shall continue servicing all other EGMs in the network.

(e) Each CCS shall be wired directly to all EGMs.

(f) Each CCS shall be capable of monitoring the functioning of each EGM.

(g) If a CCS provider proposes a proprietary communications protocol, the provider shall supply a perpetual software license to the Kansas lottery at no additional charge. If a proprietary protocol is utilized, the protocol shall be provided to any vendor designated by the Kansas lottery free of charge within one week of contract signing.

(h) If a CCS uses an industry standard protocol, the provider shall supply and maintain an interoperability document that indicates all of the functionality within the protocol that is used and any additional implementation notes that apply. Each deviation from the protocol shall be approved by the Kansas lottery.

**ATTORNEY GENERAL**

**DEPT. OF ADMINISTRATION**

**SEP 08 2008**

**SEP 02 2008**

**APPROVED  
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**APPROVED** E.4.h (20 of 37)

(i) The communication of each CCS shall use cyclic redundancy checks (CRCs).

(j) The communication of each CCS shall withstand error rates based on the protocols in use.

(k) The communications protocol shall provide a method for the recovery of each message received in error or not received at all.

(l) Each CCS shall acknowledge all data messages that the CCS receives.

(m) Any CCS may include a negative acknowledgment (NAK) for messages received in error or messages that are received outside of specified time periods.

(Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 2007 Supp. 74-8749 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**SEP 08 2008**

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**DEPT. OF ADMINISTRATION**

**SEP 02 2008**

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**112-110-7. Central computer system; protocol simulator.** (a) Each CCS shall include a protocol simulator to enable the development of the communications protocol and to assist in acceptance testing.

(b) Each simulator shall support and test all of the transactions and message types that are to be used by the communications protocol.

(c) Each simulator shall be capable of generating common communication errors to confirm that the EGM software is properly handling the event.

(d) Along with the protocol simulator, each CCS provider shall furnish the following:

(1) An operations manual or other suitable documentation;

(2) a definition of the message structure, types, and formats in machine-readable form;

(3) a standard for all program modules, including naming conventions, definitions of module names, and comments; and

(4) a diagram for the communications protocol.

(e) Each simulator shall run on standard computer equipment, including a personal computer.

(f) The communications protocol shall contain only codes or bytes that are defined in the communications protocol. (Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 2007 Supp. 74-8749 and 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

APR 11 2008

APPROVED BY



DEPT. OF ADMINISTRATION

APR 01 2008

APPROVED BY FDL

**112-110-8. Central computer system; general hardware specifications.** (a) Each CCS shall be a state-of-the-art, fault-tolerant, redundant, and high-availability system. Any CCS may be configured in a duplex, triplex, or multiredundant configuration. All computer system components and peripheral equipment, including front-end communications processors, system printers, and tape drives, shall be fault-tolerant and redundant and maintain high availability. No performance degradation or loss of system functionality shall occur with the failure of a single system component. The central computer system's storage management solution shall provide fault tolerance and scalability.

(b) The performance of each CCS shall match or exceed the performance of any similar systems installed by North American lotteries or gaming central control systems in casinos in the last three years.

(c) The functions of each CCS shall not interfere with players, employees who require real-time monitoring of security events, cashiers who handle financial transactions of the electronic gaming machines, or attendants who service the EGM.

(d) Performance of each CCS shall not degrade noticeably during ordinary functionality. The CCS shall provide capacity to accommodate EGM populations, play volumes, user sessions, and event recording consistent with all specifications.

(e) All hardware and ancillary peripherals comprising the CCS shall be new equipment that has not previously been used or refurbished.

ATTORNEY GENERAL

APR 11 2008

APPROVED BY



DEPT. OF ADMINISTRATION

MAR 06 2008

APPROVED BY FDL

(f) The supplier of each CCS shall be able to produce system checksums or comparable system file checker reports when requested by Kansas lottery or the commission.

(g) Each supplier of CCS hardware and software shall obtain written approval from the Kansas lottery director or the director's designee before making any enhancement or modification to the operating software.

(h) Each CCS supplier shall provide all hardware, operating system software, third-party software, and application software necessary to operate the CCS.

(i) Each CCS shall be able to operate 24 hours a day, seven days a week, with the database up and running. Off-hours backup shall be able to run without shutting down the database. The Kansas lottery shall be able to do a full system backup, which shall include backing up the operating system and any supplier software.

(j) The central processing unit and peripheral devices of each CCS shall employ physical security measures in the form of sealed casings, lockable containment, or any other means of physical security approved by the Kansas lottery and the commission.

(k) Each CCS shall be able to support gaming in at least seven gaming facilities in the state of Kansas.

(l) Each CCS shall have one or more management terminals located at each of the facilities. Management terminals may be accessed only with the permission of the Kansas lottery. A monitoring terminal shall also be located at the Kansas lottery headquarters.

**ATTORNEY GENERAL**

SEP 08 2008

APPROVED  
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DEPT. OF ADMINISTRATION

SEP 02 2008

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(m) Each CCS shall have two or more monitoring terminals at each facility, as approved by the commission, with at least one terminal to be utilized by the commission. A monitoring terminal shall be located at the commission headquarters.

(n) The responsibility to audit all lottery gaming facility revenues shall rest with the commission. Each CCS supplier shall provide a separate data feed that contains the original accounting data from the EGM before any adjustments and means to reconcile the values or other means of validating any adjustments are made to any data on the system. This separate data feed shall be approved by the commission. (Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 2007 Supp. 74-8749 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**SEP 08 2008  
APPROVED  
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**DEPT. OF ADMINISTRATION**

**SEP 02 2008**

**APPROVED**

**112-110-9. Central computer system backup.** (a) Each CCS supplier shall provide one or more remote backup systems that will take over for the primary site systems, if necessary. Redundant arrays of inexpensive disks (RAID) shall be used to protect key data at the remote site. Data recorded at the remote site shall always contain the most recent transactions. The facility networks shall be routed to permit transaction processing at the backup site. Other communications to permit Kansas lottery operations shall also connect to the backup site. The backup site system shall be able to be tested monthly to ensure that the remote site is fully functional.

(b) Each remaining system shall assume all system functions in case of a failure in one system, without loss or corruption of any data and transactions received before the time of the failure.

(c) Multiple components in the CCS shall have a time-synchronizing mechanism to ensure consistent time recording and reporting for all events and transactions.

(d) The remote backup systems shall have the same processing capacity and architecture as those of the central site systems.

(e) Primary site system recovery from a one-system failure shall be accomplished in no more than two minutes while still maintaining current transactions, including the ability to fully service the communications network supporting the EGM and management terminals.

(f) Backup site system recovery from a primary site failure shall be accomplished in less than 10 minutes without loss of transactions. (Authorized by K.S.A. 2007 Supp.

**ATTORNEY GENERAL**

**DEPT. OF ADMINISTRATION**

**SEP 08 2008**

**SEP 02 2008**

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E.4.h (26 of 37)

74-8772; implementing K.S.A. 2007 Supp. 74-8749 and 74-8772; effective P-

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ATTORNEY GENERAL

APR 11 2008

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DEPT. OF ADMINISTRATION

APR 01 2008

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**112-110-10. Central computer system manuals.** (a) Each CCS supplier shall provide the following manuals and diagrams for the CCS:

- (1) Operation manuals;
- (2) service manuals;
- (3) CCS architecture diagrams; and
- (4) other circuit diagrams.

(b) The required service manuals shall meet the following requirements:

(1) Accurately depict the CCS that the manual is intended to cover;

(2) provide adequate detail and be sufficiently clear in their wording and diagrams to enable a qualified repairperson to perform repair and maintenance in a manner that is conducive to the long-term reliability of the CCS;

(3) include maintenance schedules outlining the elements of the EGM that require maintenance and the frequency at which that maintenance should be carried out; and

(4) include maintenance checklists that enable EGM maintenance staff to make a record of the work performed and the results of the inspection.

(c) The required CCS architecture diagrams shall meet the following requirements:

(1) Accurately depict the CCS that the diagrams are intended to cover;

ATTORNEY GENERAL

APR 11 2008

APPROVED BY



DEPT. OF ADMINISTRATION

MAR 07 2008

APPROVED BY FDL

(2) provide adequate detail and be sufficiently clear in their wording and depiction to enable qualified technical staff to perform an evaluation of the design of the component; and

(3) be professionally drafted in order to meet the requirements specified in this subsection. (Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 2007 Supp. 74-8749 and 74-8772; effective P-\_\_\_\_\_.)

ATTORNEY GENERAL

APR 11 2008

APPROVED BY



DEPT. OF ADMINISTRATION

APR 01 2008

APPROVED BY FDL

**112-110-11. Central computer system; support of progressive games.** (a) As used within this regulation, the following terms shall have the meanings specified in this subsection:

(1) "Linked progressive games" means a group of EGMs at a gaming facility that offers the same game and involves a manner of wagering providing the same probability of hitting the combination that will award the progressive jackpot that increases by the same increments as the EGM is played.

(2) A "wide-area progressive game" means a game that consists of a group of EGMs located at two or more gaming facilities, linked to a single CCS computer that has a manner of wagering that will provide the same probability of hitting the combination that will award the progressive jackpot that increases, by the same increments, as the EGM is played.

(b) Each CCS shall be able to support a variety of different progressive jackpot games, including single-machine games, linked games at a gaming facility, and wide-area progressive games shared by two or more gaming facilities.

(c) The CCS communication for the wide-area progressive system shall be by means of dedicated on-line communication lines, satellite, or another preapproved communications system. All communication packets between each participating facility manager and the CCS shall be encrypted, and the encryption keys shall be alterable upon demand. The protocol shall ensure delivery of all information packets in a valid and correct form.

**ATTORNEY GENERAL**

**SEP 08 2008**

**APPROVED  
MF**

**DEPT. OF ADMINISTRATION**

**SEP 02 2008**

**APPROVED** E.4.h (30 of 37)

(d) The CCS computer's wide-area progressive gaming subsystem shall have the ability to monitor the opening of the front door of the EGM and the logic area of the EGM, and to report all these events to the CCS within one polling cycle.

(e) Each CCS shall have the ability to produce reports that demonstrate the method used to calculate the progressive jackpot amount, including the documentation of credits contributed from the beginning of the polling cycle and all credits contributed throughout the polling cycle that includes the jackpot signal. The method shall assume that credits contributed to the system after the jackpot win occurs, in real-time but during the same polling cycle, are contributed to the progressive jackpot amount before the win.

(f) Each CCS shall be able to produce fiscal reports that support and verify the economic activity of the games, indicating the amount of and basis for the current progressive jackpot amount. These reports shall include the following:

(1) An aggregate report to show only the balancing of the progressive link with regard to facilitywide totals;

(2) a detail report in a format that indicates for each EGM, summarized by location, the cash-in, cash-out, credits-played, and credits-won totals, as these terms are commonly understood by the Kansas lottery; and

(3) a jackpot contribution invoice that includes documentation of contributions by the following:

(A) Each of its participating EGMs;

**ATTORNEY GENERAL**

**SEP 08 2008**

**APPROVED  
MF**

**DEPT. OF ADMINISTRATION**

**SEP 02 2008**

**APPROVED**

(B) the credits contributed by each EGM to the jackpot for the period for which an invoice is remitted;

(C) the percentage contributed by that gaming facility; and

(D) any other information required by the Kansas lottery or the commission to confirm the validity of the facility manager's aggregate contributions to the jackpot amount.

This report shall be available for any facility manager participating in a wide-area progressive electronic gaming machine system.

(g) Each CCS shall be designed to have continuous operation of all progressive games.

(h) Each CCS shall have a method to transfer the balance of one progressive pool to another.

(i)(1) Each progressive controller linking one or more progressive EGMs shall be housed in a double-keyed compartment or an alternative approved by the Kansas lottery and the commission.

(2) The Kansas lottery or the Kansas lottery's designee shall be given possession of one of the keys, or the Kansas lottery's designee shall authorize each instance of access to the controller in advance. No person may have access to a controller without notice to the Kansas lottery.

**ATTORNEY GENERAL**

**SEP 08 2008**

**APPROVED  
MF**

**DEPT. OF ADMINISTRATION**

**SEP 02 2008**

**APPROVED**.h (32 of 37)

(3) A progressive entry authorization log shall be included with each controller, and the log shall be completed by each person gaining entrance to the controller. The log shall be entered on a form provided by the Kansas lottery.

(4) If a progressive jackpot is recorded on any progressive EGM, the progressive controller shall be able to identify the EGM that caused the progressive meter to activate, and the progressive controller shall display the winning progressive amount.

(5) If more than one progressive EGM is linked to the progressive controller, the progressive controller may automatically reset to the minimum amount and continue normal play only if the progressive meter displays the following information:

- (A) The identity of the EGM that caused the progressive meter to activate;
- (B) the winning progressive amount; and
- (C) the minimum amount that is displayed to the other players on the link.

(6) A progressive meter or progressive controller shall keep the following information in nonvolatile memory, which shall be displayed upon demand:

- (A) The number of progressive jackpots won on each progressive meter if the progressive display has more than one winning amount;
- (B) the cumulative amounts paid on each progressive meter if the progressive display has more than one winning amount;
- (C) the maximum amount of the progressive payout for each meter displayed;
- (D) the minimum amount or reset amount of the progressive payout for each meter displayed; and

**ATTORNEY GENERAL**

**SEP 08 2008**

**APPROVED  
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**DEPT. OF ADMINISTRATION**

**SEP 02 2008**

**APPROVED**

(E) the rate of progression for each meter.

(7) Waivers may be granted by the Kansas lottery to ensure that individual EGMs and multiple EGMs linked to a progressive controller meet the requirements of this regulation. (Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 2007 Supp. 74-8749 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**SEP 08 2008**

**APPROVED  
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**DEPT. OF ADMINISTRATION**

**SEP 02 2008**

**APPROVED**

**112-110-12. Central computer system; additional functionality.** (a) Each CCS shall be able to support ticket in-ticket out (TITO) processes.

(b) Any CCS may perform the following:

(1) Downloading operating and game software to EGMs that use electronic storage media on which the operation software for all games resides or at a minimum approving, auditing, and verifying the downloading of software to EGMs;

(2) allowing gaming software to be driven by down-line loading on the communications line. Gaming software may be either solicited by the EGM or unsolicited; and

(3) allowing gaming software to be downloaded in a modular fashion with only the modules requiring a change being downloaded. Downloading shall not preclude continuous operation of the EGM network. The CCS provider shall detail for the Kansas lottery and the commission any particular download features of the software, including downloading in the background, eavesdropping, and compression. (Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 2007 Supp. 74-8749 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**  
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**DEPT. OF ADMINISTRATION**

**SEP 02 2008**

**APPROVED** E.4.h (35 of 37)

**112-110-13. Central computer system; acceptance testing.** (a) Each CCS supplier shall make that provider's system available for independent acceptance and compatibility testing.

(b) If a CCS fails the acceptance testing, the CCS supplier shall make all necessary modifications required for acceptance by the Kansas lottery and the commission within the time frame specified by the Kansas lottery and the commission.

(c) Each CCS supplier shall provide at least one test system, including all hardware and software, to the commission or its independent testing laboratory for the duration of the contract. The test system shall include any third-party software and licenses used by the system. The test system shall use the identical software that exists on the production system, though the test system may utilize similar but not identical hardware.

(d) Each CCS supplier shall provide a complete set of manuals at the beginning of acceptance testing. Updates to the manuals shall be supplied concurrently with any CCS modifications that result in updating the manual.

(e) A test system in addition to the system required in subsection (b) may be required if the Kansas lottery determines that a system shall be located at the Kansas lottery.

(f) The cost of initial acceptance testing by the Kansas lottery, the commission, and the commission's independent testing laboratory shall be paid by the CCS supplier. The cost of any testing resulting from system modifications or enhancements shall be

**ATTORNEY GENERAL**

**DEPT. OF ADMINISTRATION**

**SEP 08 2008**

**SEP 02 2008**

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paid by the CCS supplier. These costs shall include travel time and expenses for functionality that must be tested on-site or at an alternate location.

(g) Each CCS supplier shall be responsible for the consulting costs incurred by the commission and the Kansas lottery to develop the test scripts. (Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 2007 Supp. 74-8749 and 74-8772; effective P-\_\_\_\_\_.)

**ATTORNEY GENERAL**

**SEP 08 2008**

**APPROVED  
MF**

**DEPT. OF ADMINISTRATION**

**SEP 02 2008**

**APPROVED** 2.4.h (37 of 37)

**K.A.R. 112-111-1. Involuntary exclusion list.** (a) An “involuntary exclusion list” shall be created by the commission staff and shall consist of the names of people who the executive director determines meet any one of the following criteria:

(1) Any person whose presence in a gaming facility would be inimical to the interest of the state of Kansas or gaming in Kansas, including the following:

(A) Any person who cheats, including by intentionally doing any one of the following:

(i) Altering or misrepresenting the outcome of a game or event on which wagers have been made, after the outcome is determined but before the outcome is revealed to the players;

(ii) placing, canceling, increasing, or decreasing a bet after acquiring knowledge, not available to other players, of the outcome of the game or subject of the bet or of events affecting the outcome of the game or subject of the bet;

(iii) claiming or collecting money or anything of value from a game or authorized gaming facility not won or earned from the game or authorized gaming facility;

(iv) manipulating a gaming device or associated equipment to affect the outcome of the game or the number of plays or credits available on the game; or

(v) altering the elements of chance or methods of selection or criteria that determine the result of the game or amount or frequency of payment of the game;

(B) any person who poses a threat to the safety of the patrons or employees;

**ATTORNEY GENERAL**

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**DEPT. OF ADMINISTRATION**

**OCT 08 2008**

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(C) persons who pose a threat to themselves;

(D) persons with a documented history of conduct involving the disruption of a gaming facility;

(E) persons included on another jurisdiction's exclusion list; or

(F) persons subject to an order of the courts of Kansas excluding those persons from any gaming facility;

(2) any felon or person who has been convicted of any crime or offense involving moral turpitude and whose presence in a gaming facility would be inimical to the interest of the state of Kansas or of gaming in Kansas; or

(3) any person who has been identified by the director of security as being a criminal offender or gaming offender and whose presence in a gaming facility would be inimical to the interest of the state of Kansas or of gaming in Kansas.

(b) As used in this article, a person's presence shall be deemed "inimical to the interest of the state of Kansas or gaming in Kansas" if the presence meets any one of the following conditions:

(1) Is incompatible with the maintenance of public confidence and trust in the integrity of licensed gaming;

(2) is reasonably expected to impair the public perception of or confidence in the regulation or conduct of gaming; or

(3) creates or enhances a risk of unfair or illegal practices in the conduct of gaming.

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(c) The executive director's determination of inimicality may be based upon any of the following:

- (1) The nature and notoriety of the person to be excluded from gaming facilities;
- (2) the history and nature of the involvement of the person with a gaming facility in Kansas or any other jurisdiction or with any particular licensee or licensees or any related company of any licensee;
- (3) the nature and frequency of any contacts or associations of the person with any licensee; or
- (4) any other factor reasonably related to the maintenance of public confidence in the regulatory process or the integrity of gaming in Kansas.

(d) The involuntary exclusion list shall contain the following information, if known, for each excluded person:

- (1) The full name and all known aliases and the date of birth;
- (2) a physical description;
- (3) the date the person's name was placed on the list;
- (4) a photograph, if available;
- (5) the person's occupation and current home and business addresses; and
- (6) any other relevant information as deemed necessary by the commission.

(e) The involuntary exclusion list shall be open to public inspection and shall be distributed by the executive director. (Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 2007 Supp. 74-8752 and 74-8772; effective P-\_\_\_\_\_.)

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**K.A.R. 112-111-2. Inclusion on list; notice.** (a) Upon the executive director's determination that a person meets the criteria for exclusion from gaming facilities in this article, the person's name shall be added to the involuntary exclusion list, and the commission staff shall be directed by the executive director to file a notice of exclusion.

The notice of exclusion shall identify all of the following:

- (1) The person to be excluded;
  - (2) the nature and scope of the circumstances or reasons that the person should be placed on the involuntary exclusion list;
  - (3) the names of potential witnesses;
  - (4) a recommendation as to whether the exclusion will be permanent; and
  - (5) the availability of a hearing by the commission.
- (b) The notice of exclusion shall be served on the excluded person using any method that is appropriate for service under Kansas law.

(c) A written request for a hearing shall be delivered to the executive director within 10 calendar days from the date the notice of exclusion was served on the person to be excluded. If no request for hearing is made, an order shall be issued by the commission affirming the placement of the person on the involuntary exclusion list. If the excluded person timely requests a hearing, the commission staff shall set the matter for a hearing before the commission. (Authorized by K.S.A. 2007 Supp. 74-8772; implementing K.S.A. 2007 Supp. 74-8752 and 74-8772; effective P-\_\_\_\_\_.)

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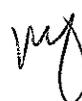
**K.A.R. 112-111-3. Effect of placement on the exclusion list.** (a) Each excluded person shall be prohibited from entry to a gaming facility.

(b) If the commission or a Kansas court finds that the person does not meet the criteria for exclusion, then the person's name shall be removed from the involuntary exclusion list and the exclusion shall be terminated effective upon the date of the action by the commission or the court. (Authorized by and implementing L. 2007, Ch. 110, §41; effective P-\_\_\_\_\_.)

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**K.A.R. 112-111-4. Licensees' duties.** (a) Each gaming licensee shall exclude from the gaming facility any person on the involuntary exclusion list.

(b) Each gaming licensee's director of security shall notify the commission's security staff if an excluded person has attempted entry to the gaming facility.

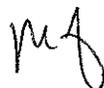
(c) Each gaming licensee shall distribute copies of the involuntary exclusion list to its employees.

(d) Each gaming licensee shall notify the commission in writing of the names of persons the gaming licensee believes meet the criteria for placement on the involuntary exclusion list. (Authorized by and implementing L. 2007, Ch. 110, §41; effective P-  
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**K.A.R. 112-111-5. Petition for removal.** (a) An excluded person shall not petition the commission for removal from the involuntary exclusion list until at least five years have passed from date of the commission's order affirming placement of the person on the list.

(b) Each petition shall be verified with supporting affidavits and shall state in detail the grounds that the petitioner believes constitute good cause for the petitioner's removal from the list.

(c) The petition may be decided by the commission on the basis of the documents submitted by the excluded person. The petition may be granted or summarily denied by the commission or a hearing on the matter may be directed to be held by the commission. The petition may be granted or a hearing may be directed to be held by the commission only upon a finding that there is new evidence that would alter the original decision to affirm the person's placement on the involuntary exclusion list. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective P-\_\_\_\_\_.)

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**112-113-1. Sanctions.** (a) Any licensee, certificate holder, permit holder, or applicant may be sanctioned for violating any provision of the act, these regulations, or any other law that directly or indirectly affects the integrity of gaming in Kansas, including a violation of any of the following:

- (1) Failing to disclose material, complete, and truthful information to the commission and its staff;
- (2) failing to comply with any of the duties in article 101;
- (3) being a facility manager and employing unlicensed employees or independent contractors;
- (4) being a facility manager and contracting with uncertified gaming or nongaming suppliers;
- (5) failing to follow the commission's minimum internal control standards or the facility manager's minimum internal control system;
- (6) failing to follow the commission's security regulations or the facility manager's security plan;
- (7) failing to follow the commission's surveillance regulations or the facility manager's surveillance plan;
- (8) failing to enforce the involuntary exclusion list;
- (9) failing to enforce the facility manager's responsible gaming plan or the provisions of article 112;
- (10) failing to post signs informing patrons of the toll-free number available to

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**DEPT. OF ADMINISTRATION**

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provide information and referral services regarding problem gambling; or

(11) permitting persons who are less than 21 years of age that do not have an occupation license to be in areas where electronic gaming machines or lottery facility games are being conducted.

(b) The commission, disciplinary review board, and executive director shall have the authority to impose any of the following sanctions:

- (1) License, certificate, or permit revocation;
- (2) license, certificate, or permit suspension;
- (3) license, certificate, or permit application denial;
- (4) a monetary fine pursuant to K.S.A. 74-8764 and amendments thereto;
- (5) warning letters or letters of reprimand or censure. These letters shall be made

a permanent part of the file of the licensee, applicant, permit holder, or certificate holder;

or

(6) any other remedial sanction agreed to by the licensee, applicant, certificate holder, or permit holder.

(c) Each sanction shall be determined on a case-by-case basis. In considering sanctions, the following may be considered by the executive director, disciplinary review board, or commission:

- (1) The risk to the public and to the integrity of gaming operations created by the conduct of the licensee, certificate holder, permit holder, or applicant facing sanctions;
- (2) the nature of the violation;

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**DEPT. OF ADMINISTRATION**

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(3) the culpability of the licensee, certificate holder, permit holder, or applicant responsible for the violation;

(4) any justification or excuse for the conduct;

(5) the history of the licensee, certificate holder, permit holder, or applicant with respect to compliance with the act, these regulations, or other law; and

(6) any corrective action taken by the licensee, certificate holder, permit holder, or applicant to prevent future misconduct.

(d) In the case of a monetary fine, the financial means of the licensee, certificate holder, permit holder, or applicant may be considered.

(e) It shall be no absolute defense that the licensee, certificate holder, permit holder, or applicant inadvertently, unintentionally, or unknowingly violated a provision of the act or these regulations. These factors shall affect only the degree of the sanction to be imposed by the commission.

(f) Each violation of any provision of these regulations that is an offense of a continuing nature shall be deemed to be a separate offense on each day during which the violation occurs. The commission shall not be precluded from finding multiple violations within a day of those provisions of the regulations that establish offenses consisting of separate and distinct acts. (Authorized by and implementing K.S.A. 2007 Supp. 74-8751 and 74-8772; effective P-\_\_\_\_\_.)

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**112-114-1. Definitions.** The following terms as used in these regulations shall have the meanings specified in this regulation, unless the context clearly indicates otherwise:

(a) "Disciplinary review board" means a board established by the executive director. The board members shall be appointed by the executive director to review certain applications and licensee or certificate holder conduct and to ensure compliance by applicants, licensees, and certificate holders with these regulations, the act, and other laws.

(b) "Hearing body" means the commission, disciplinary review board, or executive director, when each of these is conducting a hearing. (Authorized by and implementing K.S.A. 2007 Supp. 74-8751 and 74-8772; effective P-\_\_\_\_\_.)

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**112-114-2. Report of an alleged violation.** (a) Any person may file a report of an alleged violation with any commission office.

(b) Each person reporting an alleged violation shall complete the commission-approved report form available online and in commission offices. Substantially incomplete forms shall not be accepted by commission personnel. (Authorized by and implementing K.S.A. 2008 Supp. 74-8751 and 74-8772; effective P-\_\_\_\_\_.)

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**112-114-3. Notice of alleged violation and hearing.** (a) If disposition of the allegation raised in a report could result in suspension or revocation, the respondent shall be provided by the commission with reasonable notice of the alleged violation and hearing.

(b) The notice of alleged violation and hearing shall include the following information:

- (1) The time and location of the hearing;
- (2) the identity of the hearing body;
- (3) the case number and the name of the proceeding;
- (4) a statement of the legal authority and a general description of the allegation, including the time of occurrence;
- (5) a statement that a respondent who fails to attend the hearing may be subject to the entry of an order that is justified by the evidence presented at the hearing; and
- (6) a statement that a respondent has the right to appear at the hearing with counsel, the right to produce any evidence and witness on the respondent's behalf, the right to cross-examine any witness who may testify against the respondent, and the right to examine any evidence that may be produced against the respondent.

(Authorized by and implementing K.S.A. 2007 Supp. 74-8751 and 74-8772; effective P-  
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112-114-4. **Waiver.** Except to the extent precluded by another provision of law, a person may waive any right conferred upon that person by these regulations.

(Authorized by and implementing L. 2007, Ch. 110, §20 and §41; effective P-  
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**112-114-5. Informal settlements.** Nothing in these regulations shall preclude the informal settlement of matters that could make a hearing unnecessary. (Authorized by and implementing L. 2007, Ch. 110, §20 and §41; effective P-\_\_\_\_\_.)

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**112-114-6. Participation by and representation of respondents.** (a) Whether or not participating in person, any respondent who is a natural person may be represented by an attorney licensed to practice law in the state of Kansas in any evidentiary hearing conducted before the commission or its designated presiding officer or officers. The attorney shall represent the respondent at the respondent's own expense.

(b) Each for-profit or not-for-profit corporation, unincorporated association, or other respondent who is a non-natural person shall be represented by an attorney licensed to practice law in the state of Kansas in any evidentiary hearing conducted before the commission or its designated presiding officer or officers. The attorney shall represent the respondent at the respondent's own expense. (Authorized by and implementing K.S.A. 2007 Supp. 74-8751 and 74-8772; effective P-\_\_\_\_\_.)

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**112-114-7. Reserved.**

**112-114-8. Presiding officer.** (a) The presiding officer shall be either of the following:

- (1) The executive director or the chairperson of the commission; or
- (2) a person designated by the commission.

(b) For disciplinary review board hearings, if a substitute is required for a presiding officer or other member of the hearing body who is unavailable for any reason, a substitute shall be appointed by the executive director. Each action taken by the duly appointed substitute shall be as effective as if the action had been taken by the unavailable member. (Authorized by and implementing K.S.A. 2007 Supp. 74-8751 and 74-8772; effective P-\_\_\_\_\_.)

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**112-114-9. Hearing procedure.** (a) The presiding officer at each hearing shall regulate the course of the proceedings.

(b) To the extent necessary for full disclosure of all relevant facts and issues, the presiding officer shall afford to all parties the opportunity to respond, present evidence and argument, conduct cross-examination, and submit rebuttal evidence.

(c) Upon the request of the respondent, the presiding officer may conduct all or part of the hearing by telephone or other electronic means, if each participant in the hearing has an opportunity to participate in the entire proceeding while it is taking place.

(d) The presiding officer shall cause the hearing to be recorded at the commission's expense. The commission shall not be required to prepare a transcript at its expense. Subject to any reasonable conditions that the presiding officer may establish, any party may cause a person other than the commission to prepare a transcript of the proceedings.

(e) Each hearing shall be open to public observation, except for deliberations and parts that the presiding officer states are to be closed pursuant to a provision of law expressly authorizing closure. (Authorized by and implementing K.S.A. 2007 Supp. 74-8751 and 74-8772; effective P-\_\_\_\_\_.)

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**112-114-10. Evidence.** (a) A presiding officer shall not be bound by technical rules of evidence but shall give the parties reasonable opportunity to be heard and to present evidence. The presiding officer shall act without partiality. The presiding officer shall apply any rules of privilege that are recognized by law. Evidence shall not be required to be excluded solely because the evidence is hearsay.

(b) All testimony of parties and witnesses shall be made under oath or affirmation, and the presiding officer or the presiding officer's designee who is legally authorized to administer an oath or affirmation shall have the power to administer an oath or affirmation for that purpose.

(c) Documentary evidence may be received in the form of a copy or excerpt, including electronically stored information. Upon request, parties shall be given an opportunity to compare the copy with the original, if available.

(d) Official notice may be taken of the following:

- (1) Any matter that could be judicially noticed in the courts of this state; and
- (2) the record of other proceedings before the disciplinary review board or the commission. (Authorized by and implementing L. 2007, Ch. 110, §20 and §41; effective P-\_\_\_\_\_.)

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DEC 19 2007

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**112-114-11. Orders.** (a) Within 30 days after the hearing, the hearing body shall enter a written order.

(b) Each order shall include a brief statement of the findings of the hearing body and any penalty prescribed. The findings shall be based exclusively upon the evidence of record and on matters officially noticed in the hearing.

(c) For disciplinary review board hearings, the order shall also include a statement that the order is subject to appeal to the commission and the available procedures and time limits for seeking an appeal. The order shall further include a statement that any suspension imposed by the order may be stayed, pending appeal.

(d) For disciplinary review board hearings, the hearing body may impose any penalty authorized by law and may refer the matter to the commission with findings and recommendations for imposition of greater penalties.

(e) Each order shall be effective when rendered.

(f) The presiding officer shall cause copies of the order to be served upon each party to the proceedings. (Authorized by and implementing K.S.A. 2007 Supp. 74-8751 and 74-8772; effective P-\_\_\_\_\_.)

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**112-114-12. Service of order.** (a) Service of an order shall be made upon the party and the party's attorney of record, if any.

(b) Service shall be presumed if the presiding officer, or a person directed to make service by the presiding officer, makes a written certificate of service.

(c) Service by mail shall be complete upon mailing.

(d) Whenever a party has the right or is required to do some act or take some proceedings within a prescribed period after service of an order is made by mail, three days shall be added to the prescribed period. (Authorized by and implementing L. 2007, Ch. 110, §20 and §41; effective P-\_\_\_\_\_.)

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**112-114-13. Reserved.**

**112-114-14. Appeals of disciplinary review board hearings.** (a) Each order entered by the disciplinary review board that imposes suspension or revocation, or any other sanction shall be subject to appeal to the commission.

(b) Each party who wishes to appeal a disciplinary review board order shall file a notice of appeal and brief on forms provided by the commission during regular office hours within 11 days after service of the order from which the party is appealing. If an order is served by mail, the party shall have 14 days within which to file a notice of appeal and brief.

(c) Each notice of appeal and brief shall be completed by the appealing party upon the form available in the commission's licensing office at the gaming facility. Each notice of appeal and brief shall fully state the basis for appeal and identify the issues upon which the party seeks administrative review. Incomplete forms shall not be accepted by commission personnel.

(d) A notice of appeal and brief shall constitute the appealing party's written brief. An opposing party shall be afforded an opportunity to file a brief in response to the appealing party's brief within 14 days following the filing of the appealing party's brief.

(e) Each notice of appeal form shall include a statement that, in reviewing any disciplinary review board's order, the following provisions shall apply:

(1) De novo review may be exercised by the commission, one or more commissioners designated by the commission, or a presiding officer designated by the commission.

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(2) The disciplinary review board's order may be affirmed, reversed, remanded for further hearing, or modified by the commission, one or more commissioners designated by the commission, or a presiding officer designated by the commission. A new hearing may also be conducted by the commission, one or more commissioners designated by the commission, or a presiding officer designated by the commission. An occupation license may be suspended or revoked for each violation of the act or these regulations, or both.

(f) Any respondent may be deemed to have timely filed a notice of appeal pursuant to subsection (b) if, after service of the disciplinary review board's order, the respondent performs the following:

(1) Within the appeal time described in subsection (b) of this regulation, files a writing that states an intention to appeal the order and that includes substantially the same information requested in the appeal form available in the commission's licensing office at the gaming facility; and

(2) within a period of time authorized by the disciplinary review board, fully executes and files in the commission's licensing office at the gaming facility the appeal form available in that office. (Authorized by and implementing K.S.A. 2008 Supp. 74-8751 and 74-8772; effective P-\_\_\_\_\_.)

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## *Kansas Racing and Gaming Commission*

### **STAFF AGENDA MEMORANDUM**

**DATE OF MEETING:** March 13, 2009

**AGENDA ITEM:** **Preliminary approval of additional gaming regulations**

**PRESENTER:** Patrick D. Martin, Assistant Attorney General

**ISSUE SUMMARY:** Staff asks the Commission to preliminarily approve regulations relating to (1) minimum internal control standards for keys and form management, K.A.R. 112-104-34 to -41, and (2) table games, 112-108-1 *et seq.*

The proposed regulations are necessary because the Expanded Lottery Act requires the Commission to create and adopt “such rules and regulations as the commission deems necessary to carry out the duties and functions of the commission pursuant to Kansas expanded lottery act.” K.S.A. 74-8772. As a part of that duty, the Commission is responsible for adopting regulations

[p]romoting the integrity of the gaming and finances of lottery gaming facilities and racetrack gaming facilities and [the Commission] shall meet or exceed industry standards for monitoring and controlling the gaming and finances of lottery gaming facility operations and racetrack gaming facility operations and shall give the Kansas racing and gaming commission sufficient authority to monitor and control the gaming operation and to ensure its integrity and security.

*Id.* at (a).

The Commission’s preliminary approval of these regulations will allow the staff to submit the proposed regulations to the Department of Administration’s legal department and the Attorney General’s office for those entities’ review and revision. And to be clear, submission to the DOA and AG are just the first parts of the rigorous and lengthy process in creating permanent regulations.

**COMMISSION ACTION REQUIRED/REQUESTED:** Staff asks the Commission to preliminarily approve articles of regulations relating to (1) minimum internal control standards for keys and form management, K.A.R. 112-104-34 to -41, and (2) table games, 112-108-1 *et seq.*

**STAFF RECOMMENDATIONS:** Staff recommends the preliminary approval of the proposed regulations.

**112-104-34. Physical key controls; automated key controls.** (a) “Sensitive keys” are those unlocking devices designated by either the Kansas lottery, a facility manager, or the commission as important to preserving the security of the facility manager’s business. Each facility manager must strictly control the storage, duplication, custody, issuance, and return of sensitive keys. The sensitive key box may be stored in each facility manager’s accounting department. At a minimum, the following keys are sensitive keys:

- (1) The EGM belly glass key;
- (2) the tip box key, sometimes called a “toke box” key; and
- (3) the accounting or audit box key.

(b) Sensitive keys may be further designated as “critical.” Critical keys are those unlocking devices that shall be maintained in a dual locked box. If a critical key is lost or becomes missing, all locks that the key fits shall be changed within 24 hours. At a minimum, the following keys are critical keys:

- (1) The EGM central processing unit key;
- (2) the EGM main door key;
- (3) the EGM drop door key;
- (4) the bill validator door and box release key;
- (5) the bill validator contents key;
- (6) the jackpot or EGM re-impressment kiosk keys;
- (7) the self-redemption or bill breaker kiosk keys;
- (8) the change cart key;
- (9) the table game drop box content key;
- (10) the table game drop box release key;

- (11) the bill validator and table drop storage cart keys;
- (11) the table games chip bank cover key;
- (12) the table games chip tray key;
- (13) the progressive table games controller key;
- (14) the progressive table games high end key;
- (15) the reserve chip storage keys;
- (16) the card and dice storage area keys;
- (17) the secondary chip storage keys;
- (17) the access door key to any cage, EGM bank, or redemption booth;
- (18) the window key to any cage, EGM bank, or redemption booth;
- (19) the vault keys;
- (20) the soft count room keys;
- (21) the weight scale calibration key; and
- (22) any keys not listed above that control access to cash or chip storage areas.

(c) If a facility manager chooses to use rings to maintain its keys, each key on the ring shall be identified on a key access list individually.

(d) Each facility manager's internal control system shall include details about the following information:

- (1) The location of each sensitive and critical key box;
- (2) the employee or contract job titles that are authorized to access the sensitive or critical key boxes;
- (3) how the keys for the sensitive or critical key boxes shall be issued and controlled;

(4) the sensitive or critical key names, location, custodian and job titles authorized to sign out each sensitive or critical key;

(5) the location and custodian of duplicate sensitive keys; and

(6) continuous surveillance coverage of each key box.

(e) If a facility manager chooses to use an automated key control system, the facility manager's internal control system shall also include the following information:

(1) A description of the automated system and its configuration, including how access is controlled;

(2) the system's ability to provide scheduled and on-demand reports for a complete audit trail of all access including the following:

(A) The identity of the key box;

(B) the identity of the employee;

(C) the identity of the keys;

(D) the date and time a key was removed;

(E) the date and time a key was returned;

(F) any unauthorized attempts to access the key box; and

(G) all entries, changes, or deletions in the system and the employee performing the entry, change, or deletion;

(3) the employee position that is in charge of any automated key control system;

(4) the employee positions that are authorized to enter, modify, and delete any keys;

(5) the employee positions that are authorized to access the system.

(6) details about the alarms being used to signal for the following events:

(A) Overdue keys;

(B) open key box doors;

(C) unauthorized attempts to access; and

(D) any other unusual activities;

(7) any system override procedures; and

(8) a procedure for the notification of a commission security agent on duty in the event of partial or complete system failure.

(f) All individuals authorized to access keys in the automated system shall have such authorization noted in such employee's personnel file.

(g) Any changes to the authorized employees that have access to the automated keys shall be updated within 72 hours of the employee change. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

**112-104-35. Key control procedures.** (a) Each facility manager's internal controls for keys shall include a key box custodian. Each sensitive or critical key box custodian shall be issued a sensitive or critical key access list that notes the authorized employee positions that may access each sensitive or critical key.

(b) If two keys are required to access a controlled area, then the keys shall be issued to different employees and each key shall be individually signed out of the key access list.

(c) Keys which require issuance under security or management escort shall be identified as such in the sensitive or critical key access list. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

**112-104-36. Key access list.** (a) Each facility manager shall maintain a current and accurate key access list for each sensitive or critical key. Each facility manager shall provide a copy of the key access list to the commission's director of security. The key access list shall include the following details:

- (1) Name of the key;
- (2) the storage location of the key;
- (3) the custodian of the key;
- (4) the quantity of the keys;
- (5) the employees' titles that are authorized to remove the key; and
- (6) any escort requirements and specific limitations to key access.

(b) The custodian of duplicate keys shall maintain a key access list documenting the following information:

- (1) The name of the keys;
- (2) the key number;
- (3) the employee positions that are authorized to remove the key; and
- (4) any escort requirements for the key's use.

(c) The internal control system for keys shall indicate which employees have the authority to make changes, deletions, or additions to the sensitive and critical key access lists. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

**112-104-37. Key log.** (a) All sensitive or critical keys may only be issued after completion of a sensitive or critical key log. The key log shall include the following information:

- (1) Date issued or returned;
- (2) the key number;
- (3) the individual or automated key box issuing the key;
- (4) the individual receiving key;
- (5) the time the key was signed out or removed;
- (6) the time the key was signed in;
- (7) the individual returning the key; and
- (8) the individual or automated key box receiving the returned key.

(b) The individual who signs out a sensitive or a critical key shall maintain custody of the key until the key is returned to the sensitive key box. Keys may only be passed to count team leads and distributed to other count team members during bill validator drops and EGM drops. In the event of an emergency, illness, or injury rendering the individual incapable of returning the key a supervisor may return the key with a notation on the sensitive key log.

(c) Upon completion, sensitive or critical key logs shall be forwarded at intervals specified by the facility manager to the accounting or internal audit department where they shall be reviewed and retained. If any discrepancies are found in the key logs, the security or internal auditing department shall begin an investigation and document the discrepancy.

(d) Each facility manager shall maintain a duplicate key inventory log documenting the current issuance, receipt, and inventory of all duplicate sensitive keys.

The duplicate key inventory log shall include the following information:

- (1) The date and time;

- (2) the key name;
- (3) the key number;
- (4) the number of keys in beginning inventory;
- (5) the number of keys added or removed;
- (6) the number of keys in ending inventory;
- (7) the reason for adding or removing keys; and
- (8) the signatures of the two individuals accessing the box. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

**112-104-38. Broken, lost, or missing keys.** (a) The internal control system shall include procedures in the event a critical or sensitive key is broken as to which employee shall receive and replace the broken key, disposition of the broken key, and notification to a commission agent on duty.

(b) An inventory of duplicate keys shall be maintained in such quantity that there shall always be at least one duplicate key in inventory for each critical or sensitive key.

(c) The internal control system shall include procedures to be followed when a sensitive or critical key is lost, missing, or taken from the premises.

(d) The internal control system shall include procedures for investigating and reporting missing critical or sensitive keys. The commission agent on duty shall be notified immediately of any missing or lost sensitive or critical keys. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

**112-104-39. Corrections to forms.** (a) Monetary corrections to a figure originally recorded on a form may only be made in ink by performing the following:

- (1) Crossing out the error;
- (2) entering the correct figure; and
- (3) obtaining the initials of the employee making the change and the initials of the employee's supervisor.

(b) Non-monetary corrections to forms shall be initialed by the employee making the correction.

(c) Any forms that are not pre-numbered shall be maintained and controlled by the applicable department manager. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

**112-104-40. Manual forms dispensers.** (a) Each facility manager's accounting or security department shall be responsible for loading and unloading any locked manual forms dispensers. Forms unloaded from the dispenser shall be delivered directly to the accounting department.

(b) In the event the manual forms dispenser jams, an employee from the accounting department or security department shall clear the jam and relock the manual forms dispenser.

(c) The last copy is retained intact in the forms dispenser in a continuous, unbroken form.

(d) Manual forms dispensers shall be used to control the following manual forms:

- (1) Table fill slips;
- (2) table credit slips;

(3) EGM hand-paid jackpot payout forms; and

(4) EGM hopper fill slips. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

**112-104-41. Forms; description.** (a) Each facility manager shall maintain a supply of all forms listed in subsection (b) and any additional forms that the manager deems necessary to manage the facility operations. Each facility manager's internal control submission shall include an index of all forms that the manager may use.

(b) The following forms shall be a part of each facility manager's minimum internal controls:

(1) Inventory ledgers for the following:

(A) Date of receipt, count, or issuance of cards or dice;

(B) quantity of cards and dice received or issued; and

(C) balance of cards or dice inventory on hand;

(2) A cards or dice pick-up and cancellation or destruction log, including the following details:

(A) The date of the form's preparation;

(B) the date and time of cancellation or destruction of the cards or dice;

(C) the quantity of cards and dice picked-up, canceled, or destroyed; and

(D) all required signatures;

(3) A card or dice storage log for the pit area, including the following details:

(A) The date of each entry on the log;

(B) the quantity and description of all cards and dice placed in the compartment;

(C) the quantity and description of all cards and dice removed from the compartment;

(D) the current number of each design and color combination of cards and dice;

and

(E) every daily verification of the current inventory;

(4) A cashier's cage or vault count sheet, including the following details:

(A) The date and time of the count sheet's completion;

(B) the location of the cashier's cage;

(C) the amount of each type and denomination of funds;

(D) the actual count total or closing inventory;

(E) the accountability total;

(F) the amount of overages or shortages; and

(G) every signature required under by these regulations for the count sheet;

(5) A cashier's cage multiple transaction log, including the following details:

(A) The location of the cashier's cage or bank where the cash transactions occurred;

(B) the date of the multiple transaction log;

(C) the full name of any patron making multiple transactions, if provided by the patron, or a description to help identify the patron if the patron refuses to provide a name.

Such a description should include weight, height, hair color, and any other distinguishing features;

(D) the total cash transaction amount; and

(E) the transaction type. The transaction types are as follows:

(i) Cash-outs, including but not limited to cashing personal checks and travelers checks;

(ii) chip redemptions. Include gaming location in comments column;

(iii) deposits in for safekeeping;

(iv) deposits out when withdrawing a safekeeping deposit; and

(v) other transactions not listed above, including cash transaction payment of EGM jackpots and exchanges of currency for currency;

(F) the time of the transaction;

(G) the employee's signature and commission license number of the employee logging the transaction;

(H) any other information that would be useful in identifying the patron or explaining the transaction;

(I) the supervisor's signature. The supervisor's signature shall acknowledge the following items:

(i) That the supervisor has reviewed the log and to the best of the supervisor's knowledge, all cash transactions of \$500 or more in excess of \$3,000 have been properly recorded; and

(ii) that all currency transaction reports have been properly completed for all single cash transactions and series of multiple cash transactions in excess of \$10,000; and

(J) the page number and total pages of the log for the gaming day;

(6) A chip inventory ledger, including the following details:

(A) The date of receipt, issuance, and destruction;

(B) the number of each denomination of chips received, issued, or destroyed;

- (C) the dollar amount of each denomination of value chips received, issued, or destroyed;
- (D) the number and description of non-value chips received, issued, or destroyed;
- (E) any required signatures; and
- (F) the identification of primary chips held in reserve with the word “reserve;”
- (7) A safekeeping deposit or withdrawal form, including the following details:
  - (A) preprinted numbering on all copies;
  - (B) the patron making the deposit’s name and signature;
  - (C) the date of the deposit or withdrawals;
  - (D) the amount of deposit or withdrawals ;
  - (E) the type of deposit or withdrawal;
  - (F) the reason for depositor withdrawal; and
  - (G) any required signatures;
- (8) A duplicate key inventory log, including the following details:
  - (A) the date and time of the log’s completion;
  - (B) the key name;
  - (C) the key number;
  - (D) the number of keys in beginning inventory;
  - (E) the number of keys added or removed;
  - (F) the number of keys in ending inventory;
  - (G) the reason for adding or removing keys; and
  - (H) the required signatures of the two individuals accessing the box;
- (9) A tips and gratuity deposit form, including the following details:

- (A) The date of the form's completion;
  - (B) the amount of chips listed by denomination;
  - (C) the total amount of all denominations; and
  - (D) all required signatures;
- (10) A temporary bank voucher, including the following details:
- (A) The date and time of the voucher's completion;
  - (B) the location of the temporary bank;
  - (C) the amount of funds issued;
  - (D) the signature from the main bank cashier who is issuing the funds;
  - (E) the signature of the individual receiving funds;
  - (F) the signature of the individual returning funds; and
  - (G) the signature of the main bank cashier receiving returned funds;
- (11) A duplication of the critical program storage media log, including the following details:
- (A) The date of the form's completion;
  - (B) the manufacturer of the chip;
  - (C) the program number;
  - (D) any personnel involved; and
  - (E) the disposition of any permanently removed CPSM;
- (12) An EGM drop compartment sweeps log, including the following details:
- (A) Each EGM number and location;
  - (B) the date and time of the drop;
  - (C) every signature of employees performing the sweep; and

(D) the supervisor overseeing the drop's signature;

(13) An EGM drop or win report, including the following details:

(A) The gaming date;

(B) the amount weighed by denomination and totaled;

(C) the amount wrapped by denomination and totaled;

(D) the dollar value difference by denomination;

(E) the percentage variance difference by denomination;

(F) the total jackpot payouts;

(G) the total hopper fills;

(H) the total foreign tokens;

(I) the total drop by denomination;

(J) the total drop all denominations;

(K) the net win (loss) by denomination and total; and

(L) all required signatures;

(14) An EGM entry access log, sometimes called a "MEAL book," including the following details:

(A) The EGM number and location;

(B) the date and time of the EGM access;

(C) the reason for entry; and

(D) all required signatures;

(15) An EGM hand-paid jackpot form, including the following details:

(A) the date and time of the form's completion;

(B) an EGM number, requiring hand-payment, location and denomination;

- (C) the amount of jackpot;
  - (D) the reel symbols on EGM jackpot requiring hand-payment; and
  - (E) all required signatures;
- (16) An EGM hopper fill slip, including the following details:
- (A) The date and time;
  - (B) an EGM number, location and denomination;
  - (C) the amount of hopper fill (numeric only is authorized if produced by an automated system); and
  - (D) the required signatures;
- (17) An EGM sweeps log, including the following details:
- (A) Each EGM number and location;
  - (B) the date and time;
  - (C) every signature of employees performing the sweep; and
  - (D) the supervisor overseeing the sweep's signature;
- (18) An even exchange slip, including the following details:
- (A) The date, time, and locations of the exchange;
  - (B) the amounts to be exchanged by type;
  - (C) the amounts to be changed for;
  - (D) all required signatures; and
  - (E) the total exchanged;
- (19) Each cage or bank variance slip, including the following details:
- (A) The date and time of the slip's completion;
  - (B) the location of bank;

(C) the amount of overage or shortage; and

(D) all required signatures;

(20) Ingress or egress logs for the count, surveillance rooms and cages, including the following details:

(A) The date of ingress or egress;

(B) the printed name of persons entering or leaving;

(C) the time in and out;

(D) the reason for entry; and

(E) all required signatures;

(21) A main bank or vault accountability, including the following details:

(A) The date and shift;

(B) the opening balance;

(C) the amount of each type of accountability transactions;

(D) detail of the total main bank or vault inventory including the inventory of the following:

(i) currency,

(ii) coin,

(iii) chips,

(iv) safekeeping deposits, and

(v) any unclaimed property account;

(E) the total main bank or vault inventory;

(F) all overages and shortages;

(G) the closing balance; and

(H) all required signatures;

(22) A master gaming report, including the following details:

(A) The gaming date;

(B) the game and table number;

(C) the table opener;

(D) the total fill slips;

(E) the total credit slips;

(F) the table closer;

(G) the total drop per table;

(H) the overall totals by game;

(I) the total win or loss; and

(J) all required signatures;

(23) A RAM clearing slip, including the following details:

(A) The date and time;

(B) an EGM number, location, and tokens played;

(C) the current reel positions or video display;

(D) the previous two reel positions or video display;

(E) the actual meter readings of the internal hard and soft meters;

(F) the progressive jackpot display, if linked;

(G) the reason for RAM clear; and

(H) all required signatures;

(24) The returned check log, including the following details:

(A) The name and address of the person who presented the check;

(B) the date of the check;

(C) the amount of the check;

(D) the check number;

(E) the date the licensee received notification from a financial institution that the check was not accepted; and

(F) the dates and amounts of any payments received on the check after being returned by a financial institution;

(25) A sensitive key log, including the following:

- (A) The date;
- (B) the key number;
- (C) the individual or automated key box issuing key;
- (D) the individual receiving the key;
- (E) the time key signed out;
- (F) the time key signed in;
- (G) the individual returning the key; and
- (H) the individual or automated key box receiving the returned key;

(26) A signature authorization list, including the following details:

- (A) The hire date;
- (B) the employee name;
- (C) the department;
- (D) the position;
- (E) the license number;
- (F) the exemplar initials; and

(G) the exemplar signature with a minimum of first initial and last name;

(27) A surveillance incident report, including the following details:

(A) The date and incident report number;

(B) the time and location of the incident;

(C) the names and addresses of witnesses and subjects involved in the incident, if

known;

(D) a detail narrative of incident;

(E) an identification of video tape covering the incident;

(F) the final disposition of the incident; and

(G) all required signatures;

(28) A surveillance shift log, including the following details:

(A) The date;

(B) the time of and duration, name, and location of important or unusual

observations;

(C) a listing of any surveillance issues, including the following:

(i) equipment malfunctions related to other logged events or activities,

(ii) completed tapes,

(iii) still photograph requests, and

(D) required signatures;

(29) A surveillance tape release log, including the following details:

(A) The tape number;

(B) the date and time of release;

(C) the printed name, department, or agency;

- (D) a notation indicating whether the tape is a duplicate or original;
  - (E) an authorization notation;
  - (F) an issued by and to notation; and
  - (G) all required signatures;
- (30) A surveillance tape retention log, including the following details:
- (A) The date and time;
  - (B) the tape number;
  - (C) a description, activity recorded, recording mode; and
  - (D) all required signatures;
- (31) A table credit slip, including the following details:
- (A) The date, pit, game or table number, and time;
  - (B) the amount of each denomination of chips to be credited;
  - (C) the total amount of all denomination to be credited; and
  - (D) all required signatures;
- (32) A table fill slip, including the following details:
- (A) The date, pit, game or table number, and time;
  - (B) the amount of each denomination of chips to be distributed;
  - (C) the total amount of all denomination to be distributed; and
  - (D) all required signatures;
- (33) A table inventory slip, including the following details:
- (A) The date and shift;
  - (C) the game and table number;
  - (D) the total value of each denomination of chips remaining at the table;

(E) the total value of all denominations; and

(F) all required signatures;

(35) A table soft count slip or currency counter machine tape, including the following details:

(A) The date;

(B) the table game and number;

(C) the box contents by denomination;

(D) the total of all denominations; and

(E) all required signatures;

(35) A weigh scale calibration module access log, including the following details:

(A) The date and time;

(B) the reason for access; and

(C) all required signatures;

(36) A weigh scale tape, including the following details:

(A) The date and time;

(B) an EGM number and denomination;

(C) the weigh value per bucket;

(D) the total by denomination;

(E) the total of all denominations; and

(F) all required signatures;

(37) A wide area progressive secondary jackpot slip, including the following details:

(A) The date and time;

- (B) an EGM number, location, and denomination;
- (C) the amount of jackpot in alpha and numeric description;
- (D) the reel symbols and number of tokens played;
- (E) all required signatures; and
- (F) the game type;

(38) A security incident report, including the following details:

- (A) The incident report number;
- (B) the date and time;
- (C) the location of the incident;
- (D) the date and time of the incident;
- (E) the type of incident;
- (F) the names and addresses of witnesses and subjects involved in the incident, if

known;

- (G) a detailed narrative of the incident;
- (H) the identification of video tape covering the incident, if applicable; and
- (I) all required signatures;

(39) A security incident log, including the following details:

- (A) The date of the daily log;
- (B) time of the incident;
- (C) the incident report number;
- (D) the name of reporting security department employee and commission license

number; and

- (E) the summary of the incident;

(40) A visitor or vendor log, including the following details:

- (A) The date;
- (B) the printed name;
- (C) the company;
- (D) the time in and time out;
- (E) the type of badge and the badge number;
- (F) the reason for entry; and
- (G) all required signatures.

(41) A key access list, including the following details:

- (A) The name of the key;
- (B) the location of the key;
- (C) the custodian of the key;
- (D) the quantity of the keys; and
- (E) the job titles authorized to sign out the key and, if applicable, escort

requirements and specific limitations;

(42) A table games variance slip, including the following details:

- (A) The gaming date;
- (B) the game or table number;
- (C) the shift;
- (D) a description of the discrepancy found; and
- (E) all required signatures;

(43) An inventory log of pre-numbered forms, including the following details:

- (A) The name of the pre-numbered form;

- (B) the date received or issued;
  - (C) the quantity received or issued;
  - (D) the number sequence of forms received or issued;
  - (E) the name of the department that forms were issued to; and
  - (F) all required signatures and commission license numbers;
- (44) A gift log, including the following details:
- (A) The name of the gift recipient;
  - (B) the gift donor;
  - (C) a description and value of the gift; and
  - (D) the date the gift was received;
- (45) A safekeeping log, including the following details:
- (A) The date of deposit or withdrawal;
  - (B) the name of patron;
  - (C) the dollar amount of deposit or withdrawal;
  - (D) the type of deposit or withdrawal; and
  - (E) the total balance of all deposits;
- (46) A card or dice discrepancy report, including the following details:
- (A) The date and time;
  - (B) the location;
  - (C) a description of the discrepancy found; and
  - (D) all required signatures;
- (47) A remote access log, including the following details:
- (A) The access start date and time;

- (B) the access end date and time;
  - (C) the reason; and
  - (D) the person making access;
- (48) A personnel access list, including the following details:
- (A) The employee name;
  - (B) the license number; and
  - (C) all authorized functions the employee may perform or equivalent means of identifying same;
- (49) A redemption log, including the following details:
- (A) The date;
  - (B) the dollar value of each item received by mail;
  - (C) the check number;
  - (D) the patron's name and address; and
  - (E) the signature of the employee performing the transaction;
- (50) A currency cassette log, including the following details:
- (A) The date;
  - (B) the time;
  - (C) the tamper resistant seal number;
  - (D) the unique cassette number;
  - (E) the amount of cash in the cassette;
  - (F) the denomination of currency in the cassette; and
  - (G) the signature of the main bank cashier who prepared the cassette; and
- (51) A table games jackpot slip, including the following details:

- (A) The date;
- (B) the time;
- (C) the amount of winnings in alpha and numeric description;
- (D) the table game number;
- (E) the type of jackpot;
- (F) the player's name;
- (G) the signature of cashier;
- (H) the signature of the dealer;
- (I) the signature of the table games supervisor; and
- (J) the signature of the security officer escorting the funds;
- (52) A meter reading comparison report, including the following details:

- (A) The date;
- (B) the asset number;
- (C) the beginning and ending credits played;
- (D) the beginning and ending credits paid;
- (E) the beginning and ending amount-to-drop, if applicable;
- (F) the beginning and ending jackpots paid;
- (G) the difference between the beginning and ending amount for all meters;
- (H) the variance between the meters, if any; and
- (I) an accounting signature. (Authorized by and implementing K.S.A. 2008

Supp. 74-8772; effective P-\_\_\_\_\_.)

**112-104-34. Physical key controls; automated key controls.** (a) “Sensitive keys” are those unlocking devices designated by either the Kansas lottery, a facility manager, or the commission as important to preserving the security of the facility manager’s business. Each facility manager must strictly control the storage, duplication, custody, issuance, and return of sensitive keys. The sensitive key box may be stored in each facility manager’s accounting department. At a minimum, the following keys are sensitive keys:

- (1) The EGM belly glass key;
- (2) the tip box key, sometimes called a “toke box” key; and
- (3) the accounting or audit box key.

(b) Sensitive keys may be further designated as “critical.” Critical keys are those unlocking devices that shall be maintained in a dual locked box. If a critical key is lost or becomes missing, all locks that the key fits shall be changed within 24 hours. At a minimum, the following keys are critical keys:

- (1) The EGM central processing unit key;
- (2) the EGM main door key;
- (3) the EGM drop door key;
- (4) the bill validator door and box release key;
- (5) the bill validator contents key;
- (6) the jackpot or EGM re-impressment kiosk keys;
- (7) the self-redemption or bill breaker kiosk keys;
- (8) the change cart key;
- (9) the table game drop box content key;
- (10) the table game drop box release key;

- (11) the bill validator and table drop storage cart keys;
- (11) the table games chip bank cover key;
- (12) the table games chip tray key;
- (13) the progressive table games controller key;
- (14) the progressive table games high end key;
- (15) the reserve chip storage keys;
- (16) the card and dice storage area keys;
- (17) the secondary chip storage keys;
- (17) the access door key to any cage, EGM bank, or redemption booth;
- (18) the window key to any cage, EGM bank, or redemption booth;
- (19) the vault keys;
- (20) the soft count room keys;
- (21) the weight scale calibration key; and
- (22) any keys not listed above that control access to cash or chip storage areas.

(c) If a facility manager chooses to use rings to maintain its keys, each key on the ring shall be identified on a key access list individually.

(d) Each facility manager's internal control system shall include details about the following information:

- (1) The location of each sensitive and critical key box;
- (2) the employee or contract job titles that are authorized to access the sensitive or critical key boxes;
- (3) how the keys for the sensitive or critical key boxes shall be issued and controlled;

(4) the sensitive or critical key names, location, custodian and job titles authorized to sign out each sensitive or critical key;

(5) the location and custodian of duplicate sensitive keys; and

(6) continuous surveillance coverage of each key box.

(e) If a facility manager chooses to use an automated key control system, the facility manager's internal control system shall also include the following information:

(1) A description of the automated system and its configuration, including how access is controlled;

(2) the system's ability to provide scheduled and on-demand reports for a complete audit trail of all access including the following:

(A) The identity of the key box;

(B) the identity of the employee;

(C) the identity of the keys;

(D) the date and time a key was removed;

(E) the date and time a key was returned;

(F) any unauthorized attempts to access the key box; and

(G) all entries, changes, or deletions in the system and the employee performing the entry, change, or deletion;

(3) the employee position that is in charge of any automated key control system;

(4) the employee positions that are authorized to enter, modify, and delete any keys;

(5) the employee positions that are authorized to access the system.

(6) details about the alarms being used to signal for the following events:

- (A) Overdue keys;
- (B) open key box doors;
- (C) unauthorized attempts to access; and
- (D) any other unusual activities;
- (7) any system override procedures; and
- (8) a procedure for the notification of a commission security agent on duty in the event of partial or complete system failure.

(f) All individuals authorized to access keys in the automated system shall have such authorization noted in such employee's personnel file.

(g) Any changes to the authorized employees that have access to the automated keys shall be updated within 72 hours of the employee change. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 03-03-09

**112-108-1. Definitions.** The following words and terms, when used in this article, shall have the following meanings unless the context clearly indicates otherwise:

(a) “Bad beat” means a jackpot prize that is paid in poker when a sufficiently strong hand is shown face down and loses to an even stronger hand held by another player.

(b) “Boxperson” means an individual who supervises dice games, such as craps and guards the money and chips at a long table, issues chips from this one pot, and settles conflicts about the plays.

(c) “Burning cards” means a process, performed by the dealer, where one or more cards are removed from the top of the deck of cards and placed in the discard pile, after the cards have been cut.

(d) “Counterfeit chip” means any chip or chip-like objects that have not been approved pursuant to this article, including objects referred to as “slugs,” but not coins of the United States or other nations.

(e) “Lammer” means a large button that dealers may place in front of players.

(f) “Nonvalue chips” means chips without a value on them.

(g) “Pai gow” means a double-hand poker variation based on the Chinese dominos game of Pai Gow.

(h) “Patron” means any person present at a gaming facility who is not employed by such facility manager, the Kansas lottery, or the commission and is not on the premises as a vendor of the facility manager.

(i) "Pit area" is defined as the immediate areas within a gaming facility where one or more table games are open for play.

(j) "Promotional coupon" means any instrument offering any person something of value issued by a facility manager to entice the person to come to the lottery gaming facility or ancillary facility or for use in or related to certified gambling games at a facility manager's gaming establishment.

(k) "Promotional game" means a drawing, event, contest, or game in which patrons may, without giving consideration, participate or compete for the chance to win a prize or prizes of different values.

(l) "Promotional giveaway" means a promotional gift or item given by a facility manager to any person meeting the facility manager's promotional criteria, where the person provides no consideration and there is no chance or skill involved in the awarding of the promotional gift or item, and all persons meeting the criteria receive the same promotional gift or item.

(m) "Rake" means a commission charged by the house for maintaining or dealing a game such as poker.

(n) "Special hand" means a secondary jackpot paid on a poker hand that does not qualify for the bad beat jackpot.

(o) "Table games" means lottery facility games other than an electronic gaming machine.

(p) "Value chips" means chips with a value impressed, engraved, or imprinted on them. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-  
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DRAFT 03-05-09

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**112-108-2. Consistency with the Kansas lottery's rules.** Each facility manager shall conduct any lottery facility games consistent with the rules of the game established by the Kansas lottery. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 03-05-09

**112-108-3. Participation in table games by a certificate holder or a gaming licensee.**

(a) Except as provided in K.A.R. 112-108-37, no facility manager or any director, officer, key person, or any other agent of any facility manager shall play or be permitted to play any table game in the gaming facility where the person is so licensed or employed.

(b) No holder of a gaming supplier certificate or any director, officer, key person, or any other agent of a gaming supplier shall play or be permitted to play at a table game in a gaming facility to which the gaming supplier provides its goods or services.

(Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 03/15/09

**112-108-4. Testing and approval of table games.** (a) Each table game, rules of the game, and the associated equipment to be used in a gaming facility shall be submitted for approval in accordance with the act and these regulations.

(b) Each table game, rules of the game, and associated equipment shall be evaluated by the commission for the following:

(1) overall operational integrity and compliance with the act and these regulations;

(2) mathematical accuracy of the payout tables; and

(3) compatibility with any specifications approved by the Kansas lottery.

(c) A product submission checklist may be prescribed by the executive director.

(d) The commission may use an independent testing laboratory to evaluate the table game and associated equipment.

(e) A trial period may be required by the commission to assess the functionality of the table game, rules of the game, and associated equipment in a live gaming environment. The conduct of the trial period shall be subject to compliance by the facility manager with any conditions that may be required by the commission.

(f) A facility manager shall not install a table game or associated equipment unless the table game, rules of the game, and associated equipment have been approved by the commission and issued a certificate authorizing its use at the gaming facility. The certificate shall be prominently displayed on the approved device. A facility manager

shall not modify, alter, or tamper with an approved table game, rules of the game, associated equipment, or a commission-issued certificate.

(g) The facility manager shall notify the executive director in writing and receive written approval at least five days before moving or disposing of a table game or associated equipment that has been issued a certificate. Before the removal of the table game or associated equipment from the gaming facility, the certificate shall be removed by a commission agent. A table game or the associated equipment installed in a gaming facility in contravention of this requirement shall be subject to seizure by any Kansas law enforcement officer.

(h) Any modification to a table game or the associated equipment may be authorized by the executive director on an emergency basis to prevent cheating or malfunction. The emergency request shall be documented by the facility manager. The request shall specify the name and employer of any persons to be involved in the installation of the modification and the manner in which the installation is to be effected. Within 15 days of receipt of any authorization to install an emergency modification, the facility manager shall submit the modification for full evaluation and approval in accordance with this article.

(i) Any facility manager shall notify the commission's security staff of any known or suspected defect or malfunction in any table game or associated equipment installed in the gaming facility no later than four hours after detection. The facility

manager shall comply with any instructions from the commission staff for the use of the table game or associated equipment.

(j) Any facility manager shall include table games and their associated equipment on their master list of approved gaming machines as required by K.A.R. 112-107-10.

(k) Table games and associated equipment shall be noted on the gaming floor plan under K.A.R. 112-107-7. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 03-05-09

**112-108-5. Compliance with law; prohibited activities.** (a) Each facility manager shall comply with all federal and state regulations and requirements for the withholding of taxes from winnings and the filing of currency transaction reports (CTR).

(b) The facility manager is prohibited from the following activities:

- (1) Permitting persons who are visibly intoxicated to participate in table games;
- (2) permitting any table game or associated table game equipment that may have been marked, tampered with, or otherwise placed in a condition or operated in a manner that might affect the normal game play and its payouts;
- (3) permitting cheating, if the facility manager was aware or should have been aware of;
- (4) permitting any cheating device to remain in or upon any gaming facility, or conducting, carrying on, operating, or dealing any cheating or thieving game or device on the premises; and
- (5) permitting any gambling device that tends to alter the normal random selection of criteria that determines the results of the game or deceives the public in any way to remain in or upon any gaming facility, if the facility manager was aware, or should have been aware of.

(c) Any violation of this regulation shall be reported within one hour to a commission agent.

(d) A facility manager shall not allow a patron to possess any calculator, computer, or other electronic, electrical, or mechanical device at any table game that:

- (1) Assists in projecting the outcome of a game;
- (2) keeps track of cards that have been dealt;
- (3) keeps track of changing probabilities; or
- (4) keeps track of playing strategies being utilized, except as permitted by the commission.

(e) A person who, without the assistance of another person or without the use of a physical aid or device of any kind, uses the person's own ability to keep track of the value of cards played and uses predictions formed as a result of the tracking information in their playing and betting strategy shall not be considered to be in violation of these regulations. Each facility manager may make its own determination if such behavior is disruptive to gaming. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 03-05-09

**112-108-6. Table game internal controls.** (a) Each facility manager shall establish a system of internal controls for the security and operation of table games as provided under this article. The internal controls for table games shall be submitted to the commission for approval under K.A.R. 112-104-1 and shall address the following:

(1) Object of the game and method of play, including what constitutes win, loss, or tie bets;

(2) physical characteristics of the game, gaming equipment, and gaming table;

(3) opening and closing of the gaming table;

(4) wagers and payout odds for each type of available wager:

(A) description of the permissible wagers and payout odds;

(B) minimum and maximum wagers shall be posted on a sign at each table; and

(C) maximum table payouts, if any, shall be posted at each table and shall not be less than the maximum bet times the maximum odds;

(5) for each game that uses the following, describe inspection procedures for:

(A) Cards;

(B) dice;

(C) wheels and balls; and

(D) manual and electronic devices used to operate, display the outcome, or monitor live games;

(6) for each game that uses cards describe:

(A) Shuffling procedures;

(B) card cutting procedures;

(C) procedures for dealing and taking cards; and

(D) burning cards;

(7) describe procedures for the collection of bets and payouts including requirements for Internal Revenue Service purposes;

(8) describe procedures for handling suspected cheating or irregularities and immediate notification of commission agent on duty;

(9) describe procedures for dealers being relieved;

(10) provide procedures for immediate notification to the commission agent on duty when equipment is defective or malfunctioning; and

(11) procedures to describe irregularities of the game, including dice off the table and soiled cards.

(b) Each facility manager that provides table games shall include in its internal controls a table game department. That department shall be supervised by a person located at the gaming facility who functions as the table game director. The department shall be mandatory and shall cooperate with, yet perform independently of other mandatory departments listed under K.A.R. 112-104-2. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

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**112-108-7. Publication of rules and payoff schedules for all permitted games.** Each facility manager shall provide free of charge and within one hour a copy of the rules and accurate payoff schedules for any table game if requested by a patron. Payoff schedules must accurately state actual payoffs applicable to a particular game or device and shall not be worded in a manner that misleads the public. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 03-05-09

**112-108-8. Payout for progressive table games.** (a) Table games that include progressive jackpots shall have a progressive meter visible to patrons. If any part of the distribution to the progressive jackpots is being used to fund a secondary jackpot, visible signage informing players of this supplemental distribution must be placed in the immediate area of the table. The existence of progressive jackpots and the distributions to those jackpots shall be set forth in the “rules of the game” within a facility manager’s internal controls for each game having a progressive jackpot. Any table game not meeting this distribution requirement shall be deemed an unauthorized gambling game.

(b) At least five days before the cancellation of any table game that includes a progressive jackpot that has not been awarded, the facility manager shall submit a plan for disbursement of that jackpot for approval by the commission. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772 and 74-8749; effective P-\_\_\_\_\_.)

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**112-108-9. Authorized table gaming suppliers.** Chips, dice, and playing cards for use in table games may only be purchased from a permitted or certified gaming supplier.

(Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 03-05-09

**112-108-10. Chip specifications.** (a) Chips with a value impressed, engraved, or imprinted on them shall be known as “value chips” and chips without a value on them shall be known as “nonvalue chips.”

(b) Each value chip issued by a facility manager shall have the following characteristics:

- (1) be round;
- (2) have clearly and permanently impressed, engraved, or imprinted on it the name of the facility manager and the specific value of the chip;
- (3) at least on one side of the chip, the city or other locality and the state in which the gaming facility is located, and the manufacturer’s name or a distinctive logo or other mark identifying the manufacturer;
- (4) have its center portion impressed, engraved, or imprinted with the value of the chip and the facility manager that is issuing it;
- (5) utilize a different center shape for each denomination;
- (6) be designed so as to be able to determine on surveillance camera monitors the specific denomination of a chip when placed in a stack of chips of other denominations;  
and
- (7) be designed, manufactured, and constructed so as to prevent the counterfeiting of value chips.

(c) Unless otherwise authorized by the commission, value chips may be issued by facility managers in denominations of one, two and one-half, five, twenty, twenty-five, one hundred, five hundred, one thousand, five thousand, and ten thousand dollars. The facility managers shall have the discretion to determine the denominations to be utilized at its gaming facility and the amount of each denomination necessary for the conduct of gaming operations.

(d) Unless otherwise authorized by the commission, value chips worth less than \$500 will have a diameter of 39 millimeters, and value chips worth equal to or greater than \$500 will have a diameter of 50 millimeters.

(e) Each denomination of value chip shall have a different primary color from every other denomination of value chip. Unless otherwise approved by the executive director, value chips shall fall within the colors set forth in this subsection when the chips are viewed both in daylight and under incandescent light. In conjunction with these primary colors, each facility manager shall utilize contrasting secondary colors for the edge spots on each denomination of value chip. Unless otherwise approved by the executive director, no facility manager shall use a secondary color on a specific denomination of chip identical to the secondary color used by another facility manager in Kansas on that same denomination of value chip. The primary color to be utilized by each facility manager for each denomination of value chip shall be as follows:

- |            |       |
|------------|-------|
| (1) \$ 1   | White |
| (2) \$2.50 | Pink  |

- (3) \$ 5            Red
- (4) \$ 20          Yellow
- (5) \$ 25          Green
- (6) \$100          Black
- (7) \$500          Purple
- (8) \$1,000        Fire Orange
- (9) \$5,000        Grey
- (10) \$10,000     Burgundy.

(f) Nonvalue chips shall meet the following requirements:

(1) Each nonvalue chip utilized by a facility manager shall be issued solely for roulette. The nonvalue chips at each roulette table shall:

(A) Have the name of the facility manager issuing it impressed into its center;

(B) contain a design, insert, or symbol differentiating it from the nonvalue chips

being used at every other roulette table in the gaming facility;

(C) have "Roulette" impressed on it; and

(D) be designed, manufactured, and constructed so as to prevent counterfeiting;

(E) nonvalue chips issued at a roulette table shall only be used for gaming at that table and shall not be redeemed or exchanged at any other location in the gaming facility.

When so presented, the dealer at the issuing table shall exchange them for an equivalent amount of value chips.

(g) No facility manager or its employees shall allow any patron to remove nonvalue chips from the table from which they were issued.

(h) No person at a roulette table shall be issued or permitted to game with nonvalue chips that are identical in color and design to value chips or to nonvalue chips being used by another person at the same table. When a patron purchases nonvalue chips, a nonvalue chip of the same color shall be placed in a slot or receptacle attached to the outer rim of the roulette wheel. At that time, a marker denoting the value of a stack of 20 chips of that color shall be placed in the slot or receptacle.

(i) Each facility manager shall have the discretion to permit, limit, or prohibit the use of value chips in gaming at roulette. Each facility manager shall also be responsible for keeping an accurate account of the wagers being made at roulette with value chips so that the wagers made by one player are not confused with those made by another player at the table. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-

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DRAFT 08-05-09

**112-108-11. Submission of chips for review and approval.** (a) Each facility manager shall submit to the executive director for approval a sample of each denomination of value and nonvalue chips and shall not utilize these chips for gaming purposes until approved in writing by the executive director.

(b) In requesting approval of any chips, a facility manager, shall first submit to the commission a detailed schematic of its proposed chips, and a sample chip, which shall show the front, back, and edge of each denomination of value chip and each nonvalue chip and the design and wording to be contained on the chip, all of which shall be depicted on the schematic or chip as they will appear, both as to size and location, on the actual chip. Once the design schematics or chip is approved by the executive director, no value or nonvalue chip shall be issued or utilized unless and until a sample of each denomination of value chip and each color of nonvalue chip is also submitted to and approved by the executive director.

(c) The name and address of the manufacturer shall be provided to the commission.

(d) No facility manager or other person licensed by the commission shall manufacture for, sell to, distribute to, or use in any gaming facility outside of Kansas any value or nonvalue chips having the same edge design as those approved for use in Kansas. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-  
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**112-108-12. Primary, secondary, and reserve sets of gaming chips.** Unless otherwise authorized by the executive director, each facility manager shall have a primary set of value chips, a separate secondary set of value chips, a primary set of nonvalue chips, and a nonvalue chip reserve that shall conform to the color and design specifications set forth in K.A.R. 112-108-10. An approved secondary set of value chips and reserve nonvalue chips shall be placed into active play when the primary set is removed.

(a) The secondary set of value chips shall have different secondary colors than the primary set and shall be required for all denominations.

(b) Each facility manager shall have a nonvalue chip reserve for each color utilized in the gaming facility with a design insert or symbol different from those nonvalue chips comprising the primary set.

(c) The facility manager shall remove the primary set of gaming chips from active play when:

(1) A determination is made by the facility manager that the gaming facility is taking on a significant number of counterfeit chips;

(2) any other impropriety or defect in the utilization of the primary set of chips makes removal of the primary set necessary; or

(3) the executive director so directs because of a security or integrity reason.

(d) When the primary set of chips is removed from active play, the facility manager shall immediately notify a representative of the commission as to the reason for

this occurrence. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective

P-\_\_\_\_\_.)

DRAFT 03-05-09

**112-108-13. Exchange of chips.** (a) Chips shall be issued to a person only at the request of that person and shall not be given as change in any other transaction. Chips shall be issued to gaming facility patrons at cashiers' cages or at the live table games. Chips may be redeemed at cashiers' cages.

(b) Chips shall only be redeemed by a facility manager for its patrons and shall not be knowingly redeemed from a source other than a patron. Employees of the facility manager may redeem chips they have received as gratuities as allowed under these regulations.

(c) Each facility manager shall promptly redeem its own chips by cash or by check dated the day of the redemption on an account of the facility manager as requested by the patron, except when the chips were obtained or used unlawfully.

(d) Each facility manager may demand the redemption of its chips from any person in possession of them and that person shall redeem the chips upon presentation of an equivalent amount of cash by the facility manager.

(e) No facility manager shall knowingly accept, exchange, use, or redeem gaming chips issued by another facility manager.

(f) Each facility manager shall cause to be posted and remain posted in a prominent place on the front of a cashier's cage, a sign that reads as follows, "Gaming chips issued by another facility manager may not be used, exchanged, or redeemed at this gaming facility." (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

**112-108-14. Receipt of gaming chips from manufacturer.** (a) When chips are received from the manufacturer, they shall be opened and checked by at least two employees, one from the table games department and one from the security department of the facility manager. Any deviation between the invoice accompanying the chips and the actual chips received or any defects found in the chips shall be reported to a security agent of the commission. A security agent of the commission shall be notified both by the gaming supplier and the facility manager of the time of delivery of any chips to the facility manager.

(b) After checking the chips received, the facility manager shall report in a chip inventory ledger the denomination of the chips received, the number of each denomination of chips received, the number and description of all nonvalue chips received, the date of receipt, and the signature of the individuals who checked the chips. Chip shall be divided into the following categories:

- (1) Primary chips for current use.
- (2) Reserve chips that may be placed into play as the need arises.
- (3) Secondary chips, both value and nonvalue, that are held to replace the primary set when needed.

(c) If any of the chips received are to be held in reserve and not utilized either at the table games or at a cashier's cage, they shall be stored in a separate, locked compartment either in the vault or in a cashier's cage and shall be recorded in the chip inventory ledger as reserve chips.

(d) Any chips received that are part of the secondary set of chips of the facility manager shall be recorded in the chip inventory ledger as such and shall be stored in a locked compartment in the gaming facility vault separate from the reserve chips.

(Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 03-05-09

**112-108-15. Inventory of chips.** (a) In the presence of at least two individuals, one from the table games department and one from the security department of the facility manager, chips shall be taken from or returned to either the reserve chip inventory or the secondary set of chips. The denominations, number, and amount of chips taken or returned shall be recorded in the chip inventory ledger together with the date and signatures of the two individuals carrying out this process.

(b) The facility manager's accounting department, on a monthly basis, shall compute and record the unredeemed liability for each denomination of chips, take an inventory of chips in circulation, and record the result of this inventory in the chip inventory ledger. On a monthly basis, the accounting department shall take an inventory of reserve chips and secondary chips and record the result of this inventory in the chip inventory ledger. The individuals who inspected and counted the chips shall either sign the inventory ledger or other supporting documentation. The procedures to be utilized to compute the unredeemed liability and to inventory chips in circulation, reserve chips, and secondary chips shall be submitted to the commission for approval. A physical inventory of chips in reserve shall only be required annually if the inventory procedures incorporate a commission-sealed, locked compartment, and such seals have not been broken. Seals shall only be broken by a commission agent and violation thereof shall immediately be reported to a commission agent on duty.

(c) During non-gaming hours, all chips in the possession of the facility manager shall be stored in the chip bank, in the vault, or in a locked compartment in a cashier's

case, except that chips may be locked in a transparent compartment on gaming tables provided that there is adequate security as approved by the commission.

(d) The internal control system shall include procedures for the removal and destruction of damaged chips from the gaming facility inventory. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 03-05-09

**112-108-16. Destruction of chips.** (a) Ten days before the anticipated destruction of chips, a facility manager shall notify the commission in writing of:

- (1) The date and the location at which the destruction will be performed;
- (2) the denomination;
- (3) the number and amount of value chips to be destroyed;
- (4) the description and number of nonvalue chips to be destroyed; and
- (5) a detailed explanation of the method of destruction.

(b) The facility's surveillance and a commission agent will be notified prior to the commencement of destruction.

(c) The destruction of chips will occur in a room monitored by surveillance for the duration of destruction.

(d) Unless otherwise authorized by the executive director, the destruction of chips shall be carried out in the presence of at least two individuals, one will be from the table games department and the other one will be from the security department. The denomination, number, and amount of value chips or, in the case of nonvalue chips, the description and number so destroyed shall be recorded in the chip inventory ledger together with the signatures of the individuals carrying out the destruction and the date on which destruction took place. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

**112-108-17. Counterfeit chips.** (a) The facility manager shall notify a commission security agent when a counterfeit chip is discovered and shall deliver the counterfeit chip to the commission security agent to investigate criminal prosecution.

(b) Each facility manager shall record the following information regarding counterfeit chips:

- (1) The number and denominations, actual and purported, of the coins and counterfeit chips destroyed or otherwise disposed of pursuant to this rule;
- (2) the month during which they were discovered;
- (3) the date, place, and method of destruction or other disposition, including, in the case of foreign coin exchanges, the exchange rate and the identity of the bank, exchange company, or other business or person at which or with whom the coins are exchanged; and
- (4) the names of the persons carrying out the destruction or other disposition on behalf of the facility manager.

(c) Unless the commission orders otherwise, facility managers may dispose of coins of the United States or any other nation discovered to have been unlawfully used at their establishments by including them in their coin inventories or, in the case of foreign coins, by exchanging them for United States currency or coins and including them in their currency or coin inventories, or by disposing of them in any other lawful manner.

(d) The facility manager shall maintain each record required by this regulation for at least seven years, unless the executive director approves or requires otherwise.

(Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 03-05-09

**112-108-18. Tournament chips and tournaments.** (a) "Tournament chip" means a chip or chip-like object issued by a facility manager for use in tournaments at the facility manager's gaming facility.

(b) Tournament chips shall be designed, manufactured, approved, and used in accordance with the provisions of this article applicable to chips, except as follows:

(1) Tournament chips shall be of a shape and size and have such other specifications so as to be distinguishable from other chips used at the gaming facility;

(2) each side of each tournament chip shall conspicuously bear the inscription—"No Cash Value";

(3) tournament chips shall not be used, and facility managers shall not permit their use, in transactions other than the tournaments for which they are issued; and

(4) the provisions of K.A.R. 112-108-17 shall not apply to tournament chips.

(c) As used in this regulation, entry fees shall be defined as the total amount paid by a person or on a person's behalf for participation in a tournament. A tournament is a contest offered and sponsored by a facility manager in which patrons may be assessed an entry fee or be required to meet some other criteria to compete against one another in a gambling game or series of gambling games in which winning patrons receive a portion or all of the entry fees, if any, which may be increased with cash or non-cash prizes from the facility manager. Facility managers may conduct tournaments provided:

(1) The facility manager shall notify the commission of the planned tournament at least 10 calendar days before the first day of the event;

(2) the facility manager shall conduct the tournament in compliance with all applicable rules, regulations, and laws;

(3) the facility manager shall maintain written, dated rules governing the event and the rules shall be immediately available to the public and the commission upon request. Tournament rules shall, at a minimum, include:

- (A) The date, time, and type of tournament to be held;
- (B) the amount of the entry fee, if any;
- (C) the minimum and maximum number of participants;
- (D) a description of the tournament structure, *i.e.*, number of rounds, time period, players per table, and criteria for determining winners;
- (E) the prize structure, including amounts and/or percentages for prize levels; and
- (F) procedures for the timely notification of entrants, the commission, and the refunding of entry fees in the event of cancellation.

(4) no false or misleading statements, written or oral, shall be made by a facility manager or its employees or agents regarding any aspect of the tournament, and all prizes offered in the tournament shall be awarded according to the facility manager's rules governing the event. Tournaments shall not be structured or conducted in a manner that reflects negatively on the facility manager, the commission, or the integrity of gaming in Kansas;

(5) the facility manager's accounting department shall keep a complete record of the rules of the event and all amendments thereto, including criteria for entry and

winning, names of all entrants, all prizes awarded, and prize winners, for a minimum of two years from the last date of the tournament and it shall be made readily available to the commission upon request;

(6) entry fees shall accumulate to adjusted gross gaming receipts. Entry fees shall be considered as buy-in except when paid with chips or a ticket;

(7) cash and non-cash winnings paid in a tournament shall be deductible from adjusted gross gaming revenue, but any such deduction shall not exceed the total entry fees received for the tournament and non-cash winnings shall be deductible only to the dollar value of the amount actually invoiced to and paid by the facility manager;

(8) upon the completion of the tournament, documentation of entrant's names, prize winners and amounts won, and tax reporting information shall be submitted to the commission; and

(9) the facility manager shall designate in its internal control system an employee position acceptable to the commission that shall be responsible for ensuring adherence to the rules set forth in this section. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

**112-108-19. Promotional activities.** (a) Facility managers shall establish a system of internal controls for promotional giveaways, conduct of promotional games, or similar activities. The internal controls shall be submitted to the commission under K.A.R. 112-104-1. Every promotion shall comply with the following:

(1) No false or misleading statements, written or oral, shall be made by a facility manager or its employees or agents regarding any aspect of any promotional activity;

(2) the promotional activity shall comply with all applicable laws and regulations and shall not constitute illegal gambling under federal or state law. An affidavit of such compliance shall be signed by the legal counsel of the facility manager and be maintained on file for two years from the last day of the event;

(3) the facility manager shall create dated, written rules governing the promotional activity that shall be immediately available to the public and the commission upon request. The facility manager shall maintain the rules of the event and all amendments thereto, including criteria for entry and winning, prizes awarded, and prize winners, for a minimum of two years from the last day of the event;

(4) all prizes offered in the promotional activity shall be awarded according to the facility manager's rules governing the event;

(5) the facility manager's employees shall not be permitted to participate as a player in any gambling, including promotional games, at such facility manager's gaming facility, including games for which there is no cost to participate; and

(6) the facility manager shall designate in its internal control system an employee position acceptable to the commission that shall be responsible for ensuring adherence to the rules set forth in this regulation.

(b) Promotional coupons shall contain the following information preprinted on the coupon:

- (1) The name of the gaming facility;
- (2) the city or other locality and state where the gaming facility is located;
- (3) specific value of any monetary coupon stated in U.S. dollars;
- (4) sequential identification numbers, player tracking numbers, or other similar means of unique identification for complete, accurate tracking and accounting purposes;
- (5) a specific expiration date or condition;
- (6) all conditions required to redeem the coupon; and
- (7) a statement that any change or cancellation of the promotion must be approved by the commission prior to the change or cancellation.

(c) Documentation of any change or cancellation of a promotional coupon shall be maintained on file for two years with the legal counsel's affidavit.

(d) Facility managers may use mass media to provide promotional coupon offers to prospective patrons; however, such offers shall only be redeemed for a preprinted coupon that contains all of the information required for a promotional coupon in section (c) of this regulation.

(e) Facility managers offering promotional coupons shall track the issuance and redemption of each promotional coupon in accordance with K.A.R. 112-107-19.

Documentation of the promotional coupon tracking shall be maintained on file for two years and made readily available to the commission upon request. The inventory of non-issued promotional coupons must be maintained in accordance with K.A.R. 112-107-19.

(f) Promotional coupons shall be cancelled at the time they are redeemed in a manner that will prevent multiple redemptions of the same coupon. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 03-05-09

**112-108-20. Table game and poker cards; specifications.** Unless otherwise documented in the internal controls and approved by the commission, all cards used for table games must meet the following specifications:

(a) Cards shall be in standard decks of 52 cards each with each card identical in size and shape to every other card in such deck or as otherwise documented in the internal controls and approved by the commission;

(b) each standard deck shall be composed of four suits: diamonds, spades, clubs, and hearts;

(c) each suit shall be composed of 13 cards: ace, king, queen, jack, 10, 9, 8, 7, 6, 5, 4, 3, and 2. The face of the ace, king, queen, jack, and 10 value cards may contain an additional marking, as documented in the internal controls and approved by the commission that will permit a dealer, before exposing their hole card at the game of blackjack, to determine the value of that hole card;

(d) the backs of each card in the deck shall be identical and no card shall contain any marking, symbol, or design that will enable a person to know the identity of any element printed on the face of the card or that will in any way differentiate the back of that card from any other card in the deck;

(e) the backs of all cards in the deck shall be designed so as to diminish as far as possible the ability of any person to place concealed markings thereon;

(f) the design to be placed on the backs of cards used by facility managers shall contain the name or trade name of the facility manager where the cards are to be used and

shall be submitted to the commission for approval prior to use of such cards in gaming activity;

(g) each deck of cards for use in table games as defined in this regulation shall be packaged separately through the use of cellophane or shrink wrap or other similar material as documented in the internal controls and approved by the commission. Such packaging shall have a tamper resistant destructive security seal and a tear band. Each deck of poker cards shall be packaged in sets of two decks through the use of cellophane or shrink wrap or other similar material as documented in the internal controls and approved by the commission and have a tamper resistant destructive security seal and a tear band;

(h) nothing in this section shall prohibit decks of cards with one or more jokers; provided; however, such jokers shall be used by the facility manager only in the play of any games documented in the internal controls and approved by the commission for that manner of play; and

(i) in addition to satisfying the requirements of this section, the cards used by a facility manager in any poker room game must:

(1) Be visually distinguishable from the cards used by that facility manager to play any table games;

(2) be made of plastic; and

(3) have two decks with visually distinguishable card backings for each set of poker cards. These card backings may be distinguished, without limitation, by different logos, different colors, or different design patterns.

(j) All table games utilizing cards shall be dealt from a dealing shoe or shuffling device, except card games as defined in K.A.R. 112-108-41. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 03-05-09

**112-108-21. Table game cards; receipt, storage, inspections, and removal from use.**

(a) A facility manager may only use plastic cards that have been approved by the commission for its poker games.

(b) When a deck of table game cards, including poker cards, are received for use in the gaming facility from a licensed gaming supplier, all of the following conditions shall occur:

(1) The decks shall be inspected for proper quantity and obvious damage by at least two employees, one of whom shall be from the table games department and the other from the security department or accounting department;

(2) the decks shall be recorded in the card inventory ledgers by a member of the security or accounting department. Any discrepancies in the invoice or packing list or any defects found shall be promptly reported to a commission agent on duty; and

(3) the decks shall be placed for storage in a primary or secondary storage area by at least two employees, one of whom shall be from the table games department and the other from the security department or accounting department. The primary card storage area shall be located in a secure place, the location and physical characteristics of which shall be documented in the internal controls and shall be approved by the commission. Secondary storage areas, if needed, shall be used for the storage of surplus decks. Decks maintained in secondary storage areas shall be transferred to the primary card storage area before being distributed to the pit area or poker tables. All secondary storage areas

shall be located in secure areas, the location and physical characteristics of which shall be documented in the internal controls and approved by the commission.

(c) All primary and secondary card storage areas shall have two separate locks.

The security department shall maintain one key and the table games department shall maintain the other key. No person employed by the table games department other than the pit manager, poker room manager, or their supervisor shall have access to the table games department key for the primary and secondary card storage areas.

(d) Immediately prior to the commencement of each gaming day, and at other times as may be necessary, the pit manager, poker room manager, or their supervisor, in the presence of a security department employee and after notification to surveillance, shall remove the decks of table game cards or poker cards from the primary card storage area needed for that gaming day.

(e) All cards before being transported to a pit or the poker room will be recorded on the card inventory ledger. Both the authorized table games department employee and security department employee shall sign verifying the information.

(f) Once removed from the primary card storage area, the pit manager, poker room manager, or their supervisor, in the presence of a security department employee, shall take the decks to the pit area or poker room and distribute the decks to the floor supervisors for distribution to the dealer at each table. The poker room manager, pit manager, or their supervisor, shall place extra decks into a single locked compartment of a poker room or pit area stand. All authority will be limited to the supervisor's or

manager's respective area of duty. The poker room supervisor, pit area supervisor or above shall have access to the extra decks of cards to be used for that gaming day.

(g) Any movement of decks after being delivered to the poker room or pit area involving areas normally open to the public will be by a poker room manager, pit manager or higher and require a security escort after notifying surveillance. Procedures for the pick-up of used decks, including obtaining keys, individuals responsible, and updating inventory ledgers shall include:

- (1) Transportation of used decks by security;
- (2) surveillance notification prior to movement of the decks;
- (3) time the procedures will be performed;
- (4) location the decks will be taken; and
- (5) other applicable security measures.

(h) If the decks are kept overnight, the decks shall be kept in a separate, single locked storage unit that is within a poker room or pit area completely enclosed or encircled by gaming tables. This storage compartment may be used to store decks for future play within that enclosed or encircled area for up to one week if:

- (1) Only the poker room supervisor, pit manager or his supervisor in the table games department has access to the compartment in which the decks are stored;
- (2) there is continuous, dedicated surveillance coverage of the storage compartment and surrounding area; and

(3) the poker room supervisor, pit manager or his supervisor in the table games department maintains an approved storage log that is current at all times inside the card storage compartment that includes the current number and color of decks in the compartment. The storage log shall indicate:

(A) The quantity and description of all decks that are placed in the compartment, including the signature and commission license number of the person who put the decks in the compartment, and the time and date;

(B) the quantity and description of all decks that are removed from the compartment including the signature and commission license number of the person who removed them, where they were taken, and the time and date;

(C) each entry in the log will also show the current number of each design and color combination of cards in the compartment after each addition or removal; and

(D) a log entry documenting the daily verification of the current inventory of cards by the poker room manager's supervisor, pit manager's supervisor or higher;

(4) any discrepancies are immediately reported to a commission security agent on duty; and

(5) cards will not be moved outside of the enclosed or encircled area without a security escort and notification to surveillance except for when being collected by security as detailed in subsection (n) of this regulation.

(i) Before being placed into play, all decks shall be inspected by the dealer and the inspection verified by a floor supervisor or the floor supervisor's supervisor. Card

inspection at the gaming table shall require the dealer to sort each deck into sequence and into suit to ensure that all cards are in the deck. The dealer shall also check each card to ensure that there is no indication of tampering, flaws, scratches, marks, or other defects that might affect the integrity of the game.

(1) If, after checking the cards, the dealer finds that a card is unsuitable for use, a floor supervisor or above shall bring a replacement card from the replacement deck or replace the entire deck.

(2) A commission security agent on duty shall be notified immediately of the removal, including the card manufacturer's name, and when and where discovered. Cards shall also be removed at the direction of the commission security agent on duty.

(3) Based upon the agent's discretion and circumstances as listed in subsection (t) of this regulation, all decks being removed from play will be counted at the table to ensure that no cards are missing.

(4) The unsuitable cards shall be placed in a transparent sealed envelope or container, identified by the table number, date, and time, and shall be signed by the dealer and floor supervisor assigned to that table. The floor supervisor or above shall maintain the envelope or container in a secure place within the enclosed and encircled area until collected by a facility manager's security department employee.

(5) Cards being removed from play shall be inspected by a member of the facility's security department within 48 hours of their removal.

(j) If an automated deck checking device is used, the facility manager shall include the following procedures:

(1) Before the initial use of the automated deck checking device, the critical program storage media and the camera software shall be verified and sealed by a commission security agent;

(2) the dealer will complete the inspection of the cards. The dealer inspection ensures that the back of the cards are the correct color and free of any visible flaws;

(3) the automated deck checking device will be maintained in the enclosed and encircled area;

(4) the automated deck checking device will not be used in the card storage room; and

(5) the automated deck checking device will be inspected on a weekly basis with decks that have pre-identified missing cards from each suit. The devices must properly identify each missing card in these decks.

(k) All envelopes and containers used to hold or transport cards collected by security shall be transparent.

(1) The envelopes or containers and the method used to seal them shall be designed or constructed so that any tampering shall be evident.

(2) The envelopes or containers and seals shall be approved by the executive director.

(l) Any cards that have been opened and placed on a gaming table shall be changed at least once every 24 hours. In addition, the following conditions shall be met:

(1) Cards opened for use on a traditional "full" baccarat table shall be changed upon the completion of each shoe;

(2) cards opened for use on any table game in which the cards are handled by the players shall be changed at least every six hours;

(3) cards opened for use on any table game and dealt from the dealer's hand or held by players shall be changed at least every four hours; and

(4) Any cards which have been opened and placed on a poker table shall be changed at least once every six hours.

(m) Cards damaged during the course of play shall be replaced by the dealer who shall request a floor supervisor or above to bring replacement cards from the enclosed and encircled area.

(1) The damaged cards shall be placed in a sealed envelope, identified by table number, date and time, and shall be signed by the dealer and the floor supervisor or the supervisor's supervisor who brought the replacement cards to the table.

(2) The floor supervisor or above shall maintain the envelope or container in a secure place within the enclosed and encircled area until collected by a security department employee.

(n) At the end of the gaming day or, in the alternative, at least once each gaming day at the same time each day, as designated by the facility manager and documented in

the internal controls approved by the commission, and at other times as may be necessary, the floor supervisor or above shall collect all used cards.

(1) These cards shall be counted and placed in a sealed envelope or container. A label shall be attached to each envelope or container that shall identify the table number, date and time, and shall be signed by the dealer and floor supervisor assigned to the table.

(2) The floor supervisor or above shall maintain the envelopes or containers in a secure place within the enclosed or encircled area until collected by a facility manager security department employee.

(o) The facility manager shall remove any cards from use any time there is indication of tampering, flaws, scratches, marks, or other defects that might affect the integrity or fairness of the game, or at the request of the commission security agent on duty.

(p) All extra decks with broken seals shall be placed in a sealed envelope or container with a label attached to each envelope or container that identifies the date and time and is signed by the floor supervisor and the pit manager or the supervisor's supervisor.

(q) At the end of the gaming day or, in the alternative, at least once each gaming day at the same time each day as designated by the facility manager in the internal controls and approved by the commission, and at other times as may be necessary, a facility manager security department employee shall collect and sign all envelopes or

containers with damaged cards, cards used during the gaming day, and all other decks with broken seals and shall return the envelopes or containers to the security department.

(r) Each poker room shall identify and maintain in the poker room stand a specified number of replacement decks for replacing unsuitable cards. The poker room supervisor or above shall have access to the replacement decks that are kept in a single locked compartment. The poker room supervisor or above shall keep a record of all cards removed from the replacement decks. The record shall include time, date, color, value, suit, reason for replacement, and the name of the individual who replaced the cards. The replacement decks shall be reconciled to the record at least weekly. Once a replacement deck has been depleted to the point it is no longer useful the remaining cards in the replacement deck shall be picked up by security and destroyed or cancelled.

(s) At the end of each gaming day or, in the alternative, at least once each gaming day as designated by the facility manager in the internal controls and approved by the commission, and at other times as may be necessary, a pit manager or the pit manager's supervisor may collect all extra decks of cards. If collected, all sealed decks shall be cancelled, destroyed, or returned to an approved storage area.

(t) When the envelopes or containers of used cards and reserve cards with broken seals are returned to the security department, they shall be inspected within 48 hours by a member of the facility manager's security department who has been trained in proper card inspection procedures. The cards will be inspected for tampering, marks, alterations, missing or additional cards, or anything that might indicate unfair play.

(1) With the exception of the cards used on a traditional "full" baccarat table, which are changed upon the completion of each shoe, all cards used in table games in which the cards are handled by the player will be inspected.

(2) In other table games, if less than 300 decks are used in the gaming day, at least 10% of those decks will be selected at random to be inspected. If 300 or more decks are used that gaming day, at least 5% of those decks but no fewer than 30 decks will be selected at random to be inspected.

(3) The facility manager shall also inspect:

(A) Any cards removed from play as stated in subsection (i)(3) of this regulation based upon the agent's discretion and circumstances as listed in subsection (t) of this regulation; and

(B) any cards the facility manager removed for indication of tampering; and

(C) all cards used for poker.

(4) The procedures for inspecting all decks required to be inspected under this subsection shall, at a minimum, include:

(A) The sorting of cards sequentially by suit;

(B) the inspection of the backs of the cards with an ultraviolet light;

(C) the inspection of the sides of the cards for crimps, bends, cuts, and shaving;

(D) the inspection of the front and back of all poker cards for consistent shading and coloring;

(E) the positions authorized by job description to conduct the inspection;

- (F) surveillance notification prior to inspecting the cards;
- (G) time and location the inspection will be conducted;
- (H) minimum training requirements of persons assigned to conduct the inspections;
- (I) specifically what inspections will be conducted and how they will be performed, including the use of any special equipment;
- (J) other applicable security measures;
- (K) immediate notification of the commission security agent on duty and the completion of an incident report describing any flawed, marked, suspects, or missing cards that are noted; and
- (L) reconciliation by the facility manager security department employee of the number of cards received with the number of cards destroyed or cancelled and any cards still pending destruction or cancellation. Any discrepancies will be reported to the commission immediately.
- (5) If, during the inspection procedures required in subsection (t)(4) above, one or more poker cards in a deck are determined to be unsuitable for continued use, those cards shall be placed in a sealed envelope or container and a three-part card discrepancy report shall be completed in accordance with subsection (t)(10) below.
- (6) Upon completion of the inspection procedures required in subsection (t)(4) above, each deck of poker cards which is determined suitable for continued use shall be

placed in sequential order, repackaged, and returned to the primary or poker card storage area for subsequent use.

(7) The facility manager shall develop internal control procedures for returning the repackaged cards to the storage area.

(8) The individuals performing the inspection shall complete a work order form that shall detail the procedures performed and list the tables from which the cards were removed and the results of the inspection. The individual shall sign the form upon completion of the inspection procedures.

(9) The facility manager shall submit the training procedures for those employees performing the inspection, which shall be documented in the internal controls and approved by the commission.

(10) Evidence of tampering, marks, alterations, missing or additional cards, or anything that might indicate unfair play discovered at this time, or at any other time, shall be immediately reported to the commission by the completion and delivery of a card discrepancy report.

(A) The report shall accompany the cards when delivered to the commission.

(B) The cards shall be retained for further inspection by the commission.

(C) The commission agent receiving the report shall sign the card discrepancy report and retain the original at the commission office.

(u) The facility manager shall submit to the commission for approval internal controls procedures for:

(1) A card inventory system that shall include, at a minimum, documentation of the following:

- (A) The balance of decks on hand;
- (B) the decks removed from storage;
- (C) the decks returned to storage or received from the manufacturer;
- (D) the date of the transaction; and
- (E) the signatures of the individuals involved.

(2) a verification on a daily basis of the number of decks distributed, the decks destroyed or cancelled, the decks returned to the storage area and, if any, the decks left in the podium; and

(3) a physical inventory of the decks at least once every three months.

(A) This inventory shall be performed by an employee from the internal audit department or a supervisory from the cage, EGM, or accounting department and shall be verified to the balance of decks on hand required in subsection (u)(1) above.

(B) The employees conducting this inventory shall make an entry and sign the card inventory ledger in a manner that clearly distinguishes this count as the quarterly inventory.

(C) Any discrepancies shall immediately be reported to the commission.

(v) Where cards in an envelope or container are inspected and found to be without any indication of tampering marks, alterations, missing or additional cards, or anything that might indicate unfair play, those cards shall be destroyed or cancelled.

Once released by the commission agent on duty, the cards submitted as evidence shall immediately be destroyed or cancelled in one of the following methods.

- (1) Destruction shall occur by shredding or other method documented in the internal controls and approved by the commission;
- (2) cancellation shall occur by drilling a circular hole of at least 1/4 of an inch in diameter through the center of each card in the deck or by cutting at least 1/4 of an inch off one corner from each card in the deck or other method documented in the internal controls and approved by the commission;
- (3) the destruction and cancellation of cards shall take place in a secure place, the location and physical characteristics of which shall be documented in the internal controls approved by the commission, and shall be performed by a member of the facility manager security department specifically trained in proper procedures; or
- (4) card cancellation and destruction record shall be maintained indicating the date and time of cancellation or destruction, quantity of cards to be cancelled or destroyed, and the individuals responsible for cancellation or destruction.
  - (w) Procedures for canceling or destroying cards shall include:
    - (1) The positions authorized by job description to cancel or destroy cards;
    - (2) surveillance notification prior to cancellation or destruction of the cards;
    - (3) time and location the cancellation or destruction will be conducted;
    - (4) specifically how cancellation or destruction will be accomplished, including the use of any special equipment;

(5) other applicable security measures; and

(6) immediate notification of a commission security agent on duty and the completion of an incident report regarding any flawed, marked, or suspicious cards that are noted during the cancellation or destruction process. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 03-05-09

**112-108-22. Dice specifications.** (a) Except as provided in subsection (b) below, each die used in gaming shall:

(1) Be formed in the shape of a cube with a size no smaller than .750 of an inch on each side nor any larger than .775 of an inch on each side;

(2) be transparent and made exclusively of cellulose except for the spots, name, or trade name of the facility manager and serial numbers or letters contained thereon;

(3) have the surface of each of its sides flat and the spots contained in each side flush with the area surrounding them;

(4) have all edges and corners square and forming 90 degree angles;

(5) have the texture and finish of each side exactly identical to the texture and finish of all other sides;

(6) have its weight equally distributed throughout the cube and no side of the cube heavier or lighter than any other side of the cube;

(7) have its six sides bearing white circular spots from one to six respectively with the diameter of each spot equal to the diameter of every other spot on the die;

(8) have spots arranged so that the side containing one spot is directly opposite the side containing six spots, the side containing two spots is directly opposite the side containing five spots, and the side containing three spots is directly opposite the side containing four spots; each spot shall be placed on the die by drilling into the surface of the cube and filling the drilled out portion with a compound that is equal in weight to the weight of the cellulose drilled out and that forms a permanent bond with the cellulose

cube, and shall extend into the cube exactly the same distance as every other spot extends into the cube to an accuracy tolerance of .0004 of an inch; and

(9) have the name or trade name of the facility manager in which the die is being used imprinted or impressed thereon.

(b) Each die used in gaming at pai gow poker, a two hand variation of poker, shall comply with the requirements of section (a) above except as follows:

(1) Each die shall be formed in the shape of a cube not larger than .8 of an inch on each side;

(2) instead of the name or trade name of the facility manager, the commission may approve an identifying mark or logo to be imprinted or impressed on each die;

(3) the spots on each die do not have to be equal in diameter;

(4) edges and corners may be beveled so long as beveling is similar on each edge and each corner; and

(5) tolerances required by subsection (a)(8) of this regulation as applied to pai gow poker dice shall require accuracy of only .004 of an inch. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

**112-108-23. Dice; receipt, storage, inspections, and removal from use.** (a) A facility manager shall take the following actions every time dice are received for use in the gaming facility from a certified gaming supplier:

(1) The packages shall be inspected for proper quantity and obvious damage by at least two employees, one of whom shall be from the table games department and the other from the security department or accounting department;

(2) the dice shall be recorded in the dice inventory ledgers by a member of the security or accounting department. Any discrepancies in the invoice or packing list or any defects found shall be promptly reported to a commission security agent on duty; and

(3) the boxes shall be placed for storage in a primary or secondary storage area by at least two employees, one of whom shall be from the table games department and the other from the security department or accounting department. The primary storage area shall be located in a secure place, the location and physical characteristics of which shall be approved by the commission. Secondary storage areas, if needed, shall be used for the storage of surplus dice. Dice maintained in secondary storage areas shall be transferred to the primary storage area before being distributed to the pits or tables. All secondary storage areas shall be located in secure areas, the location and physical characteristics of which shall be approved by the commission.

(b) All primary and secondary storage areas shall have two separate locks. The security department shall maintain one key and the table games department shall maintain the other key. No person working in the table games department that is working below

the pit manager or poker room manager may have access to the table games department key for the primary and secondary storage areas.

(c) Before the commencement of each gaming day and at other times as may be necessary, the pit manager, poker room manager, or their supervisor, in the presence of a security department employee and after notification to surveillance, shall remove the appropriate number of dice from the primary storage area for that gaming day.

(d) Before being transported to a pit, all dice will be recorded on the dice inventory ledger. Both the authorized table games department employee and security department employee shall sign verifying the information.

(e) Once the dice are removed from the primary storage area, the pit manager, poker room manager, or their supervisor, in the presence of a security department employee, shall take the dice to the pits and distribute the dice to the floor supervisors or directly to the boxperson. The boxperson is responsible for supervising dice games, the safekeeping of money and chips, issuing chips, and settling conflicts about play at each table.

(1) At the time of receipt, a boxperson at each craps table, to ensure that the dice are in a condition to ensure fair play, shall, in the presence of the floor supervisor, inspect each die with a micrometer or any other instrument approved by the commission that performs the same function, a balancing caliper, a steel set square and a magnet, which instruments shall be kept in a compartment at each craps table or pit stand and shall be at all times readily available for use by the commission upon request. The boxperson shall

also check the dice to ensure that there is no indication of tampering, flaws, scratches, marks, or other defects that might affect the play of the game. The inspection shall be performed on a flat surface, which allows the dice inspection to be observed by surveillance and by any person near the pit stand.

(2) Following this inspection the boxperson shall in the presence of the floor supervisor place the dice in a cup on the table for use in gaming, and at all times while the dice are at the table, the dice shall never be left unattended.

(3) The pit manager shall place extra dice in a single locked compartment in the pit stand. The floor supervisor or above shall have access to the extra dice to be used for that gaming day.

(4) Any movement of dice after being delivered to the pit will be by a pit manager or higher and require a security escort after notifying surveillance. Procedures for the pick-up of used dice, including obtaining keys, individuals responsible, and updating inventory ledgers shall include:

- (A) Transportation of used dice by security;
- (B) surveillance notification prior to movement of the dice;
- (C) time the procedures will be performed;
- (D) location where the dice will be taken; and
- (E) other applicable security measures.

(5) If the dice are kept overnight, the dice shall be kept in a separate, single locked storage unit within a pit area that is enclosed by gaming tables. This storage

compartment may be used to store dice for future play within that enclosed area for up to one week if:

(A) Only the pit manager has access to the compartment in which the dice are stored;

(B) there is continuous, dedicated surveillance coverage of the storage compartment and surrounding area; and

(C) the pit manager maintains an approved pit storage log current at all times inside the dice storage compartment that reflects the current number and color of dice in the compartment, and any discrepancies are immediately reported to the commission security agent on duty. Dice may not be moved outside of the enclosed area without a security escort and notification to surveillance. The pit storage log shall indicate:

(i) The quantity and description of all dice that are placed in the compartment, including the signature and commission license number of the person who put them in the compartment, and the time and date;

(ii) the quantity and description of all dice that are removed from the compartment including the signature and commission license number of the person who removed them, where they were taken, and the time and date;

(iii) each entry in the log will also show the current number of each design and color combination of dice in the compartment after each addition or removal; and

(iv) a log entry documenting the daily verification of the current inventory of dice by the pit manager's supervisor or higher;

(6) No dice taken from the reserve shall be used for gaming until the dice are inspected in accordance with this regulation.

(f) The facility manager shall remove any dice from use if there is any indication of tampering, flaws, or other defects that might affect the integrity or fairness of the game, or at the request of the commission agent on duty.

(g) At the end of each gaming day or at such other times as may be necessary, a floor supervisor, other than the person who originally inspected the dice shall visually inspect each die for evidence of tampering. Any evidence of tampering shall be immediately reported to the commission security agent on duty by the completion and delivery of an approved dice discrepancy report.

(1) Any die showing evidence of tampering shall be placed in a sealed envelope or container.

(A) All envelopes and containers used to hold or transport dice collected by security shall be transparent.

(B) A label shall be attached to each envelope or container that shall identify the table number, date, and time and shall be signed by the boxperson and floor supervisor.

(C) The envelopes or containers and the method used to seal the dice shall be designed or constructed so that any tampering shall be evident.

(D) The security department employee receiving the die shall sign the original, duplicate, and triplicate copy of the dice discrepancy report and retain the original at the security office. The duplicate copy shall be delivered to the commission and the

triplicate copy shall be returned to the pit and maintained in a secure place within the pit until collection by a security department employee.

(2) The procedures for inspecting all dice required to be inspected under this subsection shall include the following information:

- (A) The positions authorized by job description to conduct the inspection;
  - (B) surveillance notification prior to inspecting the dice;
  - (C) time and location the inspection will be conducted;
  - (E) minimum training requirements of persons assigned to conduct the inspections;
  - (F) the inspections that will be conducted and how they will be performed, including the use of any special equipment;
  - (G) other applicable security measures;
  - (H) immediate notification of the commission security agent on duty and the completion of an incident report describing any flawed, marked, suspect, or missing dice that are noted; and
  - (I) reconciliation by the security department employee of the number of dice received with the number of dice destroyed or cancelled and any dice still pending destruction or cancellation. Any discrepancies will be reported to the commission security agent within two hours.
- (3) All other dice shall be put into envelopes or containers at the end of each gaming day.

(A) A label shall be attached to each envelope or container that shall identify the table number, date, and time and shall be signed by the boxperson and floor supervisor.

(B) The envelope or container shall be appropriately sealed and maintained in a secure place within the pit until collection by a security department employee.

(h) All extra dice in dice reserve that are to be destroyed or cancelled shall be placed in a sealed envelope or container, with a label attached to each envelope or container that identifies the date and time and is signed by the pit manager.

(i) At the end of each gaming day, or at least once each gaming day as designated by the facility manager and approved by the commission, and at such other times as may be necessary, a security department employee shall collect and sign all envelopes or containers of used dice and any dice in dice reserve that are to be destroyed or cancelled and shall transport them to the security department for cancellation or destruction. The security department employee shall also collect all triplicate copies of dice discrepancy reports, if any. No dice that have been placed in a cup for use in gaming shall remain on a table for more than 24 hours.

(j) At the end of each gaming day, or at least once each gaming day as designated by the facility manager and approved by the commission, and at such other times as may be necessary, a pit manager or supervisor of the pit manager may collect all extra dice in dice reserve.

(1) If collected, dice shall be returned to the primary storage area.

(2) If not collected, all dice in dice reserve must be reinspected prior to use for gaming.

(k) The facility manager's internal control system shall include approval procedures for:

(1) A dice inventory system that shall include, at a minimum, the recordation of the following:

- (A) The balance of dice on hand;
- (B) the dice removed from storage;
- (C) the dice returned to storage or received from the manufacturer;
- (D) the date of the transaction; and
- (E) the signatures of the individuals involved.

(2) A reconciliation on a daily basis of the dice distributed, the dice destroyed and cancelled, the dice returned to the primary storage area and, if any, the dice in dice reserve; and

(3) a physical inventory of the dice at least once every three months.

(A) This inventory shall be performed by an employee from the internal audit department or a supervisor from the cashier's cage, EGM, or accounting department and shall be verified to the balance of dice on hand required in paragraph (k)(1)(A) above.

(B) Any discrepancies shall immediately be reported to the commission agent on duty.

(C) The employees conducting this inventory shall make an entry and sign the dice inventory ledger in a manner that clearly distinguishes this count as the quarterly inventory.

(1) Destruction and/or cancellation.

(1) Cancellation shall occur by drilling a circular hole of at least  $\frac{3}{16}$  of an inch in diameter through the center of each die or other method approved by the commission.

(2) Destruction shall occur by shredding or other method approved by the commission.

(3) The destruction and cancellation of dice shall take place in a secure place, the location and physical characteristics of which shall be approved by the commission.

(4) Dice cancellation and destruction record shall be maintained indicating the date and time of cancellation or destruction, quantity of dice to be cancelled or destroyed, and the individuals responsible for cancellation or destruction.

(5) Procedures for cancelling or destroying dice shall include:

(A) The positions authorized by job description to cancel or destroy dice;

(B) surveillance notification prior to cancellation or destruction of the dice;

(C) time and location the cancellation or destruction will be conducted;

(D) specifically how cancellation or destruction will be accomplished, including the use of any special equipment;

(5) other applicable security measures; and

(6) immediate notification of a commission security agent on duty and the completion of an incident report regarding any flawed, marked, or suspect dice that are noted during the cancellation or destruction process.

(m) Evidence of tampering, marks, alterations, missing or additional dice or anything that might indicate unfair play discovered shall be reported to the commission by the completion and delivery of a dice discrepancy report.

(A) The report shall accompany the dice when delivered to the commission security agent on duty.

(B) The dice shall be retained for further inspection by the commission security agent on duty.

(C) The commission agent receiving the report shall sign the dice discrepancy report and retain the original at the commission office. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 03-05-09

**112-108-24. Mandatory table game count procedure.** Each facility manager shall report to the commission the times when drop boxes will be removed and the contents counted. All drop boxes must be removed and counted at the times previously designated to the commission. Removal and counting of contents at other than the designated times is prohibited unless the facility manager provides advance written notice to the commission's security staff on site of a change in times or the commission requires a change of authorized times. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 03-05-09

**112-108-25. Handling of cash at gaming tables.** (a) Whenever cash is presented by a patron at a gaming table to obtain gaming chips, the following procedures and requirements shall be observed:

(1) The cash shall be spread on the top of the gaming table by the dealer or boxperson accepting it in full view of the patron who presented it and the supervisor assigned to that gaming table;

(2) the cash value amount shall be verbalized by the dealer or boxperson accepting it in a tone of voice calculated to be heard by the patron and the supervisor assigned to that gaming table;

(3) the boxperson or dealer shall count and appropriately break down an equivalent amount of chips in full view of surveillance and the patron; and

(4) immediately after that, the cash shall be taken from the top of the gaming table and placed by the dealer or boxperson into the drop box attached to the gaming table.

(b) No cash wagers shall be allowed to be placed at any gaming table. The cash shall be converted to chips prior to acceptance of a wager. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

**112-108-26. Table game tips.** (a) Every tip given to a dealer shall be handled in the following manner:

(1) Immediately deposited into a transparent locked box reserved for that purpose except that chips received at table games may first be placed in a color up tube if approved internal controls are in place for such action. If nonvalue chips are received at a roulette table, the marker button indicating their specific value at that time shall not be removed or changed until after a dealer, in the presence of a supervisor, has converted the nonvalue chips into value chips that are immediately deposited in a transparent locked box reserved for the purpose;

(2) accounted for by a recorded count conducted by a randomly selected dealer for each respective count, and a randomly selected employee of the security department. Such count shall be recorded on a tips and gratuity deposit form; and

(3) a facility manager may submit internal controls for the commission's approval that would allow dealers of poker to either pool tips paid to the dealer by a patron with other dealers operating poker games in the poker room or receive tips on an individual basis. The receiving of tips individually may be allowed only when the dealer does not make decisions that can affect the outcome of the gambling game, is not eligible to receive winnings from the gambling game as an agent of the facility manager, and who uses an approved shuffling machine during the course of the poker game. If tips are received by poker dealers on an individual basis, all tips shall be immediately placed into a locked individual transparent tip box that shall be assigned to and maintained by the

dealer while working. The locked individual tip box shall be given to the facility manager at the end of the shift for counting, withholding of taxes, and subsequent payment during the normal payroll process. For the purposes of this subsection, winnings from a gambling game shall not include commissions, commonly referred to as the "rake," withheld from amounts wagered in a game. Poker dealers may be permitted to receive tips on an individual basis only if the facility manager has internal controls governing such practice that have been approved by the commission.

(b) For exchanging, sometimes called "coloring up," dealer tips to a higher denomination prior to insertion into the tip box, the following procedures must be in place:

(1) A transparent cylinder or tube shall be attached to the table to maintain the chips until "colored up." The cylinder or tube shall have a capacity of no more than 25 chips; and

(2) prior to chips being colored up, the dealer shall make the announcement in a voice that can be heard by the table games supervisor that chips are being colored up. The dealer will then deposit an equal value of higher denomination chips into the tip box and place the lower denomination chips into the chip tray.

(c) Upon receipt of a tip from a patron, a dealer shall extend their arm in an overt motion and deposit the tip into the transparent locked box or color up tube reserved for such purposes.

(d) Applicable state and federal taxes shall be withheld on tips and gifts received by facility manager employees.

(e) The facility manager shall include in their internal controls the procedures for dropping tip boxes.

(f) Contents of tip boxes shall be collected, transported, stored, counted, and distributed to proper persons in a secure manner on a regular basis pursuant to a schedule approved by the commission.

(g) Before any tip box collection, a security department employee shall notify the surveillance department that the tip box collection process is about to begin.

(h) In the event a tip box becomes full, a security department employee and an employee from the applicable department shall notify the surveillance department and empty the full tip box into a secure bag or other approved container for the applicable department. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-

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DRAFT 03-05-09

**112-108-27. Table inventory.** (a) Chips shall only be added or removed from the table inventory in the following instances:

- (1) In exchange for cash presented by the patron;
- (2) for payment of winning wagers or collection of losing wagers made at the table;
- (3) through approved internal controls governing table fill and credit procedures;
- (4) in exchange with patrons for gaming chips of equal value; or
- (5) in exchange for a verified automated tip receipt from a commission-approved automated table game controller.

(b) A facility manager may not transfer or exchange chips or currency between table games.

(c) Table inventories shall be maintained in trays that are covered with a transparent locking lid when the tables are closed. The information on the table inventory slip shall be placed inside the transparent locking lid and shall be visible from the outside of the cover. In case of an emergency, the transparent lid shall be locked over the inventory until normal play resumes.

(d) The table inventory slip shall be at least a two-part form; one of which is designated as the "opener" and the other is the "closer."

(e) If a gaming table is not opened during a gaming day, preparation of a table inventory slip is not required. However, the table games department must provide a daily

list of table games not open for play including the last "closer" inventory amount and date.

(f) When a table game is not open for play for seven consecutive gaming days, the table inventory shall be counted and verified by either two table games supervisors or a table games supervisor and a dealer or boxperson, who shall prepare a new table inventory slip and place the previous inventory slip in the table drop box. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 03-05-09

**112-108-28. Opening of gaming tables.** (a) Immediately before opening a table for gaming, a table games supervisor or table games manager shall unlock the transparent table tray lids in the presence of the dealer or boxperson assigned to the table.

(b) The dealer or boxperson and table games supervisor or table games manager shall each count the chips by denomination and verify the count to the "opener."

(c) The dealer or boxperson and the table games supervisor or table games manager shall sign and attest to the accuracy of the information recorded on the "opener."

(d) Once signed, the dealer or boxperson shall immediately deposit the "opener" into the drop box attached to the gaming table.

(e) Internal controls shall include procedures for reconciling instances when counted inventory differs from the amount recorded on the "opener" and shall include the name of the table games supervisor or table games manager preparing a table games variance slip, the signatures required, distribution of each part of the form, and the assurance that one part is deposited in the drop box. Variances of \$100 or more at any table shall be reported immediately by the table games supervisor or table games manager to a commission security agent on duty. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

**112-108-29. Closing of gaming tables.** (a) When a gaming table is closed, chips remaining at the table shall be counted and verified by either two table games supervisors or a table games supervisor and a dealer or boxperson, who shall prepare a table inventory slip.

(b) After the table inventory slip is signed by the table games supervisor and the dealer or boxperson, the dealer or boxperson shall immediately deposit the “closer” in the drop box.

(c) The table games supervisor shall place the “opener” under the table tray lid in a manner that the amounts on the “opener” may be read and lock the lid in place.

(d) Each time a table game is closed, complete closing procedures shall be followed to include the counting, verification, recording, and securing of the chips in the tray, as well as the proper disposal of the cards or dice that were in play. If the game is reopened again on the same gaming day, complete opening procedures will be followed to include the counting and verification of chips in the tray and inspection of cards or dice and all applicable gaming equipment. Opener and closer slips for games that are opened and closed more than once in a gaming day may be marked in such a manner as to indicate the sequence of the slips. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

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**112-108-30. During 24-hour gaming.** During 24-hour gaming, a table game closer shall be prepared to coincide with the table drop for that gaming day. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 03-05-09

**112-108-31. Procedures for manually filling chips from cage to tables.** (a) Chips may only be transported to gaming tables when accompanied by the following documentation.

(b) Cross-fills, even money exchanges, and foreign currency exchanges in the pit are prohibited.

(c) To request that chips be filled at table games, a supervisor or table games manager shall prepare a two-part order for fill form in ink entering the following information:

- (1) The amount of the fill by denomination of chips;
- (2) total amount of the fill;
- (3) table or game number; and
- (4) signature of supervisor or manager.

(d) The order for fill shall be transferred to the facility manager's accounting department by the end of the gaming day. The order for fill will be taken by a security department employee to the cashier's cage. A copy of the order for fill shall be placed on top of the table requesting the fill.

(e) A three-part manual fill slip shall be used to record the transfer of chips from the cashier's cage to a gaming table. The fill slips shall be sequentially numbered by the vendor. The alphabet need not be used if the numerical series is not repeated during the business year. Chips may not be transported unless accompanied by a fill slip.

(f) Unless otherwise approved by commission, manual fill slips shall be inserted in a locked dispenser that permits an individual slip in the series and its copies to be written upon simultaneously. The dispenser shall discharge the original and duplicate copies while the triplicate remains in a continuous, unbroken form in the locked dispenser.

(g) If a manual fill slip needs to be voided, the cage cashier shall write "VOID" across all accessible copies of the fill slip and an explanation of why the void was necessary. Both the cage cashier and a security department employee or another level II employee independent of the transaction shall sign the voided fill slip. The voided fill slips shall be submitted to the facility manager's accounting department for retention.

(h) Corrections on manual table fills shall be made by crossing out the error, entering the correct information, and then obtaining the initials and commission license number of at least two cage employees. Employees in accounting who make corrections shall initial and include their commission license number.

(i) A small inventory of unused manual fill slips may be issued to the facility manager's security department by accounting for emergency purposes. These unused fill slips shall be maintained by the facility manager's accounting or security departments.

(j) A cashier's cage employee shall prepare a three-part fill slip in ink by entering the following information:

- (1) Denomination;
- (2) total amount;

(3) game or table number and pit;

(4) date and time; and

(5) required signatures.

(k) A cashier's cage employee shall sign the order for fill after comparing it to the fill slip and then prepare the proper amount of chips. A facility manager's security department employee shall verify the chip totals with the fill slip. A cashier's cage employee shall present the ordered chips to the security department employee in a clear chip carrier. Once verified, both the cashier's cage employee and the security department employee shall sign the fill slip, and the cashier's cage employee or security department employee shall also time and date stamp the fill slip. A cashier's cage employee shall retain the order for fill and staple it to a copy of the fill slip after the required signatures from pit personnel are obtained by a security department employee.

(l) After notifying surveillance, a facility manager's security department employee shall take the chips and the fill slips to the indicated table. The chips shall be counted by the dealer or boxperson and witnessed by a table games supervisor and security department employee in full view of surveillance. After verifying the chips to the amounts listed on the fill slip, the table games supervisor and dealer or boxperson shall sign the fill slips. The table games supervisor and security department employee shall observe the dealer or boxperson place the chips in the rack and deposit the fill slips in the table drop box. A security department employee may not leave the table until the

chips have been placed in the racks and the fill slips have been dropped. A security department employee shall return a copy of the fill slip to the cashier.

(m) The copies of the fill slips will be reconciled by accounting at least once daily. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-

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DRAFT 03-05-09

**112-108-32. Procedures for automated filling of chips.** (a) The table games supervisor or table games manager will determine that a fill is necessary and initiate the request for fill process. If a request for fill slip is used, procedures for distribution of the slip will be included in the internal controls.

(b) The table games manager or the pit clerk will enter a request for fill into the computer including the following:

- (1) The amount by denomination;
- (2) total amount;
- (3) game or table number and pit;
- (4) dates and time; and
- (5) required signatures.

(c) A two-part computer generated fill slip shall be used to record the transfer of chips from the cashier's cage to a gaming table. The fill slips shall be numbered by the computer in a manner that ensures that every fill in a given calendar year has a unique sequential number.

(d) Two copies of the computerized fill slips shall be printed simultaneously and a record of the transaction shall be stored within the computer database.

(e) If a computerized fill slip needs to be voided, the cage cashier writes "VOID" across all copies of the fill slip and an explanation of why the void was necessary. Both a cashier's cage employee and a security department employee or another level II employee independent of the transaction shall sign the voided fill slip. The voided fill

slips shall be submitted to the accounting department for retention and accountability.

The transaction shall be properly voided in the computer database.

(f) A two-part fill slip will be printed in the cashier's cage containing the information required in subsection (b). A security department employee shall verify the chip totals with the fill slip. A cashier's cage employee will present the ordered chips to a security department employee in a clear chip carrier. Once verified, both a cashier's cage employee and security department employee will sign the fill slip.

(g) After notifying surveillance, a security department employee shall take the chips and the fill slips to the indicated table. Only a security department employee will transport fills. The chips shall be counted by the dealer or boxperson and witnessed by a table games supervisor and security department employee in full view of surveillance. After verifying the chips to the amounts listed on the fill slip, the table games supervisor and dealer or boxperson will sign the fill slips. The table games supervisor and security department employee shall observe the dealer or boxperson place the chips in the rack and deposit the fill slip in the table drop box. A security department employee will not leave the table until the chips have been placed in the racks and the fill slip has been dropped. A security department employee will return a copy of the fill slip to the cashier's cage.

(h) The main bank cashier shall run an adding machine tape on the fill slips and verify the total to the amount in the automated accounting system. All fill paperwork will be forwarded to accounting.

(i) The ability to input data into the gaming facility computer system from the pit will be restricted to table games managers and pit clerks. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 03-05-09

**112-108-33. Procedures for recording manual table credits.** (a) Three-part manual credit slips shall be used to record the transfer of chips from a gaming table to the cage. The credit slips shall be sequentially numbered by the vendor. The alphabet need not be used if the numerical series is not repeated during the calendar year. Chips may not be transported unless accompanied by a credit slip.

(b) The inventory of nonissued credit slips shall be maintained by the facility manager's accounting or security department. Accounting shall be responsible for the initial receipt of manual credit slips.

(c) When a table games supervisor or table games manager determines a table credit is required, a two-part order for credit shall be completed in ink by entering the following information:

- (1) The amount by denomination of chips needed;
- (2) total amount;
- (3) game or table number and pit;
- (4) date and time; and
- (5) signature of the manager or supervisor.

(d) The table games supervisor or the table games manager shall keep one copy of the order for credit on the table and take the other copy of the order for credit to the pit stand. The pit stand employee shall maintain that copy in the pit paperwork. The table games manager shall give a copy of the order for credit to a security department

employee, who shall take it to the cashier's cage where the cashier shall prepare a three-part credit slip in ink by entering:

- (1) The chip denomination;
- (2) total amount;
- (3) game or table number; and
- (4) time and date.

(e) The security department employee shall take the credit slip to the gaming table and a copy of the order for credit shall be retained at the cage.

(f) The dealer or boxperson shall count the chips in full view of the table games supervisor or that supervisor's supervisor, the security department employee, and surveillance department.

(g) The dealer or boxperson and table games supervisor shall verify the chips to the credit slip, and the credit slip to the order for credit. The dealer or boxperson and table games supervisor shall sign the credit slip and the order for credit. The security department employee shall verify the chips to the order for credit, sign the order for credit and the credit slip, and receive the chips in a clear chip carrier. The security department employee shall carry the chips and the order for credit and the credit slip back to the cashier's cage. A copy of the order for credit shall be retained at the table until a copy of the credit slip is returned.

(h) The cashier's cage employee shall receive the credit slips and the chips from the security department employee, verify that the chips match the order for credit and

credit slip. The cashier's cage employee shall then sign the credit slips and the order for credit. The cashier's cage employee shall time and date stamp the credit slips. Unless otherwise approved by the commission, a copy shall remain unbroken in the locked form dispensing machine. The order for credit shall be attached to a copy of the credit slip and be retained by the cashier's cage.

(i) The copy of the credit slip issued by the cashier's cage shall be taken back to the table by the security department employee. The table games supervisor and dealer or boxperson shall compare the copy of the credit slip to the order for credit. The table games supervisor shall observe the dealer or boxperson deposit the order for credit slips in the table drop box.

(j) The copies of the credit slips, with the copies of the order for credit attached, shall be transferred to the main bank when a buy is done for the cashier's cage. The main bank cashier shall run a tape on the credit slips and verify the total to the amount in the automated accounting system.

(k) The locked copies of the manual credit slips shall be removed from the machines by accounting.

(l) If a credit slip needs to be voided, the cage cashier will write "VOID" across all copies of the credit slip and an explanation of why the void was necessary. Both the cashier's cage employee and a security department employee or another level II employee independent of the transaction shall sign the voided credit slip. The voided credit slips shall be subsequently transferred to accounting and retained.

(m) Corrections on manual table fill or credit shall be made by crossing out the error, entering the correct information, and then obtaining the initials and commission license number of at least two cashier's cage employees.

(n) Accounting employees who make corrections shall initial and note their commission license number on the request. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 03-05-09

**112-108-34. Automated table credits.** (a) Two-part computer generated credit slips will be used to record the transfer of chips from a gaming table to the cashier's cage. The credit slips shall be sequentially numbered by the computer system ensuring each credit in a given calendar year is assigned a unique number. Chips shall not be transported unless accompanied by a credit slip.

(b) The table games manager or the pit clerk will enter a request for credit into the computer including the following:

- (1) The amount by denomination;
- (2) total amount;
- (3) game or table number and pit;
- (4) dates and time; and
- (5) required signatures.

(c) A security department employee will obtain the credit slip and chip carrier from the cage and proceed to the pit area.

(d) The dealer or boxperson shall count the chips in full view of the table games supervisor or higher, the security department employee, and surveillance.

(e) The table games supervisor and dealer or boxperson shall verify that the value of the chips in the carrier matches the amount on the credit slip and sign the credit slip.

The security department employee will verify that the chips match the credit slip, sign the credit slip, and carry the chips and the credit slip to the cashier's cage.

(f) A cashier's cage employee shall receive the credit slip and the chips from the security department employee, verify that the chips match the credit slip, and sign the credit slip. A copy of the credit slip shall be retained by the cashier's cage.

(g) The copy of the credit slip shall be taken back to the table by the security department employee. The table games supervisor shall observe the dealer or boxperson deposit the copy of the credit slip into the table drop box.

(h) The main bank cashier shall run an adding machine tape on the credit slips and verify the total to the amount on the automated accounting system. All credit paperwork shall be forwarded to accounting by the main bank cashier.

(i) If a credit slip needs to be voided, the cashier's cage employee shall write "VOID" across all copies of the credit slip and an explanation of why the void was necessary. Both the cashier's cage employee and a security department employee independent of the transaction shall sign the voided credit slips. The voided credit slip shall be transferred to the accounting department where it shall be retained. The transaction shall be properly voided in the computer database.

(j) The ability to input data into the gaming facility computer system from the pit shall be restricted to table games managers and pit clerks.

(k) Employees in accounting who make corrections shall initial each correction and include their commission license number. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

**112-108-35. Table game layouts.** (a) Table game layouts shall be consistent with the facility manager's internal controls and have the following characteristics:

- (1) Markings on the layout can be adequately seen by surveillance;
- (2) odds of winnings and payouts shall be included in markings on the layout when required by commission;
- (3) designs shall not contain any advertising other than the facility manager's logo or trademark symbol or Kansas lottery-approved design;
- (4) designs shall not contain any feature that tends to create a distraction from the game;
- (5) chips, cards, dice, and any other components of the game on the layout can clearly be seen by the dealer, player, and surveillance; and
- (6) a colored depiction of the table shall be submitted to the commission for approval before being placed into play.

(b) Table layouts shall not be stored in a nonsecure area.

(c) Used table layouts that display the licensee's logo and are not used for internal training purposes approved by commission shall be destroyed and will not be sold or given to the public. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

**112-108-36. Required personnel for specific table games.** (a) Pit areas may be on multiple levels or locations within a gaming facility. Pit areas shall be described by facility managers in their internal controls at a minimum by their locations, configurations, and restrictions on access. Each full-size "big bac" baccarat tables shall be in a separate room or clearly segregated area of the floor that functions as a separate area from the other table games and is surrounded by baccarat tables. For the purposes of access to a pit, card and dice control, and other table games activities, a "pit" shall be more narrowly defined as a single, separate area that is completely enclosed or encircled by gaming tables.

(b) The table games supervisors and the oversight of their assigned table games and pit operations shall be directly supervised in the following configuration by either a table games manager or casino shift manager:

(1) In the following instances a table games manager does not need to be on duty, but at least one casino shift manager shall provide direct supervision by acting as a table games manager:

(A) When one craps table is open; or

(B) when up to six total tables are open.

(2) In the following instances a table games manager shall provide direct supervision and a casino shift manager shall not act as a table games manager:

(A) When two or more craps or baccarat tables are open; or

(B) when seven to 36 total table games are open.

(3) In the event that more than 36 tables are open, one additional table games manager will provide direct supervision for each additional set of one to 36 tables open and a casino shift manager shall not act as a table games manager.

(c) Other than a casino shift manager acting as a table games manager, table games managers shall be physically present in the pit for at least 90% of their shift and be solely dedicated to supervising activities at open table games and activities within the pits. Absences of a longer duration shall require a replacement table games manager to be on duty in the pit. If a facility manager uses job titles other than "table games supervisor" or "table games manager," then the internal controls shall specify which job titles used by the facility manager correspond to these positions and ensure the job descriptions of those positions properly delineate the duties. Table games managers supervising pit areas separated by sight or sound shall have a communications device enabling them to be immediately notified of any incident requiring their attention and shall promptly respond when notified. The gaming facility shift manager shall assign table games managers specific responsibilities regarding activities associated with specific tables.

(d) Each full size baccarat table shall be directly supervised by at least one table games supervisor. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

**112-108-37. Instructional table games offered to public.** (a) A facility manager may offer instructional table games provided the following requirements are met:

- (1) Only cancelled cards and dice shall be used;
- (2) gaming chips shall be marked "no cash value" or are distinctively different from any value and nonvalue chips used in the gaming facility and can be readily seen if intermingled into a stack of active chips of a similar color;
- (3) in the case of roulette, nonvalue chips shall be distinctively different in design than those used on the gaming floor or have been drilled or otherwise cancelled;
- (4) no wagering is permitted;
- (5) no prizes may be awarded in association with the games;
- (6) all participants shall be at least 21 years of age; and
- (7) the commission gives approval to the facility manager to use the instructional table game.

(b) Written notification setting forth the date, time, type of event, and event location must be submitted for approval to the commission at least 15 days in advance of the instructional game. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

**112-108-38. Minimum and maximum table games wagers.** (a) All minimum and maximum wagers shall be posted at each table and may be changed between games by posting new table limits.

(b) If the minimum or maximum wager is changed, the sign shall be changed to reflect the new amount. A facility manager may allow these bets during a table limit change:

(1) Patrons who have been playing and have less than the posted minimum to place as a final bet;

(2) patrons who were playing when minimum table limits were raised may continue to place bets under the old table minimum limit; and

(3) patrons who were playing when a maximum table limit was raised may be allowed to continue placing bets under the previous table maximum bet.

(c) Payment on wagers that cannot be made evenly will be rounded up to the next chip denomination. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

**112-108-39. Dealer hand clearing.** (a) All dealers and boxpersons shall clear their hands in view of all persons in the immediate area and surveillance before and after touching their body and when entering and exiting the game. Dealer hand clearing means holding and placing both hands out in front of the body with the fingers of both hands spread and rotating the hands to expose both the palms and the backs of the hands to demonstrate that the hands are empty. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 03-05-09

**112-108-40. Table games jackpot; employee pocketbooks.** (a) A table games jackpot slip or manual jackpot form shall be used to pay any table games jackpot that is at least \$600 and at least 300 times the amount of the wager or otherwise required by IRS reporting standards. If a manual jackpot form is used, the form shall include all the information as required on the table games jackpot slip. The table games jackpot slip or manual jackpot form shall be a sequentially numbered, two-part form. One part shall be deposited in the table game drop box and the other copy retained at the cashier's cage.

(b) Employees shall be prohibited from taking a pocketbook or other personal container into the pit area unless such container is transparent. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

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**112-108-41. Poker room; general.** (a) Live poker games in which the dealer does not play a hand and a rake is collected shall be played only in an approved poker room. All other poker games in which the dealer plays a hand and the player competes against the dealer shall be played at gaming tables that are part of a pit on the gaming floor.

(b) The facility manager shall have current house rules in writing. These rules shall be available in hard copy in the poker room for patrons, employees, and commission personnel. All revised or rescinded house rules shall be kept on file and shall be available for at least one year. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 3-05-09

**112-108-42. Poker room; supervision.** (a) Each poker room shall be under the general control of a poker room manager or table games manager and the direct oversight of at least one poker room supervisor. Poker room supervisors shall be solely dedicated to supervising poker room personnel and all activities within the poker room when the poker room is opening, in operation, or closing at the end of the gaming day. A poker room supervisor may operate the poker room bank, if so authorized in the internal controls system. The poker room shall be staffed with at least one poker supervisor for every one to eight tables open.

(b) If a facility manager uses job titles other than “poker room manager” or “poker room supervisor,” the internal controls shall specify which job titles used by the facility manager correspond to these positions and ensure the job descriptions of those positions properly describe the duties assigned. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

**112-108-43. Poker room; banks and transactions.** (a) If a facility manager uses a poker room bank, the facility manager's internal controls shall state whether the bank is operated as a branch of the main cage with a cashier's cage or if accountability and staffing of the bank is the responsibility of the poker room manager or poker room supervisor.

(b) Both the outgoing and incoming individual responsible for the bank shall sign the completed count sheet attesting to the accuracy of the information at the beginning and ending of each shift. If there is no incoming or outgoing individual, the countdown, verification, and signatory requirements shall be performed by the individual who is responsible for the bank and a cashier's cage employee or a supervisor independent of the poker room.

(c) Transfers between table banks and the poker room bank shall be authorized by a poker room supervisor and evidenced by the use a transfer slip as set forth in the internal controls. The poker dealer and poker room supervisor shall verify the amount of chips to be transferred. Transfers between table banks and poker room banks or cashier's cages within the poker room do not require a security escort.

(d) Transfers between the table banks or poker room bank and the cashier's cage outside the poker room are properly authorized and documented by the poker room supervisor on an even exchange slip as set forth in the internal controls.

(e) A facility manager may only permit patrons to exchange cash for chips at the poker room bank or cashier's cage and then only within submitted and commission-approved buy-in procedures.

(f) When a poker table is opened, the poker table bank inventory shall be counted by a poker dealer and the accuracy of the count shall be verified by the poker room supervisor and attested to by their signatures on a table inventory slip. The count shall be recorded and reconciled when the poker table is closed.

(g) When a poker table is not open for play for seven consecutive gaming days, the poker table inventory shall be counted and verified by either two poker room supervisors or a poker room supervisor and a dealer who shall prepare a new table inventory slip and place the previous inventory slip in the table drop box. (Authorized by and implementing K.S.A. 2008, Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 112-108-43

**112-108-44. Poker room; drops and counts.** The procedures for the collection of poker table drop boxes, token boxes, and the count of the contents thereof shall comply with the internal control standards applicable to the table game drop boxes in K.A.R.

112-108-48. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-  
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DRAFT 03-05-09

**112-108-45. Bad beat and special hand jackpots.** (a) If the facility manager offers a bad beat or special hand jackpot, all funds collected for the jackpot shall be used to fund the primary, secondary, and tertiary jackpot and be available for poker players to win. The percentage of the funds attributable to each jackpot shall be included in the rules of the game in the facility manager's internal control standards. Special hands are hands designated by the facility manager that may be used to accelerate the distribution of the bad beat jackpots.

(b) When a patron wins a bad beat or special hand jackpot, the following information shall be recorded on the bad beat payout documentation and copies of the Internal Revenue Service 1099-MISC, if applicable, shall be attached:

- (1) A description of the cards that comprised the winning poker hand for that game;
- (2) a description of the cards that comprised the winning bad beat hand;
- (3) the name of the person that had the winning poker hand for that game;
- (4) the name of the person that had the winning bad beat hand;
- (5) the names of the other players in the game; and
- (6) the amount won by each person.

(c) Surveillance shall be notified and shall visually verify all winning hands when a bad beat or special hand jackpot is won. The verification by surveillance shall be documented in the surveillance log.

(d) The amount of primary bad beat jackpots and any special hand jackpots shall be prominently displayed at all times in the poker room, and the amount displayed shall be promptly updated at least once each gaming day by adding the correct percentage of funds that were collected from the previous gaming day. In the event the bad beat jackpot is won and the amount displayed has not yet been updated, the poker room supervisor shall contact accounting and update the bad beat amount before paying the winners. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 03-05-09

**112-108-46. Gaming table drop device characteristics.** (a) Each gaming table in the gaming facility shall have an attached drop device for the following items:

- (1) deposited currency;
- (2) copies of table transaction documents; and
- (3) mutilated chips.

(b) Each gaming table drop device shall have the following characteristics:

- (1) A lock that secures the drop device to the gaming table;
- (2) a lock that secures the contents of the drop device from being removed without authorization;
- (3) a slot opening or mechanism through which all currency, documents, etc., shall be inserted;
- (4) a mechanical device that shall automatically close and lock the slot opening upon removal of the drop device from the gaming table; and
- (5) a marking that is permanently imprinted and clearly visible that identifies the game and table number to which it is attached. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

**112-108-47. Emergency gaming table drop devices; drop procedures.** (a) The facility manager shall maintain emergency gaming table drop devices with the same physical characteristics in K.A.R. 112-108-46, except for the game and table number markings. The emergency drop device shall be permanently marked with the word "EMERGENCY" and shall have an area for the temporary marking of the game and table number.

(b) Emergency drop devices shall be maintained in the soft count room or in a secured area as approved by the commission. The storage location, controls, and authorized access shall be described in the internal control system.

(c) At least two individuals shall be responsible for performing the emergency drop. One shall be a security department employee and one shall be a level I or level II employee independent of the table games department. The table games department shall notify the commission security agent on-duty that an emergency drop is needed. Security shall notify surveillance that an emergency drop is needed.

(d) The internal control procedures for emergency drop devices shall include the following items:

- (1) Procedures for retrieval of the emergency drop device;
- (2) the process for obtaining drop device release keys;
- (3) procedures for removal of the drop device; and
- (4) the location and safekeeping of the replaced drop device.

(e) Any contents removed during the emergency drop shall be counted and included in the next count. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 03-05-09

**112-108-48. Procedures for the collection and transportation of drop devices. (a)**

The facility manager shall submit the current drop schedule to the commission's security agent showing the times and days when the drop devices will be removed from the gaming tables. At a minimum, the gaming table drop devices shall be dropped at the end of each gaming day.

(b) On 24-hour gaming days, all properties shall be allowed to conduct drops while patrons are present in accordance with commission-approved drop procedures.

(c) The internal control system shall state which job titles will participate in each drop ensuring that there are at least two employees, one of whom shall be a security employee. The actual removal of the drop devices from the gaming tables shall be performed by an employee independent of the table games department.

(d) The collection and transportation of gaming table drop devices containing funds shall be conducted using locked storage carts that shall be escorted by a security department employee at all times in addition to other security requirements.

(e) The collection and transportation procedures of each type of drop device shall be described in the internal control system, including alternative procedures for malfunctions, emergencies, and when multiple trips are required to transport the drop devices to the count room.

(f) Access to stored drop devices that contain funds is restricted to authorized members of the drop and count teams.

(g) Each drop device collection process, including transportation of drop devices, shall be continuously monitored by surveillance personnel and recorded.

(h) Drop and count team members, except security department employees, assigned to the collection of drop devices shall wear a one-piece, pocketless jumpsuit, or other apparel approved by commission, as supplied by the facility manager. Drop apparel shall be issued immediately prior to use by the facility manager.

(i) A security department employee must be present for and observe the entire drop process. All drop devices shall be observed by security from the time the drop devices are no longer secured in the gaming device until the drop devices are secured in the respective count rooms.

(j) All drop devices shall be transported to the soft count room. The facility manager shall describe in the internal control system security procedures when the empty drop storage carts must be stored elsewhere because of space limitation in the count rooms. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-

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**112-108-49. Exchange and storage of foreign chips.** (a) Foreign chips are chips that are not authorized for use at a specific gaming facility.

(b) Foreign chips inadvertently received in the table rake shall be recorded as drop for adjusted gross receipt purposes.

(c) Foreign chips shall be separated from the facility manager's chips and stored in a locked compartment in the main bank or vault.

(d) The internal control system shall describe procedures for the storage and accountability concerning foreign chips.

(e) Facility managers exchanging foreign chips with other gaming facilities shall ensure that the employee performing the exchange is independent of the transaction.

(f) Foreign chips shall only be exchanged for an equal value of the facility manager's chips, a check, or cash.

(g) A facility manager shall maintain documentation of the exchange of foreign chips. The documentation shall include the signatures of all the individuals involved in the exchange and an inventory of all the items exchanged. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

**112-108-50. Procedures for monitoring and reviewing game operations.** (a) Each facility manager shall establish procedures for monitoring and reviewing daily table game transactions for the following activities:

- (1) Table games;
- (2) gaming facility cashiering;
- (3) currency transaction reporting;
- (4) sensitive key access; and
- (5) reconciliation of numerical sequence of forms used, matching and reviewing all copies of forms, matching computer monitoring system reports with actual fill and payout forms, and examination of voided forms.

(b) The procedures in subsection (a) shall include a description of the computation of the unredeemed liability and the inventory of chips in circulation and reserve.

(c) Document the procedures for resolving questions raised during the review and monitoring of daily gaming transactions.

(d) Document the criteria for determining deviations from expected results of gaming operations that require further investigations and the procedures for conducting and recording the results of such investigations. This shall include the notification of a commission agent.

(e) The accounting department shall perform a monthly general ledger reconciliation of:

- (1) Adjusted gross receipts;
- (2) cage accountability;
- (3) chip liability; and
- (4) progressive jackpot liability.

(f) A gaming facility's accounting department shall review on a weekly basis the master game report for any unusual variances from the prior week.

(g) The accounting department for each facility manager shall perform daily audits of the following:

- (1) table games;
- (2) cashier's cage;
- (3) player tracking; and

(4) other areas deemed appropriate by the commission. The daily audits shall indicate the individual performing the audit and the individual reviewing the audit performed.

(h) Table games procedures shall be performed daily for both computerized and manual forms and shall include, at a minimum, the following:

(1) Trace table game fills and credit slips originals to duplicate copies and to orders for fill and credits to verify agreement;

(2) review the table game fills and credit slips for the proper number of authorized signatures, proper date/time, and accurate arithmetic;

(3) review all voided table game fills and credits for appropriate handling and required number of authorized signatures. Assure that all appropriate forms are attached;

(4) verify that credits and fills are properly recorded for the computation of win;

(5) trace opening drop cards to the previous shift's closing inventory slip to verify agreement and test for completeness and propriety;

(6) trace the detail from the master gaming report into the accounting entries recording the transactions and to the total cash summary;

(7) any other procedures deemed necessary by the executive director;

(8) all variances or discrepancies from above shall be investigated, recorded, and reported to the head of the accounting department or its equivalent. The information shall be made available upon demand by the commission staff; and

(9) any variances or discrepancies that affect the calculation of the win shall be adjusted. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-

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DRAFT 112-108-50

**112-108-51. Maintaining table game statistical data.** (a) A facility manager shall maintain records showing the statistical drop, statistical win, and statistical win-to-drop percentages for each gaming table and type of game. These records shall be maintained by day, cumulative month-to-date, and cumulative year-to-date.

(b) A facility manager shall prepare and distribute statistical reports to gaming facility management on a minimum of a monthly basis. Unusual fluctuations from the base level shall be investigated and the results shall be documented in writing, retained, and a copy submitted to the commission.

(c) Management shall investigate any unusual fluctuations in table game statistics with pit supervisory personnel. At a minimum, investigations shall be performed for a month for all percentage fluctuations in excess of 3% from the base level. The "base level" is defined as the facility manager's win to drop percentage for the previous business year or previous month in an initial year of operations. The results of such investigations shall be documented in writing and maintained for at least seven years by the licensee.

(d) As requested, reports shall be given to the commission of daily table game drop, win or loss, and percentage of win or loss. In addition, if gaming facility management has prepared an analysis of specific table wins, losses, or unusual fluctuations, such reports shall also be given to the commission. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

**112-108-52. Required internal audits.** (a) The following internal audit procedures shall be conducted on a minimum of a semi-annual basis, except for the annual cash count. If a procedure does not apply to the operations of the facility manager, this shall be noted in the audit report.

(b) Table games audit procedures, performed by a member of the facility's audit department, shall include provisions that:

(1) Five table openings and five table closings shall be observed for compliance with the commission-approved internal controls and this article, and review the related documentation for accuracy and required information;

(2) a total of 10 table fills and three table credits shall be observed. The observations shall occur over at least three different gaming days. If unable to observe three credits, verify procedures through interview;

(3) table game drop and collection procedures as defined in the commission-approved internal controls and this article shall be observed and reviewed for two gaming days with one day being a 24 hour gaming day or a weekend day;

(4) soft count procedures for table games and poker drops shall be observed and reviewed as defined in the commission-approved internal controls and this article, including the subsequent transfer of funds to the main bank or vault;

(5) dice inspection procedures shall be observed and reviewed as outlined in the commission-approved internal controls and this article;

(6) card inspection procedures shall be observed and reviewed as defined in the commission-approved internal controls and this article;

(7) card and dice inventory control procedures shall be reviewed and verified;

(8) statistical reports for table game drop, win, and win-to-drop percentages shall be reviewed to determine if fluctuations in excess of 3% from the base level are investigated;

(9) supervision in the pits shall be verified as required by the commission-approved internal controls and this article;

(10) dealer tip collection, count verification, and recording procedures shall be observed; and

(11) table game operations shall be observed to ensure compliance with the commission-approved internal controls and this article, pertaining to table games, including poker. This observation shall include a representative sample of all table games over a two-day observation period.

(c) Gaming facility cashiering shall be verified by a member of the facility's internal audit department to ensure that any changes to the chip inventory ledgers during the semi-annual audit period are documented and the required signatures are present on the ledger or the supporting documentation.

(d) Adjusted gross receipts shall be reconciled by a member of the facility's internal audit department against:

(1) Adjusted gross receipts from the table games, cage accountability, chip liability, and progressive jackpot liability. Include a copy of the reconciliation in the internal audit report.

(2) Trace all gaming source documents (i.e. table fill slips, table credit slips, and opener/closer slips) for at least two gaming days to summarized documentation and reconcile to copies.

(A) Review these documents for accuracy and completion, as defined in the commission-approved internal controls and this article.

(B) Verify and account for the numerical sequence of the table fill slips, table credit slips, and table jackpot slips. Review all voided source document slips for appropriate handling and authorized signatures. Assure that all copies are attached.

(3) Test and review the table games on-line soft count systems to verify transactions are accurately recorded in the central computer system.

(e) Annual cash count: On an annual basis, internal audit shall conduct an observation of a complete physical count of all cash and chips in accordance with guidelines issued by the commission. The count shall not be conducted during the month of fiscal year end close or the month immediately preceding.

(1) The commission must be notified 30 days in advance of the count. At its discretion, commission representatives may be present.

(2) Management staff may be notified no more than 24 hours in advance of the count to ensure adequate staff is on duty to facilitate access to all areas being counted.

(3) All count sheets shall be signed by those performing the inventory.

(4) A summary of the inventory total for each count sheet along with all shortages and overages and the signed count sheets shall be included in the internal audit report.

(5) The cash count of cage windows and of the main bank shall be conducted by a member of the facility's internal audit department when the location is closed, unless otherwise approved by the commission. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 03-05-09

**112-108-53. Found items.** Cash, chips, tickets, cards, dice, gaming equipment, records, or any other items found in unauthorized or suspicious locations or circumstances shall be reported by the finder to the commission security agent on duty. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

DRAFT 03-05-09

**112-108-54. Waiver of requirements.** (a) The commission may, on its own initiative, waive one or more of the requirements of this article applicable to table games upon a determination that the nonconforming control or procedure meets the operational integrity requirements of the act and this article.

(b) A facility manager may submit a written request to the commission for a waiver for one or more of the requirements in this article. The request shall be filed on an amendment waiver and request form and include supporting documentation demonstrating how the table game controls for which the waiver has been requested will still meet the operational integrity requirements of the act and this article. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective P-\_\_\_\_\_.)

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# March 2009 - February 2010

## Commission Planner

Mar 2009						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

MARCH  
13 Commission Meeting

Sep 2009						
S	M	T	W	T	F	S
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6	7	8	9	10	11	12
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APRIL  
16 Commission Meeting

Apr 2009						
S	M	T	W	T	F	S
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MAY  
15 Commission Meeting  
JUNE

Oct 2009						
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12 Commission Meeting  
JULY  
17 Commission Meeting (tentative)

May 2009						
S	M	T	W	T	F	S
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31						

AUGUST  
14 Commission Meeting (tentative)

Nov 2009						
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29	30					

11 Commission Meeting (tentative)  
SEPTEMBER  
16 Commission Meeting (tentative)

Jun 2009						
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NOVEMBER  
13 Commission Meeting (tentative)

Dec 2009						
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DECEMBER  
11 Commission Meeting (tentative)

Jul 2009						
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Jan 2010						
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Aug 2009						
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Feb 2010						
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