

112-104-2. Facility manager's organization. (a) Each facility manager's internal control system shall include organization charts depicting the segregation of functions and the responsibilities and descriptions of the duties and responsibilities for each position shown. Each facility manager shall be permitted, except as otherwise provided in this regulation, to tailor organizational structures to meet the needs or policies of a particular management philosophy. Each facility manager's organization charts shall provide for the following:

(1) A system of personnel and chain of command that permits management and supervisory personnel to be held accountable for actions or omissions within their areas of responsibility;

(2) the segregation of incompatible functions, duties, and responsibilities so that no employee is in a position both to commit an error or perpetrate a fraud and to conceal the error or fraud in the normal course of the employee's duties;

(3) the performance of all functions, duties, and responsibilities in accordance with legitimate financial practices by trained personnel;

(4) the areas of responsibility that are not so extensive as to be impractical for one person to monitor; and

(5) a chief executive officer. For the purposes of this article, a "chief executive officer" shall mean the person located at the gaming facility who is ultimately responsible for the daily conduct of the facility manager's business regardless of the particular title that person actually holds. Unless otherwise specified in these regulations,

each supervisor of a department required by subsection (b) shall report directly to the chief executive officer of the facility manager regarding administrative matters and daily operations. The facility manager's organization charts shall designate which positions, in the absence of the chief executive officer, shall be designated as having responsibility for the daily conduct of the facility manager's gaming business.

(b) Each facility manager's internal control system shall also include the following departments and supervisory positions, each of which shall be categorized as mandatory and shall cooperate with, yet perform independently of, other mandatory departments and supervisory positions of the facility manager. However, a department or supervisor of a facility manager that is not required or authorized by this subsection may operate under or in conjunction with a mandatory department or supervisor if the organizational structure is consistent with the requirements of the act and subsection (a). The mandatory departments and supervisory positions shall be the following:

(1) A surveillance department supervised by a person located at the gaming facility who functions, for regulatory purposes, as the director of surveillance;

(2) an internal audit department supervised by a person located at the gaming facility who functions, for regulatory purposes, as the director of internal audit:

(A) The director of internal audit department shall report directly to one of the following persons or entities regarding matters of policy, purpose, responsibility, and authority, which persons or entities shall also control the hiring, termination, and salary of the position:

(i) The independent audit committee of the facility manager's board of directors;

(ii) the independent audit committee of the board of directors of any holding or intermediary company of the facility manager that has authority to direct the operations of the facility manager;

(iii) the internal audit executives of any holding or intermediate company if the most senior executive in the reporting line reports directly to the independent audit committee of the board of directors of the holding or intermediary company; or

(iv) for facility managers or holding companies that are not corporate entities, the noncorporate equivalent of any of the persons or entities listed in paragraphs (b)(2)(A)(i) through (iii) as approved by the commission; and

(B) the internal audit department shall operate under all of the provisions contained under K.A.R. 112-104-24;

(3) a management information systems (MIS) department supervised by a person located at the gaming facility who functions, for regulatory purposes, as the MIS director;

(4) an EGM department supervised by a person located at the gaming facility who functions, for regulatory purposes, as the EGM director;

(5) a security department supervised by a person located at the gaming facility who functions, for regulatory purposes, as the director of gaming facility security;

(6) an accounting department supervised by a person located at the gaming facility who functions as the controller, for regulatory purposes:

(A) The controller shall be responsible for all accounting functions, including the preparation and control of books, records, and data, the control of stored data, the control of unused forms, the accounting for and comparison of operational data and forms; and

(B) the facility manager shall have in its accounting department at least one individual responsible for and dedicated to verifying financial transactions and reviewing accounting forms and data. This function, which is sometimes referred to as "income or revenue reconciliation," shall be independent of the transactions under review. This function shall include a daily reconciliation of EGM transactions documentation, a daily reconciliation of the parimutuel transaction documentation, a daily reconciliation of the facility manager cage accountability, document control, and signature verification; and

(7) a cashier's cage department supervised by a person located at the gaming facility who functions as the treasurer, for regulatory purposes:

(A) The treasurer shall be responsible for the control and supervision of the cashier's cage, satellite cages, count room, and vault. The cashier's cage may be separated into independent operations or satellite cages to facilitate operations and accountability;

(B) the cashier's cage department shall be responsible for the following:

(i) The custody and accountability of coin, currency, negotiable instruments, documents, and records normally associated with the operation of a cage;

(ii) any other functions normally associated with the operation of a cage;

(iii) the count room; and

(iv) the vault; and

(C) the cage department shall be responsible for the control and supervision of gaming cashiers and change persons.

(d) The facility manager's personnel shall be trained in all policies, procedures, and internal controls relevant to each employee's individual function. The facility manager shall develop special instructional programs in addition to any on-the-job instruction sufficient to make each member of the department knowledgeable about the requirements and performance of all transactions relating to that employee's functions.

(e) Notwithstanding other provisions to the contrary, a facility manager may designate and assign more than one person to serve jointly as the supervisor of a department required by this regulation. Each person approved to serve as a joint supervisor of a mandatory department shall be located at the gaming facility and shall be individually and jointly accountable for the functioning of that department.

(f) If a vacancy in the chief executive officer position or any mandatory department supervisory position required by subsection (b) occurs, all of the following requirements shall apply:

(1) The facility manager shall notify the commission within five days from the date of vacancy. The notice shall be submitted in writing and shall indicate the following information:

(A) The vacant position;

(B) the date on which the position will become or became vacant; and

(C) the date on which the facility manager anticipates that the vacancy will be filled on a permanent basis.

(2) The facility manager shall designate a person to assume the duties and responsibilities of the vacant position within 30 days after the date of vacancy. The person may assume the duties and responsibilities of the vacant position on a temporary basis if both of the following conditions are met:

(A) The person does not also function as the department supervisor for any other mandatory department required by this regulation.

(B) The person's areas of responsibility will not be so extensive as to be impractical for one person to monitor.

(3) Within five days of filling a vacancy under paragraph (f)(2), the facility manager shall notify the commission. The notice shall be submitted in writing and shall indicate the following:

(A) The position;

(B) the name of the person designated;

(C) the date that the vacancy was filled; and

(D) an indication of whether the position has been filled on a temporary or permanent basis.

(4) The notices required in this subsection shall be directed to the executive director. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective Sept. 26, 2008.)