

112-104-1. Definitions; internal control system. (a) The following words and terms, when used in this article, shall have the following meanings unless the context indicates otherwise:

(1) "Accounting department" means a facility manager's internal department that is responsible for the management of the financial and accounting activities relating to electronic gaming machines being utilized on an approved gaming floor.

(2) "Asset number" means a unique number assigned to an electronic gaming machine by a facility manager for the purpose of tracking the electronic gaming machine.

(3) "Bill validator" means an electronic device designed to interface with an electronic gaming machine for the purpose of accepting and validating any combination of United States currency, gaming tickets, coupons, or other instruments authorized by the commission for incrementing credits on an electronic gaming machine.

(4) "Bill validator canister" means a mechanical or electronic device designed to interface with an electronic gaming machine for the purpose of storing any combination of United States currency, gaming tickets, coupons, or other instruments authorized by the commission for recording credits on an electronic gaming machine.

(5) "Blind count" means the counting of currency or gaming chips by a person who does not know the inventory balance.

(6) "Cash equivalents" means instruments with a value equal to United States currency or coin, including certified checks, cashier's checks, traveler's checks, money orders, gaming tickets, and coupons.

(7) "Cashier's booth" means an area from which a cashier conducts transactions associated with gaming cashiers or window cashiers.

(8) "Change person" means a person who exchanges coins, currency, and coupons with patrons.

(9) "Complimentary" means any lodging, service, or item that is provided directly or indirectly to an individual at no cost or at a reduced cost and that is not generally available to the public. This term shall include lodging provided to a person at a reduced price due to the anticipated or actual gaming activities of that person. Group rates, including convention and government rates, shall be deemed generally available to the public.

(10) "Count room" means a room secured by keys controlled by two separate facility manager departments with limited access, where the contents, including currency, gaming tickets, and coupons, of bill validator canisters are counted by the count team.

(11) "Currency counters" means a device that counts currency and tickets.

(12) "Critical program storage media" and "CPSM" mean any media storage device that contains data, files, or programs and is determined by the commission to be capable of affecting the integrity of gaming.

(13) "Drop" means the total amount of money, tickets, and coupons removed from any lottery facility game or kiosk.

(14) "Drop team" means the group of employees of a facility manager who participate in the transportation of the drop.

(15) "EGM" means electronic gaming machine.

(16) "Gaming day" means a period not to exceed 24 hours corresponding to the beginning and ending times of gaming activities for the purpose of accounting reports and determination by the central computer system of net lottery facility game income.

(17) "Generally accepted accounting principles" and "GAAP" have the meaning specified in K.A.R. 74-5-2.

(18) "Imprest" means the basis on which the operating funds of general cashiers and gaming cashiers are maintained. The opening and closing values shall be equal, and any difference shall result in a variance. The funds may be replenished as needed in exactly the value of the net of expenditures made from the funds for value received.

(19) "Incompatible functions" means functions or duties that place any person or department in a position to perpetuate and conceal errors, fraudulent or otherwise.

(20) "LFG" means lottery facility game.

(21) "Main bank" means the central location in the gaming facility where acts that include the following are performed:

(A) Transactions for recording currency, coin, tokens, cash equivalents, and negotiable instruments;

(B) preparation of bank deposits;

(C) acceptance of currency from the count room; and

(D) reconciliation of all cage transactions.

(22) "Trolley" means a wheeled apparatus used for the secured transport of electronic gaming cash storage boxes and drop boxes.

(23) "Unclaimed winnings" means gaming winnings that are held by the facility manager as a liability to a patron until that patron is paid.

(24) "Unredeemed ticket" means a ticket issued from an LFG containing value in U.S. dollars that has not been presented for payment or accepted by a bill acceptor at a gaming machine and has not been marked as paid in the ticket file.

(25) "Weigh scale" means a scale that is used to weigh coins and tokens and that converts the weight to dollar values in the count process.

(b) Each applicant for a facility manager certificate shall submit to the commission and the Kansas lottery a written plan of the applicant's initial system of administrative and accounting procedures, including its internal controls and audit protocols, at least 180 days before opening a gaming facility, unless the executive director finds good cause for a shorter deadline. This plan shall be called the internal control system and shall include the following:

- (1) Organization charts depicting segregation of functions and responsibilities;
- (2) a description of the duties and responsibilities of each licensed or permitted position shown on the organization charts and the lines of authority;
- (3) a detailed narrative description of the administrative and accounting procedures designed to satisfy the requirements of this article;
- (4) a record retention policy in accordance with K.A.R. 112-104-8;
- (5) procedures to ensure that assets are safeguarded and counted in conformance with effective count procedures;
- (6) the following controls and procedures:

(A) Administrative controls that include the procedures and records that relate to the decision making processes leading to management's authorization of transactions;

(B) accounting controls that have as their primary objectives the safeguarding of assets and revenues and the reliability of financial records. The accounting controls shall be designed to provide reasonable assurance that all of the following conditions are met:

(i) The transactions or financial events that occur in the operation of an LFG are executed in accordance with management's general and specific authorization;

(ii) the transactions or financial events that occur in the operation of an LFG are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles, the act, and this article;

(iii) the transactions or financial events that occur in the operation of an LFG are recorded in a manner that provides reliable records, accounts and reports, including the recording of cash and evidence of indebtedness, for use in the preparation of reports to the commission related to LFGs;

(iv) the transactions or financial events that occur in the operation of an LFG are recorded to permit proper and timely reporting and calculation of net LFG income and fees to maintain accountability for assets;

(v) access to assets is permitted only in accordance with management's general and specific authorization; and

(vi) the recorded accountability for assets is compared with existing physical assets at reasonable intervals, and appropriate action is taken with respect to any discrepancies;

(C) procedures and controls for ensuring that all functions, duties, and responsibilities are segregated and performed in accordance with legitimate financial practices by trained personnel;

(D) procedures and controls for ensuring all applicable technical standards as adopted by the commission under article 110 are followed;

(7) a completed internal control checklist; and

(8) any other items that the commission may require to be included in the internal controls.

(c) The internal control system shall be accompanied by the following:

(1) An attestation by the chief executive officer or other competent person with a direct reporting relationship to the chief executive officer attesting that the officer believes in good faith that the submitted internal controls conform to the requirements of the act and this article; and

(2) an attestation by the chief financial officer or other competent person with a direct reporting relationship to the chief financial officer attesting that the officer believes in good faith that the submitted internal controls are designed to provide reasonable assurance that the financial reporting conforms to generally accepted accounting principles and complies with all applicable laws and regulations, including the act and this article.

(d) Each internal control system shall be reviewed by the commission in consultation with the Kansas lottery to determine whether the system conforms to the requirements of the act and this article and provides adequate and effective controls to

ensure the integrity of the operation of LFGs at a gaming facility. If the commission determines that the system is deficient, a written notice of the deficiency shall be provided by the executive director to the applicant or facility manager. The applicant or facility manager shall be allowed to submit a revision to its submission. Each facility manager shall be prohibited from commencing gaming operations until its internal control system is approved by the commission.

(e) If a facility manager intends to update, change, or amend its internal control system, the facility manager shall submit to the commission for approval and to the Kansas lottery a written description of the change or amendment and the two original, signed certifications described in subsection (c).

(f) A current version of the internal control system of a facility manager shall be maintained in or made available in electronic form through secure computer access to the accounting and surveillance departments of the facility manager and the commission's on-site facilities. The facility manager shall also maintain a copy, in either paper or electronic form, of any superseded internal control procedures, along with the two certifications required to be submitted with these procedures, for at least seven years. Each page of the internal control system shall indicate the date on which the page was approved by the commission. (Authorized by and implementing K.S.A. 2009 Supp. 74-8772; effective Sept. 26, 2008; amended April 1, 2011.)

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.)

112-104-3. Accounting records. (a) Each facility manager's internal control system shall include internal controls for accounting records. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1. Each facility manager shall maintain complete, accurate, and legible records of all transactions pertaining to the revenues, expenses, assets, and liabilities of each gaming facility.

(b) General accounting records shall be maintained on a double-entry system of accounting with transactions recorded on a basis consistent with generally accepted accounting principles. Detailed, supporting, and subsidiary records sufficient to meet the requirements of subsection (c) shall also be maintained in accordance with the requirements of this article.

(c) The detailed, supporting, and subsidiary records shall include the following:

(1) Records pertaining to revenue, expenses, assets, and liabilities of all facility manager activities;

(2) records pertaining to the financial statements and all transactions impacting the financial statements of the facility manager, including contracts or agreements with licensed manufacturers, suppliers, junket enterprises, vendors, contractors, consultants, management companies, attorneys and law firms, accountants and accounting firms, insurance companies, and financial institutions, including statements and reconciliations related to these contracts or agreements;

(3) records that identify the handle, payout, actual win amounts and percentages, theoretical win amounts and percentages, and differences between theoretical and actual

win amounts and percentages for each EGM on a daily, week-to-date, month-to-date, and year-to-date basis;

(4) records documenting the costs of complimentaries as defined in article 100;

(5) records created in connection with the internal control system submitted to the commission under this article;

(6) records of all returned checks;

(7) records supporting the daily and other periodic reconciliations of cash and account balances to general ledger accounts;

(8) records supporting the reconciliation of accounting records to those of the independent auditors;

(9) records supporting the preparation of any state and federal tax returns and reconciliation of all such records to general ledger accounts;

(10) records required to comply with all federal financial recordkeeping requirements as specified in 31 C.F.R. part 103; and

(11) any other relevant records that the executive director requires to be maintained. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective Sept. 26, 2008.)

112-104-4. Forms, records, and documents. (a) Each facility manager's internal control system shall include internal controls for forms, records, and documents. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1. Information required by this article to be placed on any form, record, or document shall be recorded on the form, record, or document in ink or in another permanent format.

(b) The accounting department shall be responsible for the receipt, control, and issuance of all prenumbered forms. Serial numbers on manual forms shall be printed on the form by the manufacturer. Computerized forms shall be sequentially numbered by the computer system. Documentation of all serial numbers shall be maintained to account for the forms.

(c) Whenever duplicate or triplicate copies are required of a form, record, or document, the original, duplicate, and triplicate copies shall be color-coded and have the name of the recipient originally receiving a copy preprinted on the bottom of that copy to differentiate one copy from the other.

(d) If the facility manager prepares more copies than required by this article and the forms, records, and documents are required to be inserted in a locked dispenser, the last copy shall remain in a continuous, unbroken form in a locked dispenser. The key to this dispenser shall be controlled by the accounting department.

(e) Whenever a prenumbered form is voided, the original and all copies shall be marked "void" and the person voiding the form shall record that person's signature on the voided form.

(f) Whenever forms or serial numbers are required to be accounted for under this article and an exception is noted, the exception shall be reported in writing to the facility manager's internal audit department and the commission within two days of identification of the exception or upon confirmation of the exception, whichever occurs earlier.

(g) Unless otherwise specified in this article, all forms, records, documents, and stored data required by this article to be prepared, maintained, and controlled shall have the name of the gaming facility and the title of the form, record, document, and, for stored data, the imprinted or preprinted date.

(h) Nothing in this article shall be construed as prohibiting a facility manager from preparing more copies of any form, record, or document than the number of those copies required by this article. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective Sept. 26, 2008.)

112-104-5. Standard financial reports. (a) Each facility manager's internal control system shall include internal controls for standard financial reports. The internal controls shall be submitted to and approved by the commission under K.A.R. 112-104-1. A facility manager shall file the following financial data reports:

- (1) A balance sheet submitted monthly, quarterly, and annually;
- (2) an income statement submitted monthly, quarterly, and annually;
- (3) a cash flow statement submitted monthly, quarterly, and annually;
- (4) daily net EGM income submitted daily, monthly, quarterly, and annually; and
- (5) a comparison of net EGM income to projected net EGM income submitted monthly, quarterly, and annually.

(b) Standard reporting forms and corresponding filing instructions may be prescribed by the executive director to be used by a facility manager in filing the monthly reports specified in subsection (a).

(c) The annual reports shall be based on a fiscal year beginning July 1 and ending June 30, unless otherwise approved by the executive director. The quarterly reports shall be based on the quarters ending September 30, December 31, March 31, and June 30, unless otherwise approved by the executive director. The monthly reports shall be based on calendar months. Interim reports shall contain a cumulative year-to-date column.

(d) The annual financial statements shall be prepared on a comparative basis for the current and prior years and shall present financial position, results of operations, and cash flows in conformity with GAAP.

(e) The electronically transmitted reports or hard copy reports required to be filed pursuant to this regulation shall be authorized by individuals designated by the facility manager.

In addition, the facility manager shall submit a letter attesting to the completeness and accuracy of the reports. The letter shall be signed by the facility manager's chief financial officer or controller.

(f) The reports required to be filed pursuant to this regulation shall be addressed as prescribed by the executive director and received no later than the required filing date. The required filing dates shall be the following:

(1) Monthly reports shall be due on the last calendar day of the following month or the next business day if the day falls on a weekend or legal holiday.

(2) Quarterly reports for the first three quarters shall be due on the last calendar day of the second month following the end of the facility manager's quarter. Quarterly reports for the fourth quarter shall be due on the last calendar day of the third month following the end of the facility manager's fourth quarter.

(3) Annual reports shall be due on the last calendar day of the third month following the end of the facility manager's year or 10 days after form 10-K is filed with the securities and exchange commission, whichever comes first.

(g) In the event of a license termination, change in business entity, or a change in ownership of at least 20%, the facility manager shall file with the commission the required financial and statistical reports listed in paragraphs (a)(1) through (3) for the previous month through the date of occurrence. The facility manager shall file the reports within 30 calendar days of the occurrence.

(h) All significant adjustments resulting from the annual audit required in K.A.R. 112-104-6 shall be recorded in the accounting records of the year to which the adjustment relates. If the adjustments were not reflected in any annual report and the commission concludes that the

adjustments are significant, the facility manager may be required by the executive director to file a revised annual report. The revised filing shall be due within 30 calendar days after written notification to the facility manager, unless the facility manager submits a written request for an extension before the required filing date and the extension is granted by the executive director.

(i) Additional financial reports may be requested in writing by the executive director to determine compliance by the facility manager with the act and this article. (Authorized by and implementing K.S.A. 2010 Supp. 74-8772; effective Sept. 26, 2008; amended December 9, 2011.)

112-104-6. Annual audit; other reports; currency transaction reporting; suspicious transaction reporting. (a) Each facility manager's internal control system shall include internal controls for annual and other audit reports. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1. Each facility manager shall cause its annual financial statements to be audited by an independent certified public accountant or, when appropriate, an independent registered certified public accounting firm licensed to practice in this state. The audit shall be in accordance with generally accepted auditing standards and, when applicable, the standards of the public company accounting oversight board. The independent certified public accountant or, when appropriate, independent registered certified public accounting firm shall be approved by the executive director before the audit engagement.

(b) Independent certified public accountants and independent registered certified public accounting firms performing annual audits or special reports shall not perform internal audit services for the same facility manager.

(c) The annual financial statements audit shall be prepared on a comparative basis for the current and prior fiscal years and present financial position and results of operations in conformity with generally accepted accounting principles.

(d) The financial audit required by this regulation shall include a footnote reconciling and explaining any differences between the financial statements included in any annual report filed in conformity with K.A.R. 112-104-5 and the audited financial statements. The footnote shall disclose the effect of adjustments on the following:

- (1) Revenue from the operation of EGMs;
- (2) EGM revenue minus expenses for complimentaries;
- (3) total costs and expenses;
- (4) income before extraordinary items, as that term is used within GAAP; and
- (5) net income.

(e) The facility manager shall require the independent certified public accountant or independent registered certified public accounting firm auditing the facility manager's financial statements to render the following additional reports:

- (1) A report on the prospective financial statements, including a one-year forecast and three-year projection, expressing an opinion 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

- (2) any additional relevant reports if required by the executive director.

(f) At any time a special audit of a facility manager may be required by the commission to be conducted by commission personnel, an independent certified public accountant, or an independent registered certified public accounting firm licensed to practice in the state of Kansas. The scope, procedures, and reporting requirements of any special audit shall be established by the executive director.

(g) Copies of the audited financial statements in an amount determined by the executive director, together with any management letter or report prepared regarding that statement by the facility manager's independent certified public accountant or

independent registered certified public accounting firm, shall be filed with the commission not later than 120 days after the end of the facility manager's fiscal year.

(h) The facility manager shall prepare a written response to the independent certified public accountant's or independent registered certified public accounting firm's reports required by subsection (e). The response shall indicate, in detail, any corrective actions taken. The facility manager shall submit a copy of the response to the commission within 90 days of receipt of the reports.

(i) The facility manager shall file with the commission copies of the reports required by subsection (e) in an amount determined by the executive director and copies in an amount determined by the executive director of any other reports on internal controls, administrative controls, or other matters relative to the facility manager's accounting or operating procedures rendered by the facility manager's independent certified public accountant or independent registered certified public accounting firm within 120 days following the end of the facility manager's fiscal year or upon receipt, whichever is earlier.

(j) The facility manager shall submit to the commission three copies of any report that is filed, or required to be filed, with the securities and exchange commission (SEC) or other securities regulatory agency. The reports shall include any S-1, 8-K, 10-Q, 10-K, proxy or information statements, and registration statements. The reports shall be filed with the commission within 10 days of whichever of the following occurs first:

- (1) The filing of the report with the SEC or other securities regulatory agency; or
- (2) the due date prescribed by the SEC or other securities regulatory agency.

(k) If an independent certified public accountant or independent registered certified public accounting firm previously engaged as the principal accountant to audit the facility manager's financial statements resigns or is dismissed as the facility manager's principal accountant or if another independent certified public accountant or independent registered certified public accounting firm is engaged as principal accountant, the facility manager shall file a report with the commission within 10 days following the end of the month in which the event occurs, setting forth the following:

- (1) The date of the resignation, dismissal, or engagement;
- (2) an indication of whether in connection with the audits of the two most recent years preceding a resignation, dismissal, or engagement there were any disagreements with the former accountant on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, including a description of each disagreement. The disagreements to be reported shall include those resolved and those not resolved; and
- (3) an indication of whether the principal accountant's report on the financial statements for either of the past two years contained an adverse opinion or disclaimer of opinion or was qualified. The nature of the adverse opinion, disclaimer of opinion, or qualification shall be described.

(l) The facility manager shall request the former accountant to furnish to the facility manager a letter addressed to the commission stating whether that accountant agrees with the statements made by the facility manager in response to paragraph (k)(2). The letter shall be filed with the commission as an exhibit to the report required by paragraph (k)(2).

(m) All of the audits and reports required by this regulation that are performed by independent certified public accountants or independent registered certified public accounting firms shall be prepared at the sole expense of the facility manager.

(n) Each facility manager's internal control system shall include internal controls to meet the requirements of 31 C.F.R. Part 103 dated August 31, 2011, and amendments thereto, for the reporting of certain currency transactions. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1.

(1) The facility manager shall file with the commission a copy of any suspicious activity report-casino (SARC) that the facility manager is required to file under 31 C.F.R. §103.21 dated August 31, 2011, and amendments thereto. Each SARC shall be filed with the commission concurrently with the federal filing.

(2) A facility manager, director, officer, employee, or agent who reports a suspicious activity under paragraph (n)(1) shall not notify any person involved in the suspicious activity that the suspicious activity has been reported.

(3) The facility manager shall file with the commission a copy of any currency transaction report by casino (CTRC) that the facility manager is required to file under 31

C.F.R. §103.22 dated August 31, 2011, and amendments thereto. Each CTRC shall be filed with the commission concurrently with the federal filing.

(o) An annual audit of the facility manager's compliance with commission regulations may be required by the executive director to be conducted in accordance with generally accepted auditing standards and the standards for financial audits under government auditing standards. The audit report shall require the expression of an opinion on compliance. The audit shall be conducted by either commission staff or an independent certified public accountant firm selected by the commission. (Authorized by and implementing K.S.A. 2010 Supp. 74-8772; effective Sept. 26, 2008; amended December 9, 2011.)

112-104-7. Meter readings and related statistical reports. (a) Each facility manager's internal control system shall include internal controls for meter reading and the related statistical reports. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1. Accounting department employees who are independent of the drop process according to K.A.R. 112-104-18 shall read and record on a gaming machine meter sheet the numbers on all meters as required under the technical standards adopted by the commission in article 110.

(b) Any facility manager may have a computer system, as approved by the commission under K.A.R. 112-107-2, to record any of the required meter readings if the meter readings are recorded in accordance with subsection (a) at least weekly. The computer shall store in machine-readable form all information required by this regulation. The stored data shall not be susceptible to change or removal by any personnel without the system identifying and establishing a record of the personnel making the change, maintaining an archive of the original record, and identifying the new record as having been changed. Access to this information shall be restricted to the following:

- (1) Accounting department personnel;
- (2) internal audit department personnel;
- (3) EGM department personnel when diagnosing EGM problems;
- (4) management staff when assessing EGM performances; and
- (5) count room supervisors when reconciling an EGM drop.

(c)(1) Bill validator meter readings shall be taken when any of the following occurs:

- (A) Devices containing bill validators are moved.
- (B) Denominations change.
- (C) Devices containing bill validators are placed in service.
- (D) Devices containing bill validators are taken out of service.
- (E) The computer components of the devices containing bill validators are

accessed, which could cause the device or system meters to reset.

(2) A bill validator meter reading shall be taken for each drop.

(d) After preparation of the gaming machine meter sheet, each employee involved with its preparation shall sign the gaming machine meter sheet attesting to the accuracy of the information contained on the sheet. The sheet shall then be forwarded directly to the accounting department for comparison to the gaming machine win sheet and calculation of gaming machine statistics.

(e) Upon receipt of the gaming machine meter sheet, the accounting department shall review all meter readings for reasonableness using preestablished parameters and prior meter readings. Meter readings shall not be altered except to correct meters that were incorrectly recorded. All changes shall have adequate supporting documentation. The accounting department shall notify the EGM department of potentially faulty meters and follow up to ensure that proper maintenance is performed. Documentation that supports machine service and maintenance shall be maintained.

(f) If a meter unexpectedly resets to 0000, which is also known as “zeroing out,” accounting personnel shall notify the EGM department to determine the cause of the reset. Using the information obtained from the EGM department, accounting personnel shall complete a meter reset form whenever a meter is reset. On a monthly basis, accounting personnel shall review the meter reset form to determine if there are any ongoing problems with any electronic device. If a problem is noted in three consecutive drops, the commission shall be notified. The accounting department shall ensure that appropriate and adequate meter readings are available to generate statistical reports.

(g) The EGM activity for all EGMs that were active on the gaming floor shall be reflected on statistical reports. Large or unexpected variances shall be investigated by the appropriate personnel, and the results shall be documented in accordance with internal control procedures as approved by the commission according to K.A.R. 112-104-1. The accounting department shall prepare, review, and analyze the following reports:

(1) The EGM revenue summary report, which is also called an EGMR report, shall be prepared at least once each month. This report shall be a summary of EGM activity by drop and by denomination, for the period reported on. Information included on this report shall be the dollar value of currency by denomination, drops, payouts, fills, and net EGM income. Tickets and coupons redeemed shall include total tickets and coupons redeemed by all devices and in all cages. All reconciling items, including a statewide multilink progressive contribution, unclaimed jackpots, and bills accepted into the cage from bill validator malfunctions, shall be documented on the EGMR report.

(2) The comparison of the meter drop with the actual drop report shall compare the meter drop with the actual drop by device, by denomination, and in total, which shall be prepared at least once each month. The report shall be prepared on a drop-by-drop basis. Additionally, monthly and yearly drop information by machine, by denomination, and in total shall be either included on the last report of each month or available on a separate report. Information needed to calculate the drop report shall include the actual drop from the EGMR report and current and prior drop meter readings. The incremental change in the drop meter shall reflect what the EGM machine recorded as dropped, pursuant to K.A.R. 112-104-18, in the current drop period. The variance percentages between what the meter records and what is counted in the count room shall be computed by dividing the dollar variance by the meter drop amount. When a variance both equals or exceeds 2% and equals or exceeds \$25, the variance shall be investigated and documented in accordance with internal control procedures as approved by the commission under K.A.R. 112-104-1.

(3) The comparison of meter jackpots with actual jackpots paid report shall be prepared at least monthly. This report shall compare the total attendant-paid jackpot meter and cancelled credit meters with the actual manual pay jackpots by machine, by denomination, and in total. The report shall be prepared on a drop-by-drop basis. Additionally, monthly and yearly jackpot information by machine, by denomination, and in total shall be either included on the last report of each month or available on a separate

report. The monthly totals on this report shall agree with the manual jackpot payout totals shown on the EGMR report.

(A) Information needed to calculate the report shall include the actual manual pay jackpots from the jackpot payout slips and the current and prior jackpot meter readings.

(B) Variance percentages between meter and actual jackpots shall be computed by dividing the dollar variance by the meter jackpot amount. If a variance both equals or exceeds 1% and equals or exceeds \$10, the variance shall be investigated and documented in accordance with internal control procedures as approved by the commission under K.A.R. 112-104-1.

(C) Payouts that are not a result of a wager shall be considered promotional and shall be included in the calculation of net EGM income. These types of payments shall be shown as a reconciling item on the EGMR report. These payouts shall include the following:

- (i) Amount of overpayment of jackpots due to incorrectly calculating the jackpot;
- (ii) payments due to incorrect machine setup;
- (iii) payments due to failing to perform slot machine maintenance; and
- (iv) any payment resulting from a patron dispute that is not supported by documentation verifying accuracy of the transaction and is not approved by the executive director.

(4) The comparison of the theoretical hold with the actual hold report shall be prepared at least monthly. This report shall compare the theoretical hold with the actual hold by machine, by denomination, and in total, on a month-to-date and year-to-date basis. A theoretical hold shall be defined as the intended hold percentage or win of a machine as computed by reference to its payout schedule or reel strip settings, or both. The actual hold percentage shall be calculated by dividing net EGM income by the dollar value of currency in. The theoretical hold percentage shall be obtained from the par sheet, which is a manufacturer's specification sheet located and maintained in each EGM machine. Each facility manager with any EGM games whose outcome is determined in whole or in part by skill shall use the higher range of the manufacturer's expected field return subtracted from 100 as the theoretical hold for these types of games. Each facility manager with multigame and multidenominational EGMs shall use the weighted theoretical hold percentage from the EGM each month. The machines' weighted theoretical hold shall be compared to the actual hold percentage. The dollar value of currency in for the current month shall be calculated by subtracting the prior month's end meter readings from the current month's end meter readings and multiplying the difference by the denomination of the machine. Large or unexpected variances between the theoretical and the actual hold shall be investigated and documented in accordance with internal control procedures as approved by the commission under K.A.R. 112-104-1.

(5) The comparison of ticket-in meter to tickets redeemed by device report shall be prepared at least monthly. This report shall compare the change in the ticket-in meter

to the actual tickets redeemed by machine. This report shall be prepared on a drop-by-drop, month-to-date, and year-to-date basis and shall show totals by machine, denomination, and grand totals. Variance percentages between the ticket-in meter and actual tickets redeemed shall be computed by dividing the dollar variance by the total ticket-in meter amount. When a variance both equals or exceeds 1% and equals or exceeds \$10, the variance shall be investigated and documented in accordance with internal control procedures as approved by the commission under K.A.R. 112-104-1.

(6) The comparison of ticket-out meter to tickets issued by device report shall be prepared at least monthly. This report shall compare the change in the ticket-out meter to the actual tickets issued, as reported by the ticket verification system, by each device. This report shall be prepared on a drop-by-drop, month-to-date, and year-to-date basis and shall show totals by machine, denomination, and grand totals. This report shall be used in the reconciliation of outstanding tickets in order to determine ticket liability.

(7) A comparison of coupon-in meter to coupons redeemed by device report shall be prepared at least monthly. This report shall compare the change in the coupon-in meter to the actual coupons redeemed by machine. This report shall be prepared on a drop-by-drop, month-to-date, and year-to-date basis and shall show totals by machine, denomination, and grand totals. Variance percentages between the coupon-in meter and actual coupons redeemed shall be computed by dividing the dollar variance by the total coupon in meter amount. When a variance both equals or exceeds 1% and equals or

exceeds \$10, the variance shall be investigated and documented in accordance with internal control procedures as approved by the commission under K.A.R. 112-104-1.

(h) No person shall alter meter information on any statistical report, unless the meter was read or recorded incorrectly or a data entry error occurred. All changes shall be supported with adequate documentation.

(i) If a variance exceeds any of the variances listed in subsection (g), then the facility manager shall prepare and file an incident report documenting the variance with the commission. The facility manager shall report the actual cause of the variance, unless the cause cannot be definitively determined after an investigation, in which case the probable cause of the variance shall be reported. The incident report shall be filed at least within one week from discovery. The incident report shall include the following:

- (1) The date of the meter reading;
- (2) the date the report was filed;
- (3) the asset number of the device involved;
- (4) the amount of the variance by currency, gaming tickets, or coupons;
- (5) an explanation for the cause of the variance, with documentation to support the explanation;
- (6) the manufacturer and model number of the device to which the bill validator is attached or in which the bill validator is embedded;
- (7) the manufacturer of the bill validator involved;

(8) the total number of reported variances, by manufacturer and model number of the device;

(9) the total number of reported variances, by manufacturer of the bill validator;

(10) the total number of reported variances compared to the total number of bill validator canisters counted; and

(11) the signature and license number of the preparer. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective Sept. 26, 2008.)

112-104-8. Retention, storage, and destruction of books, records, and documents.

(a) Each facility manager's internal control system shall include internal controls for retention, storage, and destruction of books, records, and documents.

(b) For the purposes of this regulation, "books, records, and documents" shall mean any book, record, or document pertaining to, prepared in, or generated by the operation of the gaming facility, including all forms, reports, accounting records, ledgers, subsidiary records, computer-generated data, internal audit records, correspondence, and personnel records required by this article to be generated and maintained by this article. This definition shall apply without regard to the medium through which the record is generated or maintained, including, paper, magnetic media, and encoded disk.

(c) The facility manager shall ensure that all original books, records, and documents pertaining to the operation of a gaming facility meet the following requirements:

(1) Are prepared and maintained in a complete, accurate, and legible form.

Electronic data shall be stored in a format that ensures readability, regardless of whether the technology or software that created or maintained the data has become obsolete;

(2) are retained at the site of the gaming facility or at another secure location approved under subsection (e);

(3) are kept available for inspection by agents of the commission and the Kansas lottery during all hours of operation;

(4) are organized and indexed in a manner to provide accessibility upon request to agents of the commission and the Kansas lottery; and

(5) are destroyed only after expiration of the minimum retention period specified in subsection (d). However, upon the written request of a facility manager and for good cause shown, the destruction at an earlier date may be permitted by the executive director.

(d) Each facility manager shall retain the original books, records, and documents for at least seven years, with the following exceptions:

(1) Gaming tickets reported to the commission as possibly counterfeit, altered, or tampered with shall be retained for at least two years.

(2) Coupons entitling patrons to cash or LFG credits, whether unused, voided, or redeemed, shall be retained for at least six months.

(3) Voided gaming tickets and gaming tickets redeemed at a location other than an LFG or a kiosk shall be retained for at least six months.

(4) Gaming tickets redeemed at an LFG or a kiosk shall be retained for at least 30 days.

(e) Any facility manager may request, in writing, that the executive director approve a location outside the gaming facility to store original books, records, and documents. The request shall include the following:

(1) A detailed description of the proposed off-site facility, including security and fire safety systems; and

(2) the procedures under which the commission and the Kansas lottery will be able to gain access to the original books, records, and documents retained at the off-site facility.

(f) Any facility manager may request in writing that the executive director approve an unalterable media system for the copying and storage of original books, records, and documents. The request shall include a description of the following:

(1) The processing, preservation, and maintenance methods that will be employed to ensure that the books, records, and documents are available in a format that makes them readily available for review and copying;

(2) the inspection and quality control methods that will be employed to ensure that the media, when displayed on a viewing machine or reproduced on paper, exhibit a high degree of legibility and readability;

(3) the accessibility by the commission and the Kansas lottery at the gaming facility or other location approved by the executive director and the readiness with which the books, records, or documents being stored on media can be located, read, and reproduced; and

(4) the availability of a detailed index of all stored data maintained and arranged in a manner to permit the location of any particular book, record, or document, upon request.

(g) Nothing in this regulation shall be construed as relieving a facility manager from meeting any obligation to prepare or maintain any book, record, or document

required by any other federal, state, or local governmental body, authority, or agency.

(Authorized by and implementing K.S.A. 2009 Supp. 74-8772; effective Sept. 26, 2008;

amended April 1, 2011.)

112-104-9. Complimentaries. (a) Each facility manager's internal control system shall include internal controls for the authorization, issuance, recording, and auditing of complimentaries, including cash and non-cash gifts. The internal controls shall be submitted according to K.A.R. 112-104-1. These internal controls shall include the procedures by which the facility manager delegates to its employees the authority to approve the issuance of complimentaries and the procedures by which conditions or limits that may apply to this authority are established and modified, including limits based on relationships between the authorizer and recipient.

(b) On a daily basis the facility manager shall record the name of each patron provided with complimentaries, the category of service or item, the value of the services or items provided to each patron or that patron's guests as calculated in accordance with subsection (d), and the license number of the employee authorizing the issuance of the services or items. For the purposes of this regulation, "guest" shall mean any person who receives complimentaries as a result of that person's relationship with the patron receiving the primary complimentaries. Upon request, a copy of this daily report shall be submitted to the commission.

(c) The internal audit department shall review the reports required in subsection (b) at least monthly. These reports shall be made available to the commission, audit committee of the board of directors, and any other entity designated by the executive director, upon request.

(d) All complimentaries shall be valued and recorded as follows:

(1) At full retail price normally charged by the facility manager if the complimentary is provided directly to patrons in the normal course of the facility manager's business, including rooms, food, and beverages;

(2) at an amount based upon the actual cost to the facility manager of providing the service or item, if the complimentary is not offered for sale to patrons in the normal course of a facility manager's business;

(3) at an amount based upon the actual cost to the facility manager of having a third party who is not affiliated with the facility manager provide a service or item directly or indirectly to patrons by the third party; or

(4) if provided directly or indirectly to a patron on behalf of a facility manager by a third party who is affiliated with the facility manager, in accordance with the provisions of this regulation as if the affiliated third party were the facility manager.

(e) Complimentaries that are cash gifts shall include the following:

(1) Public relations payments made for the purpose of resolving complaints by or disputes with facility manager patrons;

(2) travel payments made for the purpose of enabling a patron to return home;

(3) cash gifts issued to patrons as a result of actual gaming activity; and

(4) coupons issued and redeemed as part of a promotion program.

(f) The facility manager shall report to the commission on a quarterly basis both the dollar amount of and number of patrons provided with each category of

complimentaries. The complimentaries reported shall be separated into categories for rooms, food, beverage, travel, cash gift, non-cash gift, and other services or items.

(g) If cash and non-cash complimentaries issued to a patron or the patron's guest or guests have a value of \$600.00 or more, the facility manager shall meet the following requirements, in addition to those in subsection (f):

(1) Record the name and address of the recipient;

(2) record the unique identification number from the recipient's government-issued photo identification card and perform one of the following:

(A) Examine the identification card to ensure that it is consistent with the actual appearance of the patron;

(B) obtain the patron's signature and compare it to the patron's signature and general physical description in a patron signature file; or

(C) obtain authorization from a level I employee attesting to the patron's identity;
and

(3) record the method of verification.

(h) All cash complimentaries shall be disbursed directly to the patron by a gaming cashier at the cage after receipt of appropriate documentation or in any other manner approved by the executive director.

(i) No facility manager shall permit any employee to authorize the issuance of cash or non-cash complimentaries with a value of \$1,000.00 or more, unless the employee is licensed and functioning as a level I employee.

(j) Each facility manager shall submit to the commission a report listing the name of each patron who has received \$1,000.00 or more in cash and non-cash complimentaries, including amounts received by the patron's guests within a calendar month. Each report shall be filed within five business days and shall include the total amount of cash or non-cash complimentaries provided to each patron and the patron's guests. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective Sept. 26, 2008.)

112-104-10. Personal check cashing. (a) Each facility manager's internal control system shall include internal controls for the acceptance of personal checks. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1. The internal controls submitted by the facility manager shall include procedures for complying with this regulation.

(b) Each personal check accepted by a facility manager to enable a patron to take part in gaming shall meet the following requirements:

(1) Be drawn on a commercial bank, savings bank, saving and loan association, or credit union located in the United States and be payable on demand;

(2) be drawn on an account listed in the name of the patron presenting the check or on an account for which the patron is a listed signatory;

(3) be drawn for a specific amount;

(4) be made payable to the facility manager; and

(5) be currently dated and not postdated.

(c) Each personal check accepted under subsection (b) shall be presented by the patron drafting the check directly to a gaming cashier. The gaming cashier shall do all of the following:

(1) Restrictively endorse the check "for deposit only" to the bank account designated by the facility manager;

(2) initial the check;

(3) date and time-stamp the check;

(4) verify that the signature of the patron on the personal check and the patron's physical appearance agree with information recorded in a patron signature file created and maintained by the facility manager in accordance with subsection (d) or with the signature and either the photograph or physical description contained on a government-issued identification presented by the patron. The gaming cashier shall document how the signature verification was performed in connection with the acceptance of each personal check;

(5) for each personal check equaling or exceeding \$500.00, verify the validity of the check directly with the commercial bank, savings bank, saving and loan association, or credit union upon which the check is drawn or obtain an authorization and guarantee of the check from a check verification and warranty service certified as a vendor by the commission. The gaming cashier shall document how the check verification was performed in connection with the acceptance of each personal check; and

(6) exchange the personal check for cash in an amount equal to the amount for which the check is drawn.

(d) To record a patron's signature in a patron signature file, a gaming cashier shall require the person for whom the file is to be created to present for examination the following:

(1) If the identity of the patron is to be confirmed in accordance with paragraph (e)(1), one form of identification; or

(2) if the identity of the patron is to be confirmed in accordance with paragraph (e)(2), two forms of identification, at least one of which shall contain a photograph or a general physical description of the patron.

(e) Before a facility manager may use a signature recorded in a patron signature file to verify the identity of a patron or the validity of a signature on a document, the facility manager shall confirm the identity of the patron by either of the following:

(1) Comparing the signature on the identification presented by the patron under paragraph (d)(1) with the signature obtained from the patron and verifying the address of the patron's residence with a credit board or a commercial bank or, if neither of these sources has the person's address on file or will not provide the information, with an alternative source that does not include any documentation presented by the patron at the cage; or

(2) comparing the signature on each of two forms of the identification presented by the patron under paragraph (d)(2) with the signature obtained from the patron and comparing the photograph or general physical description contained on at least one of the forms of identification with the patron's actual physical appearance.

(f) Each facility manager's internal control system shall include internal controls for each patron signature file to be established and maintained by a facility manager under subsection (d) and shall include the following, in addition to the patron's signature:

(1) The patron's name;

(2) the patron's residential address;

(3) the types of identification examined under subsection (e) and an indication of whether the identification contained a photograph or physical description of the patron, including the date of birth, approximate height, approximate weight, hair color, and eye color;

(4) the date and time that the patron signature file was established;

(5) the procedure by which the identity of the patron was confirmed under subsection (e), including one of the following:

(A) The source of confirmation, date, and time if confirmed under paragraph (e)(1); or

(B) the date and time of confirmation if confirmed under paragraph (e)(2); and

(6) the signature of the gaming cashier or cage supervisor who examined the identification of the patron and established the patron signature file. The signature shall evidence that the following conditions are met:

(A) The signature of the patron recorded in the patron signature file is consistent with the signature on each form of identification that was examined; and

(B) the physical description recorded in the patron signature file is consistent with both the actual appearance of the patron and any photograph or physical description that may be contained on an identification that was examined.

(g) Each check shall be required to be deposited for collection by the next banking day following receipt.

(h) Each check returned for insufficient funds or any other reason shall be documented on a returned check log maintained by the accounting department and shall contain the following information:

- (1) The original date of the check;
- (2) the name and address of the drawer of the check;
- (3) the amount of the check;
- (4) the check number;
- (5) the date the check was dishonored; and
- (6) the date and amount of each collection received on the check after being returned by a financial institution, if applicable.

(i) The amount of all personal checks that remain uncollected shall be the responsibility of the facility manager and shall not be used in any net EGM income calculations.

(j) The facility manager shall not accept checks from any patron who has outstanding liabilities for any dishonored checks. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective Sept. 26, 2008.)

112-104-11. Wire transfers. (a) Each facility manager's internal control system shall include internal controls for the acceptance, verification, accounting for, and sending of wire transfers. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1 and shall include the following:

(1) A cage log to record the following information with regard to wire transfers accepted:

(A) A sequential number assigned by the facility manager to the wire transfer transaction;

(B) the date and time of notification;

(C) the name of the financial institution and account number to which the funds were transferred;

(D) the amount of funds transferred;

(E) the name of the patron for whose benefit the funds were transferred;

(F) the name and address of the financial institution from which the funds were transferred and the account number from which the funds were debited;

(G) the method by which the facility manager was notified of the receipt of the wire transfer. The method shall be limited to one of the following:

(i) Direct telephone notification between the facility manager's bank and a cage employee. When notice is provided by telephone, the name and title of the person providing notice shall be recorded;

(ii) direct hard copy communication sent by the facility manager's bank to a cage employee. The document shall be dated, time-stamped, and signed by the cage employee receiving the notification; or

(iii) direct computer access by the facility manager to the wire transfer or electronic fund transfer transaction as it is credited to the manager's operating account at its bank. The transaction shall be printed from the computer screen and dated, time-stamped, and signed by the cage employee receiving the notification;

(H) the method by which the facility manager verified the wire transfer with the sending financial institution and, if noticed by telephone, the name and title of the person verifying the transfer;

(I) the signature of the cage employee receiving and recording the information required by this subsection; and

(J) a notation that the wire transfer has been reversed under subsection (d), when applicable;

(2) a requirement that a cage supervisor other than the cage employee who initially documented receipt of the wire transfer verify receipt of the wire transfer according to one of the following:

(A) If notice was provided by telephone or direct hard copy, verify the wire transfer with a previously identified and authorized representative of the facility manager's financial institution; or

(B) if notice was provided by direct computer access, review the printout of the computer screen;

(3) a requirement that the cage supervisor verifying receipt of the wire transfer document the verification process performed in the log required under paragraph (a)(1), including the following:

(A) The method by which the receipt of the wire transfer was verified and, if verified by telephone, the name and title of the person providing the verification;

(B) the date and time of verification; and

(C) the signature of the cage supervisor verifying receipt of the wire transfer;

(4) the procedures used to perform the following:

(A) Establish, verify, and document the identity of the patron;

(B) make the wire transfer proceeds available to the patron at the cage; and

(C) adjust the cage accountability;

(5) a cage log to record the following information with regard to wire transfers sent on behalf of a patron:

(A) The name of the patron;

(B) the date of the transaction;

(C) the amount of funds transferred;

(D) the source of funds transferred, whether cash, cash equivalent, or jackpot payout;

(E) the name and address of the financial institution to which the funds will be transferred and the account number to which the funds will be credited;

(F) the signature of the patron if the request to send a wire transfer is made in person at the cage;

(G) documentation supporting the receipt of a request by the facility manager to send a wire transfer on behalf of a patron if the request was not made in person at the cage;

(H) the signature of the cage employee receiving and recording the information required by this subsection; and

(I) the signature of the cage supervisor or accounting department supervisor authorizing the wire transfer; and

(6) when sending a wire transfer on behalf of a patron, the procedures used to perform the following:

(A) Verify and document the identity of the patron; and

(B) adjust the cage accountability.

(b) Each wire transfer accepted by a facility manager on behalf of a patron to enable a patron to take part in gaming shall be recorded in the facility manager's cage accountability documentation upon acceptance.

(c) Each facility manager shall take all steps necessary to return to a patron by wire transfer the patron's residual balance if both of the following circumstances exist after 14 gaming days following the patron's wired deposit:

(1) The wired funds remain in the facility manager's operating account or cage accountability.

(2) The patron has engaged in minimal or no EGM play. Minimal shall mean less than 20% of the wired funds.

(d) The wire transfer returned under subsection (c) shall be sent to the financial institution from which the funds were debited. This reversal of the wire transfer shall be recorded in the wire transfer log maintained under paragraph (a)(1). (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective Sept. 26, 2008.)

112-104-12. Cash equivalents. Each facility manager's internal control system shall include internal controls for the acceptance and verification of cash equivalents. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1. The internal controls developed and implemented by the facility manager shall include the following:

(a) A requirement that cage employees perform the specific verification procedures required by the issuer of each cash equivalent accepted. The facility manager shall retain adequate documentation evidencing the verification of each cash equivalent;

(b) a requirement that cage employees examine each cash equivalent for counterfeiting, forgery or alteration;

(c) if a facility manager elects to incorporate in its verification procedures a level of reliance on previously accepted cash equivalents, a description of the general parameters governing the reliance;

(d) the criteria for cage supervisor involvement in the verification process;

(e) the procedures for verifying any patron signature on the cash equivalent.

Signature verification shall be accomplished in accordance with the signature verification procedures in K.A.R. 112-104-10. The facility manager shall retain adequate documentation evidencing how each signature was verified; and

(f) for cash equivalents equaling or exceeding \$500.00, verification of the validity of the cash equivalent with the financial institution upon which it is drawn. The gaming cashier shall document how the verification was performed in connection with

the acceptance of each cash equivalent. (Authorized by and implementing K.S.A. 2007
Supp. 74-8772; effective Sept. 26, 2008.)

112-104-13. Patron deposits. (a) Each facility manager's internal control system shall include internal controls for the receipt and withdrawal of patron deposits. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1.

(b) At the request of a patron, a facility manager may hold cash, funds accepted by means of wire transfer in accordance with K.A.R. 112-104-11, or cash equivalents accepted in accordance with K.A.R. 112-104-12 for a patron's subsequent use for gaming purposes. For the purposes of this regulation, non-cash items shall be considered converted to cash and deposited as cash for credit to the patron in a patron deposit account maintained in the cage.

(c) The internal controls developed and implemented by the facility manager under subsection (a) shall include the following:

(1) A requirement that patron deposits be accepted at the cage according to the following requirements:

(A) A file for each patron shall be prepared manually or by computer before the acceptance of a cash deposit from a patron by a gaming cashier, and the file shall include the following:

- (i) The name of the patron;
- (ii) a unique identifying number obtained from a United States government-issued photo identification card or a government-issued passport;
- (iii) the date and amount of each cash deposit initially accepted from the patron;

(iv) the date and amount of each request accepted from the patron, as a draw against a cash deposit; and

(v) the date and amount of each cash deposit redemption;

(B) the gaming cashier accepting a deposit shall prepare a patron deposit form and other necessary documentation evidencing the receipt;

(C) patron deposit forms shall be serially prenumbered, each series of patron deposit forms shall be used in sequential order, and the series number of all patron deposit forms shall be accounted for by employees with no incompatible function. All original and duplicate void patron deposit forms shall be marked void and shall require the signature of the preparer;

(D) for establishments in which patron deposit forms are manually prepared, a prenumbered two-part form shall be used;

(E) for establishments in which patron deposit forms are computer-prepared, each series of patron deposit forms shall be a two-part form and shall be inserted in a printer that will simultaneously print an original and duplicate and store, in machine-readable form, all information printed on the original and duplicate. The stored data shall not be susceptible to change or removal by any personnel after preparation of a patron deposit form;

(F) on the original and duplicate of the patron deposit form, or in stored data, the gaming cashier shall record the following information:

(i) The name of the patron making the deposit;

(ii) a unique identifying number obtained from a United States government-issued photo identification card or a government-issued passport;

(iii) the total amount being deposited;

(iv) the date of deposit;

(v) the signature of the gaming cashier or, if computer-prepared, the identification code of the gaming cashier; and

(vi) nature of the amount received, including cash, cash equivalents, wire transfer, or electronic fund transfer; and

(G) after preparation of the patron deposit form, the gaming cashier shall obtain the patron's signature on the duplicate copy and shall distribute the copies in the following manner:

(i) If an original, give a copy to the patron as evidence of the amount placed on deposit with the facility manager; and

(ii) if a duplicate copy, forward the copy along with any other necessary documentation to the main bank cashier, who shall maintain the documents;

(2) a requirement that patron deposits be withdrawn by the patron at the cage or upon receipt by the facility manager of a written request for withdrawal whose validity has been established:

(A) A patron shall be allowed to use the deposit by supplying information as required by K.A.R. 112-104-10 to verify the patron's identification:

(i) The gaming cashier shall ascertain, from the cage, the amount of the patron deposit available and request the amount the patron wishes to use against this balance. The gaming cashier shall prepare a patron deposit withdrawal form, which shall include the signature of the patron; and

(ii) the gaming cashier shall verify the signature on the patron deposit withdrawal form with the signature on the patron deposit form and sign the patron deposit withdrawal form to indicate verification;

(B) the patron's deposit balance shall be reduced by an amount equal to that on the patron deposit withdrawal form issued at the cage;

(C) a patron may obtain a refund of any unused portion of the patron's funds on deposit by performing either of the following:

(i) Sending the facility manager a signed, written request for a refund together with a signed, original patron deposit form; or

(ii) appearing personally at the cage, requesting the refund, and returning the original patron deposit form;

(D) once the original patron deposit form is presented at a cage, a gaming cashier shall perform the following:

(i) Verify the unused balance with the main bank gaming cashier;

(ii) require the patron to sign the original of the patron deposit form;

(iii) prepare necessary documentation evidencing the refund, including a patron deposit withdrawal form or any other similar document that evidences the date and shift

of preparation, the amount refunded, the nature of the refund made, the patron's name, and the signature of the gaming cashier preparing the documentation; and

(iv) verify the patron's identity with a United States government-issued photo identification card or a government-issued passport;

(E) the gaming cashier shall forward each original patron deposit form tendered by the patron pursuant to paragraph (c)(2)(D), along with any other necessary documentation, to the main bank gaming cashier, who shall compare the patron's signature on the original patron deposit form and any attached written, signed request required by paragraph (c)(2)(A)(i) to the patron's signature on the duplicate patron deposit form and on the original patron deposit withdrawal form. The main bank gaming cashier shall sign the original patron deposit form if the signatures are in agreement, notify the gaming cashier of the results of the comparison, and maintain the original patron deposit form and the documentation supporting the signature verification; and

(F) if the patron has requested the return of the patron's original deposit, the main bank gaming cashier shall return the patron's original patron deposit form to the gaming cashier. After the main bank gaming cashier has notified the gaming cashier that the signatures contained in paragraph (c)(2)(E) are a match, the gaming cashier shall then refund the unused balance of the deposit to the patron and, if applicable, return the original patron deposit form to the patron. The gaming cashier shall maintain any necessary documentation to support the signature verification and to evidence the refund;

(3) a requirement that the patron receive a receipt for any patron deposit accepted reflecting the total amount deposited, the date of the deposit, and the signature of the cage employee accepting the patron deposit; and

(4) procedures for verifying the identity of the patron at the time of withdrawal. Signature verification shall be accomplished in accordance with the signature verification procedures under K.A.R. 112-104-10. The facility manager shall maintain adequate documentation evidencing the patron identification process and the procedure for signature verification:

(A) A log of all patron deposits received and returned shall be prepared manually or by a computer on a daily basis by main bank gaming cashiers. The log shall include the following:

(i) The balance of the patron deposits on hand in the cage at the beginning of each shift;

(ii) for patron deposits received and refunded, the date of the patron deposit or refund, the patron deposit number, the name of the patron, and the amount of the patron deposit or refund; and

(iii) the balance of the patron deposits on hand in the cage at the end of each shift; and

(B) the balance of the patron deposits on hand in the cage at the end of each shift shall be recorded as an outstanding liability and accounted for by the main bank gaming

cashier. (Authorized by and implementing K.S.A. 2009 Supp. 74-8772; effective Sept. 26, 2008; amended April 1, 2011.)

112-104-14. Cage and main bank. (a) Each facility manager's internal control system shall include internal controls for the cage and the main bank. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1. Each gaming facility shall have, adjacent to the gaming floor, a physical structure known as a cage. The cage shall house the cashiers and serve as the central location in the gaming facility for functions normally associated with the cage and the main bank, including the following:

(1) The custody of the cage inventory comprised of cash, cash equivalents, gaming chips, and the forms, documents, and records normally associated with the functions of a cage;

(2) the issuance, receipt, and reconciliation of imprest funds used by gaming cashiers, parimutuel tellers, and change persons in the acceptance of currency and coupons from patrons in exchange for currency;

(3) the exchange of currency, coin, gaming chips, and coupons for supporting documentation;

(4) the responsibility for the overall reconciliation of all documentation generated by gaming cashiers, parimutuel tellers, and change persons; and

(5) the receipt of currency, coupons, and tickets from the count room.

(b) The cage and the main bank shall provide maximum security for the materials housed, the employees located, and the activities performed in the cage and the main

bank. The cage and the main bank shall meet all of the following requirements, at a minimum:

(1) The cage and the main bank shall be fully enclosed except for openings through which materials, including cash, records, and documents, can be passed to patrons, gaming cashiers, parimutuel tellers, and change persons.

(2) The cage and the main bank shall have manually triggered silent alarm systems located at the cashiers' window, vault, and in adjacent office space. The systems shall be connected directly to the monitoring room of the surveillance department and to the security department.

(3) The cage shall have a double-door entry and exit system that does not permit a person to pass through the second door until the first door is securely locked. In addition, all of the following requirements shall apply:

(A) The first door leading from the gaming floor of the double-door entry and exit system shall be controlled by the surveillance department through a commission-approved electronic access system designed and administered to provide a record of each entry authorization, including the authorizing employee's name and license number and the date and time of the authorization.

(B) The second door of the double-door entry and exit system shall be controlled by the cage through a commission-approved electronic access system designed and administered to provide a record of each entry authorization, including the authorizing employee's name and license number and the date and time of authorization.

(C) The double-door entry and exit system shall have surveillance coverage, which shall be monitored by the surveillance department.

(D) An entrance to the cage that is not a double-door entry and exit system shall be an alarmed emergency exit door only.

(4) Each door of the double-door entry and exit system shall have two separate commission-approved locking mechanisms.

(c) Any gaming facility may have one or more satellite cages separate and apart from the cage, established to maximize security, efficient operations, or patron convenience. The employees in a satellite cage may perform all of the functions of the employees in the cage. Each satellite cage shall be equipped with an alarm system in compliance with paragraph (b)(2). The functions that are conducted in a satellite cage shall be subject to the accounting controls applicable to a cage specified in K.A.R. 112-104-16.

(d) Each facility manager shall maintain and make available to the commission, upon request, a detailed and current list of the name of each employee meeting either of the following conditions:

(1) Possessing the combination to the locks securing the double-door entry and exit system restricting access to the cage and the main bank, any satellite cage, and the vault; or

(2) possessing the ability to activate or deactivate alarm systems for the cage, the main bank, any satellite cage, and the vault. (Authorized by and implementing K.S.A. 2009 Supp. 74-8772; effective Sept. 26, 2008; amended April 1, 2011.)

112-104-15. Count room and main bank requirements. (a) Each facility manager shall have a count room and a main bank. The count room and the main bank shall be adjacent to the cage.

(b) Each count room and main bank shall meet both of the following requirements:

(1) Both rooms shall have a metal door for each entrance and exit. Each of these doors shall be equipped with an alarm device that audibly signals the surveillance department monitoring room and the security department whenever the door is opened at times other than those times for which the facility manager has provided prior notice according to K.A.R. 112-104-20.

(2) Each entrance and exit door shall be equipped with two separate commission-approved locking mechanisms. The combinations shall be maintained and controlled as follows:

(A) One of the commission-approved locking mechanisms shall be controlled by the surveillance department.

(B) Each entry shall be maintained in a log indicating the name and license number of each employee who entered the count room or the main bank and the date and time of the entry.

(c) The following shall be located within the count room:

(1) A table constructed of clear glass or similar material for the emptying, counting, and recording of the contents of bill validator canisters; and

(2) surveillance cameras capable of video monitoring the following:

(A) The entire count process; and

(B) the interior of the count room, including any storage cabinets or trolleys used to store bill validator canisters, and any commission-approved trolley storage area located adjacent to the count room.

(d) The following shall be located within the main bank:

(1) A vault or locking cabinets, or both, for the storage of currency and gaming chips; and

(2) surveillance cameras capable of video monitoring the following:

(A) Interior of the vault room, including unobstructed views of counting surfaces;

(B) the exchange of currency, gaming chips, and documentation through any openings; and

(3) a secure opening through which only currency, gaming chips, and documentation can be passed to gaming cashiers, parimutuel tellers, and change persons.

(Authorized by and implementing K.S.A. 2009 Supp. 74-8772; effective Sept. 26, 2008; amended April 1, 2011.)

112-104-16. Accounting controls for the cage and main bank. (a) Each facility manager's internal control system shall include internal controls for cage and main bank accounting. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1. If the facility manager elects to use a satellite cage, the same requirements shall apply.

(b) The facility manager shall provide the commission with the start and end times of each cage and main bank shift.

(c) The assets for which gaming cashiers are responsible shall be maintained on an imprest basis and protected from unauthorized access. Gaming cashiers shall lock and secure any assets that are outside of their direct physical control.

(1) Before redeemed tickets are transferred from a cage window to the main bank, the gaming cashier shall prepare an automated system report of the total number and value of the tickets redeemed at that window and compare that report to physical tickets being transferred to ensure that they match. Before reimbursing the cashier, the main bank cashier shall total the tickets received to verify that the dollar amount matches the amount on the gaming cashier's report or shall compare the tickets to the report to ensure that all tickets are present.

(2) Only tickets redeemed in the system shall be forwarded to accounting. If the online validation system ceases to function through the end of the gaming day and the cage is unable to redeem in the system any tickets received in the cage that day, these unredeemed tickets shall have the bar code manually canceled by completely filling in

one space of the bar code with a black permanent marker before being forwarded to accounting to prevent subsequent automated redemption.

(3) At the end of each shift, the outgoing gaming cashier shall count all assigned assets and prepare and sign a bank count sheet listing the inventory. A reconciliation of the opening imprest amount to the closing inventory total shall be performed. Any variance shall be documented on the count sheet.

(4) The incoming gaming cashier shall verify by blind count the closing inventory and sign the count sheet in the presence of the outgoing gaming cashier, attesting to accuracy of the information recorded on the sheet. If there is no incoming gaming cashier, a gaming cashier supervisor or the most senior supervisor in the department shall verify by blind count the closing inventory and sign the count sheet in the presence of the outgoing gaming cashier, attesting to accuracy of the information recorded on the sheet. At the completion of each shift, the cashier count sheets shall be forwarded to the main bank cashier.

(d) If an imprest bank has not been opened for use, a main bank cashier or supervisor shall count and verify the imprest bank and complete a count sheet at least once every seven days.

(e) At the opening of every shift, in addition to the imprest funds normally maintained by gaming cashiers, each facility manager shall have in the cage a reserve cash bankroll sufficient to pay winning patrons.

(f) The cage, any satellite cage, and the main bank shall be physically segregated by personnel and function as follows:

(1) Gaming cashiers shall operate with individual imprest inventories of cash, and their functions shall include the following:

(A) The receipt of cash and cash equivalents from patrons in exchange for cash according to K.A.R. 112-104-12;

(B) the receipt of personal checks for gaming and non-gaming purposes from patrons in exchange for cash, subject to any limitations on amount required by the commission according to K.A.R. 112-104-10;

(C) the receipt of cash, cash equivalents, checks issued by the facility manager, annuity jackpot checks, wire transfers, and cashless fund transfers from patrons to establish a patron deposit according to K.A.R. 112-104-13;

(D) the receipt of patron deposit forms from patrons in exchange for cash according to K.A.R. 112-104-13;

(E) the preparation of jackpot payout slips in accordance with this regulation and K.A.R. 112-104-21;

(F) the receipt of gaming tickets from patrons or from authorized employees who received gaming tickets as gratuities, in exchange for cash; and

(G) the issuance of cash to automated bill breaker, gaming ticket, coupon redemption, and jackpot payout machines in exchange for proper documentation.

(2) The main bank cashier functions shall include the following:

(A) The receipt of cash, cash equivalents, gaming tickets, jackpot payout slips, and personal checks received for gaming and non-gaming purposes from gaming cashiers in exchange for cash;

(B) the receipt of cash from the count rooms;

(C) the receipt of personal checks accepted for gaming and non-gaming purposes from gaming cashiers for deposit;

(D) the preparation of the overall cage reconciliation and accounting records. All transactions that are processed through the main bank shall be summarized on a vault accountability form and be supported by documentation according to the following:

(i) At the end of each shift, the outgoing main bank cashier shall count the inventory and record the inventory detail and the total inventory on a vault accountability form. The main bank cashier shall also record the amount of each type of accountability transaction, the opening balance, the closing balance, and any variance between the counted inventory and the closing balance. If there is more than one main bank cashier working during a shift, each cashier shall participate in the incoming count and the outgoing count for that shift; and

(ii) a blind count of the inventory shall be performed by the incoming main bank cashier. The incoming main bank cashier shall sign the completed vault accountability form attesting to the accuracy of the information in the presence of the outgoing main bank cashier. If there is no incoming main bank cashier, a cage supervisor shall conduct

the blind count and verification and sign the completed vault accountability form in the presence of the outgoing main bank cashier;

(E) the preparation of the daily bank deposit for cash, cash equivalents, and personal checks;

(F) the issuance, receipt, and reconciliation of imprest funds used by gaming cashiers, parimutuel tellers, and change persons;

(G) the collection of documentation that is required by these regulations to establish the segregation of functions in the cage;

(H) the responsibility for the reserve cash bankroll;

(I) the receipt of unsecured currency and unsecured gaming tickets and preparation of related reports; and

(J) the issuance, receipt, and reconciliation of imprest funds used by any redemption kiosk, which shall be done according to the following requirements:

(i) Redemption kiosks shall be maintained on an imprest basis on the main bank accountability form and shall be counted down and reconciled within 24 hours of adding funds to or removing funds from the redemption kiosk. In order to reconcile the redemption kiosk, all currency, tickets, and coupons remaining in the redemption kiosk shall be removed, counted, and compared to the redemption kiosk report that lists the amount of each item that should have been in the redemption kiosk. Each redemption kiosk shall be reconciled at least once every three days regardless of activity at that kiosk. If redemption kiosks are used for any other type of transaction, including providing

automated teller machine functions, corresponding reports shall be printed and reconciled during the kiosk reconciliation. The internal controls shall include a record of the name of each person who performs the count and reconciliation. All kiosk counts shall be performed under dedicated surveillance coverage in the count room or main bank and shall be documented. The reconciliation of the redemption kiosk shall be documented and signed by the employee performing the reconciliation;

(ii) the main bank shall have a designated area for the preparation of currency cassettes and a designated storage area for cassettes that contain cash. Both locations shall be described in the internal controls. The designated preparation area shall have overhead, dedicated surveillance coverage. The storage area of the cassettes shall have dedicated surveillance coverage to record the storage and retrieval of currency cassettes. The storage area shall be locked when cassettes are not being removed or added to the area. Empty currency cassettes shall not be stored with the currency cassettes containing cash;

(iii) all currency cassettes used in kiosks shall be filled with currency by a main bank cashier. The amount of currency to be placed in the cassettes shall be counted by the main bank cashier and placed in the cassette. A prenumbered tamper-resistant seal that secures the cash in each cassette shall be immediately placed on the cassette. The type of seal shall be submitted to the commission director of security for prior approval. All cassettes that contain currency and are not immediately placed in a kiosk shall be stored in the designated storage area;

(iv) a currency cassette log shall be maintained and updated each time currency cassettes are sealed. The log shall contain the following information: date, time, seal number, cassette number, amount of currency in the cassette, denomination of currency in the cassette, and signature of the main bank cashier who prepared the cassette;

(v) each cassette shall be labeled with the required dollar denomination for that cassette and a unique cassette number. The label shall be clearly visible to surveillance during the fill process;

(vi) each individual transporting currency cassettes outside of the cage shall be escorted by security;

(vii) only cassettes properly prepared and sealed in the main bank shall be used to place currency in the redemption kiosk. A seal may be broken before the count and reconciliation only if there is a machine malfunction. If a seal must be broken before the redemption kiosk is reconciled due to a malfunction, the cassette shall be brought to the main bank with security escort before the seal is broken. The seal shall be broken under surveillance coverage. Once the cassette is repaired, the funds shall be recounted and resealed by the main bank cashier;

(viii) the individual who removed the seal on the cassette in order to perform the count of the cassettes shall record the seal number of all cassettes used in the kiosk since the last reconciliation on the count and reconciliation documentation;

(ix) the individual who reconciles the redemption kiosk shall not be one of the individuals who initially prepared the currency in any of the cassettes used in the kiosk since the last reconciliation; and

(x) if cassettes need to be replaced during the gaming day before the redemption kiosk is dropped and reconciled, the individual cassettes that are replaced and that still contain currency shall be locked in a storage area designated in the internal controls. This storage area shall be separate from the storage area of filled cassettes.

(g)(1) Whenever a gaming cashier, parimutuel teller, or change person exchanges funds with the main bank cashier, the cashier shall prepare a two-part even exchange form. The form shall include the following, at a minimum:

- (A) The date of preparation;
- (B) the window location;
- (C) a designation of which items are being sent to or received from the main bank;
- (D) the type of items exchanged;
- (E) the total of the items being exchanged;
- (F) the signature of the cashier preparing the form requesting the exchange; and
- (G) the signature of the cashier completing the exchange.

(2) If the exchange is not physically between a gaming cashier, parimutuel teller, or change person and the main bank, the exchange shall be transported by a

representative of the security department, who shall sign the form upon receipt of the items to be transported.

(h) Overages and shortages per employee shall be documented on a cage or bank variance slip, which shall be signed by the responsible cashier and that person's supervisor. Each variance in excess of \$50 shall be investigated and the result of the investigation shall be documented. If there is a variance of \$500 or more, the commission agent on duty shall be informed within 24 hours. Repeated shortages by an employee totaling \$500 or more over any seven-day period shall be reported to the commission agent on duty within 24 hours.

(i) All cashier's paperwork shall include the date, shift of preparation, and location for which the paperwork was prepared.

(j) At the end of each gaming day, the cashiers' original bank count sheet, vault accountability form, and related documentation shall be forwarded to the accounting department for verification of agreement of the opening and closing inventories, agreement of amounts on the sheets with other forms, records, and documents required by this article, and recording transactions.

(k) Each facility manager shall establish a training program for gaming cashiers and main bank cashiers, which shall include written standard operating procedures. No cashier shall be allowed to individually perform gaming cashier duties until the cashier has completed at least 40 hours of training. No cashier shall be allowed to individually

perform main bank cashier duties until the cashier has completed at least 80 hours of training.

(l) Each gaming facility employee shall clear that individual's hands in view of all persons in the immediate area and surveillance immediately after the handling of any currency or gaming chips within the cage, main bank, or count room.

(m) No employee shall be permitted to carry a pocketbook or other personal container into any cashiering area unless the container is transparent. All trash shall be placed in a transparent container or bag and inspected by security when removed from the cashiering area. (Authorized by and implementing K.S.A. 2009 Supp. 74-8772; effective Sept. 26, 2008; amended April 1, 2011.)

112-104-17. Bill validators and bill validator canisters. (a) Each facility manager's internal control system shall include internal controls for bill validators and their related canisters. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1. Each electronic device configured to accept any combination of currency, gaming tickets, coupons, and any other instruments authorized by the commission shall be equipped with a bill validator.

(b) Each bill validator used by the facility manager shall meet the technical standards adopted by the commission under article 110. The identifying information on each bill validator shall be noted on the master list of approved gaming machines in accordance with K.A.R. 112-107-10.

(c) If an electronic device has a bill validator that is controlled by a software program that can be modified without replacing any physical element of the bill changer, the facility manager shall submit for review and approval the manager's internal controls, which shall address the following:

- (1) The method for detecting authorized and unauthorized software changes;
- (2) the generation of a daily report from its EGM monitoring system, which immediately documents the software change;
- (3) procedures for the control and installation of the software by the management information systems (MIS) department;
- (4) the creation of a software control log by the MIS department evidencing all authorized changes to the bill validator software; and

(5) the review and comparison of the report and log required in paragraphs (c)(2) and (4) by the internal audit department for any deviations and investigation.

(d) Access to the bill validator shall be controlled by at least one lock, the key to which shall be controlled by the EGM department.

(e) Unless otherwise authorized by the commission, each electronic device with a bill validator attached shall also be equipped with the following mechanical, electrical, or electronic machines:

(1) A cash box meter that continuously and automatically registers the total amount in dollars accepted by the bill validator;

(2) bill meters that continuously and automatically count, for each denomination of currency accepted by the bill validator, the actual number of bills accepted by the bill validator; and

(3) any other meters that may be required by the executive director.

(f) The bill validator in each electronic device shall contain a secure, tamper-resistant container known as a bill validator canister. Currency, gaming tickets, coupons, and commission-approved instruments inserted into the bill validator shall be deposited into the bill validator canister.

(g) The bill validator canister shall be secured to the bill validator by two separate locks, the keys to which shall be different from each other. One key shall be to the lock on the belly door or main door of the EGM, and the second key shall be for the lock on the release mechanism on the bill validator canister. If there is not a full door on

the bill validator, the lock on the release mechanism on the bill validator canister shall detect and display whether the lock is locked or unlocked and communicate whether the lock is locked or unlocked to an EGM monitoring system. The keys shall be maintained and controlled as follows:

(1) The key to the belly door or main door of the electronic device shall be maintained and controlled by the EGM department.

(2) The key to the lock securing the release mechanism on the bill validator canister shall be maintained and controlled by the security department. The security department shall establish a sign-out and sign-in procedure for this key, which shall include documentation of each transfer.

(h) Each bill validator canister shall meet the following requirements:

(1) Have at least one lock securing the contents of the bill validator canister, the key to which shall be maintained and controlled by the cage department;

(2) have a slot opening through which currency, gaming tickets, and coupons can be inserted into the bill validator canister;

(3) have a mechanical arrangement or device that prohibits the removal of currency, gaming tickets, and coupons from the slot opening whenever the bill validator canister is removed from the bill validator;

(4) be fully enclosed, except for openings that may be required for the operation of the bill validator or the bill validator canister. However, the location and size of the

openings shall not affect the security of the bill validator canister, its contents, or the bill validator;

(5) have an asset number that is permanently imprinted, affixed, or impressed on the outside of the bill validator canister that corresponds to the asset number of the electronic device to which the bill validator has been attached. In lieu of the asset number, a facility manager may develop and maintain, with prior commission approval, a system for assigning a unique identification number to its bill validator canisters. The system shall ensure that each bill validator canister can readily be identified, either manually or by computer, when in use with, attached to, and removed from a particular bill validator. Each unique identification number shall be permanently imprinted, affixed, or impressed on the outside of each bill validator canister that does not otherwise bear an asset number. The asset number or unique identification number shall be conspicuous and visible to persons involved in removing or replacing the bill validator canister in the bill validator and through the facility manager's surveillance system. However, emergency bill validator canisters may be maintained without an asset number or a unique identification number if the word "emergency" is permanently imprinted, affixed, or impressed on each canister and if, when put into use, each canister is temporarily marked with the asset number of the electronic device to which the bill validator is attached; and

(6) be designed and installed in a manner that renders the electronic device inoperable in the event of the removal or absence of the bill validator canister.

(i) Notwithstanding paragraph (h)(5), any facility manager that uses a computerized EGM monitoring system may use bill validator canisters and any related components, which shall, through the use of technology approved by the commission, meet the following requirements:

(1) Have a unique identifier number assigned to each bill validator canister:

(A) The number shall not be subject to change without the approval of the executive director; and

(B) the facility manager shall provide the commission with a list of the unique identifier numbers;

(2) in the EGM monitoring system, associate the bill validator canister with the electronic device into which the bill validator canister is inserted. The association shall remain with the bill validator canister until the completion of the count process; and

(3) provide the commission and the facility manager with a method to determine the unique identifier number of the bill validator canister. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective Sept. 26, 2008.)

112-104-18. Transportation of bill validator canisters to and from bill validators;

storage. (a) Each facility manager's internal control system shall include internal controls for the transportation of bill validator canisters. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1. Each facility manager shall file with the commission a schedule setting forth the specific times at which bill validator canisters will be brought to or removed from the bill validators, along with specifications as to the areas of the gaming floor where canisters will be brought to or removed from the bill validator on each pickup day and the specific transportation route to be utilized from the gaming floor to the count room.

(b) Each facility manager shall maintain and make available to the commission, upon request, a detailed and current list of all employees participating in the transportation of bill validator canisters. Each deviation from the schedule setting forth the specific times at which bill validator canisters will be brought to or removed from the bill validators, change in the areas to be dropped, or change in the transportation route to the count room shall be noticed to the commission in advance.

(c) Each bill validator canister removed from a bill validator shall be transported directly to, and secured in, the count room or a trolley storage area located adjacent, configured, and secured by at least three employees. At least one of these employees shall be a member of the security department, and at least one of these employees shall be a member of the cage department. The facility manager shall also comply with the following procedures:

(1) Before the removal of a bill validator canister from a bill validator, patrons shall be removed from the immediate area being dropped by representatives of the security department.

(2) Each bill validator canister that is removed from a bill validator during the drop process shall be replaced with an empty bill validator canister that meets the requirements of K.A.R. 112-104-17.

(3) Upon its removal from a bill validator, a bill validator canister shall be placed in an enclosed trolley that is secured by two separately keyed locks. The keys shall be maintained and controlled as follows:

(A) The key to one lock shall be maintained and controlled by the cage department; and

(B) the key to the second lock shall be maintained and controlled by the security department. Access to the security department's key shall be controlled by a sign-out and sign-in procedure. The security department's key shall be returned to its secure location upon the completion of the collection and transportation of the bill validator canisters.

(4) Before the movement of any trolley containing bill validator canisters from the gaming floor into the count room, the drop team supervisor shall verify that the number of bill validator canisters being transported from the gaming floor equals the number of bill validator canisters scheduled to be collected that day.

(5) Each bill validator canister being replaced by an emergency bill validator canister shall be transported to, and secured in, the count room by at least three

employees, at least one of which shall be a member of the cage department and at least one of which shall be a member of the security department.

(d) All bill validator canisters not contained in a bill validator, including emergency bill validator canisters that are not actively in use, shall be stored in the count room or other secure area outside the count room approved by the commission, in an enclosed storage cabinet or trolley and secured in the cabinet or trolley by a separately keyed, double-locking system. The keys shall be maintained and controlled as follows:

(1) The key to one lock shall be maintained and controlled by the cage department; and

(2) the key to the second lock shall be maintained and controlled by a security department. Access to the security department's key shall be limited to a supervisor of that department.

(e) Notwithstanding subsection (c), the security department may, before beginning the count process, issue its key to the storage cabinet or trolley to a count room supervisor for the purpose of allowing count room personnel to gain access to the bill validator canisters to be counted. Each key transferred from the custody of the security department to the count room supervisor shall be returned immediately following the conclusion of the count of the bill validator canisters and the return of the empty emergency drop boxes and bill validator canisters to their respective storage cabinet or trolley by the count room supervisor. The security department shall establish a sign-out and sign-in procedure, which shall include documentation of each transfer.

(f) Employees authorized to obtain bill validator canister storage cabinet or trolley keys shall be precluded from having simultaneous access to bill validator canister keys, with the exception of the count team in the count room.

(g) The access to bill validator canisters stored in the count room that have not been emptied and counted shall be restricted to authorized members of the drop and count teams. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective Sept. 26, 2008.)

112-104-19. Unsecured currency, gaming tickets, and coupons. (a)(1) Each facility manager's internal control system shall include internal controls for unsecured currency, gaming tickets, and coupons. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1.

(2) As used in this article when modifying "currency," "gaming ticket," or "coupon," "unsecured" shall mean that the currency, gaming ticket, or coupon is found inside a bill validator but outside the bill validator canister.

(3)(A) If an EGM department representative finds any unsecured currency, tickets, or coupons, the representative shall complete a form that includes the following:

(i) The asset number or other unique identification number of the bill validator canister in the bill validator in which the unsecured currency, unsecured gaming ticket, or unsecured coupon was found;

(ii) the date the unsecured currency, unsecured gaming ticket, or unsecured coupon was found; and

(iii) the total value of the unsecured currency, unsecured gaming ticket, or unsecured coupon.

(B) After the requirement specified in paragraph (a)(3)(A) is met, a representative of the gaming machine department or cage department and a member of the security department shall perform the following:

(i) Sign the form as evidence of the total value being transported;

(ii) place the form and the unsecured currency, unsecured gaming ticket, or unsecured coupon into an envelope or container, unless the form is printed on the front of the envelope in which the currency, gaming ticket, or coupon is being placed; and

(iii) transport the envelope or container directly to the cage.

(b) Upon receipt of the envelope or container from the EGM department representative or cage department representative, a main bank cashier or cage supervisor shall prepare an unsecured bill validator report. If the unsecured currency, unsecured gaming ticket, or unsecured coupon was not transported by an EGM department supervisor or cage supervisor, the unsecured bill validator report shall be prepared by a cage supervisor pursuant to subsection (d).

(c) The unsecured bill validator reports shall be on serially prenumbered forms. Each series of unsecured bill validator reports shall be used in sequential order and shall be accounted for by employees of the accounting department. All original and duplicate void unsecured bill validator reports shall be marked "void" and shall require the signature of the preparer. All copies of void unsecured bill validator reports shall be forwarded to the accounting department at the end of each gaming day.

(d) For facilities in which unsecured bill validator reports are manually prepared, the following requirements shall be met:

(1) Each series of unsecured bill validator reports shall be a three-part form and shall be inserted into a locked dispenser that permits an individual slip in the series and its copies to be written upon simultaneously while still locked in the dispenser and that

discharges the original and duplicate while the triplicate remains in a continuous, unbroken form in the dispenser.

(2) Access to the triplicates shall be maintained and controlled at all times by employees responsible for controlling and accounting for the unused supply of unsecured bill validator reports, placing unsecured bill validator reports in the dispensers, and removing from the dispensers the remaining triplicates.

(e) For facilities in which unsecured bill validator reports are computer-prepared, each series of unsecured bill validator reports shall be a two-part form and shall be generated by a computer system that can simultaneously print an original and duplicate and store, in machine-readable form, all information printed on the original and duplicate and discharge the original and duplicate. The stored data shall not be susceptible to change or removal by any personnel after preparation of the unsecured bill validator report.

(f) On the original, duplicate, and triplicate or, if applicable, in stored data, the main bank cashier or cage supervisor shall record the following information:

- (1) The date and time of preparation;
- (2) the asset number or other unique identification number of the bill validator canister in the bill validator from which the unsecured currency, unsecured gaming ticket, or unsecured coupon was removed;
- (3) each denomination of unsecured currency;
- (4) the total value of the unsecured currency;

- (5) each denomination of unsecured coupons;
- (6) the total value of the unsecured coupons;
- (7) the serial number and value of each unsecured gaming ticket;
- (8) the total value of the unsecured gaming tickets; and
- (9) the signature or, if computer-prepared, identification code of the preparer.

(g) The original and duplicate copies of the unsecured bill validator report shall be presented to the representative of the EGM department or cage department and the security representative for signature.

(h)(1) Upon meeting the signature requirements, the main bank cashier or cage supervisor shall transport the unsecured currency, unsecured gaming tickets, and unsecured coupons along with the original and duplicate copies of the unsecured bill validator report to the main bank and shall do one of the following:

(A) If the unsecured bill validator report was prepared by a cage supervisor, the main bank cashier shall perform the following:

- (i) Sign the original and duplicate copies of the unsecured bill validator report;
- (ii) retain the original unsecured bill validator report and the unsecured currency, unsecured gaming tickets, and unsecured coupons; and

(iii) return the duplicate unsecured bill validator report to the cage supervisor, who shall attach the form referenced in subsection (a) to the duplicate and deposit the duplicate with the attached form into the locked accounting box located in the cage.

(B) If the unsecured bill validator report was prepared by the main bank cashier, the main bank cashier shall perform the following:

(i) Retain the original unsecured bill validator report and the unsecured currency, unsecured gaming tickets, and unsecured coupons;

(ii) attach the form referenced in subsection (a) to the duplicate unsecured bill validator report; and

(iii) return the duplicate unsecured bill validator report and attached form to the security representative, who shall deposit the duplicate with the attached form into a locked accounting box maintained in a location approved by the commission.

(2) The main bank cashier shall then perform one of the following:

(A) Add the value of the unsecured currency, unsecured gaming tickets, and unsecured coupons to the main bank's accountability and retain the original of the unsecured bill validator report until the end of the gaming day; or

(B) maintain the unsecured currency, the unsecured gaming tickets, the unsecured coupons, and the original unsecured bill validator report until collected by a count room supervisor and transported to the count room, where both of the following requirements shall be met:

(i) The currency, gaming tickets, and coupons shall be counted with the contents removed from the corresponding bill validator canisters and recorded on the bill validator canisters report; and

(ii) the original unsecured bill validator report shall be forwarded to the accounting department.

(i) At the end of the gaming day, the original and the duplicate copy of the unsecured bill validator report, along with any gaming tickets and coupons, shall be forwarded as follows:

(1) If, pursuant to paragraph (h)(1), the main bank cashier has retained possession of the original, the cashier shall forward the original, along with any gaming tickets and coupons, directly to the accounting department for agreement with the triplicate or stored data; and

(2) the duplicate with the attached form shall be forwarded directly to the accounting department for recording on the bill validator canisters report and gaming machine win sheet and agreement with the triplicate or stored data. However, no additional recording of the unsecured currency, unsecured gaming tickets, and unsecured coupons shall be required if the currency, gaming tickets, and coupons have been transported to the count room, counted, and recorded pursuant to paragraph (h)(2).

(j) The duplicate copy of the unsecured bill validator report shall be attached to the bill validator canisters report as supporting documentation. A notation shall be made on the duplicate unsecured bill validator report indicating whether the dollar value of the unsecured currency, unsecured coupons, and unsecured gaming tickets has been added to the bill validator canisters report, gaming machine win sheet, and the main bank's

accountability in accordance with subsection (g) or (h). (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective Sept. 26, 2008.)

112-104-20. Counting and recording bill validator canisters. (a) Each facility manager's internal control system shall include internal controls for the opening, counting, and recording of the contents of bill validator canisters. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1.

(b) The internal controls developed and implemented by the facility manager under subsection (a) shall include a description of all computer equipment used in the counting and recording process and other systems, if any, that communicate with that computer equipment for purposes related to the counting of net EGM income.

(c) Each facility manager shall file with the commission a schedule setting forth the specific times during which the contents of bill validator canisters are to be counted and recorded. Each deviation from the schedule shall be noticed to the commission at least 48 hours in advance.

(d) The computerized equipment utilized to count and secure currency, gaming tickets, and coupons shall meet the following requirements:

(1) Automatically provide two separate counts of the funds at different stages of the count process and, if the separate counts are not in agreement, document the discrepancy; and

(2) be capable of determining the value of a gaming ticket or coupon by independently examining information printed on the gaming ticket or coupon. The information shall be used by the counting equipment to either calculate the value internally or obtain the value directly from the gaming ticket system or coupon system in

a secure manner. If the gaming ticket system is utilized to obtain the value of a gaming ticket or coupon, the gaming ticket system shall perform a calculation or integrity check to ensure that the value has not been altered in the system in any manner since the time of issuance.

(e) All persons accessing the count room when uncounted funds are present shall wear clothing without any pockets or other compartments, with the exception of representatives of the commission, the Kansas lottery, the facility security department, the facility internal audit department, and independent auditors specified in K.A.R. 112-104-6.

(f) No person present in the count room shall perform either of the following:

(1) Carry a handbag or other container unless it is transparent; or

(2) remove that person's hands from or return them to a position on or above the count table or counting equipment, unless the backs and palms of the hands are first held straight out and exposed to the view of other members of the count team and a surveillance camera.

(g) Immediately before beginning the count, a count room employee shall notify the surveillance department that the count is about to begin, to facilitate the recording, under article 106, of the entire count process.

(h) Each gaming ticket or coupon deposited in a bill validator canister shall be counted and included in the calculation of net EGM income without regard to the validity of the gaming ticket or coupon.

(i) A coupon that has not already been canceled upon acceptance or during the count shall be canceled before the conclusion of the count.

(j) Each variance between the value of cash gaming tickets and coupons in a bill validator canister as determined in the count room and the value for that particular bill validator canister recorded on corresponding reports generated by the gaming ticket system or coupon system shall be disclosed to the commission in a detailed written report citing each variance, the reason for the variance, and the corrective action taken. This variance report shall be filed by the facility manager with the commission within 72 hours of the count that is the subject of the variance. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective Sept. 26, 2008.)

112-104-21. Jackpot payouts. (a) Each facility manager's internal control system shall include internal controls for jackpot payouts that are not paid directly from an EGM and for the method of jackpot payout specified in subsection (d). The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1.

(b) The internal controls developed and implemented by the facility manager under subsection (a) shall include the following:

(1) A request for jackpot payout document or an electronic entry into an EGM computer system generating jackpot payouts by an EGM department employee or EGM department supervisor, evidencing the observation by the EGM department employee or EGM department supervisor of the winning combination of characters on the EGM and a determination of the amount of the jackpot payout based on the observed winning combinations;

(2) a requirement that the preparer of the request for jackpot payout document or the employee performing the electronic entry into the EGM computer system be an EGM department supervisor if the hand-paid jackpot is \$10,000 or more;

(3) a requirement that the following information be on the request for jackpot payout document or electronically entered into the EGM computer system and maintained in stored data:

(A) The date and time of the jackpot;

(B) the asset number of the EGM on which the jackpot was registered;

(C) the winning combination of characters constituting the jackpot or a code corresponding to the winning combination of characters constituting the jackpot;

(D) the dollar amount of the jackpot payout in both alpha and numeric form or a description of personal property awarded, including the fair market value of the personal property;

(E) the method of payment requested by the patron;

(F) the signature or identification code of the preparer; and

(G) the following additional signatures or identification codes, which shall be required if the EGM or the progressive meter is reset before the patron is paid or if payment is made directly to the patron by a gaming cashier:

(i) The signature or identification code of a security department member or EGM department attendant other than the preparer, attesting to the winning combination of characters constituting the jackpot and the amount of the jackpot payout; or

(ii) the signature or identification code of the EGM department shift manager, attesting to the winning combination of characters constituting the jackpot and the amount of the jackpot payout if the jackpot amount is \$25,000 or more;

(4) a requirement that, upon preparation, the request for jackpot payout document be transported by the preparer to the cage, where the document will serve to authorize the preparation of a jackpot payout document or that the information be made available by the EGM computer system;

(5) a requirement that if the winning patron will not be paid before the EGM or progressive meter is reset, the preparer of the request for jackpot payout document or the employee performing the electronic entry required by paragraph (b)(1) also prepare a two-part receipt document containing the following information:

(A) The date and time of the jackpot;

(B) the asset number of the EGM on which the jackpot was registered;

(C) the winning combination of characters constituting the jackpot or a code corresponding to the winning combination of characters constituting the jackpot;

(D) the dollar amount of the jackpot payout in both alpha and numeric form or a description of personal property awarded, including the fair market value of the personal property;

(E) the signature of the winning patron on the original form only; and

(F) the signature of the preparer, attesting that the information on the receipt document is correct and agrees with the information on the request for jackpot payout document or in stored data;

(6) a requirement that the receipt document be distributed as follows:

(A) The original shall be immediately delivered to the gaming cashier by the preparer, security department member, or verifying EGM department attendant, along with the request for jackpot payout document if manually generated in accordance with paragraph (b)(1); and

(B) the duplicate shall be immediately presented to the winning patron, who shall be required to present the duplicate receipt document before being paid the jackpot in accordance with the procedures set forth in this regulation;

(7) a requirement that the following information be on any jackpot payout document generated by the EGM computer system:

(A) The asset number of the EGM on which the jackpot was registered;

(B) the winning combination of characters constituting the jackpot or a code corresponding to the winning combination of characters constituting the jackpot;

(C) the date on which the jackpot occurred;

(D) the dollar amount of the jackpot payout in both alpha and numeric form or a description of personal property awarded, including the fair market value of the personal property;

(E) the date, time, and method of payment; and

(F) the signature or identification code of the preparer;

(8) a requirement that the data in paragraphs (b)(7)(A) through (F) not be susceptible to change or removal by any personnel after preparation of a jackpot payout document;

(9) a requirement that whenever the winning patron is paid directly by the gaming cashier, the following procedures be followed:

(A) A jackpot payout document shall be generated by the EGM computer system in accordance with paragraph (b)(7);

(B) if a one-part request for jackpot payout document is involved and a security department member or verifying EGM department attendant other than the preparer has not signed the one-part request for jackpot payout document, the gaming cashier shall summon a security department member or EGM department employee other than the preparer of the request for jackpot payout document and provide that employee with the request for jackpot payout document. The security department member or verifying EGM department employee shall proceed to the EGM identified on the request for jackpot payout document and sign the request for jackpot payout document, attesting that the winning combination of characters on the EGM and the amount to be paid match those that appear on the request for jackpot payout document. If the jackpot amount is \$25,000 or more, an EGM department shift manager shall also sign the request for jackpot payout document, attesting that the winning combination of characters on the EGM and the amount to be paid match those that appear on the request for jackpot payout document. The request for jackpot payout document shall be returned to the gaming cashier before the end of that gaming day;

(C) after the gaming cashier determines that the required signatures verifying the winning combination of characters on the EGM and the amount to be paid have been placed on the one-part request for jackpot payout document, if the amount being paid is less than \$10,000, the gaming cashier shall pay the winning patron in the presence of the preparer of the request for jackpot payout document. If the amount being paid is \$10,000 or more but less than \$25,000, the gaming cashier shall pay the winning patron in the

presence of the EGM department attendant supervisor who prepared the request for jackpot payout document. If the amount being paid by the cashier is \$25,000 or more, the gaming cashier shall pay the winning patron in the presence of the EGM department supervisor and the EGM department shift manager who prepared the request for jackpot payout document in accordance with this subsection. The personnel required by this subsection to witness the payment shall sign the duplicate jackpot payout document, attesting to the accuracy of the information on the duplicate jackpot payout document and the disbursement of the payment to the patron;

(D) if a receipt document under paragraph (b)(5) was issued, the duplicate receipt document shall be signed by the patron in the presence of the gaming cashier. The gaming cashier shall compare the signature on the duplicate receipt document to that on the original receipt document and make the payment only if the signatures are in agreement;

(E) once the required signatures are obtained and payment has been made, the gaming cashier shall give the duplicate jackpot payout document to a security department member or EGM department employee, who shall deposit the document into a locked accounting box; and

(F) the gaming cashier shall attach the request for jackpot payout document, if applicable, and the original and duplicate receipt documents, if applicable, to the original copy of the jackpot payout document. All documents shall be forwarded by the end of the gaming day to the main bank for reimbursement;

(10) a requirement that the facility manager's accounting department perform, at the conclusion of each gaming day, income control reconciliation procedures over the issuance of jackpot payouts, including adequate comparisons to gaming ticket system data; and

(11) details for processing system overrides or adjustments.

(c) Nothing in this regulation shall preclude the use of an EGM computer system, approved by the commission, that electronically records the information required on a request for jackpot payout document or facilitates through the EGM computer system the verifications and comparisons as to a winning combination of characters on the EGM or an amount to be paid required under this regulation.

(d) Nothing in this regulation shall preclude a facility manager from implementing procedures by which a gaming cashier, in the presence of a member of the security department, utilizes an imprest inventory of funds secured in a pouch or wallet to pay a jackpot of less than \$1,200 that is not totally and automatically paid directly from an EGM. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective Sept. 26, 2008.)

112-104-22. Annuity jackpots. (a) Each facility manager's internal control system shall include internal controls for the payment of an annuity jackpot. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1. The internal controls developed and implemented by the facility manager shall include the following:

(1) Procedures to be followed by a winning patron to exercise a cash payout option;

(2) procedures with regard to the administration of the trust agreement established to ensure the future cash payments due under the annuity jackpot award; and

(3) a requirement that the trustee for the trust fund established by the trust agreement be a facility manager or, for a wide-area progressive system offering an annuity jackpot, the EGM system operator for that wide-area progressive system.

(b) Any facility manager offering an annuity jackpot payable over 10 years or more may offer a winning patron the option to be paid in a single cash payout, in lieu of the annuity jackpot, in an amount that is equal to the present value of the face amount of the jackpot payout as calculated in subsection (c).

(c) Any facility manager may offer a cash payment option. The present value of the cash payout option on an annuity shall be determined by applying a discount rate to each of the future annuity jackpot payments, taking into consideration the number of years until each jackpot payment would otherwise have been received and adding to that amount the amount of the first cash payment that would otherwise have been received.

For the purposes of this subsection, the discount rate shall equal the United States treasury constant maturity rate for 20-year United States government securities for the week ending before the date of the jackpot, as identified in the federal reserve statistical release form H.15 for selected interest rates, plus 0.5%.

(d) A facility manager shall not offer an annuity jackpot payout unless both of the following conditions are met:

(1) The terms and conditions of the annuity jackpot, including the effect on the calculation of the theoretical payout percentage, meet the requirements of the act, this article, and the technical standards approved by the commission under article 110.

(2) The commission has approved the specific offer of the annuity jackpot.

(e) Each cash payout made in connection with an annuity jackpot shall be made in accordance with K.A.R. 112-104-21. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective Sept. 26, 2008.)

112-104-23. Merchandise jackpots. (a) Each facility manager's internal control system shall include internal controls for the payment of a merchandise jackpot. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1.

(b) A facility manager shall not offer a merchandise jackpot payout unless both of the following conditions are met:

(1) The terms and conditions of the merchandise jackpot, including the effect on the calculation of the theoretical payout percentage, meet the requirements of the act, this article, and the technical standards approved by the commission under article 110.

(2) The commission has approved the specific offer of the merchandise jackpot. To obtain commission approval, a facility manager shall file an amendment waiver and request form containing all of the details related to the merchandise jackpot payout.

(c) Each cash payout made in connection with a merchandise jackpot shall be made in accordance with K.A.R. 112-104-21. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective Sept. 26, 2008.)

112-104-24. Internal audit standards. (a) Each facility manager's internal control system shall include internal controls for internal audit standards. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1. The facility manager shall maintain a separate internal audit department whose primary function is to perform internal audit work that shall be independent with respect to the departments subject to audit. The facility manager shall ensure that the standards, conventions, and rules governing audits in the United States are followed for all audits. The internal audit department shall be responsible for the following:

- (1) The review and appraisal of the adherence of the facility manager's systems of internal control to commission regulations and technical standards;
 - (2) performing tests to ensure compliance with internal control procedures;
 - (3) the reporting to the facility manager's management and the commission of instances of noncompliance with the internal control system;
 - (4) the reporting to the facility manager's management and the commission of any weaknesses in the internal control system;
 - (5) the recommendation of procedures to eliminate any weaknesses in the internal control system; and
 - (6) performing tests to ensure compliance with K.A.R. 112-104-6.
- (b) The auditing department shall prepare documents to evidence all internal audit work performed as the work relates to the requirements in this regulation, including all instances of noncompliance with internal control procedures:

(1) The internal audit department shall operate with audit programs that address the requirements of this regulation.

(2) The internal audit department shall accurately document the work performed, the conclusions reached, and the resolution of all exceptions.

(c) All audit reports shall be prepared, maintained, and provided to the commission on a schedule approved by the executive director.

(1) Internal audit personnel shall perform audits of all major gaming areas of the facility manager. The following shall be reviewed at least quarterly:

(A) Wagering, including calculation and payout procedures;

(B) net EGM income;

(C) EGM activity, including the following:

(i) Jackpot payout and EGM or electronic device fill procedures;

(ii) EGM or electronic device drop counts, bill validator counts, and subsequent transfer of funds;

(iii) unannounced testing of count room currency counters or currency interface;

(iv) EGM drop cabinet access;

(v) tracing of source documents to summarized documentation and accounting records;

(vi) reconciliation to restricted copies;

(vii) compliance with erasable programmable read-only memory (EPROM) duplication procedures; and

(viii) compliance with internal control procedures for EGMs or electronic devices that accept currency and issue cash-out tickets and for EGMs that do not accept currency and do not return currency;

(D) cage procedures, including the reconciliation of trial balances to physical instruments on a sample basis. Cage accountability shall be reconciled to the general ledger;

(E) information technology standards specified in K.A.R. 112-104-25;

(F) complimentaries, including procedures whereby complimentaries are issued, authorized, and redeemed;

(G) control of keys that require accountability in a log beginning with the authorization to order, number received, establishment of the beginning key inventory, and control of issuance of keys to the operating departments;

(H) purchasing functions and contractual agreements to determine that the purchases and agreements are not in excess of their fair market value; and

(I) any other internal audits as required by the executive director, audit committee of the board of directors, or other entity designated by the executive director.

(2) The audit reports shall include the following information:

(A) Audit objectives;

(B) audit procedures and scope;

(C) findings and conclusions;

(D) recommendations, if applicable; and

(E) management's response.

(3) In addition to the observation and examinations performed under paragraph (c)(1), follow-up observations and examinations shall be performed to verify that corrective action has been taken regarding all instances of noncompliance cited by internal audit, the independent accountant, and the commission. The verification shall be performed within three months of the issuance of the audit report.

(4) Whenever possible, internal audit observations shall be performed on an unannounced basis.

(5) All exceptions disclosed during audits shall be investigated and resolved, with the results being documented and retained for seven years.

(d) All internal audit findings shall be reported to management, who shall be required to respond to internal audit findings stating corrective measures to be taken to avoid recurrence of the audit exception. The management responses shall be included in the internal audit reports that are delivered to the facility manager's management, the commission, audit committee of the board of directors, or other entity designated by the executive director. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective Sept. 26, 2008.)

112-104-25. Information technology standards. (a) Each facility manager's internal control system shall include internal controls for information technology standards. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1. The management information systems (MIS) department shall be responsible for the quality, reliability, and accuracy of all EGM computer systems used by the facility manager regardless of whether data, software, or systems are located within or outside the gaming facility. The MIS department shall be responsible also for the security and physical integrity of, and the accountability and maintenance of, the following:

(1) Access codes and other security controls used to ensure limited access to computer software and the systemwide reliability of data;

(2) computer tapes, disks, or other electronic storage media containing data relevant to the facility manager's operations;

(3) computer hardware, communications equipment, and software used in the conduct of the facility manager's operations; and

(4) the computerized EGM monitoring system utilized by the facility manager, which shall ensure that the following conditions are met:

(A) EGMs located on the gaming floor are connected to the facility manager's computerized EGM monitoring system and to the Kansas lottery's central computer system in accordance with the act;

(B) the security features of the computerized EGM monitoring system prohibit the deletion, creation, or modification of any data unless a permanent record is created that sets forth the original information, modifications to the original information, the identity of the employee making the modification, and, if applicable, the identity of each employee authorizing the modification;

(C) computerized jackpot payout systems utilized by the facility managers are configured to require that any modification of \$100 or more to the original amount recorded on a computerized jackpot payout or system override is authorized by two cage department employees, one of whom is in a position of greater authority than the individual preparing the jackpot payout; and

(D) procedures and controls are in place that define and limit interaction between the EGM department, the cage department, and the accounting department and the computerized EGM monitoring system, including access to system menus, the establishment of EGM profile parameters, and the ability of each department to access, delete, create, or modify information contained in the EGM monitoring system.

(b) The internal controls specified in subsection (a) shall include general controls for gaming hardware and software. These general controls shall include all of the following requirements:

(1) The facility manager's management shall ensure that physical and logical security measures are implemented, maintained, and adhered to by personnel to prevent unauthorized access that could cause errors or compromise data or processing integrity.

(2) The facility manager's management shall ensure that all new gaming vendor hardware and software agreements and contracts contain language requiring the vendor to adhere to internal control standards applicable to the goods and services the vendor is providing.

(3) Physical security measures shall exist over computers, computer terminals, data lines, and storage media to prevent unauthorized access and loss of integrity of data and processing.

(4) The requirements in paragraph (b)(1) shall apply to each applicable department within the gaming facility. Only authorized personnel shall have access to the following:

- (A) Systems software and application programs;
- (B) computer data;
- (C) computer communications facilities;
- (D) the computer system; and
- (E) information transmissions.

(c) Each facility manager shall include the following in that facility manager's internal controls:

- (1) The method for detecting authorized and unauthorized software changes;
- (2) the generation of daily reports from all computer systems, which shall document any software changes;
- (3) procedures for the control and installation of software by the MIS department;

(4) the creation of a software control log by the MIS department evidencing all authorized changes to software; and

(5) the review and comparison of the report and log required in paragraphs (c)(2) and (4) by the internal audit department for any deviations and investigation.

(d) The main computers for each gaming application shall be located in a secured area with access restricted to authorized persons, including vendors. Non-MIS department personnel shall be precluded from having unrestricted access to the secured computer areas.

(e) Access to computer operations shall be restricted to authorized personnel.

(f) Incompatible functions shall be adequately segregated and monitored to prevent lapses in general information technology procedures that could allow errors to go undetected or fraud to be concealed.

(g) The computer systems, including application software, shall be secured through the use of passwords or other means approved by the commission, if applicable. MIS department personnel shall assign and control the access to system functions.

(h) Passwords shall be controlled through both of the following requirements:

(1) Each user shall have that person's own individual password.

(2) Each password shall be changed at least quarterly with each change documented.

(i) MIS department personnel shall have backup and recovery procedures in place that include the following:

(1) Daily, monthly, and annual backup of data files;

(2) backup of all programs;

(3) secured off-site storage of all backup data files and programs or other adequate protection access to which shall be restricted to authorized MIS department personnel; and

(4) recovery procedures, which shall be tested on a sample basis at least semi-annually with documentation of results.

(j) Information technology system documentation shall be maintained, including descriptions of hardware and software, including current version numbers of approved software and licensee manuals.

(k) MIS department personnel shall meet the following requirements:

(1) Be precluded from unauthorized access to the following:

(A) Computers and terminals located in gaming areas;

(B) source documents; and

(C) live data files, which shall not contain test data; and

(2) be restricted from the following:

(A) Having unauthorized access to cash or other liquid assets; and

(B) initiating general or subsidiary ledger entries.

(l) All program changes for in-house developed systems shall be documented as follows:

(1) Requests for new programs or program changes shall be reviewed by the MIS department supervisor. The approval to begin work on the program shall be documented.

(2) A written plan of implementation for new and modified programs shall be maintained and shall include the following:

(A) The date the program is to be placed into service;

(B) the nature of the change;

(C) a description of procedures required in order to bring the new or modified program into service, including the conversion or input of data and installation procedures; and

(D) an indication of who is to perform the procedures specified in paragraph (1)(2)(C).

(3) The testing of new and modified programs shall be performed and documented before implementation.

(4) A record of the final program or program changes, including evidence of user acceptance, the date in service, the name of the programmer, and the reason for changes, shall be documented and maintained.

(m) The facility manager shall maintain computer security logs. If computer security logs are generated by the system, the logs shall be reviewed by MIS department personnel for evidence of the following:

(1) Multiple attempts to log on. Alternatively, the system shall deny user access after three attempts to log on;

(2) unauthorized changes to live data files; and

(3) any other irregular transactions.

(n) The following requirements shall apply to accessing computer systems through remote dial-up or other methods as authorized by the commission:

(1) If remote dial-up to any associated equipment is allowed for software support,

MIS department personnel shall maintain an access log that includes the following:

(A) The name of employee authorizing modem access;

(B) the name of authorized programmer or vendor representative;

(C) the reason for modem access;

(D) a description of work performed; and

(E) the date, time, and duration of access.

(2) The facility manager shall be required by the commission to maintain evidence of all changes being made during remote access sessions.

(o) Any facility manager may scan or directly store documents to an unalterable storage medium if all of the following requirements are met:

(1) The storage medium shall contain the exact image of the original document.

(2) All documents stored on the storage medium shall be maintained with a detailed index listing the department and date. This index shall be available upon request by the executive director.

(3) Upon request and adequate notice by the commission, hardware, including the terminal and printer, shall be made available in order to perform auditing procedures.

(4) Controls shall exist to ensure the accurate reproduction of records, including the printing of stored documents used for auditing purposes.

(5) The storage medium shall be retained for at least seven years.

(p) If a facility manager employs computer applications to replace or to supplement manual procedures, the computer application procedures implemented shall provide the same level of documentation or procedures, or both, that manual procedures approved by the commission provide. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; Sept. 26, 2008.)

112-104-26. Gaming facility. (a) Each facility manager's internal control system shall include internal controls for the gaming facility requirements contained within this regulation. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1. Each gaming facility shall be equipped with a surveillance system configured and approved in accordance with article 106.

(b) Restricted areas within the gaming facility shall be designated for the repair and storage of EGMs. The areas approved and utilized within the gaming facility for EGM repair shall be monitored by the surveillance system.

(c) Each emergency exit from the gaming floor shall be equipped with an audible alarm system that produces a loud, distinguishable warning sound, discernable in the vicinity of the exit, whenever the emergency door is opened. The alarm system shall be designed to require deactivation and reset by means of a key. The key shall be maintained by the facility manager's security department.

(d) Each facility manager shall, in accordance with the act, provide for and maintain facilities for use by the commission and the Kansas lottery for the purpose of carrying out each commission's responsibilities. The facilities shall be located in the same building as the gaming floor and shall include adequate office space, equipment, partitions, and supplies to meet the continuing needs of the commission and the Kansas lottery at the facility, including the following:

(1) A surveillance system monitoring room that meets all of the requirements of K.A.R. 112-106-1(o);

(2) an area for detention that meets all of the requirements of K.A.R. 112-105-6;

(3) a fingerprinting and photographing facility for use by the commission, located in conformance with and outfitted in compliance with specifications established by the commission;

(4) adequate computer, telephone, and copying capability to meet the commission's and the Kansas lottery's continuing data processing and related needs;

(5) direct telephone connections between these facilities and the facility manager's surveillance monitoring room and its security department; and

(6) computer terminals facilitating read-only access to any EGM computer system used by the facility manager in its gaming operations.

(e) The keys or alternative locking mechanisms securing access to the on-site facilities shall be under the exclusive custody and control of the commission or the Kansas lottery.

(f) Each facility manager shall provide additional accommodations within the gaming facility upon receipt of a written request from the executive director or the Kansas lottery to accommodate periodic audit, compliance, or investigative reviews at the gaming facility.

(g) Each facility manager shall provide adequate parking spaces adjacent or proximate to the on-site facilities, clearly marked for the commission and the Kansas lottery use only.

(h) Each facility manager shall equip the facility with communication systems necessary to ensure communication between the gaming facility and the commission, the Kansas lottery, and any applicable local law enforcement agency or emergency first responders. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective Sept. 26, 2008.)

112-104-27. Acceptance of tips or gratuities from patrons. Notwithstanding the requirements of K.A.R. 112-107-18, a level I employee or gaming employee who serves in a supervisory position shall be prohibited from soliciting or accepting a tip or gratuity from a patron of the facility manager. No level II or level III employee may solicit a tip or gratuity from a patron of the facility manager. A facility manager shall not permit any practices prohibited by this regulation. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective Sept. 26, 2008.)

112-104-28. Automated teller machines. Automated teller machines may be placed at any location within the gaming facility, if the location is approved by the executive director. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective Sept. 26, 2008.)

112-104-29. Waiver of requirements. (a) One or more of the requirements of this article applicable to accounting and internal controls may be waived by the commission on its own initiative, upon the commission's determination that the compensating control or procedure, as documented in a facility manager's internal control system, meets the operational integrity requirements of the act and this article.

(b) Any 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 shall include supporting documentation demonstrating how the proposed accounting and internal controls for which the waiver has been requested would meet the operational integrity requirements of the act and this article. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective Sept. 26, 2008.)

112-104-30. Gaming day. (a) The beginning and ending times of the gaming day shall be determined by the Kansas lottery and shall be uniform for all facility managers for the purposes of determining net EGM income.

(b) Before beginning gaming operations, each facility manager shall submit to the commission in writing its hours of gaming. The gaming times shall correspond to the portion of the gaming day the facility manager will be open to the public for the purpose of gaming activities. A facility manager shall not commence gaming until its hours of gaming are approved by the commission.

(c) Each facility manager shall provide written notice of any planned change in the facility manager's hours of gaming to the commission at least 72 hours before the change. The facility manager shall notify the commission of a change in the facility manager's hours due to an emergency at that time. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective Sept. 26, 2008.)

112-104-31. Signature. An employee signature may be in either of the following formats:

(a) The employee's first initial, last name, and employee credential number, which shall be written by the employee, immediately adjacent to or above the clearly printed or preprinted title of the employee; and

(b) the employee's unique identification number or other computer identification code issued to the employee by the facility manager, if the document to be signed is authorized by the commission to be generated by an EGM computer system and this method of signature is approved or required by the commission. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective Sept. 26, 2008.)

112-104-32. Unclaimed winnings. (a) Each facility manager's internal control system shall include internal controls for unclaimed winnings. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1.

(b) All winnings, whether property or cash, that are due and payable to a known patron and remain unclaimed shall be held in safekeeping for the benefit of the known patron.

(c)(1) If winnings have not been provided to a known patron, the facility manager shall prepare a winner receipt form. The form shall be a two-part, serially prenumbered form and shall contain the following:

(A) The name and address of the patron;

(B) a unique identifying number obtained from a United States government-issued photo identification card or a government-issued passport;

(C) the date and time the winning occurred; and

(D) the LFG upon which the win occurred, including the following:

(i) The LFG asset number;

(ii) the location; and

(iii) the winning combination.

(2) The two-part receipt form shall be distributed as follows:

(A) The preparer of the original shall send the original to the gaming cashier responsible for maintaining safekeeping balances.

(B) The duplicate shall be presented to the winning patron, who shall be required to present the duplicate receipt before being paid the winning amount due.

(d) Each facility manager shall be required to use its best efforts to deliver the winnings to the patron. The facility manager shall maintain documentation of all efforts to provide the patron with the unclaimed winnings. Documentation shall consist of letters of correspondence or notation of telephone calls or other means of communication used in the attempt to provide the winnings to the patron.

(e) Each winning patron shall collect that patron's winnings by presenting to a gaming cashier the duplicate copy of the winner receipt form signed in the presence of the gaming cashier. The gaming cashier shall obtain the original winner receipt form from safekeeping and compare the signature on the original to the signature on the duplicate receipt form. The gaming cashier shall sign the original winner receipt form, attesting that the signatures on the original and duplicate receipt forms agree, and then distribute the winnings to the patron.

(f) The gaming cashier shall retain the original receipt form as evidence of the disbursement from the gaming cashier's funds. The duplicate receipt form shall be placed in a box for distribution to accounting by security or someone who did not participate in the transaction.

(g) Undistributed winnings of any known patron held in safekeeping for 12 months or longer shall revert to the Kansas state treasurer's office in accordance with

unclaimed property laws after reasonable efforts to distribute the winnings to the known patron, as determined from review of the documentation maintained.

(h)(1) If the identity of any patron who wins more than \$1,200 is not known, the facility manager shall be required to make a good faith effort to learn the identity of the patron. If the identity of the patron is determined, the facility manager shall comply with subsections (b) through (g).

(2) If a patron's identity cannot be determined after 180 days from the time the patron's winnings were payable, the winnings shall be distributed according to the formula contained in the gaming facility's management contract. (Authorized by and implementing K.S.A. 2009 Supp. 74-8772; effective Sept. 26, 2008; amended April 1, 2011.)

112-104-33. Disputes. (a) If a dispute arises with a patron concerning the payment of alleged winnings, the facility manager shall provide the patron with a patron complaint form and instructions for submitting a patron complaint.

(b) If a facility manager refuses to pay the winnings claimed by a patron and the patron and the facility manager remain unable to resolve the dispute after seven days, the facility manager shall, on the next day, notify the commission in writing of the dispute in a manner and form the commission prescribes. The notice shall identify the parties to the dispute and shall state the known relevant facts regarding the dispute. A determination regarding the dispute may be made by the commission. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective Sept. 26, 2008.)

112-104-34. Physical key controls; automated key controls. (a) "Sensitive keys" shall mean those unlocking devices designated by the Kansas lottery, a facility manager, or the commission as important to preserving the security of the facility manager's business. Each facility manager shall 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 shall be deemed 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 shall mean those unlocking devices that shall be maintained in a dual-lock 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 shall be deemed 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 reimpressionment kiosk keys;
- (7) the self-redemption or bill breaker kiosk keys;

- (8) the change cart key;
- (9) the key for each table game's drop box;
- (10) the key for the table game drop box release;
- (11) the keys for the bill validator and table drop storage cart;
- (12) the key for each table game's chip bank cover;
- (13) the key for each table game's chip tray;
- (14) the key for each progressive game's controller;
- (15) the key for each progressive game's reset switch;
- (16) the keys for the reserve chip storage;
- (17) the keys for the card and dice storage area;
- (18) the keys for the secondary chip storage area;
- (19) the access door key to any cage, EGM bank, or redemption booth;
- (20) the window key to any cage, EGM bank, or redemption booth;
- (21) the keys to the vault;
- (22) the keys to the soft count room; and
- (23) any key not listed in this subsection that controls access to any cash or chip

storage area.

(c) If a facility manager chooses to use rings to maintain its keys, each key on the ring shall be individually identified on a key access list.

(d) Each facility manager's internal control system shall include the following information:

- (1) The location of each sensitive key and critical key box;
- (2) each employee or contract job title that is authorized to access the sensitive key or critical key boxes;
- (3) the procedure for issuing and controlling the keys for the sensitive key or critical key boxes;
- (4) the sensitive key or critical key names, location, and persons authorized to sign out each sensitive key or critical key;
- (5) the location and custodian of each duplicate sensitive key; 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 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 name of the employee performing the entry, change, or deletion;

(3) the employee position that is in charge of any automated key control system;

(4) each employee position that is authorized to enter, modify, and delete any keys;

(5) each employee position that is 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 if a partial or complete system failure occurs.

(f) Each individual authorized to access keys in the automated system shall have the authorization noted in the employee's personnel file.

(g) Each change to the list of authorized employees that have access to the automated keys shall be updated within 72 hours of the change. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective Oct. 16, 2009.)

112-104-35. Key control procedures. (a) Each facility manager's internal controls for keys shall include a key box custodian. Each custodian of a sensitive key box or critical key box shall be issued a sensitive key or critical key access list that notes the authorized employee positions that may access each sensitive key 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) Each key that requires issuance under security or management escort shall be identified as such in the sensitive key or critical key access list. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective Oct. 16, 2009.)

112-104-36. Key access list. (a) Each facility manager shall maintain a current and accurate key access list for each sensitive key 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) The name of the key;
- (2) the storage location of the key;
- (3) the name of the custodian of the key;
- (4) the quantity of the keys;
- (5) the title of each employee 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 identification number assigned to the key;
- (3) the employee positions that are authorized to remove a key; and
- (4) any escort requirements for each 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 key and critical key access lists. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective Oct. 16, 2009.)

112-104-37. Key log. (a) Any sensitive key or critical key may be issued only after completion of a sensitive key or critical key log. The key log shall include the following information:

- (1) The date the key was issued or returned;
- (2) the key number;
- (3) the individual or automated key box issuing the key;
- (4) the individual receiving the 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) Each individual who signs out a sensitive key or a critical key shall maintain custody of the key until the key is returned to the sensitive key or the critical key box.

Keys may be passed only 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 key or critical key logs shall be forwarded at intervals specified by the facility manager to the accounting or internal audit department, where the logs 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 of the key issuance, receipt, or inventory;
- (2) each key name;
- (3) each 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 Oct. 16, 2009.)

112-104-38. Broken, lost, or missing keys. (a) The internal control system shall include procedures for the following if a critical key or sensitive key is broken:

- (1) The name of the employee required to receive and replace the broken key;
- (2) disposition of the broken key; and
- (3) notification to a commission agent on duty.

(b) An inventory of duplicate keys shall be maintained in such quantity that there is always at least one duplicate key in inventory for each critical key or sensitive key.

(c) The internal control system shall include procedures to be followed when a sensitive key 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 keys or sensitive keys. The commission agent on duty shall be notified upon discovery that any sensitive keys or critical keys are missing. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective Oct. 16, 2009.)

112-104-39. Corrections to forms. (a) Monetary corrections to a figure originally recorded on a form may be made only 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) Each nonmonetary correction to a form shall be initialed by the employee making the correction.

(c) Each form that is not prenumbered shall be maintained and controlled by the applicable department manager. (Authorized by and implementing K.S.A. 2008 Supp. 74-8772; effective Oct. 16, 2009.)

112-104-40. Manual form dispensers. (a) Each facility manager's accounting or security department shall be responsible for loading and unloading any locked manual form dispenser. Each form unloaded from the dispenser shall be delivered directly to the accounting department.

(b) If the manual form dispenser jams, an employee from the accounting department or security department shall clear the jam and relock the manual form dispenser.

(c) If a facility manager uses a manual form dispenser, then the dispenser shall be configured to dispense a single form at a time, with undispensed forms kept in continuous order.

(d) Manual form dispensers shall be used to control the following manual forms:

(1) Table fill slips;

(2) table credit slips; and

(3) EGM hand-paid jackpot payout forms. (Authorized by and implementing

K.S.A. 2008 Supp. 74-8772; effective Oct. 16, 2009.)

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. 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 log for card or dice pickup and either cancellation or destruction, 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) each 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 completion of the count sheet;

(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) each signature required 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.

Each description shall include weight, height, hair color, and any other observed
distinguishing features;

(D) the total cash transaction amount; and

(E) the transaction type. The transaction types shall be the following:

- (i) Cash-outs, including cashing personal checks and travelers checks;
- (ii) chip redemptions. The gaming location shall be included in the comments column;
- (iii) deposits for safekeeping;
- (iv) deposits out when withdrawing a safekeeping deposit; and
- (v) any other transactions not listed in paragraphs (b)(5)(E)(i) through (iv), including each cash transaction payment of EGM jackpots and each exchange of currency for currency;
- (F) the time of the transaction;
- (G) the signature and commission license number of the employee logging the transaction;
- (H) any observed 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 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, as defined in K.A.R.

112-108-1, 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 any 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 name and signature of the patron making the deposit;
- (C) the date of each deposit or withdrawal;
- (D) the amount of each deposit or withdrawal;
- (E) the type of deposit or withdrawal;
- (F) the reason for the deposit or 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 completion of the form;
 - (B) the number of chips listed by denomination;
 - (C) the total number 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 any critical program storage media log. "Critical program storage media" and "CPSM" shall mean any media storage device containing data, files,

or programs, as determined by the commission, that are capable of affecting the integrity of gaming. The duplicate CPSM log shall include the following details:

- (A) The date of completion of the form;
 - (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) the signature of each employee performing the sweep; and
 - (D) the signature of the supervisor overseeing the drop;
- (13) an EGM drop or win report, including the following details:
- (A) The gaming date;
 - (B) the amount wrapped by denomination and totaled;
 - (C) the dollar value difference by denomination;
 - (D) the percentage variance difference by denomination;
 - (E) the total jackpot payouts;
 - (F) the total drop by denomination;
 - (G) the total drop of all denominations;
 - (H) the net win or loss by denomination and total; and

(I) all required signatures;

(14) an EGM entry access log, 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 completion of the form;

(B) an EGM number that required hand payment and the location and denomination of the payment;

(C) the amount of jackpot;

(D) the reel symbols on each EGM jackpot requiring hand payment; and

(E) all required signatures;

(16) an EGM sweeps log, including the following details:

(A) Each EGM number and location;

(B) the date and time of the EGM sweep;

(C) the signature of each employee performing the sweep; and

(D) the signature of the supervisor overseeing the sweep;

(17) an even exchange slip, including the following details:

(A) The date, time, and location 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 amount exchanged;

(18) each cage or bank variance slip, including the following details:

(A) The date and time of completion of the slip;

(B) the location of the bank;

(C) the amount of overage or shortage; and

(D) all required signatures;

(19) ingress or egress logs for the count rooms, surveillance rooms, and cages,

including the following details:

(A) The date and time of each ingress or egress;

(B) the printed name of each person entering or leaving;

(C) the room entered or left;

(D) the reason for entry; and

(E) all required signatures;

(20) a main bank or vault accountability log, including the following details:

(A) The date and shift that the accounting was made;

(B) the opening balance;

(C) the amount of each type of accountability transaction;

(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;
- (21) a master gaming report, including the following details:
 - (A) The gaming date;
 - (B) the game and table number;
 - (C) the opening table inventory slip;
 - (D) the total fill slips;
 - (E) the total credit slips;
 - (F) the closing table inventory slip;
 - (G) the total drop per table;
 - (H) the overall totals by game;
 - (I) the total win or loss; and
 - (J) all required signatures;
- (22) a RAM clearing slip, including the following details:

(A) The date and time that the RAM was cleared;

(B) an EGM number, the location, and the number of credits played before the RAM clearing occurred;

(C) the current reel positions or video displays;

(D) the previous two reel positions or video displays;

(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;

(23) the returned check log, including the following details:

(A) The name and address of each person who presented the check that was subsequently returned;

(B) the date of the check;

(C) the amount of the check;

(D) the check number;

(E) the date the facility manager 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;

(24) a sensitive key log, including the following:

(A) The date the key activity occurred;

- (B) the key number;
- (C) the individual or automated key box issuing the key;
- (D) the name of the individual receiving the key;
- (E) the time the key was signed out;
- (F) the time the key was signed in;
- (G) the individual returning the key; and
- (H) the individual or automated key box receiving the returned key;
- (25) a signature authorization list, including the following details for each

employee listed:

- (A) The employee's hire date;
- (B) the employee's name;
- (C) the department;
- (D) the position;
- (E) the license number;
- (F) the employee's initials as on a signature card; and
- (G) the employee's signature, with at least the first initial and last name;

(26) 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 name and address of each witness and subject involved in the incident, if

known;

- (D) a detailed narrative of the incident;
- (E) an identification of any videotape covering the incident;
- (F) the final disposition of the incident; and
- (G) all required signatures;

(27) a surveillance shift log, including the following details:

- (A) The date that the entry is being made;
- (B) the time of and duration, description, and location of all unusual occurrences

observed;

(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;

(28) 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;

(29) a surveillance tape retention log, including the following details:

- (A) The date and time of the tape retention activity;
- (B) the tape number being retained;
- (C) a description of the activity recorded and the recording mode; and
- (D) all required signatures;

(30) a table credit slip, if applicable, including the following details:

- (A) The date, pit, game or table number, and time of the table credit activity;
- (B) the amount of each denomination of chips to be credited;
- (C) the total amount of all denominations to be credited; and
- (D) all required signatures;

(31) a table fill slip, including the following details:

- (A) The date, pit, game or table number, and time of the table fill activity;
- (B) the amount of each denomination of chips to be distributed;
- (C) the total amount of all denominations to be distributed; and
- (D) all required signatures;

(32) a table inventory slip, including the following details:

- (A) The date and shift;
- (B) the game and table number;
- (C) the total value of each denomination of chips remaining at the table;
- (D) the total value of all denominations; and
- (E) all required signatures;

(33) a table soft count slip or currency counter machine tape, including the following details:

- (A) The date of the soft count or printing of the machine tape;
- (B) the table game and number;
- (C) the box contents by denomination;
- (D) the total of all denominations; and
- (E) all required signatures;

(34) a wide-area progressive secondary jackpot slip, including the following details:

- (A) The date and time of the wide-area progressive secondary jackpot;
- (B) an EGM number, location, and denomination;
- (C) the amount of the jackpot in alpha and numeric description;
- (D) the reel symbols and number of credits played;
- (E) all required signatures; and
- (F) the game type;

(35) a security incident report, including the following details:

- (A) The incident report number;
- (B) the date and time of the incident;
- (C) the location of the incident;
- (D) the type of incident;

(E) the names and addresses of any witnesses and subjects involved in the incident, if known;

(F) a detailed narrative of the incident;

(G) the identification of videotape covering the incident, if applicable; and

(H) all required signatures;

(36) a security incident log, including the following details:

(A) The date of the daily log;

(B) the time of the incident;

(C) the incident report number;

(D) the name of the reporting security department employee and the employee's commission license number; and

(E) the summary of the incident;

(37) a visitor or vendor log, including the following details:

(A) The date of the visitor's or vendor's visit;

(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;

(38) 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, any escort requirements and specific limitations;

(39) 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;

(40) an inventory log of prenumbered forms, including the following details:

- (A) The name of the prenumbered 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 each department to which forms were issued; and
- (F) all required signatures and commission license numbers;

(41) 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;

(42) a safekeeping log, including the following details:

(A) The date of deposit or withdrawal;

(B) the name of the patron;

(C) the dollar amount of deposit or withdrawal;

(D) the type of deposit or withdrawal; and

(E) the total balance of all deposits;

(43) a card or dice discrepancy report, including the following details:

(A) The date and time of the noted discrepancy;

(B) the location;

(C) a description of the discrepancy found; and

(D) all required signatures;

(44) 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 for the remote access; and

(D) the person making access;

(45) 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;
- (46) a redemption log, including the following details:
 - (A) The date the claim is being made;
 - (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;
- (47) a currency cassette log, including the following details:
 - (A) The date of the currency cassette log;
 - (B) the time of the currency cassette log;
 - (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
- (48) a table games jackpot slip, including the following details:
 - (A) The date of the table game jackpot;
 - (B) the time of the table game jackpot;
 - (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 the 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; and
- (49) a meter-reading comparison report, including the following details:

- (A) The date of the meter-reading comparison report;
- (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) the signature of an accounting department employee. (Authorized by and

implementing K.S.A. 2008 Supp. 74-8772; effective Oct. 16, 2009.)

112-104-42. Purchasing. (a) Each facility manager's internal control system shall include internal controls for purchasing.

(b) The internal controls shall indicate the amount of a single transaction or series of related transactions that an individual or a group of employees, owners, or directors may approve.

(c) The internal controls shall include the following information for both manual and computerized systems:

(1) Steps for initiating purchasing procedures;
(2) detailed procedures for the preparation and distribution of purchase orders, including the following:

(A) The amounts that can be authorized by various positions or levels of personnel;
(B) the sequence of required signatures and distribution of each part of the purchase order;

(C) a statement that purchase orders shall be issued only for a specific dollar amount. Each change to an issued purchase order shall be returned to the purchasing department to initiate an amended purchase order and obtain additional approvals, if necessary; and

(D) the maintenance of a purchase order log;
(3) detailed procedures for issuing and approving blanket purchase orders for purchases of goods or services, including the following:

(A) The competitive bid requirements for blanket purchase orders;
(B) a statement that each blanket purchase order shall include a maximum amount, the effective date, and the expiration date; and

(C) controlling, documenting, and monitoring blanket purchase orders;

(4) requirements for competitive bidding process, including the following:

(A) The number of bids required. A minimum of two bids shall be required;

(B) a statement that the purchasing department shall have the final responsibility for obtaining competitive bids. The originating departments may provide the amount budgeted for the purchase, cost limitations, and vendor recommendations;

(C) the steps for documenting bids and the minimum amount required for written bids;

(D) a statement that all competitive bids received shall be confidential and shall not be disclosed to any other vendors; and

(E) criteria for qualifying approved vendors of goods or services based on "fair market value," considering factors including quality, service, and price;

(5) detailed procedures and approval process for emergency purchases, including the following:

(A) A statement that emergency purchases shall occur after normal business hours, on weekends or holidays or, in case of immediate need of goods or services, in response to unusual occurrences during normal business hours;

(B) a statement that approvals may be verbal until purchasing documentation is prepared. Purchasing documentation shall be finalized within five days;

(C) a statement on the purchase order documenting the reason for the emergency purchase; and

(D) the maintenance of an emergency purchase order log;

(6) detailed procedures to ensure that vendor files contain all company-required forms, documentation, and approvals;

(7) a prohibition against the purchase or lease of gaming equipment or supplies from other than a licensed supplier;

(8) detailed procedures for contracts, including the following:

(A) The management levels and the contract amounts that managers may negotiate and execute;

(B) a statement that all contracts shall be subject to the competitive bid process;

(C) the terms of all contracts;

(D) the approval process for payments made against an executed contract; and

(E) the distribution and filing of executed contracts;

(9) if applicable, detailed procedures for the use of purchasing cards, including the following:

(A) Authorized position titles to be purchasing card holders and their spending limits, both single-transaction and monthly;

(B) items that may be purchased with the purchasing card;

(C) use of the purchasing card with approved vendors only, if applicable;

(D) responsibilities of the holder of the purchasing card, including maintaining receipts and verifying monthly statements;

(E) responsibilities of the manager of the purchasing card holder, including approving monthly statements;

(F) disputing fraudulent or incorrect charges;

(G) payment to vendors for purchasing card charges; and

(H) the name of the department or position, as stated in the facility manager's internal controls, that is responsible for overseeing the purchasing card process;

(10) detailed procedures for the receipt of all goods received by an employee independent of the purchasing department as specified in the facility manager's internal controls, including the following:

(A) The verification process for the receipt of goods, including damaged goods, partial shipments, and overshipments;

(B) the distribution of all receiving documentation; and

(C) the maintenance of receiving documentation; and

(11) payment of vendor invoices, including procedures for the following:

(A) Each time the invoice amount disagrees with the purchase documentation;

(B) processing non-invoice payments; and

(C) the approval process for the utilization of a check request form, if applicable.

(d) Related party transactions, either oral or written, shall meet the minimum internal control standards in this regulation. In addition, the internal controls shall require the following:

(1) Each related party transaction or series of related party transactions reasonably anticipated to exceed \$50,000 annually shall be subject to approval of the board of directors or owners of the company.

(2) An annual report of related party contracts or transactions shall be prepared and submitted to the board of directors or owners and the executive director, listing all related party transactions or group of like transactions occurring during the year. This report shall be due at the end of the third month following each calendar year, be formatted to group related party transactions by key person or entity, and contain the following information:

(A) Name of the related party;

(B) amount of the transaction or payments under the contract;

(C) term of contract;

(D) nature of transaction; and

(E) determination of how the fair market value of the contract, goods, or services was ascertained.

(3) A quarterly report updating new or renewed related party transactions entered into during the quarter shall be prepared and submitted to the board of directors or owners and to the executive director. This report shall also indicate any terminations of related party transactions and shall be due at the end of the second month following the end of the quarter. The annual report shall meet the requirement for the fourth quarterly report. (Authorized by and implementing K.S.A. 2010 Supp. 74-8772; effective December 9, 2011.)