

PENNSYLVANIA GAMING CONTROL BOARD

[58 PA. CODE CH. 465]

Accounting and Internal Controls; Draft Temporary Regulations

The Pennsylvania Gaming Control Board (Board), under authority in 4 Pa.C.S. § 1202 (relating to general and specific powers), has drafted temporary regulations to facilitate the prompt implementation of 4 Pa.C.S. Part II (relating to gaming), enacted by the act of July 5, 2004 (P. L. 572, No. 71). Upon adoption of the regulations by the Board, the Board's temporary regulations will be added to 58 Pa. Code, Recreation, Part VII (relating to Gaming Control Board). By publishing these temporary regulations in draft form, the Board seeks public comment prior to the adoption of the regulations.

Contact Person

Interested persons are invited to submit written comments, suggestions or objections to the draft temporary regulations by means of the United States mail to the Pennsylvania Gaming Control Board, Office of Communications, P. O. Box 69060, Harrisburg, PA 17106-9060, Attn: Public Comment. The public comment period will end on January 6, 2006.

THOMAS A. DECKER,
Chairperson

Annex A

TITLE 58. RECREATION

PART VII. PENNSYLVANIA GAMING CONTROL BOARD

Subpart E. SLOT MACHINE TESTING AND CERTIFICATION

CHAPTER 465. ACCOUNTING AND INTERNAL CONTROLS

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§ 465.1. Definitions.

The following words and terms, when used in this part, have the following meanings, unless the context clearly indicates otherwise:

Gaming day—A gaming day shall be a period of time not to exceed 24 hours which represents the beginning and ending times of gaming activities for the purpose of accounting reports and determination by the central control computer system of gross terminal revenue.

(i) Prior to commencing operations, each slot machine licensee shall submit to the Board, in writing, the beginning and ending times of its gaming day.

(ii) Thereafter, any change in a slot machine licensee's gaming day must be noticed to the Board in advance of the change in writing or in an electronic format approved by the Board.

§ 465.2. Accounting records.

(a) Each slot machine licensee shall maintain complete, accurate and legible records of transactions pertaining to the revenues and expenses of each licensed 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 this chapter.

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

(1) Records pertaining to revenue that is taxable or subject to taxation under the act.

(2) Records pertaining to the financial statements and all transactions impacting the financial statements of the slot machine licensee, including contracts or agreements with licensed manufacturers, suppliers, certified and registered vendors, contractors, consultants, management companies, attorneys and law firms, accountants and accounting firms, insurance companies, and financial institutions, including statements and reconciliations related thereto.

(3) Records which 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 slot machine on a week-to-date, month-to-date and year-to-date basis.

(4) Records supporting the costs of complimentary services and items as defined in § 465.8 (relating to complimentary services or items).

(5) Records of all loans and other amounts payable by the slot machine licensee.

(6) Records of all investments, advances, loan and receivable balances due to the slot machine licensee.

(7) Records created in connection with the system of internal controls submitted to the Board under § 465.3 (relating to internal control systems and audit protocols).

(8) Records of all returned checks.

§ 465.3. Internal control systems and audit protocols.

(a) Each applicant for, or holder of, a slot machine license shall submit to the Board and the Department, in the manner the Board requires, a narrative description of its initial system of administrative and accounting procedures, including its internal control systems and audit protocols (collectively referred to as its "internal controls") at least 90 days before gaming operations are to commence, unless otherwise directed by the Board. Under the requirements of section 1322(c) of the act (relating to slot machine accounting controls and audits), each written system of internal controls must include:

(1) Records of direct and indirect ownership in the proposed slot machine licensee, its affiliates, intermediaries, subsidiaries or holding companies.

(2) Organization charts depicting appropriate segregation of functions and responsibilities.

(3) A description of the duties and responsibilities of each position shown on the organization charts and their respective lines of authority.

(4) A detailed narrative description of the administrative and accounting procedures designed to satisfy the requirements of this part.

(5) A record retention policy in accordance with § 465.7 (relating to retention, storage and destructions of books, records and documents).

(6) Procedures to ensure that assets are safeguarded, and counted in conformance with effective count procedures.

(7) Other items the Board may require in its discretion.

(b) Each submission shall be accompanied by the following:

(1) An attestation by its chief executive officer or other competent person attesting that the officer believes, in good faith, that the submitted internal controls conform to the requirements of the act and this part.

(2) An attestation by its chief financial officer or other competent person attesting that the officer believes, in good faith, that the submitted internal controls are adequate, consistent and effective, conform to generally accepted accounting principles and conform to the requirements of the act and this part.

(c) The initial submission shall also be accompanied by a report by an independent certified public accountant licensed to practice in this Commonwealth, attesting that the independent certified public accountant believes, in good faith, that the submitted system conforms in all respects to the standards of internal control set forth in the act and this part. When an element of the submitted system is determined not to conform, the nonconformity shall be disclosed in the report and discussed with specificity.

(d) Each submission by a slot machine licensee or applicant shall include, at a minimum, the following:

(1) Administrative controls which include, without limitation, the procedures and records that relate to the decision making processes leading to management's authorization of transactions.

(2) Accounting controls which have as their primary objectives the safeguarding of assets and revenues, the reliability of financial records and are consequently designed to provide reasonable assurance that:

(i) Any transaction or financial event which occurs in the operation of a slot machine is executed in accordance with management's general and specific authorization, as approved by the Board.

(ii) Any transaction or financial event which occurs in the operation of a slot machine is recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles, the act and this chapter.

(iii) Any transaction or financial event which occurs in the operation of a slot machine is recorded in a manner which provides reliable records, accounts and reports, including the recording of cash and evidences of indebtedness, for use in the preparation of reports to the Board related to slot machines.

(iv) Any transaction or financial event which occurs in the operation of a slot machine is recorded adequately to permit proper and timely reporting of gross terminal revenue and the calculation thereof and of fees and taxes and to maintain accountability for assets.

(v) Access to assets is permitted only in accordance with management's general and specific authorization, as approved by the Board.

(vi) The recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any discrepancies.

(3) Procedures and controls for ensuring, in accordance with section 1323 of the act (relating to the central control computer system), that each slot machine directly provides or communicates required activities and financial details to the central control computer system as set by the Board.

(4) Procedures and controls for ensuring that all functions, duties and responsibilities are appropriately segregated and performed in accordance with sound financial practices by competent, qualified personnel.

(5) Procedures and controls for ensuring, through the use of a surveillance and security department, that the licensed facility is secure during normal operations and during any emergencies due to malfunctioning equipment, loss of power, natural disaster or any other cause.

(e) The Board, in consultation with the Department, will review each initial submission made under subsection (a) and determine whether it conforms to the requirements of the act and this part and provides adequate and effective controls for the operation of slot machines at a licensed facility. A slot machine licensee may not commence gaming operations until its system of internal controls is approved by the Board.

(f) A slot machine licensee may, upon submission to the Board and the Department, in the manner the Board requires, of a narrative description of a change or amendment in its system of internal controls and the two original signed certifications described in subsection (b) implement the change on the 30th calendar day following the filing of a complete submission. Submissions received by the Board after 2 p.m. will be considered to have been submitted on the next business day.

(g) If during the 30-day review period in subsection (f), the Board's Bureau of Corporate Compliance and Internal Controls preliminarily determines that a procedure in the submission contains a substantial and material insufficiency likely to have a direct and materially adverse impact on the integrity of slot operations or the control of gross terminal revenue, that Bureau, by written notice to the slot machine licensee, will:

(1) Specify the nature of the insufficiency and, when possible, an acceptable alternative procedure.

(2) Direct that the 30 calendar day review period in subsection (f) is tolled and that any internal controls at issue not be implemented until approved by the Board.

(h) Examples of submissions that may, under appropriate circumstances, be determined to contain a substantial and material insufficiency likely to have a direct and materially adverse impact on the integrity of slot operations or the control of gross terminal revenue include, without limitation, the following:

(1) Submissions that fail to provide an adequate audit trail that would permit the review of gaming operations or the reconstruction of gross terminal revenue transactions.

(2) Submissions that fail to provide for the segregation of incompatible functions so that no employee is in a

position both to commit an error or to perpetrate a fraud and to conceal the error or fraud in the normal course of the employee's duties.

(3) Submissions that do not include forms or other materials referenced in the submission or required by the act or this part that are essential elements of the internal controls and prevent a meaningful review of the submission.

(4) Submissions that would implement operations or accounting procedures not yet authorized by the act or this part.

(5) Submissions that are dependent upon the use of equipment or related devices or software not yet approved by the Board, unless the submissions are required as part of an authorized test of the equipment or related device or software.

(i) Notwithstanding anything contained herein to the contrary, any change or amendment to submissions with regard to organization charts pursuant to subsection (a)(2) and the descriptions of the duties and responsibilities of each position shown on the organization charts pursuant to subsection (a)(3) (collectively referred to as the "jobs compendium") may be implemented by the slot machine licensee without the prior approval of the Board provided that the change or amendment is submitted to the Board by the end of the business day on the date of implementation, which filing shall include:

(1) A detailed cover letter listing by department each position title to which modification has been made.

(2) A brief summary of each change.

(3) Instructions regarding any changes in page numbers and the date of implementation.

(j) The submission of changes or amendments to a jobs compendium shall be accompanied by the attestations in subsection (f) only when they involve changes or amendments to license categories, job codes, job functions, reporting lines (including new and deleted positions) or job titles in the information technology, internal audit, security, slot accounting, slot operations or surveillance departments.

(k) If in the course of its review of a change or amendment to a jobs compendium the Board's Bureau of Licensing preliminarily determines that the change or amendment contains a substantial and material insufficiency likely to have a direct and materially adverse impact on the integrity of slot operations or the control of gross terminal revenue, that Bureau, by written notice to the slot machine licensee, will:

(1) Specify the nature of the insufficiency and, when possible, an acceptable alternative procedure.

(2) Advise the slot machine licensee as to whether the implementation of the change or amendment must be suspended pending further evaluation by the Board.

(l) A current version of the internal controls of a slot machine licensee shall be maintained in or made available through secure computer access to, the accounting and surveillance departments of the slot machine licensee and the Board's offices within the licensed facility. The slot machine licensee shall also maintain a copy of any superseded internal control submission, along with the two certifications required to be submitted with respect thereto, for a minimum of 5 years. Each page of the internal controls must indicate, as applicable, the date on which it was submitted to the Board and the date on which it was approved.

§ 465.4. Forms, records and documents.

(a) Information required by this part to be placed on any form, record or document and in stored data shall be recorded on the form, record or document and in stored data in ink or other permanent form.

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

(c) Whenever under this part, forms or serial numbers are required to be accounted for and an exception is noted, the exceptions shall be reported immediately in writing to the slot machine licensee's internal audit department and the Board's Bureau of Investigations and Enforcement.

(d) Unless otherwise specified in this part, the forms, records, documents and stored data required to be prepared, maintained and controlled by this chapter must:

(1) Be in a form prescribed or authorized by the Board.

(2) Have the name of the establishment and the title of the form, record, document and, for stored data, the date imprinted or preprinted thereon.

(e) Nothing in this chapter shall be construed as prohibiting or discouraging a slot machine licensee from preparing more copies of any form, record or document than that prescribed by this chapter.

§ 465.5. Standard financial and statistical reports.

(a) Each slot machine licensee shall, upon the request of the Board, file monthly, quarterly and annual reports of financial and statistical data. The data may be used by the Board to evaluate the financial position and operating performance of individual licensees and compile information regarding the performance and trends of the industry in this Commonwealth.

(b) The Board may periodically prescribe standard reporting forms and corresponding filing instructions to be used by each licensee in filing the monthly, quarterly and annual reports referenced in subsection (a).

(c) In the event of a license termination, change in business entity or material change in ownership, the Board may, in its discretion, require the filing of financial and statistical reports it deems necessary, as of the date of occurrence of the event. The request will be made in writing to the slot machine licensee.

(d) Any adjustments resulting from the annual audit required in § 465.6 (relating to annual audit and other reports) 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 required in this section and the Board concludes that the adjustments are significant, a revised annual report may be required from the slot machine licensee. The revised filing shall be due within 30 calendar days after written notification to the slot machine licensee, unless an extension is requested in writing by the slot machine licensee prior to the required filing date and an extension is granted by the Board.

§ 465.6. Annual audit and other reports.

(a) Each slot machine licensee shall, at its own expense, cause its annual financial statements to be audited in accordance with generally accepted auditing standards by an independent certified public accountant licensed to practice in this Commonwealth.

(b) The annual financial statements shall be prepared on a comparative basis for the current and prior calendar year, and shall present financial position and results of operations in conformity with generally accepted accounting principles.

(c) The financial statements required by this section must include a footnote reconciling and explaining any differences between the financial statements included in any annual report filed in conformity with § 465.5 (relating to standard financial and statistical reports) and the audited financial statements. The footnote must, at a minimum, disclose the effect of the adjustments on:

- (1) Revenue from the operation of slot machines.
- (2) Slot machine revenue net of expenses for complimentary services or items.
- (3) Total costs and expenses.
- (4) Income before extraordinary items.
- (5) Net income.

(d) Two copies of the audited financial statements, together with the management letter or report prepared thereon by the slot machine licensee's independent certified public accountant, shall be filed with the Board not later than 60 days after the end of the licensee's fiscal year.

(e) Each slot machine licensee shall require the independent certified public accountant auditing its financial statements to render the following additional reports:

(1) A report on material weaknesses in the system of internal controls. Whenever in the opinion of the independent certified public accountant there exists no material weaknesses in the system of internal controls, the report must so state.

(2) A report expressing the opinion of the independent certified public accountant that based on his examination of the financial statements the slot machine licensee has followed, in all material respects during the period covered by his examination, the system of internal controls approved by the Board under § 465.3 (relating to internal control systems and audit protocols). Whenever, in the opinion of the independent certified public accountant, the slot machine licensee has materially deviated from the system of internal controls approved by the Board or the accounts, records and control procedures examined are not maintained by the slot machine licensee in accordance with the act and this part, the report must enumerate the deviations and the areas of the system no longer considered effective, and make specific recommendations regarding improvements in the system of internal controls.

(3) The slot machine licensee shall prepare a written response to the independent certified public accountant's reports required by paragraphs (1) and (2). The response must indicate, in detail, the corrective actions taken. The response shall be submitted to the Board within 90 days of receipt of the independent certified public accountant's reports.

(f) The slot machine licensee shall file two copies of the reports required by subsection (e), and two copies of any other reports on internal controls, administrative controls or other matters relative to the slot machine licensee's accounting or operating procedures rendered by the licensee's independent certified public accountant by April 30 following the end of the calendar year or upon receipt, whichever is earlier.

(g) If the slot machine licensee is publicly held, the slot machine licensee shall submit to the Board's Bureau of Corporate Compliance and Internal Controls three copies of any report, including, but not limited to, Forms S-1, 8-K, 10-Q, 10-K, proxy or information statements and all registration statements, required to be filed by the slot machine licensee with the Securities and Exchange Commission or other domestic or foreign securities regulatory agency, concurrent with the time of filing with the commission or agency.

(h) If an independent certified public accountant who was previously engaged as the principal accountant to audit the slot machine licensee's financial statements resigns or is dismissed as the slot machine licensee's principal accountant, or another independent certified public accountant is engaged as principal accountant, the slot machine licensee shall file a report with the Board's Bureau of Corporate Compliance and Internal Controls 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, as appropriate.

(2) Whether in connection with the audits of the 2 most recent years preceding the 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 include those resolved and those not resolved.

(3) Whether the principal accountant's report on the financial statements for any of the past 2 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.

(4) The slot machine licensee shall request the former accountant to furnish to the slot machine licensee a letter addressed to the Board stating whether the accountant agrees with the statements made by the slot machine licensee in response to paragraph (2). The letter shall be filed with the Board as an exhibit to the report required by paragraph (2).

§ 465.7. Retention, storage and destruction of books, records and documents.

(a) For the purposes of this section, "books, records and documents" means any book, record or document pertaining to, prepared in or generated by the operation of the licensed facility, including all forms, reports, accounting records, ledgers, subsidiary records, computer generated data, internal audit records, correspondence and personnel records required to be generated and maintained by this part. This definition applies without regard to the medium through which the record is generated or maintained, for example, paper, magnetic media or encoded disk.

(b) Original books, records and documents pertaining to the operation of a licensed facility shall be:

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

(2) Retained on the site of the licensed facility or at another secure location approved in accordance with this section.

(3) Held immediately available for inspection by agents of the Board, the Department and the Pennsylvania State Police during all hours of operation.

(4) Organized and indexed in a manner to provide immediate accessibility to agents of the Board, the Department and the Pennsylvania State Police.

(5) Destroyed only after expiration of the minimum retention period specified in subsection (c), except that the Board may, upon the written request of a slot machine licensee and for good cause shown, permit the destruction at an earlier date.

(c) Original books, records and documents shall be retained by a slot machine licensee for a minimum of 5 years with the following exceptions:

(1) Documentation with regard to gaming vouchers reported to the Board as possibly counterfeit, altered or tampered with should be retained for a minimum of 2 years.

(2) Coupons entitling patrons to cash or slot machine credits, whether unused, voided or redeemed shall be retained for a minimum of 6 months.

(3) Voided gaming vouchers and gaming vouchers redeemed at a location other than a slot machine shall be retained for a minimum of 6 months.

(4) Gaming vouchers redeemed at a slot machine shall be retained for a minimum of 7 days.

(d) A slot machine licensee may request, in writing, that the Board approve a facility outside the licensed facility to store original books, records and documents. The request must include the following:

(1) A detailed description of the proposed offsite facility, including security and fire safety systems.

(2) The procedures under which the Board, the Department and the Pennsylvania State Police will be able to gain access to the original books, records and documents retained at the offsite facility.

(e) A slot machine licensee may request, in writing, that the Board approve a microfilm, microfiche or other suitable media system for the copying and storage of original books, records and documents. The request must include representations regarding:

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

(2) The inspection and quality control methods which will be employed to insure that microfilm, microfiche or other media when displayed on a reader/viewer or reproduced on paper exhibits a high degree of legibility and readability.

(3) The availability of a reader-printer for use by the Board, the Department and the Pennsylvania State Police at the licensed facility or other site approved by the Board and the readiness with which the books, records or documents being stored on microfilm, microfiche or other media can be located, read and reproduced.

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

(f) Nothing herein shall be construed as relieving a slot machine licensee 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.

§ 465.8. Complimentary services or items.

(a) Each slot machine licensee shall develop, maintain and apply adequate internal controls over the authorization and issuance of complimentary services and items as that term is defined in § 439.1 (relating to definitions). The internal controls must include, without limitation, the following:

(1) The procedures by which the slot machine licensee delegates to its employees the authority to approve the issuance of complimentary services and items.

(2) The procedures by which conditions or limits, if any, which may apply to the authority are established and modified, including limits based on relationships between the authorizer and recipient.

(3) The provisions employed to insure the effective auditing of complementaries.

(b) Nothing herein shall be deemed to require a slot machine licensee to obtain Board approval of the internal controls required under subsection (a).

(c) Complimentary services or items shall be recorded as follows:

(1) A complimentary service or item provided directly to a patron in the normal course of a slot machine licensee's business shall be recorded at an amount based upon the full retail price normally charged for the service or item by the licensee.

(2) A complimentary service or item not offered for sale to a patron in the normal course of a slot machine licensee's business but provided directly by the slot machine licensee shall be recorded at an amount based upon the actual cost to the slot machine licensee of providing the service or item.

(3) A complimentary service or item provided directly or indirectly to a patron on behalf of a slot machine licensee by a third party not affiliated with the slot machine licensee shall be recorded at an amount based upon the actual cost to the licensee of having the third party provide the service or item.

(4) A complimentary service or item provided directly or indirectly to a patron on behalf of a slot machine licensee by a third party who is affiliated with the licensee shall be recorded by the licensee in accordance with this section as if the affiliated third party were the licensee.

(d) If a slot machine licensee provides complimentary cash and noncash gifts recorded at a value of \$10,000 or more to a person or his guests within any 5 day period, the slot machine licensee shall record the reason why the gifts were provided and maintain the records available for inspection by the Board and the Pennsylvania State Police. When the reason complimentary cash and noncash gifts were provided involves the person's player rating, that rating shall be based upon the actual amount and frequency of play by the person as recorded in the slot machine licensee's player rating system.

(e) Each slot machine licensee shall submit to the Board a report listing each person who, under subsection (d), received \$10,000 or more in complimentary cash and noncash gifts within any 5 day period ending during the preceding month. The report shall be filed by the last day of the month following the month in which the complimentary cash and noncash gifts were issued and include the total amount of complimentary cash or noncash gifts

provided to each person broken down into categories for food and beverage, hotel accommodations, travel and other services.

§ 465.9. Licensed facility.

(a) The licensed facility shall be equipped with a surveillance system configured and approved in accordance with §§ 465.10 and 465.11 (relating to the surveillance system; surveillance department control; surveillance department restrictions; and surveillance system recording formats). Except as otherwise provided in subsection (d)(1), the surveillance system shall be under the exclusive control of the surveillance department.

(b) Restricted areas within the licensed facility shall be designated and approved by the Board for the repair and storage of slot machines. Any area approved and utilized within the licensed facility for slot machine repair shall be covered by the approved surveillance system.

(c) Each emergency exit from the gaming floor shall be equipped with an audible alarm system, approved by the Board, 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 is to be maintained by the security department.

(d) Each slot machine licensee shall, in accordance with section 1207(13) of the act (relating to regulatory authority of Board), provide for and maintain onsite facilities for use by the Board, the Pennsylvania State Police and other appropriate persons for the purpose of carrying out their respective responsibilities (collectively referred to as the "onsite facilities"). The onsite facilities must include suitable office space, equipment, partitions and supplies to meet the continuing needs of the Board and the Pennsylvania State Police at the facility including the following:

(1) A surveillance system monitoring room, located within the onsite facilities, with full camera control capability for the reception of transmissions generated by each camera approved for use as part of the slot machine licensee's surveillance system. Full camera control capability must include the ability to override the control capability of the slot machine licensee's surveillance department.

(2) A facility for the detention of individuals detained or taken into custody by the slot machine licensee's security department, the Board, or the Pennsylvania State Police. The detention facility shall be located within the onsite facilities and include a bench or other apparatus which is permanently affixed to the wall to which the person in custody can be handcuffed with as little discomfort to that person as is reasonably possible under the circumstances.

(3) A fingerprinting facility for use by the Pennsylvania State Police, located in conformance with and outfitted in compliance with, specifications to be determined by the Pennsylvania State Police.

(4) Adequate computer, telephone and copying capability to meet the Board's and the Pennsylvania State Police's continuing data processing and related needs.

(5) Direct telephone connections between the onsite facilities and the slot machine licensee's surveillance monitoring room and its security department podium on the gaming floor.

(6) Computer terminals facilitating read only access to any computerized slot monitoring system or casino man-

agement system, or both, used by the slot machine licensee in its gaming operations.

(e) Each slot machine licensee shall provide other accommodations within the licensed facility which the Board requests, to perform periodic audit, compliance or investigative reviews at the licensed facility.

(f) Each slot machine licensee shall provide adequate parking spaces reasonably proximate to the onsite facilities, clearly marked for Board or Pennsylvania State Police, or both, use only.

(g) Each slot machine licensee shall equip its licensed facility with the communication systems necessary to insure an acceptable level of communication between the licensed facility and the Board, the Pennsylvania State Police, the applicable local law enforcement agency and any relevant emergency first responders.

§ 465.10. Surveillance system; surveillance department control; surveillance department restrictions.

(a) The Board, through its Bureau of Investigation and Enforcement, will review surveillance system specifications, inclusive of the camera configuration and any changes or modifications to the system specifications, to determine whether the system provides the adequate and effective surveillance of activities inside and outside the licensed facility mandated by section 1207(11) of the act (relating to regulatory authority of Board). A slot machine licensee may not commence gaming operations until its surveillance system is approved by the Board.

(b) Each slot machine licensee shall at all times provide the Board and the Pennsylvania State Police, upon request, with timely access to its surveillance system and its transmissions. Each member of its surveillance department shall timely comply with any request made by the Board or the Pennsylvania State Police to:

(1) Use, as necessary, any surveillance monitoring room in the licensed facility.

(2) Display on the monitors in the monitoring room any event capable of being monitored by the surveillance system.

(3) Make a video and, if applicable, audio recording of, and take a still photograph of, any event capable of being monitored by the surveillance system.

(i) The slot machine licensee shall preserve and store each recording or photograph in accordance with the directions of the Board or the Pennsylvania State Police.

(ii) The Board and the Pennsylvania State Police shall have unfettered access to each recording or photograph and, upon the request of either, the slot machine licensee and its personnel shall be denied access thereto.

(c) The surveillance system required in this section must include, but need not be limited to, the following:

(1) Light sensitive cameras with lenses of sufficient magnification to allow the operator to read information on a slot machine reel strip and credit meter and equipped with 360° pan, tilt and zoom capabilities, without camera stops, to effectively and clandestinely monitor in detail and from various vantage points, the following:

(i) The gaming conducted at the slot machines in the licensed facility.

(ii) The operations conducted at and in the cashiers' cage, any satellite cage, or slot booth and any office ancillary thereto.

(iii) The operations conducted at automated bill breaker, gaming voucher, coupon redemption and jackpot payout machines.

(iv) The count processes conducted in the count room.

(v) The movement of cash and slot cash storage boxes within the licensed facility.

(vi) The entrances and exits to the licensed facility, the gaming floor and the count room.

(vii) Other areas the Board designates.

(2) Video recording equipment which, at a minimum, must:

(i) Permit the preservation and viewing of a clear copy of the transmission produced by any camera connected to the surveillance system.

(ii) Be capable of superimposing the time and date of the transmission on each recording made by the video recording equipment.

(iii) Enable the operator to identify and locate, through the use of a meter, counter or other device or method, a particular event which was recorded.

(3) Recording media which shall be replaced immediately upon the manifestation of any significant degradation in the quality of the images or sound, if applicable, recorded thereon. If videotape is utilized, it shall be used for no more than 1 year.

(4) Audio capability in the count room.

(5) One or more monitoring rooms in the licensed facility which shall be staffed by employees of the slot machine licensee's surveillance department who shall at all times monitor the activities enumerated in paragraph (1) and elsewhere in the licensed facility as required by the Board. Each monitoring room shall be equipped with or serviced by:

(i) A communication system capable of monitoring all of the licensed facility's security department activities.

(ii) Computer terminals which facilitate read only access to any computerized slot monitoring system or casino management system, or both, used by the slot machine licensee in its gaming operation.

(iii) Connections to all casino alarm systems. The systems must provide a visible, audible or combination signal. Any robbery, fire or emergency alarm must be perceptually distinguishable from all non-emergency alarms in a manner approved by the Board.

(iv) An updated photo library, consisting of photographs that are no more than 4 years old, of all current employees of the slot machine licensee, which photo library shall be available to the Board and the State Police.

(v) A readily available current operational blueprint of the gaming floor and all areas of the licensed facility subject to camera coverage.

(6) An emergency power system, tested at 6 month intervals, that can be used to operate the surveillance system in the event of a power failure.

(7) A preventive maintenance program, implemented by technicians assigned to the surveillance department, which insures that the entire surveillance system is maintained in proper working order and that the transparent covers over the cameras are cleaned in accordance with a routine maintenance schedule.

(d) Areas subject to camera coverage under this section must contain continuous lighting that is of sufficient quality to produce clear video recordings and still picture reproductions.

(e) In addition to any other requirements imposed by this section, a slot machine licensee's surveillance system must be required to continuously record, during the appropriate times and in the manner indicated in this subsection, transmissions from cameras used to observe the following locations, persons, activities or transactions:

(1) Each transaction conducted at a cashiering location, whether or not that cashiering location services patrons. Coverage of the transaction must include, but not be limited to, recording transmissions from cameras used to observe the face of each person transacting business at each cashiering location from the direction of the cashier.

(2) The main bank, vault, satellite cage, slot booth and other areas as required by the Board.

(3) The collection of slot cash storage boxes.

(4) Any armored car collection or delivery.

(5) Automated bill breaker, voucher redemption, coupon redemption and jackpot payout machines whenever the machines are opened for replenishment or other servicing.

(f) Each slot machine licensee shall maintain a surveillance log of all surveillance activities in the monitoring room. The log shall be maintained by monitoring room personnel in a book with bound numbered pages that cannot be readily removed or shall be maintained in an electronic format the Board approves. The log shall be stored and retained in accordance with § 465.7 (relating to retention, storage and destruction of books, records and documents). At a minimum, the following information shall be recorded in a surveillance log:

(1) The date and time each surveillance event commenced.

(2) The name and Board issued license credential number of each person who initiates, performs or supervises the surveillance.

(3) The reason for the surveillance, including the name, if known, alias or description of each individual being monitored, and a brief description of the activity in which the person being monitored is engaged.

(4) The time at which each video or audio recording is commenced and terminated, if different than when surveillance commenced or terminated.

(5) The time at which each suspected criminal offense is observed, along with a notation of the reading on the meter, counter or device specified in subsection (c)(2)(iii) that identifies the point on the video recording at which the offense was recorded.

(6) The time each surveillance event terminated.

(7) A summary of the results of the surveillance.

(8) A complete description of the time, date and, if known, the cause of any equipment or camera malfunctions, and the time at which the security department was apprised of the malfunction in accordance with the casino licensee's internal controls submitted under § 465.3(b)(5) (relating to internal control systems and audit protocols).

(g) In accordance with § 465.3(b)(5), each slot machine licensee shall have a contingency plan, to be utilized whenever there is an equipment failure that affects the slot machine licensee's monitoring room or any other aspect of its surveillance system or operations.

(h) The Board's Bureau of Investigation and Enforcement shall be notified immediately, in a manner as the Board will determine, of any incident of equipment failure as noted in subsection (f) including the time and cause of the malfunction, if known, the time the slot machine licensee's security department was notified of the malfunction and the nature of any communications with the security department relating to the malfunction.

(i) The Board's Bureau of Investigation and Enforcement shall be notified of the following, in a manner the Board determines and approves in advance:

- (1) Any relocation of an approved camera.
- (2) Any change in an approved camera's specifications.
- (3) Any change in lighting for areas required to be subject to camera coverage.
- (4) Any addition or change to the surveillance system.

(j) Surveillance recordings shall be retained for a minimum of 7 days and be made available for review upon request by the Board or the Pennsylvania State Police. In addition, any recording determined by Board agents or the Pennsylvania State Police as being of potential evidentiary value shall be stored under Board or Pennsylvania State Police directives or turned over to Board agents or the Pennsylvania State Police upon request. At the request and expense of the slot machine licensee, a copy of any recording turned over to the Board or the Pennsylvania State Police shall be made available to the slot machine licensee.

(k) Each surveillance employee assigned to the monitoring room shall work from the employee's own monitoring station.

(l) In accordance with § 465.3(a)(5), each slot machine licensee shall be required to submit, for Board approval, a minimum staffing submission with regard to its surveillance monitor rooms. The minimum staffing submission must consider the size and layout of the licensed facility as well as the number of slot machines and must at all times provide for adequate and effective surveillance of activities inside and outside the licensed facility.

(m) A slot machine licensee's surveillance department employees shall be independent of all other departments.

(n) A present or former surveillance department employee may not accept employment as a key employee or gaming employee with the same slot machine licensee for whom the employee was previously employed as a surveillance department employee unless 1 year has passed since the former surveillance department employee worked in the surveillance department. The Board may, upon the filing of a written petition, waive this restriction and permit the employment of a present or former surveillance department employee in a particular position upon consideration of the following factors:

- (1) Whether the former surveillance department employee will be employed in a department or area of operation that the surveillance department monitors.
- (2) Whether the surveillance and security systems of the slot machine licensee will be jeopardized or compromised by the employment of the former surveillance department employee in the particular position.
- (3) Whether the former surveillance department employee's knowledge of the procedures of the surveillance department would facilitate the commission by any person of irregularities or illegal acts or the concealment of any actions or errors.

(o) Entrances to the surveillance monitoring rooms may not be visible from the gaming floor. Any person entering a surveillance monitoring room who is not an employee of the surveillance department shall sign a monitoring room entry log upon entering the monitoring room. The monitoring room entry log shall be:

- (1) Maintained in the monitoring room by monitoring room personnel and retained in accordance with § 465.7 (relating to record retention).
- (2) Maintained in a book with bound numbered pages that cannot be readily removed or shall be maintained in an electronic format as the Board approves.
- (3) Signed by each person entering the monitoring room, with each entry containing the following:
 - (i) The date and time of entering the monitoring room.
 - (ii) The entering person's name and his department or affiliation.
 - (iii) The reason for entering the monitoring room.
 - (iv) The name of the person authorizing the person's entry into the monitoring room.
 - (v) The date and time of exiting the monitoring room.
- (4) Made available for inspection by the Board and Pennsylvania State Police.

§ 465.11. Surveillance system recording formats.

(a) A slot machine licensee may utilize either an analog or digital video recording format provided the format selected incorporates current technology with regard to video cameras, monitors, recorders, video printers, switches, selectors and other ancillary equipment and provides for adequate and effective surveillance of activities inside and outside the licensed facility.

(b) Any digital video recording system utilized by a slot machine licensee must:

- (1) Be capable of recording, and thereafter being viewed, at a minimum of 30 frames or images per second, full screen, in real time.
- (2) Have a visual resolution of 640 × 480 pixels or greater unless the Board expressly determines that an alternative visual resolution can achieve the clarity required to meet the purposes of this section.
- (3) Be capable of retaining for at least 7 days all images obtained from all approved video cameras.
- (4) Have a failure notification system that provides an audible, as well as a visual notification, of any failure in the surveillance system or the digital video recording media storage system.
- (5) Have a media storage system that is configured so that a failure of any single component will not result in the loss of any data from the media storage system.
- (6) Have no more than eight of the cameras utilized to satisfy the coverage requirements in § 465.10(c)(1) (relating to surveillance system; surveillance department control; surveillance department restrictions), be in the first stage of concentration, unless the slot machine licensee has a fault tolerant or redundant system so there is no loss of data in the event of a failure of a single first stage concentrator.
- (c) Remote access to a digital surveillance system from any location outside the surveillance monitoring room may not be permitted without the approval of the Board.
- (d) Digital video disks or other storage media produced from the digital video recording system must contain the

date and time of recording superimposed thereon, clearly identify the type of media player and software prerequisite to viewing the digital images and identify the video verification encryption code or watermark.

(e) Details with regard to the digital video recording system's video verification encryption code or watermark shall be provided to the Board, at no cost to the Board, prior to the inspection and approval of the system.

(f) The slot machine licensee's contingency plan required under § 465.10(f) must expressly provide that any failure in a digital video recording media storage system must be repaired or replaced within 8 hours of the failure.

(g) The Board may, in its discretion, waive one or more of these requirements upon a determination that the nonconforming surveillance system nonetheless provides for adequate and effective surveillance of activities inside and outside the licensed facility.

[Pa.B. Doc. No. 05-2361. Filed for public inspection December 16, 2005, 9:00 a.m.]
