

RULES AND REGULATIONS

Title 58—RECREATION

PENNSYLVANIA GAMING CONTROL BOARD

[58 PA. CODE CH. 465a]

Jackpot and Credit Meter Payouts

The Pennsylvania Gaming Control Board (Board), under its general authority in 4 Pa.C.S. § 1202(b)(30) (relating to general and specific powers) and the specific authority in 4 Pa.C.S. §§ 1207(3) and (5) and 1322 (relating to regulatory authority of board; and slot machine accounting controls and audits), amends Chapter 465a (relating to accounting and internal controls) to read as set forth in Annex A.

Purpose of the Final-Form Rulemaking

This final-form rulemaking contains a comprehensive rewrite of the Board jackpot payout regulations. It also expands the scope of these regulations to cover credit meter payouts as well as jackpot payouts.

Explanation of Amendments to Chapter 465a

Since the adoption of amendments to the Board's regulations governing jackpot payouts in October of 2008, the Board has been discussing the need for additional revisions with slot machine licensees. The slot machine licensees argued that portions of the Board's regulations were not needed given the technological advances in slot monitoring systems and that greater flexibility was needed to improve the operational efficiency of jackpot payouts.

Based on the Board's analysis of the slot machine licensees' comments, a review of the technical advances in slot monitoring systems and the Board's experience gained through the oversight of slot machine licensees' current operations, the Board agrees that further amendments are in order.

First, the Board has expanded the scope of § 465a.26 (related to jackpot and credit meter payouts) to include credit meter payouts as well as jackpot payouts. Credit meter payouts are the payment of the value of the credits on a slot machine. Usually, when patrons are done at a slot machine, they will cash out and receive a gaming voucher for the remaining balance on the slot machine. However, sometimes a voucher will not print because of a jam in the slot machine's printer or the printer may be out of paper. At other times, a slot machine may lock up with credits still on the slot machine. For example, slot machines may lock up when there is a power failure at the licensed facility. Whatever the cause, when this occurs, the slot attendants at the licensed facility use the existing jackpot payment procedures to pay the patron the value of the credits on the slot machine. Therefore, the Board has added credit meter payouts to this section.

More specifically, subsection (a) has been amended by adding credit meter payouts and by deleting unnecessary language pertaining to pouch payments which are addressed in subsection (b)(7) and (8).

In subsection (b)(1), the requirement that both a manual and electronic jackpot/credit meter payout slip be prepared has been amended to delete the requirement for a manual form. Given the technical capabilities of today's slot monitoring systems and the verification requirements that will remain in this rulemaking, there simply is no

need for the redundant manual form. Eliminating the requirement for the manual form will significantly reduce the workload of slot attendants related to jackpot and credit meter payouts and will result in quicker payments to patrons.

The existing requirement in subsection (b)(2) has been relocated to subsection (b)(6).

In subsection (b), former paragraphs (3), (4) and (5), which have been renumbered as paragraphs (2), (3) and (4), have been amended to give slot machine licensees greater flexibility as to who they may designate to act as a witness for jackpot or credit meter payouts of various amounts. This will allow slot machine licensees to make more efficient utilization of their personnel and reduce the potential for delays that could occur if there is a large volume of payouts and only a limited number of individuals who can act as a witness. Also, these revisions make it clear that no witness is required for jackpot or credit meter payouts of less than \$1,200.

Former subsection (b)(6) has been deleted because it does not reflect current practices or recognize advances in technology. Many slot machine licensees allow slot attendants to pay jackpots below a certain level directly from funds that the slot attendant carries in his payment wallet. This eliminates the need for the attendant to go to the cashiers' cage to get the cash to pay a jackpot or credit meter payout. Additionally, some slot machine licensees have installed automated jackpot payout machines on their gaming floors which allow a slot attendant to process a jackpot and receive the cash to pay the patron without going to the cashiers' cage.

Former subsection (b)(7) has also been deleted. Because the Board is no longer requiring the use of the two-part manual jackpot payout slips, a provision listing the items that must be on that form is no longer needed.

Former subsection (b)(8), which is now subsection (b)(5) has been amended to slightly revise and clarify the listing of items that will be required to be printed on the electronically generated jackpot/credit meter payout slips.

As previously noted, subsection (b)(6) now contains the provision that was formerly in subsection (b)(2).

Subsection (b)(7), which was formerly subsection (b)(9), sets forth the requirements that will govern the payment of jackpot or credit meter payouts that are made directly from a slot attendant's impress funds. In the existing regulation, a detailed process was set forth, specifying each step in the payment process. However, the Board believes that that process was overly prescriptive and did not give slot machine licensees the flexibility to establish procedures to meet their individual needs. Accordingly, the Board has deleted these requirements and will allow the slot machine licensees to establish their own procedures as part of their internal controls which will be submitted to the Board for approval. What has been added to this subsection is the list of items that must be included on the manual jackpot/credit meter payout slip that must be completed by the slot attendant.

Similarly, the Board has deleted the current subsection (b)(11) which contains a detailed process for the payment of jackpots that are not made from a slot attendant's impress funds. While many of the slot machine licensees use these procedures, the Board believes that keeping these procedures in the Board's regulations is overly prescriptive and does not give slot machine licensees the

flexibility to establish their own procedures. Instead the Board will allow slot machine licensees to establish their payment procedures as part of their internal controls.

Subsection (b)(9) and (10), which was subsection (b)(12) and (13), contains minor clarity changes and in subsection (b)(10), an explicit requirement that an override is required whenever the amount of a jackpot or credit meter payout does not match the amount sent to the slot monitoring system has been added.

Subsection (b)(11) and (12) adds new requirements that slot machine licensees must include procedures for processing voided jackpot/credit meter payout slips and for processing unclaimed taxable jackpots in their internal controls. Additionally, slot machine licensees' procedures for processing unclaimed jackpot or credit meter payouts must include notice to the Board's casino compliance representatives.

Former subsection (b)(14) has been deleted because the procedures related to the internal controls for system overrides are addressed in new subsection (b)(10).

Subsection (b)(13), formerly subsection (b)(15), has been revised to include the list of items that must appear on the three-part manual jackpot or credit meter payout forms that are to be used when the slot machine licensee's slot monitoring system is down. This list is essentially the same as the list of items that must be on the two-part electronic and two-part manual jackpot or credit meter payout forms in subsection (b)(5) and (7), but these forms must have preprinted serial numbers to provide an audit trail. Additionally, the language of this section has been amended to allow equivalent alternatives to using jackpot payout books. This would include the use of "wiz" machines that are currently used by some of the slot machine licensees.

In subsection (b)(14), which was formerly subsection (b)(16), revisions have been made to give slot machine licensees additional operating flexibility. More specifically, slot machine licensees will be able to assign control of the keys to the cabinets where manual jackpot payout books or their equivalent are stored to either the security department or the finance department and employees who have a greater level of authority than a slot supervisor will also be allowed to sign out the jackpot payout books or their equivalent.

Existing paragraphs (17)—(20) and (21) in subsection (b) have all been deleted. These paragraphs contained detailed provisions governing the use of and procedures related to the manual jackpot payout books discussed previously. Again, the Board believes that slot machine licensees should be permitted to tailor their procedures to reflect their particular operations. Accordingly, slot machine licensees will be required to include these procedures in their internal controls.

Finally, subsection (b)(15), which was subsection (b)(22), has been revised to clarify that the notice to surveillance of jackpots or credit meter payout above a certain threshold is to be provided verbally. The threshold for providing this notice has also been increased from \$1,200 to \$5,000. Because of the large number of jackpots between \$1,200 and \$5,000, this requirement was imposing an unreasonable burden on both slot attendants and surveillance personnel. Increasing the threshold will allow the surveillance department to devote more time to its other surveillance duties.

Comment and Response Summary

Notice of proposed rulemaking was published at 39 Pa.B. 5022 (August 22, 2009).

The Board received comments from Chester Downs and Marina, LLC (Chester) and Washington Trotting Association, Inc. (WTA). On October 21, 2009, the Independent Regulatory Review Commission (IRRC) also filed comments. These comments were considered by the Board and are discussed as follows.

WTA asked that the regulation be modified to allow the higher level personnel listed in paragraphs (3) and (4) of subsection (b) as verifiers be allowed to prepare and payout jackpots or credit meter payouts at the higher levels (\$10,000 or more) and allow the slot attendant to act as the witness.

The Board concurs with the change requested by WTA. For the higher level jackpots or credit meter payouts, the desired oversight can be achieved by having the slot supervisor, slot shift manager or a higher level employee of the slots department act as the preparer or the verifier. Accordingly, subsection (b)(1), (3) and (4) has been amended to provide the slot machine licensees the flexibility requested.

Chester and IRRC had two clarity concerns with the proposed rulemaking. First, they stated that the regulation is not clear about how jackpots or credit meter payouts in the amounts of \$1,200, \$9,999.99, \$10,000 and \$24,999.99 are to be treated. They were also unsure if the phrase "or other employee holding the same or greater level of authority" applies to just the slot operations department or to all departments.

To address the first concern, the Board has inserted the phrase "equal to or" in subsection (b)(2) and (3).

Concerning the phrase "or other employee holding the same or greater level of authority" in subsection (b)(3) and (4), the Board's intent is to allow the slot machine licensee to use higher level employees from the slots department or other departments to act as the verifier. Depending on the amount and the time of day that the jackpot or credit meter payout occurs, a slot machine licensee might want to involve the director of the marketing department or the chief executive officer. The language in this final-form rulemaking gives slot machine licensees that flexibility.

Affected Parties

Slot machine licensees will benefit from the elimination of redundant reporting requirements and from the greater operating flexibility provided by the revisions in this rulemaking. Patrons should experience faster payments of jackpot and credit meter payouts.

Fiscal Impact

Commonwealth

The final-form rulemaking will have no fiscal impact on the Board or other agencies of the Commonwealth.

Political Subdivisions

This final-form rulemaking will have no fiscal impact on political subdivisions of this Commonwealth.

Private Sector

Slot machine licensees will experience significant cost savings because the revised jackpot and credit meter payout procedures will require fewer forms, provide greater flexibility and eliminate some of the current requirements that are redundant and no longer needed.

General Public

This final-form rulemaking will have no fiscal impact on the general public.

Paperwork Requirements

This final-form rulemaking eliminates the requirement that slot machine licensees fill out manual jackpot payout slips in addition to the electronic jackpot payout slips.

Effective Date

The final-form rulemaking will become effective Feb. 16, 2010.

Contact Person

The contact person for questions about this proposed rulemaking is Richard Sandusky, Director of Regulatory Review at (717) 214-8111.

Regulatory Review

Under section 5(a) of the Regulatory Review Act (71 P. S. § 745.5(a)), on August 12, 2009, the Board submitted a copy of the proposed rulemaking, published at 39 Pa.B. 5022, and a copy of the Regulatory Analysis Form to IRRC and to the House Gaming Oversight Committee and the Senate Community, Economic and Recreational Development Committee (Committees).

Under section 5(c) of the Regulatory Review Act, IRRC and the Committees were provided with copies of the comments received during the public comment period, as well as other documents when requested. In preparing the final-form rulemaking, the Board has considered all comments received from IRRC, the Committees and the public.

Under section 5.1(j.2) of the Regulatory Review Act (71 P. S. § 745.5.1(j.2)), the final-form rulemaking was deemed approved by the Committees on December 9, 2009. Under section 5.1(e) of the Regulatory Review Act (71 P. S. § 745.5.1(e)), IRRC met on December 10, 2009 and approved the final-form rulemaking.

Findings

The Board finds that:

(1) Public notice of intention to adopt this amendment was given under sections 201 and 202 of the act of July 31, 1968 (P. L. 769, No. 240) (45 P. S. §§ 1201 and 1202) and the regulations thereunder, 1 Pa. Code §§ 7.1 and 7.2 (relating to notice of proposed rulemaking required; and adoption of regulations).

(2) The final-form rulemaking is necessary and appropriate for the administration and enforcement of 4 Pa.C.S. Part II (relating to gaming).

Order

The Board, acting under 4 Pa.C.S. Part II, orders that:

(a) The regulations of the Board, 58 Pa. Code Chapter 465a, are amended by amending § 465.26 to read as set forth in Annex A.

(b) The Chairperson of the Board shall certify this order and Annex A and deposit them with the Legislative Reference Bureau as required by law.

(c) This order shall take effect Feb. 16, 2010.

GREGORY C. FAJT,
Chairperson

(Editor's Note: For the text of the order of the Independent Regulatory Review Commission relating to this document, see 39 Pa.B. 7271 (December 26, 2009).)

Fiscal Note: Fiscal Note 125-105 remains valid for the final adoption of the subject regulation.

Annex A**TITLE 58. RECREATION****PART VII. GAMING CONTROL BOARD****Subpart E. SLOT MACHINES AND ASSOCIATED EQUIPMENT****CHAPTER 465a. ACCOUNTING AND INTERNAL CONTROLS****§ 465a.26. Jackpot and credit meter payouts.**

(a) Prior to commencing gaming operations, a slot machine licensee shall establish a comprehensive system of internal controls addressing jackpot and credit meter payouts that are not paid directly from a slot machine. The internal controls shall be submitted to and approved by the Board under § 465a.2 (relating to internal control systems and audit protocols).

(b) The internal control procedures developed and implemented by the slot machine licensee under subsection (a) must, at a minimum, include:

(1) The use of a two-part electronically generated jackpot/credit meter payout slip created by a slot attendant or slot supervisor or higher slot operations department employee, verifying the winning combination of characters or a code corresponding to the winning combination of characters on the slot machine and the amount of the jackpot or credit meter payout based on the observed winning combinations.

(2) A requirement that if the jackpot or credit meter payout is equal to or between \$1,200 and \$9,999.99, a security department member or a slot operations department member other than the preparer, shall sign the jackpot/credit meter payout slip verifying the winning combination of characters or a code corresponding to the winning combination of characters on the slot machine, the amount of the jackpot or credit meter payout and the payment of the jackpot or credit meter payout to the patron.

(3) A requirement that if the jackpot or credit meter payout is equal to or between \$10,000 and \$24,999.99, a security department member, a slot supervisor or other employee holding the same or greater level of authority than a slot supervisor shall sign the jackpot/credit meter payout slip verifying the winning combination of characters or a code corresponding to the winning combination of characters on the slot machine, the amount of the jackpot or credit meter payout and the payment of the jackpot or credit meter payout to the patron. If the two-part electronically generated jackpot/credit meter payout slip required under paragraph (1) is created by a slot supervisor or higher slot operations department employee, the verification required by this paragraph may be completed by a slot attendant, security department member, a slot supervisor or other employee holding the same or greater level of authority than a slot supervisor.

(4) A requirement that if the jackpot or credit meter payout amount is \$25,000 or more, a slot shift manager or other employee holding the same or greater level of authority than a slot shift manager shall sign the jackpot/credit meter payout slip verifying the winning combination of characters or a code corresponding to the winning combination of characters on the slot machine, the amount of the jackpot or credit meter payout and the payment of the jackpot or credit meter payout to the patron. If the two-part electronically generated jackpot/credit meter payout slip required under paragraph (1) is created by a slot shift manager or higher slot operations

department employee, the verification required by this paragraph may be completed by a slot attendant, security department member, a slot supervisor or other employee holding the same or greater level of authority than a slot supervisor.

(5) A requirement that the following information be on all two-part electronically generated jackpot/credit meter payout slips:

(i) The date and time of the jackpot or credit meter payout.

(ii) The asset number of the slot machine on which the jackpot or credit meter payout was registered.

(iii) The winning combination of characters constituting the jackpot or a code corresponding to the winning combination of characters constituting the jackpot.

(iv) The type of win (that is, progressive, jackpot or credit meter payout).

(v) The amount that is to be paid to the winning patron. This amount may, at the slot machine licensee's discretion, be rounded up to the nearest whole dollar.

(vi) A unique number generated by the slot monitoring system.

(vii) The signature or identification code of the preparer.

(viii) The signature or identification code of the witness when the amount is equal to or greater than \$1,200.

(ix) The signature or identification code of the cashier providing the funds to the preparer, if applicable.

(6) A requirement that the two-part electronically generated jackpot/credit meter payout slip not be susceptible to any changes or deletion from the slot monitoring system by any personnel after preparation.

(7) A requirement that whenever a winning patron is paid directly by a slot attendant's imprest fund, a two-part manual jackpot/credit meter payout slip is completed that contains the following information:

(i) The date and time of the jackpot or credit meter payout.

(ii) The asset number of the slot machine on which the jackpot or credit meter payout was registered.

(iii) The winning combination of characters constituting the jackpot or a code corresponding to the winning combination of characters constituting the jackpot.

(iv) The type of win (that is, progressive, jackpot or credit meter payout).

(v) The amount paid to the winning patron. This amount may, at the slot machine licensee's discretion, be rounded up to the nearest whole dollar.

(vi) The signature or identification code of the preparer.

(vii) The signature or identification code of the witness when the amount is equal to or greater than \$1,200.

(8) When jackpot or credit meter payouts are made from slot attendants' imprest funds, procedures for the

replenishment of the imprest funds and the reconciliation process to be used by the slot attendants.

(9) A requirement that the slot machine licensee's accounting department perform, at the conclusion of each gaming day, effective audit procedures over the issuance of jackpot and credit meter payouts including adequate comparisons to the slot monitoring system.

(10) Detailed procedures on the processing of all system overrides or adjustments to jackpot or credit meter payouts. All jackpot or credit meter payouts that do not match the payout amount electronically sent from the slot machine to the slot monitoring system require an override.

(11) Detailed procedures for the processing of all voided jackpot/credit meter payout slips.

(12) Detailed procedures for the processing of unclaimed taxable jackpot payouts. The procedures must include notice to the casino compliance representatives at the licensed facility when an unclaimed taxable jackpot payout or credit meter payout occurs.

(13) Back-up procedures that will be used when the slot monitoring system is offline or an electronic jackpot payout slip can not be created, including the use of a three-part manual jackpot or credit meter payout book or equivalent. The three-part manual jackpot payout book or equivalent must contain preprinted, serial numbered three-part manual jackpot/credit meter payout slips that include the following information:

(i) Preprinted serial numbers.

(ii) The date and time of the jackpot or credit meter payout.

(iii) The asset number of the slot machine on which the jackpot or credit meter payout was registered.

(iv) The amount of the jackpot or credit meter payout.

(v) The method of payment requested by the patron.

(vi) The signature or identification code of the preparer.

(vii) The signature or identification code of the witness when the amount is equal to or greater than \$1,200.

(14) A requirement that the unused manual jackpot payout books or equivalent be maintained in a secured locked cabinet, that the key to the cabinet be controlled by the security department or the finance department and that the manual jackpot payout books or equivalent can only be signed out by a slot supervisor or other employee holding a greater level of authority when the slot monitoring system is offline.

(15) A requirement that the surveillance department be verbally notified of all jackpot or credit meter payouts when the amount of the jackpot or credit meter payout is \$5,000 or more. The surveillance department shall log all calls regarding jackpot or credit meter payouts in the surveillance log.

[Pa.B. Doc. No. 10-103. Filed for public inspection January 15, 2010, 9:00 a.m.]