

November 23, 1992

This bulletin addresses issues in need of clarification for retail /operator license holders.

REQUIRED AUDITED FINANCIAL STATEMENTS FOR GROUP C

Currently all Group C licensees are required to file audited financial statements with the Division. Rule 47.1-1620 requires the financial statements to be prepared based on the licensee's business year-end and filed 120 days after the end of the business year. Because some Group C licensees have recently downsized into the Group B category, there have been many questions regarding whether these downsized operations must still file audited financial statements.

If at any time during the business year the licensee falls within the Group C category, it must file audited financial statements.

Licensees may petition Division Director Roger Morris in writing for an exemption from this requirement. This petition must include evidence of *extraordinary circumstances* justifying the exemption from filing the audited financial statements. Each petition will be considered on its own merits.

NOTIFICATION OF INDEPENDENT AUDITS

Although only Group C licensees are required to submit audited financial statements, some Group A and B licensees are having audits performed. If you are having an audit performed, you must submit a letter to the Division of Gaming's Audit Section prior to the beginning of the independent audit stating:

- The name of the firm hired to perform the audit, and
- The names, social security numbers, certificate numbers (if applicable) and dates of birth of the individual auditors.

In addition to the information provided by the licensee, the CPA firm must also submit a letter to the Division's Audit Section stating:

- The name of the licensee hiring the firm to perform the audit;
- The names, social security numbers, certificate numbers (if applicable) and dates of births of individual auditors, and

The firm must also give pre-notification to the Division of Gaming's Audit Section of dates and restricted areas to be accessed before performing announced and unannounced observations.

STANDARD FINANCIAL STATEMENTS

Per Regulation 47.1-1619, a retail / operator licensee must submit unaudited financial statements to the Division of Gaming when the following occurs:

- License termination;
- Change in the business entity;
- Change in control of ownership.

Financial statements *must be* submitted no later than 75 days after any of the above events.

Additionally, all retail / operator licensees are required to submit financial statements for the state fiscal year (July 1 to June 30) no later than August 31. The *required* financial statement format can be obtained from the Audit Section in the Denver office.

RECORD RETENTION

Casinos must maintain all records and forms for five years. Records may be stored by other means such as electronic imaging or microfiche, but if the document contains a signature, the original document must be maintained for the five-year period. These documents can be stored off site in a storage unit, for example, but must be located in the State of Colorado and made available upon request.

MINIMUM BANKROLL REQUIREMENT WORKSHEET

Rule 47.1-1612 requires each licensee to maintain cash or cash equivalents in an amount sufficient to protect the licensee's patrons against defaults in gaming debts owed by the licensee. The amount required for each licensee is calculated by completing the Minimum Bankroll Requirement Worksheet. If at any time

the licensee does not have adequate cash or cash equivalents available or exhibits a cash deficiency, it must notify the Division immediately. Failure to maintain adequate cash reserves or failure to notify the Division of any cash deficiency is an unsuitable method or operation and may result in a fine, penalty or revocation of license.

WHO INDUSTRY BULLETIN #9 APPLIES TO

Gaming Industry Bulletin #9 was recently issued regarding the testing of automated slot systems. Any licensee with an automated slot system falls under the testing requirements outlined in Bulletin #9. The following are *some examples* of automated systems:

- DLI System
- EDT System
- Infra Red Reading Systems
- Hand Held Computers, etc.

If you are unsure or have any questions, call the Audit Section to verify whether Bulletin #9 applies to you.

SECURITY PERSONNEL PARTICIPATION ON COUNT TEAMS

The Internal Control procedures have been revised regarding the involvement of security personnel in count procedures. In an attempt to utilize employees to the licensee's advantage, the Division will now allow a security person to participate on the hard and soft count teams. This individual is prohibited from being involved in any way with fills / credits / payouts for the drop being counted