

May 17, 1999

The Division of Gaming is currently revising the Internal Control Minimum Procedures (ICMPs), which are anticipated to become effective September 1999. Due to positive responses from the industry to proposed changes, the Division of Gaming is allowing immediate implementation of the following proposed procedures prior to becoming official in September. Until that time, casinos have the option of following either the current procedures or the proposed procedures. Once the ICMPs are finalized, casinos must follow the new procedures unless written approval of alternative procedures is requested and received from the Division of Gaming.

Casinos may contact the Division of Gaming's Audit Section concerning any questions regarding these changes.

Sections Affected	Current Procedures	Proposed Procedures
Coin Thresholds – Drop Reports Accounting Section (Page 28)	Variance percentages between meter to actual drop must be computed by dividing the dollar variance by the meter drop amount. Variances must be investigated by machine for the current drop period by either variance percentages or by number of coins. Variances of 2% or more, and number of coins as specified in the ICMP, must be investigated and the results must be documented in writing. Also, all currency variances of \$5 or more for currency from bill validators must be investigated and the results must be documented. Licensees may use either method, or may use a combination of the methods. If the variances (by machine) exceed both 2% and the number of coin thresholds defined in the ICMP, an investigation and written explanation of the variance is	Variance percentages between meter to actual drop must be computed by dividing the dollar variance by the meter drop amount. Variances must be investigated by machine for the current period. Variances of 2% or more and \$10 must be investigated and the results must be documented in writing. Also, all currency variances of \$10 or more for currency from bill validators must be investigated and the results must be documented. Licensees may investigate variances by either using the 2% or \$10 thresholds. However, if the variance (by machine) exceeds both 2% and \$10, an investigation and written explanation of the variance is required.

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	required.	
Coin Thresholds – Jackpot Report Accounting Section (Page 29)	Variances of 1% or more must be investigated and documented on this report.	Variances of 1% or more and \$10.00 must be investigated and the results must be documented in writing.
Hard Meter Comparison – Accounting Section (Page 32 – 33)	<p>Licensees must ensure that hard meter readings are 99% accurate in comparison with soft or system meter readings, whichever is applicable. If a hard meter reading is not 99% accurate, the licensee must continue capturing and comparing the meter reading until it is 99% accurate. Licensees have a choice to capture the hard meters once a month or quarterly. If licensee chooses to capture hard meters once a month every machine must be tested at least twice a year. If licensee chooses to capture hard meters quarterly every machine must be tested on a quarterly basis. Once all hard meters are 99% accurate, hard meter readings for coin-in, coin-out, coin-to-drop, and jackpot meters must be taken in conjunction with the last drop of each calendar period....</p>	<p>Fully Automated System:</p> <p>Licensees utilizing a fully automated system (one that has received permanent approval from the Division to rely upon the system meters) are not required to record hard meters or to perform a hard meter comparison for approved machines. However, any and all machines which have <u>not</u> been successfully tested by the licensee <u>and</u> approved by the Division, for whatever reason, must have their hard meters recorded and compared to soft meters on a periodic basis (either quarterly or biannually) as described in the following paragraph.</p> <p>Other Automated and manual systems:</p> <p>Licensees using a manual system or any automated system other than a Division-approved fully automated system must record hard meter readings on either a monthly or quarterly basis. If hard meters are recorded monthly, each machine’s hard meters must be tested biannually. If hard meters are recorded quarterly, each machine’s hard meters must be tested each quarter. The hard meter incrementation must be 99% accurate, by machine, when compared to the soft meter incrementation. Testing for any hard meter not meeting this accuracy threshold must continue on a drop-to-drop basis until at least 99% accurate.</p>

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Accounting Section (Pages 1, 6, 15, 27, 28, 29 30, 32 & 33)	<p>Adequate explanations must include:</p> <ol style="list-style-type: none"> 1) The procedures used to investigate the variance, 2) The results of the investigation, 3) Any further actions necessary to monitor or correct the cause of the variance, and the result of those actions. 	<p>Explanations must include the following:</p> <ol style="list-style-type: none"> 1) The procedures used to investigate the variance, and 2) The results of the investigation. <p>Additionally, licensees must implement a process to identify machines with continued variances from drop to drop in order to initiate a different level of review (e.g., a review by a slot technician with more experience, call the manufacture to work on machine, etc.). The point at which a different level of review should be initiated is specific to each casino (depending upon the frequency of statistical report generation) and must be incorporated into the licensee's written accounting plan.</p>
Fill Reasonableness Accounting Section (Page 26 &31)	Licensees must perform a fills reasonableness analysis on a drop by drop basis for all machines having excessive fills. Excessive fills will be individually determined by licensees on a case by case, machine by machine, basis using the following factors.....	The Division will no longer require licensees to perform a fills reasonableness analysis. The information regarding the fills reasonableness analysis will be left in the ICMP as reference material should management of the casino elect to use the information.
Coin Bag Verification Cashier Section (Page 1) Accounting Section (Page 35)	<p>On at least a monthly basis, accounting personnel must verify the amount of coin contained within coin bags that are randomly selected.....</p> <p>The date of the monthly verification is randomly selected by accounting personnel and must occur on different dates and days each month so as to preclude any predictability of when the verification will occur.</p>	<p>On at least a quarterly basis, accounting personnel must verify the amount of coin contained within coin bags that are randomly selected..... The date of the quarterly verification is randomly selected by accounting personnel and must occur on different dates and days each quarter so as to preclude any predictability of when the verification will occur.</p>
General - Computerized Systems (Page 1)	Fully and partially automated systems are separately defined.	<p>Fully automated systems will include those that capture required slot machine meter data directly from the slot machine with no human intervention and those that capture required data through human intervention but without manual input (i.e., using an infrared scanner).</p> <p>There will no longer be any references to partially automated systems.</p>
Annual Test Procedures – Computerized Systems (Page 3 - 4)	<p>Annual testing requirements for fully automated systems compares soft to system meters for coin-in, coin-out, drop, and jackpots. Test period is one drop for systems synchronized to soft meter, two drops for systems needing meter incrementation, or until the 99% accuracy per machine is obtained.</p> <p>Licensees must complete and submit</p>	<p>Annual testing requirements for fully automated systems compares soft to system meters for coin-in and coin-out only. Test period is one drop for systems synchronized to soft meter, two drops for systems needing meter incrementation, and until the 99% accuracy per machine is obtained.</p> <p>Licensees must complete and submit the</p>

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	the statistical reports checklist and the Meter Comparison Report (for each meter) once each machine has met the 99% accuracy requirement.	statistical reports checklist and the Meter Comparison Report (for coin-in and coin-out meters) once each machine has met the 99% accuracy requirement. Licensees can submit most current statistical reports checklist previously completed by Internal Compliance Officer (ICO) if the ICO used the checklist in Systems Section of ICMP.
Phase II Procedures-Computerized Systems (Page 5)	Fully automated systems test work objectives state the licensee must demonstrate for the test period via the Meter Comparison Summary Report that increments in the manual soft meters agree to increments in the system-generated and manual hard meter readings for each machine.	Licensees will no longer prepare a Meter Comparison Summary Report at the end of the test period. Instead, licensees will submit the Meter Comparison Reports (MCR) for the last drop of their test period to the Division. The MCR will compare increments in the manual soft meters to increments in the system-generated meter readings for each machine. NO comparison will be made for increments in hard meter readings.
Test Procedures During the Test Period – Computerized Systems (Page 7)	For fully automated systems, the test period consists of 12 drops or 30 consecutive days, whichever is less, and until the system has met the 99% accuracy requirement. At least 95% of the licensee’s machines must meet the 99% accuracy requirement before test results can be submitted. The 30-day test period must fall within a calendar month.	For fully automated systems, the test period consists of 4 consecutive drops, <u>and</u> until the system has met the 99% accuracy requirement by machine. At least 95% of the machines <i>tested</i> must meet the 99% accuracy requirement before test results can be submitted to the Division. It is not necessary for the entire test period to fall within a calendar month.
Test Procedures for Other Computerized Systems (e.g., hand-held data collection unit) (Page 13 &15)	For other computerized systems (e.g., hand-held data collection unit), the test period consists of four consecutive drops within one calendar month, and until the system has met the 99% accuracy requirement.	For other automated systems (e.g., hand-held data collection unit), the test period consists of two consecutive drops, <u>and</u> until the system has met the 99% accuracy requirement by machine. It is not necessary for the entire test period to fall within a calendar month.
Meter Testing Requirements During the Test Period – Computerized Systems (Page 8, 15, 16)	<p>For fully automated and other computerized systems, licensee must test the following meters for each drop in the test period: Coin-in, Coin-out, Drop, Jackpot, and Bill Validator. The test work must be documented on both the Meter Comparison Report (based on each of the drop periods) and the Meter Comparison Summary Report (based on entire test period).</p> <p>On a drop-by-drop basis licensee takes manual soft and system-generated meter readings. These meters are used to prepare the drop-to-drop meter comparison report. All variances exceeding 1% by machine must be investigated and documented for future review by the Division.</p>	<p>For fully automated and other automated systems, licensees must test the following meters for each drop in the test period: Coin-in, Coin-out, Drop, Jackpot, and Bill Validator. For Coin-in and Coin-out meters only, the test work must be documented on the Meter Comparison Report (based on each of the drop periods). All variances exceeding 1% by machine must be investigated and documented for future review by the Division.</p> <p>On a drop-by-drop basis, licensees must generate and compare statistical reports using both manual soft and system generated meters for Drop, Jackpot, and Bill Validator meters. Licensees must calculate (either directly on statistical reports or on a separate report) the dollar variance and percent variance between the two reports by comparing the meter versus actual dollar variances on each report for each machine. All variances exceeding 1% by</p>

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		<p>machine must be investigated and documented for future review by the Division.</p> <p>A Meter Comparison Summary Report (based on entire test period) will not be required for any meters.</p>
<p>Meter Testing Requirements During the Test Period – Computerized Systems (Page 9,10, &16)</p>	<p>For fully automated and other computerized systems, licensee must clearly demonstrate via the Meter Comparison Summary Report submitted to the Division that system meter increments are 99% accurate (as compared to soft and hard meter increments) by denomination and in total for:</p> <ul style="list-style-type: none"> • At least 12 drops or 30 consecutive days, whichever is less, and until the system has met the 99% accuracy requirement (<i>fully automated systems</i>) • At least 4 drops and until the system has met the 99% accuracy requirement (<i>other computerized systems</i>) 	<p>For fully automated and other automated systems, licensee must clearly demonstrate via the Meter Comparison Report submitted to the Division for the <u>last drop</u> of the test period (i.e., prepared each drop, but only last drop is submitted for Division review) for Coin-in and Coin-out meters, that system meter increments are <u>99%</u> accurate (as compared to soft meter increments) by machine. Testing requirements are as follows:</p> <ul style="list-style-type: none"> • At least 4 consecutive drops and until the system has met the 99% accuracy requirement (<i>fully automated systems</i>) • At least 2 consecutive drops and until the system has met the 99% accuracy requirement (<i>other automated systems</i>) <p>Licensee must also clearly demonstrate via the statistical reports generated for the last drop of the test period (i.e., prepared each drop, but only last drop is submitted for Division review) using both manual soft and system generated meters for Drop, Jackpot, and Bill Validator meters, that system meter increments are 99% accurate (as compared to soft meter increments) by machine for the same test periods defined above.</p>
<p>Other Testing Requirements During the Test Period – Computerized Systems (Page 9)</p>	<p>For fully automated systems, licensee must manually total all Jackpot Payout/Fill slips and trace the totals of the slips to the system-generated totals.</p>	<p>For fully automated systems, licensee must audit the system generated Jackpot Payout/Fill slips in accordance with the Accounting Section ICMP (pages 18 – 19).</p> <p>Manually prepared Jackpot Payout/Fill slips are not required during the test period.</p>
<p>Statistical Report Requirements – Computerized Systems (Page 10 & 17)</p>	<p>For fully automated and other computerized systems, licensee prepares the statistical reports checklist for each statistical report required by the ICMP. These completed checklists are submitted to the Division along with the Meter Comparison Summary Report at the end of the test period.</p>	<p>For fully automated and other automated systems, manual and system meters must be recorded at the beginning and end of the month in which the testing occurred. Then, at the end of the month, the licensee must prepare the Monthly Slot Revenue Summary, Comparison of Actual to Meter Drop, Comparison of Actual to Meter Jackpot, and Comparison of Actual to Theoretical Hold</p>

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		Percentage Reports using both manual and system generated information. Using these reports, the licensee prepares and submits the statistical reports checklists.
Test Procedures for Other Computerized Systems (e.g., Cage or Pit System) (Page 22)	For other computerized systems (e.g., Cage or Pit System), the test period consists of 14 consecutive days. The data generated by the system must be 100% accurate when compared to manually prepared data.	For other automated systems (e.g., Cage or Pit System), the test period consists of four consecutive days, which must include at least one hard and soft drop/count, and at least two weekend days (i.e., Friday, Saturday, Sunday). The data generated by the system must be 100% accurate when compared to manually prepared data.
Colorado Limited Gaming Regulation 47.1-1607	Each licensee must provide the Division, upon its request, with the records required to be maintained. Unless the Director approves or requires otherwise in writing, each licensee must retain all such records within Colorado for at least five years after they are made....	In accordance with the regulation, the Director of the Division of Gaming has approved in writing (this bulletin) the new requirement that each licensee retain all such records within Colorado for at least three years (instead of five years) after filing the corresponding gaming tax return.