

§ 543.7 What are the minimum internal control standards for bingo?

Comparison of TGWG to 2010 Draft Regulation

NIGC General Comment Applicable to Entire Document:

In 2010, the NIGC posted on its web-site draft Class II minimum internal control standards. The This document will compare the 2010 draft MICS to the TGWG MICS proposal.

Editing convention

The words in blue (underlined) and red (struck-through) are the additions and deletions made by the TGWG.

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2010 Draft	Proposed TGWG Change
NO COMPARABLE SECTION	§ 543.7 (a) Internal Control Procedures. Subject to the approval and oversight of the TGRA, each gaming operation shall establish, implement and adhere to internal control policies and procedures that provide at least the level of control established by the standards of this section.

TGWG Guidance

(a) Internal Control Procedures. The TGRA should ensure that the gaming operation establishes a system of internal control standards (SICS) that are applicable to Bingo operations. Such SICS should address, at a minimum, how the department operates, agents' responsibilities, and controls to protect assets. The TGRA should review and approve the SICS prior to implementation.

NIGC Comments

The use of "should" rather than "shall" or "must" in the guidance could lead the reader to believe that 543.19 (a) does not require the establishment, implementation and adherence to SICS but that it is recommended.

EFFECT OF 2010 PROVISIONS: No current provision.

EFFECT OF TGWG PROPOSED AMENDMENT: Standard appears to restate provision in § 543.3(c), (TGWG version 543.3(b)) which states the tribal system of internal controls must equal or exceed the federal rule. TGWG version states that gaming operation policies and procedures approved by the TGRA must provide a level of control established by the standards in the TGWG text. As the TGRA will likely approve only those policies and procedures that equal or exceed the federal rule, the standard is somewhat self-evident.

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NO COMPARABLE SECTION	§ 543.7(b) Computerized applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the standards of this section, as approved in writing by the TGRA, will be acceptable.

TGWG Guidance

1. (b) Computer Applications. A gaming operation may use computer applications, whether developed in-house or acquired externally, provided that controls are established in accordance with MICS and approved in writing by the TGRA. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control established by the internal control standards shall be implemented. For example, where an agent or multiple agents are required in the control, a computer application could substitute for one or all of the agents. Another example would be where a log is required a computer application report could substitute for the log. If computer systems are used, procedures must be designed to account for computer system failure without compromising the effectiveness of the internal control standards.

NIGC Comments

Agree with first two sentences of (b). Third sentence (first example) should be clarified as it is unlikely that a computer application could substitute for a person or persons in all situations. The second example (substitution of a computer report for (presumably a manual) log should clarify that a computer-generated report would have to contain the same information/characteristics to substitute for a manually prepared log. The last sentence should clarify the meaning of “account for computer system failure without compromising the effectiveness of the internal control standards.”

EFFECT OF 2010 PROVISIONS: The current regulation is included in part 542 and no corresponding regulation is listed in part 543.

EFFECT OF TGWG PROPOSED AMENDMENT: [The proposed standard appears to be consistent with proposed 542.7\(a\).](#)

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2010 Draft	Proposed TGWG Change
NO COMPARABLE SECTION	§ 543.7 (c) Variances. The TGRA shall establish the threshold level at which a variance shall be reviewed. Any such review shall be documented.

TGWG Guidance

(c) Variances.

- (1) The TGRA or the gaming operation as authorized by the TGRA should establish a threshold at which variances (i.e., exceptions against controls, inconsistencies with established policies and procedures or deviations from expected outcomes) must be investigated.
- (2) Best practice suggests that when the relevant predetermined threshold is achieved, the controls should require agents – preferably supervisory agents – to conduct a variance investigation. Variance investigation controls/procedures should include, but are not be limited to:
 - (i) Transaction(s) document(s) review, including all department(s) records relating to the variance investigation;
 - (ii) Recalculating inventory, cash and cash equivalents, sales and payout amounts;
 - (iii) Re-verifying the winning event and prize payouts;
 - (iv) Recount of assets/inventory;
 - (v) Surveillance reviews;
 - (vi) Physical inspections; and
 - (vii) Agent interviews.
- (3) The investigation results must be supported by documentation and forwarded to the accounting department for review and retention. Best practice suggests that documentation should include copies of transaction forms, logs, and a description of the variance.

NIGC Comments

It is not clear why the guidance on variances is located in this section as none of the standards in 543.7 address or refer to variances. The examples given (i.e., exceptions against controls, inconsistencies with established policies and procedures or deviations from expected outcomes) should be elaborated upon. For example, what is an “exception against controls” or “deviations from expected outcomes?” The guidance fails to specify who should be performing the investigation and does not require that the “agents” conducting the investigation must be independent of the department in which the “variance” occurred.

EFFECT OF 2010 PROVISIONS: No comparable standard.

EFFECT OF TGWG PROPOSED AMENDMENT: The control does not explain the type of variance to which it pertains. A standard within the MICS referring to an analysis of a variance will, by necessity, also identify the processes being compared. A variance results from at least two sets of records originating from different sources which produce results that are inconsistent. The above standard does not identify the data to be compared, does not identify the procedures for evaluating the inconsistency, and does not identify the employee or department responsible for performing the review. Allowing variance thresholds to be determined by the TGRAs without minimum guidance may lead to thresholds so high as to effectively circumvent the standard.

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NO COMPARABLE SECTION	§ 543.7 (d) Supervision. Supervision shall be provided for bingo operations as needed by an agent(s) with authority equal to or greater than those being supervised.

TGWG Guidance

(d) Supervision.

- (1) Controls should identify the supervisory agent in the department or area ultimately responsible for ensuring that the department or area is operating in accordance with established policies and procedures.
- (2) The reporting structure may permit a supervisory agent to function as a bingo agent without any other supervision. In such instances, however, a supervisory agent either independent of the transaction or independent of the relevant department or area must resolve disputes.
- (3) Best practice suggests that the written system of internal controls should include:
 - (i) An organizational chart of the department or area;
 - (ii) Job descriptions; and
 - (iii) A narrative description of the reporting structure, which is designed to ensure adequate supervision and segregation of function.

NIGC Comments

Guidance appears relevant.

EFFECT OF 2010 PROVISIONS: No comparable standard.

EFFECT OF TGWG PROPOSED AMENDMENT: [The control requires supervision over the bingo operations. There is no comparable standard within the current 543.7 and it was not considered during the MICS advisory committee meetings.](#)

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2010 Draft	Proposed TGWG Change
<p>§ 543.7(a) Bingo Cards</p> <p>(1) Inventory of bingo paper. (i) The bingo paper inventory must be controlled so as to assure the integrity of the bingo paper being used as follows:</p> <p>(A) When received, bingo paper must be inventoried and secured by an authorized agent(s) independent of bingo sales;</p> <p>(B) The issue of bingo paper to the cashiers must be documented and signed for by the authorized agent(s) responsible for inventory control and a cashier. The bingo control log must include the series number of the bingo paper;</p> <p>(C) The bingo control log must be utilized by the gaming operation to verify the integrity of the bingo paper being used; and</p> <p>(D) Once each month, an authorized agent(s) independent of both bingo paper sales and bingo paper inventory control must verify the accuracy of the ending balance in the bingo control log by reconciling it with the bingo paper inventory.</p> <p>(ii) Paragraph (a)(1) of this section does not apply where no physical inventory is applicable.</p>	<p>§ 543.7(e) Bingo Cards</p> <p>a) Bingo Cards—(1) Inventory of bingo paper. (i) The bingo paper inventory must be controlled so as to assure the integrity of the bingo paper being used as follows:—</p> <p>(A) When received, bingo paper must be inventoried and secured by an authorized agent(s) independent of bingo sales;</p> <p>(B) The issue of bingo paper to the cashiers must be documented and signed for by the authorized agent(s) responsible for inventory control and a cashier. The bingo control log must include the series number of the bingo paper;</p> <p>(C) The bingo control log must be utilized by the gaming operation to verify the integrity of the bingo paper being used; and</p> <p>(D) Once each month, an authorized agent(s) independent of both bingo paper sales and bingo paper inventory control must verify the accuracy of the ending balance in the bingo control log by reconciling it with the bingo paper inventory.</p> <p>(ii) Paragraph (a)(1) of this section does not apply where no physical inventory is applicable.</p> <p><u>(e) Bingo Cards</u></p> <p><u>(1) Physical inventory.</u></p> <p><u>(i) The bingo paper card inventory must be controlled in a manner designed to prevent unauthorized access, misappropriation, forgery, theft or fraud. Such controls shall address bingo cards exchanged between agents, increases and decreases to inventory, and inventory reconciliation.</u></p>

TGWG Guidance

(e) Bingo Cards – Physical Inventory. To safeguard the integrity of the bingo card inventory, procedures must be established to control the physical inventory of bingo cards. Best practice suggests that physical inventory controls should address the placement of orders, receipt, storage, issuance, removal, and cancellation of bingo card inventory to ensure that: (i) the inventory can be accounted for at all times; (ii) an inventory of bingo cards is maintained sufficient to operate the games; and (iii) bingo cards have not been marked, altered, or otherwise manipulated.

(1) Receipt from supplier.

(i) When bingo card inventory is initially received from the supplier, it should be inspected (without breaking the factory seals, if any), counted, inventoried, and secured by an authorized agent. Best practice suggests this agent should be independent of bingo card sales.

(ii) Inventory records should include the following information: date received, quantities received, and the name of the individual conducting the inspection.

(2) Storage.

(i) Bingo cards should be maintained in a secure location (i.e., controlled access, under lock and key), with

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appropriate surveillance coverage, which is accessible only to authorized agents to prevent unauthorized access and reduce the possibility of tampering.

(ii) For smaller operations, inventory can be stored in a cabinet, closet, or other similar area; however, such area should be a secured area separate from the working inventory.

(3) Issuance and Returns of Inventory.

(i) Controls must be established for the issuance and return of inventory. Such controls must provide for proper recordation on appropriate control logs signed by the issuer and receiver, at a minimum covering the following circumstances:

(A) Issuance of inventory from storage to a staging area;

(B) Issuance of inventory from a staging area to the cage or sellers;

(C) Return of inventory from a staging area to storage; and

(D) Return of inventory from cage or seller to staging area or storage.

(ii) Inventory must be secured at all times with adequate controls for accountability and in a manner designed to prevent unauthorized access, tampering, and theft.

(4) Cancellation and removal.

(i) Bingo cards removed from inventory that are deemed out of sequence, flawed, or misprinted and not returned to the supplier, shall be properly cancelled to ensure that they are not utilized in the play of a bingo game. Bingo cards that are removed from inventory and returned to the supplier or cancelled must be properly logged as removed from inventory.

(ii) Cancellation methods may include, but are not limited to: shredding, drilling, and permanent ink marking. Cancelled cards may then be removed from inventory and recorded on the appropriate log. Best practice suggests that the cancellation process be under surveillance to ensure established controls have been followed.

(iii) In the event of an investigation, the bingo cards associated with the investigation must be retained intact outside of the established removal and cancellation policy. These bingo cards should be sealed and forwarded to an independent department responsible for investigations, such as a security or a surveillance supervisory agent.

(5) Logs.

(i) The inventory of bingo cards should be tracked on a log(s) from original receipt from supplier into inventory, through use or permanent removal from inventory.

(ii) Management should determine, based on the size of the operation and inventory needs, where bingo card inventory logs are required to ensure the integrity of bingo cards offered for play.

(iii) The bingo card inventory log(s) should include:

(A) Date;

(B) Shift;

(C) Time;

(D) Location;

(E) Inventory received, issued, removed, and returned;

(F) Signature of agent performing transaction;

(G) Signature of agent performing the reconciliation;

(H) Any variance;

(I) Beginning and ending inventory; and

(J) Description of inventory transaction being performed.

Examples of logs: Log maintained in the bingo card storage room that shows inventory of all cards:

Inventory Log:

Bingo Card Record: Best practice suggests that a log is maintained at each location (e.g., bank, booth, window, etc.) to record bingo card inventory received or returned.

NIGC Comments

The use of “should” rather than “shall” or “must” in the guidance could lead the reader to believe that the

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standard is not required by the MICS but that it is recommended. Otherwise guidance appears relevant.

EFFECT OF 2010 PROVISIONS: The current regulations are intended to provide control procedures for bingo paper, which is typically considered a secured item within tribal gaming operations. The sales of bingo paper are the basis of the gaming activities and produce revenues and therefore warrant exacting controls. Segregation of duties between the accountability of bingo paper from the function of bingo sales has been a long-established standard and protects the integrity of the bingo paper. Without such basic accountability and segregation of duties, gaming operations could be subject to a high risk of compromise.

EFFECT OF TGWG PROPOSED AMENDMENT: The proposed modification appears to be consistent with the intent of 543.7(a) but should provide specific control functions for the control of bingo paper. Also the proposed standard does not specify how to control bingo paper to prevent unauthorized access, misappropriation or fraud. Also, the inclusion of "Agent" should be clarified to provide guidance on whether the agent is a Class II vendor representative or an employee of the gaming operation. The definition of "Agent" should also be consistent with NIGC regulation 25 CFR part 556, Background Investigations for Primary Management Officials and Key Employees.

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2010 Draft	Proposed TGWG Change
<p>543.7(a) Bingo Cards</p> <p>(2) Bingo sales.</p> <p>(i) There must be an accurate accounting of all bingo sales.</p> <p>(ii) All bingo sales records must include the following information:</p> <p>(A) Date;</p> <p>(B) Time;</p> <p>(C) Shift or session;</p> <p>(D) Sales transaction identifiers, which may be the unique card identifier(s) sold or when electronic bingo card faces are sold, the unique identifiers of the card faces sold;</p> <p>(E) Quantity of bingo cards sold;</p> <p>(F) Dollar amount of bingo sales;</p> <p>(G) Signature, initials, or identification of the agent or device who conducted the bingo sales; and</p> <p>(H) When bingo sales are recorded manually, total sales are verified by an authorized agent independent of the bingo sales being verified and the signature, initials, or identification of the authorized agent who verified the bingo sales is recorded.</p> <p>(iii) No person shall have unrestricted access to modify bingo sales records.</p> <p>(iv) An authorized agent independent of the seller must perform the following standards for each seller at the end of each session:</p> <p>(A) Reconcile the documented total dollar amount of cards sold to the documented quantity of cards sold;</p> <p>(B) Note any variances; and</p> <p>(C) Appropriately investigate any noted variances with the results of the follow-up documented.</p> <p>(3) Voiding bingo cards.</p> <p>(i) Procedures must be established and implemented to prevent the voiding of card sales after the start of the calling of the game for which the bingo card was sold. Cards may not be voided after the start of a game for which the card was sold.</p> <p>(ii) When a bingo card must be voided the following controls must apply as relevant:</p> <p>(A) A non-electronic bingo card must be marked void; and</p> <p>(B) The authorization of the void, by an authorized agent independent of the original sale transaction (supervisor recommended), must be recorded either by signature on the bingo card or by electronically associating the void authorization to the sale transaction of the voided bingo card.</p> <p>(4) Reissue of previously sold bingo cards. When one or more previously sold bingo cards need to be</p>	<p>§ 543.7 (e) Bingo Cards</p> <p>(2) Bingo sales. <u>Sales.</u></p> <p>(i) There must be an accurate accounting of <u>The sale of bingo cards must be controlled in a manner to adequately record, track, and reconcile such</u> all bingo sales. <u>including voids.</u></p> <p>(ii) All bingo sales records must include the following information:</p> <p>(A) Date;</p> <p>(B) Time;</p> <p>(C) Shift or session;</p> <p>(D) Sales transaction identifiers, which may be the unique card identifier(s) sold or when electronic bingo card faces are sold, the unique identifiers of the card faces sold;</p> <p>(E) Quantity of bingo cards sold;</p> <p>(F) Dollar amount of bingo sales;</p> <p>(G) Signature, initials, or identification of the agent or device who conducted the bingo sales; and</p> <p>(H) When bingo sales are recorded manually, total sales are verified by an authorized agent independent of the bingo sales being verified and the signature, initials, or identification of the authorized agent who verified the bingo sales is recorded.</p> <p>(iii) No person shall have unrestricted access to modify bingo sales records.</p> <p>(iv) An authorized agent independent of the seller must perform the following standards for each seller at the end of each session:</p> <p>(A) Reconcile the documented total dollar amount of cards sold to the documented quantity of cards sold;</p> <p>(B) Note any variances; and</p> <p>(C) Appropriately investigate any noted variances with the results of the follow-up documented.</p> <p>(3) Voiding bingo cards.</p> <p>(i) Procedures must be established and implemented to prevent the voiding of card sales after the start of the calling of the game for which the bingo card was sold. Cards may not be voided after the start of a game for which the card was sold.</p> <p>(ii) When a bingo card must be voided the following controls must apply as relevant:</p> <p>(A) A non-electronic bingo card must be marked void; and</p> <p>(B) The authorization of the void, by an authorized agent independent of the original sale transaction (supervisor recommended), must be recorded either by signature on the bingo card or by electronically associating the void authorization to the sale transaction of the voided bingo card.</p>

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reissued, the following controls must apply: the original sale of the bingo cards must be verified; and the reissue of the bingo cards must be documented, including the identity of the agent authorizing reissuance.	(4) Reissue of previously sold bingo cards. When one or more previously sold bingo cards need to be reissued, the following controls must apply: the original sale of the bingo cards must be verified; and the reissue of the bingo cards must be documented, including the identity of the agent authorizing reissuance.
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TGWG Guidance

(e) Bingo Cards – Sales.

(1) Controls should be established to segregate the functions of seller and payout verifier. Agents who sell bingo cards should not be the sole verifier of bingo cards for prize payouts. However, such agents may be permitted to announce the identifiers of the winning bingo cards to the verifier.

(2) In order to adequately record, track and reconcile sales of bingo cards, the following information should be documented:

- (i) Date;
- (ii) Shift or session;
- (iii) Number of bingo cards issued, sold, and returned;
- (iv) Dollar amount of bingo card sales;
- (v) Signature, initials, or identification number of the agent preparing the record;
- (vi) Signature, initials, or identification number of an independent agent who verified the bingo cards returned to inventory and dollar amount of bingo card sales.

(3) Bingo card sale voids. Controls must be established for the voiding of bingo card sales. Bingo card voids must be processed in accordance with the rules of the game and established controls should include, but not be limited to, the following:

- (i) Patron refunds;
- (ii) Adjustments to bingo card sales to reflect voids;
- (iii) Adjustments to bingo card inventory, which may include but be not limited to:
 - (A) Cancelling voided bingo cards and removing the returned bingo cards from inventory; or
 - (B) Returning the returned bingo cards to inventory, making such cards available for future games.
- (iv) Document the reason for the void; and
- (v) Authorization for all voids.

NIGC Comments

The use of “should” rather than “shall” or “must” in the guidance could lead the reader to believe that the standard is not required by the MICS but that it is recommended. Otherwise guidance appears relevant.

EFFECT OF 2010 PROVISIONS: [Bingo sales, which include voided bingo card sales, are the basis of the gaming activities that result in the revenues for the gaming operations and tribes. Exacting controls are therefore warranted to protect the assets and the revenue streams.](#) The bingo sales and voids must be accurately tracked and verified to ensure the gaming operation records and accounts for its bingo revenues accurately. Basic revenue recognition requirements help reduce the risk of compromise to a gaming operation’s and tribe’s bingo sales..

EFFECT OF TGWG PROPOSED AMENDMENT: The proposed addition, modification and deletions are not consistent with 543.7(a)(2) as there is a lack of basic revenue control procedures. For example, bingo sales and voids are not required to be recorded, accurately tracked or reconciled.

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2010 Draft	Proposed TGWG Change
<p>§ 543.7(b) Draw</p> <p>(1) Verification and display.</p> <p>(i) Procedures must be established and implemented to ensure the identity of each object drawn is accurately recorded and transmitted to the participants. The procedures must identify the method used to ensure the identity of each object drawn.</p> <p>(ii) For all games offering a prize payout of \$1,200 or more, as the objects are drawn, the identity of the objects must be immediately recorded and maintained for a minimum of 24 hours.</p> <p>(iii) Controls must be present to assure that all objects eligible for the draw are available to be drawn prior to the next draw.</p>	<p>§ 543.7 (f) Draw</p> <p>(1) Verification and display.</p> <p>(i) Procedures must be established and implemented to ensure the identity of each object drawn is accurately recorded and transmitted to the participants. The procedures must identify the method used to ensure the identity of each object drawn.</p> <p>(ii) For all games offering a prize payout of \$1,200 or more, as the objects are drawn, the identity of the objects must be immediately recorded and maintained for a minimum of 24 hours.</p> <p>(iii) Controls must be present to assure that all objects eligible for the draw are available to be drawn prior to the next draw.</p> <p><u>(1) Controls must be established requiring present to assure</u> that all objects eligible for the draw are available to be drawn prior to the next draw.</p> <p><u>(2) The draw must be controlled in a manner that ensures random selection of the objects drawn.</u></p> <p><u>(3) The draw must be controlled in a manner that ensures</u> the identity of each object drawn is accurately recorded and transmitted to the participants. The procedures must identify the method used to ensure the identity of each object drawn.</p> <p>(ii) For all games offering a prize payout of \$1,200 or more, as the objects are drawn, the identity of the objects must be immediately recorded and maintained for a minimum of 24 hours.</p> <p>(iii) Controls must be present to assure that all objects eligible for the draw are available to be drawn prior to the next draw.</p>

TGWG Guidance

(f) Bingo Cards – Draw.

(1) Controls must be established to ensure that all eligible objects used in the conduct of the bingo game are available to be drawn and that the physical integrity of the objects has been verified. Verification of physical objects must be performed before the start of the first bingo game/session and be verified by two agents. Best practice suggests that one of the agents be either a supervisory agent or independent of the bingo games department. Where the objects are electronic, certification in accordance with 25 CFR Part 547 is acceptable for verifying the integrity of the objects.

(2) The draw must be controlled in a manner that ensures random selection of the objects drawn. Where the selection is electronic, certification in accordance with 25 CFR Part 547 is acceptable for verifying the randomness of the draw.

(3) Controls should be established over the draw to:

(i) Verify the identity of the objects as they are drawn;

(ii) Accurately record the drawn objects; and

(iii) Transmit the identity of the drawn objects to the participants. For example, each bingo blower/console should have a dedicated camera monitoring, and displaying to the participants, the balls as they are drawn.

(4) Controls should be established to provide a method of recall of the draw, which includes the order and identity of the objects drawn, for dispute resolution purposes.

NIGC Comments

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The use of “should” rather than “shall” or “must” in the guidance could lead the reader to believe that the standard is not required by the MICS but that it is recommended. Otherwise guidance appears relevant.

EFFECT OF 2010 PROVISIONS: The current regulations are intended to protect the integrity of the bingo draw process. The regulation requires gaming operations to establish and implement procedures that ensure each object drawn is properly identified, transmitted to the patrons, recorded, and then placed back into the game for the next draw. The regulations also require the results of bingo games offering large payouts that are reportable to the Internal Revenue Service (IRS) be recorded and maintained for 24 hours to allow for independent verification by gaming operation management personnel.

EFFECT OF TGWG PROPOSED AMENDMENT: The proposed addition, modification and deletions are not consistent with 543.7(b) as the standards do not require written procedures to protect the integrity of the bingo game draw process nor are large bingo payouts adequately protected or available for verification.

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<p>§ 543.7 (c) Manual Payouts and Short Pays.</p> <p>(1) Procedures must be established and implemented to prevent unauthorized access or fraudulent transactions using manual payout documents, including:</p> <p>(i) Payout documents must be controlled and completed in a manner that is intended to prevent a custodian of funds from altering the dollar amount on all parts of the payout document subsequent to the manual payout and misappropriating the funds.</p> <p>(ii) Payout documents must be controlled and completed in a manner that deters any one individual from initiating and producing a fraudulent payout document, obtaining the funds, forging signatures on the payout document, routing all parts of the document, and misappropriating the funds. Recommended procedures of this standard include but are not limited to the following:</p> <p>(A) Funds are issued either to a second verifier of the manual payout (<i>i.e.</i> , someone other than the agents who generated/requested the payout) or to two agents concurrently (<i>i.e.</i> , the generator/requestor of the document and the verifier of the manual payout). Both witness the manual payout; or</p> <p>(B) The routing of one part of the completed document is under the physical control (<i>e.g.</i> , dropped in a locked box) of an agent other than the agent that obtained/issued the funds and the agent that obtained/issued the funds must not be able to place the document in the locked box.</p> <p>(iii) Segregation of responsibilities. The functions of sales and prize payout verification must be segregated, if performed manually. Agents who sell bingo cards on the floor must not verify bingo cards for prize payouts with bingo cards in their possession of the same type as the bingo card being verified for the game. Floor clerks who sell bingo cards on the floor are permitted to announce the identifiers of winning bingo cards.</p> <p>(iv) Validation. Procedures must be established and implemented to determine the validity of the claim prior to the payment of a prize (<i>i.e.</i> , bingo card was sold for the game played, not voided, etc.) by at least two persons.</p> <p>(v) Verification. Procedures must be established and implemented to ensure that at least two persons verify the winning pattern has been achieved on the winning card prior to the payment of a prize.</p> <p>(vi) Authorization and signatures. (A) A Class II</p>	<p>§ 543.7(g) Manual Payouts and Short Pays.</p> <p>(1) Procedures must be established and implemented to prevent unauthorized access or fraudulent transactions using manual payout documents, including:</p> <p>(i) Payout documents <u>(1) Payouts</u> must be controlled and completed in a manner that is intended to prevent a custodian of funds from altering the dollar amount on all parts of the payout document subsequent to the manual payout and misappropriating the funds.</p> <p>(ii) Payout documents must be controlled and completed in a manner that deters any one individual from initiating and producing a fraudulent payout document, obtaining the funds, forging signatures on the payout document, routing all parts of the document, and misappropriating the funds. <u>Recommended procedures of this standard include but are in a manner designed to verify winning events and prevent unauthorized access to, or misappropriation of, cash or cash equivalents. Such controls shall include, but not be limited to, the following:</u></p> <p>(A) Funds are issued either to a second verifier of the manual payout (<i>i.e.</i> , someone other than the agents who generated/requested the payout) or to two agents concurrently (<i>i.e.</i> , the generator/requestor of the document and the verifier of the manual payout). Both witness the manual payout; or <u>(i) Payout records;</u></p> <p>(B) The routing of one part of the completed document is under the physical control (<i>e.g.</i> , dropped in a locked box) of an agent other than the agent that obtained/issued the funds and the agent that obtained/issued the funds must not be able to place the document in the locked box.</p> <p>(iii) Segregation of responsibilities. The functions of sales and prize payout verification must be segregated, if performed manually. Agents who sell bingo cards on the floor must not verify bingo cards for prize payouts with bingo cards in their possession of the same type as the bingo card being verified for the game. Floor clerks who sell bingo cards on the floor are permitted to announce the identifiers of winning bingo cards.</p> <p>(iv)</p> <p>(v) Validation. Procedures must be established and implemented to determine the validity of the claim prior to the payment of a prize (<i>i.e.</i> , bingo card was sold for the game played, not voided, etc.) by at least two persons.</p>

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<p>gaming system may substitute as one authorization/signature verifying, validating or authorizing a winning card of less than \$1,200 or other manual payout. Where a Class II gaming system substitutes as an authorization/signature, the manual payout is subject to the limitations provided in this section.</p> <p>(B) For manual prize payouts of \$1,200 or more and less than a predetermined amount not to exceed \$50,000, at least two agents must authorize, sign and witness the manual prize payout.</p> <p>(1) Manual prize payouts over a predetermined amount not to exceed \$50,000 must require one of the two signatures and verifications to be a supervisory or management employee independent of the operation of bingo.</p> <p>(2) This predetermined amount, not to exceed \$50,000, must be authorized by management, approved by the tribal gaming regulatory authority, documented, and maintained.</p> <p>(2) Documentation, including:</p> <p>(i) Manual payouts and short-pays exceeding \$10 must be documented on a two-part form, of which a restricted system record can be considered one part of the form, and documentation must include the following information:</p> <p>(A) Date and time;</p> <p>(B) Player interface identifier or game identifier;</p> <p>(C) Dollar amount paid (both alpha and numeric) or description of personal property awarded, including fair market value. Alpha is optional if another unalterable method is used for evidencing the amount paid;</p> <p>(D) Type of manual payout (e.g. , prize payout, external bonus payout, short pay, etc.);</p> <p>(E) Game outcome (e.g. , patterns, symbols, bingo card identifier/description, etc.) for manual prize payouts, external bonus description, reason for short pay, etc.;</p> <p>(F) Preprinted or concurrently printed sequential manual payout identifier; and</p> <p>(G) Signatures or other authorizations, as required by this part.</p> <p>(ii) For short-pays of \$10 or less, the documentation (single-part form or log is acceptable) must include the following information:</p> <p>(A) Date and time;</p> <p>(B) Player interface number;</p> <p>(C) Dollar amount paid (both alpha and numeric). Alpha is optional if another unalterable method is used for evidencing the amount paid;</p> <p>(D) The signature of at least one agent verifying and witnessing the short pay; and</p> <p>(E) Reason for short pay.</p> <p>(iii) In other situations that allow an agent to input a</p>	<p>(v) Verification. Procedures must be established and implemented to ensure that at least two persons verify the winning pattern has been achieved on the winning card prior to the payment of a prize. <u>and verification:</u></p> <p>(vi) Authorization and signatures. (A) A Class II gaming system may substitute as one authorization/signature verifying, validating or authorizing a winning card of less than \$1,200 or other manual payout. Where a Class II gaming system substitutes as an authorization/signature, the manual payout is subject to the limitations provided in this section. <u>(iii) Authorization or signatures: and</u></p> <p>(B) For manual prize payouts of \$1,200 or more and less than a predetermined amount not to exceed \$50,000, at least two agents must authorize, sign and witness the manual prize payout.</p> <p>(1) Manual prize payouts over a predetermined amount not to exceed \$50,000 must require one of the two signatures and verifications to be a supervisory or management employee independent of the operation of bingo.</p> <p>(2) This predetermined amount, not to exceed \$50,000, must be authorized by management, approved by the tribal gaming regulatory authority, documented, and maintained.</p> <p>(2) Documentation, including:</p> <p>(i) Manual payouts and short-pays exceeding \$10 must be documented on a two-part form, of which a restricted system record can be considered one part of the form, and documentation, must include the following information:</p> <p>(A) Date and time;</p> <p>(B) Player interface identifier or game identifier;</p> <p>(C) Dollar amount paid (both alpha and numeric) or description of personal property awarded, including fair market value. Alpha is optional if another unalterable method is used for evidencing the amount paid;</p> <p>(D) Type of manual payout (e.g., prize payout, external bonus payout, short pay, etc.);</p> <p>(E) Game outcome (e.g., patterns, symbols, bingo card identifier/description, etc.) for manual prize payouts, external bonus description, reason for short pay, etc.;</p> <p>(F) Preprinted or concurrently printed sequential manual payout identifier; and</p> <p>(G) Signatures or other authorizations, as required by this part.</p> <p>(ii) For short-pays of \$10 or less, the documentation (single-part form or log is acceptable) must include the following information:</p> <p>(A) Date and time;</p> <p>(B) Player interface number;</p> <p>(C) Dollar amount paid (both alpha and numeric);-</p>
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<p>prize payout or change the dollar amount of the prize payout by more than \$1 in a Class II gaming system that has an automated prize payout component, two agents, one of which is a supervisory employee, must be physically involved in verifying and witnessing the prize payout.</p> <p>(iv) For manually paid promotional prize payouts, as a result of the play of a game and where the amount paid is not included in the prize schedule, the documentation (single-part form or log is acceptable) must include the following information:</p> <p>(A) Date and time;</p> <p>(B) Player interface number;</p> <p>(C) Dollar amount paid (both alpha and numeric). Alpha is optional if another unalterable method is used for evidencing the amount paid;</p> <p>(D) The signature of at least one agent verifying and witnessing the manual promotional prize payout of \$599 or less and two agents verifying and witnessing the manual promotional prize payout exceeding \$599;</p> <p>(E) Description or name of the promotion; and</p> <p>(F) Total amount of manual promotional prize payouts must be recorded by shift, session or other relevant time period.</p> <p>(v) When a controlled manual payout document is voided, the agent completing the void must clearly mark "void" across the face of the document, sign across the face of the document and all parts of the document must be retained for accountability.</p>	<p>Alpha is optional if another unalterable method is used for evidencing the amount paid;</p> <p>(D) The signature of at least one agent verifying and witnessing the short pay; and</p> <p>(E) Reason for short pay.</p> <p>(iii) In other situations that allow an agent to input a prize payout or change the dollar amount of the prize payout by more than \$1 in a Class II gaming system that has an automated prize payout component, two agents, one of which is a supervisory employee, must be physically involved in verifying and witnessing the prize payout.</p> <p>(iv) For manually paid promotional prize payouts, as a result of the play of a game and where the amount paid is not included in the prize schedule, the documentation (single part form or log is acceptable) must include the following information:</p> <p>(A) Date and time;</p> <p>(B) Player interface number;</p> <p>(C) Dollar amount paid (both alpha and numeric). Alpha is optional if another unalterable method is used for evidencing the amount paid;</p> <p>(D) The signature of at least one agent verifying and witnessing the manual promotional prize payout of \$599 or less and two agents verifying and witnessing the manual promotional prize payout exceeding \$599;</p> <p>(E) Description or name of the promotion; and</p> <p>(F) Total amount of manual promotional prize payouts must be recorded by shift, session or other relevant time period.</p> <p>(v) When a controlled manual payout document is voided, the agent completing the void must clearly mark "void" across the face of the document, sign across the face of the document and all parts of the document must be retained for accountability.</p> <p><u>(iv) Voids.</u></p>
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TGWG Guidance

(i) Verification and Prize Payout Records.

(1) Payout records, including manual payouts records. Payout records and forms must be controlled in a manner designed to prevent unauthorized access, misappropriation, fraud or forgery.

(i) Best practice suggests that payout forms be multi-part (an electronic record may constitute one part) to ensure separate control of the cash accountability functions; and

(ii) Procedures should require funds issued for payouts to be witnessed and verified against the payout record or form by an agent other than the agent issuing the payout.

(2) Payout forms should include the following:

(i) Date and time;

(ii) Amount of the payout (alpha and numeric);

(iii) Player interface identifier or bingo card identifier; and

(iv) Manual payouts should also include the following:

(A) Game name or number;

(B) Description of event (i.e., pattern covered, player interface malfunction, etc.) as applicable;

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(C) Signature of all agents involved in the transaction;

(1) Best practice suggests that at least two agents perform the manual payout and sign the manual payout document.

(D) Override reason(s); and

(1) Best practice suggests the agent verifies the amount of the prize at the player interface to the accounting system amount. If the player interface amount is different than the accounting system amount an override may be necessary and, if so, should be properly documented. For example, if the player interface indicates a verified prize of \$1,250.00 but the accounting system reflects \$1,249.00, then the accounting system may require an override to process the manual payout.

(E) Any other information necessary to substantiate the payout.

(3) Controls should be established to segregate the functions of seller and payout verifier. Agents who sell bingo cards should not be the sole verifier of bingo cards for prize payouts. However, such agents may be permitted to announce the numbers or designations on the winning bingo cards to the verifier.

(4) Validation and Verification. Controls must include steps to verify the following is valid for the game in play prior to payment of a winning prize:

(i) Winning card(s);

(ii) Objects drawn; and

(iii) The previously designated arrangement of numbers or designations on such cards, as described in 25 USC 2703(7)(A) (i.e., winning pattern).

(iv) Best practice suggests at least two agents perform the validation and verification. Where an automated verification method (e.g., electronic verifier, software program, among others) is available, validation and verification by such method is acceptable.

(5) Authorization or Signatures.

(i) Controls should be established in a manner designed to prevent unauthorized access or misappropriation of cash or cash equivalents by identifying the agent authorized (by position) to make a payout and at what levels.

(ii) In addition, controls should include how many agents are required for authorization or signature for each predetermined level of payout. This could be accomplished through the use of a matrix, an example of which is provided below.

Example of Authorization or Signature Matrix (The dollar amounts noted in this matrix are examples only. Each operation should perform a risk assessment to determine appropriate payout levels and authorizations.):

Payouts up to \$1,199.99

Originator of Payout Funds: Cage Cashier, Paymaster, Kiosk, or automated funds dispenser

Originator of Payout Document: Automated payout method

Verifier of bingo card, pattern, & amount: Automated verification method

Verifier of payment: Automated payout method

Payouts equal to or greater than to \$1,200.00

Originator of Payout Funds: Cage Cashier or Paymaster

Originator of Payout Document: Automated payout method

Verifier of bingo card, pattern, & amount: Floor Person, Caller and/or automated verification method

Verifier of payment: Floor Person and Floor Supervisor

Per current IRS regulations, a W-2G or 1042-S form is required to be completed for payouts \$1,200.00 and above. Such regulations are subject to change and controls should be updated accordingly.

Manual Payouts up to \$4,999.99

Originator of Payout Funds: Cage Cashier or Paymaster

Originator of Payout Document: Paymaster

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Verifier of bingo card, pattern, & amount: Floor Supervisor, Floor Person, Security, or Technician

Verifier of payment: Floor Supervisor and Security

Per current IRS regulations, a W-2G or 1042-S form is required to be completed for payouts \$1,200.00 and above. Such regulations are subject to change and controls should be updated accordingly.

Manual Payouts \$5,000.00 to \$19,999.99

Originator of Payout Funds: Cage Cashier or Paymaster

Originator of Payout Document: Floor Supervisor or Floor Person

Verifier of bingo card, pattern, & amount: Floor Supervisor (other than originator) or Floor Person (other than originator) or Security or Technician; and

Verifier of Payment: Shift Manager

Per current IRS regulations, a W-2G or 1042-S form is required. Such regulations are subject to change

Manual Payouts \$20,000.00 and over

Originator of Payout Funds: Cage Cashier

Originator of Payout Document: Floor Supervisor or Floor Person

Verifier of bingo card, pattern, & amount: Shift Manager and Floor Supervisor (other than originator) or Technician; and

Verifier of Payment: Security Manager or Security Supervisor

Per current IRS regulations, a W-2G or 1042-S form is required to be completed. Such regulations are subject to change.

1.(6) Voids. Documentation must include the reason for voids and signatures of both the originating agent and a supervisory agent. Best practice suggests that a supervisory agent process the voiding of manual payout forms.

NIGC Comments

The use of “should” rather than “shall” or “must” in the guidance could lead the reader to believe that the standard is not required by the MICS but that it is recommended. Guidance for “Manual Payouts \$5,000.00 to \$19,999.99 and Manual Payouts \$20,000.00 and over” appear burdensome and detailed, but otherwise the guidance appears relevant.

EFFECT OF 2010 PROVISIONS: The current regulations are intended to protect the assets of the gaming operation and tribe by requiring exacting controls over the bingo prize payout process. The payment of bingo prizes poses the highest risk of compromise to a gaming operation and numerous tribal casinos have suffered significant losses from thefts and embezzlements in the past.

EFFECT OF TGWG PROPOSED AMENDMENT: The proposed additions, modifications and deletions are not consistent with 543.7(c) and do not appear to provide the controls required for the high risk transactions of bingo prize payouts. It has been a long established procedure that when large gaming prize payouts occur, two employees are present to verify and witness the transaction. The majority of the proposed standard removes the two employee requirement altogether as well as the records required to document the payout transaction.

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2010 Draft	Proposed TGWG Change
<p>§ 543.7 (d) Operational controls.</p> <p>(1) Procedures must be established and implemented with the intent to prevent unauthorized access to or fraudulent transactions involving cash or cash equivalents.</p> <p>(2) Cash or cash equivalents exchanged between two persons must be counted independently by at least two persons and reconciled to the recorded amounts at the end of each shift or if applicable each session. Unexplained variances must be documented and maintained. Unverified transfers of cash or cash equivalents are prohibited.</p> <p>(3) Procedures must be established and implemented to control cash or cash equivalents in accordance with this section and based on the amount of the transaction. These procedures include, but are not limited to, counting and recording on an accountability form by shift, session or relevant time period the following:</p> <p>(i) Inventory, including any increases or decreases;</p> <p>(ii) Transfers;</p> <p>(iii) Exchanges, including acknowledging signatures or initials; and</p> <p>(iv) Resulting variances.</p> <p>(4) Any change of control of accountability, exchange or transfer must require the cash or cash equivalents be counted and recorded independently by at least two persons and reconciled to the recorded amount.</p>	<p>§ 543.7 (d) Operational controls.</p> <p>(1) Procedures must be established and implemented with the intent to prevent unauthorized access to or fraudulent transactions involving cash or cash equivalents.</p> <p>(2) Cash or cash equivalents exchanged between two persons must be counted independently by at least two persons and reconciled to the recorded amounts at the end of each shift or if applicable each session. Unexplained variances must be documented and maintained. Unverified transfers of cash or cash equivalents are prohibited.</p> <p>(3) Procedures must be established and implemented to control cash or cash equivalents in accordance with this section and based on the amount of the transaction. These procedures include, but are not limited to, counting and recording on an accountability form by shift, session or relevant time period the following:</p> <p>(i) Inventory, including any increases or decreases;</p> <p>(ii) Transfers;</p> <p>(iii) Exchanges, including acknowledging signatures or initials; and</p> <p>(iv) Resulting variances.</p> <p>(4) Any change of control of accountability, exchange or transfer must require the cash or cash equivalents be counted and recorded independently by at least two persons and reconciled to the recorded amount.</p> <p><u>(h) Cash and cash equivalent controls. Cash and cash equivalents must be controlled in a manner designed to prevent unauthorized access, misappropriation, forgery, theft or fraud. Such controls shall be in accordance with cash and cash equivalent controls established in sub part 543.14.</u></p>

TGWG Guidance

(i) Cash and Cash Equivalents. Controls should be established for cash and cash equivalents in accordance with MICS 543.14 (What are the minimum internal control standards for cage, vault, cash, and cash equivalents?) and the guidance provided in the associated document. Procedures should also comply with all applicable federal regulations (e.g., IRS code, Title 31, among others).

NIGC Comments

EFFECT OF 2010 PROVISIONS: The current regulations are intended to protect the assets of the gaming operation and tribe by requiring exacting controls over the cash and cash equivalents including: dual counts of the cash and cash equivalents, inventory and storage of currency, exchanges between employees, and variance investigations when cash and cash equivalents are missing.

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EFFECT OF TGWG PROPOSED AMENDMENT: The proposed deletions and additions are not consistent with 543.7(d) and remove all standards governing cash and accountability of the funds used in gaming transactions.

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2010 Draft	Proposed TGWG Change
<p>§ 543.7 (e) Gaming equipment.</p> <p>(1) Procedures must be established and implemented with the intention to restrict access to agents for the following:</p> <p>(i) Controlled gaming equipment/components (e.g. , draw objects and back-up draw objects); and</p> <p>(ii) Random number generator software. (Additional information technology security standards can be found in §543.16 of this part.)</p> <p>(2) The game software components of a Class II gaming system will be identified in the test laboratory report. When initially received, the software must be verified to be authentic copies, as certified by the independent testing laboratory.</p> <p>(3) Procedures must be established relating to the periodic inspection, maintenance, testing, and documentation of a random sampling of gaming equipment/components, including but not limited to:</p> <p>(i) Software related to game outcome must be authenticated semi-annually by an agent independent of bingo operations by comparing signatures against the test laboratory letter on file with the tribal gaming regulatory authority for that version.</p> <p>(ii) Class II gaming system interfaces to external systems must be tested annually for accurate communications and appropriate logging of events.</p> <p>(4) Records must be maintained for each player interface that indicate the date the player interface was placed into service or made available for play, the date the player interface was removed from service and not available for play, and any changes in player interface identifiers.</p>	<p>§ 543.7 (e) Gaming equipment.</p> <p>(1) Procedures must be established and implemented with the intention to restrict access to agents for the following:</p> <p>(i) Controlled gaming equipment/components (e.g. , draw objects and back-up draw objects); and</p> <p>(ii) Random number generator software. (Additional information technology security standards can be found in §543.16 of this part.)</p> <p>(2) The game software components of a Class II gaming system will be identified in the test laboratory report. When initially received, the software must be verified to be authentic copies, as certified by the independent testing laboratory.</p> <p>(3) Procedures must be established relating to the periodic inspection, maintenance, testing, and documentation of a random sampling of gaming equipment/components, including but not limited to:</p> <p>(i) Software related to game outcome must be authenticated semi-annually by an agent independent of bingo operations by comparing signatures against the test laboratory letter on file with the tribal gaming regulatory authority for that version.</p> <p>(ii) Class II gaming system interfaces to external systems must be tested annually for accurate communications and appropriate logging of events.</p> <p>(4) Records must be maintained for each player interface that indicate the date the player interface was placed into service or made available for play, the date the player interface was removed from service and not available for play, and any changes in player interface identifiers.</p> <p><u>(i) Technologic aids to the play of bingo. Internal control procedures must be established to safeguard the integrity of technologic aids to the play of bingo during installations, operations, modifications, and retirements. Such procedures must include, but not be limited to, the following:</u></p> <p><u>(1) Shipping and receiving;</u></p> <p><u>(2) Access credential control methods;</u></p> <p><u>(3) Record keeping and audit processes;</u></p> <p><u>(4) System software signature verification;</u></p> <p><u>(5) Testing;</u></p> <p><u>(6) Display of rules and necessary disclaimers such as "Malfunctions void all prizes and pays", etc.</u></p> <p><u>(7) Dispute resolution;</u></p> <p><u>(8) Malfunctions; and</u></p> <p><u>(9) Removal, retirement, and/or destruction.</u></p>

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TGWG Guidance

(j) Technologic Aids to the Play of Bingo. Internal control procedures must be established to safeguard the integrity of technologic aids to the play of bingo during installations, operations, modifications, and retirements. Such procedures must include, but not be limited to, the following:

(1) Shipping and receiving.

(i) A communication process must be established between the supplier, the gaming operation and the TGRA to properly control the shipping and receiving process. Such process should include:

(A) Establishing a notification procedure covering shipping dates and other TGRA requirements (e.g., 5-10 business days shipping notification for Class II Gaming System new installation, or 3-5 business days shipping notification for Class II game play software, same or next day delivery for repair and replacement parts). Such notification procedure is communicated to the gaming operation and suppliers.

(I) Best practice suggests that notification of pending shipments should be provided to the TGRA by the gaming operation.

(2) Certification in accordance with 25 CFR §547 and approval by TGRA prior to shipment.

(3) Supplier should provide notification to the TGRA, or the gaming operation as approved by the TGRA, of the shipping date and expected date of delivery. The shipping notification includes, but is not limited to:

(i) Name and address of the supplier;

(ii) Description of shipment;

(iii) For player interfaces: an identifier;

(iv) For software: program number and description of software;

(v) Method of shipment; and

(vi) Expected date of delivery.

(4) Procedures should be established for the exchange of Class II gaming system components for maintenance and replacement (e.g., bingo card minders, screens, printers, bill acceptors, etc.).

(ii) Class II gaming system components must be shipped in a secure manner to deter unauthorized access.

(iii) Best practice suggests the TGRA, or its designee, receives all Class II gaming system components and game play software, and verifies against the shipping notification.

(2) Access Credential Control Methods.

(i) Controls should be established to restrict access to the Class II gaming system components. Such controls should ensure access is controlled through passwords, PINs, cards, or other credential controls. Refer to standards established under 543.16 Security and Management of Server, Server Software and Data Associated with Class II Gaming Systems.

(3) Recordkeeping and Audit Processes.

(i) Best practice suggests that the gaming operation, subject to TGRA requirements, should maintain the following records, as applicable, related to installed game servers and player interfaces:

(A) Date placed into service;

(B) Date made available for play;

(C) Supplier;

(D) Game software version number;

(E) Unique identifier (i.e., serial number);

(F) Game title;

(G) Asset and/or location number;

(H) Seal number; and

(I) Initial meter reading.

(ii) Controls should establish procedures for auditing such records in accordance with MICS 543.19 (What are the minimum internal control standards for audit and accounting?) and associated guidance documents.

(4) System Software Signature Verification.

(i) Procedures should be established relating to system software verifications. These procedures should include comparing signatures generated by the verification programs to the signatures provided in the independent test laboratory letter for that software version.

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(ii) Agents, independent of the bingo operation, should perform system software signature verification(s) to verify that only approved software is installed.

(iii) Procedures should be established relating to the investigation and resolution of any software verification variances encountered.

(iv) Best practice suggests internal audits be conducted at intervals established by the TGRA. Such audits should be documented.

(5) Testing

(i) Testing should be completed during the installation process to verify the player interface has been properly installed. This should include testing of the following as applicable:

(A) Communication to the Class II Gaming System;

(B) Communication to the accounting system;

(C) Communication to the player tracking system;

(D) Currency and vouchers to bill acceptor;

(E) Voucher printing;

(F) Meter incrementation;

(G) Verification of paytable;

(H) Verification of player interface denomination;

(I) Verification that all buttons are operational and programmed appropriately;

(J) System components are safely installed at location; and

(K) Ensuring that locks are secure and functioning.

(6) Display of Rules and Necessary Disclaimers

(i) The TGRA, or the operation should verify that all game rules and disclaimers (i.e., "Malfunctions void all pays and plays.") shall at all times be displayed or made readily available to the player upon request as required by 25 CFR Part 547.

(k) Operations.

(1) Dispute Resolution.

(i) Controls and procedures must be established and approved by the TGRA, to investigate, document, and resolve patron disputes. Such procedures should include but not be limited to:

(A) Notifying upper management and/or the TGRA of the outstanding nature of the dispute;

(B) Collecting and securing all records of the dispute; and

(C) Providing patron(s) with instructions for available dispute resolution mechanisms.

(2) Malfunctions.

(i) Procedures should be established to investigate, document and resolve malfunctions. Such procedures may address, but not be limited to, the following:

(A) Determination of the event causing the malfunction;

(B) Review of relevant records, game recall, reports, logs, surveillance records;

(C) Repair or replacement of the Class II gaming component;

(D) Verification of the integrity of the Class II gaming component before restoring it to operation; and

(E) Completion of requisite documentation.

(3) Removal, Retirement and/or Destruction.

(i) Procedures should be established to properly retire or remove any or all associated components of a Class II Gaming System from operation. Procedures may include, but are not limited to, the following:

(A) For player interfaces and components that accept cash or cash equivalents:

(1) Coordinate with the drop team to perform a final drop;

(2) Collect final accounting information (e.g., meter readings, drop, payouts, etc.);

(3) Remove and/or secure any or all associated equipment from the retired or removed component (e.g., locks, card reader, ticket printer); and

(4) Complete requisite documentation.

(B) For removal of software components:

(1) Purge and/or return the software to the license holder; and

(2) Complete requisite documentation.

(C) For other related equipment (e.g., blowers, cards, interface cards, etc.):

(1) Remove and/or secure equipment; and

(2) Complete requisite documentation.

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(D) For all components:

(1) Verify that unique identifiers (i.e., serial numbers) and descriptions of removed/retired components are recorded on the retirement documentation; and

(2) Coordinate with the accounting department to properly retire the component in the system records.

(ii) Where the TGRA authorizes destruction of any Class II Gaming System components, procedures should be developed to properly destroy such components. Such procedures should include but not be limited to the following:

(A) Methods of destruction;

(B) Witness or surveillance of destruction;

(C) Document all components destroyed; and

(D) Signatures of agents destroying components attesting to destruction.

(d) Audit and Accounting.

(1) Controls must be established for audit and accounting in accordance with MICS 543.19 (What are the minimum internal control standards for audit and accounting?) and the guidance provided in the associated document.

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(2) Best practice suggests that each operational area secure daily audit and accounting records, forms, and documents prior to audit. For example, a cashier may place records in a locked box for next-day delivery to accounting for audit.

NIGC Comments

The information in the above guidance appears to pertain to the technical standards.

EFFECT OF 2010 PROVISIONS: The current regulations are intended to protect the integrity of the Class II gaming equipment.

EFFECT OF TGWG PROPOSED AMENDMENT: The proposed deletions and additions appear consistent with 543.7(e) and provide controls over the Class II gaming equipment.

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Comparison of TGWG to 2010 Draft Regulation

2010 Draft	Proposed TGWG Change
<p>§ 543.7 (f) Voucher systems.</p> <p>(1) The voucher system must be utilized to verify the authenticity of each voucher or coupon redeemed.</p> <p>(2) If the voucher is valid, the patron is paid the appropriate amount.</p> <p>(3) Procedures must be established and implemented to document the payment of a claim on a voucher that is not physically available or a voucher that cannot be validated (e.g. , mutilated, expired, lost, stolen, etc.).</p> <p>(i) If paid, appropriate documentation is retained for reconciliation purposes.</p> <p>(ii) Payment of a voucher for \$50 or more, a supervisory employee must review the applicable voucher system, player interface or other transaction history records to verify the validity of the voucher and initial the voucher or documentation prior to payment.</p> <p>(4) Vouchers redeemed must remain in the cashier's accountability for reconciliation purposes. The voucher redemption system reports must be used to ensure all paid vouchers have been validated.</p> <p>(5) Vouchers paid during a period while the voucher system is temporarily out of operation must be marked "paid", initialed and dated by the cashier. If the voucher is greater than a predetermined amount approved (not to exceed \$500), a supervisory employee must approve the payment and evidence that approval by initialing the voucher prior to payment.</p> <p>(6) Paid vouchers are maintained in the cashier's accountability for reconciliation purposes.</p> <p>(7) Upon restored operation of the voucher system, vouchers redeemed while the voucher system was temporarily out of operation must be validated as expeditiously as possible.</p> <p>(8) Unredeemed vouchers can only be voided in the voucher system by supervisory employees. The supervisory employee completing the void must clearly mark "void" across the face of the voucher and sign across the face of the voucher, if available. The accounting department will maintain the voided voucher, if available.</p>	<p>§ 543.7 (f) Voucher systems.</p> <p>(1) The voucher system must be utilized to verify the authenticity of each voucher or coupon redeemed.</p> <p>(2) If the voucher is valid, the patron is paid the appropriate amount.</p> <p>(3) Procedures must be established and implemented to document the payment of a claim on a voucher that is not physically available or a voucher that cannot be validated (e.g. , mutilated, expired, lost, stolen, etc.).</p> <p>(i) If paid, appropriate documentation is retained for reconciliation purposes.</p> <p>(ii) Payment of a voucher for \$50 or more, a supervisory employee must review the applicable voucher system, player interface or other transaction history records to verify the validity of the voucher and initial the voucher or documentation prior to payment.</p> <p>(4) Vouchers redeemed must remain in the cashier's accountability for reconciliation purposes. The voucher redemption system reports must be used to ensure all paid vouchers have been validated.</p> <p>(5) Vouchers paid during a period while the voucher system is temporarily out of operation must be marked "paid", initialed and dated by the cashier. If the voucher is greater than a predetermined amount approved (not to exceed \$500), a supervisory employee must approve the payment and evidence that approval by initialing the voucher prior to payment.</p> <p>(6) Paid vouchers are maintained in the cashier's accountability for reconciliation purposes.</p> <p>(7) Upon restored operation of the voucher system, vouchers redeemed while the voucher system was temporarily out of operation must be validated as expeditiously as possible.</p> <p>(8) Unredeemed vouchers can only be voided in the voucher system by supervisory employees. The supervisory employee completing the void must clearly mark "void" across the face of the voucher and sign across the face of the voucher, if available. The accounting department will maintain the voided voucher, if available.</p>

TGWG Guidance

None

NIGC Comments

§ 543.7 What are the minimum internal control standards for bingo?

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EFFECT OF 2010 PROVISIONS: The current regulations are intended to protect the assets of the gaming operations and tribes by requiring controls over vouchers issued by Class II bingo systems and the subsequent payout process. The vouchers and payouts pose the highest risk to a gaming operation of being compromised and numerous tribal casinos have suffered significant losses from thefts and embezzlements in the past.

EFFECT OF TGWG PROPOSED AMENDMENT: The proposed deletions are not consistent with 543.7(f) as they remove all standards governing vouchers and the subsequent payout process.