

TRIBAL ADVISORY COMMITTEE

SUBMISSION OF DOCUMENTS

February 14, 2012

LIST OF DOCUMENTS

REPORT & RECOMMENDATION COVER LETTER

ATTACHMENTS:

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2. CONCERNS
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SUPPLEMENTS:

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 1. RISK BASED
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- B. FEBRUARY MEETING SUMMARY
- C. SECTION 547 COVER LETTER & RECOMMENDATION

February 9, 2012

National Indian Gaming Commission
1441 L Street, NW
Suite 9100
Washington, DC 20005

Dear Chairwoman Stevens, Vice Chairwoman Cochran and Commissioner Little,

In response to your letter, dated February 2, 2012, the National Indian Gaming Commission (“NIGC”) Tribal Advisory Committee (“TAC”) submits the following report and recommendations. We have appreciated the opportunity to serve on the TAC and review and advise on the proposed revised Technical Standards for Gaming Equipment used with the Play of Class II Games (“Technical Standards”), the Class II Minimum Control Standards for Class II Gaming (“Class II MICS”) and the associated guidance documents (“Guidance Documents”) submitted by the Poarch Band of Creek Indians on behalf of the Tribal Gaming Work Group (“TGWG”).

Except for the first meeting, all of the public sessions of the meetings have been recorded by a court reporter. Since the NIGC did not provide a court reporter for this month’s meeting in Tucson, our host tribe and various regional gaming associations provided the reporter. When we receive the transcript of the meeting, we will forward a copy to you with hopes that you publish it – along with the other TAC meeting transcripts – on the NIGC website so that the public, particularly tribal leaders and Indian Country, will be able to follow the details of our work.

The TAC, which consists of fifteen members appointed by you, with an aggregate of 236 years of gaming operations and regulatory experience, held five multi-day meetings:

- **Connecticut – October 20-21, 2011**
- **South Dakota – November 15-17, 2011**
- **Washington – December 6-8, 2011**
- **California – January 10-12, 2012**
- **Arizona – February 6-8, 2012**

At our meetings, the TAC followed your request to review and provide our advice on three (3) separate bodies of work: the revised Technical Standards for Gaming Equipment used with the Play of Class II Games (“Technical Standards”), the Class II Minimum Internal Control Standards for Class II Gaming (“Class II MICS”) and the associated guidance documents (“Guidance Documents”) submitted by the Poarch Band of Creek Indians on behalf of the Tribal Gaming Work Group (“TGWG”). In so doing, we reviewed the specific language of those drafts, offered comments where we deemed appropriate and, if consensus of the TAC was achieved, provided recommended revisions – conceptual and specific – to you through your appointed facilitator.

We were pleased to transmit to you our recommendations on the Technical Standards via letter dated January 12, 2012. We feel that the detailed discussions with the NIGC personnel on these standards during our meetings were particularly helpful in formulating our advice to you. Our recommendations were unanimous, as all of our signatures on the transmittal letter confirm. We are once again providing

a copy of our Technical Standards recommendations and transmittal letter as part of our attachments. We urge the NIGC to promulgate these recommendations for comment as soon as possible. We hope to see these in the Federal Register soon.

Our work on the Class II MICS and associated Guidance Documents has taken longer than the Technical Standards, in large part due to the volume of material that you have asked us to review. As to the Class II MICS, we have completed a conceptual review. We reviewed and discussed language, mindful that the exact language of regulations with the force of law has substantial significance to regulators, those regulated, and agencies and courts that review regulatory action. As a result, we provided specific comments and in some instances recommended revisions to particular provisions in the Class II MICS. That advice was included in the summaries of meetings provided to you through your facilitator. Our specific Class II MICS recommendations are part of the attachments to this letter.

We also undertook a review of the proposed Guidance Documents submitted to us with the Class II MICS. However, because of the volume of the Guidance Documents and a shortened deadline for completion of our work, we were unable to complete a comprehensive review. However, we have made progress and accordingly, are including at the end of this report our comments and recommendations on that portion of the guidance documents that we were able to review in the time that you allowed us.

During our review of the Class II MICS, we again found the discussion with NIGC personnel present at our meetings most helpful. The give and take resulted in, what we believe based on our collective operational and regulatory experience, a product with substantial future utility. We have the same view on our discussions with the NIGC personnel concerning the guidance documents through our Pala, California meeting. The absence of the NIGC from our Tucson meeting was unfortunate in that, among other things, we were deprived of the discussion that focused and improved our advice to you.

As part of our process of advising you, we have received written questions from you on Technical Standards, Class II MICS, and Risk-Based approach, that you asked us to address at our Tucson meeting. We regret your absence from the meeting since the unavailability of discussion always includes the chance that the question, answer or both are not fully understood.

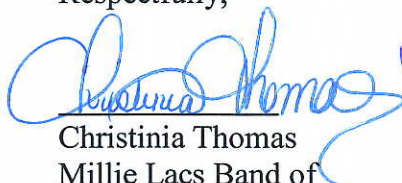
As you know, we held extensive discussions on and ultimately endorsed the structure of the Class II MICS and Guidance Documents that differs from the current MICS by identifying in the Class II MICS general standards and then providing in the Guidance Documents a non-exclusive method of compliance with the Class II MICS. We believe, as explained in our answers to your questions, that such an approach is particularly appropriate for Class II gaming. The safe harbor approach to regulation recognizes that one size does not always fit all. The risk-based approach provides a clear and cost efficient manner of compliance that all tribes can use. Of course, the burden of proof remains on the tribe to justify an alternative means of compliance. We expect use of an alternative approach to be the exception rather than the usual practice. The Guidance Documents approach also benefits the regulator. As technology rapidly advances, the NIGC can address such changes through equally rapid revisions to the guidance document without the delay, expense, legal concerns, and cumbersome nature of rule making.

We are disappointed that your recently imposed February 14, 2012 deadline has not allowed us to complete all of our work. We believe that further meetings of the TAC with NIGC representatives

participating, would have improved our advice to you. Our goal would have been to conclude a more comprehensive review of the Guidance Documents, address possible areas omitted from Class II MICS coverage, and Class II MICS and Guidance Documents for consistency.

Finally, we request an in person meeting with you when you have completed a proposed draft of the Class II MICS, but before you distribute them to Indian Country for consultation. We think such a final discussion as to actual text will streamline the rule-making process by helping to avoid misunderstanding of language, its application, and unintended consequences.

Respectfully,



Christinia Thomas
Millie Lacs Band of
Objiwe



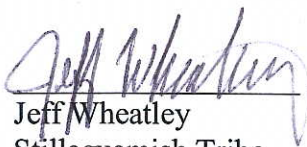
Michele Stacona
Conf. Tribes of Warm
Springs



Matthew Morgan
Chickasaw Nation



Jason Ramos
Blue Lake Rancheria



Jeff Wheatley
Stillaguamish Tribe



Thomas Wilson
Pascua Yaqui Tribe



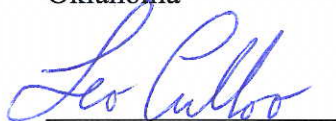
Robin Lash
Miami Tribe of
Oklahoma



Steve Garvin
Ho-Chunk Nation



Kathi Hamel
Lytton Rancheria



Leo Culloo
Port Gamble S'Klallam
Tribe



Mia Tahdoahnippah
Comanche Nation



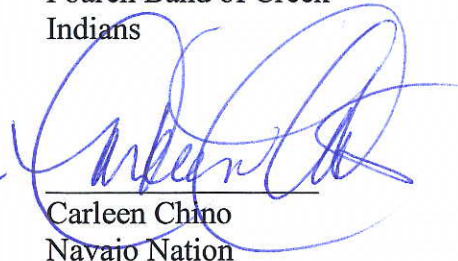
Daniel McGhee
Poarch Band of Creek
Indians



Brian Callaghan
Pokagon Band of
Potawatomi Indians



John Magee
Pechanga Band of
Luiseno Indians



Carleen Chino
Navajo Nation

TAC RECOMMENDATIONS TO PART 543 MINIMUM INTERNAL CONTROL STANDARDS

As part of our report the TAC is submitting our recommendations to Part 543 Minimum Internal Controls for Class II. Due to the time constraints we have chosen to pull the recommendations from the summary reports provided by your facilitator as well as the notes taken from our meeting held in Tucson, AZ.

National Indian Gaming Commission Tribal Advisory Committee (2011-2012) Meeting #2, November 15-17, 2011, Rapid City, SD

PART 543 – MINIMUM INTERNAL CONTROL STANDARDS : BINGO AND SELCTED DEFINITIONS

General Recommendations:

The overarching principle is that guidance documents are necessary to effectively implement this approach to regulation, and NIGC should state in the regulation that NIGC will create or adopt appropriate guidance.

Specific Recommendations:

The TAC recommends the following provisions be included in Part 543, which have been marked to show changes from the New TGWG Proposed Part 543 as of 07/28/11 (and contained in Tab A of the Poarch Band of Creek Indians 7/28/11 submission to the NIGC and in the binder NIGC distributed to the TAC) –

§ 543.2 What are the definitions for this part?

Tier A. Gaming operations with annual gross gaming revenues of more than \$~~3.1~~ million but not more than \$~~8.5~~ million.

Tier B. Gaming operations with annual gross gaming revenues of more than \$~~8.5~~ million but not more than \$15 million.

Tier C. Gaming operations with annual gross gaming revenues of more than \$15 million.

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

(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~~ necessary to mitigate the risks identified by the standards of this section.

(b) Computer Applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control ~~established~~ necessary to mitigate the risks identified by the standards of this section, as approved in writing by the TGRA, will be acceptable.

Note to TAC: the change to this section also applies to the other computer application sections in Part 543, except in the variance section, § 543.18.

(c) Variances. The TGRA shall establish the threshold level at which a variance within the context of this Section shall be reviewed. Any such review shall be documented.

(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.

(e) Bingo Cards.

(1) Physical Inventory.

(i) The bingo 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~~ of inventory, destruction of inventory, and inventory reconciliation.

(2) Sales.

(i) The sale of bingo cards must be controlled in a manner to adequately record, track, and reconcile such sales, including voids.

(ii) When the sale of bingo cards is recorded manually, such sales must be verified by an independent agent.

(iii) No unauthorized person shall have access to bingo card sales records.

(f) Draw.

(1) Controls must be established requiring that all objects eligible for the draw are available to be drawn.

(2) The draw must be controlled in a manner that ensures random selection of the objects drawn.

(3) The draw must be controlled in a manner that ensures the identity of each object drawn is accurately recorded and transmitted to the participants.

(g) Payouts.

(1) Payouts must be controlled 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:

- (i) Payout records;
- (ii) Validation and Verification;
- (iii) Authorization or signatures; and
- (iv) Voids.

(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.

(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:

- (1) Shipping and receiving;
- (2) Access credential control methods;
- (3) Record keeping and audit processes;
- (4) System software signature verification;
- (5) Testing;
- (6) Display of rules and necessary disclaimers such as "Malfunctions void all pays and plays" etc.;
- (7) Dispute resolution;
- (8) Malfunctions; and
- (9) Removal, retirement, and/or destruction.

**National Indian Gaming Commission Tribal Advisory Committee (2011-2012)
Meeting #3, December 6-8, 2011, Suquamish, WA**

TAC Recommendations

Part 543 – Minimum Internal Control Standards for Class II Gaming

General Recommendations: None

Specific Recommendations (December Meeting): See Attachment

- (1) The TAC recommends the following provisions be included in Part 543, which have been marked to show changes from the New TGWG Proposed Part 543 as of 07/28/11 (and contained in Tab A of the Poarch Band of Creek Indians 7/28/11 submission to the NIGC and in the binder NIGC distributed to the TAC) –

- 543.1 What does this part cover?
- 543.2 What are the definitions for this part?
 - Gaming Promotions
- 543.3 How do tribal governments comply with this part?
- 543.4 What are the rules of interpretation and of general application for this part?
- 543.6 Does this part apply to small and charitable gaming operations?
- 543.8 What are the minimum internal control standards for pull tabs?
- 543.9 What are the minimum internal control standards for card games?
- 543.11 What are the minimum internal control standards for patron deposit accounts and cashless systems?

- (2) The TAC recommends the following provisions be deleted from Part 543 in the New TGWG Proposed Part 543 as of 07/28/11 (and contained in Tab A of the Poarch Band of Creek Indians 7/28/11 submission to the NIGC and in the binder NIGC distributed to the TAC) –

- 543.10 What are the minimum internal control standards for gaming promotions?
- 543.12 What are the minimum internal control standards for player tracking?

- (3) The TAC recommends additions or changes to the Part 543 guidance in the New TGWG Proposed Part 543 as of 07/28/11 (and contained in Tab A of the Poarch Band of Creek Indians 7/28/11 submission to the NIGC and in the binder NIGC distributed to the TAC) in the following sections:

- 543.8 What are the minimum internal control standards for pull tabs?
- 543.9 What are the minimum internal control standards for card games?
- 543.12 What are the minimum internal control standards for player tracking?
- 543.19 What are the minimum internal control standards for audit and accounting?

**National Indian Gaming Commission Tribal Advisory Committee (2011-2012)
Meeting #4, January 10-12, 2012, Pala, CA**

Part 543 – Minimum Internal Control Standards for Class II Gaming

- (1) The TAC recommends the following provisions be included in Part 543, which have been marked to show changes from the New TGWG Proposed Part 543 as of 07/28/11 (and contained in Tab A of the Poarch Band of Creek Indians 7/28/11 submission to the NIGC and in the binder NIGC distributed to the TAC) –

- 543.14 What are the minimum internal control standards for the cage, vault, cash and cash equivalents?
- 543.16 What are the minimum internal control standards for security and management of server, server software and data associated with Class II gaming systems?
- 543.18 How does a gaming operation apply for a variance from the standards of this part?
- 543.19 What are the minimum internal control standards for audit and accounting?
- 543.21 What are the minimum internal control standards for drop and count?
- 543.23 What are the minimum internal control standards for surveillance?

- (2) The TAC recommends the following provisions be **deleted** from Part 543 in the New TGWG Proposed Part 543 as of 07/28/11 (and contained in Tab A of the Poarch Band of Creek Indians 7/28/11 submission to the NIGC and in the binder NIGC distributed to the TAC) –

- 543.15 What are the minimum internal control standards for lines of credit?
- 543.17 What are the minimum internal control standards for complimentary services or items?

- (3) The TAC recommends additions or changes to the Part 543 guidance in the New TGWG Proposed Part 543 as of 07/28/11 (and contained in Tab A of the Poarch Band of Creek Indians 7/28/11 submission to the NIGC and in the binder NIGC distributed to the TAC) in the following sections:

- 543.15 What are the minimum internal control standards for lines of credit?

**National Indian Gaming Commission Tribal Advisory Committee (2011-2012)
Meeting #5, February 7-9, 2012, Tucson, AZ**

§ 543.19 What are the minimum internal control standards for audit and accounting?

(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 necessary to mitigate the risks identified by the standards of this section.

(b) Computer Applications. For any computer applications utilized, alternate documentation and/or procedures that provide at least the level of control necessary to mitigate the risks identified by the standards of this section, as approved in writing by the TGRA, will be acceptable.

(c) Conflicts of Standards. When establishing SICS the gaming operation should review and consider incorporation of other external standards such as GAAP, SSAE, and standards promulgated by GASB and FASB. Accordingly, in the event of a conflict between the MICS and the incorporated external standards, the external standards prevail.

(d) Operational Audits (formerly "Revenue Audit"). Controls shall be established to ensure:

(1) All audits are designed in a manner to detect unauthorized access, misappropriation, forgery, theft, or fraud.

(2) All audits are performed within seven (7) days of the audited activity's occurrence as follows, unless otherwise specified:

(i) Gaming revenue and payouts;

(ii) Increases and decreases to inventory;

(iii) Cash equivalent inventory count;

(iv) Exceptions, overrides, and voids;

(v) Complimentary services and items records (Weekly);

(vi) Manual increases and decreases to/from player accounts (Weekly);

(vii) Promotions, contests, and tournaments (Weekly); and

(viii) Key control records (Quarterly).

(3) At least bi-annually, an inventory of all drop, count, override, and panel keys are performed and increases and decreases in key inventory are reconciled.

(4) Audit results are summarized and recorded.

(5) Audit of controlled inventories for recording the receipt, issuance, and use of controlled inventories (including but not limited to bingo cards, pull tabs, playing cards, keys, pre-numbered and/or multi-part forms, etc.).

(6) Adjustments to original data are controlled to ensure all adjustments are properly completed and documented.

(7) Exceptions are reviewed for suspect and/or unusual transactions.

(8) Documentation must be generated and maintained evidencing the performance of audit procedures.

(9) If the audit is not performed by accounting agents, the agent(s) performing the audit are independent of the function being reviewed.

(e) Accounting. Controls must be established to ensure each gaming operation:

(1) Prepares accurate, complete, legible, and permanent records of all transactions pertaining to gaming revenue.

(2) Prepares general accounting records on a double-entry system of accounting, maintaining detailed, supporting, subsidiary records, and perform the following:

- (i) Record gaming activity transactions in an accounting system to identify and track all revenues, expenses, assets, and liabilities;
- (ii) Produce income and balance sheet statements;
- (iii) Produce appropriate subsidiary ledgers to support the balance sheet;
- (iv) Safeguard assets;

Note to NIGC: The term “safeguard assets” includes “inventory.”

- (v) Prepare, review, and maintain accurate financial statements;
- (vi) Prepare minimum bankroll calculations; and
- (vii) Maintain and preserve all financial books, records, and relevant supporting documentation.

(f) Internal Audit. Controls shall be established to ensure:

- (1) Internal auditor(s) perform audits of each department of a gaming operation, at least annually, to review compliance with TICS, SICS, and these MICS.
- (2) Internal auditor(s) are independent of the gaming operations with respect to the departments subject to audit (officers of the TGRA, or outside CPA firm may perform this function).
- (3) Internal auditors report directly to the Tribe, TGRA, audit committee, or other entity designated by the Tribe.
- (4) Documentation (e.g., checklists, programs, reports, etc.) is prepared to evidence all internal audit work and follow-up performed as it relates to compliance with TICS, SICS, and these MICS.
- (5) Reports documenting audits performed are maintained and made available to the Commission upon request.
- (6) All material exceptions resulting from internal audit work are investigated and the results documented.

Note to NIGC: TAC recommends revising paragraph (6) and adding a definition to Section 543.2 for Material Exceptions.

- (7) Internal audit findings are reported to management, responded to by management in the internal audit report stating corrective measures to be taken, and delivered to management, the Tribe, TGRA, audit committee, or other entity designated by the Tribe.

(g) Annual Requirements.

Note to NIGC: Also change heading in guidance document.

- (1) Agreed upon procedures. A CPA must be engaged to perform, in accordance with agreed upon procedures and the most recent versions of the Statements on Standards for Attestation Engagements and Agreed-Upon Procedures Engagements (collectively “SSAE’s”), issued by the American Institute of Certified Public Accountants an assessment of whether the gaming operation is in compliance with these MICS, the TICS, and/or the SICS.

Note to NIGC: Delete "Inc." This is a typographical error.

(2) The tribe must submit two copies of the agreed-upon procedures report to the Commission within 120 days of the gaming operation's fiscal year end in conjunction with the submission of the annual financial audit report required under 25 CFR Part 571.

(3) Require management to have sufficient knowledge and understanding of the purpose, nature, and scope of the agreed upon procedures to provide adequate oversight and participation in the process to ensure a meaningful and useful outcome.

(4) Review of Internal Audit.

Note to NIGC: Also change heading in Guidance Document.

(i) The CPA must determine compliance by the gaming operation with the Internal Audit requirements in paragraph (f) above.

(ii) If the CPA determines the internal audit procedures performed during the fiscal year have been properly completed, the CPA may rely on the work of internal audit for the completion of the MICS checklists as they relate to the standards covered by this Part.

Note to NIGC: TAC recommends the following revisions and additions to paragraph (I) of the Guidance Document:

"(i) The CPA must determine compliance by the gaming operation with the Internal Audit requirements in Section 543.19(f). Best practice suggests the CPA make this determination by:

(A) Completing the internal audit checklist;

(B) Ensuring that the internal auditor completed checklists for each gaming department of the operation;

(C) Verifying that any areas of non-compliance have been identified;

(D) Ensuring that audit reports are complete and include responses from management; and

(E) Verifying that appropriate follow-up on audit findings has been conducted, and necessary corrective measures taken, to effectively mitigate the noted risks."

NOTE to the NIGC: the TAC recommends the NIGC make the following changes to the guidance proposed by the TGWG: clarify that best practices suggest that monthly reconciliation be conducted at month end for financial reporting purposes.

(5) Report Format. The Statements on Standards for Attestation Engagements and Agreed-Upon Procedure Engagements (SSAE's) are applicable to agreed-upon procedures engagements required in this Part. All noted instances of noncompliance must be documented in the report with a narrative description, the number of exceptions and sample size tested.

NOTES to the NIGC: the TAC recommends the NIGC –

1. Delete Section (g)(3) from the regulation and move it to the guidance for this Section (the TGWG Section (g)(3) reads: “Require management to have sufficient knowledge and understanding of the purpose, nature, and scope of the agreed upon procedures to provide adequate oversight and participation in the process to ensure a meaningful and useful outcome.”)
2. Revise the guidance proposed by the TGWG to reflect the TAC’s changes to Section (f)(6) and to add duplicate keys to the Operational Audit Section (d)(6)

List of Concerns and Open Items

As we stated in our report and recommendations letter, the TAC feels that there are still areas of concern that need to be addressed in both the Minimum Internal Control Standards and associated guidance documents before Part 543 Minimum Internal Control Standards is distributed for public comment. Due to the imposed February 14, 2012 deadline we regret that we did not have sufficient time to address these in our final document.

Here are just a few of the areas we feel need to be reviewed in further detail. As stated in our letter, the TAC would be more than willing to address these matters as a group if the NIGC would like to have an additional meeting with us.

1. The boilerplate language is not always identical (differences in at least the following boilerplate sections: computer applications, cash & cash equivalents, audit & accounting).
2. There are inconsistencies in some of the language in bingo, pull tabs, and card games that should be the same because the controls are the same (much of this is in the inventory sections)
3. Must vs. shall vs. should vs. may. The document really needs to have a careful review to make sure the right term is being used. For example, there are many places where the guidance document uses the word "must" instead of the word "should" and vice versa.

4. General language inconsistencies throughout. For example:

a. Sometimes the guidance uses the term "including but not limited to," sometimes it says "at a minimum," and sometimes neither phrase is used;

b. Sometimes the language introducing a list uses the phrase "should include the following:" while other times it just says "should include:" (there are other varying versions of this also);

c. "Controls" vs. "internal controls" vs. "internal control standards" vs. "procedures." These terms are used interchangeably throughout, which can be confusing. In addition, there needs to be clarity on what should be included in SICS, controls, and procedures.

d. Sometimes an introductory sentence says "controls should be established to ensure," other times it says "controls should be established to require," sometimes it says "controls should require" and other varying versions.

5. There are still areas where the guidance documents may not be detailed enough.

6. Paragraph numbering in the guidance documents does not coincide with the regulations in all cases. These items need to correspond with the regulation.

7. The TAC recommended deletion of four sections (player tracking, complimentary items, lines of credit, and promotions) of the MICS. Thus, a review should be done to

ensure that any references to such sections, both in the MICS and the guidance documents, are removed.

8. A review of Part 543.2 (Definitions) must be completed to ensure that definitions no longer used in the regulations are removed.

EXPLANATION OF RECOMMENDED CHECKLIST

One of the questions that has come up in the TAC meetings with the NIGC is, what would the checklist look like and how would a regulator use that checklist when using the TAC recommended Regulations and corresponding Guidance Documents.

Since the NIGC was not present at the TAC meeting in Tucson, AZ, the TAC urges the NIGC to read the unedited excerpts from the transcript that was taken so that the NIGC can benefit from the discussion that was had by the TAC members. The excerpts from the transcript give the TAC's full explanation of the proposed checklist, the changes that were made and their vision of how it should be used.

As the TAC has stated in the report and recommendations letter, we would be glad to meet with the NIGC in order to answer any questions you may have on this recommendation.

ATTACHMENT 3
SAMPLE INTERNAL AUDIT COMPLIANCE CHECKLIST
NIGC MICS 543.9 - CARD GAMES

Auditor Name: _____

Audit Period: _____

This checklist should to be used by the auditor in determining whether the operation’s card games department is in compliance with the NIGC’s Minimum Internal Control Standards (MICS) for Card Games (Section 543.9).

TICS Variances and Computerized Applications:

Copies of TICS approved variances should be obtained and documented in the grid below. The information in this grid should be used when performing audit checklist steps for approved variance procedures as described in the approval letter to modify and/or perform additional procedures, as applicable.

Copies of approval letters for computerized applications for use in this gaming area should be obtained and documented in the grid below. For computer applications utilized to perform procedures in the audit checklist, ensure the application provides at least the level of control established by the MICS.

Date Variances/Approvals Granted	TICS Number	Description of Variances Granted and Computerized Application version number	Checklist Procedure Number(s) of Procedure Modified or Added	W/P Ref. (if appl.)

Checklist Completion Notes:

1) Indicate (by tickmark) whether the procedures were confirmed through examination/review of documentation, through inquiry of agents, or through observation of procedures. For inquiry of agents, the name of the agent interviewed, the date of the interview and the agent’s job title should be documented in the comment section. For examination/review of documentation, the date of documentation and document information should be listed in the comment section. For observation, the date of observation and specific location observed should be listed in the comment section. Tickmarks used in the checklist should be defined such as:

- O** - Verified per Observation
- E** - Verified per Review/Examination of documents
- I** - Verified per Inquiry

2) Agents should be mindful that the “Inquiry” method of examination, while appropriate for some questions, is the least reliable form of compliance confirmation and therefore should only be used when the “Observation” and/or “Review/Examination” confirmation process cannot be utilized.

3) “No” answers to checklist questions require additional referencing and/or comment. If additional referencing or comment does not satisfy due diligence compliance with the MICS, the “No” answer should be cited as an exception. All “N/A” answers require referencing and/or comment as to the reason the procedure is not applicable.

4) When evaluating Controls to determine compliance, merely recognizing the “existence” of the control(s) is not sufficient to determine compliance; the agent should also conclude on the adequacy and effectiveness of the control(s) by including the following considerations in their evaluation:

**SAMPLE INTERNAL AUDIT COMPLIANCE CHECKLIST
NIGC MICS 543.9 - CARD GAMES**

- a. Are the controls in place adequate and/or effective in mitigating the risk(s) associated with the control objective?
 - b. Are the controls functioning as designed?
- 5) All exceptions noted should be reported in the internal auditor’s report and corrective measures undertaken by management; all “material” exceptions require a management response to the internal auditor’s report.
- 6) Timely follow-up by internal audit to any “material” exceptions should be conducted to ensure the cited exception has been corrected. **Materiality is determined by the TGRA and should be based on the inherent risk associated with the exception; the number of occurrences of an exception, while relevant, should not be the only criteria in establishing materiality.**

Scope:

The following checklist is recommended.¹ At a minimum, this checklist must be completed once in each fiscal year.

Audit Procedures	Yes	No	N/A	If No, Material?	Comments, W/P Reference
Internal Control Pre-Audit Procedures (543.9(a))					
1. Review TICS and SICS, and cross reference them to NIGC MICS to ensure completeness. Check for changes to TICS and SICS from prior audit.					
2. Review prior internal audit report(s). Document any relevant exceptions cited, and include in scope of audit increased testing/examination/inquiry for exceptions noted.					
3. Risk assessment. Have there been any factors since the previous audit that affect the risk level for this department? (i.e. change in management, significant changes in revenues, addition or changes in computerized systems, etc.)					

¹ Note: This checklist is a recommendation only and is not intended to be used without a careful review of the needs of the particular gaming operation. Each gaming operation should carefully review the sample checklist, the MICS, TICS, and SICS to ensure any checklist meets the specific needs of that gaming operation.

**SAMPLE INTERNAL AUDIT COMPLIANCE CHECKLIST
NIGC MICS 543.9 - CARD GAMES**

Audit Procedures	Yes	No	N/A	If No, Material?	Comments, W/P Reference
4. Review the TICS Variances and Computerized Applications grid and determine if the approved procedures or computerized applications are in place.					
Variances (543.9(c))					
1. Have threshold levels been established for variances of: a) Card inventory? b) Card Room table inventory? c) Card Room bank inventory? (Document established threshold in the comments section for each inventory.)					
Supervision (543.9(d))					
1. Do Organizational Charts and Job descriptions outline proper segregation of duties? (Obtain copies of gaming area organizational chart and job descriptions. Review to ensure proper segregation of duties.)					
2. Has a supervisory agent been identified that is ultimately responsible for the department and its operation? (Document agent name and title.)					
3. If an agent performs multiple functions, does the operation have a policy in place to ensure proper segregation of duties? (Document procedures)					
4. Is supervision provided in the card room at all times by an agent with authority equal to or greater than those being supervised? (Inquiry or observation.)					

**SAMPLE INTERNAL AUDIT COMPLIANCE CHECKLIST
NIGC MICS 543.9 - CARD GAMES**

Audit Procedures	Yes	No	N/A	If No, Material?	Comments, W/P Reference
Inventory of Playing Cards 543.9(e)					
1. Are controls in place for : a. The receipt of playing cards? b. The issuance of playing cards? c. The storage of playing cards? d. The return of playing cards? e. The cancellation/removal of playing cards?					
2. Are new playing cards received, inventoried and secured by an agent independent of card games?					
3. Are playing cards stored in a secured location(s)? (Document location(s).)					
4. Are controls in place for detection of flawed cards? (Review the controls to ensure flawed cards can not be recirculated into active inventory.)					
5. Are used cards that are to be removed from service properly cancelled? (Document cancellation method.)					
6. Are playing card inventory logs completed and maintained documenting: a. Receipt? b. Issuance? c. Storage? d. Return? e. Removal? (Testing of inventory logs is required. Determine and document scope of testing.)					
7. Do playing card inventory logs include: a. Date? b. Time/Shift? c. Location? d. Agent performing transaction? e. Agent performing reconciliation? f. Beginning and ending inventory? g. Variances?					

**SAMPLE INTERNAL AUDIT COMPLIANCE CHECKLIST
NIGC MICS 543.9 - CARD GAMES**

Audit Procedures	Yes	No	N/A	If No, Material?	Comments, W/P Reference
8. Are controls in place to investigate variances in playing card inventory? (Review the controls to ensure investigation is performed by an agent independent of playing card inventory. Testing of variance investigation is required. Review variance investigation and document outcome of investigation.)					
Shill Funds (543.9(f))					
1. Are controls in place regarding the use of shills and include: a. when shills may be used? b. agent(s) authorized to make the decision to use a shill? c. shill rules of play? d. shill fund amounts? e. obtaining shill funds? f. returning the funds? g. monitoring and reviewing shill activities?					
2. Are controls in place for issuance and return of shill funds? (Review controls and document location.)					
3. Are forms used to document the issuance and return shill funds that include: a. Date? b. time/shift? c. location? d. agent issuing/receiving funds? e. shill signature? f. Amount?					
Cash and Cash Equivalents (543.9(g))					
4. Are controls in place for: a. The issuance of card room banks/table banks? b. The count at the start and end of each shift? c. The exchange of funds between tables and the card room bank and the cashier cage? d. The exchanges of other funds? e. The return of card room banks/table banks? f. Inventory reconciliation?					

**SAMPLE INTERNAL AUDIT COMPLIANCE CHECKLIST
NIGC MICS 543.9 - CARD GAMES**

Audit Procedures	Yes	No	N/A	If No, Material?	Comments, W/P Reference
5. Are issuances and returns of card room/table banks documented on a form with: <ul style="list-style-type: none"> a. date? b. time/shift? c. location? d. amount? e. signature of agent issuing funds? f. signature of agent obtaining the funds? (Testing of forms is required. Determine and document scope of testing.)					
6. Are even exchanges documented: <ul style="list-style-type: none"> a. With lammers? b. With Exchange forms? 					
7. If an exchange form is used, is it multi-part and does it include: <ul style="list-style-type: none"> a. date? b. time/shift? c. location? d. amount (by denomination) being released? e. amount (by denomination) being requested? f. signature of the agent releasing the funds? g. signature of the agent transferring the funds (runner)? and h. signature of the agent exchanging the funds? (Testing of forms is required. Determine and document scope of testing.)					
8. Are controls in place to investigate variances in card room/table games banks? (Review the controls to ensure investigation is performed by an agent independent of card games and cashier departments. Testing of variance investigation is required. Review variance investigation and document outcome of investigation.)					
9. For floating banks, is the counting and recording of the floating bank inventory at the start and end of each shift performed by two agents, at least one that is at a supervisory level?					

**SAMPLE INTERNAL AUDIT COMPLIANCE CHECKLIST
NIGC MICS 543.9 - CARD GAMES**

Audit Procedures	Yes	No	N/A	If No, Material?	Comments, W/P Reference
10. Are the counts documented on a form that includes: a. date? b. time/shift? c. table number or bank location? d. amount by denomination? e. amount in total? f. signatures of agents performing the count? (Testing of forms is required. Determine and document scope of testing.)					
11. Are controls in place for Fills and Credits transactions, including void transactions? (Review controls to ensure transaction is authorized by a supervisory agent.)					
12. Are fill and credit forms multi-part and include: a. date? b. time/shift? c. table number? d. amount by denomination? e. amount in total? f. signatures of the authorizing agent? the runner? the dealer and the cashier? (Testing of forms is required. Determine and document scope of testing.)					
13. Are controls in place for Markers and Marker payments, including void transactions? (Review controls to ensure transaction is authorized by a supervisory agent.)					
14. Is the form multi-part and does it include: a. name of the patron? b. patron account number? c. amount issued/paid? d. table number? e. authorizing agent signature? f. date and time? g. patron signature upon issuance? h. for Payments, nature of payment (i.e. cash, chips)? (Testing of forms is required. Determine and document scope of testing.)					
Posted Rules (543.9(h))					

**SAMPLE INTERNAL AUDIT COMPLIANCE CHECKLIST
NIGC MICS 543.9 - CARD GAMES**

Audit Procedures	Yes	No	N/A	If No, Material?	Comments, W/P Reference
1. Are the rules displayed or available for patron review for each game? (Observe posted rules or obtain a copy of rules.)					
2. Do the game rules include: a. minimum buy in? b. re-buy amounts? c. bankroll requirements? d. rules of the games offered? e. fee schedules for the games offered and any related promotions? f. dispute resolution?					
3. Are rules posted clearly and legibly for promotions, any contest, tournament, or progressives? (Review current promotion, contest, tournament, progressive rules.)					
4. Are controls in place for card game promotional offerings?					
5. Does promotion documentation include: a. name, date and rules of the promotion, b. amount of funds to be contributed from the patrons (i.e. per pot, contribution), c. administrative fees, d. qualifying hand to win, e. prize table, f. allocation of the promotional prize payout, and g. amount of each promotional pool and aggregate of all pools?					
6. Are controls in place for participating in card game tournaments?					
7. Are card game tournaments documented that include: a. name and date of the tournament, b. administrative fees, c. entry fees, d. prize table, e. allocation of tournament prize payout, f. rules of play and progression through the tournament.					
Promotional Progressive Pots and Pools (543.9(i))					

**SAMPLE INTERNAL AUDIT COMPLIANCE CHECKLIST
NIGC MICS 543.9 - CARD GAMES**

Audit Procedures	Yes	No	N/A	If No, Material?	Comments, W/P Reference
1. Are controls in place to ensure: <ul style="list-style-type: none"> a. funds contributed by patrons are returned to the patron in conjunction with the posted rules? b. the funds returned are documented? 					
2. Are the promotional pool contributions controlled in a manner to distinguish between gaming revenue and promotional pool contributions?					
3. Are promotional pool contributions placed in a locked container?					
4. Do the agents that transport the locked containers have access to the content keys?					
5. Are increases to the promotional pool: <ul style="list-style-type: none"> a. Counted and recorded by an agent independent of the card room? b. Performed under surveillance? c. Supported by documentation? d. Reconciled to the cash by an agent independent of the card room? (Testing of forms is required. Determine and document scope of testing.)					
6. Are decreases to the promotional pool: <ul style="list-style-type: none"> a. Recorded by a card room agent? b. Supported by documentation? c. Verified by an agent independent of the card room? (Testing of forms is required. Determine and document scope of testing.)					
<u>Procedures Modified or Added</u>					

SUPPLEMENT A

SUPPLEMENT A1

February 9, 2012

National Indian Gaming Commission
1441 L Street, NW
Suite 9100
Washington, DC 20005

Dear Chairwoman Stevens, Vice Chairwoman Cochran and Commissioner Little,

On December 29, 2011, the National Indian Gaming Commission (NIGC) issued questions to the Tribal Advisory Committee (TAC) to address its risk-based approach to developing Class II Minimum Internal Control Standards (MICS). The TAC discussed each of these questions during its meeting hosted by the Pascua Yaqui Tribe in Tucson and provides the following responses:

1. Does a risk based approach promote or inhibit the IGRA's stated purpose of promoting the establishment of Federal standards for gaming on Indian lands?

ANSWER: IGRA carefully delineates the authority of various regulators of Indian gaming. Without addressing the limits of federal regulatory authority over Class II gaming, the TAC believes that the risk-based approach advances sound regulation of Class II gaming. This approach is used throughout the federal government and by a broad variety of private industries and other governments and is the approach deemed most appropriate to establish the federal standards against which tribes will carry out their primary regulatory role. Importantly, we believe that this approach achieves IGRA's stated purpose.

2. What is the committee's understanding of how many TGRA's could effectively utilize the risk-based approach to developing internal controls systems to adequately mitigate risk?

ANSWER: The TAC respectfully declines to attempt to characterize "how many TGRA's could effectively ..." utilize the risk-based approach. The TAC firmly believes that any TGRA capable of regulating within the current federal framework is capable of transitioning to a risk-based approach where the use of "safe harbor" guidelines will allow any tribe to maintain compliance and also afford tribes the opportunity to develop controls that meet their individual needs.

3. How would individual Tribal Gaming Regulatory Authorities (TGRA) comply with this type of process and would there be additional costs?

ANSWER: The TAC is not in a position to speak for the specific approach of individual tribes, but the expectation is that TGRA's would continue to regulate at or above current levels. The TAC anticipates that tribes will analyze the cost benefit of implementing "safe harbor" guidelines versus the development of specific tribal internal controls, or a combination thereof, and choose that which best meets their individual needs.

4. How will risk assessments be performed and by whom?

ANSWER: It is anticipated that the risk assessment process will be a collaborative effort and will not differ from the current regulatory environment, where the evaluation of internal controls occurs in a variety of ways. Risk assessments will continue to be performed by a variety of stakeholders, including among others, operations personnel, internal auditors, and the TGRA.

5. How would the internal auditors conduct their internal audits?

ANSWER: The TAC perceives no significant alteration in the conduct of internal audits. The risk-based approach, like any other auditing effort, requires the auditor to develop a basic understanding of the entity being audited through the review of information to determine the controls in place and then test those controls to assess their effectiveness. The specific requirements for the auditors are set forth in Part 543.19(f) and its accompanying guidance document, and include the subject matter of the audits, the independence of the auditors, to whom they report, their work product to document, address, and report their findings.

6. Do any other gaming jurisdictions use an approach to MICS like that described by the TAC?

ANSWER: The risk-based approach to gaming regulation, while different from the NIGC's existing approach, is not a new concept. Several of our TAC members' TGRAs and gaming operations currently regulate/operate utilizing the risk-based approach. Publicly traded gaming companies such as Bally, IGT, MGM, WMS, The Wynn, and Boyd Gaming utilize the risk-based approach as required by Sarbanes-Oxley (SOX) in multiple gaming jurisdictions.

7. Do any other regulated industries use an approach to MICS like that described by the TAC?

ANSWER: Yes. The United States Government, through OMB Circular A123, adopted a risk-based approach for all federal agencies regarding financial reporting accuracy. In addition, all public companies registered with the Securities and Exchange Commission and subject to the Public Company Accounting Oversight Board adhere to risk-based standards. The risk-based approach has received broad acceptance in private and governmental arenas internationally, including Canada, Japan, and throughout Europe.

8. The TGWG's July 28, 2011 submission states, "The core of the document consists of the guidance documents each of which contains the pertinent MICS section." The Committee, however, has indicated that it wants the NIGC to develop the guidance documents. If the Guidance is an integral part of the MICS, shouldn't the TAC recommend Guidance in addition to a regulation?

ANSWER: Yes. Beginning with the December meeting the TAC started the review of the guidance documents and making recommendations. The TAC has attempted to address the guidance documents to the degree it was able, under the schedule truncated by the NIGC.

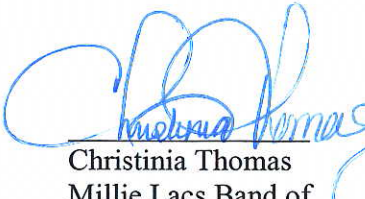
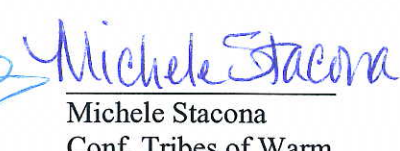

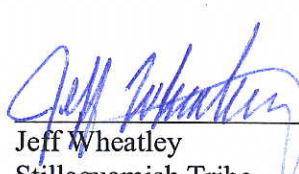


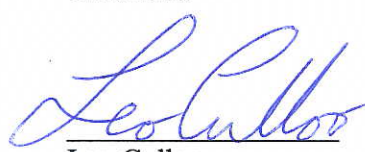
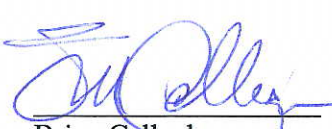
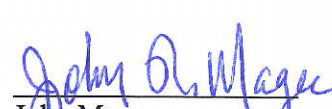

9. There is no standard or guidance for comparing actual bingo game performance to the bingo game mathematical expectation. TAC recommendations for 547 now require mathematical expectations to be verified by an ITL and submitted to the TGRA/Operations. Using this "mathematical expectation sheet," how will actual bingo game outcomes be evaluated against expected outcomes from a server-based perspective? Additionally, how will variances (i.e. differences) between drop and terminal level meters be reconciled?

ANSWER: Part 547 recommends that Independent Testing Labs verify mathematical expectations. This should be viewed as technical support to electronic games but needs to be used in all forms of bingo as well. Class II gaming systems cannot be verified like a stand-alone RNG with the theoretical hold percentage that can be taken at any time. Class II gaming systems need to be analyzed in the totality of the game cycle once the game has concluded and then can be measured against a mathematical expectation sheet. Once that is done then the MICS 543.19 takes over. MICS 543.19 with corresponding Guidance in 543.19 (2)(i)(C, E, & F) and 543.19 (4) (iii). There is guidance on monthly audits that would review reports at specified

intervals for statistical fluctuations exceeding a specified threshold, including; investigating and document variances and report variances to management and the TGRA. The suggested daily audit section reviews all metered amounts for reasonableness; verifies metered amounts to actual amounts; investigates variances from actual to meter amounts and calls for the correction of meter variances. We recommend individual TGRA's set their specific thresholds.

The TAC asks that the NIGC provide copies of the final document prior to it being circulated to Indian Country.

Sincerely,

 Christinia Thomas Millie Lacs Band of Objiwe	 Michele Stacona Conf. Tribes of Warm Spring	 Matthew Morgan Chickasaw Nation
 Jason Ramos Blue Lake Rancheria	 Jeff Wheatley Stillaguamish Tribe	 Thomas Wilson Pascua Yaqui Tribe
 Robin Lash Miami Tribe of Oklahoma	 Steve Garvin Ho-Chunk Nation	 Kathi Hamel Lytton Rancheria
 Leo Culloo Port Gamble S'Klallam Tribe	 Mia Tahdoahnippah Comanche Nation	 Daniel McGhee Poarch Band of Creek Indians
 Brian Callaghan Pokagon Band of Potawatomi Indians	 John Magee Pechanga Band of Luiseno Indians	 Carleen Chino Navajo Nation

SUPPLEMENT A2

February 9, 2012

National Indian Gaming Commission
1441 L Street, NW
Suite 9100
Washington, DC 20005

Dear Chairwoman Stevens, Vice Chairwoman Cochran and Commissioner Little,

On February 2, 2012, the National Indian Gaming Commission (NIGC) provided follow up questions for the Tribal Advisory Committee (TAC) to address concerning Part 543 Minimum Internal Controls. The TAC discussed each of these questions during its meeting this week hosted by the Pascua Yaqui Tribe in Tucson and provides the following responses:

Part 543

1. The TGWG's proposed standards and guidance for § 543.7, What are the minimum internal control standards for bingo, do not provide direction as to which standards are applicable to paper bingo, which are applicable to technological or electronic aids to bingo, and which are applicable to both forms. Does the TAC believe that standards and/or guidance should be developed to assist gaming facilities and TGRA's as to which standards apply to which forms of bingo?

ANSWER: 543.7 – The TAC feels that the guidance does provide enough clarity. However, the TAC notes that it is unclear as to exactly what the NIGC means and whether the question is still relevant. As a result, the TAC cannot sufficiently answer the question without the NIGC's further input and clarification, which was not possible because the NIGC did not send a representative to the TAC's February meeting in Tucson, Arizona. The TAC notes that there is a section at the end of the Bingo guidance document titled "Audit and Accounting" that the TAC believes may explain many of the NIGC's questions.

2. The inclusion of a new § 543.18 for Class II gaming variances, rather than the Draft Proposal's reference to § 542.18, is an improvement. However, the TGWG proposal does not provide the Commission with a process for meaningful review and assessment of variances approved by the individual TGRAs. How does the TAC propose the NIGC conduct a meaningful review of the TGRA approved variances? Can the TAC propose any changes to § 543.18 to provide the NIGC with the ability to conduct such a review?

ANSWER: The TAC believes this is a repeat of a previous question and believes the MICS and/or the guidance document sufficiently address this question. Again, the question is somewhat unclear and thus, the TAC cannot sufficiently answer the question without further input and/or clarification from the NIGC.

3. Part 543 defines an agent to include both employees and software. How is an audit trail created if the agent (potentially software) is authorizing access, is accessing system, etc (basically all the guidelines contained in (j)(1)).? Does the TAC see a reason that the definition of agent (as employee) and agent (as software application) should not be separated? For example, rather than a single definition for "agent," there could be one definition for "agent" and another for "computer agent" or "electronic agent."

ANSWER: No, the term was used in its broadest sense to not limit future technology.

4. There is no standard or guidance for comparing actual bingo game performance to the bingo game mathematical expectation. The TAC recommendation for Part 547 requires mathematical expectations to be verified by an ITL and submitted to the TGRA or operations. Using this "mathematical expectation

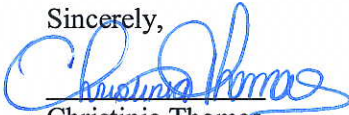
sheet,” how will actual bingo game outcomes be evaluated against expected outcomes from a server based perspective?

ANSWER: Part 547 recommends that Independent Testing Labs verify mathematical expectations. This should be viewed as technical support to electronic games but needs to be used in all forms of bingo as well. Class II cannot be verified like a stand-alone RNG with the theoretical hold percentage that can be taken at any time. Class II gaming systems need to be analyzed in the totality of the game cycle once the game has concluded and then can be measured against a mathematical expectation sheet. Once that is done then the MICS 543.19 takes over. MICS 543.19 with corresponding Guidance in 543.19 (2)(i)(C, E, & F) and 543.19 (4) (iii). There is guidance on monthly audits that would review reports at specified intervals for statistical fluctuations exceeding a specified threshold, including; investigating and document variances and report variances to management and the TGRA.

5. How will variances between drop and terminal level meters be reconciled?

ANSWER: The daily audit section of the accounting and audit guidance document suggests the review of metered amounts for reasonableness; verifies metered amounts to actual amounts; investigates variances from actual to meter amounts and calls for the correction of meter variances. We are recommending individual TGRA's set their specific thresholds.

Sincerely,



Christinia Thomas
Millie Lacs Band of
Objive



Michele Stacona
Conf. Tribes of Warm
Springs



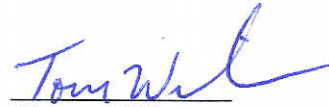
Matthew Morgan
Chickasaw Nation



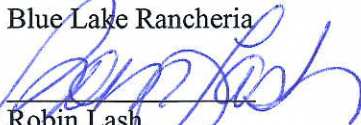
Jason Ramos
Blue Lake Rancheria



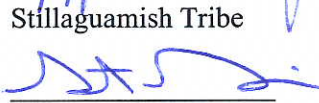
Jeff Wheatley
Stillaguamish Tribe



Thomas Wilson
Pascua Yaqui Tribe



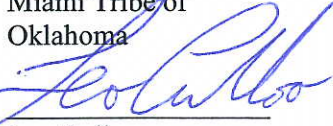
Robin Lash
Miami Tribe of
Oklahoma



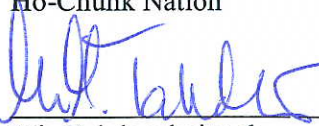
Steve Garvin
Ho-Chunk Nation



Kathi Hamel
Lytton Rancheria



Leo Culloo
Port Gamble S'Klallam
Tribe



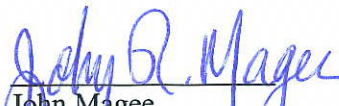
Mia Tahdooahrippah
Comanche Nation



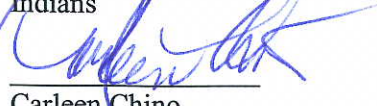
Daniel McGhee
Poarch Band of Creek
Indians



Brian Callaghan
Pokagon Band of
Potawatomi Indians



John Magee
Pechanga Band of
Luiseno Indians



Carleen Chino
Navajo Nation

SUPPLEMENT A3

February 9, 2012

National Indian Gaming Commission
1441 L Street, NW
Suite 9100
Washington, DC 20005

Dear Chairwoman Stevens, Vice Chairwoman Cochran and Commissioner Little,

On February 2, 2012, the National Indian Gaming Commission (NIGC) provided follow up questions for the Tribal Advisory Committee (TAC) to address concerning Part 547 Technical Standards. The TAC discussed each of these questions during its meeting this week hosted by the Pascua Yaqui Tribe in Tucson and provides the following responses:

1. The recommendation for § 547.9, “What are the minimum technical standards for Class II gaming system accounting functions?” provides standards for accounting functions used in Class II gaming systems. As proposed, the required accounting data is limited to “amount in” and “amount out.” Does the TAC believe that the Class II gaming system should also maintain additional meters, such as “bill-in” and “ticket-in?”

ANSWER: Given that Part 547 contains “minimum” technical standards for accounting data for a Class II gaming systems, the TAC does not believe that this section should require maintaining any meters beyond “amount in” and “amount out” meters. In earlier TAC meetings the overarching concern of TAC members was, and remains, a desire to preserve the greatest flexibility for the use of technology, new and old, in order to avoid inadvertent harm to less lucrative tribal operations with limited options for new technology. Each TGRA, of course, remains free to set standards above this minimum where appropriate.

2. The recommendation for § 547.9(b) Accounting data storage states that if the Class II gaming system electronically maintains accounting data, that data shall be stored with at least eight decimal digits and that credit balances shall have sufficient digits to accommodate the design of the game. Are data requirements for existing games or anticipated games expected to exceed the eight decimal digit requirements above?

ANSWER: The TAC is not aware of a Class II gaming system that requires greater than eight decimal digits to maintain accounting data and presumes that the TGWG standards put before the TAC by the NIGC provide the appropriate minimum decimal digit requirements. Again, the TAC is sensitive to maintaining a reasonable minimum standard for existing or future technology.

3. Are the remote access procedures that have been removed from 547 with the intent of migrating them into 543 sufficiently addressed in the proposed Part 543

or its accompanying guidance? Are there sufficient controls related to remote access and server security in Part 543?

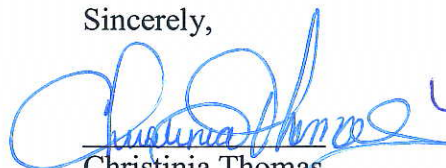
ANSWER: Yes. The TAC is of the opinion that controls for remote access and server security are sufficiently addressed in Part 543 and/or the accompanying guidance documents. This item was discussed extensively with NIGC staff during the TAC's October meeting. Specifically, the proposed internal control standards for information technology require control of physical and logical access to the server software and system data. It also requires physical and logical protection of storage media, including recovery procedures, access credential controls, record keeping and audit controls, segregation of departments and segregation of financial data. Further the guidance documents set out a comprehensive road map governing supervision, physical and logical security, user controls, installation and modification, as well as remote access controls. In short, compliance with the minimum standards will achieve sufficient controls.

4. There is no standard or guidance for comparing actual bingo game performance to the bingo game mathematical expectation. TAC recommendations for 547 now require mathematical expectations to be verified by an ITL and submitted to the TGRA/Operations. Using this "mathematical expectation sheet," how will actual bingo game outcomes be evaluated against expected outcomes from a server-based perspective? Additionally, how will variances (i.e. differences) between drop and terminal level meters be reconciled? 543.19 Accounting references operational audits, monthly audits, and review of reports of statistical fluctuations.

ANSWER: Part 547 recommends that Independent Testing Labs verify mathematical expectations. This should be viewed as technical support to electronic games but needs to be used in all forms of bingo as well. Class II cannot be verified like a stand-alone RNG with the theoretical hold percentage that can be taken at any time. Class II gaming systems need to be analyzed in the totality of the game cycle once the game has concluded and then can be measured against a mathematical expectation sheet. Once that is done then the MICS 543.19 takes over. MICS 543.19 with corresponding Guidance in 543.19 (2)(i)(C, E, & F) and 543.19 (4) (iii). There is guidance on monthly audits that would review reports at specified intervals for statistical fluctuations exceeding a specified threshold, including; investigating and document variances and report variances to management and the TGRA. The suggested daily audit section reviews all metered amounts for reasonableness; verifies metered amounts to actual amounts; investigates variances from actual to meter amounts and calls for the correction of meter variances. As with everything we are recommending individual TGRA's set their specific thresholds.

The TAC has provided responses at its earliest opportunity in order to further the NIGC's current effort to finalize a proposed rule for Part 547. While the NIGC's direct input during the discussion would have been of benefit to our development of these responses, the TAC is confident that these answers pave the way for the NIGC to move forward with immediate publication.

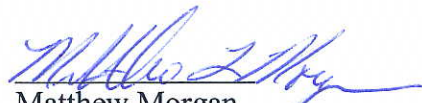
Sincerely,



Christinia Thomas
Millie Lacs Band of
Objiwe



Michele Stacona
Conf. Tribes of Warm
Springs



Matthew Morgan
Chickasaw Nation



Jason Ramos
Blue Lake Rancheria



Jeff Wheatley
Stillaguamish Tribe



Thomas Wilson
Pascua Yaqui Tribe




Robin Lash
Miami Tribe of
Oklahoma



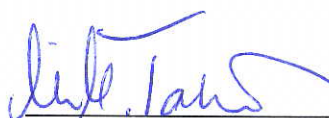
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Ho-Chunk Nation



Kathi Hamel
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Port Gamble S'Klallam
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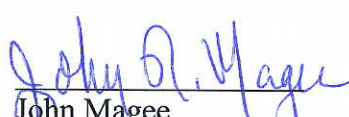
Mia Tahdooahnippah
Comanche Nation



Daniel McGhee
Poarch Band of Creek
Indians



Brian Callaghan
Pokagon Band of
Potawatomi Indians



John Magee
Pechanga Band of
Luiseno Indians



Carleen Chino
Navajo Nation

National Indian Gaming Commission Tribal Advisory Committee (2011-2012)

February 7-9, 2012 Tucson, AZ

Graciously Hosted by the Pascua Yaqui Tribe

Draft Meeting Summary

Tribal Welcome

Peter Yucupicio, Chairman of the Pascua Yaqui Tribe, welcomed the TAC to the Casino Del Sol property. Chairman Yucupicio announced the Tribe was proud to host the meeting to continue the important work of the TAC for the benefit of Indian Country. Chairman Yucupicio talked about the proud history of the Tribe as warriors, and stated that the Tribe today continues to fight for the rights of its people. He also discussed the upcoming tribal ceremonies of the Pascua Yaqui people. The TAC greatly appreciated the generosity and hospitality of the Pascua Yaqui Tribe at their beautiful facility.

Commissioners' Welcome

The Commission did not participate in person or by phone for this meeting.

Introductions and Opening Statements

Opening statement included an overview by moderator, Matthew Morgan, of the three day Agenda.

TAC Review and Consensus (Compilation from meeting)

1. The Tribal Advisory Committee (TAC) reached consensus on the **Draft October Summary** submitted on February 6, 2012 at 6:47 A.M., which included one (1) change from the 12-15-11 draft #2 version to read as follows: "A TAC member noted that her tribe manufactures games and currently is storing 6,000 player interfaces that would be affected by the sunset provision even though the Ninth and Tenth Circuit Court of Appeal declared they are lawful Class II player interfaces."
2. The TAC reached consensus on the **Draft November Summary** submitted via email on January 10, 2012.
3. The TAC reached consensus on the **Draft December Summary** submitted via email on January 10, 2012.
4. The TAC reached consensus on the **Draft January Summary** submitted via email on January 31, 2012.
5. Tom Wilson will prepare a TAC position paper on risk-based approaches to the MICS.
6. 543.19(h) (iv) – Assets. **TAC Comment:** There was a concern that without clarification, paragraph (iv) would conflict with other departments that controlled inventories. Change approved by consensus.

7. 543.19(g) - Annual Requirements. **TAC Comment:** Change made because Rest West was concerned the word “audits” didn’t describe the regulations of this section. Change approved by consensus.
8. 543.19(g)(1) – removed “Inc.” from American Institute of Certified Public Accountants **TAC Comment:** Typo deleted. Change approved by consensus.
9. 543.19(g)(4) – Review of Internal Audit. **TAC Comment:** Changed Guidance Documents to read with change to regulation. Change approved by consensus.
10. 543.19(f)(6) – [THIS LANGUAGE WAS CHANGED IN JANUARY BUT WAS NOT REDLINED IN THE DOCUMENT R. FISHER PROVIDED.] All material exceptions, as defined by the TGRA, resulting from internal audit work are investigated and resolved with the results documented. **TAC Comment:** Critical that TGRA define what material exceptions are. Change approved by consensus.
11. 543.15(8)(iv - v) **TAC Comment:** The TAC agreed that thresholds referenced “(e.g., not to exceed \$5,000 per day)” are not regulations, just examples.
12. Review still needed of all 20 sections of regulations and guidance documents for language that may reference sections deleted from the regulations, i.e., Promotions. **TAC Comment:** TAC formed a subcommittee to begin this process.
13. Review still needed of all 20 sections of regulations and guidance documents for TGWG language inconsistencies because of rapid work of stylist committee for submission to the NIGC in July 2011. Example: Intermingled use of “must”, “may”, “should”. Or “included but not limited to” versus “at a minimum.” Or “internal controls” versus “procedures” versus “controls”. **TAC Comment:** TAC created a subcommittee to begin addressing language inconsistencies.
14. 543.18 Variance – Consensus – no Guidance Document needed. **TAC Comment:** The regulation as written is clear and no guidance document is needed.
15. Material Exception - DFN Needed. Material Exception is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that the risk(s) the control(s) are mitigating will not be prevented, or detected and corrected on a timely basis. **TAC Comment:** Heading changed from material weakness to material exception and definition drafted. This is to be added to 543.2.
16. TAC recommends identifying as Guidance Documents the regulation sections removed by consensus from the regulations (i.e., Promotions and Player Tracking). Even though these sections won’t tie to a regulation, they are still guidance within the MICS. Bulletins as a label are too “stand alone.”
17. 543.2 - Definitions - **TAC NOTE:** The TAC has not had time to review this section in detail. Due to imposed time constraints this remains an incomplete section.
18. 543.15 – Lines of Credit Guidance Document – Need matrix at top of Guidance Document that talks about process to extend credit. “Agents” “personnel” and “credit authorizers” is used throughout the document. **TAC Comment:** Credit Guidance Documents are approved by the TAC with the caveat the subgroup will make technical changes mentioned above and send to TAC for review. TAC Consensus.

19. 543.10 - Gaming Promotions - Guidance Document – 543.10(g)(3) ADDED - (i) and (ii). **TAC Comment:** Approved by consensus.
20. 543.12 - Player Tracking – Guidance Document. **TAC Comment:** Revisions proposed by Christina Thomas approved. Approved by Consensus.
21. 543.17 Complimentary Services – Guidance Document – Struck 543.17(d) Supervision. This part struck. **TAC Comment:** Supervision is struck because complimentary is an action in a casino, not a department. TAC Consensus.
22. Card Games Checklist –The checklist provided by Tom Wilson and Kathi Hamel was presented to the TAC. Approved as presented by Consensus.
23. CONCERN Wednesday AM – limited time to get everything done with NIGC imposed 2/14/12 deadline. Still have NIGC questions to finalize, including additional questions submitted 2/02/12. Task No. 9 and No. 10 above are lengthy. Still have two full days of agenda items to complete at this meeting. Consensus is to stop at this time, finalize answers to questions, and prepare our report of work completed to date.
24. Preparation of draft Summary Report of work completed to date.
25. Preparation of draft answers to all NIGC questions.
26. Preparation of draft list of concerns/work not completed.
27. Because the TAC subcommittees could not complete the work needed on the MICS and the guidance documents as outlined in paragraph 12 and 13 above, a decision was made by “interested Tribes” from the TAC to continue to finalize the regulations and guidance documents within the next 30 days for submission to the NIGC by a tribe or group of tribes.
28. Review and approval of Summary Report of work completed to date with Addendum of documents. TAC Consensus.
29. Review and approval of answers to NIGC Questions. TAC Consensus.
30. Review and approval of list of concerns/work not completed. TAC Consensus.

Public Comment

Closing Comments

Meeting Adjourned - 5 PM

SUPPLEMENT C

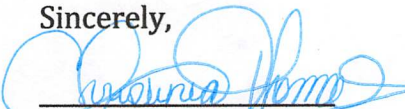
January 12, 2012

National Indian Gaming Commission
1441 L Street, NW
Suite 9100
Washington, DC 20005

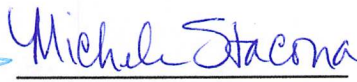
Dear Chairwoman Stevens, Vice Chairwoman Cochran and Commissioner Little,

The Tribal Advisory Committee is pleased to report that we have concluded our work on proposed revisions to part 547 Minimum Technical Standards for Gaming Equipment used with the Play of Class II Games and formally adopted the draft reviewed during the TAC meeting on January 12, 2012. We found the interaction with NIGC personnel and Commissioners in our meetings extremely helpful in achieving our unanimous recommendation that these proposed regulations be adopted. We are confident that Indian Country will support our recommendations.

Sincerely,



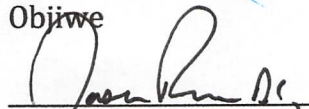
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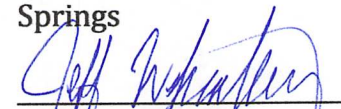
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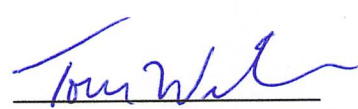
Matthew Morgan
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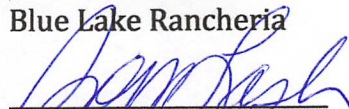
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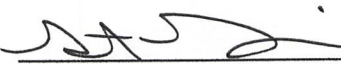
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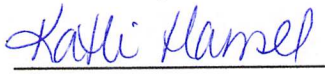
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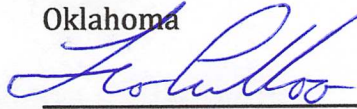
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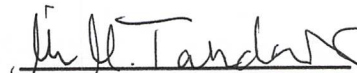
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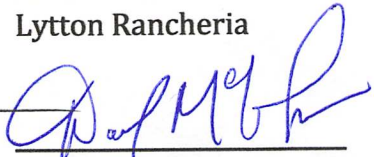
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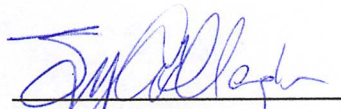
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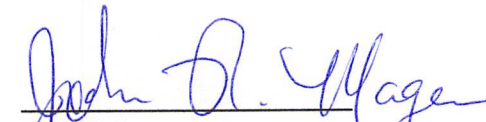
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Pechanga Band of
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Submitted to the NIGC on 01-12-12

NATIONAL INDIAN GAMING COMMISSION TRIBAL ADVISORY COMMITTEE (2011-2012)
RECOMMENDATIONS

PART 547 – MINIMUM TECHNICAL STANDARDS FOR GAMING EQUIPMENT USED WITH THE PLAY OF CLASS II GAMES–

- Sec.
- 547.1 What is the purpose of this part?
 - 547.2 How do these regulations affect state jurisdiction?
 - 547.3 What are the definitions for this part?
 - 547.4 How does a tribal government, TGRA, or tribal gaming operation comply with this part?
 - 547.5 What are the rules of interpretation and of general application for this part?
 - 547.6 What are the minimum technical standards for enrolling and enabling Class II gaming system components?
 - 547.7 What are the minimum technical hardware standards applicable to Class II gaming systems?
 - 547.8 What are the minimum technical software standards applicable to Class II gaming systems?
 - 547.9 What are the minimum technical standards for Class II gaming system accounting functions?
 - 547.10 What are the minimum standards for Class II gaming system critical events?
 - 547.11 What are the minimum technical standards for money and credit handling?
 - 547.12 What are the minimum technical standards for downloading on a Class II gaming system?
 - 547.13 What are the minimum technical standards for program storage media?
 - 547.14 What are the minimum technical standards for electronic random number generation?
 - 547.15 What are the minimum technical standards for electronic data communications between system components?
 - 547.16 What are the minimum standards for game artwork, glass, and rules?
 - 547.17 ~~How does a TGRA grant~~ What notification to the NIGC is required after a variance from these the standards? of this part is granted?

Authority: 25 U.S.C. 2706(b).

§ 547.1 What is the purpose of this part?

The Indian Gaming Regulatory Act, 25 U.S.C. 2703(7)(A)(i), permits the use of electronic, computer, or other technologic aids in connection with the play of Class II games. This part establishes the minimum technical standards governing the use of such aids.

§ 547.2 How do these regulations affect state jurisdiction?

(a) Minimum Standards. These are minimum standards and a TGRA may establish and implement additional technical standards that do not conflict with the standards set out in this Part.

(b) TGRA Authority. Recognizing that the TGRA is the primary regulator of Class II gaming, nothing in this part

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is designed or intended to imply or diminish TGRA authority.

(c) State Jurisdiction. Nothing in this part shall be construed to grant to a state jurisdiction over Class II gaming or to extend a state's jurisdiction over Class III gaming.

§ 547.3 What are the definitions for this part?

For the purposes of this part, the following definitions apply:

Account access component. A component within a Class II gaming system that reads or recognizes account access media and gives a patron the ability to interact with an account.

Account access medium. A magnetic stripe card or any other medium inserted into, or otherwise made to interact with, an account access component in order to give a patron the ability to interact with an account.

Audit mode. The mode where it is possible to view Class II gaming system accounting functions, statistics, etc. and perform non-player-related functions.

Agent. A person authorized by the gaming operation, as approved by the TGRA, to make decisions, tasks or actions on the behalf of the gaming operation. ~~This definition permits the use of computer applications to perform the function(s) of an agent.~~

Cancel credit. An action initiated by the Class II gaming system where some or all of a player's credits are removed by an attendant and paid to the player.

Cashless system. A system that performs cashless transactions and maintains records of those cashless transactions.

Cashless transaction. A movement of funds electronically from one component to another, ~~often to or from a patron deposit account, or promotional account.~~

CD-ROM. Compact Disc – Read Only Memory.

Chairman. The Chairman of the National Indian Gaming Commission.

Class II game. Class II gaming shall have the same meaning as defined in 25 U.S.C. 2703(7)(A).

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Class II gaming system. All components, whether or not technologic aids in electronic, computer, mechanical, or other technologic form, that function together to aid the play of one or more Class II games, including accounting functions mandated by these regulations.

Commission. The National Indian Gaming Commission established by the Indian Gaming Regulatory Act, 25 U.S.C. 2701 *et seq.*

Coupon. A financial instrument of fixed wagering value, usually paper, that can only be used to acquire non-cashable credits through interaction with a voucher system. This does not include instruments such as printed advertising material that cannot be validated directly by a voucher system.

Critical memory. Memory locations storing data essential to the functionality of the Class II gaming system.

DLL. A Dynamic-Link Library file.

Download package. Approved data sent to a component of a Class II gaming system for such purposes as changing the component software.

DVD. Digital Video Disk or Digital Versatile Disk.

EPROM. Erasable Programmable Read Only Memory – a storage area that may be filled with data and information, that once written is not modifiable, and that is retained even if there is no power applied to the machine.

Electromagnetic interference, The physical characteristic of an electronic component to emit electronic noise either into free air, onto the power lines, or onto communication cables.

Fault. An event that when detected by a Class II gaming system causes a discontinuance of game play or other component functions.

Financial instrument. Any tangible item of value tendered in Class II game play, including, but not limited to, bills, coins, vouchers and coupons.

Financial instrument acceptor. Any component that accepts financial instruments, such as a bill validator.

Financial instrument dispenser. Any component that dispenses financial instruments, such as a ticket printer.

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Financial instrument storage component. Any component that stores financial instruments, such as a drop box.

Flash memory. Non-volatile memory that retains its data when the power is turned off and that can be electronically erased and reprogrammed without being removed from the circuit board.

Game software. The operational program or programs that govern the play, display of results, and/or awarding of prizes or credits for Class II games.

Gaming equipment. All electronic, electro-mechanical, mechanical, or other physical components utilized in the play of Class II games.

Hardware. Gaming equipment.

Interruption. Any form of mis-operation, component failure, or interference to the Class II gaming equipment.

Modification. A revision to any hardware or software used in a Class II gaming system.

Non-cashable credit. Credits given by an operator to a patron; placed on an Class II gaming system through a coupon, cashless transaction or other approved means; and capable of activating play but not being converted to cash.

Patron. A person who is a customer or guest of the gaming operation and may interact with a Class II game. Also may be referred to as a “player”.

Patron deposit account. An account maintained on behalf of a patron, for the purpose of depositing and withdrawing cashable funds for the primary purpose of interacting with a gaming activity.

Player interface. Any component or components of a Class II gaming system, including an electronic or technologic aid (not limited to terminals, player stations, handhelds, fixed units, etc.), that directly enables player interaction in a Class II game.

Prize schedule. The set of prizes available to players for achieving pre-designated patterns in the Class II game.

Program storage media. An electronic data storage component, such as a CD-ROM, EPROM, hard disk, or flash memory on which software is stored and from which software is read.

Progressive prize. A prize that increases by a selectable or predefined amount based on play of a Class II game.

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Random number generator (RNG). A software module, hardware component or combination of these designed to produce outputs that are effectively random.

Reflexive software. Any software that has the ability to manipulate and/or replace a randomly generated outcome for the purpose of changing the results of a Class II game or deprives a player of a prize to which the player is otherwise entitled based on the random outcome of the game.

Removable/rewritable storage media. Program or data storage components that can be removed from gaming equipment and be written to, or rewritten by, the gaming equipment or by other equipment designed for that purpose.

Server. A computer that controls one or more applications or environments within a Class II gaming system.

Test/diagnostics mode. A mode on a component that allows various tests to be performed on the Class II gaming system hardware and software.

Testing laboratory. An organization recognized by a TGRA pursuant to § 547.4(f).

TGRA. Tribal gaming regulatory authority, which is the entity authorized by tribal law to regulate gaming conducted pursuant to the Indian Gaming Regulatory Act.

Voucher. A financial instrument of fixed wagering value, usually paper, that can only be used to acquire an equivalent value of cashable credits or cash through interaction with a voucher system.

Voucher system. A component of the Class II gaming system or an external system that securely maintains records of vouchers and coupons; validates payment of vouchers; records successful or failed payments of vouchers and coupons; and controls the purging of expired vouchers and coupons.-

§ 547.4 How does a tribal government, TGRA, or tribal gaming operation comply with this part?

(a) *Limited immediate compliance.* A TGRA shall:

(1) Require that all Class II gaming system software that affects the play of the Class II game ~~and~~ were in operation prior to November 10, 2008 be submitted, together with the signature verification required by § 547.8(f), to a testing laboratory recognized pursuant to paragraph (f) of this section.

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(2) Require that the testing laboratory test the submission to the standards established by § 547.8(b), § 547.8(f), § 547.14, § 547.5(c), and to any additional technical standards adopted by the TGRA;

(3) Require that the testing laboratory provide the TGRA with a formal written report setting forth and certifying to the findings and conclusions of the test;

~~—(i) The testing laboratory's written report shall note the submission of any other compliance with applicable federal laws or regulations.~~

~~—(ii) [Reserved]~~

(4) Make a finding, in the form of a certificate provided to the supplier or manufacturer of the Class II gaming system, that the Class II gaming system qualifies for grandfather status under the provisions of this section, but only upon receipt of a testing laboratory's report that the Class II gaming system is compliant with § 547.8(b), § 547.8(f), § 547.5(c), § 547.14, and any other technical standards adopted by the TGRA. If the TGRA does not issue the certificate, or if the testing laboratory finds that the Class II gaming system is not compliant with § 547.8(b), § 547.8(f), § 547.5(c), § 547.14, or any other technical standards adopted by the TGRA, then the gaming system shall immediately be removed from play and not be utilized.

(5) Retain a copy of any testing laboratory's report so long as the Class II gaming system that is the subject of the report remains available to the public for play;

(6) Retain a copy of any certificate of grandfather status so long as the Class II gaming system that is the subject of the certificate remains available to the public for play; and

(7) Require the supplier of any player interface to designate with a permanently affixed label each player interface with an identifying ~~number and the date of manufacture or a statement that the date of manufacture was on or before the effective date of this part. The TGRA shall also require the supplier to provide a written declaration or affidavit affirming that the date of manufacture was on or before November 10, 2008.~~ plate consistent with § [547.7(d)] and any other information required by the TGRA.

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Note to NIGC: the foregoing section reference is intended to refer to the physical enclosures section whatever it may ultimately be numbered.

(b) *Grandfather provisions.* All Class II gaming systems manufactured or placed in a tribal facility on or before the effective date of this part and certified pursuant to paragraph (a) of this section are grandfathered Class II gaming systems for which the following provisions apply:

(1) Grandfathered Class II gaming system shall be available for use at any tribal gaming facility subject to approval by the TGRA, which shall transmit its notice of that approval, identifying the grandfathered Class II gaming system and its components, to the Commission.

(2) As permitted by the TGRA, individual hardware or software components of a grandfathered Class II gaming system may be repaired or replaced to ensure proper functioning, security, or integrity of the grandfathered Class II gaming system.

(3) All modifications that affect the play of a grandfathered Class II gaming system ~~must~~shall be approved pursuant to paragraph (c) of this section, except for the following:

(i) Any software modifications that the TGRA finds will maintain or advance the system's overall compliance with this part or any applicable provisions of part 543 of this chapter, after receiving a new testing laboratory report that the modifications are compliant with the standards established by § 547.8(b), § 547.5(c), § 547.14, and any other standards adopted by the TGRA;

(ii) Any hardware modifications that the TGRA finds will maintain or advance the system's overall compliance with this part or any applicable provisions of part 543 of this chapter; and

(iii) Any other modification to the software of a grandfathered Class II gaming system that the TGRA finds will not detract from, compromise or prejudice:

(A) The proper functioning, security, or integrity of the Class II gaming system, and

(B) The gaming system's overall compliance with the requirements of this part or any applicable provisions of part 543 of this chapter.

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(iv) No such modification may be implemented without the approval of the TGRA. The TGRA shall maintain a record of the modification so long as the Class II gaming system that is the subject of the modification remains available to the public for play and shall make the record available to the Commission upon request. The Commission will only make available for public review records or portions of records subject to release under the Freedom of Information Act, 5 U.S.C. 552; the Privacy Act of 1974, 5 U.S.C. 552a; or the Indian Gaming Regulatory Act, 25 U.S.C. 2716(a).

Note to NIGC: clarify in the Technical Standards or issue a bulletin (in Q+A format) clarifying that 547.4(b)(3): does not (1) preclude the TGRA from approving a grandfathered component to be added to a fully compliant Class II gaming system, or affect the certification of a fully compliant Class II gaming system.

(c) *Submission, testing, and approval – generally.* Except as provided in paragraphs (b) and (d) of this section, no TGRA shall permit in a tribal gaming operation the use of any Class II gaming system, or any associated cashless system or voucher system or any modification thereto, unless:

(1) The Class II gaming system, cashless system, voucher payment system, or modification has been submitted to a testing laboratory;

(2) A TGRA shall require a testing laboratory to test the submission to the standards established by:

(i) This part;

(ii) Any applicable provisions of part 543 of this chapter that are testable by the testing laboratory; and

(iii) The TGRA;

(3) The testing laboratory provides a formal written report to the party making the submission, setting forth and certifying to its findings and conclusions; ~~and~~ and noting the submission of any other compliance with applicable federal laws or regulations;

(4)(i) Following receipt of the testing laboratory's report, the TGRA makes a finding that the Class II gaming system, cashless system, or voucher system conforms to the standards established by:

(A) This part;

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(B) Any applicable provisions of part 543 of this chapter that are testable by the testing laboratory; and

(C) The TGRA;

(ii) The TGRA shall retain a copy of the testing laboratory's report so long as the Class II gaming system, cashless system, voucher system, or modification thereto that is the subject of the report remains available to the public for play in its gaming operation; and

(5) The operation of each Player interface shall not be adversely compromised or affected by electrostatic discharge, liquid spills, electromagnetic interference, radio frequency interference, or any other TGRA requirements.

Notes to NIGC: (1) this provision is not intended to apply to grandfathered Class II systems; (2) add definitions for liquid spills, electromagnetic interference, and radio frequency interference.

(d) *Emergency hardware and software modifications.*

(1) A TGRA, in its discretion, may permit modified hardware or software to be made available for play without prior laboratory testing or review if the modified hardware or software is:

(i) Necessary to correct a problem affecting the fairness, security, or integrity of a game or accounting system or any cashless system, or voucher system; or

(ii) Unrelated to game play, an accounting system, a cashless system, or a voucher system.

(2) If a TGRA authorizes new or modified software or hardware to be made available for play or use without prior testing laboratory review, the TGRA shall thereafter require the hardware or software manufacturer to:

(i) Immediately advise other users of the same hardware or software of the importance and availability of the update;

(ii) Immediately submit the new or modified hardware or software to a testing laboratory for testing and verification of compliance with this part and any applicable provisions of part 543 of this chapter that are testable by the testing laboratory; and

(iii) Immediately provide the TGRA with a software signature verification tool meeting the requirements of § 547.8(f) for any new or modified software.

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(3) If a TGRA authorizes a software or hardware modification under this paragraph, it shall maintain a record of the modification and a copy of the testing laboratory report so long as the Class II gaming system that is the subject of the modification remains available to the public for play and shall make the record available to the Commission upon request. The Commission will only make available for public review records or portions of records subject to release under the Freedom of Information Act, 5 U.S.C. 552; the Privacy Act of 1974, 5 U.S.C. 552a; or the Indian Gaming Regulatory Act, 25 U.S.C. 2716(a).

(e) *Compliance by charitable gaming operations.* This part shall not apply to charitable gaming operations, provided that:

(1) The tribal government determines that the organization sponsoring the gaming operation is a charitable organization;

(2) All proceeds of the charitable gaming operation are for the benefit of the charitable organization;

(3) The TGRA permits the charitable organization to be exempt from this part;

(4) The charitable gaming operation is operated wholly by the charitable organization's employees or volunteers; and

(5) The annual gross gaming revenue of the charitable gaming operation does not exceed \$1,000,000.

(f) *Testing laboratories.* (1) A testing laboratory may provide the examination, testing, evaluating and reporting functions required by this section provided that:

(i) It demonstrates its integrity, independence and financial stability to the TGRA.

(ii) It demonstrates its technical skill and capability to the TGRA.

(iii) If the testing laboratory is owned or operated by the tribe, the testing laboratory ~~must~~shall be independent from the manufacturer and gaming operator for whom it is providing the testing, evaluating, and reporting functions required by this section.

(iv) The TGRA:

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(A) Makes a suitability determination of the testing laboratory based upon standards no less stringent than those set out in §§ 533.6(b)(1)(ii) through (v) of this chapter and based upon no less information than that required by § 537.1 of this chapter, or

(B) Accepts, in its discretion, a determination of suitability for the testing laboratory made by any other gaming regulatory authority in the United States.

(v) After reviewing the suitability determination and the information provided by the testing laboratory, the TGRA determines that the testing laboratory is qualified to test and evaluate Class II gaming systems.

(2) The TGRA shall:

(i) Maintain a record of all determinations made pursuant to paragraphs (f)(1)(iii) and (f)(1)(iv) of this section for a minimum of three years and shall make the records available to the Commission upon request. The Commission will only make available for public review records or portions of records subject to release under the Freedom of Information Act, 5 U.S.C. 552; the Privacy Act of 1974, 5 U.S.C. 552a; or the Indian Gaming Regulatory Act, 25 U.S.C. 2716(a).

(ii) Place the testing laboratory under a continuing obligation to notify it of any adverse regulatory action in any jurisdiction where the testing laboratory conducts business.

(iii) Require the testing laboratory to provide notice of any material changes to the information provided to the TGRA.

§ 547.5 What are the rules of interpretation and of general application for this part?

(a) *Minimum standards.* A TGRA may establish and implement additional technical standards that are as stringent as, or more stringent than, those set out in this part.

(b) *Only applicable standards apply.* Gaming equipment and software used with Class II gaming systems shall meet all applicable requirements of this part. For example, if a Class II gaming system lacks the ability to print or accept vouchers, then any standards that govern vouchers do not apply.

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(c) *Fairness.* No Class II gaming system shall cheat or mislead users. All prizes advertised shall be available to win during the game. Test laboratory shall calculate and/or verify the mathematical expectations of game play, where applicable, in accordance with the manufacturer stated submission. The results shall be included in the test laboratory's report to the TGRA.

(d) *Approved equipment and software only.* All gaming equipment and software used with Class II gaming systems shall be identical in all respects to a prototype reviewed and tested by a testing laboratory and approved for use by the TGRA pursuant to § 547.4(a) through (c). Unapproved software shall not be loaded onto or stored on any program storage medium used in a Class II gaming system, except as provided in § 547.4(d).

(e) *Proper functioning.* All gaming equipment and software used with Class II gaming systems shall perform according to the manufacturer's design and operating specifications.

(f) *No Limitation of Technology.* This part should not be interpreted to limit the use of technology or to preclude the use of technology not specifically referenced.

(g) *Severability.* If any provision of this part is declared invalid by a court of competent jurisdiction, such decision shall not affect the remainder of this part.

§ 547.6 What are the minimum technical standards for enrolling and enabling Class II gaming system components?

(a) *General requirements.* Class II gaming systems shall provide a method to:

- (1) Enroll and unenroll system components;
- (2) Enable and disable specific system components.

(b) *Specific requirements.* Class II gaming systems shall:

- (1) Ensure that only enrolled and enabled system components participate in gaming; and
- (2) Ensure that the default condition for components shall be unenrolled and disabled.

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§ 547.7 What are the minimum technical hardware standards applicable to Class II gaming systems?

(a) *Printed circuit boards.*

(1) Printed circuit boards that have the potential to affect the outcome or integrity of the game, and are specially manufactured or proprietary and not off-the-shelf, shall display a unique identifier such as a part number and/or revision number, which shall be updated to reflect new revisions or modifications of the board.

(2) Switches or jumpers on all circuit boards that have the potential to affect the outcome or integrity of any game, progressive award, financial instrument, cashless transaction, voucher transaction, or accounting records shall be capable of being sealed.

(b) *Electrostatic discharge.* Class II gaming system components accessible to the public shall be constructed so that they exhibit immunity to human body electrostatic discharges on areas exposed to contact. Static discharges of ± 15 kV for air discharges and ± 7.5 kV for contact discharges may not cause damage, or inhibit operation or integrity of the Class II gaming system.

(c) *Physical enclosures.* Physical enclosures shall be of a robust construction designed to resist determined illegal entry. All protuberances and attachments such as buttons, identification plates, and labels shall be sufficiently robust to avoid unauthorized removal.

(d) *Player interface.* The player interface shall include a method or means to:

- (1) Display information to a player; and
- (2) Allow the player to interact with the Class II gaming system.

(e) *Account access components.* A Class II gaming system component that reads account access media shall be located within a secure, locked or tamper-evident area or in a cabinet or housing that is of a robust construction designed to resist determined illegal entry and to protect internal components. In addition, the account access component:

- (1) Shall be constructed so that physical tampering leaves evidence of such tampering; and

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(2) Shall provide a method to enable the Class II gaming system to interpret and act upon valid or invalid input or error condition.

(f) *Financial instrument storage components.* Any Class II gaming system components that store financial instruments and that are not designed to be operated under the direct control of a gaming operation employee or agent shall be located within a secure and locked area or in a locked cabinet or housing that is of a robust construction designed to resist determined illegal entry and to protect internal components.

(g) *Financial instrument acceptors.* (1) Any Class II gaming system components that handle financial instruments and that are not designed to be operated under the direct control of an agent shall:

(i) Be located within a secure, locked and tamper-evident area or in a locked cabinet or housing that is of a robust construction designed to resist determined illegal entry and to protect internal components;

(ii) Be able to detect the entry of valid or invalid financial instruments and to provide a method to enable the Class II gaming system to interpret and act upon valid or invalid input or error condition; and

(iii) Be constructed to permit communication with the Class II gaming system of the accounting information required by § 547.9(a) and by applicable provisions of any Commission and tribal gaming regulatory regulations governing minimum internal control standards.

(2) Prior to completion of a valid financial instrument transaction by the Class II gaming system, no monetary amount related to that instrument shall be available for play. For example, credits shall not be available for play until currency or coupon inserted into an acceptor is secured in the storage component.

(3) The monetary amount related to all valid financial instrument transactions by the Class II gaming system shall be recorded as required by § 547.9(a) and the applicable provisions of any Commission and TGRA regulations governing minimum internal control standards.

(h) *Financial instrument dispensers.*

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(1) Any Class II gaming system components that dispense financial instruments and that are not designed to be operated under the direct control of a gaming operation employee or agent shall:

(i) Be located within a secure, locked and tamper-evident area or in a locked cabinet or housing that is of a robust construction designed to resist determined illegal entry and to protect internal components;

(ii) Provide a method to enable the Class II gaming system to interpret and act upon valid or invalid input or error condition; and

(iii) Be constructed to permit communication with the Class II gaming system of the accounting information required by § 547.9(a) and by applicable provisions of any Commission and tribal gaming regulatory regulations governing minimum internal control standards.

(2) The monetary amount related to all valid financial instrument transactions by the Class II gaming system shall be recorded as required by § 547.9(a), the applicable provisions of part 543 of this chapter, and any TGRA regulations governing minimum internal control standards.

(i) *Game Outcome Determination Components.* Any Class II gaming system logic components that affect the game outcome and that are not designed to be operated under the direct control of a gaming operation employee or agent shall be located within a secure, locked and tamper-evident area or in a locked cabinet or housing that is of a robust construction designed to resist determined illegal entry and to protect internal components. DIP switches or jumpers that can affect the integrity of the Class II gaming system ~~must~~shall be capable of being sealed by the TGRA.

(j) *Door access detection.* All components of the Class II gaming system that are locked in order to meet the requirements of this part shall include a sensor or other methods to monitor an open door. A door open sensor, and its components or cables, shall be secure against attempts to disable them or interfere with their normal mode of operation.

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(k) *Separation of functions/no limitations on technology.* Nothing herein shall prohibit the account access component, financial instrument storage component, financial instrument acceptor, and financial instrument dispenser from being included within the same component, or separated into individual components.

§ 547.8 What are the minimum technical software standards applicable to Class II gaming systems?

This section provides general software standards for Class II gaming systems for the play of Class II games, including, where applicable, games similar to bingo.

(a) *Player interface displays.* (1) If not otherwise provided to the player, the player interface shall display the following:

- (i) The purchase or wager amount;
- (ii) Game results; and
- (iii) Any player credit balance.

(2) Between plays of any game and until the start of the next play, or until the player selects a new game option such as purchase or wager amount or card selection, whichever is earlier, if not otherwise provided to the player, the player interface shall display:

- (i) The total purchase or wager amount and all prizes and total credits won for the last game played;
- (ii) The final results for the last game played; and
- (iii) Any default purchase or wager amount for the next play.

(b) *Game initiation and play.* (1) Each game played on the Class II gaming system shall follow and not deviate from a constant set of rules for each game provided to players pursuant to § 547.16.

(2) The Class II gaming system shall not alter or allow to be altered the card permutations used for play of a Class II game unless specifically chosen by the player prior to commitment to participate in the game. No duplicate cards shall be sold for any common draw.

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(3) No game play shall commence and, no financial instrument or credit shall be accepted on the affected player interface, in the presence of any fault condition that affects the outcome of the game, open door, or while in test, audit, or lock-up mode.

(4) The player ~~must~~shall choose to participate in the play of a game.

(c) *Audit Mode.* (1) If an audit mode is provided, the Class II gaming system shall provide, for those components actively involved in the audit:

(i) All accounting functions required by § 547.9, by applicable provisions of any Commission regulations governing minimum internal control standards, and by any internal controls adopted by the tribe or TGRA;

(ii) Display player interface identification; and

(iii) Display software version or game identification;

(2) Audit mode shall be accessible by a secure method such as an employee or agent PIN, key or other auditable access control.

(3) Accounting function data shall be accessible by an agent at any time, except during a payout, during a handpay, or during play.

(4) The Class II gaming system shall disable financial instrument acceptance on the affected player interface while in audit mode, except during financial instrument acceptance testing.

(d) *Last bingo game play recall.* The last bingo game play recall function shall:

(1) Be retrievable at all times, other than when the recall component is involved in the play of a game, upon the operation of an external key-switch, entry of an audit card, or a similar method;

(2) Display the results of recalled bingo game play as originally displayed or in text representation so as to enable the TGRA or operator to clearly identify the bingo game play sequences and results that occurred;

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(3) Allow the Class II gaming system component providing bingo game play recall, upon return to normal game play mode, to restore any affected display to the positions, forms and values displayed before access to the bingo game play recall information; and

(4) Provide the following information for the current and previous four bingo game plays and shall display:

(i) Play start time, end time, and date;

(ii) The total number of credits at the start of play;

(iii) The purchase or wager amount;

(iv) The total number of credits at the end of play; and

(v) The total number of credits won as a result of the bingo game play recalled, and the value in dollars and cents for progressive prizes, if different.

(vi) For bingo games and, where applicable, games similar to bingo, also display:

(A) The card(s) used by the player;

(B) The identifier of the game played;

(C) The numbers or other designations drawn, in the order that they were drawn;

(D) The numbers or other designations and prize patterns covered on each card;

(E) All prizes won by the player, including winning patterns, if any; and

(F) The unique identifier of the card on which prizes were won;

(vii) For pull-tab games only, also display:

(A) The result(s) of each pull-tab, displayed in the same pattern as on the tangible pull-tab;

(B) All prizes won by the player;

(C) The unique identifier of each pull tab; and

(D) Any other information necessary to fully reconstruct the current and four previous plays.

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(e) *Voucher and credit transfer recall.* Notwithstanding the requirements of any other section in this part, a Class II gaming system shall have the capacity to:

(1) Display the information specified in § 547.11(b)(5)(ii) through (vi) for the last five vouchers or coupons printed and the last five vouchers or coupons accepted; and

(2) Display a complete transaction history for the last five cashless transactions made and the last five cashless transactions accepted.

(f) *Software signature verification.* The manufacturer or developer of the Class II gaming system ~~must~~shall provide to the testing laboratory and to the TGRA an industry-standard methodology, acceptable to the TGRA, for verifying the Class II gaming system game software. By way of illustration, for game software stored on rewritable media, such methodologies include signature algorithms and hashing formulas such as SHA-1.

(g) *Test, diagnostic, and demonstration modes.* If test, diagnostic, and/or demonstration modes are provided, the Class II gaming system shall, for those components actively involved in the test, diagnostic, or demonstration mode:

(1) Clearly indicate when that component is in the test, diagnostic, or demonstration mode;

(2) Not alter financial data on that component other than temporary data;

(3) Only be available after entering a specific mode;

(4) Disable credit acceptance and payment unless credit acceptance or payment is being tested; and

(5) Terminate all mode-specific functions upon exiting a mode.

(h) *Multigame.* If multiple games are offered for player selection at the player interface, the player interface shall:

(1) Provide a display of available games;

(2) Provide the means of selecting among them;

(3) Display the full amount of the player's credit balance;

(4) Identify the game selected or being played; and

(5) Not force the play of a game after its selection.

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(i) *Program interruption and resumption.* The Class II gaming system software shall be designed so that upon resumption following any interruption, the system:

- (1) Is able to return to a known state;
- (2) Shall check for any fault condition upon resumption;
- (3) Shall verify the integrity of data stored in critical memory;
- (4) Shall return the purchase or wager amount to the player in accordance with the rules of the game; and
- (5) Shall detect any change or corruption in the Class II gaming system software.

(j) *Class II gaming system components acting as progressive controllers.* This paragraph applies to progressive controllers and components acting as progressive controllers in Class II gaming systems.

(1) Modification of progressive parameters shall be conducted in a secure manner approved by the TGRA. Such parameters may include:

- (i) Increment value;
- (ii) Secondary pool increment(s);
- (iii) Reset amount(s);
- (iv) Maximum value(s); and
- (v) Identity of participating player interfaces.

(2) The Class II gaming system component or other progressive controller shall provide a means of creating a progressive balancing report for each progressive link it controls. At a minimum, that report shall provide balancing of the changes of the progressive amount, including progressive prizes won, for all participating player interfaces versus current progressive amount(s), plus progressive prizes. In addition, the report shall account for, and not be made inaccurate by, unusual events such as:

- (i) Class II gaming system critical memory clears;
- (ii) Modification, alteration, or deletion of progressive prizes;

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(iii) Offline equipment; or

(iv) Multiple site progressive prizes.

(k) *Critical memory*. (1) Critical memory may be located anywhere within the Class II gaming system. Critical memory is any memory that maintains any of the following data:

(i) Accounting data;

(ii) Current credits;

(iii) Configuration data;

(iv) Last game play recall information required by § 547.8(d);

(v) Game play recall information for the current game play, if incomplete;

(vi) Software state (the last normal state software was in before interruption);

(vii) RNG seed(s), if necessary for maintaining integrity;

(viii) Encryption keys, if necessary for maintaining integrity;

(ix) Progressive prize parameters and current values;

(x) The five most recent financial instruments accepted by type, excluding coins and tokens;

(xi) The five most recent financial instruments dispensed by type, excluding coins and tokens; and

(xii) The five most recent cashless transactions paid and the five most recent cashless transactions accepted.

(2) Critical memory shall be maintained using a methodology that enables errors to be identified and acted upon.

All accounting and recall functions shall be verified as necessary to ensure their ongoing integrity.

(3) The validity of affected data stored in critical memory shall be checked after each of the following events:

(i) Every restart;

(ii) Each attendant paid win;

(iii) Each attendant paid progressive win;

(iv) Each sensed door closure; and

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(v) Every reconfiguration, download, or change of prize schedule or denomination requiring operator intervention or action.

(l) Secured access. Class II gaming systems that use a logon or other means of secured access shall include a user account lockout after a predetermined number of consecutive failed attempts to access system.

§ 547.9 What are the minimum technical standards for Class II gaming system accounting functions?

This section provides standards for accounting functions used in Class II gaming systems.

(a) *Required accounting data.* The following minimum accounting data, however named, shall be maintained by the Class II gaming system.

(1) Amount In: The total value of all financial instruments and cashless transactions accepted by the Class II gaming system. Each type of financial instrument accepted by the Class II gaming system shall be tracked independently per financial instrument acceptor, and as required by applicable requirements of the TGRA regulations governing minimum internal control standards.

(2) Amount Out: The total value of all financial instruments and cashless transactions paid by the Class II gaming system, plus the total value of attendant pay. Each type of financial instrument paid by the Class II Gaming System shall be tracked independently per financial instrument dispenser, and as required by applicable requirements of the TGRA regulations governing minimum internal control standards.

(b) *Accounting data storage.* If the Class II gaming system electronically maintains accounting data:

(1) Accounting data shall be stored with at least eight decimal digits.

(2) Credit balances shall have sufficient digits to accommodate the design of the game.

(3) Accounting data displayed to the player may be incremented or decremented using visual effects, but the internal storage of this data shall be immediately updated in full.

(4) Accounting data shall be updated upon the occurrence of the relevant accounting event.

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(5) Modifications to accounting data shall be recorded, including the identity of the person(s) making the modifications, and be reportable by the Class II gaming system.

(c) *Rollover.* Accounting data that rolls over to zero shall not corrupt data.

(d) *Credit balance display and function.* (1) Any credit balance maintained at the player interface shall be prominently displayed at all times except:

(i) In audit, configuration, recall and test modes; or

(ii) Temporarily, during entertaining displays of game results.

(2) Progressive prizes may be added to the player’s credit balance provided:

(i) The player credit balance is maintained in dollars and cents;

(ii) The progressive accounting data is incremented in number of credits; or

(iii) The prize in dollars and cents is converted to player credits or transferred to the player’s credit balance in a manner that does not mislead the player or cause accounting imbalances.

(3) If the player credit balance displays in credits, but the actual balance includes fractional credits, the Class II gaming system shall display the fractional credit when the player credit balance drops below one credit.

§ 547.10 What are the minimum standards for Class II gaming system critical events?

This section provides standards for events such as system critical faults, deactivation, door open or other changes of states, and lockup within the Class II gaming system.

(a) *Fault events.* (1) The following events are to be treated as described below:-

Events	Definition and action to be taken
(i) Component fault	Reported when a fault on a component is detected. When possible, this event message should indicate what the nature of the fault is.
(ii) Financial storage component full	Reported when a financial instrument acceptor or dispenser includes storage, and it becomes full. This event message should indicate what financial storage

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(iii) Financial output component empty	component is full. Reported when a financial instrument dispenser is empty. The event message should indicate which financial output component is affected, and whether it is empty.
(iv) Financial component fault	Reported when an occurrence on a financial component results in a known fault state.
(v) Critical memory error	Some critical memory error has occurred. When a non-correctable critical memory error has occurred, the data on the Class II gaming system component can no longer be considered reliable. Accordingly, any game play on the affected component shall cease immediately, and an appropriate message shall be displayed, if possible.
(vi) Progressive communication fault	If applicable; when communications with a progressive controller component is in a known fault state.
(vii) Program storage medium fault	The software has failed its own internal security check or the medium itself has some fault. Any game play on the affected component shall cease immediately, and an appropriate message shall be displayed, if possible.

(2) The occurrence of any event identified in paragraph (a)(1) of this section shall be recorded.

(3) Upon clearing any event identified in paragraph (a)(1) of this section, the Class II gaming system shall:

- (i) Record that the fault condition has been cleared;
- (ii) Ensure the integrity of all related accounting data; and
- (iii) In the case of a malfunction, return a player's purchase or wager according to the rules of the game.

(b) *Door open/close events.* (1) In addition to the requirements of paragraph (a)(1) of this section, the Class II gaming system shall perform the following for any component affected by any sensed door open event:

- (i) Indicate that the state of a sensed door changes from closed to open or opened to closed;
- (ii) Disable all financial instrument acceptance, unless a test mode is entered;
- (iii) Disable game play on the affected player interface;
- (iv) Disable player inputs on the affected player interface, unless test mode is entered; and

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(v) Disable all financial instrument disbursement, unless a test mode is entered.

(2) The Class II gaming system may return the component to a ready to play state when all sensed doors are closed.

(c) *Non-fault events.* (1) The following non-fault events are to be treated as described below, if applicable:

Events	Definition and action to be taken
(i) Player interface power off during play	This condition is reported by the affected component(s) to indicate power has been lost during game play.
(ii) Player interface power on	This condition is reported by the affected component(s) to indicate it has been turned on.
(iii) Financial instrument storage component container/ stacker removed	This condition is reported when a financial instrument storage container has been removed. The event message should indicate which storage container was removed.

§ 547.11 What are the minimum technical standards for money and credit handling?

This section provides standards for money and credit handling by a Class II gaming system.

(a) *Credit acceptance, generally.* (1) Upon any credit acceptance, the Class II gaming system shall register the correct number of credits on the player's credit balance.

(2) The Class II gaming system shall reject financial instruments deemed invalid.

(b) *Credit redemption, generally.* (1) For cashable credits on a player interface, players shall be allowed to cash out and/or redeem those credits at the player interface except when that player interface is:

(i) Involved in the play of a game;

(ii) In audit mode, recall mode or any test mode;

(iii) Detecting any sensed door open condition;

(iv) Updating the player credit balance or total win accounting data; or

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(v) Displaying a fault condition that would prevent cash-out or credit redemption. In this case a fault indication shall be displayed.

(2) For cashable credits not on a player interface, the player shall be allowed to cash out and/or redeem those credits at any time.

(3) A Class II gaming system shall not automatically pay an award subject to mandatory tax reporting or withholding.

(4) Credit redemption by voucher or coupon shall conform to the following:

(i) A Class II gaming system may redeem credits by issuing a voucher or coupon when it communicates with a voucher system that validates the voucher or coupon.

(ii) A Class II gaming system that redeems credits by issuing vouchers and coupons shall either:

(A) Maintain an electronic record of all information required by paragraphs (b)(5)(ii) through (vi) of this section;

or

(B) Generate two identical copies of each voucher or coupon issued, one to be provided to the player and the other to be retained within the machine for audit purposes.

(5) Valid vouchers and coupons shall contain the following:

(i) Gaming operation name and location;

(ii) The identification number of the Class II gaming system component or the player interface number, as applicable;

(iii) Date and time of issuance;

(iv) Alpha and numeric dollar amount;

(v) A sequence number;

(vi) A validation number that:

(A) Is produced by a means specifically designed to prevent repetition of validation numbers; and

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(B) Has some form of checkcode or other form of information redundancy to prevent prediction of subsequent validation numbers without knowledge of the checkcode algorithm and parameters;

(vii) For machine-readable vouchers and coupons, a bar code or other form of machine readable representation of the validation number, which shall have enough redundancy and error checking to ensure that 99.9% of all misreads are flagged as errors;

(viii) Transaction type or other method of differentiating voucher and coupon types; and

(ix) Expiration period or date.

(6) Transfers from an account may not exceed the balance of that account.

(7) For Class II gaming systems not using dollars and cents accounting and not having odd cents accounting, the Class II gaming system shall reject any transfers from voucher payment systems or cashless systems that are not even multiples of the Class II gaming system denomination.

(8) Voucher redemption systems shall include the ability to report redemptions per redemption location or user.

§ 547.12 What are the minimum technical standards for downloading on a Class II gaming system?

This section provides standards for downloading on a Class II gaming system.

(a) *Downloads.* (1) Downloads are an acceptable means of transporting approved content, including but not limited to software, files, data, and prize schedules.

~~(2) Downloads of software, games, prize schedules, or other download packages shall be conducted only as authorized by the TGRA.~~

~~(3)~~ (2) Downloads shall use secure methodologies that will deliver the download data without alteration or modification, in accordance with § 547.15(a).

~~(4)~~ Downloads conducted during operational periods shall be performed in a manner that will not affect game play.

~~(5)~~ Downloads shall not affect the integrity of accounting data.

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(65) The Class II gaming system ~~or the TGRA~~ shall ~~log each download~~ be capable of ~~any download package~~. ~~Each log record shall contain as a minimum providing:~~

- (i) The time and date of the initiation of the download;
- (ii) The time and date of the completion of the download;
- (iii) The Class II gaming system components to which software was downloaded;
- (iv) The version(s) of download package and any software downloaded. Logging of the unique software signature will satisfy this requirement;
- (v) The outcome of any software verification following the download (success or failure); and
- (vi) The name and identification number, or other unique identifier, of any individual(s) conducting or scheduling a download.

(b) *Verifying downloads.* Downloaded software on a Class II gaming system shall be capable of being verified by the Class II gaming system using a software signature verification method that meets the requirements of § 547.8(f).

§ 547.13 What are the minimum technical standards for program storage media?

This section provides minimum standards for removable, (re-)writable, and ~~nonwritable~~nonrewritable storage media in Class II gaming systems.

(a) *Removable program storage media.* All removable program storage media shall maintain an internal checksum or signature of its contents. Verification of this checksum or signature is to be performed after every restart. If the verification fails, the affected Class II gaming system component(s) shall lock up and enter a fault state.

(b) *Nonrewritable program storage media.* (1) All EPROMs and Programmable Logic Devices (PLDs) that have erasure windows shall be fitted with covers over their erasure windows.

(2) All unused areas of EPROMs shall be written with the inverse of the erased state (*e.g.*, zero bits (00 hex) for most EPROMs), random data, or repeats of the program data.

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(3) Flash memory storage components intended to have the same logical function as ROM, *i.e.* not to be dynamically written, shall be write-protected or otherwise protected from unauthorized modification.

(4) The write cycle shall be closed or finished for all CD-ROMs such that it is not possible to write any further data to the CD.

(5) Write protected hard disks are permitted if the hardware means of enabling the write protect is easily viewable and can be sealed in place Write protected hard disks are permitted using software write protection verifiable by a testing laboratory.

(c) *Writable and rewritable program storage media.* (1) Writable and rewritable program storage, such as hard disk drives, Flash memory, writable CD-ROMs, and writable DVDs, may be used provided that the software stored thereon may be verified using the mechanism provided pursuant to § 547.8(f).

(2) Program storage shall be structured so there is a verifiable separation of fixed data (*e.g.* program, fixed parameters, DLLs) and variable data.

(d) *Identification of program storage media.* All program storage media that is not rewritable in circuit, (*e.g.* EPROM, CD-ROM) shall be uniquely identified, displaying:

- (1) Manufacturer;
- (2) Program identifier;
- (3) Program version number(s); and
- (4) Location information, if critical (*e.g.* socket position 3 on the printed circuit board).

§ 547.14 What are the minimum technical standards for electronic random number generation?

This section provides minimum standards for electronic RNGs in Class II gaming systems.

(a) *Properties.* All RNGs shall produce output having the following properties:

- (1) Statistical randomness;
- (2) Unpredictability; and

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(3) Non-repeatability.

(b) *Statistical Randomness*. (1) Numbers or other designations produced by an RNG shall be statistically random individually and in the permutations and combinations used in the application under the rules of the game. For example, if a bingo game with 75 objects with numbers or other designations has a progressive winning pattern of the five numbers or other designations on the bottom of the card and the winning of this prize is defined to be the five numbers or other designations are matched in the first five objects drawn, the likelihood of each of the 75C5 combinations are to be verified to be statistically equal.

(2) Numbers or other designations produced by an RNG shall pass the statistical tests for randomness to a 99% confidence level.

(i) Mandatory statistical tests for randomness to include:

(A) Chi-square test;

(B) Runs test (patterns of occurrences shall not be recurrent); and

(C) Serial correlation test potency and degree of serial correlation (outcomes shall be independent from the previous game).

(ii) Optional statistical tests for randomness may include:

(A) Equi-distribution (frequency) test;

(B) Gap test;

(C) Poker test;

(D) Coupon collector's test;

(E) Permutation test;

(F) Spectral test; or

(G) Test on subsequences.

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(c) *Unpredictability.* (1) It shall not be feasible to predict future outputs of an RNG, even if the algorithm and the past sequence of outputs are known.

(2) Unpredictability shall be ensured by reseeding or by continuously cycling the RNG, and by providing a sufficient number of RNG states for the applications supported.

(3) Re-seeding may be used where the re-seeding input is at least as statistically random as, and independent of, the output of the RNG being re-seeded.

(d) *Non-repeatability.* The RNG shall not be initialized to reproduce the same output stream that it has produced before, nor shall any two instances of an RNG produce the same stream as each other. This property shall be ensured by initial seeding that comes from:

(1) A source of "true" randomness, such as a hardware random noise generator; or

(2) A combination of timestamps, parameters unique to a Class II gaming system, previous RNG outputs, or other, similar method.

(e) *General requirements.* (1) Software that calls an RNG to derive game outcome events shall immediately use the output returned in accordance with the game rules.

(2) The use of multiple RNGs is permitted as long as they operate in accordance with this section.

(3) RNG outputs shall not be arbitrarily discarded or selected.

(4) Where a sequence of outputs is required, the whole of the sequence in the order generated shall be used in accordance with the game rules.

(5) The Class II gaming system shall neither adjust the RNG process or game outcomes based on the history of prizes obtained in previous games nor use any reflexive software or secondary decision that affects the results shown to the player or game outcome. In no event shall the Class II gaming system deprive a player of a prize to which the player is otherwise entitled based on the random outcome of the game. Nothing in this paragraph shall prohibit the use of entertaining displays.

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(f) *Scaling algorithms and scaled numbers.* An RNG that provides output scaled to given ranges shall:

(1) Be independent and uniform over the range;

(2) Provide numbers scaled to the ranges required by game rules, and notwithstanding the requirements of paragraph (e)(3) of this section, may discard numbers that do not map uniformly onto the required range but shall use the first number in sequence that does map correctly to the range; and

(3) Be capable of producing every possible outcome of a game according to its rules.-

(4) Use an unbiased algorithm and any bias shall be reported to the TGRA.

§ 547.15 What are the minimum technical standards for electronic data communications between system components?

This section provides minimum standards for electronic data communications with gaming equipment or components used with Class II gaming systems.

(a) *Sensitive data.* Communication of sensitive data shall be secure from eavesdropping, access, tampering, intrusion or alteration unauthorized by the TGRA. Sensitive data shall include, but not be limited to:

(1) RNG seeds and outcomes;

(2) Encryption keys, where the implementation chosen requires transmission of keys;

(3) PINs;

(4) Passwords;

(5) Financial instrument transactions;

(6) Transfers of funds;

(7) Player tracking information;

(8) Download Packages; and

(9) Any information that affects game outcome.

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(b) *Wireless communications.* (1) Wireless access points shall not be accessible to the general public.

(2) Open or unsecured wireless communications are prohibited.

(3) Wireless communications shall be secured using a methodology that makes eavesdropping, access, tampering, intrusion or alteration impractical. By way of illustration, such methodologies include encryption, frequency hopping, and code division multiplex access (as in cell phone technology).

(c) Methodologies shall be used that will ensure the reliable transfer of data and provide a reasonable ability to detect and act upon any corruption of the data.

(d) Class II gaming systems shall record detectable, unauthorized access or intrusion attempts.

(e) Remote communications shall only be allowed if authorized by the TGRA. Class II gaming systems shall have the ability to enable or disable remote access, and the default state shall be set to disabled.

(f) Failure of data communications shall not affect the integrity of critical memory.

(g) The Class II gaming system shall log the establishment, loss, and re-establishment of data communications between sensitive Class II gaming system components.

§ 547.16 What are the minimum standards for game artwork, glass, and rules?

This section provides standards for the display of game artwork, the displays on belly or top glass, and the display and disclosure of game rules, whether in physical or electronic form.

(a) *Rules, instructions, and prize schedules, generally.* The following shall at all times be displayed or made readily available to the player upon request:

(1) Game name, rules, and options such as the purchase or wager amount stated clearly and unambiguously;

(2) Denomination;

(3) Instructions for play on, and use of, the player interface, including the functions of all buttons; and

(4) A prize schedule or other explanation, sufficient to allow a player to determine the correctness of all prizes awarded, including;

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(i) The range and values obtainable for any variable prize;

(ii) Whether the value of a prize depends on the purchase or wager amount; and

(iii) The means of division of any pari-mutuel prizes; but

(iv) For Class II Gaming Systems, the prize schedule or other explanation need not state that subsets of winning patterns are not awarded as additional prizes (*e.g.* five in a row does not also pay three in a row or four in a row), unless there are exceptions, which shall be clearly stated.

(b) *Disclaimers.* The Class II gaming system shall continually display:

(1) “Malfunctions void all prizes and plays” or equivalent; and

(2) “Actual Prizes Determined by Bingo [or other applicable Class II game] Play. Other Displays for Entertainment Only.” or equivalent.

§ 547.17 ~~How does a gaming operation apply for~~ What notification to the NIGC is required after a variance from the standards of this part is granted?

(a) Variance.

(1) ~~Should~~When a TGRA ~~grant~~grants a variance to any provision of these standards, the TGRA shall deliver a notice of the same to the Commission within ten (10) days of such approval.

(i) The notice shall contain a complete copy of the information presented to the TGRA and the variance as granted.

(ii) The notice shall be forwarded to the Commission within ten (10) days of the granting of the Variance.

(2) During a thirty (30) day period when the Commission first receives the notice required by this subpart, the Chairman may request additional information from the TGRA concerning the subject of variance. Such request shall suspend the thirty (30) day period until the Chairman receives the TGRA response.

(b) Commission Review.

(1) Within the thirty (30) day review period, the Commission may:

(i) Advise the TGRA, in writing, that it has no objection.

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(ii) Provide the TGRA a written statement itemizing its objections.

(iii) Take no action, in which case, the TGRA's variance shall be final.

(2) If the Commission has provided the TGRA a statement itemizing objections to the variance:

(i) The TGRA shall reconsider the variance taking into account the objections itemized by the Commission.

(ii) The TGRA may seek reconsideration by submitting a request to the Chairman and members of the Commission.

(iii) Upon receipt of a request for reconsideration, the Commission shall conduct an informal hearing with the TGRA within 30 days, which may be conducted in person or through the exchange of documents, as requested by the TGRA.

(iv) After the informal hearing, the Commission ~~must~~shall issue a written decision within 14 days. If the Commission disapproves the variance, such written decision ~~must~~shall include an explanation of why the requested variance creates an imminent threat to the integrity of the tribal gaming operation.