

## CHAPTER 8

### AUDIT AND ACCOUNTING

#### SECTION 1 DEFINITIONS

- A. “Chairman” means the chairman of the Choctaw Gaming Commission.
- B. “Business year” means the annual period used by the Choctaw Tribe and the gaming operator for internal accounting purposes regarding the gaming premises.
- C. “Statements on Auditing Standards” means the auditing standards and procedures published by the American Institute of Certified Public Accountants.
- D. “Statistical Drop” means the dollar amount of cash wagered by a patron that is placed in the drop box plus the dollar amount of chips or tokens issued at a table to a patron for currency or credit instruments.
- E. “Statistical Win” means the dollar amount won by the gaming operator through table play.

## **SECTION 2 COMMISSION AUDIT PROCEDURES**

- A. The Gaming Commission shall cause to be conducted an audit at least annually of the gaming operator's books and records that reviews and evaluates:
1. the accounting methods and procedures used by the gaming operator;
  2. the methods and procedures used by the gaming operator to count and handle cash, chips, tokens, negotiable instruments and credit instruments;
  3. the gaming operator's records and procedures for extending credit and to confirm with gaming patrons the existence of an amount of debt and any settlement thereof; unless the gaming operator requests that the debt or settlement not be confirmed;
  4. the gaming operator's internal control procedures;
  5. all accounting and bookkeeping records and ledger accounts of the gaming operator or a person controlling, controlled by or under common control with the gaming operator;
  6. the books and records of any gaming operator when conditions indicate the need for such action or upon the request of the Chairman; and,
  7. the contracts or subcontracts for supplies, services, or concessions for a contract in excess of \$25,000 annually relating to Class II and Class III gaming activities.
- B. The audit shall be conducted in conformity with the statements on auditing standards, and a report shall be submitted to the Gaming Commission, the National Indian Gaming Commission, and the gaming operator detailing the findings.
- C. At the conclusion of each audit, the Chairman shall review the results of the audit with the gaming operator. The gaming operator may within ten (10) days of review submit written reasons why the results of the audit should not be accepted. The Commission shall consider the submission prior to its determination.
- D. The audit required under this Section may be conducted in conjunction with any other independent audit of the Tribe, provided that the requirements of this Chapter are met.

### **SECTION 3 ACCOUNTING RECORDS**

- A. Each gaming operator, in such a manner as the Gaming Commission may approve, shall keep accurate, complete, legible and permanent records (including computer records) of all transactions pertaining to revenue. Each gaming operator that keeps permanent records in a computerized or microfiche fashion shall provide the Gaming Commission upon its request, with a detailed index to the microfiche or computer record that is indexed by casino department and date.
- B. Each gaming operator shall keep general accounting records on a double entry system of accounting, maintaining detailed, supporting, subsidiary records, including:
1. detailed records identifying revenues, expenses, assets, liabilities and equity for each establishment;
  2. detailed records of all markers, IOU's, returned checks, hold checks or other similar credit instruments;
  3. individual and statistical game records to reflect statistical drop, statistical win, and the percentage of statistical win to statistical drop by table for each table game, and to reflect statistical drop, statistical win, and the percentage of statistical win to statistical drop for each type of table game, either by each shift or other accounting period approved by the Gaming Commission, and individual and statistical records reflecting similar information for all other games;
  4. slot analysis reports which, by each machine, compare actual hold percentages to theoretical hold percentages;
  5. any other records required by the minimum internal control standards defined in Chapter 5;
  6. journal entries prepared by the gaming operator and its independent accountant; and
  7. any other records that the Gaming Commission specifically requires be maintained.
- C. Each gaming operator shall create and maintain records sufficient to accurately reflect gross income and expenses relating to its gaming operations.

#### **SECTION 4 RECORDS OF MANAGEMENT COMPANY OWNERSHIP**

- A. Each gaming management contractor shall provide to the Gaming Commission upon request the following originating documents:
1. a certified copy of the articles of incorporation and any amendments;
  2. a copy of the bylaws and any amendments;
  3. a list of all current and former officers and directors;
  4. minutes of all meetings of stockholders;
  5. minutes of all meetings of directors;
  6. a list of all stockholders listing each stockholder's name, address, the number of shares held, and the date the shares were acquired;
  7. the stock certificate ledger;
  8. a record of all transfers of the corporation's stock; and
  9. a record of amounts paid to the corporation for issuance of stock and other capital contributions.
- B. If the gaming management contractor is a partnership, each gaming management contractor shall provide the Gaming Commission upon request the following documents:
1. a copy of the partnership agreement and, if applicable, the certificate of limited partnership;
  2. a list of the partners, including their names, addresses, the percentage of interest held by each, the amount and date of each capital contribution of each partner, the date the interest was acquired and the salary paid by the partnership; and
  3. a record of all withdrawals of partnership funds or assets.
- C. If the gaming management contractor is a sole proprietorship, the gaming management contractor must provide the Gaming Commission upon request a schedule showing the name and address of the proprietor and the amount and date of the proprietor's original investment and of any additions and withdrawals.

## **SECTION 5 RECORDS RETENTION: STANDARD FINANCIAL STATEMENTS**

- A. Each gaming operator shall provide the Gaming Commission, upon request, with the records required to be maintained by this regulation. Unless the Gaming Commission approves or requires otherwise in writing, each gaming operator shall retain all such records for at least five (5) years after generation. Failure to keep and provide such records constitutes a material violation.
  
- B. Each gaming operator, in such manner and using such forms as the Gaming Commission may approve or require, shall prepare a financial statement covering all financial activities of the gaming operator's establishment for each fiscal year. If the gaming operator or a person controlling, controlled by, or under common control with the gaming operator owns or operates room, food or beverage facilities at the licensed premises, the financial statement must cover those operations as well as gaming operations. Gaming operators shall submit the financial statements to the Gaming Commission no later than ninety (90) days following the end of the fiscal year covered by the statement. Each financial statement must be signed by a gaming operator who thereby attests to the completeness and accuracy of the statement. In the event of a license termination, change in the business entity, or a change in the percentage of ownership, the gaming operator or former gaming operator shall no later than ninety (90) days after the event, submit to the Gaming Commission a financial statement covering the period since the period covered by the previous standard financial statement.
  
- C. The Gaming Commission shall approve or prescribe a uniform chart of accounts and accounting classifications. The gaming operator shall prepare their financial statements in accordance with the chart or in a similar form producing the same information.
  
- D. Each gaming operator shall furnish to the Gaming Commission, upon request, statistical and financial data for the purpose of compiling, evaluating and disseminating financial information regarding the economics and trends within the gaming industry.

## **SECTION 6 AUDITED FINANCIAL STATEMENTS**

- A. The Gaming Commission shall require the gaming operator to prepare annual financial statements covering all financial activities of the licensed premises for the previous year and to engage an independent licensed accountant, approved by the Gaming Commission, to examine the statements in accordance with generally accepted auditing standards.
  
- B. The gaming operator shall, upon request from the Gaming Commission, provide a copy of the audited statements no later than ninety (90) days after the last day of the gaming operator's fiscal year. In the event of a license termination or a change in business entity, the gaming operator or former gaming operator shall, no later than sixty (60) days after the event, submit to the Gaming Commission a copy of audited statements covering the period since the period covered by the previous statement.

## **SECTION 7 INTERNAL CONTROLS**

- A. The gaming operator shall establish administrative and accounting procedures designed to reasonably ensure that:
1. assets are safeguarded;
  2. financial records are accurate and reliable;
  3. transactions are performed only in accordance with management's general or specific authorization;
  4. transactions are recorded adequately to permit proper reporting of gaming and non-gaming revenue and to maintain accountability for assets;
  5. access to assets is permitted only in accordance with management's specific authorization;
  6. recorded accountability for assets is compared with actual assets at reasonable intervals and appropriate action is taken with respect to any discrepancies; and
  7. functions, duties and responsibilities are appropriately segregated and performed in accordance with sound practices by competent qualified personnel.
- B. The gaming operator shall describe, in such manner as the Gaming Commission may require, its administrative and accounting procedures in detail in a written system of internal control. The gaming operator shall submit a copy of its written system to the Gaming Commission. Each written system must include:
1. an organizational chart depicting appropriate segregation of functions and responsibilities;
  2. a description of the duties and responsibilities of each position shown on the organizational chart;
  3. a detailed, narrative description of the administrative and accounting procedures designed to satisfy the requirements of paragraph A of this Section;
  4. a written statement signed by the gaming operator's chief executive officer attesting that the system satisfies the requirements of this section;
  5. if the written system is submitted by an applicant, a letter from an independent licensed accountant stating that the applicant's written system has been

reviewed by the accountant and complies with the requirements of this Section; and

6. other items as the Gaming Commission may require.
- C. The Gaming Commission shall publish within its regulations the minimum internal control standards with which the gaming operator must comply. Prior to changes to these standards, or the addition of new standards, the Gaming Commission shall share with the gaming operator a copy of the proposed changes and consider the gaming operator's comments before adoption. The gaming operator shall submit a revised narrative demonstrating its conformance with the new standard within 30 days.
- D. Each gaming operator shall require the independent licensed accountant, approved by the Gaming Commission, engaged by it to review the gaming operator's financial and administrative statements and procedures and evaluate compliance with the internal control standards mandated by the Gaming Commission. The accountant shall document each event or procedure discovered that does not appear to meet the minimum internal control standards and submit this report to the gaming operator and the Gaming Commission. The gaming operator may submit additional documentation to the Gaming Commission regarding the report and proposed corrective action within fourteen (14) days of its submission.
- E. Before adding or eliminating a counter game, eliminating all table games, adding any computerized system of betting, or adding any computerized system for monitoring slot machines or other games, or any other computerized associated equipment, the gaming operator must:
1. amend its accounting and administrative procedures and its written system of internal control to comply with the minimum standards;
  2. submit to the Gaming Commission a copy of the written system as amended, and a written description of the amendments signed by the gaming operator's chief executive officer;
  3. comply with any written requirements imposed by the Commission regarding administrative approval of computerized associated equipment; and
  4. after compliance with paragraphs 1 and 3 of this subpart, implement the procedures and written system as amended.
- F. Every six (6) months in the gaming operator's business year, the gaming operator must report in writing to the Gaming Commission any amendments to the gaming operator's procedures and written system not affecting compliance with the minimum standards.



- G. If the Gaming Commission determines that a gaming operator's administrative or accounting procedures or its written system does not comply with the requirements of this Section, it shall notify the gaming operator in writing. Within thirty (30) days after receiving the notification, the gaming operator shall amend its procedures and written system accordingly, and shall submit a copy of the written system as amended and a description of any other remedial actions taken. Failure to comply constitutes a substantial violation.
  
- H. Failure to comply with the minimum internal control standards is a substantial violation.

**SECTION 8 GROSS REVENUE COMPUTATIONS (TABLE GAMES, SLOTS, NON-BANK CARD GAMES AND COUNTER GAMES)**

- A. For each table game, gross revenue equals the closing bankroll plus credit slips for cash, chips, or tokens returned to the casino cage, plus drop, less opening bankroll and fills to the table.
- B. For each slot machine, gross revenue equals drop less fills to the machine, jackpot payouts, and, if the gaming operator retains detailed documentation supporting the deduction, the actual cost to the gaming operator, its agent or employee, or a person controlling, controlled by, or under the common control with the gaming operator, of any personal property (other than costs of travel, food, lodging, services and food and beverages) provided for or distributed to a patron as winnings. The initial hopper load is not a fill and does not affect gross revenue. The difference between the initial hopper load and the total amount that is in the hopper at the end of each quarter must be adjusted accordingly as an addition to or subtraction from the drop for that quarter. If the gaming operator does not make or makes inaccurate quarterly additions to or subtractions from the drop, the Gaming Commission may compute an estimated total amount in the slot machine hoppers and may make reasonable adjustments to gross revenue.
- C. For each counter game, gross revenue equals:
1. the money accepted by the gaming operator on events or games that occur during the month or will occur in subsequent months, less money paid out during the month to patrons on winning wagers; and
  2. the money accepted by the gaming operator on events or games that occur during the month plus money, not previously included in gross revenue, that was accepted by the gaming operator in previous months on events or games occurring in the month, less money paid out during the month to patrons on winning wagers.
- D. For each card game and any other game in which the gaming operator is not a party to the wager, gross revenue equals all money received by the gaming operator as compensation for conducting the game.

**SECTION 9 TREATMENT OF CREDIT FOR PURPOSES OF COMPUTING GROSS REVENUE**

- A. Gross revenue does not include credit extended or collected by the gaming operator for purposes other than gaming. Gross revenue includes the amount of gaming credit extended to a patron that is not documented in a credit document.
- B. Each gaming operator shall:
1. Document, prior to extending credit that it:
    - a. has received information from a bona fide credit reporting agency that the patron has an established credit history that is not entirely derogatory; or
    - b. has received information from a legal business that the patron has an established credit history that is not entirely derogatory; or
    - c. has received information from a financial institution at which the patron maintains an account that the patron has an established credit history that is not entirely derogatory; or
    - d. has examined records of its previous credit transactions with the patron showing that the patron has paid substantially all of his credit instruments and otherwise documents that it has reasonable basis for placing the amount or sum placed at the patron's disposal; or
    - e. was informed by another gaming operator that extended gaming credit to the patron that the patron has previously paid substantially all of the debt to the other gaming operator and the gaming operator otherwise documents that it has reasonable basis for placing the amount or sum placed at the patron's disposal; or
    - f. if no credit information was available from any of the sources listed above for a patron who is not a resident of the United States, the gaming operator has received, in writing, information from an agent or employee of the gaming operator who has personal knowledge of the patron's credit reputation or financial resources that there is a reasonable basis for extending credit in the amount or sum placed at the patron's disposal.
    - g. In the case of personal checks:
      - (i) If the amount is less than \$100 has examined and has recorded the patron's valid driver's license, or, if a driver's license

cannot be obtained, some other document normally acceptable as a means of identification when cashing checks;

(ii) If the amount is greater than \$100 the aforementioned g-1 is applied and has recorded a bank check guarantee card number or credit card number or has documented one of the credit checks set forth in subparagraphs A through F of this Subsection.

2. Ensure that the person to whom the credit is extended either signs the credit instruments when credit is extended or, unless the requirements of paragraphs 1-e and 1-f of this Subsection have been met, acknowledges the debt and the instrument's validity in a signed, written statement within thirty (30) days of the Gaming Commission's request.
  3. Obtain and record the patron's address before extending the credit, or, unless the requirements of paragraphs 1-e and 1-f of this Subsection have been met, furnish the patron's current address within thirty (30) days of the Gaming Commission's request.
- C. A gaming operator, after extending credit, shall:
1. Document that it has attempted to collect the full amount of the debt at least once every forty-five (45) days while the debt is treated as a collectible, by requesting payment in letters sent to the patron's last known address, or in personal or telephone conversations with the patron, or by presenting the credit instrument to the patron's band for collection, or otherwise demonstrates to the satisfaction of the Chairman that it has made good faith attempts to collect the full amount of the debt;
  2. Furnish the credit instrument to the Gaming Commission within thirty (30) days after the Gaming Commission's request, unless the gaming operator has independent, written and reliable verification that the credit instrument is in the possession of a court, governmental agency, or financial institution; has been returned to the patron upon partial payment of the instrument; has been returned to the patron upon the gaming operator's good faith believe that it had entered into a valid settlement and the gaming operator provides a copy of the original credit instrument and a document created contemporaneously with the settlement that contains the information required by Subsection B1 through 6 of this section; has been stolen and the gaming operator has made a written report of the theft to an appropriate law enforcement agency or the Gaming Commission waives the requirements of the Subsection because the credit instrument cannot be produced because of any other circumstances beyond the gaming operator's control. Theft reports must be submitted to the Gaming Commission within thirty (30) days of discovery;

3. If the gaming operator has returned a credit instrument upon partial payment, consolidation, or redemption of the debt, it shall issue a new “substituted” credit instrument in place of the original and shall furnish the substituted credit instrument to the Gaming Commission within thirty (30) days of its request, unless the gaming operator has independent, written, and reliable verification that the substituted credit instrument cannot be produced because it is in the possession of a court, government agency or financial institution; has been stolen and the gaming operator has made a written report of the theft to an appropriate law enforcement agency; or the Gaming Commission waives the requirements of this subparagraph because the substituted credit instrument cannot be produced because of any other circumstances beyond the gaming operator’s control;
  4. Submit a written report of a forgery, if any, of the patron’s signature on the instrument to an appropriate law enforcement agency and to the Gaming Commission. The report must include general information about the alleged forgery, and identification of employees or agents of the gaming operator who may be contacted for further information;
  5. The Gaming Commission shall receive from the gaming operator, within thirty (30) days of its request to confirm in writing with the patron, information regarding the existence of the debt, the amount of the original credit instrument, and the unpaid balance, if any; and
  6. Retain all documents showing, and otherwise make detailed records of compliance with this Subsection, and furnish them to the Gaming Commission within thirty (30) days after its request.
- D. Each gaming operator shall include in gross revenue all or any portion of an unpaid balance on any credit instrument if the Gaming Commission determines that, with respect to that credit instrument, the gaming operator failed to comply with the requirements of Subsection B or C.
- E. A gaming operator need not include in gross revenue the unpaid balance of a credit instrument even if the Gaming Commission determines that a gaming operator has failed to comply with Subsections B or C if the requirements of Subsections F, G and or more of the following paragraphs are satisfied, and the gaming operator documents or otherwise keeps detailed records of compliance with this Subsection and furnishes them to the Gaming Commission within thirty (30) days after its request. In the case in which the debts of several patrons are consolidated for purposes of settlement, the gaming operator shall document that the consolidation of the accounts of several patrons is not for the purpose of avoiding an adverse determination under Subsections B or C.
1. The gaming operator settles the debt for less than its full amount to induce the patron to make a partial payment. This paragraph is satisfied only if the

gaming operator first requests payment of the debt in full from the patron, the patron fails to respond to the request or refuses to pay the debt in full, and the patron then makes a partial payment in consideration for settlement of the debt for less than the full amount.

2. The gaming operator settles the debt for less than its full amount to compromise a genuine dispute between the patron and the gaming operator regarding the existence or amount of the debt.
  3. The gaming operator settles the debt for less than its full amount because the gaming operator in good faith believes, and records the basis for its belief, that the patron's business will be retained in the future, or the patron's business is in fact retained.
  4. The gaming operator settles the debt for less than its full amount to obtain a patron's business and to induce timely payment of the credit instrument. This paragraph is only satisfied if the percentage of the discount off the face value of the credit instrument is reasonable as compared to the prevailing practice in the industry at the time the credit instrument was issued.
- F. Each gaming operator shall ensure:
1. that a debt settled pursuant to Subsection E is settled either with the patron to whom the credit was initially extended or his personal representative. For purposes of this section, a personal representative is an individual who has been authorized in writing by the patron to make a settlement on his behalf. The gaming operator shall document its reasonable basis for its belief that the patron has authorized the individual to settle the patron's debt.
  2. that the settlement is authorized by persons designated to do so in the gaming operator's system of internal control, and the settlement agreement is reflected in a single document prepared within thirty (30) days of the agreement and the document includes:
    - a. the patron's name;
    - b. the original amount of the credit instrument;
    - c. the amount of the settlement stated in words;
    - d. the date of the agreement;
    - e. the reason for the settlement;
    - f. the signatures of the gaming operator's employees who authorized the settlement; and



- J. If the gaming operator recovers any money, previously excluded from gross revenue pursuant to Subsection 1, the gaming operator shall include the money in gross revenue for the month in which the money was recovered.



**SECTION 10     MANDATORY COUNT PROCEDURE: HANDLING OF CASH**

- A.     Except as otherwise provided for in Subsection B:
1.     Each gaming operator shall report annually to the Gaming Commission the time or times when drop boxes will be removed and the contents counted. All drop boxes must be removed and counted at the times designated to the Gaming Commission. Removal and counting of drop box contents at other than designated times is prohibited unless the gaming operator provides advance written notice to the Gaming Commission of a change in times or the Gaming Commission requires a change of authorized times. Failure to report count times will be considered a substantial violation.
  2.     Within ten (10) days after the end of each calendar quarter, the gaming operator shall submit a list to the Gaming Commission of employees authorized to participate in the count and those employees who are authorized to be in the count rooms during the count as of the end of the calendar quarter. The count personnel list shall indicate those persons, if any, who hold an interest in the gaming operator and shall indicate what relationship by blood or marriage, if any, exists between any person on such list or any interest holder or employee of the gaming operator. The count personnel list shall also indicate the social security number of each count employee and the job position held by each count employee.
- B.     Any gaming employee of a gaming operator who receives currency of the United States (other than tips or gratuities) from a patron in the gaming area of a licensed premises shall promptly place the currency in the locked box in the table, or in the case of a cashier, in the appropriate place in the cashier's cage, or in those games which do not have a locked box or on the card game tables, in an appropriate place on the table, in the cash register, or other repository approved by the Gaming Commission.

**SECTION 11      PROHIBITED CURRENCY TRANSACTIONS AND REPORTING;  
INTERNAL            REVENUE            SERVICE            REPORTING  
REQUIREMENTS;    AUDITS    OF    CONTRACTS    AND  
SUBCONTRACTS**

- A. Each gaming operator shall fully comply with all provisions of the Bank Secrecy Act (U.S.C. Title 31) and the Internal Revenue Service Code and all regulations promulgated thereunder and as the same may be from time to time supplemented, amended or changed. The Gaming Commission shall be provided with written internal control systems to ensure compliance with these Laws and Regulations.
  
- B. The provisions of the Internal Revenue Service Code of 1986 (including sections 1441, 3402(q), 6041, and 6050I, and Chapter 35 of such Code) concerning the reporting and withholding of taxes with respect to the winnings from gaming or wagering operations shall apply to all Indian gaming operations conducted pursuant to the Indian Gaming Regulatory Act of 1988. The gaming operator is required to develop and implement the necessary administrative procedures to ensure conformance. The gaming operator shall provide to the Gaming Commission proof of conformance with this provision.
  
- C. All contracts or subcontracts for supplies, service, or concessions for a contract amount in excess of \$25,000 annually relating to Class II and Class III gaming activities shall be caused to be audited by the Gaming Commission. The audit reports and findings shall be forwarded by the Gaming Commission through the Tribal Chief to the Tribal Council and to the National Indian Gaming Commission.