

IN THE MISSOURI GAMING COMMISSION

In Re:)
) DC-17-046
Harrah's North Kansas City, LLC)

PRELIMINARY ORDER FOR DISCIPLINARY ACTION

Comes now the Missouri Gaming Commission acting in its official capacity pursuant to 11 CSR 45-13.050, and states as follows:

1. The Missouri Gaming Commission (the "Commission" or "MGC") is a state commission created under Chapter 313, RSMo 2000,¹ with jurisdiction over gaming activities, including riverboat gambling activities, in the State of Missouri.
2. The Commission issued Caesar's Entertainment Corporation a Class A gaming license to develop and operate Class B gaming licenses in the State of Missouri.
3. Caesar's Entertainment Corporation is the parent organization or controlling entity of the Harrah's North Kansas City, LLC (the "Company").
4. The Commission issued a Class B riverboat gambling license to the Company to conduct games on and operate the excursion gambling boat known as *Harrah's North Kansas City* (the "Casino").
5. As the holder of a Class B license, the Company is subject to the provisions of §§ 313.800 to 313.850, RSMo, and the regulations promulgated thereunder by the Commission.

STATEMENT OF FACTS²

6. The MGC completed a compliance audit for the period of January 1, 2014 through November 30, 2015, and issued MGC Audit Reports 16-07 and 16-08 to the Casino on April 1, 2016.
7. A follow-up was conducted beginning on July 25, 2016, to determine if the audit findings from Audit Reports 16-07 and 16-08 had been corrected.
8. The follow-up audit found that the following two significant findings had not been implemented:
 - a. Audit Report 16-08, finding B-7, revealed that progressive Electronic Gaming Devices ("EGDs") with top award jackpots under \$1,200 did not cause the machine to lock up when the top award was won.

¹ All statutory references are to RSMo 2000, unless otherwise specified.

² 20161006005

- i. The Management Response indicated that a review of progressive EGDs identified 37 EGDs which were subsequently updated to comply with the MGC standards.
 - ii. The auditors followed up on finding B-7 by inspecting each machine with a top award reset amount under \$1,200 and non-embedded software to ensure the jackpot limit was set to the correct reset amount. Of the 44 EGDs identified, two EGDs had the jackpot lockup set incorrectly, and therefore did not lock up when the top progressive award was won. As a result, these progressives could not be reconciled as required.
- b. Audit Report 16-07 found that Cashier Count Sheets, Employee Window Settlement Sheets, and Main Bank Settlement Sheets did not properly document variances at the end-of-shift count in the over/short field.
 - i. The Management Response indicated that the casino forms would be updated to reflect the variance in the appropriate variance fields noted.
 - ii. During the follow-up, MGC auditors noted that eight count sheets had variances, two of which were poker count sheets that did not list the variances in the over/short field.
 - iii. On October 6, 2016, MGC auditors issued a Compliance Directive (“CD”) to Zachary X. Mays (“Mays”), the Director of Casino Operations, referencing the finding that two of the poker count sheets did not list the variances in the over/short field.
 - iv. MGC auditors followed up on that CD on October 26, 2016, and found that although variances existed, no variances were listed on the poker count sheets in the over/short field. Variance slips were prepared and exchanges were made with the Main Bank prior to the completion of the poker count sheets.
 - v. On November 16, 2016, MGC auditors followed up again with Mays and found that four poker count sheets from November 1 through November 14, 2016, contained variances, none of which appeared on the poker count sheets as required.

LAW

9. Under § 313.805(6), RSMo, the Commission may assess any appropriate administrative penalty against a licensee, including, but not limited to, suspension, revocation, or penalties in an amount determined by the Commission.
10. Section 313.812.14, RSMo, states, in pertinent part, as follows:

A holder of any license shall be subject to imposition of penalties, suspension or revocation of such license, or if the person is an applicant for licensure, the

denial of the application, for any act or failure to act by himself or his agents or employees, that is injurious to the public health, safety, morals, good order and general welfare of the people of the state of Missouri, or that would discredit or tend to discredit the Missouri gaming industry or the state of Missouri unless the licensee proves by clear and convincing evidence that it is not guilty of such action. The commission shall take appropriate action against any licensee who violates the law or the rules and regulations of the commission. Without limiting other provisions of this subsection, the following acts or omissions may be grounds for such discipline.

- (1) Failing to comply with or make provision for compliance with sections 313.800 to 313.850, the rules and regulations of the commission or any federal, state or local law or regulations;
- (2) Failing to comply with any rule, order or ruling of the commission or its agents pertaining to gaming[.]

11. Title 11 CSR 45-5.200(2) states, in pertinent part, as follows:

A meter that shows the accurate amount of the progressive jackpot must be conspicuously displayed at or near the machines to which the jackpot applies. At a minimum, on the same day each week while the casino is closed, each licensee shall record the amount displayed on each progressive's top award jackpot meter at the licensee's establishment, except for wide-area progressive systems and stand-alone progressives where the software for the progressive is embedded within the EGD's Critical Program Storage Media (CPSM). The top award jackpot amount shall be reconciled to the system meters by multiplying the progression rate by the amount-in for the period between which the meter amounts were recorded, less any jackpots that have occurred plus any reset amounts. In order to perform this reconciliation, the top award jackpot on these local progressive games shall require the EGD to lock-up requiring a hand-paid jackpot....

12. Title 11 CSR 45-9.060 states, in pertinent part, as follows:

- (3) Violations of the minimum internal control standards [{"MICS"}] by a Class A or Class B licensee or an agent or employee of a Class A or Class B licensee are deemed to be unsuitable conduct for which the Class A or Class B licensee and/or its agent or employee is subject to administrative penalty pursuant to section 313.805(6), RSMo and 11 CSR 45-1 et seq., as amended from time-to-time. Any agent or employee of a Class A or Class B licensee that is involved in a violation of the minimum internal control standards may be subject to fine, discipline, or license revocation.
- (4) Violations of the Class B licensee's internal control system [{"ICS"}] by the Class A or Class B licensee or an agent or employee of the Class A or Class B

licensee shall be *prima facie* evidence of unsuitable conduct for which the Class A or Class B licensee and/or its agents or employees may be subject to discipline pursuant to section 313.805(6), RSMo and 11 CSR 45-1 et seq., as amended from time-to-time.

13. The MICS, Chapter F, § 3.03, states as follows:

At the end of each shift, the outgoing individual shall count all assigned assets in the Poker Room Bank and prepare and sign a Cashier/Bank Count Sheet listing the inventory. A blind count shall be performed by the incoming individual. The incoming individual shall sign the completed count sheet attesting to the accuracy of the information in the presence of the outgoing individual. If there is no incoming individual, a Cage Employee or Poker Supervisor shall conduct the blind count and verification and sign the completed count sheet in the presence of the outgoing individual. A reconciliation shall be performed of the opening imprest amount to the closing inventory total. Any variance shall be documented on the count sheet and a variance slip completed.

14. The Casino's ICS, Chapter F, § 3.03, states as follows:

At the end of each shift, the outgoing individual shall count all assigned assets in the Poker Room Bank and prepare and sign a CASHIER COUNT SHEET (EXHIBIT 131) listing the inventory. A blind count shall be performed by the incoming individual. The incoming individual shall sign the completed count sheet attesting to the accuracy of the information in the presence of the outgoing individual. If there is no incoming individual, a Table Games Supervisor shall conduct the blind count and verification and sign the completed CASHIER COUNT SHEET (EXHIBIT 131) in the presence of the outgoing individual. A reconciliation shall be performed of the opening imprest amount to the closing inventory total. Any variance shall be documented on the CASHIER COUNT SHEET (EXHIBIT 131) and a CASHIER VARIANCE SLIP (EXHIBIT 132) completed.

VIOLATIONS

15. The acts or omissions of employees or agents of the Company, as described above, constitute a failure of the Company to correct two significant audit findings, thereby violating 11 CSR 45- 5.200(2) and the MICS and the Casino's ICS, Chapter F, § 3.03.

16. The Company is therefore subject to discipline for such violations pursuant to §§ 313.805(6) and 313.812.14 (1) and (2), RSMo, and 11 CSR 45-9.060(3) and (4).

PENALTY PROPOSED

17. Under § 313.805(6), RSMo, the Commission has the power to assess any appropriate administrative penalty against the Company as the holder of a Class B license.

18. THEREFORE, it is proposed that the Commission fine Harrah's North Kansas City, LLC, and the amount of \$5,000 for the violations set forth herein.

Herbert M. Kohn
Chairman
Missouri Gaming Commission

CERTIFICATE OF SERVICE

The undersigned hereby certifies that he caused a true and correct copy of the foregoing to be mailed, postage prepaid, this ____ day of March, 2017, to:

Thomas Cook
Harrah's North Kansas City
One Riverboat Drive
Kansas City, MO 64116

Herbert M. Kohn
Chairman
Missouri Gaming Commission