

d. Auditor Johnson's investigation revealed the following:

- (1) On October 12, 2012, the General Ledger Chart of Accounts was reviewed in order to identify accounts that may have been used to record purchases of gaming equipment/supplies. Upon review of the purchase invoices, one (1) non-MGC licensed supplier, S & J Enterprises of Las Vegas, was identified as having sold gaming equipment, a Mikohn Con2i SuperController, to the Company on April 9, 2012.
- (2) On November 14, 2012, Accounting Manager Alicia Pope identified in an e-mail the employees responsible for requesting and approving the purchase of the Mikohn Con2i SuperController as follows:

*PO #516894 Request: Purchasing Agent Alissa Guinn
Price \$2,850 Approval: Director of Operations Christopher Stevenson
Approval: Senior Director of Finance Jean Hanson*

- (3) Purchasing Agent Alissa Guinn stated that the purchase of the Mikohn Con2i Super-Controller was a capital expenditure request and she entered the purchase requisition into the Stratton-Warren purchasing system on March 28, 2012. On March 29th Ms. Hanson and the Licensee approved the purchase.
- (4) Guinn further stated that the Purchasing Department was responsible for ensuring the vendor had been approved by Isle of Capri and all required documentation was included in that vendor's file. Guinn knew of the requirement that card and dice purchases be from approved vendors but she didn't know that the same standard applied to purchases like the Mikohn Con2i SuperController.
- (5) On November 15, 2012 the Licensee was interviewed about his role in approving the purchase of the Mikohn Con2i SuperController. The Licensee stated that purchasing approvals were based primarily on the dollar amount of the purchase and not so much the product being purchased or vendor being used. The Licensee added that there were a number of assumptions being made, particularly with regards to the meaning of the term "approved vendor" when used by casino staff. The Licensee described the corrective measure the property would be implementing in order to decrease the odds of similar situations occurring in the future, including the requirement that the employee creating the purchase requisition verify the vendor's acceptability (i.e., licensure status, company approval, etc.) and to also require a purchasing employee to verify the vendor's acceptability prior to creating the purchase order.
- (6) On November 21, 2012, Senior Director of Finance Jean Hanson was interviewed to determine her role in the purchasing process. Ms. Hanson

stated that upon receiving the e-mail notification that a purchase required her approval, she opened the purchase requisition. When asked if she would research the vendor from which the purchase was being made, Ms. Hanson stated that she would not research any further than to occasionally determine that the vendor did have all required documentation on file with Isle of Capri Casino - Kansas City's Purchasing Department.

- (7) Also reviewed on October 12, 2012 was Isle of Capri Casino - Kansas City's checkbook register listing all checks written between October 1, 2011 and September 7, 2012, was reviewed in order to identify purchases made from a sample of 25 non-MGC licensed suppliers who were either unknown to the auditor or whose names indicated they may have dealt in gaming equipment/supplies. Upon review of the purchase invoices, one (1) non-MGC licensed supplier, American Gaming and Electronics, was identified as having sold gaming equipment/supplies, IGT S2000 CPU and enhanced main boards, to Isle of Capri Casino - Kansas City on March 2, April 27, and September 21, 2012.
- (8) On November 14, 2012, Accounting Manager Alicia Pope identified in an e-mail the employees responsible for requesting and approving the purchases of the IGT S2000 CPU and enhanced main boards as follows:

*3/2/12 Request: Slot Technician Supervisor James Krouse
PO #507465 Approval: Slot Technician Manager Douglas Duffendack
Price \$489.29*

*4/27/12 Request: Slot Technician Supervisor James Krouse
PO #521086 Approval: Slot Technician Manager Douglas Duffendack
Price \$277.99*

*9/21/12 Request: Slot Technician Supervisor James Krouse
PO #551815 Approval: Slot Technician Manager Douglas Duffendack
Price \$686.42 Approval: Director of Operations Chris Stevenson.*

- (9) On November 14, 2012, Slot Tech Manager Douglas Duffendack was interviewed to determine the Slot Department's role in purchasing decisions, specifically as they related to the purchase of the Mikohn Con2i SuperController and IGT S2000 CPU/enhanced main boards. Duffendack stated that the Slot Department was responsible for selecting the vendors; however, he assumed additional investigation into the acceptability of that vendor was performed by other parties. Duffendack stated that the vendor selection process was the same for both capital expenditure requests, such as the Mikohn Con2i SuperController, and general purchase requisitions, such as the IGT S2000 CPU/enhanced main boards. Duffendack added that he thought there was a "cut off" of \$50,000 before a vendor of gaming equipment/supplies was required to be licensed by the MGC.

- (10) The Licensee was interviewed on November 20, 2012, to determine his role in the purchasing process. He stated that purchases were generally made from existing vendors who were vetted through Isle of Capri Casino - Kansas City's Purchasing Department. The Licensee stated that in the case of the CPU and enhanced main boards being purchased from American Gaming and Electronics, this vendor was selected because they offered used parts which were considerably less expensive than new parts. The Licensee stated that he would not research the recommended vendor to determine whether it was an MGC licensed supplier though he would check to make sure the vendor was approved by Isle of Capri Casino - Kansas City's Purchasing Department.
- e. Licensee's actions or inactions in approving the purchase of gaming related equipment from an unlicensed supplier company, discredits the Missouri gaming industry and the state of Missouri and violates Section 313.812.14, RSMo (2000), Section 313.812.14(1), (2), & (9), RSMo (2000), 11 CSR 45-4.260(4)(E), (F), & (Q), and 11 CSR 45-4.200(1): the Commission's Minimum Internal Control Standards ("MICS") Chapter O, § 4(i); and the Company's internal control system ("ICS") Chapter O, § 4(i).
6. Under Section 313.812.14, RSMo (2000), "A holder of any license shall be subject to imposition of penalties, suspension or revocation of such license, or other action 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..."
7. Section 313.812.14(1), RSMo (2000), states that a licensee may be disciplined for failing to comply with or make provisions for compliance with Sections 313.800 to 313.850, the rules and regulations of the Commission or any federal, state or local law or regulation.
8. Under 11 CSR 45-9.060(3), violations of the Commission's Minimum Internal Control Standards ("MICS") by a Class A licensee or an agent or employee of the Class A licensee are deemed to be unsuitable conduct for which the Class A licensee and/or its agent or employee is subject to administrative penalty pursuant to Section 313.805(6), RSMo (2000), and 11 CSR 45-1 *et seq.*; as amended from time to time.
9. Under 11 CSR 45-9.060(4), violations of the Class A licensee's internal control system ("ICS") by the Class A licensee or an agent or employee of the Class A licensee shall be prima facie evidence of unsuitable conduct for which the Class A licensee and/or its agents or employees may be subject to discipline pursuant to Section 313.805(6), RSMo (2000), and 11 CSR 45-1 *et seq.*, as amended from time to time.
10. According to 11 CSR 45-4.200(1), "A supplier's license is required of persons who or entities which manufacture, sell, or lease gaming equipment, gaming supplies, or

both; or provide gaming equipment maintenance or repair; or provide testing services on gaming related equipment, components, peripherals, or systems; or provide services on the gaming floor that relate to gaming equipment of a Class A or Class B licensee, or other items directed by the commission; unless exempted by the executive director. Additionally the executive director may waive or modify licensing fees and requirements. Such waiver, modification, or exemption shall not be applicable for testing laboratories.”

11. According to the Commission’s Minimum Internal Control Standard (“MICS”) Chapter O, § 4(i), entitled *Normal Purchasing Transactions*, “the Company’s ICS shall include a description of procedures regarding, “a prohibition against the purchase or lease of gaming equipment or supplies from other than a licensed supplier as defined in the Missouri Riverboat Gambling Act or MGC Rules and Regulations.”
12. According to the Company’s internal control system (“ICS”) Chapter O, § 4(i), entitled *Purchase/Lease of Gaming Equipment*, “by regulation, certain purchases must be made from companies who have been licensed by the Missouri Gaming Commission as a supplier. Any gaming related equipment or supplies, i.e., playing cards, layouts, dice, roulette tables, electronic gaming devices will be obtained from licensed suppliers. The Company will ensure vendors have a Suppliers License issued by the State of Missouri prior to purchasing gaming related equipment or supplies.”
13. The actions or omissions of Licensee as described in paragraph 5 above violate the following statutes, rules, MICS, or ICS: Section 313.812.14, RSMo (2000), Section 313.812.14(1), (2), & (9), RSMo (2000), 11 CSR 45-4.260(4)(E), (F), & (Q), and 11 CSR 45-4.200(1): the Commission’s Minimum Internal Control Standards (“MICS”) Chapter O, § 4(i); and the Company’s internal control system (“ICS”) Chapter O, § 4(i).
14. Licensee is subject to discipline for such violations pursuant to Section 313.805(6), RSMo (2000), and Section 313.812.14, RSMo (2000).

PENALTY PROPOSED

15. Under Section 313.805(6), RSMo (2000), the Commission has the power to assess any appropriate administrative penalty against Licensee, as the holder of a Level I occupational license.
16. **THEREFORE**, it is proposed that the Commission impose the following penalty against the license of Licensee for the violations set forth herein: **One (1) calendar day suspension.**

Dr. Barrett Hatches
Chairman
Missouri Gaming Commission

CERTIFICATE OF SERVICE

The undersigned hereby certifies that she caused a true and correct copy of the following to be mailed, postage prepaid, this _____ day of October, 2013, to:

Christopher Stevenson
8909 N. Chatam Ave.
Kansas City, MO 64154

Dr. Barrett Hatches
Chairman
Missouri Gaming Commission