

STATE OF NEVADA
GAMING CONTROL BOARD
INTERNAL CONTROL PROCEDURES

COMPUTERIZED KENO

Note 1: For any Board-authorized computer applications pursuant to Regulation 14, alternate documentation and/or controls which provide at least the level of control described by these procedures will be acceptable.

Note 2: A shift is any time period, designated by management, up to 12 hours.

Game Play Procedures

1. The computerized customer ticket includes the casino name, city, state, date, game number, conditioning (including multi-race if applicable), ticket sequence number and the station number.
2. Concurrently with the generation of the ticket the information on the ticket is recorded on a restricted transaction log or computer storage media.
3. Keno personnel are precluded from having unrestricted access to the restricted transaction log or computer storage media.
4. When it is necessary to void a ticket:
 - a. For computer voids:
 - 1) The void information is input in the computer and the computer documents the appropriate information pertaining to the voided wager (e.g., void slip is issued or equivalent documentation is generated).
 - 2) A supervisor, acting as a writer, may not authorize a void for a ticket for which he wrote that is in excess of \$50. A supervisor, who is independent of the ticket written, authorizes the void by signing the ticket at the time of voiding.
 - b. For not-in-computer voids, the void designation, date, and time is written/stamped on the original ticket. Two employees, the supervisor and the writer of the ticket, must sign the ticket at the time of voiding.
5. Controls exist to prevent the writing and voiding of tickets after a game has been closed and after the number selection process for that game has begun.
6. The controls in effect for tickets prepared in outstations (if applicable) are identical to those in effect for the primary keno game.

Number Selection - Rabbit Ear System

7. A camera is utilized to film the following prior to, and subsequent to, the calling of a game: Empty rabbit ears, date and time, game number, and full rabbit ears.
8. The film of the rabbit ears provides a legible identification of the numbers on the balls drawn.

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9. Selected numbers are immediately input into the computer system. The system documents the date, game number, the time the game was closed, and the numbers drawn.
10. Procedures are in effect which prevent access to keno balls in play by one individual.
11. Back-up keno ball inventories are secured in a manner to prevent access by one individual.
12. Keno balls are inspected prior to being placed into play to ensure that all numbers are accounted for and that each ball has an equal chance of being selected during the calling of the game. The inspection is performed by a minimum of two employees and is documented. The document includes the date and time of inspection, procedures performed, the inspection results, the investigation of noted exceptions, and the signatures of the individuals completing the inspection.

Number Selection - Random Number Generator

Note: A keno game with a random number generator that determines win or loss must have received Board and Commission approval as a gaming device.

13. The random number generator is linked to the computer system and directly relays the numbers selected into the system without manual input.
14. Keno personnel are precluded access to the random number generator.

Winning Ticket Verification and Payment

15. The sequence number of tickets presented for payment is input into the computer, and the payment amount indicated by the computer is paid to the patron.
16. Procedures are established to preclude payment on tickets previously presented for payment, unclaimed winning tickets (late pays) after a period of time specified by management, voided tickets, and tickets that have not yet been issued.
17. All payouts are supported by the customer (computer-generated) copy of the winning ticket (payout amount is indicated on the customer ticket or a payment slip is issued).
18. A manual report is produced and maintained documenting any payments made on tickets which are not authorized by the computer, including payments exceeding the aggregate payout limit.
19. For payments made on tickets that are not paid through the computer system, supervisory personnel must authorize the payment and sign the ticket at the time of payment.

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20. Winning tickets over a specified dollar amount not to exceed \$3,000 also require the following:
 - a. Approval of management personnel independent of the keno department evidenced by their signature.
 - b. Reviewing the tape or developing the film of the rabbit ears to verify the legitimacy of the draw and the accuracy of the draw ticket (for rabbit ear systems only).
 - c. Comparison of the winning customer copy to the computer reports.
 - d. Regrading of the customer copy using the payout schedule and draw information.
 - e. Performance of all of the above is documented and maintained.
21. When the keno game is operated by one employee, all winning tickets in excess of an amount to be determined by management (not to exceed \$1,500) must be reviewed, authorized and signed by a keno supervisor or by an employee independent of the keno department.

Check Out Standards

22. The computer system must indicate the amount of net cash that should be in each writer station. A supervisor is required to access this information.
23. For each writer station, a cash summary report (count sheet) is prepared at the conclusion of each shift that includes:
 - a. Computation of cash turned in for the shift, and any variances between the cash turn-in and the amount of net cash that the computer system indicates should be in each writer station.
 - b. The signatures of at least two employees who have verified the cash proceeds recorded in the above computation.

Promotional Payouts, Drawings and Giveaway Programs

24. The conditions for participating in promotional payouts, including drawings and giveaway programs, are prominently displayed or available for patron review at the licensed location.
25. Promotional payouts that are either deducted from gross gaming revenue, or are greater than or equal to \$100 and not deducted from gross gaming revenue, are documented to include the following:
 - a. Date and time.

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- b. Dollar amount of payout or description of personal property (e.g., car jacket, etc.).
- c. Reason for payout (e.g., promotion name).
- d. Signature of the following number of employees verifying, authorizing and completing the promotional payout:
 - 1) Two employee signatures for all payouts of more than \$10 that are deducted from gross gaming revenue; or
 - 2) One employee signature for all payouts of \$10 or less that are deducted from gross gaming revenue; or
 - 3) One employee signature for payouts of \$100 or more that are not deducted from gross gaming revenue.

Statistics

- 26. Records are maintained which include win and write by individual writer for each shift.
- 27. The daily keno recap information is used to prepare a keno revenue summary that is for:
 - a. Each shift.
 - b. Each day.
 - c. Month-to-date.
 - d. Year-to-date.
- 28. Management reviews keno statistical data at least on a monthly basis and investigates any large or unusual statistical variances.
- 29. Such investigations are documented and maintained.

System Security Standards

- 30. Access to the computer system is adequately restricted (e.g., passwords are changed at least quarterly, access to computer hardware is physically restricted, etc.).
- 31. All keys, including duplicates, to sensitive computer hardware in the keno area are maintained by a department or an employee independent of the keno function.
- 32. An employee independent of the keno department is required to accompany such keys to the keno area and observe changes or repairs each time the sensitive areas are accessed.

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Documentation

33. Adequate documentation of all pertinent keno information is generated by the computer system.
34. This documentation is restricted to authorized employees.
35. The documentation is to include, at a minimum:
 - a. Ticket information including: date, game number, ticket sequence number, station number, and conditioning, including multi-race if applicable.
 - b. Payout information (e.g., date, time ticket number, amount, etc.).
 - c. Game information (e.g., number, ball draw, time, etc.).
 - d. Daily recap information which includes:
 - 1) Write.
 - 2) Payouts.
 - 3) Gross revenue (a.k.a. win).
 - e. System exception information, including:
 - 1) Voids.
 - 2) Late pays.
 - 3) Appropriate system parameter information (e.g., changes in paytables, ball draws, payouts over a predetermined amount, etc.).
 - f. Employee access listing which includes at a minimum:
 - 1) Employee name.
 - 2) Employee identification number.
 - 3) Listing of functions employee can perform or equivalent means of identifying same.

Contests/Tournaments

36. All contest/tournament entry fees and prize payouts (including mail transactions) are summarized on an accountability document on a daily basis.

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37. When contest/tournament entry fees and payouts are transacted, they are recorded on a document which contains:
 - a. Patron's name.
 - b. Date of entry/payout.
 - c. Dollar amount of entry fee/payout (both alpha and numeric).
 - d. Signature or initials of individual completing transaction.
 - e. Name of contest/tournament.
38. The contest/tournament entry fees and payouts are summarized and posted to the accounting records on at least a monthly basis.
39. Contest/tournament rules are included on all entry forms/brochures and are prominently displayed or available for patron review at the licensed location. The rules must include at a minimum:
 - a. All conditions patrons must meet to qualify for entry into, and advancement through, the contest/tournament.
 - b. Specific information pertaining to any single contest/tournament, including the dollar amount of money placed into the prize pool.
 - c. The distribution of funds based on specific outcomes.
40. Results of each contest/tournament are recorded and available for participants to review. The recording includes the name of the event, date(s) of event, total number of entries, dollar amount of entry fees, total prize pool, and the dollar amount paid for each winning category. The name of each winner is recorded and maintained but not made available to the participants unless authorized by management personnel.
41. The aforementioned contest/tournament records are maintained for each event.

Keno Audit

42. The keno audit is conducted by an employee independent of the keno department.
43. At least annually, keno audit will foot the write on the restricted copy of the keno transaction report for a minimum of one shift and compare the total to the total as documented by the computer.
44. For at least one shift every other month keno audit performs the following:
 - a. Foot the customer copy of the payouts and trace the total to the payout report.

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- b. Regrade at least 1% of the winning tickets using the payout schedule and draw ticket.
45. Keno audit also performs the following:
- a. For a minimum of five games per week, compare the videotape/film of the rabbit ears to the keno transaction report. For rabbit ear systems that are directly interfaced to the computerized keno system, compare the videotape/film of the rabbit ears to the keno transaction report for a minimum of ten games per month. When manual ball draw changes are made to the direct interface, all changes are audited and compared to the rabbit ears videotape/film.
 - b. Daily, compare net cash proceeds to the audited win/loss by shift and investigate any large cash overages or shortages in excess of \$25.
 - c. Daily, review and regrade all winning tickets greater than or equal to \$1,500, including all forms which document that proper authorizations and verifications were obtained and performed.
 - d. Daily, review the documentation for payout adjustments made outside the computer and investigate large and frequent payments.
 - e. System exception information is reviewed on a daily basis for propriety of transactions and unusual occurrences.
 - f. If a random number generator is used, then at least weekly the numerical frequency distribution is reviewed for potential patterns during the previous four-week period.
 - g. If a rabbit ear system is used and the computerized keno system generates a draw number frequency report, then at least weekly the numerical frequency distribution is reviewed for potential patterns and missing numbers during the previous four-week period.
 - h. All noted improper transactions or unusual occurrences are investigated with the results documented.
46. In addition to the aforementioned keno audit procedures, for each day when the keno game is operated by one employee, keno audit will perform the following:
- a. The customer copies of all winning tickets in excess of \$500 and at least 10 other winning tickets per week are regraded and traced to the computer payout report.

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- b. The videotape/film of rabbit ears is randomly compared to the keno transaction report for at least 10% of the games during the shift.

Note: This step does not apply to rabbit ear systems that are directly interfaced to the computerized keno system unless a ball draw change is made manually. All manual changes associated with directly interfaced systems are audited and compared to the rabbit ear films.

- c. Keno audit personnel review winning tickets for proper authorization pursuant to procedure #21.
 - d. Review voided tickets in excess of \$25 for proper supervisory approval.
- 47. In the event any employee performs the writer and deskman functions on the same shift, the procedures described in procedure #46 (a), (b) and (d) (using the sample sizes indicated) are performed on tickets written by that employee.
 - 48. Daily, keno audit shall review all not-in-computer voids for void designation and proper supervisory approval.
 - 49. Monthly, accounting personnel review all contests, tournaments, promotional payouts, drawings, and giveaway programs to determine proper accounting treatment and proper win/loss computation.
 - 50. For all contests, tournaments, promotional payouts, drawings, and giveaway programs the following documentation is maintained:
 - a. Copies of the information provided to the patrons describing the contests, tournaments, promotional payouts, drawings and giveaway programs.
 - b. Effective dates.
 - c. Accounting treatment, including general ledger accounts, if applicable.
 - 51. Monthly, accounting personnel perform procedures (i.e., interviews, review of payout documentation, etc.) to ensure that promotional payouts, drawings and giveaway programs are conducted in accordance with the conditions provided to the patrons.
 - 52. Daily, accounting personnel reconcile all contest/tournament entry and payout forms to the dollar amounts recorded in the appropriate accountability document.
 - 53. When payment is made to the winners of a contest/tournament, accounting personnel will reconcile the contest/tournament entry fees collected to the actual contest/tournament payouts made. This reconciliation is to determine whether, based on the entry fees collected, the payouts made and the amounts withheld by the gaming establishment, if applicable, were distributed in accordance with the contest/tournament rules.

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54. Documentation (e.g., a log, checklist, notation on reports, and tapes attached to original documents, etc.) is maintained evidencing the performance of all keno audit procedures, the exceptions noted and follow-up of all keno audit exceptions.
55. Non-keno management reviews keno audit exceptions, and performs and documents investigations into unresolved exceptions.

Miscellaneous

56. All documents, including computer storage media, discussed in these procedures must be retained for 5 years except for the following, which must only be retained for at least 7 days.
 - a. Videotape/film of rabbit ears.
 - b. All copies of losing keno tickets.
 - c. All copies of winning keno tickets of less than \$1,500.
 - d. The information in procedures #35 (a), (b) and (c) not related to payouts of \$1,500 or more.

Note: The customer presented inside ticket does not need to be maintained.

Multi-Race

57. Procedures are established to notify keno employees immediately of large multi-race winners to ensure compliance with procedure #20.
58. Controls exist to ensure that keno employees are aware of multi-race tickets still in process at the end of a shift.
59. All games encompassed by a multi-race keno ticket must be completed within 14 days of the wager being placed.

Payout Procedures for Mail-In Winning Keno Tickets

60. Accounting personnel or personnel independent of the keno department receive the original winning keno ticket.
61. Accounting personnel or personnel independent of the keno department record the winning keno ticket on a log as a mail pay. The log includes the date received, patron's name, and keno ticket number.
62. The winning keno tickets are entered into the computer system for validation and then cancellation as a mail pay.

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63. Accounting personnel compare the "paid" winning keno tickets to the mail pay log and the system report for "paid" winning keno tickets. Any discrepancies are documented and reviewed with keno and accounting management personnel.

64. Accounting personnel, independent of the individual(s) that processed the mail pay winning ticket, review the patron's correspondence submitted, the winning keno ticket, the mail pay log and the system report for "paid" winning keno tickets for any discrepancies. Any discrepancies are documented and resolved prior to remitting the proper payment amount to the patron.