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NOTICE TO LICENSEES

Notice # 2016-74

Issuing Division: Audit

DATE: October 26, 2016
TO: All Group I Nonrestricted Licensees
FROM: Terry Johnson, Esq., Board Member
SUBJECT: **Slots MICS #106(c), #186 and #188 (V7) Variations – Konami KCMS/Synkros Online Slot Metering System (Versions 3.23.4.1 and 3.22.2.22)**

As of January 1, 2015, all Group I nonrestricted licensees were required to be in compliance with the Version 7 of the Minimum Internal Control Standards (MICS). Numerous Group I nonrestricted licensees have installed and are using the Konami KCMS/Synkros TS3 Online Slot Metering System ("KCMS/Synkros"). Slots MICS #106(c) requires that for multi-game and/or multi-denomination slot machines, a TS3 OSMS is used to calculate a weighted theoretical hold percentage for each of these slot machines within 30 days after the end of the fiscal year, based upon the ratio of coin-in for each payable in play during the year. The calculated weighted average theoretical hold percentage for the slot machine is indicated in the fiscal year end slot analysis report. Slots MICS #186 requires that for other than a SBG, licensees using a TS3 OSMS must at least monthly perform procedures to verify that the metering system is transmitting, receiving, and recording data from the slot machines properly for the following slot machine meters, as applicable to the operation:

- Coin-in by payable for multi-game and/or multi-denomination slot machines (only required if using a TS3 OSMS, see MICS #106).

Slots MICS #188 requires that quarterly for multi-game and/or multi-denomination slot machines (other than SBG) licensees must reconcile the combined coin-in dollar amounts by payable to the total coin-in dollar amount of the slot machine. Unreconciled variances are to be investigated with slot department employees and exceptions documented so that meters can be repaired or clerical errors in the recording of meter amounts can be corrected.

The KCMS/Synkros system is not capable of adjusting the theoretical hold percentage reflected in the slot analysis report for multi-game and/or multi-denomination slot machines that communicate coin-in by payable to a weighted average based upon the ratio of coin-in for each payable in play during the year.

The Board is granting variations of Slots MICS #106(c), #186 and #188 to all Group I nonrestricted licensees who have installed and are using the Konami KCMS/Synkros Online Slot Metering System (Versions

3.23.4.1 and 3.22.2.22). Therefore, licensees are not required to adjust the theoretical hold percentage in the slot analysis report for multi-game and/or multi-denomination slot machines, as required by Slots MICS #106(c). As a condition of this approval, the simple average theoretical hold percentage is to be used in the slot analysis report and the requirements of Slots MICS #104 and #105 are to be met. Additionally, the procedures required by Slots MICS #186 (only applies to the procedures required for coin in by payable for multi-game and/or multi-denomination slot machines) and #188 are not required to be performed.

Compliance with Slots MICS #104 and #105 is required **until** an updated version of the currently installed KCMS/Synkros TS3 OSMS is available for use that is capable of adjusting the theoretical hold percentage to represent an accurate weighted theoretical performance of a slot machine in the slot analysis report.

Please be advised that the Board retains the discretion to revoke and/or modify these MICS variation approvals for good cause.

Please contact IT Audit Supervisor Lana Balasky at (702) 486-2060 if you have any questions.