

IN THE MISSOURI GAMING COMMISSION

In Re:)
) DC-19-090
St. Louis Gaming Ventures, 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 2016,¹ with jurisdiction over gaming activities, including riverboat gambling activities, in the State of Missouri.
2. The Commission issued Penn National Gaming, Inc., a Class A gaming license to develop and operate Class B gaming licenses in the State of Missouri.
3. Penn National Gaming, Inc., is the parent organization or controlling entity of St. Louis Gaming Ventures, LLC (“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 *Hollywood Casino St. Louis* (“Casino”).
5. As the holder of a Class B license, St. Louis Gaming Ventures, LLC, 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 December 1, 2015, through August 31, 2017, and issued MGC Audit Report 18-02 to the Casino on February 15, 2018.
7. A follow-up audit was conducted in June 2018, to determine if the audit findings from Audit Report 18-02 had been corrected.
8. The follow-up audit found that the following two significant findings had not been implemented:
 - a. Audit Report 18-02, finding B-11, revealed that Temp Bank Vouchers were being used to document the addition of currency cassettes and coin to redemption kiosks, and that the

¹ All statutory references are to RSMo 2016, unless otherwise specified.

² GIR # 20181206005

employee who was issued and responsible for the funds failed to sign the Temp Bank Vouchers.

- i. The Management Response indicated that the Cage Manager would revise the process to use a Paid-Out Slip for the addition of currency cassettes and coin in to redemption kiosks.
 - ii. The auditors followed up on finding B-11 and found that Temp Bank Vouchers were still being used to document the addition of currency and coin redemption kiosks.
- b. Audit Report 18-02, finding F-1 found that the payroll records available to Revenue Audit did not accurately reflect the position in which dual rate employees worked each day between April 26 to April 30, 2017.
- i. The Management Response stated that Casino management would issue a Read and Sign memo to all dual rate employees with instructions on how to properly clock in and out using the correct code for the position they worked. Additionally, department supervisors or managers making manual adjustments to the automated payroll system report after 6:00 a.m. the next day would notify Revenue Audit via email of such adjustments.
 - ii. When following up on finding F-1, auditors found that the payroll records did not accurately reflect the position in which dual rate employees worked each day. The Punch Origin reports reviewed for the gaming days of June 14, 2018 and June 15, 2018, showed discrepancies between the positions employees worked for the day, as recorded in payroll records, to the positions listed on the Punch Origin report.

LAW

9. Section 313.805, RSMo, states, in pertinent part, as follows:

The commission shall have full jurisdiction over and shall supervise all gambling operations governed by sections 313.800 to 313.850. The commission shall have the following powers and shall promulgate rules and regulations to implement sections 313.800 to 313.850:

* * *

- (5) To investigate alleged violations of sections 313.800 to 313.850 or the commission rules, orders, or final decisions;
- (6) To assess any appropriate administrative penalty against a licensee, including, but not limited to, suspension, revocation, and penalties of an amount as determined by the commission up to three times the highest daily amount of gross receipts derived from wagering on the gambling games, whether unauthorized or authorized, conducted during the previous twelve months as

well as confiscation and forfeiture of all gambling game equipment used in the conduct of unauthorized gambling games. Forfeitures pursuant to this section shall be enforced as provided in sections 513.600 to 513.645;

* * *

(19) To take any other action as may be reasonable or appropriate to enforce sections 313.800 to 313.850 and the commission rules.

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 45-9.060 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 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. from time to time.

12. Title 11 CSR 45-10.030 states, in pertinent part, as follows:

- (1) Licensees shall promptly report to the commission any facts which the licensee has reasonable grounds to believe indicate a violation of law (other than minor traffic violations), minimum internal control standard requirements or commission rule committed by licensees, their employees or others, including, without limitation, the performance of licensed activities different from those permitted under their license.

* * *

- (4) Licensees shall take reasonable actions to safeguard from loss all tokens, tickets, chips, checks, funds, and other gaming assets.

* * *

- (7) All occupational licensees shall have a working knowledge of Chapter 313.800, RSMo et seq., *Code of State Regulations*, Title 11 Division 45, and the internal controls of the Class A or B licensees for whom they are currently employed by as they pertain to the responsibilities and limitations of their job.

13. The Commission's MICS, Chapter A, § 1.02, states as follows:

An employee performs a "dual rate" function when an employee of a lower level within the same department moves up one level to perform the duties of his/her supervisor's position. The following standards shall apply:

- (A) The Class B Licensee shall maintain a current list of all employees who are allowed to dual rate by department;

* * *

- (D) The Class B Licensee shall specify in their Internal Control System the record to be used to document the position the employee is performing that day. All documentation shall be available to Accounting (Revenue Audit) and be retained on file[.]

14. The Casino's ICS, Chapter A, § 1.02, states as follows

An employee performs a "**dual rate**" function when an employee of a lower level within the same department moves up one level to perform the duties of his/her supervisor's position. The following standards shall apply:

- (a) Hollywood Casino St. Louis shall maintain a current list of all employees who are allowed to dual rate by department;

* * *

(d) Hollywood Casino St. Louis will use the daily payroll record to document the position the employee is performing that day. All documentation shall be available to Revenue Audit and retained on file[.]

15. The Commission's MICS, Chapter H, § 4.01 states as follows:

Temporary banks are funds that are temporarily issued to an employee to use for slot wallets, food and beverage banks or marketing events. The funds are issued from and returned, with any supporting documentation, to the employee window or Main Bank at the end of the employee's shift. The Internal Control System shall identify all temporary banks and the functions performed by each. Temporary banks shall not exceed \$10,000. Temporary banks used for marketing events shall be subject to the security escort requirements set forth in Chapter N. Slot wallets that are maintained on an imprest basis and non-gaming banks which are issued and dropped to be counted by soft count are not considered temporary banks.

16. The Casino's ICS, Chapter H, § 4.01 states, in pertinent part, as follows:

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17. Both the Commission's MICS and the Casino's ICS, Chapter H, § 4.03, state as follows:

The employee responsible for the funds shall return the temporary bank at the end of the shift. The employee returning the funds and the Main Bank/Employee Window Cashier shall both count the funds. If the entire amount of the funds is not returned, other documentation that indicates the disbursement of the missing funds shall be provided to the Main Bank/Employee Window Cashier. The employee returning the funds and the Main Bank/Employee Window Cashier shall use the documentation, the funds returned or a combination of the two to reconcile the bank. The employee returning the funds and the Main Bank/Employee Window Cashier shall both sign the Temporary Bank Voucher attesting to the accuracy of the funds.

VIOLATIONS

18. 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

45-10.030(1), (4), and (7), the Commission's MICS, Chapter A, § 1.02 and Chapter H, §§ 4.01 and 4.03, and the Casino's ICS, Chapter A, § 1.02 and Chapter H, §§ 4.01 and 4.03.

19. 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

20. 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.

21. THEREFORE, it is proposed that the Commission fine St. Louis Gaming Ventures, LLC the amount of \$2,500 for the violations set forth herein.

Mike Leara
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 26th day of September, 2019, to:

Michael Jerlecki
General Manager
Hollywood Casino St. Louis
777 Casino Center Dr.
St. Louis, MO 63043

Mike Leara
Chairman
Missouri Gaming Commission