

Proposed

KANSAS RACING AND GAMING COMMISSION

**NOTICE OF HEARING ON PROPOSED
PERMANENT ADMINISTRATIVE REGULATIONS**

A public hearing will be conducted at the Eisenhower State Office Building, Kansas Racing and Gaming Commission Office, 5th floor, Conference Room A, 700 SW Harrison, Topeka, Kansas, on Wednesday, September 7, 2011, at 9:00 a.m., to consider the adoption of the proposed permanent regulations of the Kansas Racing and Gaming Commission.

This 60-day notice constitutes a public comment period for the purpose of receiving written public comments on these proposed regulations. All interested parties may submit written comments prior to the hearing to the Kansas Racing and Gaming Commission, 700 SW Harrison, Topeka, Kansas 66603 or by email to patrick.martin@krgc.ks.gov. All interested parties will be given a reasonable opportunity to present their views orally regarding the adoption of the proposed regulations during the public hearing. In order to provide all parties an opportunity to present their views, it may be necessary to request that each participant limit any oral presentation to five minutes.

Any individual with a disability may request accommodation in order to participate in the public hearing and may request the proposed regulations and economic impact statements in an accessible format. Requests for accommodations to participate in the hearing should be made at least five working days in advance of the hearing by contacting the Kansas Racing and Gaming Commission, 700 SW Harrison, Suite 500, Topeka, Kansas 66603-3754, or by calling (785) 296-5800.

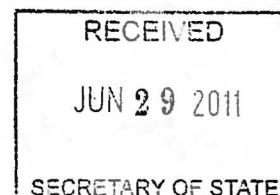
Copies of the proposed regulations and the economic impact statements for the proposed regulations can be viewed by accessing the official website of the Kansas Racing and Gaming Commission (www.krgc.ks.gov).

Under the Expanded Lottery Act, all of the costs of oversight and regulation by the Kansas Racing and Gaming Commission are required to be paid by the gaming facility managers. Therefore, there are no costs anticipated to the agency or other governmental agencies, or to the people of Kansas, as a result of these regulations.

The following is a summary of the proposed regulations:

K.A.R. 112-100-2. Duty to disclose material and complete information. The amendment to this regulation includes a provision that a licensee or certificate holder shall report suspected illegal activity or regulatory violations to the commission security staff within 24 hours of becoming aware of the matter.

K.A.R. 112-101-8. Certificate renewal. The amendment to this regulation clarifies that submitting a renewal application suspends the expiration of the certificate until the commission has taken action on the application, not to exceed six months.



K.A.R. 112-102-2. Gaming supplier and non-gaming supplier defined. The amendment to this regulation adds a new section clarifying certain regulated or professional companies shall not be considered a non-gaming supplier.

K.A.R. 112-102-10. Certificate renewal application. The amendments to this regulation clarifies that submitting a renewal application suspends the expiration of the certificate until the commission has taken action on the application, not to exceed six months.

K.A.R. 112-103-11. License renewal. The amendment to this regulation clarifies that submitting a renewal application suspends the expiration of the license until the commission has taken action on the application, not to exceed six months.

K.A.R. 112-104-5. Standard financial reports. The amendments to this regulation reflect that annual and quarterly reports shall be based on the state's fiscal year rather than a calendar year.

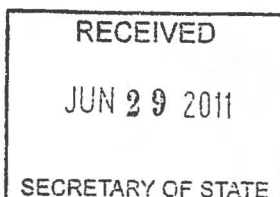
K.A.R. 112-104-6. Annual audit; other reports; currency transaction reporting; suspicious transaction reporting. The amendments to this regulation removes two types of additional reports to be required by the facility manager's independent certified public accountant or independent registered certified public accounting firm auditing the facility manager's financial statements. New language is added stating an annual audit of the facility manager's compliance with commission regulations may be required by the executive director.

K.A.R. 112-104-42. Purchasing. This new regulation requires each facility manager's internal control system to include internal controls for purchasing.

K.A.R. 112-108-23. Dice; receipt, storage, inspections, and removal from use. The amendment to this regulation corrects a numbering error contained within the regulation.

K.A.R. 112-110-1. Adoptions by reference for technical standards. The amendment to this regulation adds a new Gaming Laboratories International technical standard adoption by reference.

K.A.R. 112-110-14. Procedures for resolving EGM breaks in communication with the central computing system. This new regulation outlines procedures for the central computer system supplier to follow in resolving rare EGM breaks in communication with the central computer system.



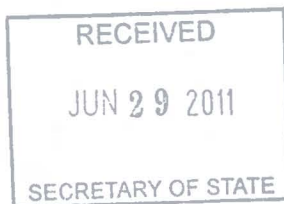
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112-100-2. Duty to disclose material and complete information. (a) An applicant for a certificate, certificate renewal, license, or license renewal shall not provide false information on any application form or to commission staff.

(b) Each applicant for a certificate, certificate renewal, license, or license renewal shall disclose any material fact required on any application form.

(c) Unless otherwise provided in these regulations, each applicant for a certificate, certificate renewal, license, or license renewal and each holder of one of those documents shall report any change in the application or renewal information. The applicant or holder shall notify the commission in writing within 11 days of each change.

(d) Each licensee and each certificate holder shall report any suspected illegal activity or regulatory violations to the commission security staff within 24 hours of becoming aware of the matter. (Authorized by and implementing K.S.A. 2007 2010 Supp. 74-8751 and 74-8772; effective Sept. 26, 2008; amended P-_____.)



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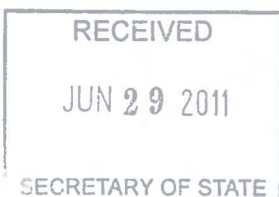
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112-101-8. Certificate renewal. (a) Each renewal application for a facility manager's certificate shall be submitted to the commission staff at least 120 days before the expiration of the current certificate. Each certificate holder shall submit the renewal application on a commission-approved form along with any supporting documents.

(b) Each person seeking to renew its gaming certificate shall be required to meet all requirements for an initial gaming certificate.

(c) An applicant's timely submission of a renewal application shall suspend the expiration of the certificate until the commission has taken action on the application. This suspended expiration shall not exceed six months. (Authorized by K.S.A. ~~2007~~ 2010 Supp. 74-8751 and 74-8772; implementing K.S.A. ~~2007~~ 2010 Supp. 74-8751; effective April 17, 2009; amended P-_____.)



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112-102-2. Gaming supplier and non-gaming supplier defined. (a) Each person that performs one or more of the following shall be considered a gaming supplier:

(1) Manufactures, sells, leases, supplies, or distributes devices, machines, equipment, accessories, or items that meet at least one of the following conditions:

- (A) Are designed for use in a gaming facility;
- (B) are needed to carry out a lottery facility game;
- (C) have the capacity to affect the result of the play of a lottery facility game;

or

(D) have the capacity to affect the calculation, storage, collection, or control of the revenues from a gaming facility;

(2) provides maintenance services or repairs gaming equipment, including slot machines;

(3) provides services directly related to the management or administration of a gaming facility;

(4) provides junket services; or

(5) provides items or services that the commission has determined are used in or are incidental to gaming or to an activity of a gaming facility.

(b)(1) Any person that is not a gaming supplier but otherwise meets one or more of the following may be considered a non-gaming supplier:

~~(1)~~(A) Acts as a manager of an ancillary lottery gaming facility;

~~(2)~~(B) is not a public utility and provides goods or services to a facility manager

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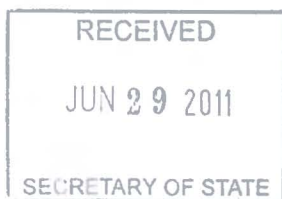
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or ancillary lottery gaming facility in an amount of \$100,000 or more within a one-year period; or

(3)(C) provides goods or services to a gaming facility and could present a security, integrity, or safety concern to the gaming operations as determined by the executive director.

(2) A person that is any of the following shall not be considered a non-gaming supplier:

(A) Regulated insurance company providing insurance to a facility manager, an ancillary lottery gaming facility, or the employees of either:

(B) employee benefit or retirement plan provider, including the administrator;

(C) regulated bank or savings and loan association that provides financing to a facility manager or ancillary lottery gaming facility; or

(D) professional service provider, including an accountant, architect, attorney, and engineer. (Authorized by and implementing K.S.A. ~~2008~~ 2010 Supp. 74-8751 and 74-8772; effective Aug. 14, 2009; amended P-_____.)

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112-102-10. Certificate renewal application. Each renewal application for a gaming or non-gaming supplier certificate shall be filed with the commission staff at least 120 days before the expiration date of the license. Each certificate holder shall submit the renewal application on a commission-approved form along with any supporting documents. An applicant's timely submission of a renewal application shall suspend the expiration of the certificate until the commission has taken action on the application. This suspended expiration shall not exceed six months. (Authorized by and implementing K.S.A. 2007 2010 Supp. 74-8751; effective Aug. 14, 2009; amended P-_____.)

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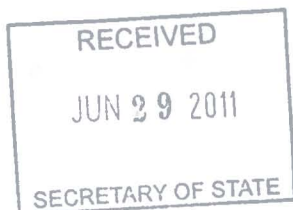
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112-103-11. License renewal. Each occupation licensee wanting to renew the license shall file an application for occupation license renewal with the commission staff. Each application shall be submitted on a form approved by the commission. The completed renewal application shall be filed with the commission staff at least 90 days before expiration of the license. An applicant's failure to timely file the renewal application may result in expiration of the license and an inability to work with or for the facility manager. An applicant's timely submission of a renewal application shall suspend the expiration of the license until the commission has taken action on the application. This suspended expiration shall not exceed six months. (Authorized by and implementing K.S.A. 2008 2010 Supp. 74-8772; effective April 17, 2009; amended P-_____.)



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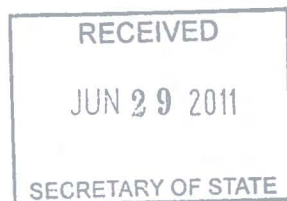
112-104-5. Standard financial reports. (a) Each facility manager's internal control system shall include internal controls for standard financial reports. The internal controls shall be submitted to and approved by the commission under K.A.R. 112-104-1. A facility manager shall file the following financial data reports:

- (1) A balance sheet submitted monthly, quarterly, and annually;
- (2) an income statement submitted monthly, quarterly, and annually;
- (3) a cash flow statement submitted monthly, quarterly, and annually;
- (4) daily net EGM income submitted daily, monthly, quarterly, and annually; and
- (5) a comparison of net EGM income to projected net EGM income submitted monthly, quarterly, and annually.

(b) Standard reporting forms and corresponding filing instructions may be prescribed by the executive director to be used by a facility manager in filing the monthly reports specified in subsection (a).

(c) The annual reports shall be based on a ~~calendar~~ fiscal year beginning ~~January~~ July 1 and ending ~~December 31~~ June 30, unless otherwise approved by the executive director. The quarterly reports shall be based on the ~~calendar~~ quarters ending ~~March 31~~ September 30, ~~June 30~~ December 31, ~~September 30~~ March 31, and ~~December 31~~ June 30, unless otherwise approved by the executive director. The monthly reports shall be based on calendar months. Interim reports shall contain a cumulative year-to-date column.

(d) The annual financial statements shall be prepared on a comparative basis for the current and prior calendar years and shall present financial position, results of



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operations, and cash flows in conformity with GAAP.

(e) The electronically transmitted reports or hard copy reports required to be filed pursuant to this regulation shall be authorized by individuals designated by the facility manager. In addition, the facility manager shall submit a letter attesting to the completeness and accuracy of the reports. The letter shall be signed by the facility manager's chief financial officer or controller.

(f) The reports required to be filed pursuant to this regulation shall be addressed as prescribed by the executive director and received no later than the required filing date. The required filing dates shall be the following:

(1) Monthly reports shall be due on the last calendar day of the following month or the next business day if ~~such~~ the day falls on a weekend or legal holiday.

(2) Quarterly reports for the first three ~~calendar~~ quarters shall be due ~~on the last calendar day of the second month following the end of the facility manager's calendar quarter.~~ Quarterly reports for the fourth ~~calendar~~ quarter shall be due ~~on the last calendar day of the third month following the end of the facility manager's fourth calendar quarter~~ within two months of each quarter's end. The last quarterly report shall be due within three months of that quarter's end.

(3) Annual reports shall be due on the last calendar day of the third month following the end of the facility manager's ~~calendar~~ fiscal year or 10 days after form 10-K is filed with the securities and exchange commission, whichever comes first.

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(g) In the event of a license termination, change in business entity, or a change in ownership of at least 20%, the facility manager shall file with the commission the required financial and statistical reports listed in paragraphs (a)(1) through (3) for the previous month through the date of occurrence. The facility manager shall file the reports within 30 calendar days of the occurrence.

(h) All significant adjustments resulting from the annual audit required in K.A.R. 112-104-6 shall be recorded in the accounting records of the year to which the adjustment relates. If the adjustments were not reflected in any annual report and the commission concludes that the adjustments are significant, the facility manager may be required by the executive director to file a revised annual report. The revised filing shall be due within 30 calendar days after written notification to the facility manager, unless the facility manager submits a written request for an extension before the required filing date and the extension is granted by the executive director.

(i) Additional financial reports may be requested in writing by the executive director to determine compliance by the facility manager with the act and this article.

(Authorized by and implementing K.S.A. 2007 2010 Supp. 74-8772; effective Sept. 26, 2008; amended P-_____.)

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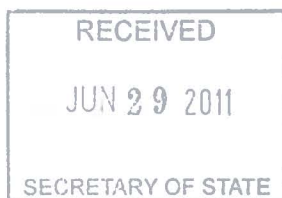
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112-104-6. Annual audit; other reports; currency transaction reporting; suspicious transaction reporting. (a) Each facility manager's internal control system shall include internal controls for annual and other audit reports. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1. Each facility manager shall cause its annual financial statements to be audited by an independent certified public accountant or, when appropriate, an independent registered certified public accounting firm licensed to practice in this state. The audit shall be in accordance with generally accepted auditing standards and, when applicable, the standards of the public company accounting oversight board. The independent certified public accountant or, when appropriate, independent registered certified public accounting firm shall be approved by the executive director before the audit engagement.

(b) Independent certified public accountants and independent registered certified public accounting firms performing annual audits or special reports shall not perform internal audit services for the same facility manager.

(c) The annual financial statements audit shall be prepared on a comparative basis for the current and prior fiscal years and present financial position and results of operations in conformity with generally accepted accounting principles.

(d) The financial audit required by this regulation shall include a footnote reconciling and explaining any differences between the financial statements included in any annual report filed in conformity with K.A.R. 112-104-5 and the audited financial statements. The footnote shall disclose the effect of adjustments on the following:



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- (1) Revenue from the operation of EGMs;
- (2) EGM revenue minus expenses for complimentary;
- (3) total costs and expenses;
- (4) income before extraordinary items, as that term is used within GAAP; and
- (5) net income.

(e) The facility manager shall require the independent certified public accountant or independent registered certified public accounting firm auditing the facility manager's financial statements to render the following additional reports:

~~(1) A report on all weaknesses or deficiencies in the internal control system, with separate indication for material and nonmaterial items noted in the course of the examination of the financial statements;~~

~~(2) a report expressing that, based on the examination of the financial statements, the facility manager has followed, in all material respects during the period covered by the examination, the facility manager's internal control system over financial reporting based upon the description of the internal control system approved for the facility manager under K.A.R. 112-104-1. Whenever the facility manager has deviated from the internal control system as approved by the commission, the report shall enumerate each deviation and each area of the system no longer considered effective, whether considered material or not, and shall make recommendations regarding improvements on areas considered material in the internal control system;~~

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(3) A report on the prospective financial statements, including a one-year forecast and three-year projection, expressing an opinion as to whether the prospective financial information is properly prepared on the basis of the assumptions and is presented in accordance with the relevant financial reporting framework; and

(4) (2) any additional relevant reports if required by the executive director.

(f) At any time a special audit of a facility manager may be required by the commission to be conducted by commission personnel, an independent certified public accountant, or an independent registered certified public accounting firm licensed to practice in the state of Kansas. The scope, procedures, and reporting requirements of any special audit shall be established by the executive director.

(g) Copies of the audited financial statements in an amount determined by the executive director, together with any management letter or report prepared regarding that statement by the facility manager's independent certified public accountant or independent registered certified public accounting firm, shall be filed with the commission not later than 120 days after the end of the facility manager's fiscal year.

(h) The facility manager shall prepare a written response to the independent certified public accountant's or independent registered certified public accounting firm's reports required by subsection (e). The response shall indicate, in detail, any corrective actions taken. The facility manager shall submit a copy of the response to the commission within 90 days of receipt of the reports.

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(i) The facility manager shall file with the commission copies of the reports required by subsection (e) in an amount determined by the executive director and copies in an amount determined by the executive director of any other reports on internal controls, administrative controls, or other matters relative to the facility manager's accounting or operating procedures rendered by the facility manager's independent certified public accountant or independent registered certified public accounting firm within 120 days following the end of the facility manager's fiscal year or upon receipt, whichever is earlier.

(j) The facility manager shall submit to the commission three copies of any report that is filed, or required to be filed, with the securities and exchange commission (SEC) or other securities regulatory agency. The reports shall include any S-1, 8-K, 10-Q, 10-K, proxy or information statements, and registration statements. The reports shall be filed with the commission within 10 days of whichever of the following occurs first:

- (1) The filing of the report with the SEC or other securities regulatory agency; or
- (2) the due date prescribed by the SEC or other securities regulatory agency.

(k) If an independent certified public accountant or independent registered certified public accounting firm previously engaged as the principal accountant to audit the facility manager's financial statements resigns or is dismissed as the facility manager's principal accountant or if another independent certified public accountant or independent registered certified public accounting firm is engaged as principal accountant, the facility

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manager shall file a report with the commission within 10 days following the end of the month in which the event occurs, setting forth the following:

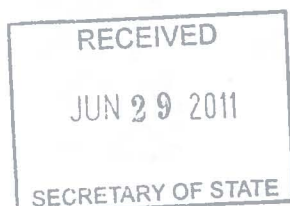
(1) The date of the resignation, dismissal, or engagement;

(2) an indication of whether in connection with the audits of the two most recent years preceding a resignation, dismissal, or engagement there were any disagreements with the former accountant on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, including a description of each disagreement. The disagreements to be reported shall include those resolved and those not resolved; and

(3) an indication of whether the principal accountant's report on the financial statements for either of the past two years contained an adverse opinion or disclaimer of opinion or was qualified. The nature of the adverse opinion, disclaimer of opinion, or qualification shall be described.

(l) The facility manager shall request the former accountant to furnish to the facility manager a letter addressed to the commission stating whether that accountant agrees with the statements made by the facility manager in response to paragraph (k)(2). The letter shall be filed with the commission as an exhibit to the report required by paragraph (k)(2).

(m) All of the audits and reports required by this regulation that are performed by independent certified public accountants or independent registered certified public accounting firms shall be prepared at the sole expense of the facility manager.



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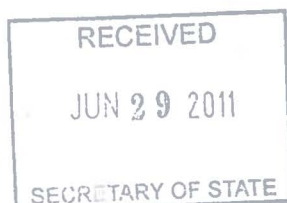
(n) Each facility manager's internal control system shall include internal controls to meet the requirements of 31 C.F.R. Part 103 for the reporting of certain currency transactions. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1.

(1) The facility manager shall file with the commission a copy of any suspicious activity report-casino (SARC) that the facility manager is required to file under 31 C.F.R. §103.21. Each SARC shall be filed with the commission concurrently with the federal filing.

(2) A facility manager, director, officer, employee, or agent who reports a suspicious activity under paragraph (n)(1) shall not notify any person involved in the suspicious activity that the suspicious activity has been reported.

(3) The facility manager shall file with the commission a copy of any currency transaction report by casino (CTRC) that the facility manager is required to file under 31 CFR C.F.R. §103.22. Each CTRC shall be filed with the commission concurrently with the federal filing.

(o) An annual audit of the facility manager's compliance with commission regulations may be required by the executive director to be conducted in accordance with generally accepted auditing standards and the standards for financial audits under government auditing standards. The audit report shall require the expression of an opinion on compliance. The audit shall be conducted by either commission staff or an independent certified public accountant firm selected by the commission. (Authorized by



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112-104-42. Purchasing. (a) Each facility manager's internal control system shall include internal controls for purchasing.

(b) The internal controls shall indicate the amount of a single transaction or series of related transactions that an individual or a group of employees, owners, or directors may approve.

(c) The internal controls shall include the following information for both manual and computerized systems:

(1) Steps for initiating purchasing procedures;

(2) detailed procedures for the preparation and distribution of purchase orders, including the following:

(A) The amounts that can be authorized by various positions or levels of personnel;

(B) the sequence of required signatures and distribution of each part of the purchase order;

(C) a statement that purchase orders shall be issued only for a specific dollar amount. Each change to an issued purchase order shall be returned to the purchasing department to initiate an amended purchase order and obtain additional approvals, if necessary; and

(D) the maintenance of a purchase order log;

(3) detailed procedures for issuing and approving blanket purchase orders for purchases of goods or services, including the following:

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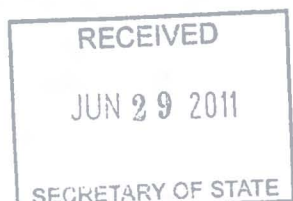
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- (A) The competitive bid requirements for blanket purchase orders;
- (B) a statement that each blanket purchase order shall include a maximum amount, the effective date, and the expiration date; and
- (C) controlling, documenting, and monitoring blanket purchase orders;
- (4) requirements for competitive bidding process, including the following:
 - (A) The number of bids required. A minimum of two bids shall be required;
 - (B) a statement that the purchasing department shall have the final responsibility for obtaining competitive bids. The originating departments may provide the amount budgeted for the purchase, cost limitations, and vendor recommendations;
 - (C) the steps for documenting verbal bids and the minimum amount required for written bids;
 - (D) a statement that all competitive bids received shall be confidential and shall not be disclosed to any other vendors; and
 - (E) criteria for qualifying approved vendors of goods or services based on "fair market value," considering factors including quality, service, and price;
- (5) detailed procedures and approval process for emergency purchases, including the following:
 - (A) A statement that emergency purchases shall occur after normal business hours, on weekends or holidays or, in case of immediate need of goods or services, in response to unusual occurrences during normal business hours;

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(B) a statement that approvals may be verbal until purchasing documentation is prepared. Purchasing documentation shall be finalized within three days;

(C) a statement on the purchase order documenting the reason for the emergency purchase; and

(D) the maintenance of an emergency purchase order log;

(6) detailed procedures to ensure that vendor files contain all company-required forms, documentation, and approvals;

(7) a prohibition against the purchase or lease of gaming equipment or supplies from other than a licensed supplier;

(8) detailed procedures for contracts, including the following:

(A) The management levels and the contract amounts that managers may negotiate and execute;

(B) a statement that all contracts shall be subject to the competitive bid process;

(C) the terms of all contracts;

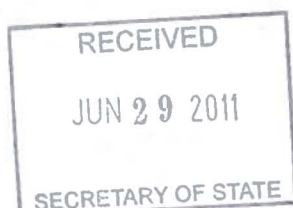
(D) the approval process for payments made against an executed contract; and

(E) the distribution and filing of executed contracts;

(9) if applicable, detailed procedures for the use of purchasing cards, including the following:

(A) Authorized position titles to be purchasing card holders and their spending limits, both single-transaction and monthly;

(B) items that may be purchased with the purchasing card;



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- (C) use of the purchasing card with approved vendors only, if applicable;
- (D) responsibilities of the holder of the purchasing card, including maintaining receipts and verifying monthly statements;
- (E) responsibilities of the manager of the purchasing card holder, including approving monthly statements;
- (F) disputing fraudulent or incorrect charges;
- (G) payment to vendors for purchasing card charges; and
- (H) the name of the department or position, as stated in the facility manager's internal controls, that is responsible for overseeing the purchasing card process;
- (10) detailed procedures for the receipt of all goods received by an employee independent of the purchasing department as specified in the facility manager's internal controls, including the following:
 - (A) The verification process for the receipt of goods, including damaged goods, partial shipments, and overshipments;
 - (B) the distribution of all receiving documentation; and
 - (C) the maintenance of receiving documentation; and
- (11) payment of vendor invoices, including procedures for the following:
 - (A) Each time the invoice amount disagrees with the purchase documentation;
 - (B) processing non-invoice payments; and
 - (C) the approval process for the utilization of a check request form, if applicable.

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(d) Related party transactions, either oral or written, shall meet the minimum internal control standards in this regulation. In addition, the internal controls shall require the following:

(1) Each related party transaction or series of related party transactions reasonably anticipated to exceed \$50,000 annually shall be subject to approval of the board of directors or owners of the company.

(2) An annual report of related party contracts or transactions shall be prepared and submitted to the board of directors or owners and the executive director, listing all related party transactions or group of like transactions occurring during the year. This report shall be due at the end of the third month following each calendar year, be formatted to group related party transactions by key person or entity, and contain the following information:

(A) Name of the related party;

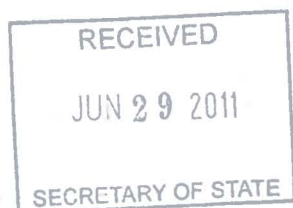
(B) amount of the transaction or payments under the contract;

(C) term of contract;

(D) nature of transaction; and

(E) determination of how the fair market value of the contract, goods, or services was ascertained.

(3) A quarterly report updating new or renewed related party transactions entered into during the quarter shall be prepared and submitted to the board of directors or owners and to the executive director. This report shall also indicate any terminations of



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related party transactions and shall be due at the end of the second month following the end of the quarter. The annual report shall meet the requirement for the fourth quarterly report. (Authorized by and implementing K.S.A. 2010 Supp. 74-8772; effective P-
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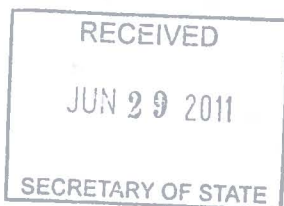
112-108-23. Dice; receipt, storage, inspections, and removal from use. (a) Each facility manager shall ensure that all of the following requirements are met each time dice are received for use in the gaming facility:

(1) The packages shall be inspected for proper quantity and any obvious damage by at least two employees, one of whom shall be from the table games department and the other from the security department or accounting department.

(2) The dice shall be recorded in the dice inventory ledgers by a member of the security or accounting department. Any discrepancies in the invoice or packing list or any defects found shall be reported upon discovery to a commission security agent on duty.

(3) The boxes shall be placed for storage in a primary or secondary storage area by at least two employees, one of whom shall be from the table games department and the other from the security department or accounting department. The primary storage area shall be located in a secure place, the location and physical characteristics of which shall be approved by the commission. Secondary storage areas, if needed, shall be used for the storage of surplus dice. Dice maintained in secondary storage areas shall be transferred to the primary storage area before being distributed to the pits or tables. All secondary storage areas shall be located in secure areas, the location and physical characteristics of which shall be approved by the commission.

(b) Each primary storage area and each secondary storage area shall have two separate locks. The security department shall maintain one key, and the table games



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department shall maintain the other key. No person working in the table games department that is an employee in a lower position than the pit manager or poker room manager may have access to the table games department key for the primary and secondary storage areas.

(c) A facility manager shall ensure that each dice storage area contains an inventory ledger and that its employees update the ledger when dice are added or removed from that storage area.

(d) Before the commencement of each gaming day and at other times as may be necessary, the pit manager, poker room manager, or the supervisor, in the presence of a security department employee and after notification to surveillance, shall remove the appropriate number of dice from the primary storage area for that gaming day.

(e) Before being transported to a pit, all dice shall be recorded on the dice inventory ledger. Both the authorized table games department employee and security department employee shall sign verifying the information.

(f) Once the dice are removed from the primary storage area, the pit manager, poker room manager, or the supervisor, in the presence of a security department employee, shall take the dice to the pits and distribute the dice to the floor supervisors or directly to the boxperson.

(1) At the time of receipt of any dice, a boxperson at each craps table shall, in the presence of the floor supervisor, inspect each die with a micrometer or any other instrument approved by the commission that performs the same function, a balancing

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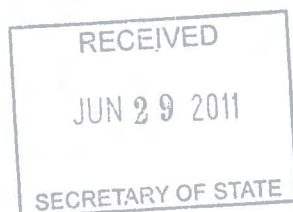
caliper, a steel set square, and a magnet. These instruments shall be kept in a compartment at each craps table or pit stand and shall be at all times readily available for use by the commission upon request. The boxperson shall also check the dice to ensure that there is no indication of tampering, flaws, scratches, marks, or other defects that might affect the play of the game. The inspection shall be performed on a flat surface, which allows the dice inspection to be observed by surveillance and by any person near the pit stand.

(2) Following this inspection, the boxperson shall in the presence of the floor supervisor place the dice in a cup on the table for use in gaming. The dice shall never be left unattended while the dice are at the table.

(3) The pit manager shall place extra dice in a single locked compartment in the pit stand. The floor supervisor or an employee in a higher position shall have access to the extra dice to be used for that gaming day.

(4) Any movement of dice after being delivered to the pit shall be made by a pit manager or an employee in a higher position and require a security escort after notifying surveillance. Procedures for the pickup of used dice, including obtaining keys, assigning individuals responsible, and updating inventory ledgers, shall include the following:

- (A) Transportation of used dice by security;
- (B) surveillance notification before movement of the dice;
- (C) time the procedures will be performed;
- (D) location where the dice will be taken; and



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(E) any other applicable security measures.

(5) No dice taken from the reserve shall be used for gaming until the dice have been inspected in accordance with this regulation.

(g) The facility manager shall remove any dice from use if there is any indication of tampering, flaws, or other defects that might affect the integrity or fairness of the game, or at the request of the commission agent on duty.

(h) At the end of each gaming day or at any other times as may be necessary, a floor supervisor, other than the person who originally inspected the dice, shall visually inspect each die for evidence of tampering. Any evidence of tampering shall be immediately reported to the commission security agent on duty by the completion and delivery of an approved dice discrepancy report.

(1) Each die showing evidence of tampering shall be placed in a sealed envelope or container.

(A) All envelopes and containers used to hold or transport dice collected by security shall be transparent.

(B) A label shall be attached to each envelope or container that identifies the table number, date, and time and shall be signed by the boxperson and floor supervisor.

(C) The envelopes or containers and the method used to seal the dice shall be designed or constructed so that any tampering is evident.

(D) The security department employee receiving the die shall sign the original, duplicate, and triplicate copy of the dice discrepancy report and retain the original at the

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security office. The duplicate copy shall be delivered to the commission, and the triplicate copy shall be returned to the pit and maintained in a secure place within the pit until collection by a security department employee.

(2) The procedures for inspecting dice under this subsection shall include the following information:

(A) A listing of the positions authorized by job description to conduct the inspection;

(B) a direction that surveillance personnel shall be notified before inspecting the dice;

(C) detail about the time and location the inspection will be conducted;

~~(E)~~ (D) a listing of the minimum training requirements of persons assigned to conduct the inspections;

~~(F)~~ (E) a description of the inspections that will be conducted and how they will be performed, including the use of any special equipment;

~~(G)~~ (F) any other applicable security measures;

~~(H)~~ (G) a requirement for immediate notification of the commission security agent on duty and the completion of an incident report describing any flawed, marked, suspect, or missing dice that are noted; and

~~(I)~~ (H) a requirement for reconciliation by the security department employee of the number of dice received with the number of dice destroyed or cancelled and any dice

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still pending destruction or cancellation. Each discrepancy shall be reported to the commission security agent within two hours.

(3) All other dice shall be put into envelopes or containers at the end of each gaming day.

(A) A label shall be attached to each envelope or container that identifies the table number, date, and time and is signed by the boxperson and floor supervisor.

(B) The envelope or container shall be appropriately sealed and maintained in a secure place within the pit until collection by a security department employee.

(i) All extra dice in dice reserve that are to be destroyed or cancelled shall be placed in a sealed envelope or container, with a label attached to each envelope or container that identifies the date and time and is signed by the pit manager.

(j) A security department employee shall collect and sign all envelopes or containers of used dice and any dice in dice reserve that are to be destroyed or cancelled and shall transport the envelopes or containers to the security department for cancellation or destruction. This collection shall occur at the end of each approved gaming day and at any other times as may be necessary. The security department employee shall also collect all triplicate copies of dice discrepancy reports, if any. No dice that have been placed in a cup for use in gaming shall remain on a table for more than 24 hours.

(k) A pit manager or supervisor of the pit manager may collect all extra dice in dice reserve at the end of each gaming day or at least once each gaming day as designated

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by the facility manager and approved by the commission, and at any other times as may be necessary.

(1) If collected, dice shall be returned to the primary storage area.

(2) If not collected, all dice in dice reserve shall be reinspected before use for gaming.

(l) The facility manager's internal control system shall include approval procedures for the following:

(1) A dice inventory system that shall include, at a minimum, documenting the following:

(A) The balance of dice on hand;

(B) the dice removed from storage;

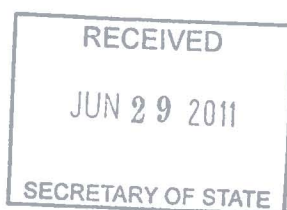
(C) the dice returned to storage or received from the manufacturer;

(D) the date of the transaction; and

(E) the signature of each individual involved;

(2) a reconciliation on a daily basis of the dice distributed, the dice destroyed and cancelled, the dice returned to the primary storage area and, if any, the dice in dice reserve; and

(3) a physical inventory of the dice performed at least once every three months and meeting the following requirements:



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(A) This inventory shall be performed by an employee from the internal audit department or a supervisor from the cashier's cage, or accounting department and shall be verified to the balance of dice on hand required in paragraph (l)(1)(A);

(B) each discrepancy shall immediately be reported to the commission agent on duty; and

(C) the employees conducting this inventory shall make an entry and sign the dice inventory ledger in a manner that clearly distinguishes this count as the quarterly inventory.

(m)(1) Cancellation shall occur by drilling a circular hole of at least 3/16 of an inch in diameter through the center of each die or any other method approved by the commission.

(2) Destruction shall occur by shredding or any other method approved by the commission.

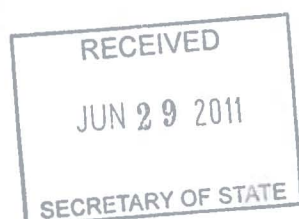
(3) The destruction and cancellation of dice shall take place in a secure place, the location and physical characteristics of which shall be approved by the commission.

(4) Dice cancellation and destruction record shall be maintained indicating the date and time of cancellation or destruction, quantity of dice to be cancelled or destroyed, and the individuals responsible for cancellation or destruction.

(5) Procedures for cancelling or destroying dice shall include the following:

(A) The positions authorized by job description to cancel or destroy dice;

(B) surveillance notification before cancellation or destruction of the dice;



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- (C) time and location the cancellation or destruction will be conducted;
- (D) specifically how cancellation or destruction will be accomplished, including the use of any special equipment; and
- (E) other applicable security measures.
- (6) Each facility manager shall notify the commission security agent of any flawed, marked, or suspect dice that are discovered during the cancellation or destruction process.
- (n) Evidence of tampering, marks, alterations, missing or additional dice or anything that might indicate unfair play discovered shall be reported to the commission by the completion and delivery of a dice discrepancy report.
- (1) The report shall accompany the dice when delivered to the commission security agent on duty.
- (2) The dice shall be retained for further inspection by the commission security agent on duty.
- (3) The commission agent receiving the report shall sign the dice discrepancy report and retain the original at the commission office. (Authorized by and implementing K.S.A. 2008 2010 Supp. 74-8772; effective Jan. 8, 2010; amended P-_____.)

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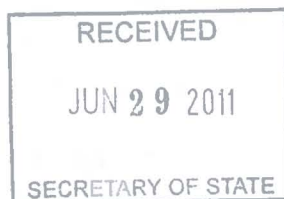
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112-110-1. Adoptions by reference. The following texts by gaming laboratories international (GLI) are hereby adopted by reference:

(a) "GLI-11: gaming devices in casinos," version 2.0, dated April 20, 2007, except the following:

(1) Each reference to a "75% payout percentage," which shall be replaced with "an average of not less than 87% of the amount wagered over the life of the machine";

(2) section 1.1;

(3) section 1.2;

(4) section 1.4; and

(5) the section titled "revision history";

(b) "GLI-12: progressive gaming devices in casinos," version 2.0, dated April 20, 2007, except the following:

(1) Section 1.1;

(2) section 1.2;

(3) section 1.4; and

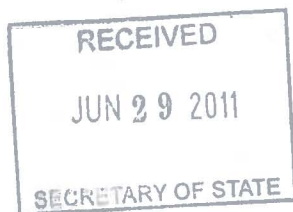
(4) the section titled "revision history";

(c) "GLI-13: on-line monitoring and control systems (MCS) and validation systems in casinos," version 2.0, dated April 20, 2007, except the following:

(1) Section 1.3;

(2) section 1.5;

(3) the "note" in section 3.4.3; and



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(4) the section titled "revision history";

(d) "GLI-15: electronic bingo and keno systems," version 1.2, dated April 12,

2002, except the following:

(1) Section 1.3;

(2) section 1.5; and

(3) the section titled "revision history";

(e) "GLI-16: cashless systems in casinos," version 2.0, dated April 20, 2007,

except the following:

(1) Section 1.2;

(2) section 1.4; and

(3) the section titled "revision history";

(f) "GLI-17: bonusing systems in casinos," version 1.2, dated February 27, 2002,

except the following:

(1) Section 1.2;

(2) section 1.4; and

(3) the section titled "revision history";

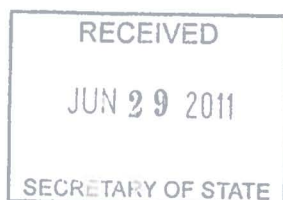
(g) "GLI-18: promotional systems in casinos," version 2.0, dated April 20, 2007,

except the following:

(1) Section 1.2;

(2) section 1.4; and

(3) the section titled "revision history";



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(h) "GLI-20: kiosks," version 1.4, dated July 1, 2006, except the following:

- (1) Section 1.3; and
- (2) the section titled "revision history";

(i) "GLI-21: client-server systems," version 2.1, dated May 18, 2007, except the following:

- (1) Section 1.1;
 - (2) section 1.2;
 - (3) section 1.4;
 - (4) each reference to a "75% payout percentage," which shall be replaced with "an average of not less than 87% of the amount wagered over the life of the machine";
- and

(5) the section titled "revision history";

(j) "GLI-24: electronic table game systems," version 1.2, dated September 6, 2006, except the following:

- (1) Section 1.1;
- (2) section 1.3;
- (3) each reference to "75% payout percentage," which shall be replaced with "an average of not less than 87% of the amount wagered over the life of the machine"; and

(4) the section titled "revision history";

(k) "GLI-25: dealer controlled electronic table games," version 1.1, dated September 8, 2006, except the following:

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- (1) Section 1.1;
- (2) section 1.3; and
- (3) the section titled "revision history"; and
- (l) "GLI-26: wireless gaming system standards," version 1.1, dated January 18,

2007, except the following:

- (1) Section 1.1;
- (2) section 1.2;
- (3) section 1.4; and
- (4) the section titled "revision history"; and
- (m) "GLI-28: player user interface systems," version 1.0, dated February 14,

2011, except section 1.1. (Authorized by K.S.A. ~~2007~~ 2010 Supp. 74-8772;

implementing K.S.A. 2010 Supp. 74-8750 and 74-8772; effective May 1, 2009; amended

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112-110-14. Procedures for resolving EGM breaks in communication with the central computing system. (a) If one or more EGMs have an unscheduled break in communications with the central computer system for more than 60 seconds, unless another time is specified by the executive director, the following requirements shall be met:

(1) The supplier for the central computer system shall notify the lottery gaming facility's surveillance department of the break in communication.

(2) The lottery gaming facility's surveillance department shall notify the slot shift supervisor on duty or the person in an equivalent position of the break in communication.

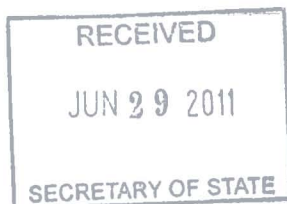
(3) The lottery gaming facility's EGM department shall perform the following:

(A) Investigate the reason for the break in communication with the central computer system; and

(B) identify the party responsible for correcting the problem and a time frame for correction.

(b)(1) If one or more EGMs have an unscheduled break in communications with the central computer system for longer than 10 minutes, the supplier for the central computer system shall notify the commission personnel on duty.

(2) For communication breaks that last longer than 10 minutes, a determination shall be made by the commission as to whether to cease operation of the EGMs affected by the central communication system's break in communication. The following may be considered by the commission:



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- (A) The potential for any data loss;
- (B) the projected length of outage;
- (C) the circumstances of the break in communication;
- (D) the proposed solution to the problem; and
- (E) any other factor that arises.

(c) If one or more EGMs have an unscheduled break in communications with the central computer system for longer than 30 minutes, the supplier for the central computer system shall perform the following:

(1) Contact the facility manager slot shift supervisor on duty or the person in an equivalent position to assist in reestablishing communications; and

(2) send updated notification to the commission personnel on duty of the situation at least every two hours until the situation is resolved. When EGM communications have been restored, the supplier for the central computer system shall notify all parties involved.

(d) For the purpose of this regulation, notification may include automated electronic communications. (Authorized by and implementing K.S.A. 2010 Supp. 74-8772; effective P-_____.)

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ECONOMIC IMPACT STATEMENT

SUMMARY AND ECONOMIC IMPACT STATEMENT CONCERNING THE FOLLOWING PROPOSED PERMANENT ADMINISTRATIVE REGULATIONS OF THE KANSAS RACING AND GAMING COMMISSION, SET FOR PUBLIC HEARING ON WEDNESDAY, SEPTEMBER 7, 2011, AT 9:00 A.M., AT THE EISENHOWER STATE OFFICE BUILDING, KANSAS RACING AND GAMING COMMISSION OFFICE, CONFERENCE ROOM A, 700 SW HARRISON, SUITE 500, TOPEKA, KANSAS 66603-3754:

K.A.R. s 112-100-2, 112-101-8, 112-102-2, 112-102-10, 112-103-11, 112-104-5, 112-104-6, 112-104-42, 112-108-23, 112-110-1, and 112-110-14.

1. **Brief description of proposed regulations:** These regulations are part of an existing set of related regulations. The Expanded Lottery Act requires the Commission to exercise its discretion in creating and adopting regulations that uphold the integrity of casino gaming in Kansas. Specifically, the law requires regulations “[p]romoting the integrity of the gaming and finances of lottery gaming facilities,” and requires the Commission to “meet or exceed industry standards for monitoring and controlling the gaming and finances of lottery gaming facility operations.” K.S.A. 74-8772. Last, any regulations are completely within the Commission’s discretion. Id.
2. **The proposed regulations are not mandated by federal law as a requirement for participating in or implementing a federally subsidized or assisted program.**
3. **Description of the cost, the person who will bear the cost and those who will be affected by the proposed regulations.**
 - A. **Cost to Kansas Racing and Gaming Commission:** Under the Expanded Lottery Act, all of the costs of oversight and regulation by the Kansas Racing and Gaming Commission are required to be paid by the gaming facility managers. Therefore, there are no costs anticipated to the agency or other governmental agencies, or to the people of Kansas, as a result of these regulations.
 - B. **Cost to other governmental agencies or units:** None.
 - C. **Cost to private citizens:** None.
 - D. **Cost to consumers of the products or services that are the subject of the regulation or its enforcement:** None.
4. **Less costly or less intrusive methods considered by the agency for achieving the stated purpose of the regulations and the reason those methods were rejected in favor of the proposed regulations:** No less costly or intrusive methods are available.

