

IN THE MISSOURI GAMING COMMISSION

In Re:)
) DC-18-009
Harrah's North Kansas City, 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 2000,¹ with jurisdiction over gaming activities, including riverboat gambling activities, in the State of Missouri.
2. The Commission issued Caesar's Entertainment Corporation a Class A gaming license to develop and operate Class B gaming licenses in the State of Missouri.
3. Caesar's Entertainment Corporation is the parent organization or controlling entity of Harrah's North Kansas City, LLC (the "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 the *Harrah's North Kansas City* (the "Casino").
5. As the holder of a Class B license, the Company 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 April 30, 2017, and issued MGC Audit Report 17-18 to the Casino on September 12, 2017.
7. During that audit, the following exceptions were noted which had been previously noted in MGC Audit Report 16-07, issued to the Casino on April 1, 2016, for the period of January 1, 2014, through November 30, 2015:
 - a. Cashier Variance Slips with cashier variances in excess of \$20 did not include the results of any investigations into the variances.
 - i. The previous audit report, Report 16-07, found that two of nine Cashier Variance Slips with cashier variances in excess of \$20 did not include the results of any investigation into the variances;

¹ All statutory references are to RSMo 2000, unless otherwise specified.

² 20170912010

- ii. A follow-up audit to Report 16-07 found that for two of the five cashier variances over \$20.00, the Cashier Variance Slip did not include the results of any investigation; and
 - iii. The current audit, Report 17-18, found that two of eight Cashier Variance Slips with cashier variances in excess of \$20 did not include the results of any investigations into the variances.
- b. Variances for Cashier Count sheets from the poker bank did not list any variance on the Cashier Count Sheet.
 - i. The previous audit report, Report 16-07, found that a review of Cashier Count Sheets, Employee Window Settlement Sheets and Main Bank Settlement Sheets from July 1 through July 7, 2015, and subsequent interviews with cage management revealed the sheets did not show variances at the end-of-shift count on the respective forms;
 - ii. A follow-up audit to Report 16-07 found that two of the eight count sheets did not list the variance in the appropriate field. These two count sheets were for poker banks;
 - iii. MGC auditors followed up two more times and, in both instances, variances were not recorded on count sheets for poker banks; and
 - iv. The current audit, Report 17-18, found that eight of the 46 Cashier Count Sheets for Poker Banks 1 and 2 for December 24 through December 30, 2016 contained variances which were not documented on the Cashier Count Sheets. Although all eight variances were recorded on a Cashiering Variance Slip, they were not documented anywhere on the Cashier Count Sheet.

LAW

- 8. Under § 313.805(6), RSMo, the Commission may assess any appropriate administrative penalty against a licensee, including, but not limited to, suspension, revocation, or penalties in an amount determined by the Commission.
- 9. 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[.]

10. 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 or Class B 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., as amended from time-to-time.

11. Both the MICS and the Casino’s ICS, Chapter F, § 3.03, require the following:

At the end of each shift, the outgoing individual shall count all assigned assets in the Poker Room Bank and prepare and sign a Cashier/Bank Count Sheet listing the inventory. A blind count shall be performed by the incoming individual. The incoming individual shall sign the completed count sheet attesting to the accuracy of the information in the presence of the outgoing individual. If there is no incoming individual, a Cage Employee or Poker Supervisor shall conduct the blind count and verification and sign the completed count sheet in the presence of the outgoing individual. A reconciliation shall be performed of the opening imprest amount to the closing inventory total. Any variance shall be documented on the count sheet and a variance slip completed.

12. Both the MICS and the Casino’s ICS, Chapter H, § 3.11, state as follows:

Overages and shortages per employee shall be documented on a Cage/Bank Variance Slip, which shall be signed by the responsible Cashier and the Cashier Supervisor at the end of the Cashier’s shift. In addition:

- (A) All variances in excess of \$20 shall be investigated and the result of the investigation shall be documented;
- (B) If there is a variance of \$500 or more the MGC Agent on Duty shall be informed before the Cashier leaves the cashiering location;
- (C) Variances in excess of \$20 shall be tracked by employee for at least the last 30 days. This report shall be updated daily;
- (D) The Internal Control System shall identify which job position is assigned the responsibility for tracking the variances; and
- (E) Repeated shortages by an employee totaling \$500 or more over any seven-day period shall be reported to MGC.

VIOLATIONS

- 13. The acts or omissions of employees or agents of Harrah's North Kansas City, LLC, as described above, constitute a failure of the Company to correct two significant audit findings, thereby violating MICS, Chapter F, § 3.03, and Chapter H, § 3.11, and the Casino's ICS, Chapter F, § 3.03, and Chapter H, § 3.11.
- 14. Harrah's North Kansas City, LLC, 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

- 15. Under § 313.805(6), RSMo, the Commission has the power to assess any appropriate administrative penalty against Harrah's North Kansas City, LLC, as the holder of a Class B license.
- 16. THEREFORE, it is proposed that the Commission fine Harrah's North Kansas City, LLC, the amount of \$5,000 for the violations set forth herein.

Herbert M. Kohn
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 1st day of March, 2018, to:

Darren VanDover
Harrah's North Kansas City, LLC
One Riverboat Drive
North Kansas City, MO 64116

Herbert M. Kohn
Chairman
Missouri Gaming Commission