

IN THE MISSOURI GAMING COMMISSION

In Re:)
) DC 20-037
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 (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 *Hollywood Casino St. Louis* (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 March 1, 2018, through July 31, 2019, and issued MGC Audit Report 19-26 to the Casino on December 31, 2019.
7. Audit Report 19-26 noted the following findings:
 - a. “Necessary adjustments were not made to ensure the correct amount was displayed on a progressive bank by the end of the gaming day following the day on which a reconciliation occurred which showed a variance,” resulting in patrons being shorted progressive jackpot winnings;
 - b. Progressive meter readings were read for a sample of 10 progressive banks during closed hours on June 19, 2019 and June 26, 2019, to ensure that each progressive bank

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

² 20191231006

incremented properly for the week tested and to ensure that Revenue Audit's reconciliation of these progressives were accurate;

- c. The audit revealed that one of 10 progressive banks tested showed a variance of \$12.82 when MGC Audit performed a reconciliation of the top award jackpot amount to the system meters from June 19, 2019 to June 26, 2019. For the display to be short by \$12.82 in one week, it meant that a total of \$5,130.00 of coin in was not included in the calculation of the progressive display shown;
- d. A review of Revenue Audit's progressive reconciliations for a bank of progressive machines labeled "CQ" (hereafter, "CQ bank") from June 12, 2019, to June 19, 2019, June 5, 2019, to June 12, 2019, May 29 2019, to June 5, 2019, and May 22, 2019, to May 29, 2019, showed similar variances ranging from \$9.00 to \$19.00;
- e. Investigation results into progressive variances for the same time period found no problems with the CQ bank progressive and no adjustments were made. However, after Casino Slot personnel were notified of the variance by the MGC on June 26, 2019, investigation results noted that Machine CQ05 had a loose wire under the bank which connected to the controller and was not contributing to the progressive. As such, the loose wire on CQ05 was more than likely the cause of all variances prior to June 26, 2019, on this progressive bank;
- f. Two progressive jackpots were won between May 22 and June 26, 2019. Because machine CQ05 was not contributing to the progressive award, the two patrons who won the jackpots were underpaid; and
- g. A review of the Revenue Audit's reconciliations of all progressive banks during the same time period (May 22, 2019 through June 26, 2019) revealed that several additional banks were experiencing continuing variances with no explanations found during the investigations.

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 regulation;
- (2) Failing to comply with any rule, order or ruling of the commission or its agents pertaining to gaming[.]

10. Title 11 CSR 45-5.200(2) stated as follows:

A meter that shows the accurate amount of the progressive jackpot must be conspicuously displayed at or near the machines to which the jackpot applies. At a minimum, on the same day each week while the casino is closed, each licensee shall record the amount displayed on each progressive's top award jackpot meter at the licensee's establishment, except for wide-area progressive systems and stand-alone progressives where the software for the progressive is embedded within the EGD's Critical Program Storage Media (CPSM). The top award jackpot amount shall be reconciled to the meters by multiplying the progression rate by the amount-in for the period between which the meter amounts were recorded, less any jackpots that have occurred plus any reset amounts. In order to perform this reconciliation, the top award jackpot on these local progressive games shall require the EGD to lock-up requiring a hand-paid jackpot. The licensee authorized to provide a wide-area progressive system shall perform the required reconciliation for each system provided by such licensee. At the conclusion of the reconciliation, if a variance exists between the amount shown on each progressive jackpot meter and the expected amount, the licensee shall document the variance amount. The licensee shall make the necessary adjustment(s) to ensure the correct amount is displayed by the end of the gaming day following the day on which the reconciliation occurred. Explanations for meter reading differences or adjustments thereto shall be maintained with the progressive meter reading sheets. In addition to the weekly reconciliation, each licensee shall record the top award jackpot progressive meter display amount once each banking day for each non-exempt progressive EGD to ensure jackpot resets occurred properly, to determine whether the meters incremented since the last reading, and to identify any obvious atypical results which could indicate there is a problem with the progressive meter. If known variances are discovered during the daily review, which require a change to the meter display of one dollar (\$1) or more, the meter display shall be adjusted by the end of the gaming day. Each licensee shall record the base amount of each progressive jackpot the licensee offers.

11. Title 11 CSR 45-9.060 states, in pertinent part, as follows:

(3) Violations of the minimum internal control standards 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 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.

12. Commission's Minimum Internal Control Standards ("MICS"), Chapter E, § 11.01 states as follows:

The Class B Licensee shall maintain a record of the percent of funds being contributed to each jackpot held as part of the local progressive and ensure the controller is properly communicating with all devices connected to the progressive link. The licensee will test and document the incrementation of the system to ensure the correct amount is credited for amount-in whenever the progressive is initially set up and after any physical break in the progressive communication link.

13. The Casino's Internal Control Standards ("ICS"), Chapter E, § 11.01 states as follows:

Hollywood Casino St. Louis shall maintain a record of the percent of funds being contributed to each jackpot held as part of the local progressive and ensure the controller is properly communicating with all devices connected to the progressive link. Hollywood Casino St. Louis will test and document the incrementation of the system to ensure the correct amount is credited for amount-in whenever the progressive is initially set up and after any physical break in the progressive communication link.

VIOLATIONS

14. The acts or omissions of employees or agents of the Company, as described above, constitute a failure of the Company to make necessary adjustments to slot progressive meters upon discovery of variances during the required weekly reconciliation process, thereby violating 11 CSR 45-5.200(2), MICS, Chapter E, § 11.01, and the Casino's ICS, Chapter E, § 11.01.

15. 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

16. 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.

17. THEREFORE, it is proposed that the Commission fine St. Louis Gaming Ventures, LLC, the amount of \$5,000 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 _____ day of August, 2020, to:

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

Mike Leara
Chairman
Missouri Gaming Commission

Hollywood Casino St. Louis – GR 20191231006

Prior Cases:

April 2019

Hollywood – 20181206005 (*Date of Incident 12-6-2018*)

An MGC audit was completed by MGC Auditors for the period of December 1, 2015 through August 31, 2017. A follow-up was conducted to determine if the audit findings had been corrected and two findings were found not to be implemented.

1. Temp Bank Vouchers were still being used to document the addition of currency and coin to NRTs.
2. 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 what was listed on the Punch Origin report.

Hollywood - \$2500

Similar Cases:

January 2018

Ameristar SC – 20171023003 (*Date of Incident 10-23-17*)

An MGC audit was completed for the period of March 1, 2015 through September 30, 2016. A follow-up was conducted by MGC Auditors to determine if the audit findings from the final audit report had been corrected. Two (2) significant findings were found not to be implemented.

1. During procedures to follow up MGC Auditors found that there was an EGD that had six (6) consecutive drop periods with qualifying bill variances, but was not removed from service.
2. During procedures to follow up MGC Auditors reviewed the ATI User Access Listing and it was found that Shawn Ledbetter, Director of Regulatory Compliance, Dale Bauer, Compliance Specialist, and Heather Lee, Compliance Representative, all had access to view to view full validation numbers prior to redemption through the Voucher Tab in Diagnostic Monitor. These positions were not listed in the internal controls.

Ameristar SC - \$5,000

February 2018

Harrah's NKC – 20180109003 (*Date of Incident 1-9-18*)

An audit was completed by MGC Auditors for the period of December 1, 2015 through April 30, 2017. A follow-up was conducted on November 29, 2017 through December 20, 2017, to determine if the audit findings from the final audit reports had been corrected. One (1) significant finding was found not to have been implemented.

- Cage paperwork from October 30 and 31, 2017, verified five (5) of five (5) cashiers experiencing a variance at the end-of-shift count out recorded the variance on the Count Sheet and the Funds Transfer/Order Form. The cashier variances should only be recorded on the Cashier Count Sheet and Cashier Variance Slip and not also on the Funds Transfer/Order Form. The conditions/restrictions of MGC Variance #49991-14A, which specifically prohibits the recording of the variance on the transfer document.

Harrah's NKC – \$2,500 fine.

April 2018

Tropicana/Lumiere – 20180116010 (*Date of Incident 1-16-18*)

An audit was completed by MGC Auditors for the period of July 1, 2015 through January 31, 2017. A follow up was conducted in September 2017 to determine if the audit findings from the final audit report had been corrected. Six (6) significant findings were found not to be implemented.

1. During the follow up audit it was found that poker card replacement decks were not being reconciled to the Replacement Deck Log at least weekly. The poker card replacement decks are destroyed when they reach a point of depletion, and are never reconciled to the Replacement Deck Log.
2. During the follow up audit it was revealed that a Security Incident Report was not included on the Security Incident Logs provided to the MGC boat agents.
3. During the follow up audit it was noted that two (2) of five (5) cage variances over \$20 were not included on the Variance Tracking Spreadsheet. A variance in the amount of \$45.15 was not included on the Variance Tracking Sheet. A variance in the amount of \$1,200.00 was not included on the Variance Tracking Sheet.
4. During the follow up audit five (5) cage variances over \$20 did not include an investigation into the variance. The reason for one of the variances was noted as "End of Shift" and the reason for one of the variances was noted as "EOS".
5. During the follow up audit three instances were found where the reconciliation of the redemption kiosk was performed by the same person who initially prepared the currency in the cassette being reconciled.
6. During the follow up audit one (1) of sixteen (16) current employees did not have a dated signature card maintained by Revenue Audit. The same Lead Players Club Representative noted during the previous audit still did not have a dated signature card on file in Revenue Audit.

Lumiere – \$15,000

August 2018

Tropicana/Lumiere – 20180521006 (*Date of Incident 5-16-18*)

An audit was completed at Lumiere Place Casino for the period of July 1, 2015 through January 31, 2017. A follow-up was conducted to determine if the findings from the final audit report had been corrected. Compliance Directives were issued for fifteen (15) findings that were found not to be implemented. When MGC Auditors returned to

Lumiere Place to verify whether corrective action had been taken on these Compliance Directives, it was found that violations continued for one (1) of the fifteen (15) Compliance Directives issued which was where the temporary banks were not counted by the employee receiving the funds. On April 11, 2018 MGC Auditors notified the property of the repeat finding not being corrected after the issuance of the CD. The e-mail directed the property to ensure that appropriate corrective action was taken to properly address the finding and notified the property that MGC auditors would be conducting a subsequent follow-up to ensure compliance. MGC Auditors returned to Lumiere Place on May 16, 2018 to determine whether corrective action had been taken and it was found that on three (3) of five (5) occasions, the temporary bank was not counted by the employee receiving the funds.

Lumiere - **COMBINE with 20180625004 for total of \$2,500**

September 2018

Tropicana/Lumiere – 20180625004 (*Date of Incident 6-21-18*)

An audit was completed for the period of July 1, 2015 through January 31, 2017. A follow-up was conducted to determine if the findings from the final audit report had been corrected. One finding was found to not be implemented:

- The Revenue Audit department still did not have access to the ADP Time Keeping System records for departments with dual rate employees.

On May 29, 2018, it was discovered that a dual rate report was being provided by the Finance Department to Revenue Audit each pay period and that Revenue Audit was not going to be granted access to the reports by ADP. It was determined that the Revenue Audit department was provided an ADP Time Keeping System report on a biweekly basis from the Accounting (payroll) department which outlined what position employees worked on a daily basis for the completed pay period.

Tropicana/Lumiere – **COMBINE with 20180521006 for total of \$2,500**

September 2018

Mark Twain – 20180605001 (*Date of Incident 6-5-18*)

An MGC audit was completed for the period of July 1, 2015 through April 30, 2017. A follow-up was conducted in February 2018 to determine if the audit findings had been corrected. Three (3) significant findings were found not to be implemented.

- Three (3) Casino Hosts, including the two (2) from the original finding, (Casino Host is not a supervisory position) still had access to void point redemptions in Super Playmate under the Redeem tab, followed by Voids, followed by Void Settled Comp. *It was verified that the access had been removed on August 15, 2018*
- It was noted Mark Twain did not investigate daily cashless meter variances between the deltas of the EGDs and SDS, nor were the variances reconciled prior to filing the daily tax transmittal with the MGC. During follow-up it was found that bad meter adjustments were being made before Revenue Audit printed the original PBT variance report. If variances existed, Revenue Audit would determine which EGDs showed the variance, make an adjustment, and then create an Extended Revenue for NCEP In report showing the amount for the EGDs with

variances after adjustment, and a total that matched the Non-Cashable PersonalBanker Slot Transactions Summary Report.

- The MGC EGD Coordinator was not notified of any cashless variances during the month of November 2016. During the follow-up the Variance Tracking Sheet used to notify MGC of cashless variances revealed four (4) NCEP variances were not included.

Mark Twain - \$5,000

January 2019

IOC – BVL – 20181009002 (*Date of Incident 10-9-2018*)

An audit was completed for the period of August 1, 2016 through January 31, 2018. A follow-up was conducted on September 18, 2018 to determine if the audit findings from the final audit report had been corrected. One (1) significant finding was found to have not been implemented.

1. Count team members failed to clear hands in 184 of 511 instances when moving to or from count room tables while currency was on the table. (36% Error Rate)

IOC – BVL - ~~\$2,500~~. Per Tim McGrail 1-22-19 change to letter. (Carolyn)

January 2019

Ameristar KC – 20181003006 (*Date of Incident 6-28-18*)

An MGC audit was completed for the audit period of January 1, 2017, through August 31, 2018. During the audit, one exception was found which had also been an exception in the prior MGC audit. Promotions did not award the prizes or entries based on play as stated in the rules of the promotion.

Ameristar KC - \$5,000

August 2019

Ameristar SC – 20190402004 (*Date of Incident 3-6-2019*)

An MGC audit was completed for the period of October 1, 2016 through June 30, 2018. A follow-up was conducted to determine if the audit findings from the final audit report had been corrected. One significant finding was found not to be implemented.

- The Cage Supervisor was not present while the Main Cashier processed the contents of the found TITO box.

Ameristar SC – NPL

(Notes: They fired the employee. Leshia stated there were 2 findings but after more investigation they took one off this GR)

August 2019

Argosy – 20190402005 (*Date of Incident 12-29-2018*)

An audit was completed for the period of October 1, 2016 through April 30, 2018. A follow-up was conducted on March 4 through 18, 2019, to determine if the audit findings from the final audit report had been corrected. One (1) significant finding was found not to be implemented.

- One patron was allowed to cash a check while having a returned check noted on the log. The patron had a returned check entered onto the log on December 26,

2018, and was allowed to cash a check on December 29, 2018, which was noted on the returned check log on January 8, 2019.

Argosy - NPL

September 2019

River City – 20190430004 (*Date of Incident 4-30-2019*)

An MGC audit was completed for the period of April 1, 2016 through January 31, 2018. A follow-up was conducted to determine if the audit findings from the final audit report had been corrected. One (1) significant finding was found not to be implemented.

- Two (2) different sensitive keys on one (1) key tag was allowed in the system to individuals who were not authorized access to the keys according to the Electronic Key Box Access List approved in the internal controls. Six (6) Table Games Supervisors had access to Key Tag #68; however, the Electronic Key Box Access List approved in the internal controls authorizes this key to Dealers. It was verified with an HR Specialist these employees were Table Games Supervisors and not Dealers.

River City - \$2,500



Timothy McGrail
Deputy Director
Missouri Gaming Commission
3417 Knipp Drive
Jefferson City, MO 65102

7/1/2020

Deputy Director McGrail,

Thank you for the opportunity to respond to the Missouri Gaming Commission (MGC) staff's proposed discipline for the progressive meter discrepancies outlined in the letter dated June 29, 2020. St. Louis Gaming Ventures, LLC d/b/a Hollywood Casino St. Louis (Hollywood) does not contest the recommended fine of \$2,500 for violation of 11 CSR 45-5.200 and MICS Chapter E § 11.01 involving failure to make necessary adjustments to slot progressive meters upon discovery of variances during the required weekly reconciliation process.

Hollywood acknowledges the importance of properly completing the weekly progressive reconciliation process and subsequent investigation of meter variances. As noted in the proposed discipline letter, Hollywood identified the progressive meter variances at the CQ slot bank from May 22, 2019 through June 26, 2019 but did not provide explanations for these variances or make necessary adjustments to the top award until MGC Audit staff notified Slot personnel of the failed progressive meter test on June 26, 2019. Hollywood Slot personnel immediately diagnosed and fixed a loose wire in one of the EGDs connected to the progressive link and added \$82.64 to the top award on June 28, 2019 to offset the reported variances from the prior weeks. To prevent future occurrences of unresolved progressive meter variances, and as noted in the property's response to Audit Finding C-1 on Report No. 19-16, Slot Tech staff have added additional steps to the progressive variance review process as well as completed retraining on the proper procedures for investigating progressive variances.

Hollywood understands the severity of the incident and appreciates the opportunity to respond to the MGC regarding the proposed disciplinary action. Hollywood does not contest the recommended fine and acknowledges that the discipline shall become final order if approved by the Commission.

Please contact me should you have any questions or require any additional information.

Regards,

A handwritten signature in black ink, appearing to read "KM 148023".

Kevin Meyer
Director of Regulatory Compliance
Hollywood Casino St. Louis