

# IN THE MISSOURI GAMING COMMISSION

In Re: )  
 ) DC 24-086  
PNK (River 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, with jurisdiction over gaming activities, including riverboat gambling activities, in the state of Missouri.
2. The Commission issued a Class A gaming license to PENN Entertainment, Inc. to develop and operate Class B gaming licensees in the State of Missouri.
3. PENN Entertainment is the parent organization or controlling entity of PNK (River City), LLC.
4. The Commission issued a Class B riverboat gambling license to PNK (River City), LLC to conduct games on and operate the excursion gambling boat known as River City Casino (the “Casino”).
5. As the holder of a Class B license, PNK (River City), LLC is subject to the provisions of Sections 313.800 to 313.850, RSMo, and the regulations promulgated thereunder by the Commission.

### STATEMENT OF FACTS<sup>1</sup>

6. MGC auditors completed a compliance audit at the Casino for the period of March 1, 2020, through October 31, 2022, and issued MGC Audit Reports No. 23-03 and No. 23-04 to the Casino on February 27, 2023.
7. MGC Auditors conducted a follow-up in September and October of 2023 and five (5) significant findings had not been corrected.
8. The repeat findings involved numerous different violations. The details of these findings, as set forth in Audit Reports No. 23-03 and No. 23-04, and their subsequent violations are as follows:

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<sup>1</sup> GR 20240123005

- a. MGC Audit Report No. 23-03, Finding B-4 found that during a cage window closing on August 23, 2022, a transfer was not verified before it was sent to the main bank, in violation of the Casino's ICS, Chapter H § 3.08 (now ICS Chapter H, § 3.09).
  - i) On August 23, 2022, MGC Auditors observed that the Cage Shift Manager signed the Buy/Sell Slip but did not verify the transfer before it was sent to the main bank.
  - ii) In response to this finding, Casino management noted that by February 17, 2023, a read and sign would be compiled by the Cage and Credit Manager regarding the correct way to process a transfer before it is sent to the main bank. The read and sign would be issued to all relevant Cage team members.
  - iii) During the follow-up to Finding B-4, MGC Auditors observed that for two of the window closings on September 28, 2023, and October 24, 2023, the supervisor verifying the window did not verify the transfer before it was sent to the main bank.
  
- b. MGC Audit Report No. 23-04, Finding A-4 found that Meter Reading Comparison Reports were not prepared for two (2) electronic gaming devices (EGDs) with qualifying bill variances for three (3) consecutive drop periods from July 13, 2022, through July 20, 2022, in violation of the Commission's MICS, Chapter E § 6.04(B).
  - i) EGD #3075 had a qualifying bill variance of (\$710) on July 13, 2022, qualifying bill variance of (\$1,950) on July 17, 2022, and a qualifying bill variance of (\$1,305) on July 20, 2022.
  - ii) EGD #4502 had a qualifying bill variance of (\$30) on July 15, 2022, a qualifying bill variance of (\$100) on July 17, 2022, and a qualifying bill variance of \$3,316 on July 20, 2022.
  - iii) In response to this finding, Casino management stated that the Revenue Audit Manager had overhauled the entire process that the Revenue Audit team would use for variance tracking, investigations, and submissions to MGC that were consistent with MGC requirements.
  - iv) During the follow-up to Finding A-4, MGC Auditors determined that Meter Reading Comparison reports were not prepared for two (2) EGDs with qualifying bill variances for three (3) consecutive drop periods from June 14, 2023, through June 26, 2023.

- v) EGD #1101 had a qualifying bill variance of (\$746) on June 14, 2023, a qualifying bill variance of (\$1,178) on June 18, 2023, and a qualifying bill variance of (\$220) on June 21, 2023.
  - vi) EGD #4400 had a qualifying bill variance of (\$2,323) on June 14, 2023, a qualifying bill variance of (\$6,776) on June 18, 2023, and a qualifying bill variance of (\$4,408) on June 21, 2023.
- c. MGC Audit Report No. 23-04, Finding B-2 found that transaction detail reports of activity at each EGD were not maintained as source documentation used to investigate EGDs with non-cashable electronic promotion (NCEP) variances to support the daily tax remittal, in violation of the Commission's MICS, Chapter U § 1.08.
- i) On November 8, 2022, an interview with a Lead Revenue Auditor revealed that an adjustment was made without an investigation into NCEP variances.
  - ii) Through a review with the Revenue Audit Manager of NCEP variance documentation from July 26, July 29, and July 30, 2022, MGC Auditors found that transaction detail reports that would have been used to investigate the variances were not included in the documentation.
  - iii) In response to finding B-2, Casino management indicated that by February 28, 2023, the Director of Finance would retrain Revenue Audit Staff on the requirement to investigate the cause of any NCEP variance and retain the documentation.
  - iv) During the follow-up to Finding B-2, a review of NCEP variance documentation from July 9, 2023, through July 15, 2023, showed that for both days with variances (July 11 and July 12, 2023), transaction detail reports were not maintained as source documentation used to investigate EGDs with NCEP variances to support the daily tax remittal. Instead, Revenue Audit staff maintained an Adjust SMS Asset Meter Totals Report, which showed the total of the transactions but did not show the transaction detail.
  - v) On November 2, 2023, interviews with Revenue Audit Manager Lindsay Meissner and Director of Finance Rich Huisinga revealed there were no known reports that would show the detail for these transactions.

- d. MGC Audit Report No. 23-04, Finding E-1 found that River City could not provide the Standard IT Checklists for the gaming days of April 16, April 17, April 23, April 30, May 14, May 15, May 21, May 22, May 23, and May 29, 2022, during a review of daily system event log reviews from April 2022 and May 2022. The Standard IT Checklist was the form used to document the review of daily system event logs including the date, time, the name of the individual performing the review, exceptions noted, and any follow-up of the noted exception. Failure to maintain Standard IT Checklists is in violation of the Commission's MICS, Chapter S § 4.07.
- i) A review of Standard IT Checklists, which were used to document the daily system event log reviews from April 2022 and May 2022 revealed that the checklists from April 16, April 23, May 22, and May 29, 2022, were not provided.
  - ii) The checklists from April 17, April 30, May 14, May 15, May 21, and May 23, 2022, were provided; however, they were blank.
  - iii) On August 29, 2022, a review of documentation and an interview with the IT Manager revealed that the review of daily system event logs was performed daily instead of weekly, and the review was documented on the Standard IT Checklist.
  - iv) On September 6, 2022, an interview with the IT Manager revealed that for the four (4) days that were missed, it looked like those days were completed but the folders were not made into ZIP files at the end of the day. According to the IT Manager, for the days with blank checklist sheets, the files were pulled and reports were reviewed, but for some reason the log either was not filled out or did not save properly after the team member completed the checklist.
  - v) On September 6, 2022, documentation was provided, showing that daily system event logs were maintained for the missing days; however, the Standard IT Checklists showing the logs had been reviewed were not provided.
  - vi) In response to Finding E-1, Casino management stated that a read and sign would be compiled by the IT Manager regarding the proper way to document and maintain evidence of the review of the event log. The read and sign would be signed by all IT personnel by February 28, 2023.
  - vii) During the follow-up to Finding E-1, MGC Auditors reviewed the Standard IT Checklists from July 1 through July 31, 2023. MGC Auditors discovered nine (9) instances (July 1, 2, 7, 8, 9, 12, 18, 20 and 25) where the Standard IT Checklists were not provided. In addition, of the Standard IT Checklists provided, thirteen (13) did not include the name of the individual performing the review (July 16, 17, 19, 21, 22, 23, 24, 26, 27,

28, 29, 30, and 31). Four (4) of the Standard IT Checklists did not include an accurate date (July 24, 26, 27, and 28). Further, the date noted on these Standard IT Checklists was February 1, 2023.

- e. MGC Audit Report No. 23-04, Finding E-7 found that a current list of all user accounts in ACSC, including the employee's name and the individual's corresponding user provisioning access, was not retained for at least one day each month, in violation of the Commission's MICS, Chapter S § 9.04.
  - i) Through interviews with the Regional Director of IT on December 28 and December 29, 2022, MGC Auditors discovered that a list of user accounts was retained; however, the documentation did not include the corresponding user provisioning access. According to the Regional Director of IT, a report could be run showing all accounts from all time, along with an audit trail of any changes to each account.
  - ii) In response to Finding E-7, Casino management stated that a read and sign would be compiled by the IT Manager regarding the requirement of retaining the user provision access for at least one day of the month and indicated that this would be signed by all IT personnel by February 28, 2023.
  - iii) During the follow-up to Finding E-7, MGC Auditors requested the Personnel Access Listings and User Authority by Menu/Option Report for August and September 2023 to ensure the reports were retained for at least one day each month. IT Manager Jonathon Johnson provided a Personnel Access Listing.
  - iv) Through an interview with the IT Manager, it was noted that the User Authority by Menu/Option Report and the Option Authority by Job Class Report, which list the corresponding user provisioning access, were not retained each month. Instead, the report was run on request for audits, due to frequency of audits, and was run almost monthly.
  - v) A review of the User Authority by Menu/Option Reports saved from May 2023 through October 2023 revealed that there was no User Authority by Menu/Option Report saved in August 2023; however, there were User Authority by Menu/Option Reports saved for May, June, July, September and October 2023.

## 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, RSMo, states, in pertinent part, as follows:

14. 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 such person or such person's 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.

\* \* \*

(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:

(2) Failure to comply with the provisions of this chapter is an unsuitable method of operation.

(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.

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

3.09 At the end of each shift, the outgoing Cashier shall count all assigned assets and prepare and sign a Cashier/Bank Count Sheet (Form D-1) listing the inventory. 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 Cage/Bank Variance Slip (Form T).

River City accepts MGC Control #49991-14A issued 8/31/2015, to allow a cashier to end his/her shift before he/she receives the items needed from the main bank cashier to re-imprest his/her cage window. This would allow the cashier to count all assigned assets and the final transfer at the end of shift to identify variances prior to the end of shift. Conditions/Restrictions: At the end of shift the cashier and the incoming cashier or verifier shall count down the assets and the transfer before it is sent to the main bank. Any variances shall be documented on the cashier count sheet in the over/short field. Any variance between the beginning inventory amount and the ending inventory amount shall be processed using a cage variance slip as the transfer document and shall not be included in the end of shift transfer for that window. When the transfer has been processed by the main bank cashier, it will be given to either the next cashier to enter the drawer to a Cage Assistant Shift Manager or above who will count into the drawer, place the funds into the drawer, and then count out of the drawer. This final count will be verified by another employee. The Main Bank cashier must process the final transfer and return the requested assets to the cage window prior to the end of the incoming cashier's shift. (H-3.09)

13. The Commission's MICS, Chapter E, states, in pertinent part, as follows:

6.04 Accounting shall document on a drop variance report the total currency, total tickets and total EGD coupons dropped as reported by the EGD computer monitoring system and the actual counted drop for each reported by soft count for each drop. [The percentage of variance is based on the delta between the system meter amount (bills-in, tickets-in, and coupons-in) and the actual counted amount divided by the system meter

amount.] Any variance greater than 1% and more than \$5.00 and all variances greater than \$20.00 shall be investigated.

(B) Any qualifying drop variance for three consecutive drop periods shall require the Class B Licensee to prepare a Meter Reading Comparison Report for each EGD having such variance. To prepare the Meter Reading Comparison Report, accounting shall obtain two meter readings of the EGD internal soft meter readings for the amount-in (credits played), amount-out, amount-to-drop and jackpot paid meters at the beginning and the end of a period of at least a week and no more than a month. The difference between these EGD internal soft meter readings shall be compared to the difference in the EGD computer monitoring system meter readings for the same period to verify that both sets of meters are incrementing by the same amount. Accounting shall investigate and document any differences. A copy of the report will be provided to the MGC EGD department. An EGD continuing to experience such variances for the ensuing three consecutive drop periods shall be removed from service until repaired, and when returned to play shall continue to have its internal soft meters compared with those from the computer monitoring system for each drop until three consecutive drop periods are realized for which variances are within acceptable limits.

14. The Commission's MICS, Chapter U, states, in pertinent part, as follows:

1.08 Accounting shall, on each gaming day, in an MGC approved format, prepare a meter comparison report for all EGDs with Cashless, Promotional, or Bonusing options enabled. The reports shall compare the Cashless (i.e., Wagering Account Transfer (WAT) In, WAT Out, Cashable Electronic Promotion (CEP) In, CEP Out, Non-Cashable Electronic Promotion (NCEP) In, and NCEP Out) and Bonusing (i.e., machine paid external bonus payout and attendant paid external bonus payout) deltas of the EGD internal soft meters with the meter deltas of the slot accounting system. The EGD soft meter deltas may be obtained by manually recording the values at the EGD, or by polling the EGD using the slot accounting system. Any meter variance between the deltas of the EGD and the slot accounting system shall be reconciled prior to filing the daily tax transmittal with the MGC. A transaction detail report of activity at the EGD shall be used to investigate the cause of the variance. If it is determined that an adjustment must be made to ensure the Adjusted Gross Revenue (AGR) calculations are correct, an appropriate adjustment shall be made by an Accounting employee to correct the system reports. The adjustment must be documented and the source documents shall be maintained. The documentation shall indicate who made the adjustment and the amount of the adjustment. The original daily meter comparison report listing any variances, the transaction detail report used to investigate the variances, and any corresponding adjustments to correct the variances shall all be maintained as source documentation to support the daily tax remittal. The MGC EGD department shall be notified of any variances and the results of the investigations that occurred during the gaming week by the close of business on Thursday.



15. The Commission's MICS, Chapter S, states, in pertinent part, as follows:

4.07 Daily system event logs shall be reviewed at least once a week for each day of the entire previous calendar week for the events listed above. The system event logs shall be maintained for a minimum of one year. This review may either be completed manually by MIS personnel or by using an automated tool that polls the event logs for all gaming related servers and provides the system administrators notification. The Internal Control System shall indicate how this review will be completed. Evidence of this review (e.g., log, checklist, notation on reports) shall include:

- (A) Date;
- (B) Time;
- (C) Name of individual performing the review (if a manual review);
- (D) Exceptions noted; and
- (E) Any follow-up of the noted exception.

16. The Commission's MICS, Chapter U, states, in pertinent part, as follows:

9.04 A current list of all user accounts including the employee's name and the individual's corresponding user provisioning access for all Critical IT Systems and equipment shall be retained for at least one day of each month for the most recent five years. The lists may be archived electronically, if the listing is written to unalterable media (secured to prevent alteration).

### **VIOLATIONS**

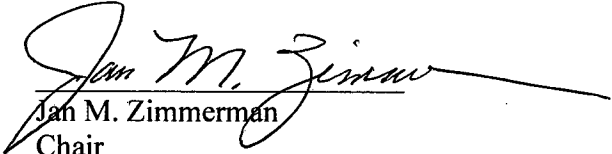
17. The acts or omissions of employees or agents of the Casino, as described above, involve five significant audit findings in which the Casino repeatedly failed to follow proper procedures. The audit findings were significant because they involved the count and repeat findings. These failures are injurious to the public health, safety, morals, good order, and general welfare of the people of the state of Missouri and discredits the Missouri gaming industry and the State of Missouri in that the Casino's actions violate the Casino's ICS, Chapter H § 3.08 (now ICS, Chapter H § 3.09), the Commission's MICS, Chapter E § 6.04(B), Chapter U § 1.08, and Chapter S Sections 4.07 and 9.04.

18. PNK (River City), LLC is therefore subject to discipline for such violations pursuant to Sections 313.805 and 313.812.14(2), RSMo, and 11 CSR 45-9.060(2) and (3).

### **PENALTY PROPOSED**

19. Under Section 313.805, RSMo, the Commission has the power to assess any appropriate administrative penalty against PNK (River City), LLC as the holder of a Class B license.

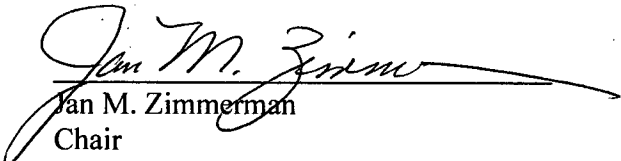
20. THEREFORE, it is proposed that the Commission fine PNK (River City), LLC the amount of fifteen thousand dollars (\$15,000.00) for the violations set forth herein.

  
Jan M. Zimmerman  
Chair  
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 24<sup>th</sup> day of October, 2024, to:

Mr. Rich Huisinga  
Interim General Manager  
777 River City Casino Blvd.  
St. Louis, MO 63125

  
Jan M. Zimmerman  
Chair  
Missouri Gaming Commission