

MISSOURI GAMING COMMISSION
MINIMUM INTERNAL CONTROL STANDARDS
SECTION O - PURCHASING AND CONTRACT ADMINISTRATION

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Note: Sections 313.800 through 313.850, RSMo, et seq., and Title 11, Division 45 of the Code of State Regulations establish standards to which Class B licensees must comply. Class B licensees should review these statutes and rules to ensure their ICS includes compliance with the requirements set forth. Revised December 30, 2010 (§12).

MINIMUM INTERNAL CONTROL STANDARDS
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General

1. The terms "purchasing" and "contracting" shall include such items as leases, management contracts, and all other transactions requiring the commitment of company resources for the acquisition of goods or services.
2. The use of the term "owner" or "owners" shall include sole proprietors, partners, or shareholders who are required to file a "Form I" with the MGC.

Statement of Policy

3. A statement of policy regarding ethical standards and compliance with federal and state laws shall be included. Such statement shall delineate the limitation on purchasing and contracting personnel from accepting gifts or other forms of gratuities from suppliers of goods or services.

Normal Purchasing Transactions

4. The amount of a commitment that an individual or a group of employees, Class A licensees, or directors can approve shall indicate the total dollar commitment of the single transaction or a series of related transactions. The ICS shall include a description of procedures regarding the following:
 - a. Issuance of purchase requisitions and amounts that can be authorized by various positions or levels of personnel;
 - b. requirements for competitive bidding process, including the number of bids required;
 - c. procedures for issuing and approving blanket purchase orders;
 - d. procedures and approval regarding emergency purchases;
 - e. criteria for qualifying approved vendors of goods or services based on such factors as quality, service, and price;
 - f. documentation that goods or services acquired were obtained on the basis of "fair market value" considering the criteria in item e. above;
 - g. procedures and approval process for the acquisition of goods or services that are unique and not conducive to the normal competitive process;
 - h. procedures to ensure that vendor files contain all company required forms, documentation, and approvals; and
 - i. a prohibition against the purchase or lease of gaming equipment or supplies from other than a licensed supplier as defined in the Missouri Riverboat Gambling Act or MGC Rules and Regulations.

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Capital Expenditures

5. In addition to the normal purchasing requirements, the ICS shall include procedures for the approval of capital expenditures as required by 11 CSR 45-10.040.

Related Party Transactions

6. **Related Party** is defined as an individual or business entity having a pecuniary interest in a business entity which is not a publicly held company; a holder of more than five percent (5%) of the outstanding shares of a corporation that is a publicly held company; a key person of a business entity; an affiliate of a business entity; a relative of an individual having a pecuniary interest in a business entity that is not a publicly held company; a relative of a holder of more than five percent (5%) of the outstanding shares of a corporation that is a publicly held company; a relative of a key person of a business entity; a relative of an affiliate of a business entity; a trust for the benefit of or managed by a business entity or a key person thereof; or any other individual or business entity who is able to control or significantly influence the management or operating policies of a business entity.
7. **Relative** is defined as a member of the **Immediate Family**, as well as uncles, aunts, nephews, nieces, and first cousins, whether by whole or half blood, by marriage, adoption, or natural relationship, and dependents.
8. **Immediate Family** is defined as a spouse (other than a spouse who is legally separated from the individual under a decree of divorce or separate maintenance), parents, grandparents, siblings, children and grandchildren, whether by whole or half blood marriage, adoption, or natural relationship.
9. **Dependent** is defined as any individual who received over half of his or her support in a calendar year from any other individual.
10. The minimum internal control standards for disclosure and approval of related party contracts or transactions as described below do not apply to transactions that require a supplier's license under the Missouri Riverboat Gambling Act or MGC Rules and Regulations, or to the payment of dividends to shareholders or scheduled repayments of related party debt.
11. Related party transactions, either oral or written, shall meet the minimum internal control standards enumerated above. In addition, the ICS shall provide that:
 - a. Each related party transaction or series of related transactions reasonably anticipated to have a dollar value equal to or greater than the greater of \$500,000

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- or 30% of net worth up to \$1,000,000 annually shall be subject to approval of the Board of Directors or Owners of the company;
- b. an annual report of related party contracts or transactions shall be prepared and submitted to the Board of Directors or Owners and the MGC, 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; shall be formatted to group related party transactions by key person or entity; and shall contain the following information:
 - 1) name of the related party;
 - 2) amount of the transaction or payments under the contract;
 - 3) term of the contract;
 - 4) nature of the transaction; and
 - 5) determination of how the fair market value of the contract, goods, or services was ascertained.
 - c. a quarterly report to the Board of Directors or Owners and the MGC updating the information required in b.(1) through b.(5), above, for all new or renewed related party transactions entered into during the quarter. This report shall also indicate any terminations of related party transactions and is due by the end of the second month following the end of the quarter. The annual report will suffice for the fourth quarterly report; and
 - d. a written favorable fairness opinion from a reputable investment banking firm shall be provided for all related party contracts, transactions or series of transactions expected to exceed \$5,000,000, unless such fairness opinion is specifically exempted by the Director.

Classification of Vendors

- 12. If a vendor is classified by the Class B licensee as minority-owned or woman-owned business to demonstrate compliance with RSMo 313.805(18), the casino shall retain documentation in the vendor file establishing the criteria used to classify the vendor as a minority-owned or woman-owned business. Documentation shall include either a copy of a MBE or WBE certification or an affidavit signed by the vendor attesting to the fact the vendor is a minority-owned or woman-owned business.

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