

IN THE MISSOURI GAMING COMMISSION

In Re:)
) DC-18-043
Ameristar Casino St. Charles, 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 Pinnacle Entertainment, Inc., a Class A gaming license to develop and operate Class B gaming licenses in the State of Missouri.
3. Pinnacle Entertainment, Inc., is the parent organization or controlling entity of Ameristar Casino St. Charles, LLC (“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 *Ameristar Casino St. Charles* (“Casino”).
5. As the holder of a Class B license, Ameristar Casino St. Charles, LLC, 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, 2015, through September 30, 2016, and issued MGC Audit Report 17-03 to the Casino on January 12, 2017.
7. A follow-up was conducted in April 2017, by MGC auditors to determine if the audit findings from that audit report had been corrected.
8. The follow-up audit found the following two significant findings had not been implemented:
 - b. Report No. 17-03, Finding C-8 showed that although one Electronic Gaming Device (EGD) had qualifying bill variances for 15 consecutive drop periods, it was never removed from service.

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

² 20171023003

- i. The Management Response indicated that “the proper procedures for reviewing the MGC variance tracking sheet for EGDs with more than three consecutive qualifying bill variances was reiterated to Revenue Audit Leadership in August 2016.”
 - ii. On the follow-up to Finding C-8, MGC Auditors found one EGD that, although it experienced six consecutive drop periods with qualifying bill variances, was not removed from service.
- c. Audit Report 17-03, Finding C-12 revealed that three employees who were not listed in the Casino’s Internal Controls were able to view full validation numbers prior to ticket redemptions.
 - i. The Management Response stated that the access for those individuals was removed on September 11, 2016.
 - ii. When following up on finding C-12, auditors found that those same individuals still had access to view full validation numbers prior to redemption through the Voucher Tab in Diagnostic Monitor, although their positions were not listed in the Casino’s ICS as having this access.

LAW

- 9. 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.
- 10. 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[.]

11. 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.

12. The MICS and the Casino’s ICS, Chapter E, § 6.04, state, in pertinent part, as follows:

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.

13. The MICS, Chapter E, § 12.19 states as follows:

Once the validation information is stored in the database, the data may not be altered in any way. The validation system database must be encrypted utilizing a NIST approved algorithm or password protection or other secure method as approved by the MGC and shall possess non-alterable user audit trail to prevent unauthorized access. The ICS shall list the department(s) and position(s) which have system access to view full validation numbers prior to redemption. These positions shall have a segregation of duties, ensuring those positions do not have the ability to redeem tickets. Any EGD or system hardware on the EGD that holds ticket information shall not have any options or methods that would allow for viewing of the full validation number prior to redemption. Any EGD that holds ticket information in its memory shall not allow removal of the information unless it has first transferred that information to the database or other secured component(s) of the validation system.

14. The Casino's ICS, Chapter E, § 12.19, states as follows:

Once a ticket is issued by an EGD a checksum is generated within the ticket tables. If any information within these tables is altered, this changes the checksum value, invalidates the record and locks the ticket, rendering it unredeemable. This checksum is the other secure method that the ACSC slot accounting system manufacturer had approved by the MGC and shall possess a non-alterable user audit trail to prevent unauthorized access. The following positions have access to view full validation numbers prior to redemption:

IT

- Director of IT
- Technical Support Analyst
- Senior Systems Analyst
- Systems Analyst

Poker Department

- Director of Poker Operations

Slot Department

- Vice President Casino Operations
- Executive Assistant
- Casino Manager
- Slot Tech Manager
- Assistant Casino Manager
- Lead Casino Supervisor (SLOT MGR)
- Slot Supervisor
- Slot Service Specialist
- Slot Performance Manager
- Slot Technician Supervisor

- Slot Technician
- Slot Utility Technician

Finance

- VP of Finance
- Financial Controller
- Revenue Auditor
- Planning & Analysis Manager
- Senior Financial Analyst

Internal Audit

- Senior Internal Auditor

These positions shall have a segregation of duties, ensuring those positions do not have the ability to redeem tickets. Any EGD or system hardware on the EGD that holds ticket information shall not have any options or methods that would allow for viewing of the full validation number prior to redemption. Any EGD that holds ticket information in its memory shall not allow removal of the information unless it has first transferred that information to the database or other secured component(s) of the validation system.

VIOLATIONS

15. The acts or omissions of employees or agents of the Company, as described above, constitute a failure of the Company to correct two significant audit findings, thereby violating MICS, Chapter E, §§ 6.04 and 12.19, and the Casino’s ICS, Chapter E, §§ 6.04 and 12.19.
16. 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

17. 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.
18. THEREFORE, it is proposed that the Commission fine Ameristar Casino St. Charles, 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 ____ day of June, 2018, to:

Howard Shaw
General Manager
Ameristar Casino St. Charles
1 Ameristar Blvd.
St. Charles, MO 63301

Herbert M. Kohn
Chairman
Missouri Gaming Commission