

IN THE MISSOURI GAMING COMMISSION

In Re:)
) DC 20-036
Harrah's 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 2016,¹ with jurisdiction over gaming activities, including riverboat gambling activities, in the State of Missouri.
2. The Commission issued Caesars Entertainment Corporation a Class A gaming license to develop and operate Class B gaming licenses in the State of Missouri.
3. Caesars Entertainment Corporation, is the parent organization or controlling entity of Harrah's Kansas City, 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 *Harrah's Kansas City* ("Casino").
5. As the holder of a Class B license, Harrah's Kansas City, 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 May 1, 2017 through March 31, 2019 and issued MGC Audit Reports 19-08 and 19-09 to the Casino on June 11, 2019.
7. A follow-up audit was conducted in November 2019, by MGC auditors to determine if the audit findings from Audit Reports 19-08 and 19-09 had been corrected.
8. The follow-up audit found that the following two significant findings had not been implemented:
 - a. Audit Report 19-08, Finding B-8, stated that Casino staff granted 17 temporary credit limit increases between August 17, 2018 and December 1, 2018 for three patrons in excess of the creditworthiness recorded in the patrons' credit files.

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

² 20200129006

- i. The Management Response indicated that the Casino “reinforced procedures with the Cashiering team members responsible for temporary credit increases.”
 - ii. The auditors followed up on Report 19-08, Finding B-8. A review of 53 increases for 16 patrons revealed that three patrons were granted seven increases above the allowable amount of their creditworthiness between July 2019 and October 2019.
- b. Audit Report 19-09, Finding D-2, noted that a review of surveillance footage of the bill validator and table games counts from November 21, 23, and 30, 2018, revealed count team members failed to clear their hands in 334 of 902 instances when moving them to or from count room tables while currency was on the table. This resulted in an error rate of 37%.
 - i. The Management Response stated that the Casino “reinforced procedures with the Count Room team.”
 - ii. When following up on Report 19-09, Finding D-2, MGC Auditors observed surveillance footage from bill validator and table game counts from November 4 and 6, 2019, and noted that count team members failed to clear their hands in 189 of 345 instances when moving them to or from the count room tables while currency was on the table. This resulted in an error rate of 54.6%.

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 regulation;

- (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 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. Section 313.817.9, RSMo, states as follows:

- 9. In addition to the other creditor protections contained in this section, a licensee shall not lend anything of value or extend credit to any person for the purpose of permitting that person to wager on any gambling game except through the use of a credit instrument. Credit* instruments of ten thousand dollars or less may be accepted only if the licensee determines the qualified person's creditworthiness to be at least twice the amount of the credit instrument or ten thousand dollars, whichever is less. Credit* instruments of more than ten thousand dollars may be accepted only if the licensee determines the qualified person's creditworthiness to be equal or in excess of the amount of the credit instrument. No** credit instrument shall be secured by any individual's house or other real property, tangible personal property, investments, IRAs, a 401(k), pensions or other retirement accounts, any college savings plans, or any assets whatsoever other than a demand deposit account or accounts. All credit instruments shall provide that any credit extended shall be due no later than thirty days from the date credit is extended. Credit instruments shall be considered an unsecured loan and shall not bear interest.

13. Title 11 CSR 45-8.140(6) states as follows:

- (6) If the person's credit worthiness is ten thousand dollars (\$10,000) or more, the Class B licensee may accept a credit instrument of more than ten thousand dollars (\$10,000) only if the qualified person's creditworthiness is equal to or in excess of the amount of the credit instrument. If the person's credit

worthiness is less than ten thousand dollars (\$10,000), the Class B licensee may only accept credit instruments that are equal to or less than half the amount of the person's creditworthiness.

14. Title 11 CSR 45-10.030(7) states as follows:

- (7) All occupational licensees shall have a working knowledge of Chapter 313.800, RSMo et seq., *Code of State Regulations*, Title 11 Division 45, and the internal controls of the Class A or B licensees for whom they are currently employed by as they pertain to the responsibilities and limitations of their job.

15. The Commission's MICS and the Casino's ICS, Chapter G, § 7.10, state as follows:

All contents removed from each drop device shall remain on or above the count table or other work surface in plain view of surveillance until transferred to transport carts. If contents are accidentally dropped on the floor, a count team member shall clear his/her hands before picking up the contents and after returning the contents to the table. Count team members may not remove their hands from or return them to a position on or above the count table or other work surface, where funds are exposed, unless the backs and palms of their hands are first held out and exposed to other members of the count team and the surveillance cameras.

16. The Commission's MICS, Chapter H, § 21.01, stated as follows:

A Class B Licensee may offer credit to qualified persons who have an approved and signed credit application on file. "Qualified person" means a person who has completed a credit application provided by the Class B Licensee and who is determined by the licensee, after performing a credit check and applying usual standards to establish creditworthiness, to qualify for a line of credit in an amount to be determined by the licensees based on the person's demand deposit accounts including any checking account or savings account, subject to the following restrictions:

- (A) Credit instruments of ten thousand dollars or less may be accepted only if the licensee determines the qualified person's creditworthiness to be at least twice the amount of the credit instrument or ten thousand dollars, whichever is less; and
- (B) Credit instruments of more than ten thousand dollars may be accepted only if the licensee determines the qualified person's creditworthiness to be equal or in excess of the amount of the credit instrument.

17. The Casino's ICS, Chapter H, § 21.01, stated as follows:

Harrah's North Kansas City may offer credit to qualified persons who have an approved and signed CREDIT APPLICATION (Exhibit: 105) on file. "Qualified person" means a person who has completed a CREDIT APPLICATION (Exhibit: 105) provided by Harrah's North Kansas City and who is determined by Harrah's North Kansas City, after performing a credit check and applying usual standards to establish creditworthiness, to qualify for a line of credit in an amount to be determined by the licensees based on the person's demand deposit accounts including any checking account or savings account, subject to the following restrictions:

- (A) Credit instruments of ten thousand dollars or less may be accepted only if the licensee determines the qualified person's creditworthiness to be at least twice the amount of the credit instrument or ten thousand dollars, whichever is less; and
- (B) Credit instruments of more than ten thousand dollars may be accepted only if the licensee determines the qualified person's creditworthiness to be equal or in excess of the amount of the credit instrument.

VIOLATIONS

- 18. 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 § 313.817.9, RSMo, 11 CSR 45-8.140(6), 11 CSR 45-10.030(7), the Commission's MICS, Chapter G, § 7.10 and Chapter H, § 21.01, and the Casino's ICS, Chapter G, § 7.10 and Chapter H, § 21.01.
- 19. 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

- 20. 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.
- 21. THEREFORE, it is proposed that the Commission fine Harrah's Kansas City, 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 _____, 2020, to:

Julie Sola
General Manager
Harrah's Kansas City
One Riverboat Dr.
North Kansas City, MO 64116

Mike Leara
Chairman
Missouri Gaming Commission