

# 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,<sup>1</sup> 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 FACTS<sup>2</sup>

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

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<sup>1</sup> All statutory references are to RSMo 2016, unless otherwise specified.

<sup>2</sup> 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.

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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

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Mike Leara  
Chairman  
Missouri Gaming Commission