Title 36 STATE LOTTERY AND GAMING CONTROL AGENCY

Subtitle 03 GAMING PROVISIONS

Chapter .10 Video Lottery Facility Minimum Internal Control Standards

Authority: State Government Article, § 9-1A-04(d), Annotated Code of Maryland

.07 Annual Audit and Other Regulatory Reports.

A. A facility operator shall cause its annual financial statements to be audited in accordance with generally accepted auditing standards by an independent certified public accountant.

B. The annual financial statements shall be prepared on a comparative basis for the current and prior fiscal year and present financial position and results of operations in conformity with generally accepted accounting principles in the United States.

C. The audited financial statements shall include a footnote reconciling and explaining any difference between the financial statements included in any report submitted to the Commission under Regulation .06 of this chapter and the audited financial statements.

D. A facility operator shall with regard to adjustments resulting from the annual audit:

(1) Disclose to the Commission all adjustments whether or not recorded in the accounting records; and

(2) Record the adjustment in the accounting records of the year to which the adjustment relates.

E. No later than 90 days after the end of its fiscal year, a facility operator shall submit to the Commission:

For September 25, 2014 Commission.

The proposed amendment to §F of this regulation would require the independent accountant performing the annual audit or other qualified entity approved by the Commission to issue a report on the adequacy and effectiveness of the facility operators information technology security controls. The proposed amendments to §§ N and P of this regulation would give operators additional time within which to provide the Agency with reports they are required to file under 31 CFR §103.21 (Suspicious Activity Report – Casino) and 31 CFR §103.22 (Currency Transaction Report).

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(1) A copy of its audited financial statements; and

(2) Any management letter or report prepared with regard to the financial statements by its independent certified public accountant.

F. A facility operator shall require the independent certified public accountant auditing its financial statements **or other qualified entity approved by the Commission** to render the following additional reports:

(1) A report identifying:

(a) Material weaknesses or significant deficiencies in the facility operator's Commission-approved internal controls noted in the course of the examination of the financial statements; and

(b) Recommendations as to how to eliminate each material weakness or significant deficiency identified; and

(2) A report expressing an opinion as to the adequacy of the facility operator's Commission-approved internal controls over financial reporting.

(3) A report expressing an opinion as to the adequacy and effectiveness of the facility operator's information technology security controls.

G. A facility operator shall prepare a written response to the reports required by §F of this regulation which includes details as to any corrective action taken.

H. No later than 120 days after the end of its fiscal year, a facility operator shall submit to the Commission a copy of:

(1) The reports required under §F of this regulation;

For September 25, 2014 Commission.

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(2) The response required under §G of this regulation; and

(3) Any other report on internal controls or other matters relative to its accounting or operating procedures rendered by its independent certified public accountant.

I. If a facility operator or any of its affiliates are publicly held, the facility operator shall submit to the Commission a copy of:

(1) Any report required to be filed with the Securities and Exchange Commission including:

(a) Form S-1;

(b) Form 8-K;

(c) Form 10-Q;

(d) Form 10-K;

(e) Proxy statement;

(f) Information statement; and

(g) Registration statement; and

(2) Any other report required to be filed with a domestic or foreign securities regulatory agency.

J. A report required to be filed under §I of this regulation shall be submitted to the Commission no later than 10 days after the date of filing with the applicable agency.

For September 25, 2014 Commission.

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K. A facility operator shall submit a written report to the Commission if an independent certified public accountant who is engaged as the principal accountant to audit its financial statements:

(1) Resigns;

(2) Is dismissed as the facility operator's principal accountant; or

(3) Is replaced by another independent certified public accountant as principal accountant.

L. A report required to be filed under §K of this regulation shall include:

(1) The date of the resignation, dismissal, or new engagement;

(2) Whether in connection with the audits of the 2 most recent years preceding a resignation, dismissal, or new engagement there were any disagreements, resolved or unresolved, with the former accountant on:

(a) Accounting principles or practices;

(b) Financial statement disclosure; or

(c) Auditing scope or procedure;

(3) The nature of any disagreement disclosed in §L(2) of this section;

(4) Whether the principal accountant's report on the financial statements for either of the past 2 years contained an adverse opinion or disclaimer of opinion or was qualified;

(5) The nature of any adverse opinion, disclaimer of opinion, or qualification; and

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For September 25, 2014 Commission.

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(6) A letter from the former principal accountant addressed to the Commission stating whether the principal accountant concurs with the statements made by the facility operator in the report to the Commission submitted under this section.

M. A report required to be filed under §K of this regulation shall be submitted to the Commission no later than 10 days after the end of the month in which the resignation, dismissal, or new engagement occurred.

N. No later than ~~2~~ **7** days after the date of filing with the applicable agency, a facility operator shall file with the Commission a copy of each Suspicious Activity Report-Casino filed under 31 CFR §103.21.

O. A facility operator or a director, officer, employee, or agent of a facility operator who reports suspicious activity under 31 CFR §103.21 may not notify an individual involved in the suspicious activity that the suspicious activity has been reported.

P. No later than ~~2~~ **7** days after the date of filing with the applicable agency, a facility operator shall file with the Commission a copy of each Currency Transaction Report by Casino filed under 31 CFR §103.22.

Q. At least 30 days before video lottery terminal operations are to commence, a facility operator shall submit to the Commission a copy of its compliance program required under 31 CFR §103.64.

R. On or before the effective date, a facility operator shall submit to the Commission any change or amendment to its compliance program required under 31 CFR §103.64.

For September 25, 2014 Commission.

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