

1 **Title 36 STATE LOTTERY AND GAMING CONTROL AGENCY**

2
3 **Subtitle 07 INSTANT BINGO MACHINES IN ANNE ARUNDEL AND CALVERT**
4 **COUNTIES**

5
6 **Chapter 04 Instant Bingo Minimum Internal Control Standards**
7

8 Authority: State Government Article, § 9-110 and Criminal Law Article § 12-308,
9 Annotated Code of Maryland

10
11 **.01 Accounting Records.**
12

13 A. A facility operator shall maintain complete, accurate, and legible books and records of
14 all transactions pertaining to the revenues and expenses of a facility.

15
16 B. General ledger books and records shall be maintained on a double entry system of
17 accounting with transactions recorded on a basis consistent with generally accepted
18 accounting principles in the United States.
19

20 C. Subsidiary ledgers books and records supporting general ledger records shall be
21 prepared in accordance with generally accepted accounting principles in the United
22 States.
23

24 D. Subsidiary ledgers and books and records shall include, at a minimum, documents
25 that:
26

27 (1) Support the financial statements and all transactions impacting the financial
28 statements including contracts or agreements with manufacturers, contractors, and
29 management companies;
30

31 (2) Identify for instant bingo machine on a week-to-date, month-to-date and year-
32 to-date basis:
33

34 (a) Coin in;

35 (b) Coin out;

36 (c) Win amount;

37 (d) Win percentage; and
38

39 (e) Payout percentage;
40

41 (3) Identify all costs and expenses associated with the operation of a facility;
42
43
44
45

(4) Are prepared in compliance with the internal controls approved by the Commission under this chapter; and

(5) Relate to:

(a) Loans and other amounts payable by a facility operator;

(d) Investments in property and equipment for the benefit of a facility.

.02 Forms and Documents.

A. A facility operator shall provide a list and written description of forms or documents used in its instant bingo operations

B. A form or document, including stored data, shall have:

(1) All information placed on the form or document recorded in ink or other permanent form; and

(2) The title of the form or document and the name of the facility imprinted or preprinted on it.

.03 Content of Internal Controls.

A. A facility operator shall develop a written description of its administrative and accounting procedures including the system of internal controls over instant bingo operations.

B. A facility operator's internal controls are subject to review and approval under this regulation.

C. Internal controls shall, at a minimum, include:

(1) Administrative controls and record keeping that document the authorization of transactions;

(2) Accounting controls that provide reasonable assurance that:

(a) Transactions or financial events which occur in connection with instant bingo operations are:

(i) Executed in accordance with the facility operator's authorization protocols;

1 (ii) Recorded to permit preparation of financial statements in
2 conformance with generally accepted accounting principles in the
3 United States and the requirements of this chapter; and
4

5 (iii) Recorded to permit proper and timely reporting and
6 calculation of proceeds and to maintain accountability for assets;
7

8 (b) Access to assets is permitted only in accordance with the facility
9 operator's authorization protocols; and
10

11 (c) The recorded accountability for assets is compared with existing assets
12 at reasonable intervals and appropriate action is taken with regard to a
13 discrepancy;
14

15 (3) Procedures and controls for ensuring:
16

17 (a) That an instant bingo machine accurately and timely communicates all
18 required activities and financial details to the instant bingo validation and
19 accounting system;
20

21 (b) That all functions, duties and responsibilities are segregated and
22 performed in accordance with sound financial practices by qualified
23 personnel; and
24

25 (c) Through the use of a surveillance and a security department, that the
26 facility is secure at all times during normal operation and during any
27 emergency due to malfunctioning equipment, loss of power, natural
28 disaster or any other cause;
29

30 (4) Access controls which address, at a minimum:
31

32 (a) Content of, and administrative responsibility over, the manual or
33 computerized access control matrix governing employee access to
34 restricted areas;
35

36 (b) Issuance of a temporary access credential; and
37

38 (c) Comprehensive key controls;
39

40 (5) A record retention policy;
41

42 (6) Procedures and controls over the movement of cash and the count room;
43

44 (7) Procedures and standards for conducting internal audits; and
45

1 (8) Other procedures and controls the Commission may require to be included in a
2 facility operator's internal controls.

3
4 D. A facility operator shall maintain, in hard copy or electronic form, all superseded
5 internal controls for at least five years subsequent to the date the internal controls were
6 superseded.

7
8 **.04 Review of Internal Controls.**

9
10 A. A facility operator shall submit its internal controls to the Commission for review and
11 written approval.

12
13 B. If the Commission determines that a submitted internal control is deficient, the:

14
15 (1) Commission shall provide the facility operator with written notice of the
16 deficiency; and

17
18 (2) Facility operator shall revise the internal control as appropriate and resubmit it
19 to the Commission for review.

20
21 C. A facility operator's initial internal controls submission and a change or amendment to
22 its approved internal controls shall be reviewed and approved in accordance with a
23 process and time frame developed and implemented by the Commission.

24
25 D. The process developed by the Commission under §C of this regulation shall, at a
26 minimum, require the facility operator to:

27
28 (1) Submit a redlined copy of any section of the approved internal controls to be
29 changed or amended with added text underlined and deleted text lined out;

30
31 (2) Document on the redlined copy the date the Commission approved the section
32 to be changed or amended and the date the revision was submitted to the
33 Commission for review;

34
35 (3) Submit a narrative explaining the reason for the change or amendment which
36 includes the facility operator's target date for implementation;

37
38 (4) Maintain a log of all changes or amendments in approved internal controls
39 which includes the initial approval date and the effective date of any change or
40 amendment approved by the Commission; and

41
42 (5) Mark each page of approved internal controls with the date on which it was
43 approved by the Commission.

44
45 **05. Standard Financial and Statistical Reports.**

1
2 A. The Commission may require a facility operator to submit monthly, quarterly, and
3 annual reports of financial and statistical data.

4
5 B. Reports required under this regulation shall be in a form and submitted in accordance
6 with a time frame specified by the Commission.

7
8 C. The Commission may, on written notice to a facility operator, require an interim report
9 to be submitted in a form and in accordance with a time frame specified by the
10 Commission.

11
12 **.06 Annual Audit.**

13
14 A. If a facility operator operates more than 10 instant bingo machines, it shall cause its
15 annual financial statements to be audited in accordance with generally accepted auditing
16 standards by an independent certified public accountant.

17
18 B. The annual financial statement shall include the method of calculation and a statement
19 of the gross receipts subject to the admissions and amusement tax.

20
21 C. The annual financial statements shall be prepared on a comparative basis for the
22 current and prior fiscal year and present financial position and results of operations in
23 conformity with generally accepted accounting principles in the United States.

24
25 D. The audited financial statements shall include a footnote reconciling and explaining
26 any difference between the financial statements included in any report submitted to the
27 Commission under Regulation .05 of this chapter and the audited financial statements.

28 E. With regard to adjustments resulting from the annual audit, a facility operator shall:

29
30 (1) Disclose to the Commission all adjustments, whether or not recorded in the
31 accounting records; and

32
33 (2) Record the adjustment in the accounting records of the year to which the
34 adjustment relates.

35
36 F. No later than 90 days after the end of its fiscal year, a facility operator shall submit to
37 the Commission:

38
39 (1) A copy of its audited financial statements; and

40
41 (2) Any management letter or report prepared with regard to the financial
42 statements by its independent certified public accountant.

43
44 G. A facility operator shall prepare a written response to the reports required by §E of
45 this regulation which includes details as to any corrective action taken.

1
2 H. A facility operator shall submit a written report to the Commission if an independent
3 certified public accountant who is engaged as the principal accountant to audit its
4 financial statements:

- 5
6 (1) Resigns;
7
8 (2) Is dismissed as the facility operator's principal accountant; or
9
10 (3) Another independent certified public accountant is engaged as principal
11 accountant.

12
13 I. A report required to be filed under §G of this regulation shall include:

- 14
15 (1) The date of the resignation, dismissal, or new engagement;
16
17 (2) Whether in connection with the audits of the two most recent years preceding
18 a resignation, dismissal or new engagement there were any disagreements,
19 resolved or unresolved, with the former accountant on:
20
21 (a) Accounting principles or practices;
22
23 (b) Financial statement disclosure; or
24
25 (c) Auditing scope or procedure;
26
27 (3) The nature of any disagreement disclosed in §H(2) of this section;
28
29 (4) Whether the principal accountant's report on the financial statements for either
30 of the past two years contained an adverse opinion, disclaimer of opinion or was
31 qualified;
32
33 (5) The nature of any adverse opinion, disclaimer of opinion or qualification; and
34
35 (6) A letter from the former principal accountant addressed to the Commission
36 stating whether the principal accountant concurs with the statements made by the
37 facility operator in the report to the Commission submitted under this section.
38

39 J. A report required to be filed under §G of this regulation shall be submitted to the
40 Commission no later than 10 days after the end of the month in which the resignation,
41 dismissal or new engagement occurred.
42

43 **.07 Record Retention.**
44

1 A. A facility operator shall develop written record retention procedures for its instant
2 bingo machine operations.

3
4 B. All original books and records shall be:

5
6 (1) Prepared and maintained in a complete, accurate, and legible form;

7
8 (2) Stored in a format that ensures readability, regardless of whether the
9 technology or software that created or maintains it has become obsolete;

10
11 (3) Retained in a secure location equipped with a fire notification system at:

12
13 (a) The facility; or

14
15 (b) An off-site location approved by the Commission for the express
16 purpose of document storage;

17
18 (4) Kept immediately available for inspection by the Commission during all hours
19 of operation;

20
21 (5) Organized and indexed in a manner designed to provide immediate
22 accessibility to the Commission; and

23
24 (6) Destroyed only after expiration of the minimum retention period required
25 under this regulation.

26
27 C. On submission of a written request by a facility operator, the Commission may,
28 authorize destruction prior to the expiration of the minimum retention period required
29 under this regulation.

30
31 D. Unless a request for destruction is submitted in writing and approved in writing by the
32 Commission, a facility operator shall retain indefinitely original books and records
33 documenting:

34
35 (1) Ownership of the facility;

36
37 (2) Internally initiated investigations and due diligence;

38
39 (3) Personnel matters;

40
41 (4) Destruction of documents including:

42
43 (a) The identity of the document;

44
45 (b) Period of retention; and

1
2 (c) Date of destruction.
3

4 E. Unless a request for destruction is submitted in writing and approved in writing by the
5 Commission, a facility operator shall retain for a minimum of five years all original
6 books and records.
7

8 F. Nothing in this regulation shall be construed as relieving a facility operator of any
9 obligation to prepare or maintain books and records required by any other federal, state,
10 or local governmental entity.
11

12 **.08 Table of Organization.**
13

14 A. For the purposes of this regulation, the title used to describe a department head is
15 intended to indicate responsibility for the functions of the enumerated department and
16 does not obligate the facility operator to use that particular title.
17

18 B. Subject to the requirements of this regulation, a facility operator shall tailor its table of
19 organization to meet its needs and policies.
20

21 C. A facility operator shall submit to the Commission for review and written approval a
22 table of organization depicting all direct and indirect reporting lines for instant bingo
23 operations:
24

25 D. A facility operator's table of organization shall include:
26

27 (1) A system of personnel and chain of command which permits management and
28 supervisory personnel to be held accountable for actions or omissions within their
29 areas of responsibility;
30

31 (2) The segregation of incompatible functions, duties, and responsibilities so that
32 no individual is in a position both to:
33

34 (a) Commit an error or to perpetrate a fraud; and
35

36 (b) Conceal the error or fraud in the normal course of the individual's
37 duties;
38

39 (3) The performance of all functions, duties and responsibilities by qualified
40 personnel;
41

42 (4) Areas of responsibility which are not so extensive as to be impractical for one
43 individual to monitor;
44

45 5) A General Manager:

1
2 (a) Based for employment purposes at the facility;
3

4 (b) Licensed as a principal employee; and
5

6 (c) Ultimately responsible for the daily conduct of all operations at the
7 facility.
8

9 E. A facility operator may not implement a change in the table of organization approved
10 by the Commission under §D of this regulation without the prior written approval of the
11 Commission.
12

13 F. A facility operator shall ensure that an individual employed at the facility is trained in
14 the policies, procedures, and internal controls relevant to the individual's function.
15

16 G. If there is a vacancy in the General Manager position:
17

18 (1) No later than five days after the date of a vacancy, the facility operator shall
19 notify the Commission in writing of:
20

21 (a) The vacant position;
22

23 (b) The date on which the position will become or became vacant; and
24

25 (c) The date on which the facility operator anticipates that the vacancy will
26 be filled on a permanent basis;
27

28 (2) No later than 30 days after the date of a vacancy, a facility operator shall fill
29 the vacant position on a temporary basis;
30

31 (3) No later than 120 days after the original date of the vacancy, a facility operator
32 shall fill the vacant position on a permanent basis; and
33

34 (4) No later than 5 days after filling a vacancy, a facility operator shall notify the
35 Commission in writing of:
36

37 (a) The vacant position filled;
38

39 (b) The name of the individual designated to fill the position;
40

41 (c) The date that the vacancy was filled; and
42

43 (d) Whether the vacancy has been filled on a temporary or permanent
44 basis.
45

1 **.09 Surveillance System Design Standards.**

2
3 A. A facility operator shall install in its facility a surveillance system that complies with
4 the requirements of this regulation.

5
6 B. A facility operator's surveillance system shall be reviewed and approved by the
7 Commission under Regulation .10 of this chapter.

8
9 C. A facility operator's surveillance system shall include:

10
11 (1) Light sensitive cameras that are:

12
13 (a) Enabled by lenses of sufficient magnification to observe instant bingo
14 operations;

15
16 (b) Enabled by lighting which is continuous and of sufficient quality to
17 produce clear video recordings and still pictures; and

18
19 (c) Configured to clandestinely monitor and record:

20
21 (i) Play and transactions conducted at instant bingo machines;

22
23 (ii) Transactions conducted at cashier locations including the face
24 of each individual transacting business with a cashier;

25
26 (iii) Transactions conducted at automated teller machines;

27
28 (iv) Activity in the count room;

29
30 (v) Movement of cash and cash storage boxes within the facility;

31
32 (vi) Entrances and exits to the facility;

33
34 (vii) Activities in all other restricted areas; and

35
36 (viii) Other areas and events designated by the Commission;

37
38 (2) Digital video recording capability equipped to:

39
40 (a) Superimpose the date and time on all monitoring and recording;

41
42 (b) Identify and locate, through the use of a meter, counter or other device
43 or method, a particular event which was recorded; and
44

1 (c) Identify on video recording disks or other storage media the type of
2 media player and software prerequisite to viewing the digital images.
3

4 D. Except as provided in §E of this regulation, a facility operator shall retain surveillance
5 recordings for a minimum of 7 days.
6

7 E. Upon the request of the Commission or a law enforcement agency that has proper
8 jurisdiction over the facility, a recording shall be retained and stored in accordance with
9 the directives of the Commission or law enforcement agency pertaining to that recording.
10

11 F. A facility operator shall provide the Commission with timely and unfettered access to
12 its surveillance monitor room, surveillance system and all transmissions.
13

14 G. A facility operator shall comply in a timely fashion with a request from the
15 Commission to:
16

17 (1) Use, as necessary, any monitor room in the facility;
18

19 (2) Display on the monitors in its monitor room any event capable of being
20 captured by the surveillance system;
21

22 (3) Relinquish control of a camera or monitor;
23

24 (4) Discontinue monitoring a particular camera or recording activity captured by
25 it;
26

27 (5) Make a video recording or photograph of any event capable of being captured
28 by the surveillance system; and
29

30 (6) Restrict or deny access to a recording or photograph.
31

32 H. A surveillance system may not be remotely accessed from a location outside the
33 surveillance monitor room without the prior written approval of the Commission.
34

35 **.10 Surveillance Operating Procedures.** 36

37 A. A facility operator shall submit to the Commission for review and written approval its
38 surveillance operating procedures.
39

40
41 B. A facility operator's surveillance operating procedures shall, at a minimum, require:
42

43 (1) Coverage of all areas and transactions enumerated in Regulation .09;
44

45 (2) Contingency plans addressing:

- 1
2 (a) Full and partial failure of the surveillance system including:
3
4 (i) A contact list with telephone numbers for individuals required
5 to be notified in the event of a failure; and
6
7 (ii) Facility closure protocols; and
8
9 (b) Planned shutdown of the surveillance system;
10
11 (3) A surveillance incident log:
12
13 (a) Maintained in:
14
15 (i) A book with bound numbered pages that cannot be readily
16 removed; or
17
18 (ii) An electronic format equipped with software that prevents
19 modification of an entry after it has been initially entered into the
20 system; and
21
22 (b) Documenting the scheduled coverage in §B(1) of this regulation and
23 all other non-routine surveillance activity, such as:
24
25 (i) The date and time surveillance is commenced;
26
27 (ii) The name of the individual initiating, performing, or
28 supervising the surveillance;
29
30 (iii) The reason for the surveillance;
31
32 (iv) Whether the suspicious activity involves an alleged regulatory
33 violation or criminal activity;
34
35 (v) The name, if known, alias or description of an individual being
36 monitored;
37
38 (vi) A description of the activity in which the individual being
39 monitored is engaged;
40
41 (vii) A reading on a meter, counter or device that identifies the
42 point on the video recording at which the event was recorded;
43

(viii) The time at which a video recording is commenced and terminated, if different than when surveillance is commenced or terminated;

(ix) The date and time surveillance is terminated;

(x) A summary of the results of the surveillance; and

(xi) A description of the time, date and cause of any equipment or camera malfunction which occurred during the conduct of surveillance;

C. A facility operator may not implement a change or amendment in its surveillance system or surveillance operating procedures approved by the Commission without the prior written approval of the Commission.

.11 Security Operating Procedures.

A. A facility operator shall submit to the Commission for review and written approval its security operating procedures.

B. A facility operator's security operating procedures shall, at a minimum, include:

(1) A security zone plan for the facility designed to ensure:

(a) The physical safety of employees and invitees to the facility;

(b) The safeguarding of assets;

(c) Compliance with all applicable laws and regulations including Commission approved internal controls and operating procedures;

(d) That intoxicated individuals are identified, prohibited from entering the facility and, if necessary, immediately removed from the facility; and

(e) That an individual under the age of 18 years is identified, prohibited from playing instant bingo and, if necessary immediately removed from the facility; and

(2) Procedures and controls addressing:

(a) Facility access controls including:

(i) An access badge system;

(ii) If utilized, specifications pertaining to a computerized access control system; and

(iii) Administrative responsibility over a manual or computerized access control system;

(b) A temporary access credential;

(c) Key controls;

(d) Emergency alarm and fire command responsibilities;

(e) Evacuation of the facility in the event of fire or other emergency;

(f) The identification and immediate removal of an intoxicated individual, and, if applicable, an individual under the age of 18 years; and

(g) The notice requirements of §(B)(4) of this regulation;

(3) A security incident log:

(a) Maintained in:

(i) A book with bound numbered pages that cannot be readily removed; or

(ii) An electronic format equipped with software that prevents modification of an entry after it has been initially entered into the system; and

(b) Documenting:

(i) The assignment number of the incident;

(ii) The date and time of the incident;

(iii) The name of the person covering the incident;

(iv) The nature of the incident; and

(v) The resolution of the incident; and

(4) A requirement that a facility operator notify the Commission upon detection

of:

(a) An individual engaged in, attempting to engage in, or suspected of cheating, theft, embezzlement, or other illegal activities; and

(b) An individual who is:

(i) Under the age of 18 years and has played instant bingo; or

(ii) Intoxicated.

.12 Access to Instant Bingo Validation and Accounting System Equipment.

A facility operator shall develop and include in the internal controls submitted to and approved by the Commission under Regulation .05 of this chapter, procedures addressing physical access to the instant bingo validation and accounting system equipment located in the facility.

.13 Accounting Controls for Cashiers.

A. A facility operator shall develop and include in the internal controls submitted to and approved by the Commission under Regulation .04 of this chapter, procedures addressing the general conduct of cashiers' transactions.

B. A facility operator shall at all times maintain a reserve cash bankroll sufficient to pay all winning wagers.

.14 Jackpot Payout.

A. A facility operator shall develop and include in the internal controls submitted to and approved by the Commission under Regulation .04 of this chapter, procedures addressing the payment of a jackpot or credit meter payout not totally and automatically paid by an instant bingo machine.

B. A facility operator shall prepare and timely file IRS Form W-2G, Certain Gambling Winnings, in connection with the payment of a jackpot of \$1,200 or more.

C. A facility operator shall pay a jackpot or credit meter payout of:

(1) \$5,000 or more by check; and

(2) Less than \$5,000 by:

(a) Cash or check; or

(b) Check on the request of a player.

.15 Cash Storage Boxes.

A facility operator shall develop and include in the internal controls submitted to and approved by the Commission under Regulation .04 of this chapter, procedures addressing cash storage boxes to include:

A. Access controls for cash storage boxes including:

(1) Key controls for access to cash storage box within instant bingo machines;

(2) Key controls for access to the currency contained within cash storage boxes; and

B. A method for association of the contents of a cash storage box with an instant bingo machine.

.16 Collection of Cash Storage Boxes.

A facility operator shall develop and include in the internal controls submitted to and approved by the Commission under Regulation .04 of this chapter, procedures addressing the collection of cash storage boxes including:

A. An access control matrix indicating which employee positions are authorized to participate in the cash storage box collection process; and

B. Details of the actual procedures to be performed and documentation to be generated by drop team employees collecting cash storage boxes.

.17 Accounting Controls for a Count Room.

A. A facility operator shall develop and include in the internal controls submitted to and approved by the Commission under Regulation .04 of this chapter, procedures addressing the counting and recording of cash storage boxes.

B. A facility operator's internal controls shall:

(1) Detail the actual procedures to be performed and documentation to be generated by:

(a) Count team employees conducting the counting process; and

(b) The employee verifying and accepting the count; and

1 (2) Require two separate counts and, if the separate counts are not in agreement,
2 document the discrepancy.

3

4 C. A facility operator shall report in writing to the Commission within 72 hours of the
5 count:

6

7 (1) Any variance between the actual count of cash, in a cash storage box as
8 determined in the count room and the amount for that particular cash storage box
9 recorded on the:

10

11 (a) Facility operator's instant bingo machine; and

12

13 (b) The instant bingo validation and accounting system;

14

15 (2) The reason for the variance; and

16

17 (3) The corrective action taken or adjustments made.

18

19 **.18 Player Complaints.**

20

21 A. A facility operator shall attempt to timely resolve a dispute with a player concerning
22 operation of an instant bingo machine or payment of alleged winnings.

23

24 B. A facility operator who is unable to satisfactorily resolve a dispute with a player shall
25 provide the player with a Commission player complaint form together with instructions
26 for completing and submitting the form.

27

28 C. The Commission shall investigate a complaint submitted to the Commission and
29 notify the player and facility operator of its determination.

30

31 **.19 Internal Audit Standards.**

32

33 A facility operator shall submit to the Commission for review and approval internal audit
34 standards and procedures designed to test the facility's compliance with its internal
35 controls.