

**SAN JOSE POLICE DEPARTMENT
DIVISION OF GAMING CONTROL**

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1.010 Definitions.

1. Unless otherwise specified, "Division" means the Division of Gaming Control of the San Jose Police Department.
2. "Chief of Police" means the Chief of Police of the San Jose Police Department or his/her designee.
3. "Administrator" means the Administrator of the Division of Gaming Control or his/her designee.
4. "Permittee" means a person or entity holding a cardroom permit that authorizes that person or entity to conduct a cardroom operation in the City of San Jose. The term does not include a person or entity licensed as a holder of a security or other interest in the operation, or as an officer, director or key employee of the operation, or due to any other relationship or involvement with the operation.
5. "Business year" means the annual period used by a Permittee for internal accounting purposes.
6. "Fiscal year" means a period beginning on July 1st and ending on June 30th of the following year.
7. "Statements on auditing standards" means the auditing standards and procedures published by the American Institute of Certified Public Accountants ("AICPA").
8. "Statements on standards for accounting and review services" means the standards and procedures published by the American Institute of Certified Public Accountants.

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9. "Gross gaming revenue" means all monies, including table fees received by the Permittee as compensation for conducting the game.
10. "Table fee" means a predetermined amount, as established by the Permittee, that each player must pay the gambling establishment for each individual wager at each betting square in a player's position at a permissible "California" or "Asian" style game.
11. "Player position" means the entire betting position that contains multiple squares and is designated for each seated player at a permissible "California" or "Asian" style game.
12. "Hand of play" means the entire dealing transaction in a permissible game. A dealing transaction begins with the shuffling and dealing of the cards/tiles, and includes collection of table fees; declaration of winners and losers; collection of losing wagers and payment of winning wagers; and ends with the retrieval of the playing cards/tiles.
13. "Drop Box" means a locked container permanently marked with the shift and a number corresponding to a number assigned and affixed to the card table. All markings must be clearly visible from a distance of at least 20 feet. The container must be locked to the card table, separately keyed from the container itself. All table fees and all other items or documents pertaining to transactions at the card table must be deposited into this container.
14. "Director of Finance" means the Director of the Finance Department of the City of San Jose.
15. "Hold Check" means a patron's personal check held by the gaming establishment for a period not to exceed a "Designated 24-hour Period".
16. "Designated 24-hour Period" means the 24-hour period designated by the Cardroom Permittee in its system of internal control submitted to the Division of Gaming Control pursuant to SJMC, Title 16, Chapter 16.08.

1.020 Division Audit Procedures.

1. The authority of the Division shall be:
 - a. To conduct periodic audits or reviews of the books and records of Cardroom Permittees.
 - b. To review the accounting methods and procedures used by Permittees.

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- c. To review and observe methods and procedures used by Permittees to count and handle cash and cash equivalents, chips, and other negotiable instruments.
 - d. To examine and review Permittees' internal control procedures.
 - e. To examine all accounting and bookkeeping records and ledger accounts of the Permittee or a person controlling, controlled by, or under common control with the Permittee.
 - f. To examine the books and records of each Permittee when conditions indicate the need for such action or upon the request of the Chief of Police.
 - g. To investigate each Permittee's compliance with the San Jose Municipal Code, the regulations of the Division of Gaming Control, the California Gambling Control Act and all applicable state and federal laws and regulations.
 - h. To perform any other financial and compliance review procedures deemed necessary by the Administrator under the authority of Chapter 16.08 of the San Jose Municipal Code.
2. The Division shall conduct each audit in conformity with the Statements on Auditing Standards issued by the Accounting Standards Board ("ASB"), which is the senior technical committee of the AICPA designated to issue auditing, attestation, and quality control standards and guidance. The Division shall prepare an appropriate report at the conclusion of each audit and shall submit a copy of the report to the Chief of Police.
 3. At the conclusion of each audit, the Division shall review the results of the audit with the Permittee. The Permittee may, within 10 business days of the review, submit written reasons why the results of the audit should not be accepted. The Division shall consider the submission prior to its determination.
 4. When the Division finds that the Permittee is required to pay additional fees and taxes or finds that the Permittee is entitled to a refund of fees and taxes, it shall report its findings, and the legal basis upon which the findings are made, to the Chief of Police, the Director of Finance and to the Permittee in sufficient detail to enable the Director of Finance to determine if an assessment or refund is required. (Note: this provision does not supercede the audit authority of the Finance Department of the City of San Jose as set out under Chapter 4.77.050 of the San Jose Municipal Code).

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1.030 Accounting Records.

1. Each Permittee, in such manner as the Administrator may approve or require, shall keep accurate, complete, legible, and permanent records of all transactions pertaining to revenue that is taxable or subject to fees under San Jose Municipality Code, Title 4. Each Permittee that keeps permanent records in a computerized or microfiche fashion shall provide the Division upon request, with a detailed index to the microfiche or computer record that is indexed by casino department and date.
2. Each Permittee shall keep general accounting records on a double entry system of accounting, maintaining detailed, supporting, subsidiary records, including:
 - a. Detailed records identifying revenues, expenses, assets, liabilities, and equity for each establishment.
 - b. Detailed records of all returned checks, hold checks, or other similar commercial papers (instruments).
 - c. Journal entries prepared by the Permittee and its independent accountant.
 - d. Any other records that the Administrator specifically requires to be maintained.
3. Each Permittee shall create and maintain records sufficient to accurately reflect gross income and expenses relating to its gaming operations.
4. If a Permittee fails to keep the records sufficient to accurately reflect gross gaming revenue, the Division may compute and determine the amount of taxable revenue upon the basis of an audit conducted by the Division, upon the basis of any information within the Division's possession, or upon statistical analysis and will refer this information to the Director of Finance regarding any information that comes to the Administrator's attention regarding any suspected deficiency, using the methodology allowed under subsection (A) of SJMC §4.77.130.

1.040 Records of Ownership.

1. Each corporate Permittee shall keep on the premises of its gaming establishment, or shall provide to the Division, upon request, the following documents pertaining to the corporation:
 - a. A certified copy of the articles of incorporation and any amendments.

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- b. A copy of the bylaws and any amendments.
 - c. A copy of the certificate issued by the California secretary of state authorizing the corporation to transact business in California.
 - d. A list of all current and former officers and directors.
 - e. Minutes of all meetings of the stockholders.
 - f. Minutes of all meetings of the directors.
 - g. A list of all stockholders listing each stockholder's name, address, the number of shares held, and the date the shares were acquired.
 - h. The stock certificate ledger.
 - i. A record of all transfers of the corporation's stock.
 - j. A record of amounts paid to the corporation for issuance of stock and other capital contributions.
2. Each partnership Permittee shall keep on the premises of its gaming establishment, or provide to the Division, upon request, the following documents pertaining to the partnership:
- a. A copy of the partnership agreement and, if applicable, the certificate of limited partnership.
 - b. A list of the partners, including their names, addresses, the percentage of interest held by each, the amount and date of each capital contribution of each partner, the date the interest was acquired, and the salary paid by the partnership.
 - c. A record of all withdrawals of partnership funds or assets.
3. Each sole proprietorship Permittee shall keep on the premises of its gaming establishment, or provide to the Division, upon request, a schedule showing the name and address of the proprietor and the amount and date of the proprietor's original investment and of any additions and withdrawals.

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1.050 Record Retention; Noncompliance.

Each Permittee shall provide the Division, upon request, with the records required to be maintained by this regulation. Unless the Administrator approves or requires otherwise in writing, each Permittee shall retain all such records within the City of San Jose for at least five (5) years after they are made.

1.060 Audited Financial Statements.

1. Each Permittee shall prepare financial statements covering all financial activities of the Permittee's establishment for each business year.
2. Each Permittee shall engage an independent accountant licensed by the California state board of accountancy who shall audit the Permittee's financial statements in accordance with the AICPA's Generally Accepted Auditing Standards ("GAAS").
3. Unless the Administrator approves otherwise in writing, the financial statements required by subsection 2 must be presented on a comparative basis.
4. Each Permittee shall submit to the Division 2 copies of its audited financial statements no later than 120 calendar days after the last day of the Permittee's business year. In the event of a Cardroom Permit termination, change in business entity, or a change in the percentage of ownership of any percent, the Permittee or former Permittee shall, not later than 120 calendar days after the event, submit to the Division at least 2 copies of audited financial statements covering the period since the period covered by the previous financial statement. If a Cardroom Permit termination, change in business entity, or a change in the percentage of ownership of any percent occurs within 120 calendar days after the end of a business year for which a financial statement has not been submitted, the Permittee may submit financial statements covering both the business year and the final period of business.
5. If a Permittee changes its business year, the Permittee shall prepare and submit to the Division audited financial statements covering the "stub" period, from the end of the previous business year to the beginning of the new business year, not later than 120 calendar days after the end of the stub period or incorporate the financial results of the stub period in the financial statements for the new business year.
6. Reports that communicate the results of the audit, including management advisory letters or activities not related to the gaming operation, must be submitted within 120 calendar days after the end of the Permittee's business year.

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7. The Administrator may request additional information and documents from either the Permittee or the Permittee's independent accountant, through the Permittee, regarding the financial statements or the services performed by the accountant.

1.070 Internal Control.

1. Each Permittee shall establish administrative and accounting procedures for the purpose of determining the Permittee's liability for taxes and fees pursuant to the San Jose Municipal Code and for the purpose of exercising effective control over the Permittee's internal fiscal affairs. The procedures must be designed to reasonably ensure that:
 - a. Assets are safeguarded.
 - b. Financial records are accurate and reliable.
 - c. Transactions are performed only in accordance with management's general or specific authorization.
 - d. Transactions are recorded adequately to permit proper reporting of gaming revenue and of fees and taxes, and to maintain accountability for assets.
 - e. Access to assets is permitted only in accordance with management's specific authorization.
 - f. Recorded accountability for assets is compared with actual assets at least once quarterly and appropriate action is taken with respect to any discrepancies.
 - g. Functions, duties, and responsibilities are appropriately segregated and performed in accordance with sound practices by competent, qualified personnel.
2. Each Permittee shall describe, in such manner as the Administrator may approve or require, its administrative and accounting procedures in detail in a written system of internal control. Each Permittee shall submit a copy of its written system to the Division. Each written system must include:
 - a. An organizational chart depicting segregation of functions and responsibilities.
 - b. A description of the duties and responsibilities of each position shown on the organizational chart.

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- c. A detailed, narrative description of the administrative and accounting procedures designed to satisfy the requirements of subsection 1.
 - d. A written statement signed by the Permittee's chief financial officer attesting that the system satisfies the requirements of this section.
 - e. If the written system is submitted by an applicant for a cardroom permit, a letter from an independent accountant stating that the applicant's written system has been reviewed by the accountant and complies with the requirements of this section.
 - f. Such other items as the Administrator may require.
3. The Administrator shall adopt and publish minimum standards for internal control procedures that in the Administrator's opinion satisfy subsection 1 above.
 4. Permittee may not implement a system of internal control procedures that does not satisfy the minimum standards unless the Administrator, in his/her sole discretion, determines that the Permittee's proposed system satisfies subsection 1, and approves the system in writing. Within 30 days after a Permittee receives notice of the Administrator's approval of procedures that satisfy the requirements of subsection 1, but that do not satisfy the minimum standards, the Permittee shall comply with the approved procedures, amend its written system accordingly, and submit to the Division a copy of the written system as amended and a written description of the variations signed by the Permittee's chief financial officer and either the Permittee's chief executive officer or a licensed owner.
 5. Each Permittee shall require the independent accountant to examine the Permittee's financial statements and to submit to the Permittee 2 copies of a written report of the compliance of the procedures and written system with the minimum internal control standards. Using the criteria established by the Administrator under paragraph 3 of Section 1.070 of this regulation, the independent accountant shall report each event and procedure discovered by or brought to the accountant's attention that the accountant believes does not satisfy the minimum standards or variations from the standards that have been approved by the Administrator pursuant to subsection 4. Not later than 120 days after the end of the Permittee's business year, the Permittee shall submit a copy of the accountant's report or any other correspondence directly relating to the Permittee's systems of internal control to the Division accompanied by the Permittee's statement addressing each item of noncompliance noted by the accountant and describing the corrective measures taken.

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6. Before any changes can be made to an existing approved system of internal control, the Permittee shall:
 - a. Submit to the Administrator a copy of the written system as amended, and a written description of the amendments signed by the Permittee's chief financial officer and either the Permittee's chief executive officer or a licensed owner.
 - b. Comply with any other written requirements imposed by the Administrator.
 - c. Obtain written approval from the Administrator.
 - d. After paragraphs (a) through (c) have been complied with, implement the procedures and written system as amended.
7. If the Administrator determines that a Permittee's administrative or accounting procedures or its written system does not comply with the requirements of this section, the Administrator shall so notify the Permittee in writing. Within 30 business days after receiving the notification, the Permittee shall amend its procedures and written system accordingly, and shall submit a copy of the written system as amended and a description of any other remedial measures taken.

1.080 Mandatory Count Procedure.

1. Each Permittee shall report semiannually to the Division, on or before January 15th and July 15th, the time or times when drop boxes will be removed and the contents counted. All drop boxes must be removed and counted at the time or times previously designated to the Division.
2. Removal of a drop box at other than the designated drop time is prohibited unless:
 - a. The Permittee provides immediate notice via facsimile to the Administrator stating the reason for and the time of the drop box removal; or
 - b. The Administrator requires a change of authorized time.
3. The counting of drop box contents at other than the designated count time is prohibited unless:
 - a. The Permittee provides 24-hour advance written notice to the Administrator of a change in times; or

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- b. The Administrator requires a change of authorized time.

- 4. Within 10 days after the end of each calendar quarter, each Permittee shall submit a list to the Division of employees authorized to participate in the count and those employees who are authorized to be in the count room during the count (“count personnel list”) during and as of the end of the calendar quarter. The count personnel list shall indicate those persons, if any, who hold an interest in the Permittee and shall indicate what relationship by blood or marriage, if any, exists between any person on such list or any interest holder or employee of the gaming establishment. The count personnel list shall also indicate the SJPD work permit number of each count employee and the job position held by each count employee.

1.090 Handling of Table Fees.

- 1. The method of collection and depository of table fees at each permissible game shall be conducted as follows:
 - a. To verify the correct amount of table fees (chips) have been collected, the fees must first be proven (spread) in an area of the table layout in front of the dealer.
 - b. If a conversion of fees from one denomination to another is not deemed necessary, the fees are placed onto the drop slide immediately after the spread.
 - c. Immediately after the fees have been placed onto the drop slide, the dealer must show his/her open palm to the camera.
 - d. Conversion of chips from one denomination to another must be performed using the following procedures:
 - i. After the fees are collected, they are placed on the table layout area in front of the dealer.
 - ii. The chip exchange must be performed in a manner so that the number of chips and their respective value can be seen in plain view.
 - iii. Immediately after the conversion of the chips has been completed, the chips are placed onto the drop slide.
 - e. At the conclusion of each hand, the dealer shall promptly deposit “drop” the table fees into the locked table drop box.

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- f. At no time during the preparation of the next hand (i.e., shuffling of the cards, making change, etc.) shall any of the previously collected table fees be maintained on the table layout, drop slide or any other area of the card table.

1.100 Count Room Ingress/Egress Control.

1. Each Permittee's count room(s) used in counting table drop box contents (fees) and other cash or cash equivalents from other revenue centers shall be restricted to having only one (1) door.
2. One -way and/or two-ways "Trap", "Man-trap", "Transport", "Transfer" and any door(s) or opening is prohibited.

1.110 Minimum Bankroll Requirements.

1. Each Permittee shall maintain, in such manner as the Administrator may approve or require, cash or cash equivalents in an amount sufficient to reasonably protect the Permittee's patrons against defaults in gaming debts, including but not limited to, the casino chip float liability, owed by the Permittee.
2. If at any time the Permittee's available cash or cash equivalents should be less than the amount required by this section, the Permittee shall immediately notify the Administrator of this deficiency.

1.120 Extension of Time for Reporting.

1. The Administrator, in his/her sole discretion, may extend the time for filing any report or document required by Regulation 1.

1.130 Use of Imprest Bank/Bankroll in Cardroom Cage

(Effective and Compliance Date: June 1, 2006)

1. Each Cardroom Permittee shall maintain an imprest bank/bankroll in its cardroom cage department. The cardroom cage department, for purposes of this regulation, includes but is not limited to, main cage window(s) and main bank(s); satellite cage window(s) and satellite bank(s); any and all vault(s), drawer(s), tray(s), bag(s), tube(s), cabinet(s), locked or unlocked container(s) and shelves maintained in the main and/or satellite cardroom cage, cage (finance) office(s) and any and every area(s) designated for use as a cardroom cage.
 2. An imprest bank/bankroll is the amount of funds and/or the minimum bankroll requirement, as required by Accounting Regulation 1, Section 1.110, to be maintained
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by the Cardroom Permittee in its cardroom cage for normal cardroom cage operation purposes. The imprest bank/bankroll shall consist of any and all cash and cash equivalents (i.e., cash, coins, casino chips, checks, etc.) and the aggregate amount is constant from each eight (8) hour shift to another eight (8) hour shift with no changes made thereto, except for increases or decreases as a function of normal cardroom cage operation substantiated by documentation¹.

3. The imprest bank/bankroll must be reconciled at the end of each eight (8) hour shift to ensure that the imprest bank/bankroll is replenished to its original (constant) amount as reflected on the company's accounting records.
4. The Cardroom Permittee may adjust² its imprest bank/bankroll upward or downward to accommodate seasonal and/or business necessities. Any adjustments made to the imprest bank/bankroll must be supported by documentation and properly reflected on the company's accounting records.
5. The Cardroom Permittee shall notify the Administrator of the Division of Gaming Control at least forty-eight (48) hours prior to making any adjustments to the imprest bank/bankroll.

¹ Explanation: For example, an increase of the imprest bank/bankroll occurs when the count of the table games collection fees (chips) has been completed and the chips are transferred from the count room into the cardroom cage/vault. This imprest bank/bankroll will be increased by this transfer which is supported by the count documentation as required by the Table Games Count Standards of the Minimum Internal Control Standards (MIC) Regulations, Chapter 3, Section D, paragraph 18. An example of a decrease in the imprest bank/bankroll is when cash is being transferred out of the cardroom cage/vault to be deposited into the banking institution; then the decrease must be supported by a banking deposit slip and Division approved cash transfer documentation.

² Explanation: For example, if there is a need to increase the cash amount in the cardroom cage/vault due to anticipated heavy business periods such as during major holidays, then this increase must be supported by Division approved cash transfer documentation and the general ledger account for the cardroom cage/vault must be adjusted to properly reflect this change.