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## INTERNAL CONTROL PRACTICES IN CASINO GAMING

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and

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### ABSTRACT

Gaming has become one of the fastest-growing segments of the hospitality industry. In addition, an enormous amount of cash changes hands in the daily operation of a casino. Therefore, internal control practices, especially those concerning cash revenue flows, are important. Through literature searches, gaming control boards and commissions' regulations, manuals of various casino operations, and personal industry experience, this conceptual piece is written to address the regulations set by gaming authorities and discuss some of the minimum standards for internal control. It will then review the accounting functions of a casino, the principal revenue flow, the importance of cashiering, and the control practices used in the opening and closing procedures for table games.

### Introduction

Gaming is a big business, the product of which is money. Since money is legal tender, once it is stolen, misdirected or embezzled, it may be easily used for a variety of purposes, both legal and illegal. As of 1995, if one includes pari-mutuel wagering and lotteries, gaming is the tenth-largest industry in the United States. Gaming is legal in 48 states and casino gaming is now an active form of entertainment in 28 states (Fahrenkoph, 1997).

In 1995, Atlantic City's 12 casinos had a total gross win of \$3.65 billion, which equaled that of Nevada's top 20 casinos or its remaining 400 plus casinos. This amount is larger than the national annual budget of some third-world countries. States such as Nevada and New Jersey tax the casinos based upon a percentage of the gross win. In order to protect the state's share of the revenue, protect the consumers and the casinos, assure public perception of propriety, and eliminate the criminal element, regulations have been developed to establish strict accounting procedures.

The casino segment of the hospitality industry has been the fastest-growing segment in the United States in the past decade. Some will even propose that the casino segment is an industry of its own, and these people do have solid reasons for such a claim. The acquisition of Caesars World by ITT Sheraton, the spin-off of Harrah's from Promus, the merger of Hilton and Bally, the continuing expansion of Mirage Resorts and Circus Circus are all examples that hotel companies realize the profit margin they can achieve in casinos.

### *Purpose of the Study*

Because of the growth of casino gaming, and the simple fact that a large amount of cash changes hands, internal control in casinos is of utmost significance. For industry financial managers, these internal control practices can help ensure accountability and thus the profitability of the operation. Additionally, for hospitality educators whose programs are offering courses in gaming, the topic of internal control and the various control systems needs to be emphasized so that students can become effective managers in the casino environment.

### *Literature Search and Data Collection*

One of the authors (Wortman) has years of casino gaming experience and has developed educational programs for regulatory and law enforcement agencies such as the Ontario Casino Project, Louisiana Economic Development and Gaming Corporation, New Jersey Casino Control Commission, Federal Bureau of Investigation, Royal Canadian Montreal Police, and New Jersey State Police. He has also developed many seminars for a number of Native American tribes/casinos. Thus, through literature searches, gaming control boards and commissions' regulations, manuals of various casino operations, and personal industry experience, this conceptual piece is written to address the regulations set by gaming authorities and discuss some of the minimum standards for internal control. It will then review the accounting functions of a casino, the principal revenue flow, and the importance of cashiering. Finally, the paper will take the reader from the opening to the closing of a table game and discuss the internal control measures practiced.

## **Regulations Set by Gaming Control Boards**

Legalized casino gaming was limited to the state of Nevada until 1976 when New Jersey was added to the scene. Since then, the industry has exploded with increased visibility. In the 1990s, many other states have passed referenda that establish casino gaming as a legal business. Many Native American tribes also have their own casino operations. The more established states such as Nevada and New Jersey have gaming control boards or commissions which regulate the daily casino operations. Professional associations, such as the American Institute of Certified Accountants, have also come together in the last few years to help set standards for accounting reporting so that more uniform reporting of financial data can be achieved (Cabot, 1996).

According to regulations set by gaming control boards, casinos must establish and present a system of internal control. This includes the organizational structure, accounting procedures, authorization processes, recordkeeping, safeguarding of assets, and the accuracy and reliability of financial records, all done in accordance with the Generally Accepted Accounting Principles. This system of internal control will become the minimum standards for internal controls (MICS) which most jurisdictions require as part of the package of application for a casino license. The respective regulatory agencies will review the MICS presented to ensure that they conform to the respective states' legal requirements. After approval, a certificate of operation is issued and gaming operations can start. Any

subsequent changes to the approved MICS will also need approvals. These regulatory agencies will then perform audits according to the MICS on the licensed casinos to determine the degree of compliance. If the MICS are not followed, the license can be revoked (Goodwin, 1985; Lionel Sawyer & Collins, 1995).

### **Minimum Internal Control Standards (MICS)**

A number of issues are addressed in the MICS. First, the licensee must clearly identify the functions and responsibilities within the organization and how they are segregated (Stutts, 1995). This can be achieved through an organizational chart. Once these positions are in place, a detailed description of the duties and responsibilities for each position must be included. The licensee also has to identify the sensitive areas such as cage, pit podium, surveillance, hard / soft count, and credit information. In addition, the positions or individuals who have signatory authority on various matters need to be included. Such matters are very similar to a regular hotel operation as in complimentary granting privileges. Others, more unique to casino operations, include approval of credit for customers to play, check-cashing approvals, credit and fills for the games, and jackpots of and over a certain ceiling amount.

Moreover, the licensee has to identify the administrative and accounting procedures that it will follow. These procedures range from opening and closing a table, table inventories, fills and credits, transportation of chips and tokens to and from gaming tables, shift change, and drop box collection to the control of coupon redemption and other complimentary distribution programs for federal cash-reporting purposes. The MICS spells out everything so that chances of theft, collusion, and other illegal activities by employees and guests can be reduced to a minimum, if not eliminated (Stutts, 1995).

### **Accounting Control**

Once a company has obtained a license from the proper authorities, then the games can begin. In casino controls, the organization of the accounting department is crucial, especially in the general accounting and casino revenue audit areas. Table 1 summarizes some terminology of gaming. These terms in gaming are similar to terms such as "ADR" or "REVPAR" in hotel accounting in that it is through these terms that profits are measured and the accounting functions are performed.

Table 1  
Terminology

| Terms       | Definitions  |
|-------------|--|
| Win         | <ul style="list-style-type: none"> <li>• The winnings of the casino, not that of the players. It is the net intake of the casino after all winning wagers of the players have been paid.</li> <li>• <math>\text{Win} = \text{Drop} - \text{Payouts}</math></li> </ul>  |
| Drop        | <ul style="list-style-type: none"> <li>• Drop is best defined as all of the monies or credit that is exchanged for chips at the tables. Although the term <i>drop</i> might mean the total wager in some cases, some casinos use <i>drop</i> to mean the amount of money, foreign chips and other documents placed in the table drop box. Others may also use <i>drop</i> to mean just the "money" that is in the drop box. Therefore, note the use of this term in different casinos to ensure correct interpretations before mistakes are made.</li> <li>• In slot machines, however, <i>drop</i> is the amount of coins in the collection or overflow bucket at the bottom of the machine.</li> </ul> |
| Handle      | <ul style="list-style-type: none"> <li>• The total wager in a slot machine is known as the handle.</li> <li>• In the case of modern technology where a card is swiped to record the wager and no coins are used, the handle is measured by an electronic meter.</li> </ul>   |
| Hold        | <ul style="list-style-type: none"> <li>• Hold is win, expressed as a percentage, to measure the performance of the various games. Thus if the total drop is \$10, the casino pays out \$8 and retains \$2, then 20% is the hold percentage.</li> <li>• <math>\text{Hold percentage} = \text{Win} / \text{Drop}</math></li> </ul>   |
| Fill/Credit | <ul style="list-style-type: none"> <li>• A fill is an addition to the table inventory and a credit is a withdrawal from the inventory.</li> </ul>  |

Table 2 also shows an example of a fill/credit slip. Fill and credit slips are fairly similar except for the name. Some casinos print the fills in black and credits in red to distinguish the different functions.

Fills and credits are pertinent in casinos because they are needed to change the table inventory. For example, credit is done so that excess chips will not be at the tables to avoid possible confusion of operation and the temptation of fraud. Thus, a supervisor can issue a fill or credit to the main cage to obtain the desired level table inventory. An example of how fills and credits are used to calculate game win is shown in Table 3.

Table 2  
Fill/Credit Slip

| DATE              | GAME | PIT/TABLE |  |  | SHIFT:<br>D S G |     |
|-------------------|------|-----------|--|--|-----------------|-----|
| CHIP DENOMINATION |      | AMOUNT    |  |  |                 |     |
| 5000.             |      |           |  |  |                 | .00 |
| 1000.             |      |           |  |  |                 | .00 |
| 500.              |      |           |  |  |                 | .00 |
| 100.              |      |           |  |  |                 | .00 |
| 25.               |      |           |  |  |                 | .00 |
| 5.                |      |           |  |  |                 | .00 |
| 2.50              |      |           |  |  |                 |     |
| 1.00              |      |           |  |  |                 | .00 |
| .50               |      |           |  |  |                 |     |
| .25               |      |           |  |  |                 |     |
|                   |      |           |  |  |                 |     |
| <b>TOTAL</b>      |      |           |  |  |                 |     |

\_\_\_\_\_  
CASINO SUPERVISOR

\_\_\_\_\_  
LICENSE NO.

Table 3  
Sample Game Win Calculation

|   |                              |
|---|------------------------------|
|   | Game Win                     |
|   | Ending Table Inventory       |
| - | Beginning Table Inventory    |
| - | Fills                        |
| + | Credits                      |
| + | Drop (drop box amount)       |
| = | Increase in money (game win) |

Thus, game win = drop (drop box amount) + ending table inventory + credits - beginning inventory - fills

### *Organization*

A typical accounting department of a casino hotel operation is very similar to that of a conventional hotel. The chief financial officer, also known as the controller or comptroller, presides over all the accounting personnel (Gray, 1996). Under the controller are the major positions such as the food and beverage controller, the hotel revenue controller, payroll, and general accounting that consists of payables, receivables, and cashiers. The one main difference is the presence of the casino revenue controller or auditor. This person will be in charge of the slot count (hard count — coins and tokens), the pit game count (soft count — bills), and other duties. In addition, since cashiering under general accounting normally is responsible for all cashiers and cash banks, they will be in charge of the cage cashiers and thus the fills and credits. Some casino hotels establish an internal audit function either because of regulatory requirements or good business practice.

### *General Accounting*

As mentioned, the general accounting function includes the ordinary duties of payables, receivables, and cashiering — except that in casino hotel cashiering, this function also includes the cashiers in the cage and other cashiers on the floor. The cashiering function is very important in that it needs to be controlled yet it cannot be so bureaucratic and time-consuming that the amount of time players can spend on the games is hindered. The amount of strict cash exchange should not be counted as the revenue of the casino; otherwise, the operating results will be very distorted. Since there are a lot of details in this function, the cashiering processes of each game will be further explained.

Accounts receivables in casino hotels also perform slightly different functions than those of a conventional hotel. Some accounts receivables managers have the authority to approve credit as they would for a hotel guest. However, the credit asked by some players in a casino may be a significant amount. This credit is also known as a marker or counter check; a player signs for it, denoting the amount of credit that he or she receives from the casino. In many casinos, extension of credit is not a function of accounts receivables directly, but rather a primary function of the casino operation. The availability of credit to guests is a pertinent element in the operation and marketing strategy of a casino hotel. The reasoning is simple human nature—the more one believes one has, the more one will spend. The important decision is to grant credit to the right players so that the casino can make money and not incur bad debts. Many casinos use the same criteria in issuing credit as banks would use in issuing an “unsecured personal loan.”

It is advisable that total control of credit approval should only be given to one person at any given time. That person would be responsible for the accounting and supervision of the grant, the approval and subsequent review of usage, and the collection of outstanding credit debt. If some of these duties needs to be delegated, they should only be those duties related to the custody and physical issuance of the credit itself and the processing of the payments received during collections. Since most players are not local residents, and some are even foreign visitors, conservative granting of credit is crucial.

### *Casino Revenue Audit*

The main concern in the organizational structure of casino accounting is to divide the responsibilities of the department to the extent that it will minimize collusion and fraud. Casino revenue accounting can be divided into three major areas, from the time the money comes into the casino through the front doors to when it ends up in the back office vault: cage operations, casino operations, and count rooms.

In cage operations, the cage cashiers and the credit cashiers who approve the players from the pit to buy chips and tokens once credit is approved are the main personnel. These cashiers will change the chips back to cash and will apply the winnings against credit issued. In casino operations, the dealers at the various games, the pit clerks who record the game transactions and process credit issuance requests, and the drop teams who collect the drop boxes are the people who will take in the coins, tokens and money from the players for the casino. Finally, in the count rooms, the hard- and soft-count personnel will count and verify the values of all coins, chips, tokens, and bills, all according to the procedures set out in the MICS, and record the revenues for the casino (Greenlees, 1988).

### **Principal Revenue Flows and Cashiering**

Money flows into a casino through the cashier cage and the play of games. In most casinos, players buy their chips at the tables, hence the drop. In a few casinos, mainly outside of the United States, the main cashier cage takes in money from players in exchange for chips, and all casinos cash the remaining chips or winnings of the players at the end of their stay. The cage also takes care of fills and credits. As for games, there are primarily six categories: table games, poker, keno, bingo, sports and race book, and slots (Greenlees, 1988). The money that comes from the cage will go directly back to vault for deposits or replenishment and accounting records will be sent to the comptroller's office. The money from games will go through the drop and count procedures in the count room and finally to the vault while the accounting records again will be sent to the comptroller's office.

### *Main Cashiering and the Cage*

Especially for smaller casino operations, the cage is where the main cashiering functions take place. It is the focal point of all cash activities whereby players can exchange their currency into chips or vice versa, and table games and slots can carry out their fills and credits. It is also a communication point between the vault and the floor, so that if chips are running out at a game or there is an excess accumulation of money in the cage, the money and/or chips are transferred to the vault. In this case, the vault will not need to be opened many times during the day. This, again, is a control measure. Besides preparing fills and credits for the games on the floor, the cage also takes care of the credit that is extended to the customers by receiving their counter check request and giving the pit clerk the okay for table issuance. There is another service that the casino cage supplies. When a customer is carrying a large amount of cash, he or she may put it on deposit in the cage. The customer then may draw against that amount by filling out paperwork similar to a credit request. This is called a cash deposit withdrawal or CDW.

The MICS for control purposes in the cage include cashiers bank, daily deposit, credit, cash deposits, and cashing-in. The cage itself may have several individual banks for fills, change, and others. At the beginning of each day, the opening cage cashier will do a blind count to verify the amounts. If the banks are not at impress, the cage cashier will report that to the cage supervisor who will investigate and reconcile the differences. During the change of shift, similar procedures apply where the incoming and outgoing cashiers agree on the inventory amounts and sign a two-part window count sheet.

In addition, a bank settlement sheet is prepared for each bank. This not only counts what the inventory amounts are but also balances the beginning and ending inventories and the items that are included. The shift manager will then consolidate all the bank settlement sheets and reconcile all opening and ending inventories. The original documents will be sent to accounting where they will be audited and the copies are kept in the cage.

Once a day, the vault supervisor also prepares a bank deposit. The amount to be deposited is usually determined by a senior ranking casino officer such as the Vice President of Finance, according to the needs of the casino.

An application of credit can be obtained at the cage. The application has to include minimum information such as the customer's name, address, date of birth, identifications, signature, bank account number, and Social Security Number. Credit bureaus, banks, and other financial institutions will then be contacted to evaluate the worth of the application. Central Credit is a casino credit bureau that will provide information on the player's past credit history with other casinos. Once the credit is approved, the player may be issued a marker through the cage. The cage, therefore, has the approval control of issuing the marker. In many casinos, this may be accomplished at the gaming table through the pit clerk.

The marker is a four-part form the player will need to sign and return to the cage to obtain the coins, tokens, or chips to start gaming. The player has signed a check or payment agreement to be filed in the cage. This agreement is normally due in 30 days. All information is then forwarded to accounting for processing and monitoring of payments.

The cage also has the duty to provide safekeeping service for the players. Thus control standards are needed here. There are instances in which customers would like the casino to hold the cash or cash equivalents for them. They will bring them to the cage to exchange for a deposit/withdrawal slip. The customer's name, date of birth, Social Security Number, and valid identification will be recorded. Also included are the numeric and written amounts of the deposit, type of deposit and signatures of both the customer and the cashier. Upon a withdrawal, the same type of slip will have to be filled out. The net balance in the account, if only a partial withdrawal is made, is also verified between the cashier and the player. If the player loses the original deposit slip, a new one will have to be made out with all the necessary information as mentioned.

The last area in which controls measures are needed in main cage cashiering is cashing-in. Most cashing-in can be done with no formalities. However, if within a twenty-four-hour period in multiple transactions, or in one single transaction, the total amount is more than \$10,000, then according to the law, the casino has to prepare a currency transaction report

(Stutts, 1995). This is done at the cage most of the time. There are times that the pit will require the same procedure. The cage cashier will first obtain the name, address, and Social Security Number of the player for verification. Then, a photo of the player will be taken to be signed by the cashier, with the player's name noted and attached to the report. The report has to be signed by the cashier and filed within fifteen days following the date of transaction (New Jersey Casino Control Commission, Chapter 19:45-47). When the individual has a rating with the casino or has been granted credit, this is accomplished with computer information, thereby eliminating the need to bother the player.

### *Table Games*

Cashiering for table games takes place between the player and the dealer where the player gives the dealer money, markers, or CDW in exchange for the gaming chips. The money, markers and other documents will be placed in the drop box and chips exchanged are normally added to the table inventory of chips to be counted.

### *Poker*

Poker and other card games may take place off the floor in a separate room. Because of this, the cashiering function is significant. Chips can be bought and sold at the table just as they can in the games of blackjack or craps. In some casinos, you may also find a separate cashier cage outside the Poker room. This cage exists for the obvious reason of being more convenient for the players. Also, Poker rooms typically operate on a commission basis. The house is not involved monetarily in the outcome of each hand. Therefore, it is wise from a control stand point to have the cashier activities taken care of by a cashier rather than the dealer at the table.

### *Keno, Bingo, Sports and Race Book*

There is not a lot of cashiering activity involved in keno because a player buys a keno ticket, which activity resembles a regular sales transaction rather than casino cashiering, unless the player is a winner. The only cashiering involved is when the player pays with a larger bill and change is needed. Bingo is very much the same as keno. The player buys the bingo cards and collects from the casino when he or she wins. Sports and race books are the same. A player buys a simple bet ticket and waits for the results, and they distribute the payouts. Cashiering in this category is not as complicated as the table games.

### *Slots—Electronic Gaming Devices*

In slots, there are no dealers to make change. It also does not take as long to play a hand in slots. Thus, a continuous flow of change is needed. Usually, besides the main cashier cage, there are a number of booths dedicated to slots, located very strategically in or near the slot area, for the ease of making change. Most slots also take bills in exchange for play credits. Technology today also allows the use of a magnetic-stripped card that records the amount of plays made and thus the amount of cash used. Such cards are similar to debit cards.

Larger slot operations have change personnel known as carousel cashiers, runway personnel, or carnival cashiers. They provide players with easy access to change. They may

also have microphones to encourage people to play and announce the winners of jackpots to add to the atmosphere.

### **Table Game Operations**

The flow of revenue does not automatically mean revenue income for the casino. Even though all table games have a built-in house advantage, an element of luck and/or skill may allow a player "to beat the odds" and win. As discussed earlier, one needs to calculate the win and the hold percentage to derive the income. Internal control for table games focuses on the procedures that begin with the gaming chip itself and include the opening of a game, fills and credits during the operation, the contents and amounts in the drop box, the closing of a game, and finally the count. The MICS, therefore, will outline the procedures, and auditors will ensure that these procedures are followed. The following are examples of some generic MICS procedures.

#### *Gaming Chips*

Chips come in various sizes, shapes, colors, and denominations, and their uses vary — primary, secondary, or reserve. A chip inventory will need to be maintained so that it can be reconciled within the operation or with other operations (in case of foreign chips). The procedures for how they are to be destroyed are also needed.

A typical chip is round in shape. The denomination varies from \$1 to \$5,000 with a different primary color for each denomination normally an industry standard. A contrasting secondary color will be used for the edge spots on each denomination of the value chip. Regardless of the size and the denominations, the name of the casino and the specific value of the chip have to be permanently impressed upon them. Some chips do not carry a value. They are normally used for roulette. The measures named above are anti-theft, anti-counterfeiting procedures.

Another control measure required under MICS is the secondary set of chips. It has a different color scheme for edge spots than that of the primary set. In situations where a casino suspects the use of counterfeit chips by its players, it will replace the primary set with the secondary set. Although a casino may accept chips from another casino a block down the road as a wager, it typically does not allow redemption of foreign chips.

When new chips are shipped to a casino, a person from the accounting department and a person from security will do the receiving. The amounts are checked against the invoice, logged in the casino's chip inventory log and stored in the vault until usage. During operations, the chips will be counted daily. And, during the off hours, all chips are secured in either the cage, the vault, or a locked transparent compartment on the gaming tables. When chips are worn out or have to be destroyed for security reasons, the casino administrator will be notified in writing of the date, location, number, and value of chips to be destroyed and the method of destruction (Stutts, 1995).

#### *Opening a Table*

A table inventory slip is a multi-part duplicate form that records the beginning and ending inventory (see Table 4). At the close of the business on the previous day, this form is

filled out by the dealer. The top original copy, the closer, will be given to the casino supervisor while the duplicate copy, the opener, is deposited in the chip rack and locked under a clear lid. The closer will go in the drop box.

At the beginning of the next gaming day, the casino supervisor will unlock the table rack so that the dealer can count the table chip inventory and verify its accuracy against that of the duplicate slip (opener) from the previous day. The opener has the table number and sometimes the shift number, clearly marked, so that investigation can be carried out with a trail to follow when the inventory is not correct. When all are in order, the dealer and supervisor sign the opener and drop it in the drop box and the game can begin (Stutts, 1995).

Table 4  
Table Inventory Slip

| DATE              | GAME | PIT/TABLE | CLOSER FOR (SHIFT) |   |     |
|-------------------|------|-----------|--------------------|---|-----|
|                   |      |           | D                  | S | G   |
| CHIP DENOMINATION |      |           | AMOUNT             |   |     |
| 5000.             |      |           |                    |   | .00 |
| 1000.             |      |           |                    |   | .00 |
| 500.              |      |           |                    |   | .00 |
| 100.              |      |           |                    |   | .00 |
| 25.               |      |           |                    |   | .00 |
| 5.                |      |           |                    |   | .00 |
| 2.50              |      |           |                    |   |     |
| 1.00              |      |           |                    |   | .00 |
| .50               |      |           |                    |   |     |
| .25               |      |           |                    |   |     |
| <b>TOTAL</b>      |      |           |                    |   |     |

\_\_\_\_\_  
OUTGOING CASINO SUPERVISOR

\_\_\_\_\_  
OUTGOING DEALER/BOX PERSON

\_\_\_\_\_  
LICENSE NO.

\_\_\_\_\_  
LICENSE NO.

\_\_\_\_\_  
INCOMING CASINO SUPERVISOR

\_\_\_\_\_  
INCOMING DEALER/BOX PERSON

\_\_\_\_\_  
LICENSE NO.

\_\_\_\_\_  
LICENSE NO.

### *Drop*

Since all table games will be played using chips, a player will have to present a marker for his credit to the dealer, or exchange currency at the table to start playing. It is crucial that players not be allowed to use cash for wagering under the MICS. It is confusing to have cash and chips and is definitely not a good internal control to have cash lying all over the table. If a player wishes to play, he or she will need to exchange the currency or obtain a marker to exchange for chips. The MICS will also require the casino to specify the procedures for this exchange.

The drop box would be similar to the table float in that the table number and / or the shift number will be printed on the side. It is also locked with an opening for deposit of items and is removed at the end of the shift to be replaced by an empty one for the next shift. The removed drop box will be transported to the count room on a trolley and the contents will then be counted and added to the calculation of the win/loss. The route where the trolley transports these boxes should also be the most direct one possible to alleviate any security issues. Surveillance cameras should be recording the transport. This is also part of the MICS.

### *Fills and Credits*

During the day, there are times that the dealer may run short of specific denominations of checks or may be winning most bets, which results in an excess of chips. In such cases a fill or credit will be issued. The casino supervisor and a pit or shift manager are normally in charge of initiating such requests. They oversee the games at all times to ensure a good flow of activities and the compliance with MICS.

A fill is initiated by pit personnel with the completion of a two-part form. The original is kept at the table and the copy is sent to the pit clerk, who then enters the request in a computer system. A printout will then appear at the cage where the request will be transferred to a fill slip. The fill slip normally has four parts; the original, first, and second copies are removed from the printer while the third copy stays in the machine. The cashier will sign the fill slip and give the chips requested to a security guard. This person will verify the amount, sign the form, return the second copy of the form to the cashier, and transport the chips and the original and first copy of the fill slip to the pit.

Once the money arrives at the pit, the pit manager will verify the amount of the chips by means of initialing and direct the security guard to the appropriate table. The dealer at the table will verify the chips in front of the supervisor and the players, sign the original and first copy of the fill slip, have the supervisor sign and then place the original fill slip and the original request together in the drop box and give the security guard the first copy. This first copy, which now has the signatures of the supervisor and the dealer, will then be returned to the cage to be attached to the second copy. All these fill slips and requests will be turned in to accounting for audits.

A credit is done in the same manner. The request is still initiated from the pit, except that instead of chips and the slip coming from the cage, only the slip will come back from the cage for signatures and chips will be removed from the table inventory together with the first copy to be attached to the second copy in the cage after verification of the chips.

Surveillance cameras are used for these fills and credits so that all procedures will be monitored and theft will be deterred.

*Closing a Game*

When a game or a shift is finished, the dealer will count the chips on the table, fill out a two-part inventory slip, and have the amount verified by the casino supervisor. They will both sign the form, deposit the original copy (closer) in the drop box and place the copy (opener) in the chip rack. The table will now have chips with an inventory sheet ready and waiting for the next shift to start. The pit boss will then consolidate all inventory sheets and compile a Pit Tables Inventory Sheet (See Table 5).

Table 5  
Pit Tables Inventory Sheet

CCC# \_\_\_\_\_ PIT NO. \_\_\_\_\_ SHIFT: D S G DAY OF WEEK \_\_\_\_\_

| GAME           |  | TABLE NO. |  |  | GAME             |  | TABLE NO. |  |  |
|----------------|--|-----------|--|--|------------------|--|-----------|--|--|
| \$5000         |  |           |  |  | \$5000           |  |           |  |  |
| 1000           |  |           |  |  | 1000             |  |           |  |  |
| 500            |  |           |  |  | 500              |  |           |  |  |
| 25             |  |           |  |  | 25               |  |           |  |  |
| 5              |  |           |  |  | 5                |  |           |  |  |
| 2.50           |  |           |  |  | 2.50             |  |           |  |  |
| 1.00           |  |           |  |  | 1.00             |  |           |  |  |
| .50            |  |           |  |  | .50              |  |           |  |  |
| .25            |  |           |  |  | .25              |  |           |  |  |
|                |  |           |  |  |                  |  |           |  |  |
| <b>TOTAL</b>   |  |           |  |  | <b>TOTAL</b>     |  |           |  |  |
| GAME           |  | TABLE NO. |  |  | GAME             |  | TABLE NO. |  |  |
| \$5000         |  |           |  |  | \$5000           |  |           |  |  |
| 1000           |  |           |  |  | 1000             |  |           |  |  |
| 500            |  |           |  |  | 500              |  |           |  |  |
| 25             |  |           |  |  | 25               |  |           |  |  |
| 5              |  |           |  |  | 5                |  |           |  |  |
| 2.50           |  |           |  |  | 2.50             |  |           |  |  |
| 1.00           |  |           |  |  | 1.00             |  |           |  |  |
| .50            |  |           |  |  | .50              |  |           |  |  |
| .25            |  |           |  |  | .25              |  |           |  |  |
|                |  |           |  |  |                  |  |           |  |  |
| <b>TOTAL</b>   |  |           |  |  | <b>TOTAL</b>     |  |           |  |  |
| LIC. NO. _____ |  |           |  |  | OPENER-PIT TOTAL |  |           |  |  |
|                |  |           |  |  | INCOMING         |  |           |  |  |
|                |  |           |  |  | PIT              |  |           |  |  |
|                |  |           |  |  | BOSS _____       |  |           |  |  |

### *Soft Count*

The MICS in this section are very specific and well-defined. Once the drop boxes arrive at the soft-count room, the count can begin. First, there is a security log for all the keys to the room. The room is also monitored by surveillance twenty-four hours a day. Only count team members and necessary regulatory personnel will enter the room; the door is then locked. This is done before the boxes are opened for counting. Once the counting starts, no one is allowed to enter or exit the count room until the count is completed. In case of an emergency, all personnel will have to show their hands to the surveillance cameras and to each other to show that nothing is being taken out of the room before they are allowed to leave.

The count table is made of clear plastic to lessen theft. The team consists of groups of three people for three distinct job functions: recorder, counter, and verifier. They are rotated on a periodic basis and will not be working with the same team members for more than a few days per week. They are also required to wear an outer garment with no pockets. In addition, if they need to reach inside the garment for any reason, they have show their hands to the camera and other members as previously mentioned.

The soft-count team members are the only people who have access to the boxes. The boxes will be opened one at a time and the contents are emptied out. Under the MICS, the member also needs to verbalize the number of the box. This verbalization is recorded on surveillance tape. He or she also has to show the camera and the other members that the box is completely empty. The empty box will then be re-locked and ready to be used for the next shift.

The contents of the box will be counted and recorded on a drop cash card. One member will initiate the count of all contents by adding machine, record them, and pass the contents to another member to verify. The machine tape is then attached to the drop cash card. The second member will do his or her own counting and call out the results to the member who did the original count. If the numbers of these two people do not match, then they would have to recount and agree before they can proceed to open and count the next drop box. The third member will then prepare the table game summary, in ink, for each box. The amount of the opener, fills, credits, and closer will be added to the drop box amount on the drop cash card. If errors are made, since the table summary is prepared in ink, the errors will have to be crossed out, initialed by at least two count team members. When the table game summary sheet is completed for the entire count, the members will sign the document.

Then a vault supervisor will come into the room, do a count of the contents, and resolve any differences if needed. Then all personnel will exit the room and transport the cash to the vault. The documents are then forwarded to accounting where an income auditor will check the accuracy of all the reports and calculate the win per table (Stutts, 1995).

### **Implications for Industry and Gaming Education**

It appears that casino gaming is here to stay in the hospitality industry. The internal control function in casinos is much more imperative than that of a conventional hotel

because of the amount of cash that is involved. It is not unusual for a million dollars to be transacted in a single day, most of which is not in large denominations.

Many jurisdictions realizing their share (taxes) in gaming operations, have imposed strict regulatory guidelines which are constantly monitored to ensure compliance. Where strict regulatory guidelines have not been imposed, many reputable gaming companies have realized it is sound business practice to adhere to a detailed, comprehensive set of internal controls. These controls are based on audit/paper trail and oversight by several individuals. All incompatible functions are eliminated and many different departments are involved in transactions. Surveillance and internal audit departments, which report to an authority outside of the casino, ensure strict compliance with all internal control procedures.

As the hospitality industry continues to grow and evolve, and the plain fact that a large amount of cash changes hands, internal control in casinos is of utmost significance to both industry practitioners and hospitality educators. For practitioners, having the appropriate control system to ensure accountability without sacrificing the satisfaction of the guest can enhance operation effectiveness, goodwill, and profitability. Additionally, for hospitality programs that are offering courses in gaming, the topic of internal control systems is one that students do need to master in order to become effective managers in the casino environment.

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