

**MEMORANDUM**

TO: Michelle Siba, Assistant General Counsel, Ohio Casino Control Commission

FROM: Sophia Papadimos, Regulatory Policy Assistant

DATE: March 10, 2014

RE: **CSI Review – Minimum Internal Control Standards (OAC 3772-1-06, 3772-9-05, 3772-9-08, 3772-10-09, 3772-10-10, 3772-10-18, 3772-10-26, 3772-11-15, 3772-11-17, 3772-11-21, 3772-11-37, 3772-11-40, 3772-11-42, 3772-12-02, 3772-19-01, 3772-19-02, 3772-19-03, 3772-19-04, 3772-19-05, 3772-19-06, 3772-19-07, 3772-19-08, 3772-19-09, 3772-19-10)**

On behalf of Lt. Governor Mary Taylor, and pursuant to the authority granted to the Common Sense Initiative (CSI) Office under Ohio Revised Code (ORC) section 107.54, the CSI Office has reviewed the abovementioned administrative rule package and associated Business Impact Analysis (BIA). This memo represents the CSI Office's comments to the Agency as provided for in ORC 107.54.

Analysis

This rule package consists of twenty-four rules being proposed by the Ohio Casino Control Commission. Of the proposed rules, ten are new and fourteen are being amended. The draft rules pertain to the minimum internal control standards that casino operators must adhere to while conducting casino gaming. The rule package was filed with CSI on January 27, 2014 and the public comment period was held open through February 10, 2014. No comments were received during this time. After the rule package was filed with CSI, the Commission made several changes to the draft rules and submitted a revised BIA on February 19, 2014.

The Commission conducted several phases of preliminary stakeholder outreach. First, the Commission asked two casinos for their feedback on existing standards and any suggested changes to the current rules. Casinos offered suggestions which the Commission incorporated into the draft rules. Next, the regulatory compliance officers at each of the four casinos were contacted via email with the proposed rules and were able to provide comments. Lastly, the Commission reached out to the regulatory compliance officers at two of the casinos and one poker room

manager to assist in data collection to determine the potential economic impact from each of the proposed rules.

OAC 3772-1-06 Minimum licensure requirements is a new rule that was drafted in response to House Bill 98, which requires all licensing agencies to adopt rules regarding which military programs of training, military primary specialties, and lengths of service are equivalent to or exceed the educational and experience requirements for each license issued by an agency.

Of the amended draft rules, changes have been made for clarification purposes and to ensure casinos can operate in the most efficient way on a day-to-day basis. The draft rules outline the procedures for complementaries issued, the inventory of chips, and the destruction of counterfeit chips. Also, log requirements for gaming equipment have been streamlined in order to prevent redundant reporting, and to promote more efficient record-keeping by the casinos. Changes have been made to the Voluntary Exclusion Program.¹ The application has been amended to provide a more efficient application process in order to minimize participant confusion.

The proposed new rules pertain to a casino's surveillance system. Prior to the proposed rules, the minimum requirements for surveillance were not in rule format. OAC 3772-19-02 through OAC 3772-19-10 detail the baseline requirements for surveillance plans and surveillance systems, including video camera quality, video monitor capability, and image capturing utility. The newly proposed rules also articulate the specifics of surveillance rooms and operating requirements. Additionally, the rules explain which rooms in the casino must be monitored and all surveillance recordings must be kept for at least thirty days. The proposed new rules also outline the surveillance log and incident report requirements; including the actions that must be taken in the event of surveillance malfunction.

The BIA explains that some of the amendments will result in time reductions for casino operators to perform certain tasks due to the elimination of several requirements. However, adverse impacts described are the fines for noncompliance and the financial costs to the operators to be in compliance with the new rules. Under OAC 3772-22-01 noncompliance penalties may include denial, non-renewal, revocation, suspension, conditioning or restriction of a license; revocation, suspension or restriction of the casino gaming operations of a casino operator; a monetary fine; a monetary civil penalty; or any other discipline imposed upon or agreed to by a licensee or applicant. The specific monetary fines are not listed in the Ohio Administrative Code and the Commission determines penalties on a case-by-case basis. After discussions between the Commission and casino operators, it was determined in order to be in compliance with the new rules casinos would incur a one-time expense of several hundred dollars. According to the Commission, the proposed rules are necessary in order to clarify the Commission's interpretation of the rules and correct current issues. Due to an in-depth stakeholder outreach process, a general consensus was reached among the industry regarding the draft rules. Additionally, unregulated gaming can result in threats to the public welfare and increase the chance of fraud and abuse. The draft rules establish a best practice framework for the regulated community and therefore, the CSI office has determined the purpose of the rules is justified.

¹ The Voluntary Self Exclusion Program (VEP) is a program that allows someone to voluntarily agree to refrain from entering an Ohio casino.

Recommendations

For the reasons discussed above, the CSI Office does not have any recommendations for this rule package.

Conclusion

Based on the above comments, the CSI Office concludes that the Ohio Casino Control Commission should proceed with the formal filing of this rule package with the Joint Committee on Agency Rule Review.