

CALIFORNIA CODE OF REGULATIONS

TITLE 4. BUSINESS REGULATIONS.

DIVISION 18. CALIFORNIA GAMBLING CONTROL COMMISSION.

(AMENDED AND NEW REGULATIONS EFFECTIVE JULY 1, 2015)

CHAPTER 1. GENERAL PROVISIONS.

Article 1. Definitions and General Procedures.

§ 12002. General Definitions.

Unless otherwise specified, the definitions in Business and Professions Code section 19805, supplemented by the definitions found in Chapter 10 of Title 9 of Part 1 of the Penal Code (commencing with section 330), shall govern the construction of this division. As used in this division:

(a) “Administrative Procedure Act Hearing” or “APA Hearing” means an evidentiary hearing which is conducted pursuant to the requirements of Chapter 5 (commencing with section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, and section 1000 et seq. of Title 1 of the California Code of Regulations. An APA hearing includes those evidentiary hearings which proceed pursuant to Business and Professions Code sections 19825 and 19930, as well as under Chapter 10 of this division.

(b) “Advisor of the Commission” shall be all employees of the Commission except those designated as an advocate of the Commission.

(c) “Advocate of the Commission” shall be any employee so designated pursuant to subsection (a) of Section 12056.

(d) “BCII” means the Bureau of Criminal Identification and Information in the California Department of Justice.

(e) “Bureau” means the Bureau of Gambling Control in the California Department of Justice, acting as “the department” as provided in section 19810 of the Business and Professions Code.

(f) “Bureau report” means a final determination, as defined in Business and Professions Code section 19869 as “final action by the department,” by the Chief of the Bureau regarding his or her recommendation to the Commission on any application.

(g) “California games” means controlled games that feature a rotating player-dealer position, as described in Penal Code section 330.11.

(h) “Commission” means the California Gambling Control Commission.

(i) “Conviction” means a plea or verdict of guilty or a plea of *nolo contendere*, irrespective of a subsequent order of expungement under the provisions of Penal Code section 1203.4, 1203.4a, or 1203.45, or a certificate of rehabilitation under the provisions of Penal Code section 4852.13. A plea of guilty entered pursuant to Penal Code section 1000.1 does not constitute a conviction for purposes of Business and Professions Code section 19859, subdivisions (c) or (d) unless a judgment of guilty is entered pursuant to Penal Code section 1000.3.

(j) “Deadly weapon” means any weapon, the possession or concealed carrying of which is prohibited by Penal Code section 16430.

(k) “Dealer's bank” means any and all monies a dealer has on deposit with the gambling enterprise or is assigned from the cage bank for chip trays.

(l) “Drop” means any and all player collection fees received from patrons or TPPPS companies by a gambling enterprise to play in controlled games, not including tournament fees, jackpot collections, or payments under contracts for third-party proposition player services.

(m) “Employee of the Commission” means the staff employed by the Commission including the Executive Director and all staff under the direction of the Executive Director.

(n) “Executive Director” means the executive officer of the Commission, as provided in Business and Professions Code section 19816 or his or her designee. If the Executive Director position is vacant, the “Executive Director” means the officer or employee who shall be so designated by the Commission.

(o) “Fiscal year” means the annual period used by a licensee for financial reporting purposes.

(p) “Gambling business” means a person that is registered or licensed in accordance with Chapter 2.2 of this division. “Gambling business” does not include the provision of proposition player services.

(q) “Gambling Control Act” or “Act” or “GCA” means Chapter 5 (commencing with section 19800) of Division 8 of the Business and Professions Code.

(r) “GCA hearing” means an evidentiary hearing referred to as “the meeting” pursuant to Business and Professions Code sections 19870 and 19871.

(s) “Interim license” means a license issued by the Commission for some interim period which includes an interim renewal license issued pursuant to Section 12035, an interim gambling license issued pursuant to Section 12349, and an interim key employee license issued pursuant to Section 12354.

(t) “Jackpot” means a gaming activity where the prize is awarded based on specified criteria occurring in the play of a controlled game.

(u) “Licensee” means any person who is licensed or registered, or endorsed on a license or registration, by the Commission pursuant to the Act or any regulation adopted pursuant to the Act.

(v) “Member of the Commission” means an individual appointed to the Commission by the Governor pursuant to Business and Professions Code sections 19811 and 19812, and does not include an employee of the Commission.

(w) “Player's bank” means any and all monies a patron or a TPPPS company has on deposit with the gambling enterprise.

(x) “Registrant” means a person having a valid registration issued by the Commission.

(y) “Surrender” means to voluntarily give up all legal rights and interests in a license, permit, registration, finding of suitability, or approval.

(z) “Temporary license” means a preliminary license issued by the Commission, prior to action on an initial license application, with appropriate conditions, limitations or restrictions determined on a case-by-case basis.

(aa) “Third-party providers of proposition player services” or “TPPPS” or “TPPPS company” means a person that is licensed or registered in accordance with Chapter 2.1 of this division.

Note: Authority cited: Sections 19811, 19823, 19824, 19840, 19841, 19853(a)(3) and 19854, Business and Professions Code. Reference: Sections 19800, 19805, 19811, 19816, 19853, 19951 and 19984, Business and Professions Code.

§ 12003. General Requirements.

(a) All books, accounts, financial records, and documents required by the Commission or the Bureau shall be in English.

(b) All records required by the Commission or Bureau shall be maintained for a minimum of five years, unless otherwise specified, in a secure location on the premises of the gambling establishment or at the main offices of the TPPPS company or gambling business, as applicable. Records may be maintained at another facility within California when approved in advance by the Bureau. Any change in an approved location shall be reported to the Bureau by written notice mailed or delivered within five business days after establishing or changing a storage location. The location shall be deemed approved if not disapproved by the Bureau within 30 days of receipt of the written notice.

(c) Each licensee shall provide the Bureau with copies of any records required by the Act or this division within the time period specified in the request. If the records are maintained in other than hardcopy form, the licensee shall provide a printed copy pursuant to this section upon request.

(d) Records may be kept, stored, and submitted in a permanent form or media unless otherwise specified.

Note: Authority cited: Sections 19811, 19824, 19840, 19841, 19853 and 19984, Business and Professions Code.
Reference: Sections 19826, 19827, 19841, 19857, 19866 and 19984, Business and Professions Code.

CHAPTER 5. ACCOUNTING AND TRANSACTION APPROVALS.

Article 1. Accounting and Financial Reporting.

§ 12311. Definitions.

(a) Except as otherwise provided in subsection (b), the definitions in Business and Professions Code section 19805 and Section 12002 of this division shall govern the construction of this chapter.

(b) As used in this chapter:

(1) "Group I licensee" means a licensee with a reported gross revenue of \$10 million or more for the preceding fiscal year.

(2) "Group II licensee" means a licensee with a reported gross revenue of \$2 million or more but less than \$10 million for the preceding fiscal year.

(3) "Group III licensee" means a licensee with a reported gross revenue of \$500,000 or more but less than \$2 million for the preceding fiscal year.

(4) "Group IV licensee" means a licensee with a reported gross revenue of less than \$500,000 for the preceding fiscal year.

(5) "Jackpot administrative fee" means a fee to cover all expenses incurred by the licensee for administering a jackpot.

(6) "Licensee" means "owner licensee" as defined in Business and Professions Code section 19805(ad) and, for the purposes of this chapter, the holder of a third-party provider of proposition player services or gambling business license or registration.

Note: Authority cited: Sections 19811, 19824, 19840, 19841, and 19984, Business and Professions Code.
Reference: Sections 19805, 19840, 19841, 19853 and 19984, Business and Professions Code.

§ 12312. Record Retention and Maintenance; General Provisions.

Each licensee shall:

- (a) Maintain all records required by this article for a minimum of seven years.
- (b) Maintain accurate, complete, and legible records of all transactions pertaining to financial activities. Records must be maintained in sufficient detail to support the amount of revenue reported to the Bureau in renewal applications.
- (c) Maintain accounting records identifying the following, as applicable:
 - (1) Revenues, expenses, assets, liabilities, and equity for the gambling enterprise, TPPPS company or gambling business.
 - (2) Records of all players' banks, dealers' banks, credit transactions, returned checks, and drop for each table (either by shift or other accounting period).
 - (3) Records required by the licensee's written system of internal controls.
 - (4) Records, separated by gaming activity, of all jackpot monies contributed by the gambling enterprise, jackpot monies collected from patrons, and monies withdrawn for either jackpot administrative fees or payment to patrons.
- (d) Maintain a uniform chart of accounts and accounting classifications in order to ensure consistency, comparability, and effective disclosure of financial information. The chart of accounts shall provide the classifications necessary to prepare a complete set of financial statements including, but not limited to, a statement of financial position (balance sheet), a detailed statement of operations (income statement or profit and loss statement), a statement of changes in equity, a statement of cash flow, and other statements appropriate for the particular licensee. A chart of accounts shall be submitted with an initial license or registration application for review and approval by the Bureau.
- (e) Keep a general ledger, which documents all accounting transactions completed and posted to accounts listed in the chart of accounts referred to in subsection (d) of this section. General accounting records shall be maintained on a double-entry system of accounting with recorded transactions supported by detailed subsidiary records including, but not limited to, ledgers, invoices, purchase orders, and other source documents.

Note: Authority cited: Sections 19811, 19824, 19840, 19841, 19853 and 19984, Business and Professions Code.
Reference: Sections 19826, 19841, 19857 and 19984, Business and Professions Code.

§ 12313. Financial Statements and Reporting Requirements.

- (a) Each licensee shall prepare financial statements covering all financial activities of that TPPPS company, gambling business, or the gambling enterprise, as applicable, for each fiscal year, in accordance with generally accepted accounting principles, unless otherwise provided in this section. If a gambling enterprise (or a person or entity that has an interest, control, or common control with the licensee) owns or operates lodging, food, beverage, or any other non-gambling operation at the gambling establishment, the financial statements must reflect the results of the gambling operation separately from those non-gambling operations.
 - (1) A Group I licensee shall engage an independent accountant licensed by the California Board of Accountancy to audit the licensee's annual financial statements in accordance with generally accepted auditing standards.
 - (2) A Group II licensee shall engage an independent accountant licensed by the California Board of Accountancy to, at a minimum, review the licensee's annual financial statements in accordance with standards for accounting and review services or with currently applicable

professional accounting standards. The licensee may elect to engage an independent accountant licensed by the California Board of Accountancy to audit the annual financial statements in accordance with generally accepted auditing standards.

(3) A Group III licensee shall prepare financial statements including, at a minimum, a statement of financial position, a statement of income or statement of operations, and disclosure in the form of notes to the financial statements. If the licensee is unable to produce the financial statements, it shall engage an independent accountant licensed by the California Board of Accountancy to perform a compilation of the licensee's annual financial statements in accordance with standards for accounting and review services or with currently applicable professional accounting standards, including full disclosure in the form of notes to the financial statements. The licensee may elect to engage an independent accountant licensed by the California Board of Accountancy to compile or perform a review of the licensee's annual financial statements in accordance with standards for accounting and review services, or to audit the annual financial statements in accordance with generally accepted auditing standards.

(4)(A) A Group IV licensee shall prepare financial statements that include, at a minimum, a statement of financial position and a statement of income or statement of operations. If the licensee is unable to produce the financial statements, it shall do one of the following:

1. Engage an independent accountant licensed by the California Board of Accountancy to perform a compilation of the licensee's annual financial statements in accordance with standards for accounting and review services or with currently applicable professional accounting standards. Management may elect not to provide footnote disclosures as would otherwise be required by generally accepted accounting principles.

2. Submit to the Bureau, no later than 120 calendar days following the end of the year covered by the federal income tax return, copies of the licensee's complete, signed, and duly filed federal income tax return for the tax year in lieu of the financial statements as otherwise required under this section.

(B) The licensee may elect to engage an independent accountant licensed by the California Board of Accountancy to compile or review the licensee's financial statements in accordance with standards for accounting and review services, or to audit the financial statements in accordance with generally accepted auditing standards.

(b) The Bureau may require a Group II, III, or IV licensee to engage an independent accountant licensed by the California Board of Accountancy to compile or review the licensee's financial statements in accordance with standards for accounting and review services, or to audit the financial statements in accordance with generally accepted auditing standards, if there are concerns about the licensee's operation or financial reporting, including but not limited to:

- (1) Inadequate internal control procedures;
- (2) Insufficient financial disclosure;
- (3) Material misstatement in financial reporting;
- (4) Inadequate maintenance of financial data; or
- (5) Irregularities noted during an investigation.

(c) Unless otherwise provided in this section, a licensee shall submit copies of the annual financial statements, with the independent auditor's or accountant's report issued to meet the requirements under this section, to the Bureau and the Commission no later than 120 calendar days following the end of the fiscal year covered by the financial statements. If a management letter is issued, a copy of the management letter must also be submitted to the Bureau, including the licensee's reply to the management letter, if any.

(d) The Bureau or Commission may request additional information and documents from either the licensee or the licensee's independent accountant, regarding the annual financial statements or the services performed by the accountant.

(e) The Bureau or Commission may require the licensee to engage an independent accountant licensed by the California Board of Accountancy to perform a fraud audit in the event that fraud or illegal acts are suspected by the Bureau or Commission.

Note: Authority cited: Sections 19811, 19823, 19824, 19840, 19841, 19853 and 19984, Business and Professions Code. Reference: Sections 19841, 19857 and 19984, Business and Professions Code.

§ 12315. Records and Reports of Monetary Instrument Transactions for Gambling Enterprises.

(a) A gambling enterprise is required to file a report of each transaction involving currency in excess of \$10,000, in accordance with section 14162(b) of the Penal Code.

(b) A gambling enterprise, regardless of gross revenue, shall make and keep on file at the gambling establishment a report of each transaction in currency, in accordance with sections 5313 and 5314 of Title 31 of the United States Code and with Chapter X of Title 31 of the Code of Federal Regulations, and any successor provisions. These reports shall be available for inspection at any time as requested by the Bureau.

(c) Nothing in this section shall be deemed to waive or to suspend the requirement that a gambling enterprise make and keep a record and file a report of any transaction otherwise required by the Bureau or the Commission.

Note: Authority cited: Sections 19811, 19824 and 19841, Business and Professions Code. Reference: Section 19841, Business and Professions Code.

§ 12316. Unclaimed or Abandoned Property.

(a) A gambling enterprise shall establish written policies and procedures which comply with California's Unclaimed Property Law (Code Civ. Proc., section 1500 et seq.), regarding unclaimed chips, cash, and cash equivalents left at a gaming table or in any player's bank deemed inactive by the terms of the gambling enterprise's policies and procedures, un-deposited checks issued by the gambling enterprise to a patron, and un-deposited checks drawn on a gambling enterprise's account.

(b) Records of the date and amount of any unclaimed property sent or reported to the State Controller shall be kept by the licensee.

Note: Authority cited: Sections 19811, 19840, 19841 and 19920, Business and Professions Code. Reference: Sections 19801 and 19841, Business and Professions Code; and Title 10, Chapter 7 (Commencing with section 1500), Code of Civil Procedure.

CHAPTER 7. CONDITIONS OF OPERATION FOR GAMBLING ESTABLISHMENTS.

*[The current Article 4, Accounting and Financial Reporting
(commencing with Section 12400), is repealed effective July 1, 2015.]*