

Compliance & Ethics Professional

March/April
2012



A PUBLICATION OF THE SOCIETY OF CORPORATE COMPLIANCE AND ETHICS

www.corporatecompliance.org

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Compliance in a casino world

- » Operate in a good faith manner and in the best interest of the company and its customers.
- » Do the research to find the best answers and solutions.
- » Document all decisions in a memo including the research done, the findings, and the outcome.
- » Ensure all related procedures are written and/or updated regarding any decisions.
- » Communicate decisions clearly and ensure that outcomes are executed consistently.

Three years ago I stepped into the role of Casino Compliance Manager.

I had spent the prior nine years at the Mohegan Sun Casino in Uncasville, Connecticut working in Finance and Marketing. These departments' functions

translate to many different industries. There are responsibilities and programs I oversee in Casino Compliance that would be familiar to most compliance professionals (e.g., instituting and maintaining an employee hotline, Title 31 and anti-money laundering programs, record

retention, policy and procedure management, etc.), but this was in addition to what really was a whole new world—The Indian Gaming Regulatory Act (IGRA), National Indian Gaming Commission (NIGC), Minimum Internal Control Standards (MICS), Class III gaming, State Compact, Tribal Gaming Commission, Title 25, tribal sovereignty and more. It is not uncommon to hit uncharted territory in the realm of compliance in a casino world.



Abely

Indian gaming and legislation background

Per the National Indian Gaming Commission website, The Indian Gaming Regulatory Act (IGRA) was enacted by the United States Congress on October 17, 1988, to regulate the conduct of gaming on Indian lands. IGRA's purpose is to provide a statutory basis for the

operation of gaming by tribes to promote tribal economic development, self-sufficiency, and strong tribal governments. IGRA established the National Indian Gaming Commission (NIGC). The primary mission of the NIGC is to regulate gaming activities on Indian lands for the purposes of shielding Indian tribes from organized crime and other corrupting influences, ensuring that Indian tribes are the primary beneficiaries of gaming revenues, and assuring that gaming is conducted fairly and honestly by both operators and players.

In 1999, NIGC instituted the Minimum Internal Control Standards (MICS). In 2006, a federal appeals court decision determined that NIGC had exceeded its authority in issuing Class III MICS. (Class III refers to casino-style gaming or games of chance such as blackjack, craps, roulette, or slots). However, many tribal casinos continue to use the Class III MICS as a regulatory benchmark, some because of requirements in their tribal/state compacts or gaming ordinances and others by choice. As the Casino Compliance Manager, I ensure adherence to the MICS. The MICS provide a guideline of rules necessary to run the gaming operation, but they are somewhat generic. As a result, Mohegan Sun has established Standards of Operation of Management (SOMs) which are property-specific policies that must align to the MICS. My Casino Compliance department is the gatekeeper of those SOMs and ensures they support the MICS.

Role of compliance manager in a casino world

As a Casino Compliance Manager who oversees a Compliance department, I must be familiar with the laws that govern the casino operation and understand what gaming regulators require. Many times it can be a world of chaos where we are confronted with trying to accommodate many layers of regulations. I frequently have to review if a particular activity, game, or promotion is done properly under federal law. Yes? Okay, then what about state law? Yes? Okay, then what about the MICS, the Tribal State Compact, the Tribal Ordinance, and company policy? A lot of checking and double checking is done to see that all the rules are followed and all the regulations are satisfied.

Communication skills to work successfully with gaming regulators, inspectors, and the operation are imperative, because I act as the liaison between the operation management and the regulators. I must be able to coordinate compliance across various departments, manage each department's different internal controls, and ensure that they are kept up to date and in line with the many regulations. My Casino Compliance department investigates compliance issues, ensuring that any problems with gaming compliance are rectified as quickly as possible. We also oversee the rules of all casino promotions and contests to ensure the integrity of each one.

It's not a perfect casino world

As a new Compliance Manager, I frequently referred to SCCE documentation and literature. Once I realized how useful and relevant the information was, I became a member of SCCE and then earned my CCEP to establish credibility in this field. The one area I have trouble finding information on is specific casino-related topics in relation to compliance. The following three come to the forefront on a regular basis.

“I frequently have to review if a particular activity, game, or promotion is done properly under federal law. Yes? Okay, then what about state law? Yes? Okay, then what about the MICS, the Tribal State Compact, the Tribal Ordinance, and company policy?”

Bank Secrecy Act (BSA), Title 31.

Casinos are considered financial institutions. Certifications, programs, seminars, and webinars in anti-money laundering are often focused on the banking industry. The best source for casino compliance managers is directly from the Financial Crimes Enforcement Network (FinCEN) and the IRS. Networking with others in the industry is another good resource.

In a casino, the scenarios that arise for suspicious activity reporting are not common outside of the gaming industry and, therefore, become a gray area when looking for comparisons and points of reference. Issues such as patrons switching seats when hitting a jackpot or redeeming chips at several different locations are not identified in anti-money laundering sources.

Another challenge involves the many positions in the casino that require training in the BSA. As Compliance Manager, I am responsible for seeing that 86 different positions are being trained on how to recognize and report money laundering. This is a daunting task, because it is not a one-size-fits-all program. Each position needs to know varying degrees of information. Extended training sessions with too much information are costly in terms of the employees' time, and employees tend to lose interest when the training is too lengthy or inapplicable to them.

“Similar to tax law dilemmas, the legal requirements of record storage for casino generated records are not clearly defined in any guide or resource.”

Additionally, the many positions and the fluctuating schedules for a 24-hour operation present many hurdles. Many people do not have access to a company computer needed in order to complete the computer-based training. For example, table games dealers account for more than 1,500 people, working varying shifts over the course of a 24-hour span, who have no assigned work station. As Casino Compliance Manager, I must apply some ingenuity to accomplish all of the training.

Prizes and promotions

Casinos are in the business of entertainment and customer loyalty. As a result, many programs offered include prizes through giveaways, slot and table game tournaments, and other games. Tax laws regarding the issuance of prizes for these types of promotions do not always provide a clear interpretation. Yes, prizes are taxable, but what about winnings from Bad Beat Poker hands or tournaments with entry fees versus tournaments without entry fees? Do we have to report the winnings and if so, do we have to withhold taxes? Many times the determination depends on if the proceeds are more than 300 times the amount wagered. A lot of careful calculation and clearly documented research is required.

Record storage

Similar to tax law dilemmas, the legal requirements of record storage for casino generated records are not clearly defined in any guide or resource. How long do you save non-value chip logs, chip rotation logs, or E-Bonus Free

Slot Play records? The information for this is not readily available in the Federal Code of Regulations or any CPA guide. Frequently, it is up to interpretation and assessments of these types of records in comparison to ones with definitive storage periods. Sometimes it is like trying to fit a square peg into a round hole. Does it fit? If not, make it fit.

Over time, I have developed an approach to navigate these murky waters. The key to managing the uncertainties and gray areas that are encountered in this casino world is first and foremost:

1. Operate in a good faith manner and in the best interest of the company and its customers.
2. Do the research to find the best answers and solutions through industry contacts, interviews of casino employees in the departments involved, and through Internet searches.
3. Document all decisions in a memo that includes the research done, the findings, and the outcome. This is distributed to all key stakeholders for agreement and approval. This preserves the thought process for future compliance managers, so they do not need to wonder why something is done a particular way. (I often wondered why and how many processes came into existence, but had no answers or anything to refer to.) The memo also provides any regulators or auditors with support and understanding of our processes.
4. Ensure all related procedures are written and/or updated regarding any decisions.
5. Communicate decisions clearly. Once enacted, it is important to ensure that the outcomes are executed consistently.

When this is complete, it is time to move on to the next compliance issue.

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