

Franchise Application Form Supplemental



Arkansas Racing Commission Electronic Games of Skill Section www.Arkansas.gov/dfa/racing

1. Accounting and Security Records

The Franchise Holder will submit to the Commission for its approval a chart of accounts and accounting classification in order to insure consistency, comparability, and effective disclosure of financial information.

2. Franchise Holder's System of Internal Controls

- (a) Each Franchise Holder shall submit to the Commission a narrative description of its system of internal procedures and administrative and accounting controls ("internal controls"), or modifications to previously approved internal controls, at least 30 days before the Franchise Holder's EGS operations are to commence, unless otherwise directed by the Commission. Each submission shall be accompanied by a certification by the Franchise Holder's Chief Financial Officer or equivalent that the submitted internal controls are adequate, effective and establish a consistent overall system of internal controls, and conform to generally accepted accounting principles. The initial submission shall be accompanied by a report of an independent certified public accountant licensed to practice in Arkansas or other state acceptable by the Commission, stating that the submitted system conforms in all respects to the standards of internal control set forth in the Commission's rules or in what respects the system does not conform. Except as otherwise provided in this section, a Franchise Holder may, upon submission to the Commission of a narrative description of a change in its system of internal controls and the two original signed certifications described above, implement the change on the 16th calendar day following the completed submission. Any submission received by the Commission after 3:00 P.M. shall be considered to have been submitted on the next business day. Each submission by a licensee or applicant

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shall include, as applicable and without limitation, the following:

- i. Administrative controls which include, without limitation, the procedures and records that are concerned with the decision making processes leading to management's authorization of Transactions;
- ii. Accounting controls which have as their primary objectives the safeguarding of assets and the reliability of financial records and are consequently designed to provide reasonable assurance that:
 - (1) Transactions are executed in accordance with management's general and specific authorization;
 - (2) Transactions are recorded to permit preparation of financial statements in conformity with generally accepted accounting principles and Section 20.4, and to maintain accountability for assets;
 - (3) Access to assets is permitted only in accordance with management authorization;and
- iii. The recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences;
- iv. A list of persons assigned to the repairing and maintenance of EGS and bill acceptors, participating in the filling of payout reserve containers and payment of jackpots or any other job duty involving the operation of the EGS. This information does not have to be submitted to the Commission however, must be available for auditing by the EGS Section. Nothing in this section shall be construed to limit a Franchise Holder from utilizing personnel in addition to those described herein nor shall anything in this section be construed to limit the discretion of the Commission to order the utilization of additional personnel by the Franchise Holder necessary for the proper conduct and effective supervision of gaming in an establishment;
- v. Records regarding Franchise Holder ownership;
- vi. Procedures for patron signature files used for identifying a person or validity of a signature, if applicable;
- vii. Maintain internal controls for the authorization and issuance of complimentary services and items, including cash and non-cash gifts. Such internal controls shall include, without limitation, the procedures by which the Franchise Holder delegates

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to its employees the authority to approve the issuance of complimentary services and items for EGS patrons and the procedures by which conditions or limits, if any, which may apply to such authority are established and modified, including limits based on relationships between the authorizer and recipient, and shall further include effective provisions for audit purposes.

- viii. Procedures on overall reconciliation of all documents including jackpot payout slips, ticket redemption terminal fills, receipts generated by cashiers, change persons and attendants along with the conforming soft count room receipt;
- ix. Develop a plan that defines handling of the receipt of chips from the manufacturer, inventory of chips at the Franchise Holder and the destruction of the chips by the Franchise Holder, where applicable.