

Poker; Alternative Accounting Procedures For Bad Beat Payout Contributions
Accounting and Internal Controls

Gaming Equipment

Rules of the Games

Temporary Amendments: N.J.A.C. 19:45-1.1, 1.20 and 1.33; 19:46-1.13E;
and 19:47-14.1, 14.6 and 14.19

Authority: N.J.S.A. 5:12-5, 69a, 69e, 70f, 99a and 100

The temporary rules follow:

Summary

Many casino licensees in Atlantic City have offered their patrons “bad beat payouts” in the game of poker since the amendments implementing these payouts were adopted by the Commission on December 12, 2007 (effective January 7, 2008). See 40 N.J.R. 209(a).

A bad beat payout is a posted award, which accrues from player contributions to poker pots, that is won by a player at a designated poker game and/or table who loses a round of play while holding a pre-designated high value hand (for example, a player who loses with a four-of-a-kind may qualify as a “bad beat”). A bad beat payout is not deductible from a casino licensee’s gross revenue since it is comprised entirely from player contributions. N.J.A.C. 19:47-14.19 sets forth operational requirements that must be met should a casino licensee opt to supplement its poker operations with a bad beat payout, including specific requirements related to the security, counting and recording of player contributions.

Prior to distributing the pot to a winning patron and after the dealer has extracted the rake, the amount from each pot to be contributed to a bad beat payout shall be determined, segregated from the pot, and deposited into the bad beat payout box. N.J.A.C. 19:47-14.19(c). Such a box is required to be affixed to the gaming table. See N.J.A.C. 19:46-1.13E(e). At least once each gaming day and upon notice to a Commission inspector, a casino licensee shall count the accumulated contents of each bad beat payout box and the contents

shall be transported to the cashiers' cage or a satellite cage. The counting shall occur at a closed poker table (taped by surveillance), the cashiers' cage or a satellite cage in accordance with approved internal controls. N.J.A.C. 19:47-14.19(d). Additional security procedures attend the counting of the contributions and the transport of the boxes to the casino cage depending upon the location of the count.

By way of petition, Trump Taj Mahal Associates, LLC d/b/a Trump Taj Mahal Casino Resort (Taj Mahal) sought amendments to allow for a variation of the current approved procedures for counting and recording player contributions to bad beat payouts. As proposed by Taj Mahal, amendments would permit its poker room supervisors to make periodic rounds at each affected poker table for purposes of tabulating bad beat contributions. Once the dealer has counted contributions and the count has been recorded by a supervisor, the dealer would return the gaming chips into the table inventory container. The proposed alternative procedure contemplates the elimination of a bad beat payout box to store bad beat contributions at the open gaming table. Further, the proposed alternative procedure would obviate the need to transport and count contributions at a location away from the open poker table, thereby dispensing with security, surveillance and cashiering involvement in the process.

Specifically, Taj Mahal sought procedures that would use a form to document player contributions, identified by game and table number, which is to be deposited in the poker table drop box and used as supporting documentation in the compilation of the Master Game Report. The procedures would further require the presence of a poker supervisor to oversee and record with signature on the forms, at periodic intervals of the gaming day, the dealer's count of bad beat payout contributions and return of those gaming chips to the table inventory container.

At its public meeting of January 7, 2009, the Commission determined to permit an alternative procedure similar to that which was proposed by Taj

Mahal, provided that the dealer assigned to the poker table count the contents of the container either (1) in the presence of a poker supervisor and under videotaped surveillance or, (2) if counted without such presence and surveillance, in the presence of a representative of a second department. The Commission's requirements are included in the temporary rules being adopted.

The temporary amendment to N.J.A.C. 19:45-1.1 supplements the definition of "poker revenue" by subtracting the total amount recorded on bad beat payout contribution documents during the calculation of such revenue.

The temporary amendment to N.J.A.C. 19:45-1.20 includes player contributions to bad beat payouts that are collected and recorded pursuant to the alternative procedure set forth at N.J.A.C. 19:47-1.14(f) in the items permitted to be added to the table inventory during the gaming day.

The temporary amendments to N.J.A.C. 19:45-1.33 include the amounts recorded on all "bad beat payout contribution forms" as entries on a casino licensee's Master Game Report, includes the forms in the documentation transported from the count room to the casino accounting department, and conforms other gross revenue accounting procedures to these forms.

The temporary amendment to N.J.A.C. 19:46-1.13E permits a transparent, removable container with an affixed base capable of holding no more than thirty gaming chips on the surface of a poker table in a manner and location approved by the Commission if a casino licensee elects to collect bad beat payout contributions pursuant to new subsection N.J.A.C. 19:47-14.19(f).

Temporary new subsection N.J.A.C. 19:47-14.19(f) enables a casino licensee to implement an alternative procedure to collect and record bad beat contributions pursuant to which the dealer periodically counts contributed gaming chips and return them to the table inventory container provided that either (1) each table at which a bad beat payout is offered is subject to surveillance during such counting conducted by the dealer and verified by a poker supervisor, or (2) a representative of a second department, subject to certain restrictions, is the verifier of the count and records the bad beat

contributions. In addition, the temporary new subsection sets forth requirements for the bad beat payout contribution form.

Full text of the temporary adoption follows (additions indicated in boldface **thus**; deletions indicated in brackets [thus]):

19:45-1.1 Definitions

The following words and terms, when used in this chapter, shall have the following meanings unless the context clearly indicates otherwise:

...

“Poker revenue” means the total value of rake charged to patrons at all poker tables pursuant to N.J.A.C. 19:47-14.14. The poker revenue is determined by adding the value of cash, coupons, the amount recorded on the Closer, the totals of amounts recorded on the Credits and issuance copies of Counter Checks removed from a drop box, the total of the amounts recorded on documents that evidence the exchange of gaming chips or plaques as part of credit card or debit card chip transactions, and subtracting the amount on the Opener, **the total of amounts recorded on Bad Beat Payout Contribution Forms** and the total of amounts recorded on Fills removed from a drop box.

...

19:45-1.20 Table inventories

(a) Whenever a gaming table in a casino or casino simulcasting facility is opened for gaming, operations shall commence with an amount of gaming chips, coins and plaques to be known as the "table inventory" and no casino licensee shall cause or permit gaming chips, coins or plaques to be added to, or removed from, such table inventory during the gaming day except:

1. - 6. (No change.)
7. In conformity with a table inventory return device utilized in the game of pai gow poker pursuant to N.J.A.C. 19:46-1.13B or caribbean stud

poker pursuant to N.J.A.C. 19:46-1.13G, the gaming chips wagered on the progressive payout shall always be placed in the table inventory container; [and]

8. In conformity with N.J.A.C. 19:47-18.7, 18.8 and 18.9, gaming chips placed on or in the wagering devices utilized for the optional bonus wager in the game of let it ride poker pursuant to N.J.A.C. 19:46-1.13H(e), shall always be placed in the table inventory container; **and**

9. If a casino licensee elects the alternative procedure for counting and recording player contributions to bad beat payouts in poker pursuant to N.J.A.C. 19:47-14.19(f), gaming chips representing such player contributions to the payouts.

(b) – (c) (No change.)

19:45-1.33 Procedure for opening, counting and recording contents of drop boxes and slot cash storage boxes and the recording of keno revenue

(a) – (g) (No change.)

(h) Procedures and requirements for conducting the count shall be as follows:

1. - 10. (No change.)

11. The Master Game Report shall be, at a minimum, a two-part form consisting of an original and a duplicate copy unless the casino licensee chooses, pursuant to (i)³ below, to make copies of the original Master Game Report, in which case only an original shall be required. Each additional copy of a multi-part Master Game Report shall be clearly labeled as a copy. As the contents of each drop box are counted, a count team member shall manually record or cause a computer system to record, in a manner approved by the Commission, the following information on the Master Game Report or other supporting documentation by game and table number:

i. - xxiii. (No change.)

xxiv. The amount recorded on each Bad Beat Payout Contribution Form documenting the chips collected for the bad beat payout and placed into the table inventory;

xxv. The total of the amounts recorded on all Bad Beat Payout Contribution Forms documenting the chips collected for the bad beat payout and placed into the table inventory;

Recodify xxiv. - xxv. as xxvi. – xxvii. (No change in existing text.)

12. After the contents of each drop box are counted and recorded, a member of the count team shall manually record or cause the computer to record on the Master Game Report, by game, the total value of currency, coin, and coupons, and the total amounts recorded on Table Inventory Slips, Counter Checks, Complimentary Vigorish Forms that document uncollected baccarat and minibaccarat vigorish, **Bad Beat Payout Contribution Forms that document the chips collected for the bad beat payout and placed into the table inventory**, Fills, and Credits counted, and win or loss, together with such additional information as may be required on the Master Game Report by the Commission or the casino licensee.

13. Notwithstanding the requirements of (h)11 and 12 above, if the casino licensee's system of internal controls provides for the recording on the Master Game Report or supporting documents of Fills, Credits, Counter Checks, documents that evidence credit card or debit card chip transactions, Complimentary Vigorish Forms that document uncollected baccarat and minibaccarat vigorish, **Bad Beat Payout Contribution Forms that document the chips collected for the bad beat payout and placed into the table inventory**, and Table Inventory Slips by cage cashiers prior to commencement of the count or includes a computerized system whereby all Fills, Credits, Counter Checks, documents that evidence credit card or debit card chip transactions, Complimentary Vigorish Forms that document uncollected baccarat and minibaccarat vigorish, **Bad Beat Payout Contribution Forms that document the chips collected for the bad beat payout and placed into**

the table inventory, and Table Inventory Slips are entered into the system at the time of preparation, a count team member shall compare for agreement the totals of the amounts previously recorded or entered to the Fills, Credits, Counter Checks, the documents that evidence credit card or debit card chip transactions, Complimentary Vigorish Forms that document uncollected baccarat and minibaccarat vigorish, **Bad Beat Payout Contribution Forms that document the chips collected for the bad beat payout and placed into the table inventory**, and Table Inventory Slips that are removed from the drop boxes.

14. - 17. (No change.)

(i) After the contents of all drop boxes or all slot cash storage boxes have been counted:

1. - 4. (No change.)

5. The original Master Game Report, after signing, and the Requests for Fills, the Fills, the Requests for Credits, the Credits, the issuance copies of the Counter Checks, the Table Inventory Slips, the documents evidencing a credit or debit card chip transaction, Complimentary Vigorish Forms that document uncollected baccarat and minibaccarat vigorish, **Bad Beat Payout Contribution Forms that document the chips collected for the bad beat payout and placed into the table inventory**, the coupons removed from drop boxes and any other supporting documentation shall be transported directly to the accounting department and shall not be available to any cashiers' cage personnel. All coupons shall be received and processed by the accounting department in the manner set forth in N.J.A.C. 19:45-1.46(l).

6. - 8. (No change.)

(j) – (k) (No change.)

(l) The originals and copies of the Master Game Report, the Slot Cash Storage Box Report, Counter Checks, the documents that evidence credit or debit card chip transactions, Complimentary Vigorish Forms that document uncollected baccarat and minibaccarat vigorish, **Bad Beat Payout**

Contribution Forms that document the chips collected for the bad beat payout and placed into the table inventory, Request for Fills, Fills, Requests for Credits, Credits, Table Inventory Slips, gaming vouchers, the documents that evidence the counting of the gaming vouchers, and the test receipts from the currency counting equipment shall, on a daily basis, in the casino accounting department be:

1. - 7. (No change.)
- (m) – (n) (No change.)

19:46-1.13E Poker table; physical characteristics

- (a) – (d) (No change.)

(e) If a casino licensee offers a bad beat payout at a designated poker table, a transparent locked box or container shall be attached to the table on the same side as the drop box and shall be used to hold the pot contributions that fund the bad beat payout. **Notwithstanding the foregoing, if a casino licensee collects bad beat contributions pursuant to N.J.A.C. 19:47-14.19(f), a transparent, removable container with an affixed base capable of holding no more than thirty gaming chips shall be on the surface of the table in a manner and location approved by the Commission.**

19:47-14.19 Bad beat payouts; posting of rules; contributions; counting and displaying of payout amount; procedures for implementation

- (a) – (b) (No change.)
- (c) A casino licensee shall extract from each pot at a poker table designated for participation in a bad beat payout a prescribed contribution to the bad beat payout, which amount shall be collected in accordance with the casino licensee's bad beat payout rules as set forth in its Games Submission. Prior to distributing the pot to a winning patron and after the dealer has extracted the rake, the amount from each pot to be contributed to a bad beat

payout shall be determined, segregated from the pot, and deposited into the bad beat payout box. Notwithstanding the foregoing and subject to ~~[(i)]~~ **(j)** below, a casino licensee may, upon amending its bad beat payout rules, terminate collection of bad beat contributions at any time.

(d) (No change.)

(e) Once each bad beat payout box or a container containing the contents of the bad beat payout boxes is delivered to the cashiers' cage or satellite cage, a cashier shall count the contents of each box or, if the contents of such boxes were previously counted by poker room personnel and combined in a locked container for transport, verify the aggregate count. [The official record of the amount of daily contributions to the bad beat payouts shall be maintained by the casino accounting department.]

(f) In lieu of the procedures set forth in (d) and (e) above, a casino licensee may count and record the total value of gaming chips contained in the approved bad beat contribution container(s) and return the gaming chips to the table inventory, subject to the following requirements:

1. The counting and recording shall occur prior to or whenever the container is filled to maximum capacity and upon table closing, provided that in any event such counting and recording shall occur at least once per gaming day.

2. The dealer assigned to the poker table shall count the contents of the container in the presence of a poker supervisor and under videotaped surveillance or, if counted without such presence and surveillance, in the presence of a representative of a second department. The same procedure shall apply at all affected poker tables. If a representative of a second department witnesses and verifies the count, that person shall:

i. Hold a casino license or casino key employee license and shall be employed in a position requiring his or her presence on the casino floor and, at a minimum, a casino employee license; and

ii. Be identified in the casino licensee's approved internal controls, provided, however, that the following positions shall be prohibited from witnessing and verifying a count of bad beat payout contributions pursuant to (f)2 above:

(1) Any surveillance department or internal audit department employee, or any employee of a department responsible for the conduct of poker; or

(2) Any other employee for whom it would be an incompatible function pursuant to N.J.A.C. 19:45-1.11(a)2 to witness and verify a count of bad beat payout contributions.

3. The Bad Beat Payout Contribution Form shall be serially pre-numbered and in a minimum of two parts, and shall contain the following information:

- i. The date and time;**
- ii. The table number;**
- iii. The total amount and value of gaming chips collected for the bad beat payout and placed into the table inventory; and**
- iv. The signatures of the dealer and the person witnessing the count and attesting to the accuracy of the information recorded on the Bad Beat Payout Contribution Form.**

4. Upon completing the form as prescribed in (f)3 above, the dealer shall deposit the original Bad Beat Payout Contribution Form in the drop box attached to the poker table and the person who verified the count shall place the duplicate in a locked accounting box maintained at a location approved by the Commission.

5. At least once each gaming day, a casino accounting department representative shall collect the duplicate Bad Beat Payout Contribution Forms contained in the locked accounting box and verify that that the number of forms contained in the locked accounting box equals the number of original Bad Beat Contribution Forms received from

the count room. In the event of a variance, the representative shall determine the missing form(s) by comparing form serial numbers. In any instance in which a duplicate form cannot be matched with an original, the Master Game Report shall be adjusted to add to poker revenue the value of bad beat payout contributions on such form.

[(f)] **(g)** (No change in text.)

[(g)] **(h)** The casino accounting department shall prepare a bad beat payout distribution in cash, a recognized cash equivalent or gaming chips in accordance with the casino licensee's approved internal controls.

Notwithstanding [(f)2] **(g)2** above, a casino licensee may elect to pay a bad beat payout at the cashiers' cage.

[(h)] **(i)** **The official record of the amount of daily contributions to bad beat payouts shall be maintained by the casino accounting department.** No less than once [a] **each gaming** day and immediately upon notification of a bad beat verification by a poker shift supervisor, a casino accounting department representative shall:

1. - 2. (No change.)

[(i)] **(j)** (No change in text.)