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San Jose Police Department
Division of Gaming Control

SAN JOSE POLICE DEPARTMENT
Division of Gaming Control
Unit Guidelines



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MISSION

The mission of the Division is to provide for comprehensive safeguards for control of legalized gambling within the City of San Jose.

I. DIVISION GOALS

In order to accomplish the "Mission", the following goals have been established:

1. Examine the suitability of cardroom license applicants, including cardroom permittees, land-owners, key gaming employees, funding sources, funding source key employees, charitable organizations; as well as work permit applicants for a work permit.
2. Maintain integrity of gambling through strict regulatory control and to ensure the cardrooms' compliance with Title 16 of the San Jose Municipal Code and the Rules and Regulations promulgated thereunder; the California Gambling Control Act; the California Penal Code and other State and Federal laws pertaining to gambling.
3. Prevent, detect, enforce, and document all incidents with respect to any violation of the City, State and Federal laws pertaining to gambling; and to initiate and otherwise take immediate and timely investigation whenever noted or reported. E
4. Ensure that the cardrooms' gaming revenue are properly calculated and that gaming taxes are properly reported to the City of San Jose.

II. Cardrooms within the City Limits

There are currently two active cardrooms located within our City limits, as follows:

1. Bay 101, 1801 Bering Drive, San Jose, CA 95112
2. Casino M8trix, 1887 Matrix Blvd, San Jose, CA 95110

III. Number of authorized Card Tables

There are currently forty-nine (49) card tables allowed at each of the Bay 101 and Casino M8trix locations.

IV. Concurrent Jurisdictions

The intent of the City Council is to regulate cardrooms and non-profit organization fundraisers in the City concurrently with the State of California, to the extent authorized by, and as required by, the gambling control act codified under the California Business and Professional Code and the regulations of the State of California Department of Justice and the California Gambling Control Commission.

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V. [REDACTED]

[REDACTED]

Administrator

As manager of the Division, directs, supervises and conducts all administrative and management activities in accordance with the provisions of Title 16 of the San Jose Municipal Code and any rules and regulations adopted by the Division as well as any other duties assigned by the Chief of Police. The Administrator reports directly to the Chief of Police.

Sergeant

The Sergeant supervises the police officer assigned to the Division and coordinates/conducts investigations relative to all cardroom related matters, gathers intelligence information, monitors criminal activities including skimming, hidden ownership, transfer of licenses/permits and all other compliance and enforcement investigations. The Sergeant acts as a liaison to all other police departments, federal, state and local law enforcement agencies and assist in the preparation of the annual crime report to be submitted to Council by the Chief of Police; and performs all other related duties as directed by the Administrator and Chief of Police. The Sergeant reports directly to the Administrator.

Police Officer

Under the direction of the Sergeant, monitors the cardroom's compliance with Title 16 of the SJMC, rules and regulations of the Division and the California Gambling Control Act. Performs background investigations of all cardroom license/work permit applicants; monitors suspected activities through the surveillance system; [REDACTED]

Supervising Auditor

Under the supervision of the Administrator, plans, coordinates and conducts audits of the cardrooms to ensure that cardrooms comply with Title 16 of the SJMC and rules and regulations of the Division governing the cardroom operations and internal accounting controls. Plans, coordinates and supervises interim and year-end compliance audits including, but not limited to, cage operations, key controls, surprise drop and count observations, gaming equipment control and currency transaction reporting, to determine compliance with gaming regulations and the Municipal Code. Plans, coordinates and supervises and performs interim and year-end revenue audits, ensuring that all gaming revenue has been properly calculated and that gaming fees to the City has been properly reported. Plans, coordinates, supervises, and performs financial review of cardroom permittees, key and other gaming employees, and other licensees and permittees for financial suitability and supervises related sensitive financial investigations as needed. Provides

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guidance, expertise and support to all junior audit staff, including the staff tech. Make budget and staff recommendation to the Administrator. Performs all other related duties as directed by the Administrator, including preparation of all work permits/licensing/audit supporting documentation whenever requested by City Administration. The Supervising Auditor reports directly to the Administrator.

Senior Auditor

Under the supervision of the Administrator, conducts all cardroom related financial audits and financial background investigation using existing protocols, Performs all other related duties as directed by the Administrator, including preparation of all relevant document requests, schedules, and supporting documentation whenever requested by City Administration. The Senior Auditor reports directly to the Administrator.

Staff [REDACTED]

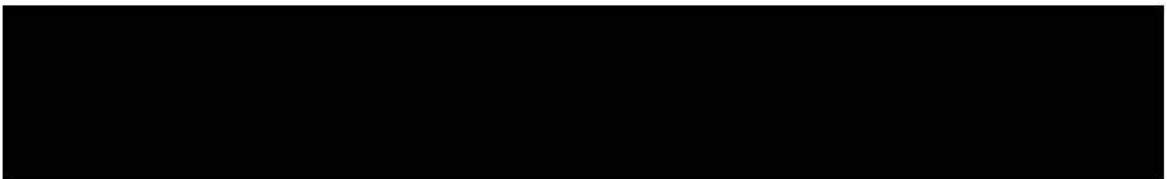
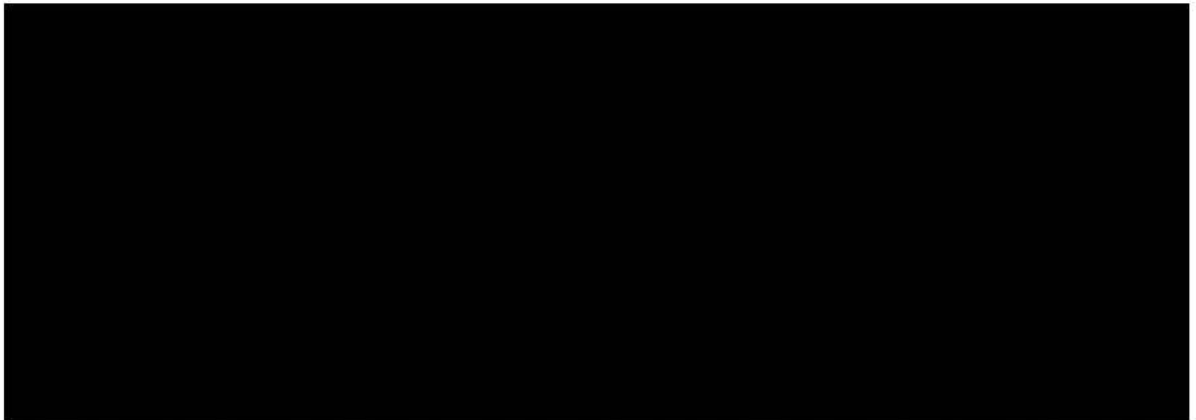
Under the supervision of the Sergeant and Administrator, processes cardroom work permit applications; prepares memoranda, correspondence and reports; assists the audit staff with interim and year-end compliance and revenue audits including cage operations, key controls, surprise table pull and collection fee count observations, gaming equipment control and currency transaction reporting, etc., to determine compliance with gaming regulations. The Staff [REDACTED] maybe required to assist the audit staff with financial review of cardroom permittees, key and other gaming employees, and other sensitive financial investigations as needed. Additionally, the Staff [REDACTED] collects the gaming revenue information from the cardrooms and prepares a report for the audit staff for analysis purposes; and performs all other related duties as directed by Division supervisors. The Staff [REDACTED] reports directly to the Sergeant and Administrator.

VI. LAW ENFORCEMENT SECTION

- 1. The Law Enforcement Section is the enforcement / investigative arm of the Division of Gaming Control. The objective of this section is to:**
 - a. Ensure that the cardroom permittees are in compliance with Title 16 of the San Jose Municipal Code, Rules and Regulations of the Division of Gaming Control, statues of the California Gambling Control Act and the laws of the State of California.
 - b. Investigate operational discrepancies, criminal activities, customer complaints, and other operational matters.
 - c. Perform suitability examination of all gaming work permit applicants.
 - d. Coordinate with the audit section with respect to the suitability examination of all cardroom license applicants.
 - e. Establish and maintain sources of information and intelligence files with regard to the cardroom operations.
 - f. Carry out any other Police functions as directed by the Chief of the San Jose Police Department.

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3. City Attorney Authorization

The City Attorney must authorize the release of any audio recording. Once approved, the Sergeant will see that it is done in accordance with established administrative procedures.

4. Equipment/Evidence

Storage Locker

- a. All equipment will be kept in an appropriate storage locker.

¹ External hard drives are provided by the cardroom when requested in connection with an investigation.

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- b. All evidence will be booked into Central Supply and stored according to duty manual.
- c. All equipment loaned out to inter-agency units will be properly documented.
- d. Any lost, missing or broken equipment will be immediately reported to a supervisor.

5. Vehicle Usage

- a. Assigned Vehicles
 - i. There are no permanently assigned vehicles in the DGC. Vehicle assignments are temporary to avoid confusion and allow personnel to better plan their daily work load.
 - ii. The Administrator and Sergeant will be assigned a specific vehicle to utilize and will be available for on-call status.
- b. Assigned Vehicles (Division staff is responsible for):
 - i. Keeping the vehicles clean.
 - ii. Reporting malfunctions to the garage, as well as to their supervisors.
- c. Loaned Vehicles
 - i. Vehicles, which are in the garage or on loan, should also be identified
 - ii. Unmarked vehicles may be loaned to other units if conditions allow and with a DGC supervisor's approval.
- d. Take Home Vehicles
 - i. Vehicles will not be driven home without supervisor approval.

VII. INTER-UNIT COORDINATION

1. Coordination with other units of San Jose Police Department.

- a. The Sergeant will personally contact a supervisor of any unit(s) with whom we are working.
- b. Requests for assistance from another unit will be coordinated through a DGC supervisor.
- c. The Sergeant will make requests from the DGC to other units for assistance to a supervisor in that unit.
- d. The Sergeant will ensure that cases that belong exclusively to another unit are brought to the attention of that Unit Commander. If he/she requests that the DGC Unit work the case in conjunction with his unit, we will do so as long as proper procedures are followed. If there is a conflict with the methods employed by that unit, the sergeant should try to resolve the problem with a supervisor from that unit. Under no circumstances will member of the DGC Unit become involved in any operation which is not properly planned, safe and lawful. In the event a problem cannot be resolved, the DGC Sergeant will contact the Gaming Administrator or the Vice Commander, whoever is appropriate.

2. Coordination and Liaison with other City Departments

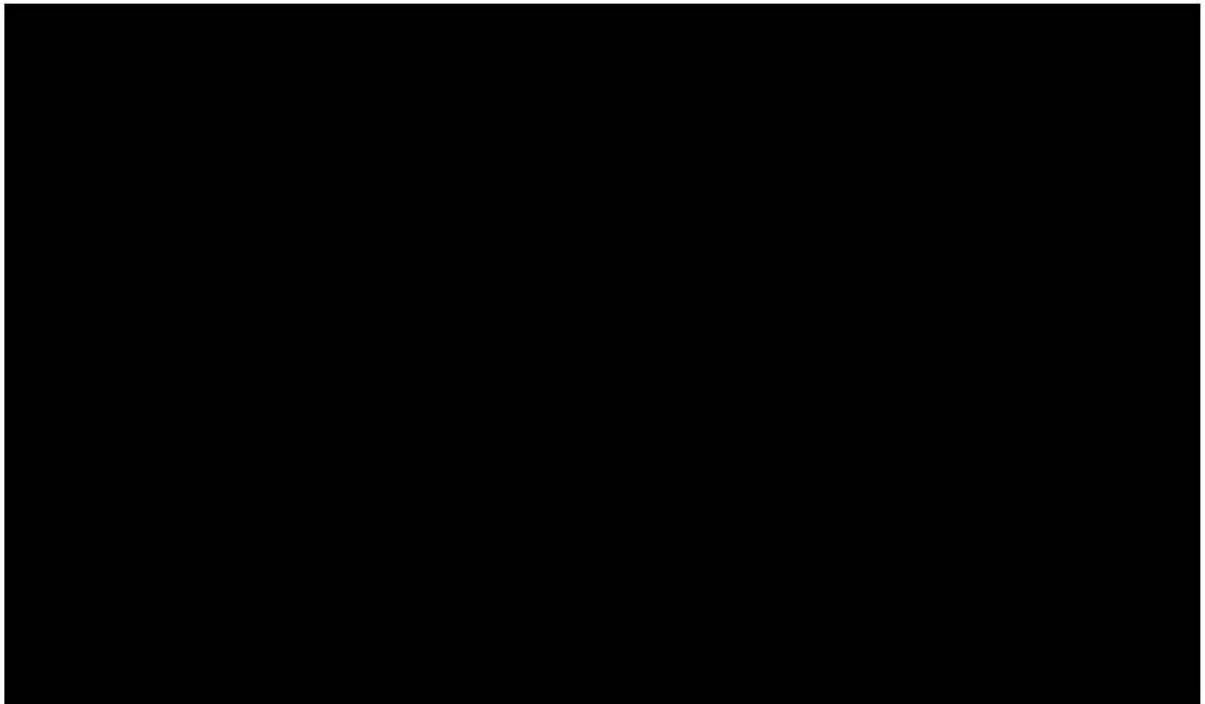
- a. One of the main jobs of the DGC members is to be a liaison with other agencies (State, Federal, City). The member will work closely with City Departments, i.e. Planning, Fire, City Manager's Office, as well as the Mayor's Office. Other agencies

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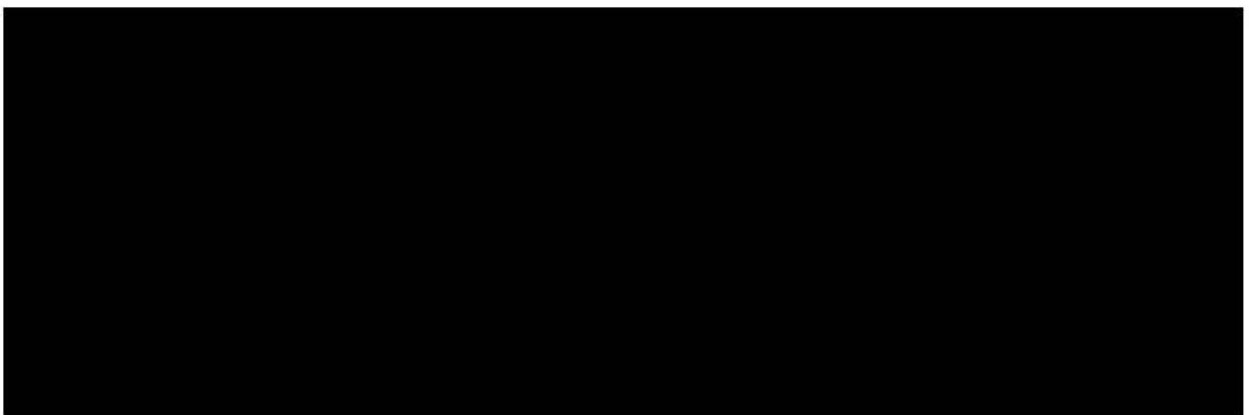
may include, State Lottery, Franchise Tax Board, the Department of Justice as well as Federal agencies.

- b. Due to differing philosophies and procedures employed by other agencies, any enforcement activities with outside agencies will be done only with the approval of the Unit Commander or Gaming Administrator, whoever is deemed appropriate.
- c. When approval has been given to work with an outside agency, a DGC supervisor will receive a full briefing from the ranking person of the agency. The Sergeant/Administrator will ensure that all proper procedures are followed.
- d. A DGC supervisor will accompany any DGC Officers/members involved in enforcement activity with an outside agency. If at any time it appears that the situation has become unsafe or contrary to DGC policy, the Supervisor will suspend any further DGC involvement and notify the ranking member of the outside agency. The DGC supervisor will then contact the Gaming Administrator or Vice Unit Commander whoever is deemed appropriate.

3. Coordination with Bureau of Field Operations



VIII. ON-DUTY NON-UNIFORMED ENFORCEMENT



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IX. INFORMANTS (DUTY MANUAL)

L 3601 INFORMANTS - DEFINITION:

For the purpose of this policy, the term informant shall include any person who provides information about criminal activity and/or actively assists law enforcement for reasons other than good citizenship. Common motivations include pending criminal matters, money, revenge, or anger.

L 3602 RECRUITMENT OF INFORMANTS:

All members should look upon each field contact, witness or suspect as a Potential source of information. Informants must be recruited and managed in a manner which is consistent with the law, Department policy and the professional image of the Department.

L 3603 INFORMANTS WITH PENDING CRIMINAL MATTERS:

Department members interviewing a potential informant with a pending criminal matter will not make any promises (actual or implied) as to the eventual sentence or disposition in the informant's case. Only the Courts and the District Attorney may enter into agreements that affect the outcome of a defendant's case.

L 3604 PROCESSING THE CASE (ARRESTING OFFICER):

Officers who have arrested an informant or potential informant for a criminal violation, other than a warrant, will report all details of the arrest on a Crime Report, (Form 200-2) and will forward the report to the appropriate unit in the Bureau of Investigations. Officers should verbally advise the investigator assigned the case of the defendant's informant status.

L 3605 PROCESSING THE CASE (INVESTIGATOR):

Officers in the Bureau of Investigations who have been assigned a criminal matter where an informant is a defendant, will in every instance present the case to the District Attorney for review.

L 3606 SELECTION OF SUITABLE INFORMANTS:

Not every person contacted is suitable as a potential informant. The Department's overall responsibility to the community must be balanced against the need to gather criminal intelligence. As a general rule, persons charged with crimes of serious violence or sexual misconduct (other than prostitution related offenses) should not be considered as potential informants.

L 3607 RELEASE OF INFORMANTS CHARGED WITH CRIMES OF VIOLENCE:

Except upon the approval of the Deputy Chief of the Bureau of Investigations, or his/her designee, a Department member will not seek the release of an informant from custody nor a reduction of a sentence, when the informant is charged with a crime of serious violence or sexual misconduct (other than prostitution related offenses).

L 3608 RELEASE OF INFORMANTS CHARGED WITH OTHER CRIMES:

Officers seeking the release of an arrestee-informant will, prior to the booking process, obtain approval from higher authority before release. Members assigned patrol duties in

the Bureau of Field Operations will seek the permission of the on-duty Watch Commander. Officers assigned to a specialized unit or the Bureau of Investigations will seek approval from their Unit Commander.

L 3609 CITATION RELEASE OF INFORMANTS CHARGED WITH CRIMES:

When an arrestee-informant has a pending criminal matter where a citation would normally be an appropriate option, a member may release the informant from custody, with a citation, to aid in the gathering of criminal intelligence.

L 3610 MANAGEMENT OF INFORMANTS:

Officers from all Bureaus are encouraged to gather and use information from informants. However, some specialized units and units in the Bureau of Investigations are better suited by the nature of their assignment, training, equipment and funding to supervise an informant during an investigation. Members must keep in mind that informants are recruited to assist the Department and they do not become their personal property. Informants willing to render active assistance to the Department will be directed to the appropriate investigative unit. Active assistance is defined as Department supervised covert activity, such as narcotic buys, sales and agent introductions.

L 3611 INFORMANTS SUPPLYING INFORMATION ONLY:

When an informant has agreed to supply only information and no active assistance, the officer receiving the information will insure that it is delivered to the appropriate unit in the Bureau of Investigations or Special Investigations in a timely manner. The information may be recorded in memorandum form or relayed verbally to the Commander of the unit with the responsibility to investigate the crime the informant is discussing. Nothing in this section prevents an officer in the Bureau of Field Operations from conducting an investigation or enhancing the information he/she received from the informant, as long as the effort is consistent with his/her job assignment. Follow-up includes, but is not limited to, making arrests and serving search warrants. The Bureau of Investigations/Special Investigations may assume control at any point during the follow-up.

L 3612 UNIT RESPONSIBILITY:

It is the responsibility of the Commander of a unit, or his/her designee, to which an informant is referred, to review the nature of the information and assistance being offered. The Unit Commander will then either refer the informant to another unit for supervision, assign the informant to an investigator within his/her unit, or choose not to use him/her. The officer who has developed the informant will be advised as to the identity of the supervising investigator. Where possible, the officer developing the informant will be permitted to work with the investigator and informant.

L 3615 REWARDING INFORMANTS CHARGED WITH CRIMES:

When an informant with a pending criminal case (not a crime of violence or sexual misconduct) has provided useful information about a criminal matter, the extent of the informant's assistance may be brought to the attention of the Court and District Attorney. When a Department member's intention is to reward an informant in this manner, the following steps will be taken in order:

Obtain the approval of the Deputy Chief of the Bureau of Investigations or his designee.

1. Inform the investigator assigned the informant's case.
2. Inform the District Attorney.
3. Inform the Court.
4. Information concerning the informant's assistance may be transmitted either verbally or in memorandum form.

L 3616 REWARDING INFORMANTS WORKING FOR MONEY:

Officers will meet with the Vice Unit Commander to determine if any funds will be provided to an informant. This will be done prior to any promises to the informant by the officer. Officers wishing to reward an informant with money for productive information or assistance will contact the Commander of the unit who has responsibility for the crime being investigated or the unit within the Bureau of Investigations which supervised the investigation.

L 3617 UNIT COMMANDER'S RESPONSIBILITY:

When an informant has provided assistance or information to a specialized unit, unit within the Bureau of Investigations or to an officer who is working with any specialized unit, it is the responsibility of the Commander of the unit to determine the amount of the reward and provide the funds. If the unit does not have a confidential fund, the money will be provided by the Deputy Chief of the Bureau of Investigations.

L 3618 METHOD OF PAYMENT:

Generally, it is not a good policy for officers to pay informants large amounts of money in unwitnessed transactions. Therefore, it will be the responsibility of the Commander of the unit dispersing the money to establish the manner in which rewards are paid.

L 3619 INFORMANT/OFFICER - OPPOSITE SEX:

Since informants are not motivated by reason of good citizenship, care must be taken during meetings with informants who are of the opposite sex. A second officer must witness all meetings where informants are of the opposite sex.

L 3620 JUVENILE INFORMANTS:

The law prohibits a peace officer from using as an informant a person who is 12 years of age or younger. Juvenile informants present unique problems by virtue of their immaturity of judgment, lack of life experience and the parent-child responsibility that necessarily exists. Before a person under the age of 18 years may be actively used as an informant, the following must be accomplished:

- **COMMAND OFFICER AUTHORIZATION** - Officers seeking to actively use a juvenile as an informant must first receive the authorization of a Command Officer. Members assigned to a specialized unit or a unit within the Bureau of Investigations will obtain permission from the commander of that unit. Members assigned to a patrol function within the Bureau of Field Operations will obtain permission from the Watch Commander or his/her designee.
- **SIGNED PARENTAL PERMISSION** - Officers seeking to use a juvenile as an

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active informant will obtain written, signed permission from the parent or guardian of said juvenile. The content of the document must include, in general terms, the type of activity the juvenile is expected to perform. The Command Officer granting authorization for the Department will then review the document.

Nothing in this section prohibits an officer from obtaining criminal intelligence information from a juvenile during an initial interview. Active participation, which must be authorized, occurs when a juvenile informant is directed by a Department member to do something which will further an investigation.

X. INVESTIGATIONS

Responsibility of the Case Officer

1. Open Cases

Officers assigned to the Division of Gaming Control will periodically make status checks of their open cases to determine the following:

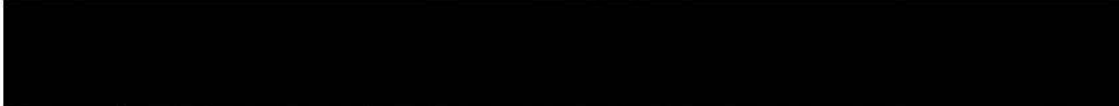
- a. Status of Defendant/Applicant
- b. Status of involved witnesses
- c. Status of involved properties
- d. Status of involved witnesses/Informants

It is the responsibility of the case officer to complete all the necessary tasks at the conclusion of an investigation to ensure the timely return. It is incumbent upon the case officer to properly document the case, not only for the permit investigation, but also for internal tracking within the Division of Gaming Control.

Each Division Officer is responsible for any criminal matters that arise through his/her investigation. All criminal case that arise through his/her investigation will be reviewed with the Sergeant and/or the Gaming Administrator for referral to the Vice/Intel Commander for proper assignment.

2. Compliance Investigation

Compliance investigations may be initiated in several ways and the relative steps may include but are not limited to:

- a. Requesting or collecting documents, timecards, contracts, logs, digital video/audio evidence, etc. or any item that is related to the compliance investigation that would tend to prove or disprove suspected violations.
- b. Recording interviews of subjects who are the focus of the compliance investigation, recorded interviews of witnesses, patrons, employees, and informants.
- c. 
- d. Requesting information and/or documentation from Cardroom licensees or permittees per Title 16 or licensing conditions.

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- e. Unannounced onsite inspections of cardrooms and related premises governed by Title 16.
- f. Gathering information in cooperation with outside law enforcement jurisdictions, or regulatory agencies.
- g. Seizure of documentation, gaming equipment, or any item deemed evidence of violations of Title 16 or the Gambling Control Act.
- h. Notification to appropriate law enforcement or regulatory agencies when compliance investigations uncover criminal conduct or violations requiring mandatory reporting.
- i. Upon the completion of a compliance investigation where violations of Title 16 have been determined, administrative citations may be issued to offending licensees/permittees. Alternatively, regulatory action may be initiated against the licensed or permittee for those found responsible for the violations, including the licensee of the cardroom. Regulatory action may consist of the inclusion of additional limitations and conditions placed on the license or permit, suspension or revocation of a license or permit, monetary fines, cease and desist orders or a combination of any of these remedies.
- j. All actions taken in the Compliance Investigation shall be documented and reviewed by a supervisor. A case folder will be created and shall contain all reports, evidence including documents, and video and audio recordings of the compliance investigation.
- k. Division Investigators shall forward copies of relevant reports, documents, and evidence to assigned City Attorney litigators to prepare for administrative hearings or court proceedings. Division Investigators shall prepare investigation case files for possible testimony and presentation of evidence during contested regulatory action hearings.

XI. WORK PERMIT PROCESSING

1. Open:

- a. Ensure that there is enough change funds, and put it in cash register.
- b. Turn on all machine and login computer.
- c. Open and set-up permit processing programs.

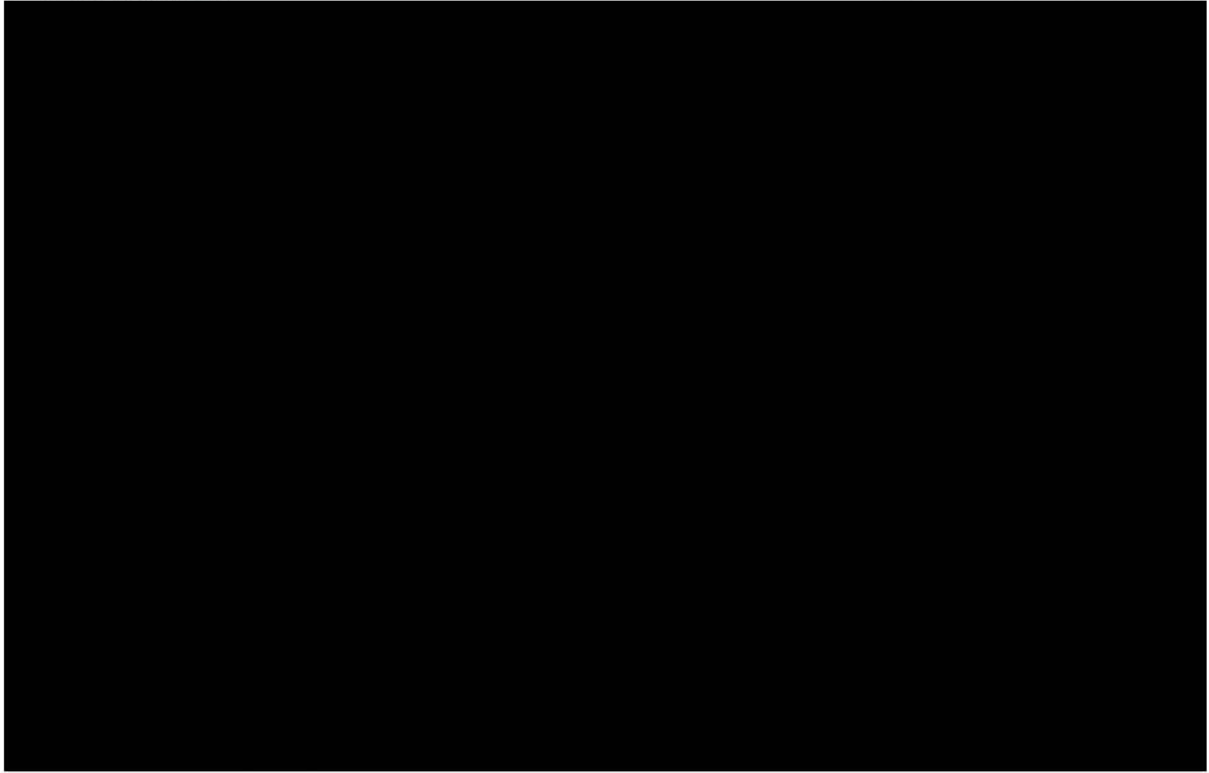
2. Permit:

- a. Review applicant's application package.
- b. Charge the correct fee.
- c. Update or enter the information into [REDACTED]
- d. For a new applicant, the LiveScan machine will need to be set-up, and fingerprints will need to be scanned, and send it electronically to Department of Justice.
- e. For a new or renewal applicant, [REDACTED] will need set-up, and then take mugshot picture for their ID badge.
- f. [REDACTED]
- g. Print out copy and attached to the application.

² Salesforce will help track the work permit processing time as well as sending out automatic courtesy renewal notification to the applicant.

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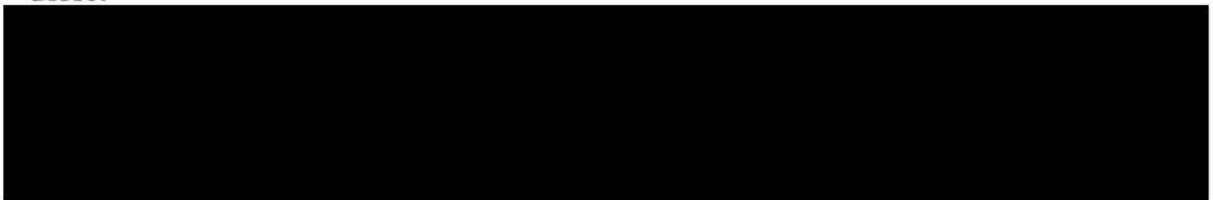
3. Investigation:



4. Badge Pick-up:

- a. Stamp "Received" with correct pick-up date, have pick-up person sign it.
- b. For renewal/position/name change badge pick-up, applicant's old badge needs to be returned back to Division.
- c. Attached the old badge ID to the application.
- d. Scanned the application.
- e. Update Salesforce that badge has been pick-up.

5. Close:



Note: The work permit investigation and related process should be completed within 20 working days from the date of a completed work permit application submitted to the Division including all necessary supporting documentation. Each investigation will be tracked via Salesforce.

In the event a work permit can not be issued within 20 working days ("benchmark timeline") from date of submission of a completed work permit application and the delay is caused by the applicant (i.e., failure to cooperate) or a third party (i.e., the California Department of Justice), the following procedures will be applied:

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1. If the delay is caused by the applicant, the Division shall, within 7 working days from the benchmark time-line, provide the applicant with a written "Notice of Incomplete Work Permit Application". The notice shall contain a deadline by which the applicant must comply. If the applicant failed to comply, an intended decision to deny the application will follow prior to the expiration of the 20 working day benchmark time-line.
2. If the delay is caused by a third party, the Division shall, within 7 working days from the benchmark time-line, inform the applicant with an estimated time frame in which the information may be expected.
3. Inform the respective cardroom reason for the delay of the issuance of an applicant's work permit.
4. Document each work permit application and related process from time of receipt of a completed application to the date of decision (i.e., issuance with or without conditions/limitations and denials).
5. Continue to seek legal advice from the City Attorney's Office matters relating to the work permits.

XII. GAMING LICENSE APPLICATION AND INVESTIGATIVE PROCESS

1. The background investigation for all gaming enterprise key employees will be conducted by the State of California – Bureau of Gambling Control per council direction. Background examination period for Cardroom Owners, Owners of Funding Source³, Landowners is five (5) years; and Key Employees of Funding Sources will be three (3) years.
2. In the event a person is designated by the Administrator as a Key Employee ("City Designated Key Employee") but the State does not and will not require the person to be licensed by the State, the Division will conduct the background investigation and the examination period will be three (3) years. A City designated Key Employee means anyone who the Administrator believes has the power to exercise significant influence over the gaming operation of the Cardroom Permittee or for other reasons consistent with the public interest, and the policies of Title 16 of the San Jose Municipal Code, in particular, Section 16.02.420. For example, a person who may be working in an off-site marketing office for the cardroom but who is otherwise authorized by management to exert influence over the casino management staff; and someone who may only be working as a restaurant manager but who is also authorized to coordinate table game tournaments, etc.
 - a. All licensing investigation not conducted by the State but by the Division, the investigation should be completed within 180 calendar days from the date of a completed application submitted to the Division including all necessary supporting documentation. A completed application means that all relevant documentation to show support of the applicant's net-worth statement has been provided to the Division.
 - b. The Division [REDACTED] to assist in tracking the date when an application is submitted; the date when supporting documents to the net-worth statement are provided to the investigator; the date the

³ Any natural person or entity (i.e., a business organization, corporation, partnership, trust, LLC or other form of business) having less than a five (5%) beneficial ownership interest of a source which provides funding to the funding source shall file an abbreviated license application as a "passive investor."

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180-day clock starts running and the number of days remaining before the 180-day benchmark is reached. The Division does not track the cost of each licensing investigation that is conducted by a Division staff because the Division is funded by the Regulation Fees which are paid by the Cardrooms.

- c. In the event a licensing investigation is conducted by an outside consultant hired by the City to assist the Administrator; and the investigative costs are charged to the applicant (i.e., a Funding Source), the time, cost and extent of work is tracked by the consultant and approved by the Division, with an itemized accounting provided to the applicant at the completion of the investigation.
3. In the event a licensing investigation may go beyond one hundred and eighty (180) days ("benchmark time-line") from date of submission of a completed application due to delays caused by the applicant (i.e., failure to cooperate) or a third party (i.e., the refusal of a banking institution to provide independent financial information), the following procedures will be applied:
- a. No less than ninety (90) calendar days from the 180 calendar day benchmark time-line, a letter (notice) will be served on the applicant addressing the reason for a potential delay, items still missing, and the anticipated date of completion, provided that the delay is not caused by the applicant. If the delay is caused by the applicant, the notice will remind the applicant of his/her responsibility to cooperate with the Administrator, and cite the appropriate sections of Title 16 regarding the consequence of failure to cooperate.
 - b. No less than 60 calendar days from the 180-day benchmark time-line, contact the applicant and set-up an interview to discuss the status of the investigation. Document contact date, time and person contacted and place information in applicant file.
 - c. At the interview, provide the applicant with a list of information that is the subject of or reason for the delay.
 - i. If the delay is caused by the applicant (i.e., failure to cooperate, providing partial or incomplete information, etc.), the Division shall provide the applicant with a written "Notice of Incomplete Gaming License Application". The notice shall contain a deadline by which the applicant must comply. Advise the applicant that if he/she failed to comply by the deadline, a final letter (final notice) will be sent to him/her applicant addressing the reason for the delay, items still missing and that the Administrator may consider denying the application.
 - ii. On the 181st day from the day from the day of the application and if the delay is caused by the applicant, the Administrator shall serve the applicant with a "Notice of Intended Denial" addressing the issues surrounding the applicant's failure to comply; and the applicant's right to a hearing.
 - iii. If the delay is caused by a third party:
 1. If financial institution (i.e., banks, credit union, investment companies, etc.), provide the applicant with a list of outstanding documentation and request that the applicant direct his/her financial institutions to forward the documents directly to the Division. Obtain from the applicant an estimated time frame in which the documents can be expected. If it appears that the investigation may go beyond the 180 calendar days from date of submission of a completed application, provide him/her in writing with an estimated time-line the investigation may be completed.
 2. If the delay is caused by a third party; and if it appears that the investigation may go beyond the 180 calendar days from date of submission of a completed

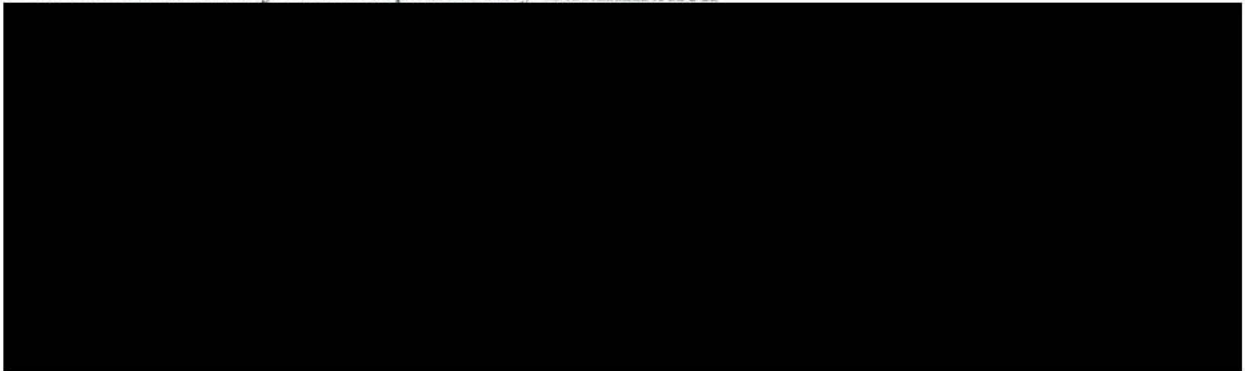
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- application, provide him/her in writing with an estimated time-line the investigation may be completed.
3. On the 181st day from the day from the day of the application and if the delay is caused by the third party, the Administrator has an option to serve the applicant with a "Notice of Intended Denial" addressing the issues surrounding the applicant's failure to comply; and the applicant's right to a hearing; or the Administrator may grant additional time for the third party to produce information/documentation with the applicant's agreement to not challenge the Administrator's inability to complete the investigation within the 180 day benchmark time-line.
 - d. In the event additional information is brought to the attention of the Administrator that requires further follow-up, the Administrator retains his/her authority to extend the investigation beyond the 180-day benchmark.
 - e. Document the interview and continue to seek legal advice from the City Attorney's Office with regard to the licensing matter.
 - f. Prepare a list of licensing applications which the Administrator has yet to act upon within 180 days from the receipt of a completed application (i.e., backlog) due to issues such as a staffing shortage, too many applications came in at once, etc. This list will be included in the annual crime report to be presented by the Chief of Police under SJMC, Section 16.04.050.

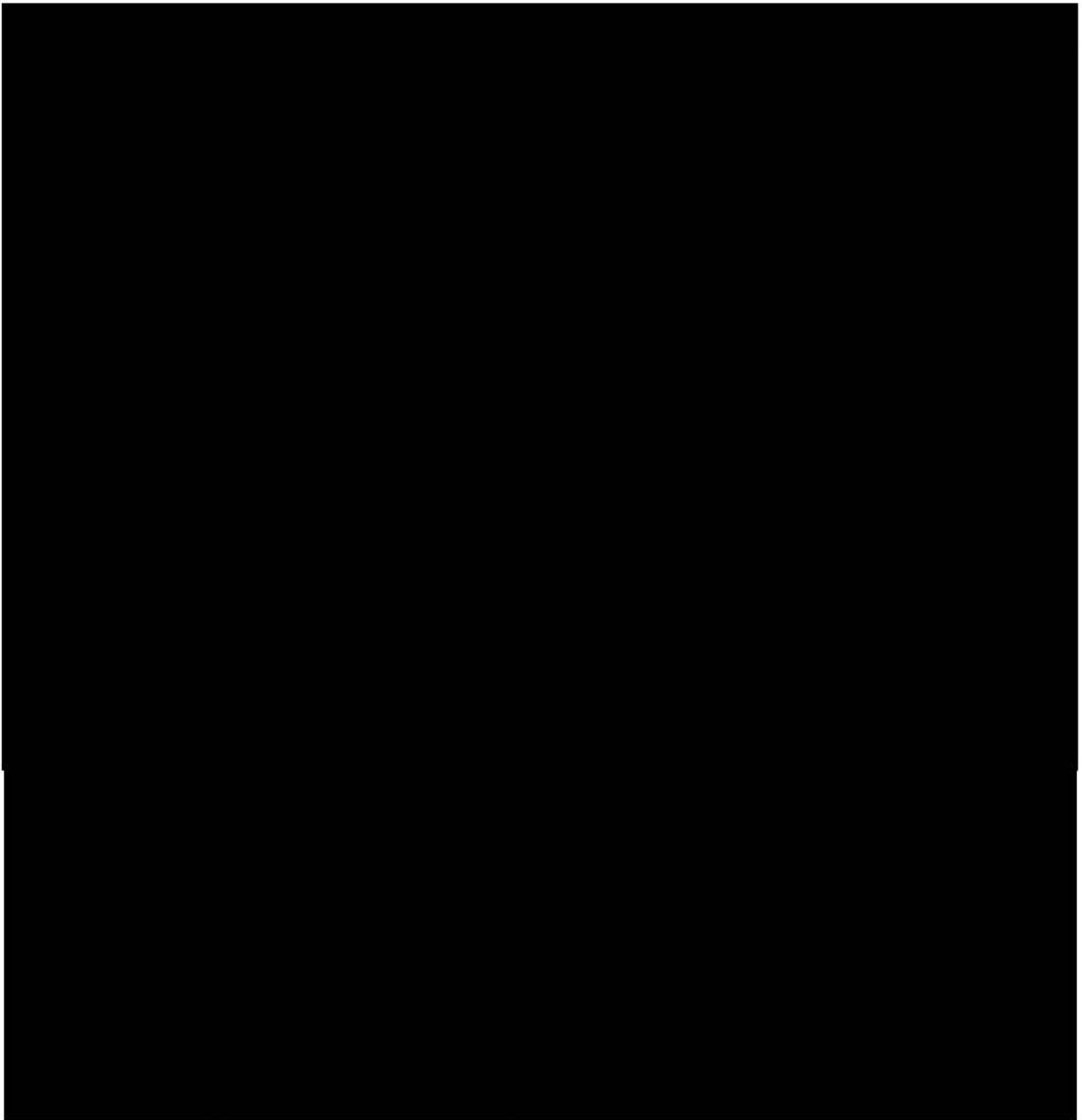
XIII. GAMING LICENSE BACKGROUND INVESTIGATION

The Division performs background investigation of all cardroom permittees, land-owners, owners of third party provider of proposition player services (funding source), funding source key employees, and city-designated key employees. As stated else in this unit guideline and repeated herein, a City designated Key Employee means anyone who the Administrator believes has the power to exercise significant influence over the gaming operation of the Cardroom Permittee or for other reasons consistent with the public interest, and the policies of Title 16 of the San Jose Municipal Code, in particular, Section 16.02.420. For example, a person who may be working in an off-site marketing office for the cardroom but who is otherwise authorized by management to exert influence over the casino management staff; or someone who may only be working as a restaurant manager but who is also authorized to coordinate table game tournaments, etc. The following established protocols will be used:

1. Financial Stability and Responsibility Examination



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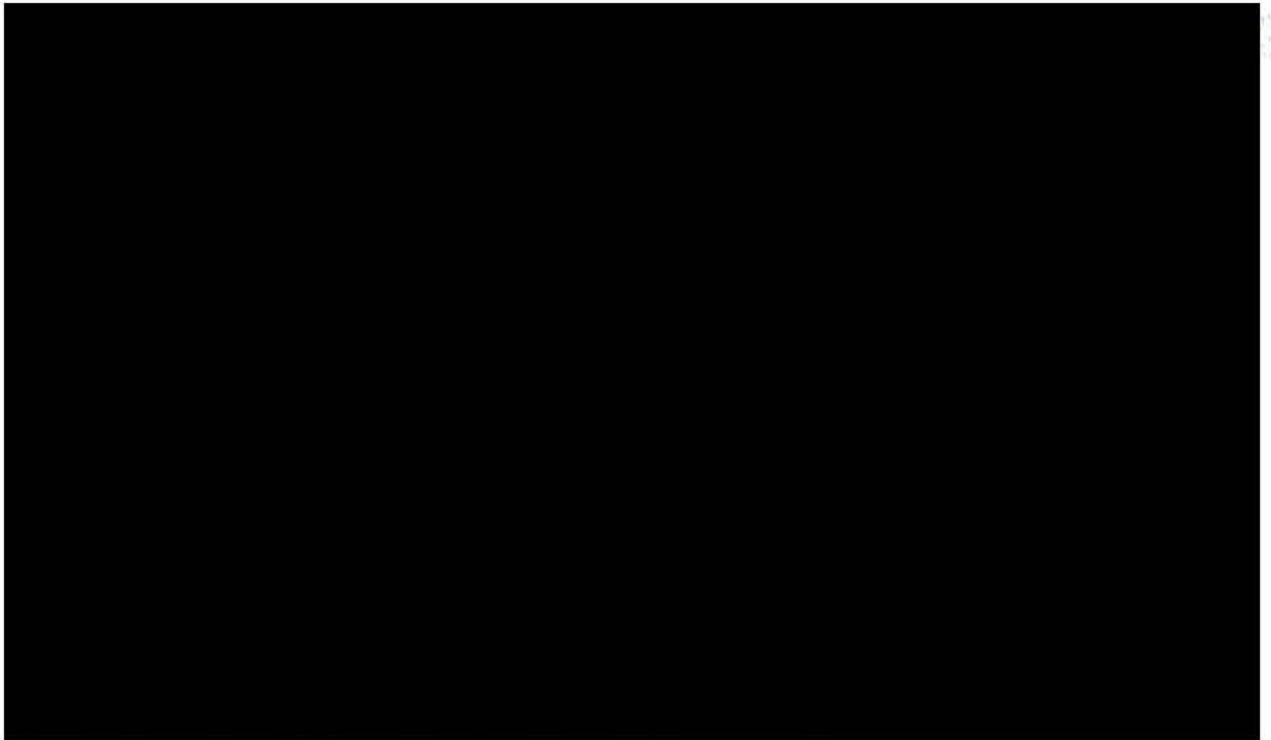


2. Criminal/Civil Investigation

To be conducted by the sworn staff of the unit:

- a. Review D.O.J. returns for any felonies or misdemeanors that disqualify applicant (new hires only)
- b. [REDACTED]
- c. Conduct criminal background [REDACTED]
- d. Conduct further follow-up investigations regarding information found in the background.
- e. [REDACTED]
- f. [REDACTED]
- g. Update photo database and print out permit badge (approvals only).

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- i. Examine and verify the applicant's military discharge record.
- j. Verify the applicant's education (i.e., high school diploma, college degree, etc.)
- k. Perform additional procedures, if necessary.
- l. Prepare a conclusion supported by a summary of findings. Note all areas of concern.

XIV. AUDIT SECTION

1. The Audit Section is the financial investigative arm of the Division of Gaming Control. The objective of this section is to ensure that:
 - a. The cardroom permittees are in compliance with Title 16 of the San Jose Municipal Code, rules and regulations promulgated by the Division of Gaming Control, and the California Gambling Control Act.
 - b. Gaming revenue has been properly calculated and that gaming fees have been properly reported to the Division of Gaming Control.
 - c. Coordinate with the enforcement section with respect to the suitability examination of all cardroom license applicants.

2. Training

Each audit staff will attend comprehensive educational programs consisting of table games and cage operations, casino audit and internal controls, rules, regulations and other casino related subjects.

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3. Audit Reports

Audit staff will plan, prepare and complete audit procedures in accordance with Generally Accepted Auditing Standards, including the use of audit programs, work-papers and exhibits.

XV. CARDROOM AUDIT

To ensure the cardrooms are in compliance with Title 16 of the San Jose Municipal Code and the rules and regulations promulgated thereunder, the auditor must periodically analyze the cardrooms' internal accounting controls and compare to the actual overall cardroom operations. At the conclusion of an audit of a particular section, the auditor must issue a written report to Administrator, which includes a summary of findings and conclusion.

The auditor must employ various means in gathering audit evidence, including periodic surprise inspection/observations of operational procedures, interview cardroom management and staff to ensure the cardrooms are complying with internal accounting controls and are following proper operational procedures.

The auditor must perform his/her audits in accordance with generally accepted auditing standards. The following areas will be covered in the periodic audits:

1. Cardroom Cage

- a. Reviews applicable accounting regulations, minimum internal control standards, and applicable laws.
 - b. Observes and tests the physical and access security to sensitive cage areas.
 - c. Observes transactions under audit in the areas of the cage.
 - d. Requests the cardrooms to perform a physical inventory of total cage accountability to verify existence.
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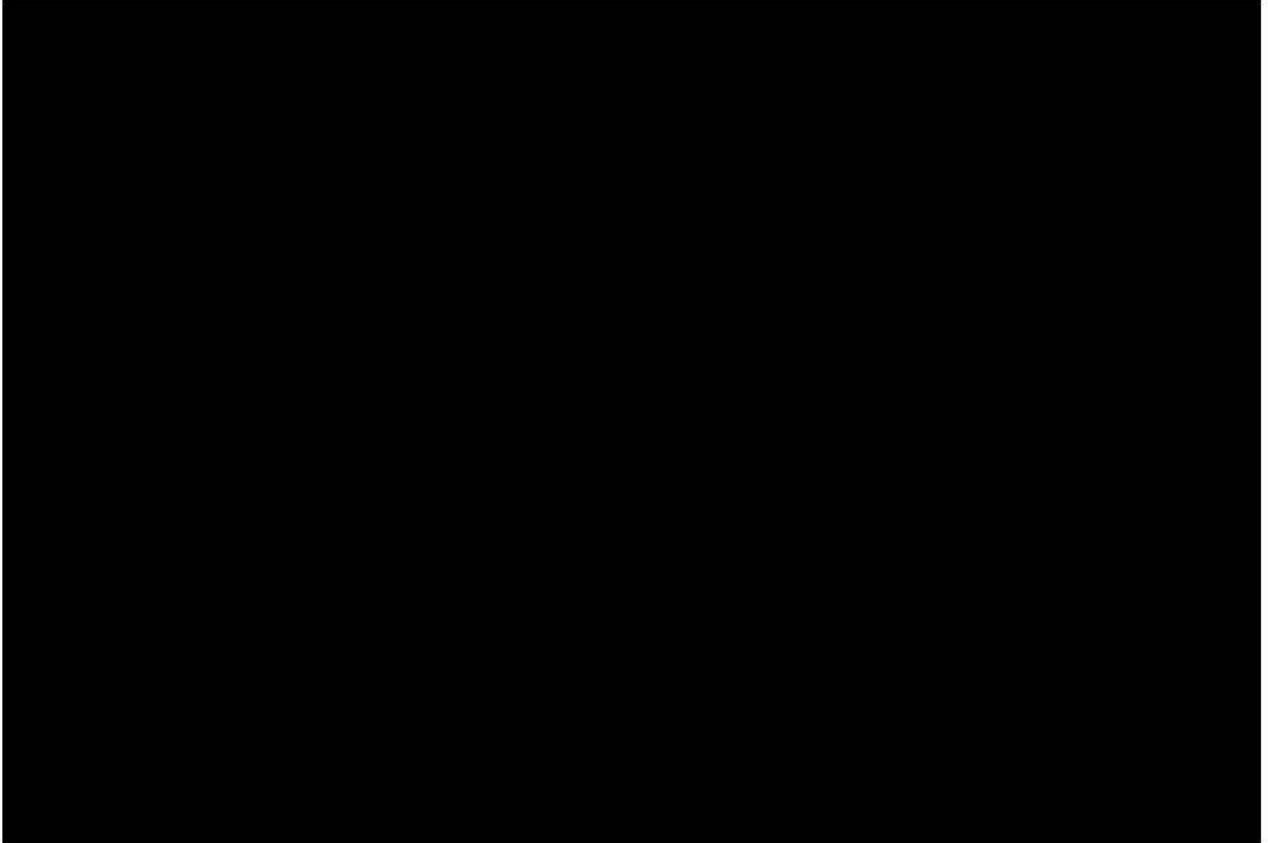
2. Minimum Bankroll Requirements

- a. Review general ledger inventory account balance.
 - b. Inquire accounting department about new chip purchase during the period under investigation
 - c. Review the related journal entries and postings related to new purchase for accuracy of recording.
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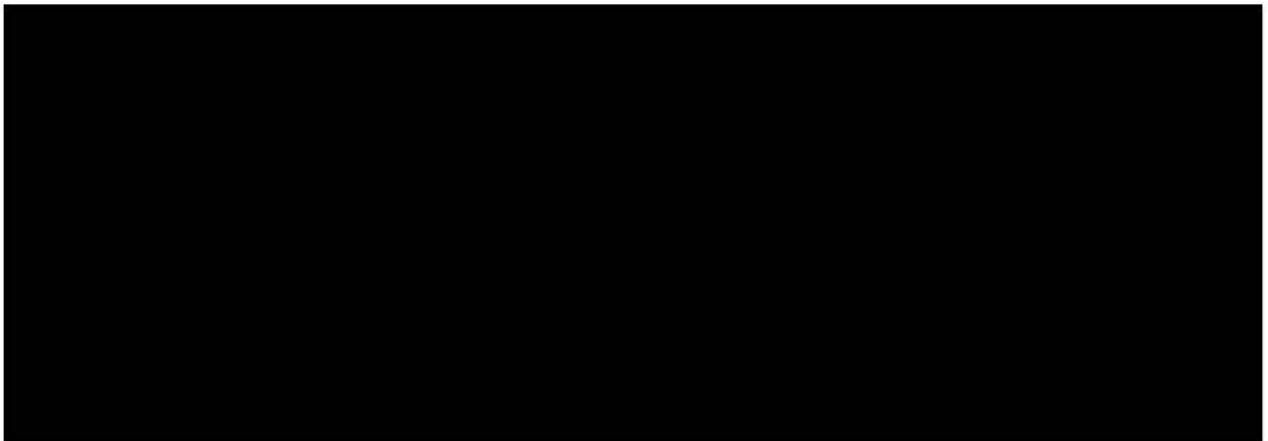
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- [REDACTED]
- San Jose Police Department
Division of Gaming Control
- i. Review the estimation assumptions and procedures followed by the cardroom.
 - j. Test the reasonableness of adjustments made by the cardroom.
 - k. Test and verify the mechanical accuracy of automatic cash-counting equipment.
- [REDACTED]

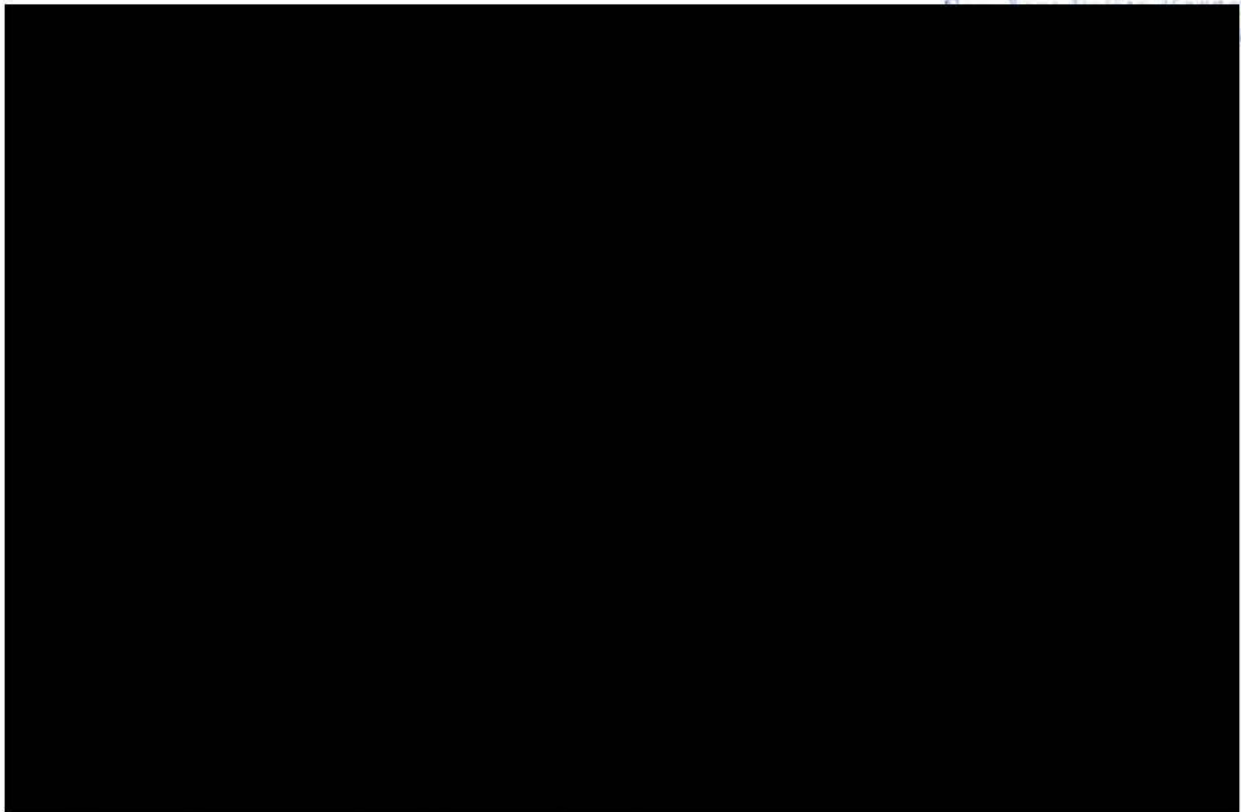
3. Table Drop Procedures



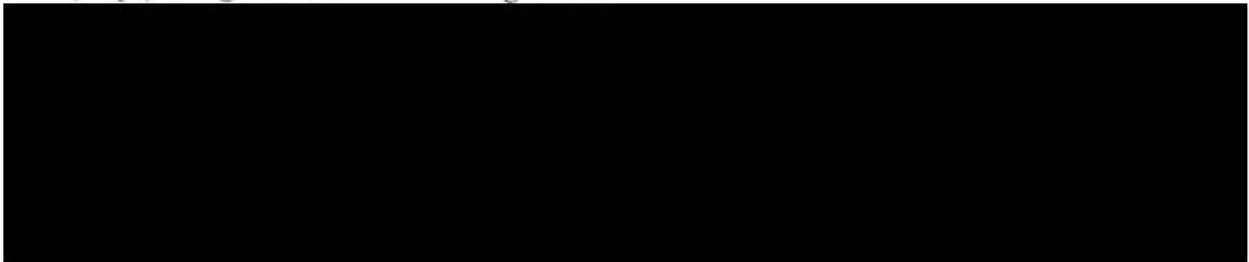
4. Table Fees Count Procedures



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- o. Observe if a cage/vault cashier (who is independent of the count team) independently counts and verifies the entire drop that is being turned over to the cage/vault department and reconciles it to the drop amount recorded on the count document prior to all monies (chips) being turned over to the cage/vault.



- t. Observe if the count sheet, with all supporting documents, is immediately delivered to the accounting department at the conclusion of the count by a count team member; or if alternatively, it is secured in the security office in a locked container to which only accounting personnel can gain access until retrieved by the accounting department.

5. Goods and Services Vendors/Contractors Requirements

- a. Review payments to all vendors under the period of examination
- b. Compares list of vendors who receive more than \$10,000 or more to the contracts submitted by the cardroom.
- c. Inquire cardroom of the nature of these vendors and whether a contractual agreement is in place
- d. Confirm the date of submission of contracts with each vendor with cardroom.
- e. Samples vendors who receive less than \$10,000 annually and reviews vendor files.

6. Food and Beverage Sales and Accounting/Auditing Requirements

- a. Review if all food and beverage sales recorded reflect employee name and/or identification number, can be identified by individual sale, total, and by area.
- b. Review if sales recorded in a computerized point-of-sale system reflect the date/time and transaction number for each individual sale.
- c. Review if each individual sale can be identified by type.
- d. Inquires if the individual who has access to the internal cash register tape of point-of-sale information is independent of these functions, and if keys/passwords are required to access this information.
- e. Inquire and document the cash register tape or point-of-sale system overrings, disputes and/or voids procedure; inquires whether authorization of appropriate managerial personnel designated by the cardroom is required.
- f. Inquire and document the food and beverage sales and dispute refunds procedure, inquires whether authorization of appropriate managerial personnel designated by the cardroom is required.
- g. Inquire and document whether the computation of cash proceeds for each food and beverage server, bartender and cashier is documented, verified and signed by at least two employees.
- h. Review the bartenders/cashiers/food and beverage servers banks' reconciliation to the sales documentation.
- i. Review investigation performed into cash overages or shortages of one hundred dollars or more.
- j. Review sales document for a breakdown of gross sales that summaries the total of sales by type and server for each date and time period prepared by accounting on a daily basis.
- k. Confirm if the food and beverage summaries are reviewed by revenue audit on a daily basis to verify the propriety of charges (i.e., over-rings, disputes, refunds and voids, etc. have the proper authorizations) prior to being posted to the accounting records.
- l. Document the steps performed by revenue audit for verification.
- m. Inquire if all areas of the licensed gaming establishment are being observed at least monthly by personnel independent of the food/beverage and table games departments to ensure that food and beverage complimentary is not offered or extended to casino patrons.

- q. Retrieve such a copy from the accounting department.

7. Key Control Procedures

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8. Gaming Revenue and related Gross Receipts Tax Monitoring Procedures

- a. Ensure that the cardrooms submit count sheets on a daily basis.
- b. Tally up gaming revenue reported daily.
- c. Tally up gaming revenue reported at month-end.
- d. Ensure cardroom tax returns are filed timely by cardrooms.
- e. Ensure cardroom tax is calculated correctly.
- f. Compare gaming revenue reported on tax returns to that reported on a daily basis and investigate any discrepancy.