

**ILLINOIS GAMING BOARD
MINIMUM INTERNAL CONTROL STANDARDS
SECTION N - PURCHASING AND CONTRACT ADMINISTRATION**

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General

1. The terms purchasing and contracting must include such items as leases, management contracts and all other transactions requiring the commitment of company resources for the acquisition of goods or services.
2. The use of the term "owner" or "owners" must include sole proprietors, partners or shareholders who are required to file a "Form 1" with the IGB.

Statement of Policy

A statement of policy regarding ethical standards and compliance with Federal and State laws must be included. Such statement must delineate the limitation on purchasing and contracting personnel from accepting gifts or other forms of gratuities from suppliers of goods or services. The statement must outline the specific type of gifts, if any, that may be accepted and must prohibit the acceptance of currency and/or negotiable instruments.

Normal Purchasing Transactions

Procedures must indicate the amount of a single transaction or series of related transactions which an individual or a group of employees, owners or directors may approve.

The ICS must include for both manual and computerized systems, the following information:

1. Steps for initiating purchasing procedures;
2. Detailed procedures for the preparation and distribution of purchase orders, including:
 - a. The amounts which can be authorized by various positions or levels of personnel;
 - b. The sequence of required signatures and distribution of each part of the purchase order;
 - c. A statement that purchase orders are issued for a specific dollar amount. Any changes to an issued purchase order must be returned to the purchasing department to initiate an amended purchase order and obtain additional approvals if necessary; and
 - d. The maintenance of a purchase order log.
3. Detailed procedures for issuing and approving blanket purchase orders for purchases of goods or services, including:
 - a. The competitive bid requirements for blanket purchase orders;
 - b. A statement that blanket purchase orders must include a maximum amount, effective date and expiration date; and
 - c. Controlling, documenting and monitoring blanket purchase orders.
4. Requirements for competitive bidding process, including:

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- a. The number of bids required. A minimum of two bids must be required;
 - b. A statement that the purchasing department must have the final responsibility for obtaining competitive bids. The originating departments may provide the amount budgeted for the purchase, cost limitations and vendor recommendations;
 - c. The steps for documenting verbal bids and the minimum amount required for written bids;
 - d. A statement that all competitive bids received will be confidential and not disclosed to any other vendors; and
 - e. Criteria for qualifying approved vendors of goods or services based on "fair market value" considering such factors as quality, service and price.
5. Detailed procedures and approval process for the acquisition of goods or services which are unique and not conducive to the normal competitive bidding process, including:
- a. A detailed list of all items which will be exceptions to the normal competitive bidding or procurement process. At a minimum the following items may be included on the list:
 - i. Accounting fees;
 - ii. Advertising, direct mail services;
 - iii. Architect and design services;
 - iv. Bank charges;
 - v. Charitable donations;
 - vi. Complimentary expenses received by customers for food, hotel, beverages or gifts;
 - vii. Dividends;
 - viii. Entertainment;
 - ix. Express mail and delivery services;
 - x. Fines;
 - xi. Freight charges;
 - xii. Insurance;
 - xiii. Items submitted on expense reports;
 - xiv. Legal fees;
 - xv. Licenses and permits;
 - xvi. Litigation or risk management settlement or payments;
 - xvii. Management consulting;
 - xviii. Medical expenses;
 - xix. Membership dues and subscriptions;
 - xx. Payments to municipal entities pursuant to an agreement;
 - xxi. Payroll and benefits;
 - xxii. Periodical subscriptions;
 - xxiii. Political donations;
 - xxiv. Postage meters, mailing and delivery expenses;
 - xxv. Purchases, sales or leases of real property;
 - xxvi. Refunds/reimbursements to guests;

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- xxvii. Regulatory fees and assessments;
 - xxviii. Seminar and training expenses;
 - xxvix. Tax payments;
 - xxx. Temporary services;
 - xxxi. Travel and travel related expenses;
 - xxxii. Utilities; and
 - xxxiii. Wage garnishments; and
- b. Detailed procedures for the purchasing process for food and beverage items and any other item that has its own purchasing procedures.
6. Detailed procedures and approval process for emergency purchases, including:
- a. A statement that emergency purchases will usually occur after normal business hours, on weekends or holidays or in case of immediate need of goods or services in response to unusual occurrences during normal business hours;
 - b. A statement that approvals may be verbal until purchasing documentation is prepared. Purchasing documentation must be finalized within three days;
 - c. A statement on the purchase order documenting the reason for the emergency purchase; and
 - d. The maintenance of an emergency purchase order log.
7. Specify where the general ledger account number, associated with the purchase of goods and/or services, is located with the ability to be retrieved upon request;
8. Detailed procedures to ensure that vendor files contain all company required forms, documentation and approvals, which at a minimum, must be all issued purchase orders and bid documentation;
9. A prohibition against the purchase or lease of gaming equipment or supplies from other than a licensed supplier as defined in the Illinois Riverboat Gambling Act or IGB Adopted Rules;
10. Detailed procedures for the review and approval of surveillance equipment purchases;
11. Detailed procedures for contracts, including:
- a. The management levels and the contract amounts that they may negotiate and execute;
 - b. A statement that all contracts will be subject to the competitive bid process as outlined in 4. above;
 - c. The terms of all contracts, i.e., no open-ended contracts;
 - d. The approval process for payments made against an executed contract; and
 - e. The distribution and filing of executed contracts.
12. If applicable, detailed procedures for the use of purchasing cards, including:

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- a. Authorized position titles to be purchasing card holders and their spending limits, both single transaction and monthly;
 - b. Items that may be purchased with the purchasing card;
 - c. Use of the card with approved vendors only, if applicable;
 - d. Responsibilities of the holder of the purchasing card, including maintaining receipts and verifying monthly statements;
 - e. Responsibilities of the manager of the purchasing card holder, including approving monthly statements;
 - f. Disputing fraudulent or incorrect charges;
 - g. Payment to vendors for purchasing card charges; and
 - h. Department or employee as stated in the Owner Licensee's ICS who is responsible for overseeing the purchasing card process.
13. Detailed procedures for the receipt of all goods received by an employee independent of the purchasing department as specified in the Owner Licensee's ICS, including:
- a. The verification process for the receipt of goods, including damaged goods and partial or over shipments;
 - b. The distribution of all receiving documentation; and
 - c. The maintenance of receiving documentation.
14. Payment of vendor invoices including procedures for:
- a. When the invoice amount disagrees with the purchase documentation;
 - b. Processing non-invoice payments; and
 - c. The approval process for the utilization of a check request form (if applicable).

Capital Expenditures

In addition to the normal purchasing requirements, the ICS must include procedures for the approval of capital expenditures in excess of \$50,000, and the amount of such capital expenditures which require Board of Directors or Owners' approval.

Related Party Transactions

1. **Related Party** is defined as an individual or business entity having a pecuniary interest in a business entity which is not a publicly held company; a holder of more than 5% of the outstanding shares of a corporation which is a publicly held company; a key person of a business entity; an affiliate of a business entity; a relative of an individual having a pecuniary interest in a business entity which is not a publicly held company; a relative of a holder of more than 5% of the outstanding shares of a corporation which is a publicly held company; a relative of a key person of a business entity; a relative of an affiliate of a business entity; a trust for the benefit of or managed by a business entity or a key person thereof; or any other individual or business entity who is

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able to control or significantly influence the management or operating policies of a business entity.

2. **Relative** is defined as a member of the Immediate Family as well as uncles, aunts, nephews, nieces and first cousins, whether by the whole or half blood, by marriage, adoption or natural relationship, and dependents.
3. **Immediate Family** is defined as a spouse (other than a spouse who is legally separated from the individual under a decree of divorce or separate maintenance), parents, grandparents, siblings, children and grandchildren, whether by the whole or half blood, marriage, adoption or natural relationship.
4. **Dependent** is defined as any individual who received over half of his support in a calendar year from any other individual.

The minimum internal control standards for disclosure and approval of related party contracts or transactions as described below do not apply to transactions which require a supplier's license under the Illinois Riverboat Gambling Act or IGB Adopted Rules or to the payment of dividends to shareholders or scheduled repayments of related party debt.

Related party transactions either oral or written must meet the minimum internal control standards enumerated above and, in addition, the ICS must provide that:

1. Each related party transaction or series of related transactions reasonably anticipated to exceed \$50,000 annually must be subject to approval of the Board of Directors or Owners of the company;
2. An annual report of related party contracts or transactions be prepared and submitted to the Board of Directors or Owners and the IGB listing all related party transactions or group of like transactions occurring during the year. This report will be due the end of the third month following each calendar year, must be formatted to group related party transactions by key person or entity and contain the following information:
 - a. Name of the related party;
 - b. Amount of the transaction or payments under the contract;
 - c. Term of contract;
 - d. Nature of transaction; and
 - e. Determination of how the fair market value of the contract, goods or services was ascertained; and
3. A quarterly report to the Board of Directors or Owners and the IGB updating the information required in 2.a. through 2.e. above for all new or renewed related party transactions entered into during the quarter. This report must also indicate any terminations of related party transactions and is due by the end of the second month following the end of the quarter. The annual report will suffice for the fourth quarterly report.