

## CASE STUDY: JACKPOTS



### **Impact: Machine Net Win**

Each machine has its own settings. When a machine is set to “lock up” at a certain amount, the player and slot personnel will feel like a jackpot was won. To take it a step further, the machine’s meters may be impacted by these settings. If a payout meters as a jackpot but is paid out as a hand pay, the machine’s total payouts are not impacted. However, if the machine records the payout as ticket out, then a hand pay is processed, the system is going to double expense the machine.

### **Impact: Casino Net Win**

The total of the individual machine’s net win should be compared regularly to the recorded net win in the General Ledger. That Casino’s net win is – in the simplest of terms – is money in the door minus money out the door. Like impact on the individual machine net win, the total payouts will also be impacted if the definition of a “jackpot” is not agreed upon and understood at all levels. A payout recorded as ticket, hand pay, and/or jackpot could cause the “money out the door” concept to be overstated and net win to be under-reported.

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### **Impact: Taxes**

Considerations for withholding and paying taxes probably is the most significant impact. From the player’s perspective, technically all payouts can be considered taxable. For the purposes of this case study, we are only focused on the implications for the operation. The Casino’s responsibility is to report all winnings over \$2,000 (as of 2026) and any winnings by foreign patrons. The Casino must withhold a percentage of winnings for known foreign patrons but is not required to withhold any taxes for US citizens. Note – the term “jackpots” has not been used to this point. As this threshold increases, the process of gathering information and withholding should not change drastically. The impact of defining the term “jackpot” will be more apparent in the machine’s behavior, the floor activity, and the accounting and audit procedures.

### **Impact: Internal Controls**

With all implications considered, updates to the Casino’s internal controls will be necessary. Simply defining a “jackpot payout” will make a significant difference. Establishing controls for the floor personnel, Cage personnel, Revenue Audit, and Accounting teams as it relates to how payouts are processed will help ensure net win is stated correctly, taxes are collected and paid appropriately, and associated risks are minimized!





### Impact: Accounts Payable Process

Often, the Accounts Payable process is not overly complicated. Invoices or payment advice is submitted, approvals are gathered, and payments are made. For Tribal gaming operations, payments to gaming vendors are common. It is not unusual for the total of these payments to be among the largest expense line items. When the AP staff understands why they are paying what they are paying, those payments will be processed with minimal risk. Invoices are not just paid blindly. Supplementary documentation ensures the amounts paid are correct. Everyone's jobs become more meaningful.

### Impact: General Ledger Accounting

The AP staff likely reviews documentation, codes invoices, and processes payments. Once that information is in the General Ledger, the data can be analyzed differently. Accountants should be performing appropriate analyses to determine if these payments are reasonable and appropriate. Even before financial reports are finalized, the Accounting team will have a strong understanding of the impact of these payments – for better or for worse! The monthly financial statements are often the first (and best) indicator that something needs attention. A strong understanding of these payments will make a difference.

### Impact: Vendor Relationships

Maybe something of a quiet impact, but understanding contracts, asking questions, and communicating during the commission payment process should improve the relationships with your vendors. There may be times pushing back on an incorrect invoice might cause some tension, but for the most part vendors want payments to be accurate. When casinos read contracts and demonstrate an understanding of the proposed math, many vendors are actually grateful. You may find yourself fielding questions from the vendor, clarifying data and calculations. Trust matters.

### Impact: Floor Decisions

These case studies are all aimed at helping participants understand the importance and impact of specific slot accounting-related areas. Ultimately, understanding these areas should help the operation make better decisions about their slot floor. As the team reviews contracts and understands the payment amounts, leadership will be able to make more informed decisions regarding the machines on the floor. The industry is flush with machine options these days – take advantage of that! Understanding the impact of various fees will help drive decisions. If something does not feel right, there is a better option.





### **Impact: Accounting/Revenue Audit**

Determining who does what seems like a pretty simple task – and it can be. However, it is an important one. For years, many auditors have approached the analysis of Statistical Reports as a responsibility of Accounting, or more specifically, the Revenue Audit or Slot Accounting team. While there is a need for the independent team to produce the report and some supplementary information for analysis, everyone needs to break away from the notion that the analysis should be (or even can be) performed by anyone other than Slot Operation leadership. Their insight and familiarity with the machines, how they are set up, how they are played, and what the future holds for them is vital or ongoing meaningful analysis.

### **Impact: Slot Operation Management**

Statistical Analysis is one tool that can be used to measure the performance of the machines. As a matter of fact, it is the only tool required by MICS. As mentioned above, this analysis is only meaningful if performed by individuals with the background and information to make the analysis meaningful. Completing this analysis as a requirement is necessary to avoid audit findings; completing it to ensure the gaming floor is performing profitably while protecting the integrity of gaming is vital to the operation's success.

### **Impact: General Management**

All these case studies impact General Management, even if we have not taken the time to dig into the impact of each one. In the case of General Management, however, it is worth noting the specific details. Multiple departments will have a hand in the most effective Statistical Analyses. Having oversight that understands and maintains a meaningful interest in the process will keep individual departments accountable, protect the integrity of the process, and provide a consistent ongoing approach. These aspects are critical to the relevance of future analysis and the reality that, while provided monthly, these analyses are only meaningful when considering the big picture and evaluating trends.

### **Impact: Auditors (Internal and External)**

It is true that the minimum internal controls (MICS) have not seen drastic changes in over a decade. What is also true is that auditors are not asking the same questions they were a decade ago. As the industry has evolved, so have auditors. At F&C, we have had many opportunities to "train" auditors over the years. As we continue to learn, we do our best to help auditors understand our logic and interpretation of the various regulations that protect the assets of the Tribe and the integrity of gaming at the Tribal operations. The Statistical Analysis process is a prime example of this. We continue to refine and develop this process to make it meaningful. The questions auditors ask about the process have changed, as well. Some auditors have a robust understanding of the heart of the requirement, while others give us new perspectives on how to develop the course of action more meaningfully. Things change – audits will change, too. That's a good thing!

