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STATE OF NEVADA

BEFORE THE NEVADA GAMING COMMISSION

NEVADA GAMING CONTROL BOARD,)
 Complainant,)
 vs.)
 GAMING LABORATORIES)
 INTERNATIONAL, LLC,)
 Respondent.)

COMPLAINT

The State of Nevada, on relation of its Nevada Gaming Control Board (BOARD), Complainant herein, by and through its counsel, ADAM PAUL LAXALT, Attorney General, and MICHAEL P. SOMPS, Senior Deputy Attorney General, hereby files this Complaint for disciplinary action against Respondent pursuant to Nevada Revised Statute (NRS) 463.670(9) and NRS 463.310(2) and alleges as follows:

1. Complainant, BOARD, is an administrative agency of the State of Nevada duly organized and existing under and by virtue of Chapter 463 of NRS and is charged with the administration and enforcement of the gaming laws of this state as set forth in Title 41 of NRS and the Regulations of the Nevada Gaming Commission.

2. Respondent, GAMING LABORATORIES INTERNATIONAL, LLC (GLI), located at 600 Airport Road, Lakewood, New Jersey, is registered in Nevada as an independent testing laboratory pursuant to NRS 463.670(7) and pursuant to the regulations of the Nevada Gaming Commission.

RELEVANT LAW

3. The Nevada Legislature has declared under NRS 463.0129(1) that:

(a) The gaming industry is vitally important to the economy of the State and the general welfare of the inhabitants.

1 (b) The continued growth and success of gaming is
2 dependent upon public confidence and trust that licensed
3 gaming and the manufacture, sale and distribution of gaming
4 devices and associated equipment are conducted honestly and
5 competitively, that establishments which hold restricted and
6 nonrestricted licenses where gaming is conducted and where
7 gambling devices are operated do not unduly impact the quality
8 of life enjoyed by residents of the surrounding neighborhoods,
9 that the rights of the creditors of licensees are protected and
10 that gaming is free from criminal and corruptive elements.

11 (c) Public confidence and trust can only be maintained
12 by strict regulation of all persons, locations, practices,
13 associations and activities related to the operation of licensed
14 gaming establishments, the manufacture, sale or distribution of
15 gaming devices and associated equipment and the operation of
16 inter-casino linked systems.

17 (d) All establishments where gaming is conducted and
18 where gaming devices are operated, and manufacturers, sellers
19 and distributors of certain gaming devices and equipment, and
20 operators of inter-casino linked systems must therefore be
21 licensed, controlled and assisted to protect the public health,
22 safety, morals, good order and general welfare of the
23 inhabitants of the State, to foster the stability and success of
24 gaming and to preserve the competitive economy and policies of
25 free competition of the State of Nevada.

26 (e) To ensure that gaming is conducted honestly,
27 competitively and free of criminal and corruptive elements, all
28 gaming establishments in this state must remain open to the
general public and the access of the general public to gaming
activities must not be restricted in any manner except as
provided by the Legislature.

18 NRS 463.0129(1).

19 4. The Nevada Legislature has also declared under NRS 463.670(1) the following:

20 (a) That the inspection of games, gaming devices,
21 associated equipment, cashless wagering systems, inter-casino
22 linked systems, mobile gaming systems and interactive gaming
23 systems is essential to carry out the provisions of this chapter.

24 (b) That the inspection of games, gaming devices,
25 associated equipment, cashless wagering systems, inter-casino
26 linked systems, mobile gaming systems and interactive gaming
27 systems is greatly facilitated by the opportunity to inspect
28 components before assembly and to examine the methods of
manufacture.

(c) That the interest of this State in the inspection of
games, gaming devices, associated equipment, cashless
wagering systems, inter-casino linked systems, mobile gaming
systems and interactive gaming systems must be balanced with
the interest of this State in maintaining a competitive gaming

1 industry in which games can be efficiently and expeditiously
2 brought to the market.

3 NRS 463.670(1).

4 5. NRS 463.670 further provides, in relevant part, the following:

5 2. The Commission may, with the advice and assistance
6 of the Board, adopt and implement procedures that preserve
7 and enhance the necessary balance between the regulatory and
8 economic interests of this State which are critical to the vitality
9 of the gaming industry of this State.

10

11 7. The Commission shall adopt regulations which:

12 (a) Provide for the registration of independent testing
13 laboratories and of each person that owns, operates or has
14 significant involvement with an independent testing laboratory,
15 specify the form of the application required for such
16 registration, set forth the qualifications required for such
17 registration and establish the fees required for the application,
18 the investigation of the applicant and the registration of the
19 applicant.

20 (b) Authorize the Board to utilize independent testing
21 laboratories for the inspection and certification of any game,
22 gaming device, associated equipment, cashless wagering
23 system, inter-casino linked system, mobile gaming system or
24 interactive gaming system, or any components thereof.

25 (c) Establish uniform protocols and procedures which the
26 Board and independent testing laboratories must follow during
27 an inspection performed pursuant to subsection 3 or 5, and
28 which independent testing laboratories must follow during the
certification of any game, gaming device, associated equipment,
cashless wagering system, inter-casino linked system, mobile
gaming system or interactive gaming system, or any
components thereof, for use in this State or for shipment from
this State.

(d) Allow an application for the registration of an
independent testing laboratory to be granted upon the
independent testing laboratory's completion of an inspection
performed in compliance with the uniform protocols and
procedures established pursuant to paragraph (c) and
satisfaction of such other requirements that the Board may
establish.

(e) Provide the standards and procedures for the
revocation of the registration of an independent testing
laboratory.

(f) Provide the standards and procedures relating to the
filing of an application for a finding of suitability pursuant to

1 this section and the remedies should a person be found
2 unsuitable.

3 (g) Provide any additional provisions which the
4 Commission deems necessary and appropriate to carry out the
5 provisions of this section and which are consistent with the
6 public policy of this State pursuant to NRS 463.0129.

7

8 9. A person registered pursuant to this section is subject
9 to the investigatory and disciplinary proceedings that are set
10 forth in NRS 463.310 to 463.318, inclusive, and shall be
11 punished as provided in those sections.

12

13 12. As used in this section, unless the context otherwise
14 requires, "independent testing laboratory" means a private
15 laboratory that is registered by the Board to inspect and certify
16 games, gaming devices, associated equipment, cashless
17 wagering systems, inter-casino linked systems, mobile gaming
18 systems or interactive gaming systems, and any components
19 thereof and modifications thereto, and to perform such other
20 services as the Board and Commission may request.

21 NRS 463.670(2), (7), (9), and (12).

22 6. Nevada Gaming Commission Regulation 14.360 provides, in relevant part, the
23 following:

24

25 6. To qualify to be registered, the independent testing
26 laboratory, and any other person, entity or testing facility that
27 is required to register, must:

28 (a) Demonstrate probity;

(b) Be independent from any manufacturer, distributor,
or operator of any game, gaming device, associated equipment,
cashless wagering system, inter-casino linked system, mobile
gaming system or interactive gaming system, or any component
thereof or modification thereto, regardless of whether or not
such person or entity is licensed, registered, or otherwise does
business in Nevada;

(c) Be accredited in accordance with ISO/IEC 17025 by
an accreditation body that is a signatory to the International
Laboratory Accreditation Cooperation Mutual Recognition
Agreement, unless the independent testing laboratory is only
seeking registration for the inspection and certification of
games and game variations;

. . . .

1 (d) Demonstrate it is technically competent in testing
2 the category of game, device, or system in which it is seeking
3 registration;

4 (e) Demonstrate it is technically competent to test
5 compliance with the applicable Nevada statutes, regulations,
6 standards and policies.

7 7. To be considered independent from a manufacturer,
8 distributor, or operator under subsection 6(b) above, the
9 independent testing laboratory, including its employees,
10 management, directors, owners, compliance committee
11 members and gaming regulatory advisors, with the exception of
12 the independent testing laboratory's external accountants and
13 attorneys:

14 (a) Must not have a financial or other interest, direct or
15 otherwise, in a manufacturer, distributor, or operator of any
16 game, gaming device, associated equipment, cashless wagering
17 system, inter-casino linked system, mobile gaming system or
18 interactive gaming system, or any component thereof or
19 modification thereto, regardless of whether or not the person or
20 entity is licensed, registered, or otherwise does business in
21 Nevada;

22 (b) Must not participate, consult, or otherwise be
23 involved in the design, development, programming, or
24 manufacture of any game, gaming device, associated
25 equipment, cashless wagering system, inter-casino linked
26 system, mobile gaming system or interactive gaming system, or
27 any component thereof or modification thereto;

28 (c) Must not have any other interest in or involvement
with a manufacturer, distributor, or operator that could cause
the independent testing laboratory to act in a manner that is
not impartial; and

(d) Such individuals shall not serve in any capacity with
a manufacturer, distributor, or operator beyond the scope of the
independent testing laboratory's engagement pursuant to these
regulations.

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21 Nev. Gaming Comm'n Reg. 14.360(6) and (7).

22 7. Nevada Gaming Commission Regulation 14.390 provides, in relevant part, the
23 following:

24 1. In the interest of preserving a competitive gaming
25 industry, a registered independent testing laboratory shall not
26 implement or maintain any procedure or policy or take any
27 action that would inhibit or prevent a manufacturer, distributor
28 or operator that has otherwise been deemed suitable for doing
business in Nevada by the board or commission from
submitting a game, gaming device, associated equipment,
cashless wagering system, inter-casino linked system, mobile
gaming system or interactive gaming system, or any component

1 thereof or modification thereto, for inspection and certification
2 for use in Nevada, or that would call into question or tend to
3 erode the independence of the registered independent
4 laboratory from any clients that utilize its services.

5

6 3. All testing shall be performed using Nevada approved
7 documentation and methodologies, and must be conducted
8 specifically in accordance with the Nevada Gaming Control Act
9 and the regulations adopted thereunder, and all technical
10 standards, control standards, control procedures, policies, and
11 industry notices implemented or issued by the board.

12 4. All testing shall be performed by a person directly
13 employed by the registered independent testing laboratory.
14 The registered independent testing laboratory shall not assign,
15 delegate, subcontract, or otherwise engage any person not
16 directly employed by the registered independent testing
17 laboratory for any testing for which the laboratory has been
18 registered in Nevada. The chairman, in his sole and absolute
19 discretion, may permit a registered independent testing
20 laboratory to utilize the services of a person other than a person
21 directly employed by the independent testing laboratory to
22 perform certain specific functions associated with the testing
23 and certification procedures to be performed. Any such request
24 must be made in writing to the chairman in advance of utilizing
25 the services of the third party. Any permission granted under
26 this subsection must in writing and shall be limited as to time
27 and scope in whatever degree the chairman deems appropriate
28 under the circumstances and may be revoked by the chairman
 in writing at any time at his sole and absolute discretion.

 7. A registered independent testing laboratory shall
 implement and maintain a system of peer review to monitor the
 quality of the inspection and certification procedures performed
 by its employees.

 10. A registered independent testing laboratory shall
 handle all information and data prepared or obtained as part of
 the Nevada certification process as confidential.

 22. A registered independent testing laboratory, its
 employees, management, and owners shall remain independent

1 of any manufacturer, distributor or operator as set forth under
2 section 14.360(6) and (7).

3

4 Nev. Gaming Comm'n Reg. 14.390(1), (3), (4), (7), (10), and (22).

5 8. Nevada Gaming Commission Regulation 14.415 provides that “[f]ailure of a
6 registered independent testing laboratory to comply with all of the requirements of
7 regulation 14 shall constitute an unsuitable method of operation and shall be grounds for
8 disciplinary action by the board and the commission.”

9 9. NRS 463.310(4)(d)(2) states in relevant part that the Commission may:

10 (d) Fine each person or entity, or both, which is licensed,
11 registered, found suitable or found preliminarily suitable
12 pursuant to this chapter or chapter 464 of NRS or which
13 previously obtained approval for any act or transaction for
14 which Commission approval was required or permitted under
15 the provisions of this chapter or chapter 464 of NRS:

16

17 (2) Except as otherwise provided in subparagraph
18 (1), not more than \$100,000 for each separate violation of the
19 provisions of this chapter or chapter 368A, 464 or 465 of NRS or
20 of any regulations adopted thereunder, which is the subject of
21 an initial complaint and not more than \$250,000 for each
22 separate violation of the provisions of this chapter or chapter
23 368A, 464 or 465 of NRS or of any regulations adopted
24 thereunder, which is the subject of any subsequent complaint.

25

26 NRS 463.310(4)(d)(2).

27 BACKGROUND

28 10. At all times relevant herein, GLI was registered with the Board as an
independent testing laboratory to inspect and certify any game, gaming device, associated
equipment, cashless wagering system, inter-casino linked system, mobile gaming system
or interactive gaming system, or any component thereof or modification thereto, for use in
Nevada.

11 11. At all times relevant herein, Interblock d.d. (Interblock) was a Nevada licensed
12 manufacturer.

1 12. Interblock manufactures the Pulse Arena System. The Pulse Arena System is
2 comprised of a number of components including wagering terminals, gaming devices, live
3 and automated gambling games, and related associated equipment.

4 13. The Pulse Arena System allows patrons to place wagers through wagering
5 terminals on slot games, on fully automated table games, and on live table games.

6 14. The Pulse Arena System is designed to be integrated with the IGT Advantage
7 cashless wagering and on-line slot metering system to perform certain necessary
8 functions for the Pulse Arena System, including fulfilling slot revenue reporting
9 requirements, table game revenue reporting requirements, and cashless wagering
10 functions.

11 15. Before its use in Nevada, the Pulse Arena System must receive Nevada
12 gaming regulatory approvals, including approval of the interoperability of the IGT
13 Advantage system with the Pulse Arena System.

14 16. On or about December 12, 2016, GLI issued its certification document for the
15 Pulse Arena System. The certification document represents that all aspects of the Pulse
16 Arena System tested by GLI passed. Specifically, the certification represents "PASS" for
17 the entirety of the "Cashless Wagering Test Cases Relating to the Software" and "PASS"
18 for the entirety of the "Live Table Games Test Cases Relating to the Software."

19 17. To properly test the Pulse Arena System and accurately represent that all
20 aspects of the system tested by GLI passed, GLI must integrate the Pulse Arena System
21 with the IGT Advantage system and GLI must independently run transactions on the
22 system to generate data and reports before then auditing the results. However, in the
23 audit file accompanying GLI's certification document is a "Summary of Work Performed
24 and Findings Noted," which represents, in part, the following:

25 GLI performed an audit using a series of transactions for
26 a two-day period in which the data and reports were provided
27 by Interblock. The general scope of testing was limited by the
28 fact that the Interblock system was not integrated with the IGT
Advantage system, therefore, no reports were produced from
IGT for the audit, see the Audit Test Plan at B.

1 18. GLI's decision to not integrate the Pulse Arena System with the IGT
2 Advantage system and to not independently generate data and reports in testing the
3 Pulse Arena System is contrary to fundamental testing protocols and constitutes a failure
4 by GLI to properly test the Pulse Arena System.

5 19. Subsequent to receiving GLI's certification of the Pulse Arena System, the
6 Board conducted a comprehensive review of GLI's testing of the Pulse Arena System,
7 including the issuance of an Order to Show Cause, a review of correspondence, and
8 conducting investigative hearings which revealed additional failures by GLI to comply
9 with the Gaming Control Act as further alleged in Counts II and III.

10 20. GLI's failures create a risk that public confidence and trust in the gaming
11 industry is diminished, creates a risk that the reputation of Nevada and the gaming
12 industry is diminished, and creates a risk of inaccurate accounting of gaming revenue.

13 **COUNT I**
14 **VIOLATION OF NEVADA GAMING COMMISSION REGULATIONS**
15 **14.360(6)(e), 14.390(1), 14.390(3), and/or 14.390(4).**

16 21. Complainant BOARD realleges and incorporates by reference as though set
17 forth in full herein paragraphs 1 through 20 above.

18 22. On or about December 12, 2016, GLI certified the Pulse Arena System for
19 compliance with applicable Nevada statutes, regulations, standards and policies.

20 23. GLI, in testing and certifying the Pulse Arena System, failed to integrate the
21 Pulse Arena System with the IGT Advantage System.

22 24. GLI, in testing and certifying the Pulse Arena System, relied on data and
23 reports provided by Interblock.

24 25. To properly test the Pulse Arena System for compliance with applicable
25 Nevada statutes, regulations, standards and policies, GLI is required to integrate the
26 Pulse Arena System with the IGT Advantage System.

27 26. To properly test the Pulse Arena System for compliance with applicable
28 Nevada statutes, regulations, standards and policies, GLI is required to independently
generate data and reports.

1 27. GLI's failure to integrate the Pulse Arena System with the IGT Advantage
2 System and GLI's reliance on data and reports provided by Interblock in testing the Pulse
3 Arena System does not comply with applicable Nevada statutes, regulations, standards
4 and policies, which is in violation of Nev. Gaming Comm'n Reg. 14.360(6)(e).

5 28. GLI's reliance on data and reports provided by Interblock in testing the Pulse
6 Arena System calls into question or tends to erode the independence of GLI from
7 Interblock, which is in violation of Nev. Gaming Comm'n Reg. 14.390(1).

8 29. GLI's failure to integrate the Pulse Arena System with the IGT Advantage
9 System and GLI's reliance on data and reports provided by Interblock in testing the Pulse
10 Arena System is a method of testing that is not approved and is incompatible with the
11 Nevada Gaming Control Act and the regulations adopted thereunder, and all technical
12 standards, controls standards, control procedures, policies, and industry notices
13 implemented or issued by the BOARD, which is in violation of Nev. Gaming Comm'n Reg.
14 14.390(3).

15 30. GLI, in relying on data and reports provided by Interblock in testing the Pulse
16 Arena System, implemented a method of testing that involved a person or persons not
17 directly employed by GLI, which is in violation of Nev. Gaming Comm'n Reg. 14.390(4).

18 31. GLI's conduct as described herein constitutes a failure by GLI to comply with
19 Nev. Gaming Comm'n Regs. 14.360(6)(e), 14.390(1), 14.390(3) and/or 14.390(4).

20 32. The failure of GLI to comply with Nev. Gaming Comm'n Regs. 14.360(6)(e),
21 14.390(1), 14.390(3) and/or 14.390(4) is an unsuitable method of operation and is grounds
22 for disciplinary action against GLI. *See* NRS 463.670(9) and Nev. Gaming Comm'n Reg.
23 14.415.

24 **COUNT II**
25 **VIOLATION OF NEVADA GAMING COMMISSION REGULATIONS**
26 **14.360(6)(b), 14.390(1) and/or 14.390(22)**

27 33. Complainant BOARD realleges and incorporates by reference as though set
28 forth in full herein paragraphs 1 through 32 above.

.....

1 34. During the course of GLI's certification of the Pulse Arena System, GLI
2 participated, consulted, and/or was otherwise involved in the design, development,
3 programming, or manufacture of the Pulse Arena System or its components.

4 35. Examples and evidence of GLI's lack of independence and its participation,
5 consultation, and/or other involvement in the design, development, programming, or
6 manufacture of the Pulse Arena System or its components include, but are not limited to,
7 the following:

8 a. A November 18, 2016, e-mail with attachments
9 from a GLI Audit Manager to Interblock representatives that
10 states in part: "I have attached a report for you that you may
11 find helpful. It is something I cobbled together that resembles
a table games stat analysis that you will need for your
situation."

12 b. A November 18, 2016, e-mail with attachments
13 from a GLI Audit Manager to an Interblock representative that
14 states in part: "Here's the report for you. Also, I thought of
another report that is handy that accounting will want/need. It
is attached. It is the vouchers issued and redeemed report."

15 c. A November 23, 2016, e-mail with attachments
16 from a GLI Director of Engineering to an Interblock
17 representative that states in part: "On Friday, 11/18, and again
18 on Monday, 11/21 we worked with Allen to mock up a revised
19 Interblock Revenue Report, which provides for a breakdown of
20 metering and most importantly a formula for calculating drop
21 per table. These modifications to the Revenue report are
needed to breakout slot play vs table play. Additionally so, the
table activity can be adjusted out of IGT Advantage. These
modifications are used to calculate revenue for the table game.
We assisted in mock up of a Terminal Statistics report which
would be used to calculate table performance, this is required
by the Table Game MICS."

22 d. A November 29, 2016, e-mail with attachments
23 from a GLI Auditor to an Interblock representative that states
24 in part: "Per Ms. Karen, here is the created 'Station Bet Win
Report' that I did and was not provided last night."

25 e. A December 6, 2016, e-mail with attachments from
26 a GLI Audit Manager to an Interblock representative that
27 states in part: "You know that column we removed on the
28 Revenue Report, well we are putting one back. We need a
win/drop column for statistical purposes to comply with Table
Games MICS #145. We have provided a mock up with the
information and calculation attached."

1 35. GLI's conduct as described herein, in whole or in part, constitutes a failure by
2 GLI to comply with Nev. Gaming Comm'n Regs. 14.360(6)(b), 14.390(1) and/or 14.390(22).

3 36. The failure of GLI to comply with Nev. Gaming Comm'n Regs. 14.390(6)(b),
4 14.390(1) and/or 14.390(22) is an unsuitable method of operation and is grounds for
5 disciplinary action against GLI. See NRS 463.670(9) and Nev. Gaming Comm'n Reg.
6 14.415.

7 **COUNT III**
8 **VIOLATION OF NEVADA GAMING COMMISSION REGULATION**
9 **14.390(10)**

10 37. Complainant BOARD realleges and incorporates by reference as though set
11 forth in full herein paragraphs 1 through 36 above.

12 38. During the course of GLI's certification of the Pulse Arena System, GLI
13 provided to Interblock multiple sample reports, and/or the information contained therein,
14 that was previously prepared or obtained by GLI as part of its Nevada certification work
15 conducted for other licensed manufacturers. Examples of such reports, and/or the
16 information contained therein, include, but are not limited to, the following:

- 17 a. "Table Games Statistical Analysis Report (by table
18 by station)" provided by GLI to Interblock on November 18,
19 2016.
- 20 b. "Statistical Analysis Report (by station)" provided
21 by GLI to Interblock on November 18, 2016.
- 22 c. "Station Bet Win Report" provided by GLI to
23 Interblock on November 18, 2016.
- 24 d. "Voucher Issuance/Redemption Report" provided
25 by GLI to Interblock on November 18, 2016.

26 39. GLI's conduct as described herein constitutes a failure by GLI to handle all
27 information and data prepared or obtained by it as part of the Nevada certification
28 process as confidential, which constitutes a failure to comply with Nev. Gaming Comm'n
Reg. 14.390(10).

40. The failure of GLI to comply with Nev. Gaming Comm'n Reg. 14.390(10) is an
unsuitable method of operation and is grounds for disciplinary action against GLI. See
NRS 463.670(9) and Nev. Gaming Comm'n Reg. 14.415.

....

1 WHEREFORE, based upon the allegations contained herein which constitute
2 reasonable cause for disciplinary action against Respondent pursuant to NRS 463.310,
3 NRS 463.670(9) and Nevada Gaming Commission Regulation 14.415, the STATE
4 GAMING CONTROL BOARD prays for the relief as follows:

5 1. That the Nevada Gaming Commission serve a copy of this Complaint on
6 Respondent pursuant to NRS 463.312(2);

7 2. That the Nevada Gaming Commission fine Respondent a monetary sum
8 pursuant to the parameters defined at NRS 463.310(4) for each separate violation of the
9 provisions of the Nevada Gaming Control Act or the Regulations of the Nevada Gaming
10 Commission;

11 3. That the Nevada Gaming Commission take action against Respondent's
12 independent testing laboratory registration pursuant to the parameters defined in NRS
13 463.310(4); and

14 4. For such other and further relief as the Nevada Gaming Commission may deem
15 just and proper.

16 DATED this 21st day of June, 2018.

17 NEVADA GAMING CONTROL BOARD

18 
19 BECKY HARRIS, Chairwoman


20 
21 SHAWN R. REID, Member

22 
23 TERRY JOHNSON, Member

24 Submitted by:

25 ADAM PAUL LAXALT
26 Attorney General

27 By:

28 
MICHAEL P. SOMPS
Senior Deputy Attorney General
Gaming Division
5420 Kietzke Lane, Suite 202
Reno, Nevada 89511
Telephone: (775) 687-2124