



STATE OF NEVADA GAMING CONTROL BOARD
CPA MICS COMPLIANCE REPORTING REQUIREMENTS

January 1, 2009

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CPA MICS COMPLIANCE REPORTING REQUIREMENTS

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CPA Agreed-Upon Procedures

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Objectives

Regulation 6.090(9) Engagements

The CPA Minimum Internal Control Standards (MICS) Compliance Reporting Requirements guidelines and questionnaires provide CPAs with standardized agreed-upon procedures, sample sizes, documentation standards and report formats required by Regulation 6.090(9). Standardized requirements ensure that all CPAs are performing the same procedures. Additionally, by standardizing the questionnaires and providing examples of letters and reports, the Board is able to review any CPA's workpapers in a more efficient and time saving manner without having to adjust to the myriad of individual/firm styles.

Regulation 6.090 requires each Group I licensee to submit a written system of internal control describing its administrative and accounting procedures and an accurate, detailed narrative description of their procedures in effect that complies with the MICS. Regulation 6.090(9) requires the CPA who was engaged by the licensee to audit or review the licensee's financial statements, to also submit to the licensee a written report indicating the licensee's compliance with the Minimum Internal Control Standards. Using this criteria established by the Chairman, the CPA must report each procedure detected by or brought to the CPA's attention that the CPA believes does not satisfy the MICS or variations from the MICS that have been approved, with the exception of procedures detected during the performance of internal audit procedures required by Regulation 6.090(15) and ~~included~~ **subsequently disclosed** in the internal audit reports submitted to the Board. The licensee shall submit a copy of the CPA's agreed-upon procedures report and any other correspondence directly relating to the licensee's system of internal control to the Board accompanied by the licensee's statement addressing each item of noncompliance noted by the CPA and describing the corrective measures taken.

These guidelines and the accompanying questionnaires communicate the Board's position on the minimum agreed-upon procedures to be performed by the CPA. Throughout these guidelines, the CPA's engagement and reporting are based on Statements on Standards for Attestation Engagements (SSAEs) in effect as of December 31, 2003~~8~~, specifically SSAE #10 (~~"Revision and Recodification Agreed-Upon Procedures Engagements"~~). If future revisions are made to the SSAEs or new SSAEs are adopted that are applicable to this type of engagement, the CPA is to comply with any new or revised professional standards in conducting engagements pursuant to these guidelines and the issuance of their agreed-upon procedures report. **The "Report Format" section of these guidelines provides further guidance regarding this topic.**

Note: A flowchart is provided in the "CPA MICS Compliance Reporting Requirements Flowchart" section to graphically illustrate the CPA's required procedures.

Regulation 6.105 Engagements

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Regulation 6.105 requires operators of inter-casino linked systems and mobile gaming systems to prepare a written internal control system and to comply with this system. Additionally, each operator is to engage and direct an independent accountant, on an annual basis, to perform observations, document examinations and inquiries of employees in determining the operator's compliance with the internal control system. The independent accountant is to develop their own walk-through procedures and document tests comparable to the Board's CPA and internal audit guidelines and checklists. The independent accountant is to submit to the operator a written report of its compliance with the internal control system.

Guidelines and questionnaires are not provided to standardize procedures for the requirements of Regulation 6.105 as each operator's internal control procedures are unique to the system of operation.

CPA Agreed-Upon Procedures

In connection with the issuance of the CPA agreed-upon procedures report pursuant to Regulation 6.090(9) the CPA is required to:

1. **Upon the CPA's initial review of the licensee's submitted system of internal control, Compare the licensee's submitted system of internal control ~~is compared~~ in its entirety to the current versions of the ~~Minimum Internal Control Standards (MICS)~~ to ascertain whether the criteria set forth in the MICS or approved variations are adequately addressed and that the system of internal control complies with Regulation 6.090(2)(a), (b) and (c). The submitted system must, pursuant to Regulation 6.090(2) (a), (b) and (c), include an organization chart depicting segregation of functions and responsibilities, a description of the duties and responsibilities of each position shown on the organization chart, and a detailed, narrative description of the licensee's procedures in effect that demonstrates compliance with the MICS. As applicable, the detailed, narrative description of procedures must include the job titles of personnel involved, the procedure(s) performed by the individual(s), when the procedure is performed, how the procedure is performed, and where the procedure is performed. A written system of internal control that simply reiterates the ~~Minimum Internal Control Standards~~ **MICS** will not be accepted by the Board.**

For a subsequent annual review by the same CPA, the licensee's submitted system of internal control is reviewed for any amended pages with an effective date subsequent to the performance date of the last CPA review. The noted amended pages are reviewed in determining whether the written internal control procedures adequately address the appropriate MICS.

2. The written system of internal control must include references to the applicable ~~Minimum Internal Control Standards~~ MICS numbers. **Additionally, a table is provided that cross references each MICS to the page number(s) and, if applicable, paragraph number(s) within the system where the MICS is addressed. Any MICS that is not applicable to the licensee's gaming operation is also indicated. The reason the MICS is not applicable**

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is addressed in the written system of internal control or the table. These references will provide a method to ensure that procedures have been included for all applicable ~~Minimum-Internal Control Standards~~ MICS. A **This** cross-reference review is performed by the CPA, **in addition to procedure #1,** in determining whether all applicable MICS have been addressed in the written system of internal control.

Licensee's accounting/audit personnel (including individuals engaged to perform the internal audit function for the licensee) may be used to cross-reference the internal control system to the ~~Minimum-Internal Control Standards~~ **MICS**. In these instances, the licensee may elect to utilize this work rather than engaging a CPA to perform this cross-referencing. The licensee would need to provide the CPA a written assertion about compliance with this requirement. When applying agreed-upon procedures to the licensee's assertion, the CPA must perform a minimum sample size of at least 10% of the MICS and retest the work for proper completion of this requirement. **From the sample of MICS selected, the CPA will review the detailed controls and procedures described in the written system of internal control to determine whether the required controls and procedures specified in the MICS were included in the system.** In subsequent years, the CPA must select a different sample so that eventually substantially all of the MICS have been reviewed by the CPA for proper completion of this requirement. Documentation is required to be maintained for five (5) years by the CPA to indicate the MICS selected for each year's sample review.

The CPA may notify the licensee of any noted errors in the MICS cross-referencing (e.g., MICS was addressed in the written system of internal control but was not cross-referenced to a specific MICS number) for the licensee to correct. It is not necessary to include this type of error in the report submitted to the Board.

3. Complete the applicable *CPA MICS Compliance Checklist* for Group I licensees by performing inquiries, observations and document compliance testing. A separate checklist must be completed for each gaming revenue center, ~~for all areas subject to entertainment tax,~~ cage and credit departments, and the information technology department.

Pursuant to the Regulation 6.090(15) Internal Audit Guidelines, a MICS compliance walk-through for slots and table games is required to be performed by internal audit once during the licensee's business year. As the CPA is also required to perform a MICS compliance walk-through for slots and table games (when not utilizing the work of internal audit) during the licensee's business year, and to ensure compliance is verified throughout the year, the CPA is not to perform walk-throughs of slots and table games in the same six-month period as the walk-throughs performed by the licensee's internal auditor.

Note: Photocopies of the checklists provided by the Board may be used. However, if your checklists are generated from ~~our~~ **the Board's** electronic files, the format must be identical to that originally issued by the Board. A change from portrait to landscape is not considered a change in format. When modifying checklists due to regulatory changes or the addition of explanatory notes, the acceptable method will be to note the

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change following the question/procedure (which remains worded as issued by the Board).

All questions on each applicable checklist must be completed. Detailed explanations must be provided for all “no” **and “N/A”** responses and for exceptions noted during document testing.

The CPA must perform the following procedures in conjunction with the completion of the checklists:

- a. At least one unannounced observation of each of the following: Slot coin drop, slot currency acceptor drop, table games drop, slot coin count, slot currency acceptor count, and table games count. **During each observation, the related key controls are reviewed by completion of the applicable CPA MICS Compliance Checklist for key controls.** The AICPA’s “Audits of Casinos” Audit and Accounting Guide states that “...observations of operations in the casino cage and count room should not be announced in advance...” For purposes of these procedures, “unannounced” means that no officers, directors, or employees are given advance information regarding the specific dates or times of such observations. Advance arrangements should be made between the licensee and the independent accountant no later than 90 days after the start of the licensee’s business year indicating the method that will be used to allow the CPA’s personnel access to the licensee’s count rooms. Documentation should be prepared by the CPA indicating the date the arrangements were made, the time period the arrangement is in effect, procedures to allow CPA personnel prompt access to the licensee’s count room and the method to ensure proper identification of the CPAs. These arrangements should allow the CPA prompt access to the count rooms at any time without prior notification to any licensee personnel. Any subsequent updates to these arrangements (e.g., CPA firm personnel changes) should be made on a regular basis (e.g., quarterly) to avoid alerting the gaming operation of an upcoming observation.

The slot coin count observation must include a weigh scale test of all denominations using precounted coin. The count must be in process when these tests are performed, and should be conducted prior to the commencement of any other CPA count related procedures. For computerized weigh scales, the test can be conducted at the conclusion of the count, but before the final totals are generated.

The slot and table game currency counts must include a test of the currency counter, if applicable, using previously counted currency for each denomination and with each type of wagering instrument counted by the currency counter. The test can be conducted at the conclusion of the count, ~~but before the final totals are generated~~ **but no later than immediately after the final totals are generated.**

There are three separate checklists provided for the drop/count observations, one for the ~~hard~~ **coin** drop/count, one for the soft drop/count and one for the currency acceptor drop/count. The count room must not be entered until the count is in process. The CPA

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must not leave the count room until the monies have been counted and verified to the count sheet by the CPA and accepted into the vault/cage accountability.

If the drop teams are unaware of the CPA drop observations and therefore the count room observations would be unannounced, the hard count and soft count rooms may be entered simultaneously. Additionally, if the slot currency acceptor count begins immediately after the table games count in the same count room, by the same count team, and using the same equipment, the currency acceptor count observation can be conducted on the same day as the table games count observation as long as the CPA remains until monies are transferred to the vault/cage and accepted into the vault/cage accountability. When these conditions do not exist, counts must be observed on separate days.

Observations may be performed live using surveillance equipment. However, because the CPA must observe the count until the monies are transferred to the vault/cage and accepted into the vault/cage accountability, any change in viewing location (i.e., from the count room to the surveillance room) will necessitate reviewing the **recorded** surveillance ~~tapes~~ for the time period during which the CPA was in transit.

- b. Observations of the licensee's employees as they perform their duties.
 - c. Interviews with the licensee's employees who perform the procedures addressed by the MICS. **An employee-completed questionnaire is not to be used to replace an in-person inquiry when performing compliance walk-through procedures.**
 - d. Compliance testing of various documents referred to in the MICS and the licensee's written system of internal control to determine compliance with the MICS. The scope of such testing is indicated on the checklist where applicable. When documents are selected from different months, they must be nonconsecutive months.
 - e. The licensee's written system of internal control (~~the "System"~~) must be compared by the CPA to the procedures being used in the licensee's casino operations. Regulation 6.090(13) requires the licensee to comply with its written system of internal control as it relates to compliance with the ~~Minimum Internal Control Standards~~ **MICS**, variations from the ~~Minimum Internal Control Standards~~ **MICS** approved pursuant to Regulation 6.090(8), and Regulation 14 associated equipment approvals. Accordingly, after completing the "CPA MICS Compliance Checklists", the CPA must compare the written system of internal control against actual control procedures in effect as they relate to compliance with the MICS, MICS variations, and associated equipment approvals.
4. Completion of the *CPA MICS Compliance Checklist - Internal Audit* is performed ~~twice~~ **once** during the licensee's business year (~~once during each 6-month period~~) regardless of the individual(s) performing the internal audit function. The individual(s) completing this checklist is different from the individual(s) performing the internal audit procedures.
 5. **Except as noted below, completion of the CPA MICS Compliance Checklist –**

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Entertainment is performed for all areas subject to entertainment tax once during the licensee's business year. The CPA is not required to complete this checklist for entertainment areas (includes special event venues) with annual live entertainment revenue of less than \$5,000. Additionally, the CPA is required to complete the CPA MICS Compliance Checklist- Entertainment a minimum of once every two years for entertainment venues generating annual live entertainment revenue of less than 3% of total annual reported entertainment revenue.

When the CPA performs less frequent reviews of certain areas subject to entertainment tax, as described in the previous paragraph, the licensee is required to prepare and maintain an entertainment revenue table at the end of the business year. The licensee is not required to prepare a table when the CPA performs entertainment MICS compliance procedures in all areas subject to entertainment tax. The table will indicate the name of each area subject to entertainment tax, the annual reported entertainment revenue (projected annual entertainment revenue for any area not operated for a full business year) for the entertainment area, and the percentage of the area's entertainment revenue when comparing to total annual reported entertainment revenue. The CPA will use this table for scheduling entertainment MICS compliance procedures to be performed in the upcoming licensee's business year in determining which areas of entertainment are subject to an annual review, a review once every two years, or possibly no review. This table is maintained with the CPA workpapers to support the frequency of entertainment MICS compliance procedures performed for areas subject to entertainment tax.

The above procedures are the minimum agreed-upon procedures that must be performed **for any gaming revenue center, for areas subject to entertainment tax, cage and credit departments, and the information technology department being operated for more than three months during the licensee's business year. Accordingly, the minimum agreed-upon procedures are not required to be performed for any of the aforementioned areas operated for three months or less during the licensee's business year.**

When performing the minimum agreed-upon procedures for two or more properties sharing one gaming license and a common internal control system, the multiple properties are treated as one property. The agreed-upon procedures may be performed on a rotating basis between the properties. The CPA may perform compliance procedures at one property this year and then do the same compliance procedures at the other property next year.

Upon written notice by the Board Chairman or his designee, other procedures may be required. The licensee shall engage the CPA to perform such agreed-upon procedures and include the findings in the CPA's agreed-upon procedures report. The Board will cite licensees for violations of Regulation 6.090(9) where the CPAs have not complied with these Guidelines.

Upon written request by a licensee, the Chairman or his designee may provide written approval to waive the performance of one or more **procedures required for** areas of these Guidelines, or to extend agreed-upon procedures report submission deadlines. **The Board will consider waiving on a**

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case by case basis, specific CPA compliance procedures where automated controls are determined to be in place and functioning effectively. Such approval is at the sole discretion of the Board.

For new licensees or for licensees that have surrendered their gaming license, that ~~have been~~ **were** in operation for three months or less by the end of their business year, performance of these guidelines is not required for the partial period. The Board classifies new operations as Group I licensees based on their first-year gross gaming revenue projections. Such initial classification should be used when determining whether Regulation 6.090(9) applies to recently licensed entities.

For extenuating circumstances, the Board, in its sole discretion, may approve the licensee to engage one CPA to audit or review their financial statements and engage a different CPA to perform the agreed-upon procedures engagement contemplated by these Guidelines. In this situation, the licensee must first notify the Board in writing indicating the reason(s) a different CPA is to be engaged to perform the agreed-upon procedures.

These Guidelines are not intended to limit the CPA to the performance of only the above-specified procedures. If additional agreed-upon procedures are performed (e.g., expanded document testing, **IT department compliance testing by a specialist**), ~~the Board should be notified as to~~ the agreed-upon procedures performed, and the results obtained should be included in the CPA's agreed-upon procedures report pursuant to Regulation 6.090(9).

Report Format

The Gaming Control Board has concluded that the performance of these agreed-upon procedures is an attestation engagement in which the CPA applies such agreed-upon procedures to a licensee's assertion that the gaming operation is in compliance with the MICS and the licensee's written system of internal control as it relates to compliance with the ~~Minimum Internal Control Standards~~ **MICS**, variations from the ~~Minimum Internal Control Standards~~ **MICS** approved pursuant to Regulation 6.090(8), and Regulation 14 associated equipment approvals. Accordingly, the Statements on Standards for Attestation Engagements (SSAE's), specifically SSAE #10, issued by the Auditing Standards Board is currently applicable. SSAE #10 provides current, pertinent guidance regarding agreed-upon procedure engagements, and the sample report formats included within those standards should be used, as appropriate, in the preparation of the CPA's agreed-upon procedures report. If future revisions are made to this standard or new SSAEs are adopted that are applicable to this type of engagement, the CPA is to comply with any revised professional standards in issuing their agreed-upon procedures report. See the Example Report and Letter Formats section of this document for sample reports that may be used ~~and~~ **, which will** contain all of the information discussed below.

The Regulation 6.090(9) agreed-upon procedures report, prepared to document compliance with the MICS, should identify the required and any additional agreed-upon procedures (not required by the Board) performed along with the findings. The report must describe all instances of procedural noncompliance (regardless of materiality) with the MICS or approved variations, and all instances where the licensee's written system does not comply with Regulation 6.090(2)(a), (b), (c) and the MICS. When describing the agreed-upon procedures performed, the CPA should also indicate

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whether procedures performed by other individuals were utilized to substitute for the procedures required to be performed by the CPA (refer to section entitled “Utilizing Internal Audit to Substitute for CPA Work”).

Additionally, the report must describe all instances in which the written system of internal control does not adequately reflect the licensee’s actual control procedures in effect as they relate to compliance with the MICS, MICS variations, and associated equipment approvals. Management responses are required for all noted instances of noncompliance found by the CPA. **On occasion, the CPA will notify the licensee that the written system of internal control did not match the actual procedures being used in a particular area. However, the licensee may respond that the internal control system is in the process of being revised and the final revision to the written system of internal control will be made later in the year. As Regulation 6.090(11) does allow the licensee to annually report any amendments to their written system of internal control that had not been previously submitted pursuant paragraph 10 of the same regulation, a disclosure in the CPA workpapers, and not in the report to the Board, of this discrepancy is adequate. The CPA workpapers may indicate that the licensee was advised of the discrepancy to include as an amendment in their annual submission for updates to the written system of internal control and/or the licensee is in the process of updating the written system of internal control which includes the appropriate revision. If during a subsequent review by the CPA it is noted that the revision was not made to the written system of internal control, this discrepancy will require disclosure in the Regulation 6.090(9) agreed-upon procedures report.**

The Internal Audit Department is required to submit their findings to the Board semi-annually in accordance with Regulation 6.090(15). As such, these **internal audit** reports **should** ~~do not need to~~ be included ~~in~~ **with** the CPA’s **Regulation 6.090(9) report** submission. However, the CPA’s report should acknowledge the date of the report(s) submitted by the Internal Audit Department **only when the CPA is utilizing the work of internal audit to substitute for some of the CPA compliance procedures.**

For each instance of noncompliance noted in the CPA’s agreed-upon procedures report, the following information must be included:

- a. The citation of the applicable Minimum Internal Control Standard for which the instance of noncompliance was noted.
- b. A narrative description of the noncompliance, including the number of exceptions and sample size tested.

The licensee is responsible for developing responses to the noted instances of noncompliance, implementing corrective measures, and transmitting the responses and the CPA’s agreed-upon procedures report to the Board in accordance with Regulation 6.090(9).

Material internal control deficiencies in gaming areas, entertainment taxable areas, the information technology department, internal audit, and accounting areas that are not addressed by the MICS should be communicated to the Board pursuant to Regulation 6.080(8).

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Report Submission Requirements

Two copies of the CPA's agreed-upon procedures report and the licensee's statement responding to areas of noted noncompliance are required to be submitted to the Board no later than 150 days after the licensee's business year pursuant to Regulation 6.090(9). This report should be provided in addition to any reports required to be submitted to the Board pursuant to Regulation 6.080(8).

Additionally, the CPA must maintain the workpapers supporting the agreed-upon procedures report for a minimum of five years. The Board may request access to these workpapers, through the licensee, pursuant to Regulation 6.080(9).

Please contact the Board's Audit Division in Reno or Las Vegas if you require clarification of the preceding guidelines.

Utilizing Internal Audit to Substitute for CPA Work

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Objective

If an internal audit department meets the minimum criteria established by the Board, there are certain procedures performed by an internal auditor that the CPA does not need to perform as part of the agreed-upon procedures engagement, and can utilize the internal auditor's work in issuing the Regulation 6.090(9) report. This section of the guidelines addresses the minimum criteria to be met by the internal audit department and the agreed-upon procedures to be performed by an internal auditor and the CPA in allowing the CPA to utilize the work of an internal auditor.

~~Licensee's Election to Utilize Internal Audit to Substitute for CPA Work – Internal Audit Department Criteria~~

Note: Flowcharts are provided in the section entitled “CPA MICS Compliance Reporting Requirements Flowchart” illustrating the CPA's procedures when utilizing internal audit to substitute for CPA work.

~~Subject to the approval of the Board, the licensee may elect to substitute a portion of the work required by the CPA for the work performed by an internal auditor. Board approval of this substitution will be considered only for the procedures specified in items 2 b, c, d and e above, and for the completion of the checklists as it relates to those procedures, if the internal audit department meets all of the following criteria:~~

Internal Audit Department Criteria

For a CPA to utilize the work of an internal auditor, the internal audit department must meet all of the following criteria:

1. The internal audit department reports directly to the audit committee, if applicable, or to senior management/ownership personnel who are independent of the departments under review. The licensee's senior management/ownership have demonstrated their commitment in making compliance with internal controls a central part of the operation. Internal audit findings are properly communicated to the appropriate employees of the gaming operation.
2. The individual who is directly responsible for supervising and managing the internal audit function must be a CIA or CPA with a minimum of two years of auditing experience.
3. At least 50% of the internal audit staff, assigned to perform the required procedures pursuant to Regulation 6.090(15), must possess a four-year degree or an advanced degree in accounting, finance, hotel administration or in any other business-related field; or possess any other four-year degree and is a CPA, CIA, CFE or CMA.
4. In compliance with Regulation 6.090(15), the internal audit department performs observations, document examinations and inquiries of employees to determine compliance

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with applicable statutes, regulations, and minimum internal control standards. To satisfy this regulation, the internal audit department's workpapers will include checklists, programs and guidelines published by the Board. Additionally, the department should properly document the work performed, the conclusions reached, and the resolution of all exceptions.

CPA Compliance Procedures That May Be Performed by Internal Audit

For an internal audit department meeting the aforementioned criteria and when internal audit work is substituted for CPA work, the performance of the procedures related to items 3b, c, d, e and 5 under the "CPA Agreed-Upon Procedures" section are satisfied by compliance with the Regulation 6.090(15) required internal audit procedures and need not be performed by a CPA. For slots and table games, the internal audit department is to perform the MICS compliance walk-throughs by using the *General Walk-through - Limited Procedures Checklist* for one six-month period and the *General Walk-through - All Procedures Checklist* for the other six-month period.

The CPA is required to perform items #1, 2, 3a and 4 under the "CPA Agreed-Upon Procedures" section.

Board Approval Process - Licensee's Election to Utilize Internal Audit to Substitute for CPA Work

In certain circumstances the work of the licensee's internal auditor may be utilized to substitute for CPA work. There are various options available to the licensee as to who performs the internal audit work and the involvement of the CPA in utilizing the work of the internal audit department. The options available to the licensee are:

- A. Internal audit department criteria satisfied**
- B. Internal audit department criteria not satisfied (Board-approved exemption required)**
- C. CPA performs internal audit function**
- D. Another individual performs internal audit function**
- E. Same CPA performs both Regulation 6.090(15)[internal audit procedures] and Regulation 6.090(9) [CPA procedures]**
- F. New licensees with internal audit department criteria satisfied**

Each of these options is discussed in the following sections.

A. Internal Audit Department Criteria Satisfied

The licensee must provide the CPA with a written assertion regarding compliance with the four aforementioned internal audit department criteria. ~~Agreed-upon procedures are to be performed by the CPA to determine that the internal audit procedures performed for a past 12-month period (includes two six-month periods) encompassing a portion or all of the most recent business year has been properly completed.~~ The CPA will apply the following agreed-upon procedures to the licensee's written assertion:

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1. Obtain internal audit department workpapers completed for a 12-month period (two six-month periods) encompassing a portion or all of the most recent business year and determine whether *CPA MICS Compliance Checklists* **for areas required to be performed in accordance with the Regulation 6.090(15) Internal Audit Guidelines** were included in the internal audit workpapers, **and Review each checklist to determine whether** all steps described in the checklists were **performed by indication of a response to the procedure. Lastly, determine whether an internal audit representative appropriately** initialed or signed **in the designated area at the top of each checklist page** ~~by an internal audit representative.~~

2. For the internal audit workpapers obtained in paragraph (1) above, on a sample basis, reperform the procedures included in *CPA MICS Compliance Checklists* prepared by internal audit and determine if all instances of noncompliance noted in the sample were documented as such by internal audit. The *CPA MICS Compliance Checklists* for the slots and table games drop/count procedures and the related key controls are not included in the sample reperformance of procedures. (These checklists are not included since the CPA is required to perform the drop and count observations as required under item 23a of the **CPA** Agreed-Upon Procedures.) The CPA's sample should comprise a minimum of 3% of the procedures required in each *CPA MICS Compliance Checklist* for the slot and table game departments and 5% for the other departments completed by internal audit in compliance with the **Regulation 6.090(15) Internal Audit Guidelines** ~~internal audit MICS.~~ **Any additional procedures performed by the internal auditor, which are not required to be performed, do not need to be included in the sample of reperformance of procedures.** The licensee, CPA (with concurrence of the licensee), or the Board may specify a scope at a level greater than **the 3% and 5% sample sizes** at their discretion. The reperformance of procedures are performed as follows:
 - a. For inquiries, the CPA should either speak with the same individual or an individual of the same job position as the internal auditor did for the procedure indicated in their checklist. **The CPA may speak with one or more individuals in determining whether the internal auditor's response to the procedure is accurate.**

 - b. For observations, the CPA should observe the same process as the internal auditor did for the procedure as indicated in their checklist. **For procedures occurring infrequently, an observation of the activity is not required as long as some other verification method of determining a response to a procedure is performed. The workpapers should indicate the reason an observation could not be performed and the verification method used in determining a response to the procedure.**

 - c. For document testing, the CPA should look at the same original document(s) as tested by the internal auditor for the procedure as indicated in their checklists **according to the minimum sample size required in the checklists. If the minimum sample size is not specified by the checklists, review one original document tested by the internal auditor.** The CPA need only retest the minimum sample size required in the checklist.

In those instances when the original document tested by internal audit is not required to

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be retained and was not retained by the licensee pursuant to the MICS (e.g., keno tickets less than \$1,500 are not required to be retained)), the CPA may look at original documents selected either (a) first from available documents for the time period to which the internal audit procedures applied; or (b) if no such documents have been retained for the time period to which the internal audit procedures applied, from such documents as are currently available which relate to the procedure performed by internal audit.

Note: An original document is the document maintained pursuant to Regulation 6.060 which may be an original document scanned or directly stored to unalterable media (secured to preclude alteration) as approved by the Board. Copies of original documents maintained with internal audit workpapers (e.g., Xerox copies, scanned original documents, PDF or other imaged files) are not acceptable for reperformance testing.

3. The CPA is to investigate and resolve any differences between their reperformance results and the internal audit results.

Note : The objective of this process is for the CPA to discuss with the internal auditor any MICS compliance issues which were noted by the CPA but not identified by the internal auditor in their workpapers (or vice versa). During the discussion and investigation of these differences, the CPA and internal auditor may come to an agreement as to a reason for the discrepancy. It is possible that either the CPA or internal auditor misinterpreted the objective of the MICS in determining whether there was a MICS compliance issue. This process provides the CPA and internal auditor an opportunity to resolve any issues prior to sending the CPA agreed-upon procedures report to the Board.

4. Documentation is maintained for five (5) years by the CPA indicating the procedures reperfomed along with the results.
5. When performing the procedures for paragraph (2) above in subsequent years, the CPA must select a different sample so that the CPA, for proper completion of this requirement, will reperform substantially all of the procedures after several years.
6. Complete the procedures described in the *CPA MICS Compliance Checklists* – “Utilization of Internal Audit”.
7. Any additional procedures performed at the request of the Board, the licensee’s Audit Committee, if applicable, or Senior Management/Owners should be included in the agreed-upon procedures report transmitted to the Board as discussed below.

Report Submission

Upon the completion of this evaluation, Tthe licensee shall issue to the Board their evaluation of the

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internal audit department's compliance with the **Internal Audit Department Criteria** ~~preceding criteria~~ and the extent the internal audit department will be utilized to perform such procedures ("Internal Audit Utilization Letter"). ~~The CPA's agreed-upon procedures report~~ **The CPA's Report on Applying Agreed-Upon Procedures** must be included as an attachment. The licensee's copy of the Internal Audit Utilization Letter and the CPA's agreed-upon procedures report must be submitted to the Board no later than ~~125~~**50** days following the beginning of the year under audit. See the Example Report and Letter Formats section of this document for sample reports that may be used and contain all of the information discussed above.

The Chairman or his designee, in his sole discretion and upon notice to a licensee, may refuse to accept or may limit the extent of the licensee's utilization of the work of an internal audit department for purposes of Regulation 6.090(9). Written notification will be provided to the licensee within 30 days of receipt of the Internal Audit Utilization Letter if such action is to be taken.

~~**Note: When internal audit work is substituted for CPA work, the performance of the procedures related to items 2b, c, d and e under "Agreed-Upon Procedures" are satisfied by compliance with the Internal Audit MICS and need not be performed by a CPA.**~~

B. Internal Audit Department Criteria Not Satisfied

In certain limited circumstances the internal audit department may not satisfy one or more of the specified criteria, but the licensee may believe the quality of the department is such that the work of the internal auditors may be utilized.

The licensee submits an Internal Audit Exemption Letter ~~and an agreed-upon procedures report from the CPA~~ to the Chairman for approval of an internal audit department that does not meet all of the above criteria. The Internal Audit Exemption Letter must describe in detail why the internal audit department should be utilized **by the CPA**. The **licensee's** Internal Audit Exemption Letter must be submitted no later than ~~120~~**90** days following the beginning of the year under audit. **At this time, the licensee is not required to submit a CPA's agreed-upon procedures report with the Internal Audit Exemption Letter, unless the Board notifies the licensee to submit this required report for its use in making a decision for approving the exemption.** The Chairman or his designee will evaluate the Internal Audit Exemption Letter and issue a written determination within 30 days of receipt of the Internal Audit Exemption Letter. For purposes of Regulation 6.090(9), an internal audit department that doesn't meet the established criteria can only be utilized when a written determination has been received. An example of the "Internal Audit Exemption Letter" is included in the Example Report and Letter Formats section of this document.

Once the licensee receives a Board exemption approval letter sent in response to the Internal Audit Exemption Letter, In such circumstances the licensee provides the CPA the Board exemption approval letter along with a written assertion regarding their evaluation of the internal audit department's compliance with the preceding "Internal Audit Department Criteria" and the extent the internal audit department will be utilized to perform such procedures. The CPA agreed-upon procedures 1 through 7 described in the section "**Board Approval Process** - Licensee's Election to

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Utilize Internal Audit to Substitute for CPA Work – Internal Audit Department Criteria Satisfied” are performed. **The agreed-upon procedures report from the CPA must be submitted to the Board no later than 150 days following the beginning of the year under audit.**

~~Once an exemption has been granted, it is only necessary to notify the Board in subsequent years if the conditions of the exemption have changed or if the internal audit department will no longer be utilized for these procedures. A~~ **In** subsequent **years,** approval ~~of~~ for the **same** internal audit exemption does not have to be granted annually if the department remains unchanged from when the exemption approval was granted. ~~However, T~~he licensee will submit an annual Internal Audit Exemption **Utilization** Letter in subsequent years addressing the previous year’s exemption granted and confirm that no changes in the internal audit department occurred since the granting of the exemption. **If in subsequent years changes are made to the internal audit department and the department still does not satisfy all of the specified criteria, an Internal Audit Exemption Letter must be submitted as previously discussed.**

C. CPA Performs Internal Audit Function

In some instances, the licensee may elect to retain a CPA **to perform the internal audit function who is different** ~~other~~ than the ~~firm~~ **CPA** engaged to audit or review the licensee’s financial statements under Regulation 6.080 **and who performs the Regulation 6.090(9) engagement. Such CPA must be a certified public accountant licensed by this state or another state or territory of the United States, who is qualified to practice public accounting in Nevada.** No Internal Audit Utilization Letter is required to be submitted to the Board ~~if the CPA is licensed to practice in the state of Nevada or is issued a temporary permit to practice in the state of Nevada.~~

The agreed-upon procedures to be performed by the CPA engaged under Regulation 6.080 with respect to the CPA engaged to perform the internal audit function includes the completion of procedures 1 through 7 as outlined under the CPA agreed-upon procedures described in the section **“Board Approval Process - Licensee’s Election to Utilize Internal Audit to Substitute for CPA Work – Internal Audit Department Criteria Satisfied”**. These procedures are to be completed no later than ~~1250~~ 150 days following the beginning of the year under audit. The results of these procedures along with the results of the completion of the “CPA Internal Audit **Guidelines** MICS Compliance Checklist” are to be included in the annual CPA Regulation 6.090(9) Report **(either in the current year’s report or in the subsequent year’s report)**. Documentation of the agreed-upon procedures performed and the results of the procedures performed are to be maintained for five years.

D. Another Individual Performs Internal Audit Function

In some instances, the licensee may elect to retain a non-employee individual, firm or business that does not hold a current CPA license ~~with the Nevada State Board of Accountancy (either through normal licensure or Nevada’s temporary licensure permit process)~~ or a non-CPA to perform the licensee’s internal audit function. An Internal Audit Exemption Letter is required in compliance with the requirements addressed under **“Board Approval Process - Licensee’s Election to Utilize Internal Audit to Substitute for CPA Work – Internal Audit Department Criteria Not Satisfied”**. The Chairman or his designee will evaluate the licensee’s request to utilize this individual and issue a

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written determination within 30 days of receipt of the Internal Audit Exemption Letter. Refer to the process for approval under the section “Licensee’s Election to Utilize Internal Audit to Substitute for CPA Work – Internal Audit Department Criteria Not Satisfied”.

~~The agreed upon procedures to be performed by the CPA engaged under Regulation 6.080 with respect to the individual engaged to perform the internal audit function includes the completion of procedures 1 through 7 as outlined under the CPA agreed upon procedures described in the section “**Board Approval Process** – Licensee’s Election to Utilize Internal Audit to Substitute for CPA Work – Internal Audit Department Criteria Satisfied”. Documentation of the agreed upon procedures performed and the results of the procedures performed are to be maintained for five years.~~

As previously noted, since the licensee is required to evaluate the individual’s performance of the internal audit procedures required by Regulation 6.090(15), prior Board approval must be granted to utilize an individual performing internal audit to substitute for CPA work when the individual has not performed Regulation 6.090(15) procedures for the previous year. Prior Board approval will only be granted for those licensees demonstrating the individual performing the internal audit procedures meets the criteria indicated in the section “**Board Approval Process - Licensee’s Election to Utilize Internal Audit to Substitute for CPA Work - Internal Audit Department Criteria**” and have experience in performing Regulation 6.090(15) procedures.

E. Same CPA Performs Both Regulation 6.090(15) [Internal Audit Procedures] and Regulation 6.090(9) [CPA Procedures]

Pursuant to NRS 463.157, if the stock of the licensee or the stock of the licensee’s parent company is publicly traded, the same CPA engaged to provide audits, compiled statements or a review of the financial statements cannot also perform internal audit procedures required by Regulation 6.090(15). For other licensees, if the CPA is engaged to perform both the internal audit procedures required by Regulation 6.090(15) and the procedures required by Regulation 6.090(9), the required observations of the hard, soft and currency acceptor drop/count procedures must be separately performed to satisfy **both** the Internal Audit ~~MICS~~ **guidelines** and these guidelines. All other procedures required to be performed need only meet the internal audit requirements of the **guidelines** ~~MICS~~ in addition to those procedures specifically addressed in these guidelines and checklists that are not addressed in the Internal Audit **guidelines** ~~MICS~~. The performance of the procedures related to items ~~2b, c, d and e~~ **3b, 3c, 3d, 3e and 5** under **the section entitled “CPA Agreed-Upon Procedures”** are satisfied by the **Regulation 6.090(15) Internal Audit Guidelines** ~~MICS~~ and need not be repeated.

When the same CPA firm performs the procedures required by both Regulation 6.090(15) and Regulation 6.090(9), the individual(s) performing the Regulation 6.090(15) procedures cannot also perform the Regulation 6.090(9) procedures related to items ~~23a and 34~~ **23a and 34** under **the section entitled “CPA Agreed-Upon Procedures”**. Additionally, the CPA Internal Audit **Guidelines** ~~MICS~~ Compliance Checklist is completed ~~twice~~ **once** during the **second half of the** licensee’s business year (~~once during each 6-month period~~) by an individual different from the individual(s) performing the Regulation 6.090(15) procedures.

F. New Licensees With Internal Audit Department Criteria Satisfied

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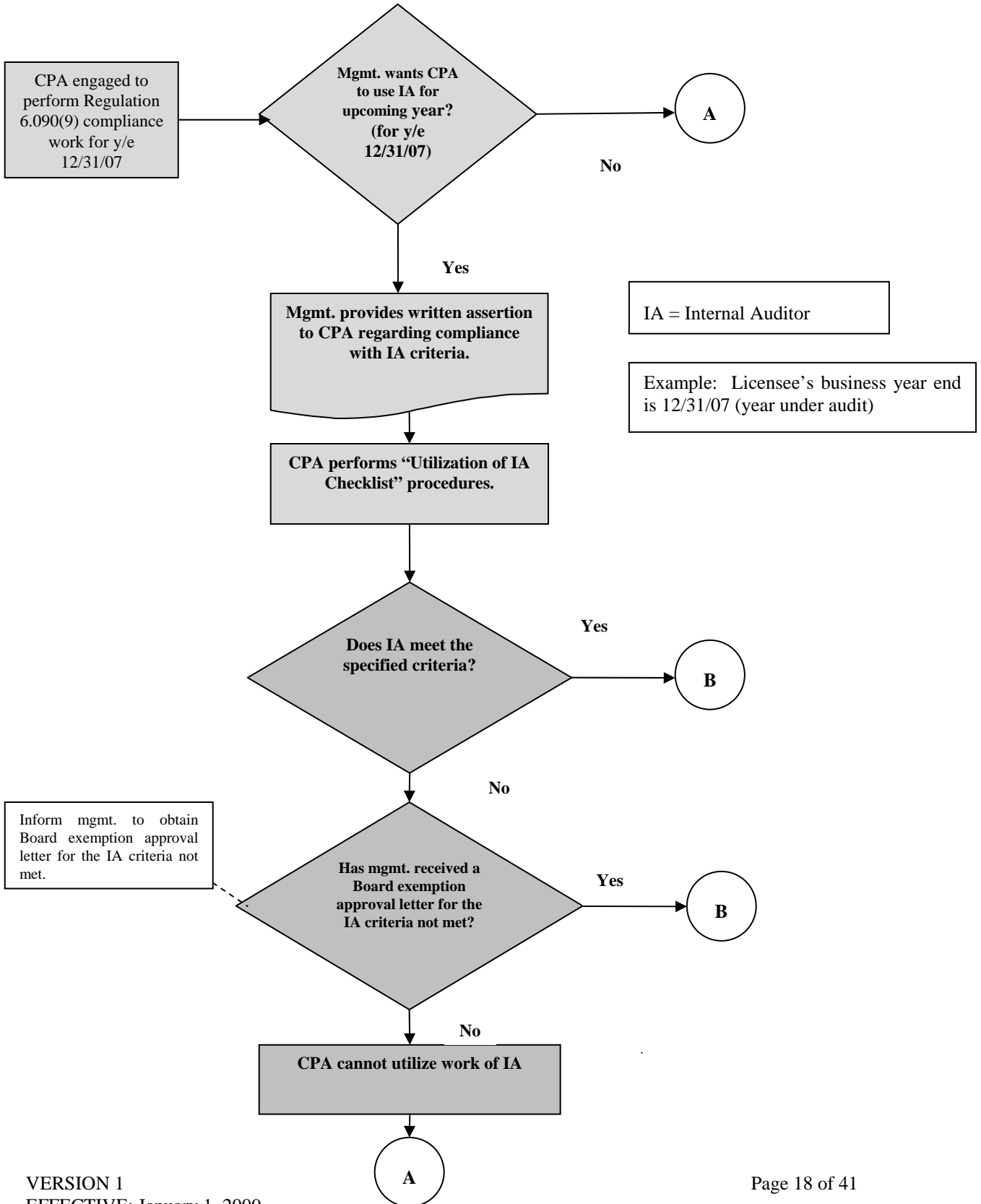
Since the licensee is required to evaluate the internal audit department's performance of the procedures required by Regulation 6.090(15), prior Board approval must be granted to utilize internal audit to substitute for CPA work for a new licensee with an internal audit department that has not performed Regulation 6.090(15) procedures for the previous year. Prior Board approval will only be granted for those licensees demonstrating the internal audit department meets the **four** aforementioned **internal audit department** criteria and has experience in performing Regulation 6.090(15) procedures. **The licensee's Internal Audit Utilization Letter must include a request to waive the submission of a CPA agreed-upon procedures report since no internal audit work has been performed for the independent accountant to review as a part of performing the agreed-upon procedures. The Chairman or his designee, in his sole discretion and upon notice to a licensee, may refuse to accept or may limit the extent of the licensee's utilization of the work of an internal audit department for purposes of Regulation 6.090(9). Written notification will be provided to the licensee within 30 days of receipt of the Internal Audit Utilization Letter if such action is to be taken.**

However, **The above process** ~~this restriction~~ does not apply to an established internal audit department performing Regulation 6.090(15) procedures for a new licensee affiliated with existing licensees under the common control of an entity. The evaluation of the established internal audit department's performance of the procedures required by Regulation 6.090(15) for the affiliated licensees for the previous year is the basis for requesting Board approval to utilize internal audit to substitute for CPA work, **since** ~~As previously noted, for a new licensee affiliated with existing licensees under the common control of an entity with an established internal audit department, the aforementioned agreed-upon procedures cannot entirely be performed for the new licensee. The~~ established internal audit department has not performed procedures required by Regulation 6.090(15) for the new licensee for the previous year. However, if the CPA has applied the agreed-upon procedures for the affiliated licensees, the CPA can include the results of these workpaper reviews in their agreed-upon procedures report for the new licensee.

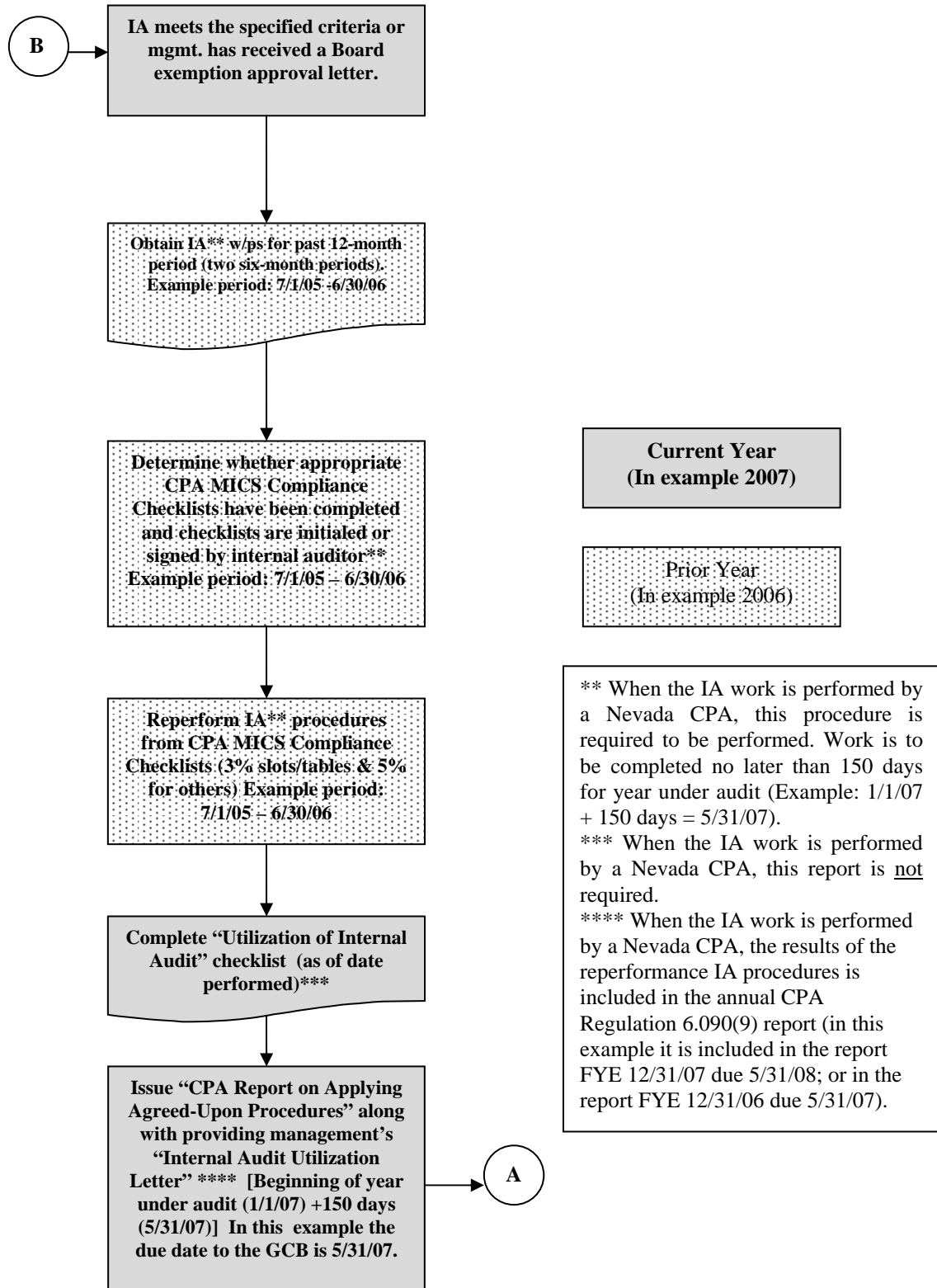
CPA MICS Compliance Reporting Requirements Flowchart

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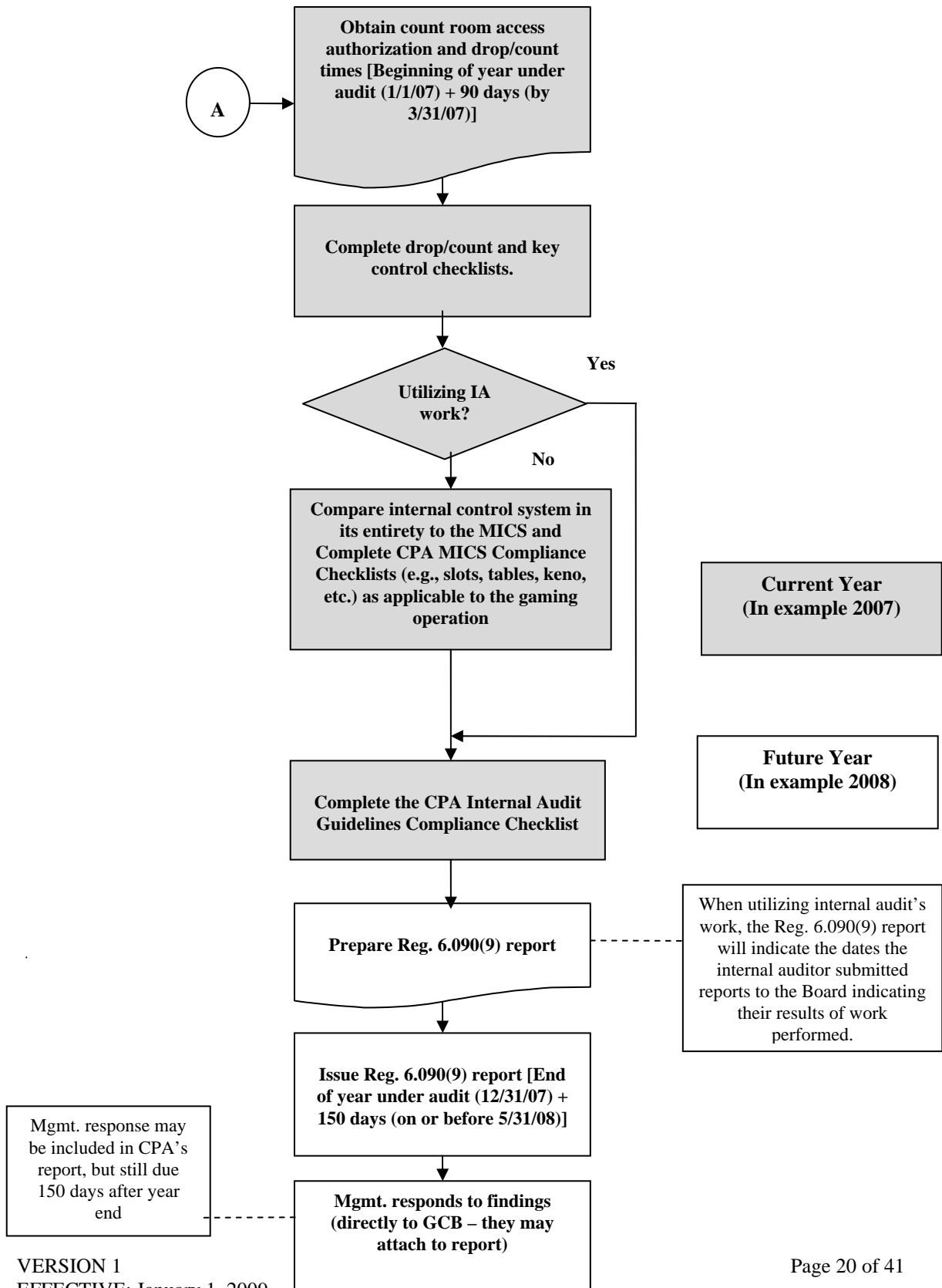


Attachment A
 Regulation 6.090(9) – CPA MICS Compliance
 Agreed-Upon Procedures



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Example Report and Letter Formats

VERSION + 2

EFFECTIVE: January ~~21~~, 20049

Draft: 11/14/08

| <u>REPORT/LETTER</u> | <u>VERSION NUMBER</u> | <u>EFFECTIVE DATE</u> |
|--|-----------------------|-------------------------------|
| CPA's Report on Applying Agreed-Upon Procedures: | | |
| Example A – For Licensee's Assertion that the Internal Audit Department Meets the Criteria to Utilize Internal Audit to Substitute for CPA Work – Internal Audit Criteria Satisfied | + 2 | January 21, 2004 9 |
| Example B – For Licensee's Assertion that Internal Department Meets the Criteria to Utilize Internal Audit to Substitute for CPA Work – Internal Audit Criteria Not Satisfied | + 2 | January 21, 2004 9 |
| Example C – For Licensee's Assertion that the Internal Audit Department Meets the Criteria to Utilize Internal Audit to Substitute for CPA Work – Another Individual Performs the Internal Audit Function | + 2 | January 21, 2004 9 |
| Internal Audit Utilization Letter – Licensee's Assertion that Internal Audit Department Meets the Criteria to Utilize Internal Audit to Substitute for CPA Work – Internal Audit Department Criteria Satisfied | + 2 | January 21, 2004 9 |
| Internal Audit Exemption Letter: | | |
| Example A – Licensee's Assertion that Internal Audit Department Meets the Criteria to Utilize Internal Audit to Substitute for CPA Work – Internal Audit Department Criteria Not Satisfied | + 2 | January 21, 2004 9 |
| Example B – Licensee's Assertion that Internal Audit Department Meets the Criteria to Utilize Internal Audit to Substitute for CPA Work – Another Individual (non-employee) Performs Internal Audit Function | + 2 | January 21, 2004 9 |
| CPA Regulation 6.090(9) Report Format: | | |
| Example A – CPA has Performed all of the Compliance Procedures Requirements Pursuant to Regulation 6.090(9) | + 2 | January 21, 2004 9 |
| Example B – Management Elects to Utilize Internal Audit to Substitute for Some of the CPA Compliance Procedures Requirements Pursuant to Regulation 6.090(9) | + 2 | January 21, 2004 9 |
| <u>Suggestion Requirements</u> for Summarizing Findings | + 2 | January 21, 2004 9 |
| Example Findings Report | + 2 | January 21, 2004 9 |

CPA 'S REPORT ON APPLYING AGREED-UPON PROCEDURES

EXAMPLE A – FOR LICENSEE’S ASSERTION THAT THE INTERNAL AUDIT DEPARTMENT MEETS THE CRITERIA TO UTILIZE INTERNAL AUDIT TO SUBSTITUTE FOR CPA WORK – INTERNAL AUDIT CRITERIA SATISFIED

Independent Accountant’s Agreed-Upon Procedures Report

To the Audit Committee (if applicable) and Senior Management/Owners of
ABC Company:

We have performed the procedures enumerated below, which were agreed to by the Audit Committee (if applicable) and Senior Management/Owners of ABC Company and the Nevada State Gaming Control Board (collectively the “Users”), solely to assist the Users in evaluating management’s assertion that the Licensee’s internal audit department meets the criteria established by the CPA MICS Compliance Reporting Requirements (the “Guidelines”) - **“Board Approval Process - Licensee’s Election to Utilize Internal Audit to Substitute for CPA Work – Internal Audit Criteria Satisfied”** for the year ended December 31, 200X, included in their representation letter dated _____. This agreed-upon procedures engagement was ~~performed~~ **conducted** in accordance with **attestation** standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of ~~the specified Users of~~ **those parties specified in** the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Specifically, for purposes of this report, we have performed the following procedures and noted the indicated findings:

- a. Obtained the internal audit workpapers for a twelve-month period {INDICATE THE TWO SIX-MONTH PERIODS} for the following areas and determined whether the CPA MICS Compliance Checklists were included in the internal audit workpapers and all steps described in the CPA MICS Compliance Checklists were **performed and the checklists were** either initialed or signed by an internal audit representative:

- Slots (**Limited Procedures and All Procedures checklists**)
- Table Games (**Limited Procedures and All Procedures checklists**)
- Card Games
- Keno
- Bingo
- Race and Sports
- Pari-Mutuel
- Entertainment
- Cage and Credit
- Information Technology

{WHEN INTERNAL AUDIT HAS NOT COMPLETED A CHECKLIST DURING THE 12-MONTH PERIOD SELECTED, INDICATE THE REASON IT WAS NOT INCLUDED}

We noted the following exceptions as a result of our procedures:

- b. For the internal audit workpapers obtained in step a, we reperformed 3% of each set of

procedures for the slot and table game departments and 5% of the procedures for the other departments included in the CPA MICS Compliance Checklists performed by Internal Audit as follows:

{INDICATE THE STEP #'S OF THE CHECKLISTS REPERFORMED}

We noted the following exceptions as a result of our procedures:

- c. Completed the CPA MICS Compliance Checklist "Utilization of Internal Audit" (the "Checklist").

We noted the following exceptions as a result of our procedures:

- d. (DESCRIBE ANY ADDITIONAL PROCEDURES REQUESTED BY THE AUDIT COMMITTEE (if applicable), SENIOR MANAGEMENT/OWNERS OR THE NEVADA STATE GAMING CONTROL BOARD). For example:

(In addition to the reperformance agreed upon procedures completed in step b above, we reperformed steps ____ to ____ of the Slots CPA MICS Compliance Checklists completed by internal audit.)

We noted the following exceptions as a result of our procedures:

{MANAGEMENT'S RESPONSE TO THE EXCEPTIONS (for steps b, c and d) MAY BE INCLUDED AS AN ATTACHMENT TO THIS REPORT}

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we been engaged to perform additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Audit Committee (if applicable) and Senior Management/Owners of the Licensee and the Nevada State Gaming Control Board and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

ABC Firm
Las Vegas, Nevada

CPA'S REPORT ON APPLYING AGREED-UPON PROCEDURES

EXAMPLE B – FOR LICENSEE'S ASSERTION THAT THE INTERNAL AUDIT DEPARTMENT MEETS THE CRITERIA TO UTILIZE INTERNAL AUDIT TO SUBSTITUTE FOR CPA WORK – INTERNAL AUDIT CRITERIA NOT SATISFIED

Independent Accountant's Agreed-Upon Procedures Report

To the Audit Committee (if applicable) and Senior Management/Owners of
ABC Company:

We have performed the procedures enumerated below, which were agreed to by the Audit Committee (if applicable) and Senior Management/Owners of ABC Company and the Nevada State Gaming Control Board (collectively the "Users"), solely to assist the Users in evaluating management's assertion when the Licensee's internal audit department does not meet the criteria established by the CPA MICS Compliance Reporting Requirements (the "Guidelines") - "**Board Approval Process - Licensee's Election to Utilize Internal Audit to Substitute for CPA Work – Internal Audit Criteria Not Satisfied**" for the year ended December 31, 200X, included in their representation letter dated _____. This agreed-upon procedures engagement was ~~performed~~ **conducted** in accordance with **attestation** standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of ~~the specified Users of~~ **those parties specified in** the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Specifically, for purposes of this report, we have performed the following procedures and noted the indicated findings:

- a. Obtained the internal audit workpapers for a twelve-month period {INDICATE THE TWO SIX-MONTH PERIODS} for the following areas and determined whether the CPA MICS Compliance Checklists were included as part of the internal audit workpapers and all steps described in the CPA MICS Compliance Checklists were **performed and the checklists were** either initialed or signed by an internal audit representative:

- Slots (**Limited Procedures and All Procedures checklists**)
- Table Games (**Limited Procedures and All Procedures checklists**)
- Card Games
- Keno
- Bingo
- Race and Sports
- Pari-Mutuel
- Entertainment
- Cage and Credit
- Information Technology

{WHEN INTERNAL AUDIT HAS NOT COMPLETED A CHECKLIST DURING THE 12-MONTH PERIOD SELECTED, INDICATE THE REASON IT WAS NOT INCLUDED}

We noted the following exceptions as a result of our procedures:

- b. For the internal audit workpapers obtained in step a, we reperformed 3% of each set of

procedures for the slot and table game departments and 5% of the procedures for the other departments included in the CPA MICS Compliance Checklists performed by Internal Audit as follows:

{INDICATE THE STEP #'S OF THE CHECKLISTS REPERFORMED}

We noted the following exceptions as a result of our procedures:

- c. Prepared the CPA MICS Compliance Checklist "Utilization of Internal Audit" (the "Checklist").

We noted the following exceptions as a result of our procedures:

(Insert Criteria Not Met- i.e. "We noted that the individual responsible for supervising and managing the internal audit function is not a CIA or CPA.", See Note.)

- d. (DESCRIBE ANY ADDITIONAL PROCEDURES REQUESTED BY THE AUDIT COMMITTEE (if applicable), SENIOR MANAGEMENT/OWNERS OR THE NEVADA STATE GAMING CONTROL BOARD) For example:

(In addition to the reperformance of agreed-upon procedures completed in step b above, we reperformed steps _____ to _____ of the Slots CPA MICS Compliance Checklist completed by internal audit.)

We noted the following exceptions as a result of our procedures:

{MANAGEMENT'S RESPONSE TO THE EXCEPTIONS (for steps b, c and d) MAY BE INCLUDED AS AN ATTACHMENT TO THIS REPORT}

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we been engaged to perform additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Audit Committee (if applicable) and Senior Management/Owners of the Licensee and the Nevada State Gaming Control Board and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

ABC Firm
Las Vegas, Nevada

{Note: Once an exemption is granted by the Board, the CPA should obtain the internal audit exemption letter in future years from the licensee and indicate in this agreed-upon procedures report the existence of the letter.}

CPA 'S REPORT ON APPLYING AGREED-UPON PROCEDURES

EXAMPLE C – FOR LICENSEE’S ASSERTION THAT THE INTERNAL AUDIT DEPARTMENT MEETS THE CRITERIA TO UTILIZE INTERNAL AUDIT TO SUBSTITUTE FOR CPA WORK – ANOTHER INDIVIDUAL (NON-EMPLOYEE) PERFORMS THE INTERNAL AUDIT FUNCTION

Independent Accountant’s Agreed-Upon Procedures Report

To the Audit Committee (if applicable) and Senior Management/Owners of
ABC Company:

We have performed the procedures enumerated below, which were agreed to by the Audit Committee (if applicable) or Senior Management/Owners of ABC Company and the Nevada State Gaming Control Board (collectively the “Users”), solely to assist the Users in evaluating management’s assertion that <Name of Entity> and functioning as the Licensee’s Internal Audit Department, meets the criteria established by the CPA MICS Compliance Reporting Requirements (the “Guidelines”) - **“Board Approval Process - Licensee’s Election to Utilize Internal Audit to Substitute for CPA Work – Another Individual Performs Internal Audit Function”** for the year ended December 31, 200X, included in their representation letter dated _____. This agreed-upon procedures engagement was ~~performed~~ **conducted** in accordance with **attestation** standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of ~~the specified Users of~~ **those parties specified in** the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Specifically, for purposes of this report, we have performed the following procedures and noted the indicated findings:

- a. Obtained <Name of Entity>’s workpapers for a twelve-month period {INDICATE THE TWO SIX-MONTH PERIODS} for the following areas and determined whether the CPA MICS Compliance Checklists were included as part of <Name of Entity>’s internal audit workpapers and all steps described in the CPA MICS Compliance Checklists were **performed and the checklists were** either initialed or signed by a <Name of Entity> representative:

- Slots (**Limited Procedures and All Procedures checklists**)
- Table Games (**Limited Procedures and All Procedures checklists**)
- Card Games
- Keno
- Bingo
- Race and Sports
- Pari-Mutuel
- Entertainment
- Cage and Credit
- Information Technology

{WHEN INTERNAL AUDIT HAS NOT COMPLETED A CHECKLIST DURING THE 12-MONTH PERIOD SELECTED, INDICATE THE REASON IT WAS NOT INCLUDED}

We noted the following exceptions as a result of our procedures:

- b. For the internal audit workpapers obtained in step a, we reperformed 3% of each set of procedures for the slot and table game departments and 5% of the procedures for the other departments included in the CPA MICS Compliance Checklists performed by Internal Audit as follows:

{INDICATE THE STEP #'S OF THE CHECKLISTS REPERFORMED}

We noted the following exceptions as a result of our procedures:

- c. Prepared the CPA MICS Compliance Checklist "Utilization of Internal Audit" (the "Checklist") with respect to the <Name of Entity>.

We noted the following exceptions as a result of our procedures:

(Insert Criteria Not Met- i.e. "We noted that the individual responsible for supervising and managing the internal audit function is not a CIA or CPA.", See Note.)

- d. (DESCRIBE ANY ADDITIONAL PROCEDURES REQUESTED BY THE AUDIT COMMITTEE (if applicable), SENIOR MANAGEMENT/OWNERS OR THE NEVADA STATE GAMING CONTROL BOARD) For example:

(In addition to the reperformance of the agreed-upon procedures completed in step b above, we Reperformed steps ____ to ____ of the Slots CPA MICS Compliance Checklist completed by <Name of Entity>.)

We noted the following exceptions as a result of our procedures:

{MANAGEMENT'S RESPONSE TO THE EXCEPTIONS (for steps b, c and d) MAY BE INCLUDED AS AN ATTACHMENT TO THIS REPORT}

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we been engaged to perform additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Audit Committee (if applicable) and Senior Management/Owners of the Licensee and the Nevada State Gaming Control Board and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

ABC Firm
Las Vegas, Nevada

{Note: Once an exemption is granted by the Board, the CPA should obtain the internal audit exemption letter in future years from the licensee and indicate in this agreed-upon procedures report the existence of the letter.}

INTERNAL AUDIT UTILIZATION LETTER

LICENSEE'S ASSERTION THAT INTERNAL AUDIT DEPARTMENT MEETS THE CRITERIA TO UTILIZE INTERNAL AUDIT TO SUBSTITUTE FOR CPA WORK - INTERNAL AUDIT DEPARTMENT CRITERIA SATISFIED

Date

Nevada State Gaming Control Board
555 East Washington Avenue
Las Vegas, Nevada 89101

Dear Chairman _____:

We have performed an evaluation to determine whether our Internal Audit Department (the "Department") satisfies the following criteria established by the Nevada State Gaming Control Board (the "Board") in the CPA MICS Compliance Reporting Guidelines (the "Guidelines") – "**Board Approval Process** - Licensee's Election to Utilize Internal Audit to Substitute for CPA Work" for the year ended December 31, 200X:

1. The internal audit department reports directly to the audit committee, if applicable, or to senior management/ownership personnel who are independent of the departments under review. The licensee's senior management/ownership have demonstrated their commitment in making compliance with internal controls a central part of the operation. Internal audit findings are properly communicated to the appropriate employees of the gaming operation.
2. The individual who is directly responsible for supervising and managing the internal audit function must be a CIA or CPA with a minimum of two years of auditing experience.
3. At least 50% of the internal audit staff, assigned to perform the required procedures pursuant to Regulation 6.090(15), must possess a four-year degree or an advanced degree in accounting, finance, hotel administration or in any other business-related field; or possess any other four-year degree and is a CPA, CIA, CFE or CMA.
4. In compliance with Regulation 6.090(15), the internal audit department performs observations, document examinations and inquiries of employees to determine compliance with applicable statutes, regulations and minimum internal control standards. To satisfy the regulation, the internal audit department's workpapers includes checklists, programs and guidelines published by the Board and has demonstrated sufficient knowledge in completing the required procedures. Additionally, the department properly documents the work performed, the conclusions reached and the resolution of all exceptions.

Based upon our evaluation, including consideration of the results of agreed-upon procedures with respect to the criteria conducted by our independent public accountants as described in their attached report, we have determined that the Department meets the criteria above and will utilize the Department to substitute for the CPA work for the year ended December 31, 200X with

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EFFECTIVE: January 21, 20049

Draft: 11/14/08

respect to the performance of the procedures related to items 3b, c, d, ~~and e~~ and 5 under the “CPA Agreed Upon Procedures” section of the Guidelines.

Signature of Audit Committee Chairman or Owner / Senior Management (if privately held)

INTERNAL AUDIT EXEMPTION LETTER

EXAMPLE A – LICENSEE’S ASSERTION THAT INTERNAL AUDIT DEPARTMENT MEETS THE CRITERIA TO UTILIZE INTERNAL AUDIT TO SUBSTITUTE FOR CPA WORK – INTERNAL AUDIT DEPARTMENT CRITERIA NOT SATISFIED

Date

Nevada State Gaming Control Board
555 East Washington Avenue
Las Vegas, Nevada 89101

Dear Chairman _____:

We have performed an evaluation to determine whether our Internal Audit Department (the “Department”) satisfies the following criteria established by the Nevada State Gaming Control Board (the “Board”) in the CPA MICS Compliance Reporting Guidelines (the “Guidelines”) – **“Board Approval Process - Licensee’s Election to Utilize Internal Audit to Substitute for CPA Work – Internal Audit Department Criteria Not Satisfied”** for the year ended December 31, 200X:

1. The internal audit department reports directly to the audit committee, if applicable, or to senior management/ownership personnel who are independent of the departments under review. The licensee’s senior management/ownership have demonstrated their commitment in making compliance with internal controls a central part of the operation. Internal audit findings are properly communicated to the appropriate employees of the gaming operation.
2. The individual who is directly responsible for supervising and managing the internal audit function must be a CIA or CPA with a minimum of two years of auditing experience.
3. At least 50% of the internal audit staff, assigned to perform the required procedures pursuant to Regulation 6.090(15), must possess a four-year degree or an advanced degree in accounting, finance, hotel administration or in any other business-related field; or possess any other four-year degree and is a CPA, CIA, CFE or CMA.
4. In compliance with Regulation 6.090(15), the internal audit department performs observations, document examinations and inquiries of employees to determine compliance with applicable statutes, regulations and minimum internal control standards. To satisfy the regulation, the internal audit department’s workpapers includes checklists, programs and guidelines published by the Board and has demonstrated sufficient knowledge in completing the required procedures. Additionally, the department properly documents the work performed, the conclusions reached and the resolution of all exceptions.

Based upon our evaluation, including consideration of the results of agreed-upon procedures with respect to the criteria conducted by our independent public accountants as described in their attached report, we have determined that the Department meets the criteria above, except for {INSERT CRITERIA NOT MET}. {INSERT EXPLANATION OF WHY LICENSEE

BELIEVES THE CRITERIA SHOULD BE EXEMPTED}. We respectfully request an exemption for {INSERT CRITERIA NOT MET}, and the Board's approval to utilize the Department to substitute for the CPA work for the year ended December 31, 200X with respect to the performance of the procedures related to items 3b, c, d, and e and 5 under the "CPA Agreed Upon Procedures" section of the Guidelines.

Signature of Audit Committee Chairman or Owner / Senior Management (if privately held)

Note: Once the Board grants an exemption, revise this example letter in future years to reference the granting of the exemption by the Board. As provided in the Guidelines, a subsequent approval for the internal audit exemption does not have to be granted annually if the department remains unchanged from when the exemption was granted. The subsequent year's letter will indicate that the internal audit department will be utilized based on the exemption granted.

INTERNAL AUDIT EXEMPTION LETTER

EXAMPLE B – LICENSEE’S ASSERTION THAT INTERNAL AUDIT DEPARTMENT MEETS THE CRITERIA TO UTILIZE INTERNAL AUDIT TO SUBSTITUTE FOR CPA WORK – ANOTHER INDIVIDUAL (NON-EMPLOYEE) PERFORMS INTERNAL AUDIT FUNCTION

Date

Nevada State Gaming Control Board
555 East Washington Avenue
Las Vegas, Nevada 89101

Dear Chairman _____:

We have performed an evaluation to determine whether <Name of Entity> functioning as the Licensee’s Internal Audit Department, satisfies the following criteria established by the Nevada State Gaming Control Board (the “Board”) in the CPA MICS Compliance Reporting Guidelines (the “Guidelines”) – **“Board Approval Process - Licensee’s Election to Utilize Internal Audit to Substitute for CPA Work – Another Individual Performs Internal Audit Function”** for the year ended December 31, 200X:

1. The internal audit function reports directly to the audit committee, if applicable, or to senior management/ownership personnel who are independent of the departments under review. The licensee’s senior management/ownership have demonstrated their commitment in making compliance with internal controls a central part of the operation. Internal audit findings are properly communicated to the appropriate employees of the gaming operation.
2. The individual from <Name of Entity> who is directly responsible for supervising and managing the internal audit function must be a CIA or a CPA ~~licensed in a state other than Nevada~~ with a minimum of two years of auditing experience.
3. At least 50% of the staff of <Name of Entity>, assigned to perform the required procedures pursuant to Regulation 6.090(15), must possess a four-year degree or an advanced degree in accounting, finance, hotel administration or in any other business-related field; or possess any other four-year degree and is a CPA, CIA, CFE or CMA.
4. In compliance with Regulation 6.090 (15), <Name of Entity>, functioning as the internal audit department performs observations, document examinations and inquiries of employees to determine compliance with applicable statutes, regulations and minimum internal control standards. To satisfy the regulation, the <Name of Entity>’s workpapers includes checklists, programs and guidelines published by the Board and has demonstrated sufficient knowledge in completing the required procedures. Additionally, the <Name of Entity> properly documents the work performed, the conclusions reached and the resolution of all exceptions.

Based upon our evaluation, including consideration of the results of agreed-upon procedures with respect to the criteria conducted by our independent public accountants as described in their

attached report, we have determined that <Name of Entity>, functioning as the Licensee's Internal Audit Department, meets the criteria above and requests the Board's approval to utilize <Name of Entity> to substitute for the CPA work for the year ended December 31, 200X with respect to the performance of the procedures related to items 3b, c, d, ~~and e~~ and 5 under the "CPA Agreed Upon Procedures" section of the Guidelines.

Signature of Audit Committee Chairman or Owner/Senior Management (if privately held)

Note 1: This example letter assumes all criteria have been met. When all criteria have not been met, refer to the example letter on Page 29 of 41.

Note 2: Once the Board grants an exemption, **if applicable**, revise this example letter in future years to reference the granting of the exemption by the Board. As provided in the Guidelines, a subsequent approval for the internal audit exemption does not have to be granted annually if the department remains unchanged from when the exemption was granted. The subsequent year's letter will indicate that the internal audit department will be utilized based on the exemption granted.

CPA REGULATION 6.090(9) REPORT FORMAT

EXAMPLE A - CPA HAS PERFORMED ALL OF THE COMPLIANCE PROCEDURES REQUIREMENTS PURSUANT TO REGULATION 6.090(9)

Independent Accountant's Agreed-Upon Procedures Report

To the Audit Committee (if applicable) and Senior Management/Owners of
ABC Company:

[Introductory paragraphs]

We have performed the procedures enumerated below, which are required by Regulation 6.090(9) of the Nevada Gaming Commission and Nevada State Gaming Control Board (collectively, the "Regulators"), solely to assist the Licensee's management and the Regulators in evaluating [name of licensee]'s compliance with the requirements of Regulation 6.090 of the Regulators and the ~~Minimum Internal Control Standards~~ **MICS** during the year ended [date]. The licensee's management is responsible for [name of licensee]'s compliance with the applicable regulations, the ~~Minimum Internal Control Standards~~ **MICS** and published guidelines issued by the Regulators.

The agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

[Include paragraphs to enumerate procedures and findings (**See Note 1 of Notes at the end of this report for more information**)]

The procedures that we performed and our findings are as follows:

1. We obtained from management a copy of the [name of licensee]'s submitted system of internal control, adopted pursuant to Regulation 6.090(3), which management informed us was submitted to the Regulators and was in effect during the year ended December 31, 200X (the "System"). We also obtained from management, correspondence received by the [name of licensee] from the Regulators, which management informed us represent variations from the ~~Minimum Internal Control Standards~~ ("MICS") adopted by the Regulators.
2. We obtained from the Regulators a copy of the MICS published by the Regulators and in effect during the period from January 1, 200X through December 31, 200X and a copy of Regulation 6.090 of the Regulators.
3. We compared the detailed controls and procedures, provided in the MICS, obtained in procedure 2, or approved variations from the MICS, obtained in procedure 1, to the detailed controls and procedures described in the System, obtained in procedure 1, to determine whether the required controls and procedures specified in the MICS were included in the System. We also compared the System obtained in procedure 1 to the requirements of Regulations 6.090(2)(a), (b) and (c). (**See Note 2 of Notes at the end of**

the report for more information)

We noted [no] instances where the required MICS controls and procedures (or approved variations) were not included in the System or the System did not comply with Regulations 6.090(2)(a), (b) and (c). Such instances of noncompliance have been included in _____ [or “list findings here”]. [The last sentence would be deleted if there were no instances.]

4. In accordance with the “CPA MICS Compliance Reporting Requirements” effective January 1, 2009, we completed the following: [List of “CPA MICS Compliance Checklists” completed]

We noted instances of noncompliance that have been included in _____ to this report [or “list findings here”] [or we noted no instances of noncompliance].

5. In accordance with the “CPA MICS Compliance Reporting Requirements” effective January 1, 2009, we completed the “Internal Audit CPA MICS Compliance Checklist”, as it relates to the Internal Audit Function for the [name of licensee], for ~~each of the periods January 1, 200X through June 30, 200X and for July 1, 200X through~~ **year ended** December 31, 200X [or such other applicable time periods].

We noted instances of noncompliance that have been included in _____ to this report [or “list findings here”] [or we noted no instances of noncompliance].

6. [If applicable, list additional procedures performed at the request of the Audit Committee, if applicable, Senior Management/Owners of the Licensee or the Nevada State Gaming Control Board.]

We noted instances of noncompliance that have been included in _____ to this report [or “list findings here”] [or we noted no instances of noncompliance].

[Concluding Paragraphs]

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Licensee’s compliance with the applicable regulations, ~~Minimum Internal Control Standards~~ **MICS** and published guidelines issued by the Regulators. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Audit Committee, if applicable, and Senior Management/Owners of the Licensee, and the Nevada Gaming Commission and Nevada State Gaming Control Board and is not intended to be and should not be used by anyone other than these specified parties.

[Signature]

[Date]

Notes:

- (1) Refer to “~~Suggestion~~ **Requirements** for Summarizing Findings” on page 38.
- (2) When the CPA performs a sample review of the licensee’s work, the extent of the work performed by the CPA along with the results is indicated in this section of the report.

CPA REGULATION 6.090(9) REPORT FORMAT

**EXAMPLE B - MANAGEMENT ELECTS TO UTILIZE INTERNAL AUDIT TO
SUBSTITUTE FOR SOME OF THE CPA COMPLIANCE PROCEDURES
REQUIREMENTS PURSUANT TO REGULATION 6.090(9)**

Independent Accountant's Agreed-Upon Procedures Report

To the Audit Committee (if applicable) and Senior Management/Owners of
ABC Company:

[Introductory paragraphs]

We have performed the procedures enumerated below, which are required by Regulation 6.090(9) of the Nevada Gaming Commission and Nevada State Gaming Control Board (collectively, the "Regulators"), solely to assist the Licensee's management and the Regulators in evaluating [name of licensee]'s compliance with the requirements of Regulation 6.090 of the Regulators and the ~~Minimum Internal Control Standards~~ **MICS** during the year ended [date]. The licensee's management is responsible for [name of licensee]'s compliance with the applicable regulations, the ~~Minimum Internal Control Standards~~ **MICS** and published guidelines issued by the Regulators.

The agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

[Include paragraphs to enumerate procedures and findings (**See Note 1 of Notes at the end of this report for more information**)]

The procedures that we performed and our findings are as follows:

1. We obtained from management a copy of the [name of licensee]'s submitted system of internal control, adopted pursuant to Regulation 6.090(3), which management informed us was submitted to the Regulators and was in effect during the year ended December 31, 200X (the "System"). We also obtained from management, correspondence received by the [name of licensee] from the Regulators, which management informed us represent variations from the ~~Minimum Internal Control Standards~~ ("MICS") adopted by the Regulators.
2. We obtained from the Regulators a copy of the MICS published by the Regulators and in effect during the period from January 1, 200X through December 31, 200X and a copy of Regulation 6.090 of the Regulators.
3. We compared the detailed controls and procedures, provided in the MICS, obtained in procedure 2, or approved variations from the MICS, obtained in procedure 1, to the detailed controls and procedures described in the System, obtained in procedure 1, to determine whether the required controls and procedures specified in the MICS were included in the System. We also compared the System obtained in procedure 1 to the requirements of Regulations 6.090(2)(a), (b) and (c). (**See Note 2 of Notes at the end of this report for more information**)

We noted [no] instances where the required MICS controls and procedures (or approved variations) were not included in the System or the System did not comply with Regulations 6.090(2)(a), (b) and (c). Such instances of noncompliance have been included in _____ [or “list findings here”]. [The last sentence would be deleted if there were no instances.]

4. We inquired of and obtained from management, correspondence between the [name of licensee] and the Regulators related to the licensee’s election to utilize Internal Audit to substitute for CPA work. Management has represented that all such correspondence received during the year ended December 31, 200X was included therein and that the [name of licensee] received no correspondence from the Regulators that would limit, or notify the licensee that the Regulator would refuse to accept, the work of Internal Audit for purposes of Regulation 6.090(9). The results of the procedures performed by [name of entity] were submitted to the Nevada State Gaming Control Board on [date] for the review period [MM/DD/YY through MM/DD/YY] and on [date] for the review period [MM/DD/YY through MM/DD/YY].
5. As required by the “CPA MICS Compliance Reporting Requirements” effective January 1, 2009, for situations where the licensee has made an election to utilize internal audit to substitute for CPA work, we performed observations and completed the applicable observation checklists, on the dates indicated, of each of the following procedures:

| | | |
|------------------------------|-------|--------|
| Table Games Soft Drop | _____ | , 200X |
| Table Games Soft Count | _____ | , 200X |
| Slot Hard Drop | _____ | , 200X |
| Slot Hard Count | _____ | , 200X |
| Slot Currency Acceptor Drop | _____ | , 200X |
| Slot Currency Acceptor Count | _____ | , 200X |

We noted instances of noncompliance that have been included in _____ to this report [or “list findings here”] [or we noted no instances of noncompliance].

6. In accordance with the “CPA MICS Compliance Reporting Requirements” effective January 1, 2009, we completed the “Internal Audit CPA MICS Compliance Checklist”, as it relates to the Internal Audit Function for the [name of licensee], for ~~each of the periods January 1, 200X through June 30, 200X and for July 1, 200X through~~ **the year ended** December 31, 200X [or such other applicable time periods].

We noted instances of noncompliance that have been included in _____ to this report [or “list findings here”] [or we noted no instances of noncompliance].

7. [If applicable, list additional procedures performed at the request of the Audit Committee, if applicable, Senior Management/Owners of the Licensee or the Nevada State Gaming Control Board.]

We noted instances of noncompliance that have been included in _____ to this report [or “list findings here”] [or we noted no instances of noncompliance].

[Concluding Paragraphs]

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Licensee’s compliance with the applicable regulations, Minimum

Internal Control Standards and published guidelines issued by the Regulators. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Audit Committee, if applicable, and Senior Management/Owners of the Licensee, and the Nevada Gaming Commission and Nevada State Gaming Control Board and is not intended to be and should not be used by anyone other than these specified parties.

[Signature]

[Date]

Notes:

- (1) Refer to "~~Suggestion~~ Requirements for Summarizing Findings" on page 38. The findings of the procedures actually performed by the CPA are included in this report.
- (2) When the CPA performs a sample review of the licensee's work, the extent of the work performed by the CPA along with the results is indicated in this section of the report.

SUGGESTION REQUIREMENTS FOR SUMMARIZING FINDINGS

1. A separate report is prepared for each licensee.
2. Subdivide the findings/exception portion of the letter by **type of** audit (i.e., slots, keno, credit, etc.). Under each audit section list the exceptions noted from that audit. If no exceptions are noted, indicate this under the applicable audit heading. There should be an audit heading for each audit performed during the period covered by the letter, whether or not exceptions are noted.
3. Clearly state the basis for the exception (i.e., MICS# **or regulation citation**). Do **not** indicate the checklist procedure number as the basis for the exception.
4. Indicate how the exception was discovered (i.e., interview with employee on (MM/DD/YY), observation on (MM/DD/YY), detail testing on (MM/DD/YY), etc.)
5. If the exception was discovered through observations of an employee performing his or her duties, indicate if the exception appears to be isolated or whether it is part of the employee's routine procedures.
6. If the exception was discovered through detail testing, indicate the sample size examined (i.e., number of days reviewed, number of forms reviewed, etc.) and the time period from which the sample was selected (i.e., second half of 200X).
7. After each exception indicate the applicable management response. The management's response can be on a separate document as long as it is clearly referenced to the applicable exception. **Each exception must be accompanied by a separate response. It is not acceptable to provide one management response addressing multiple exceptions, unless determined to be an immaterial exception as addressed in #11.** This response should indicate specifically what procedures management has taken to correct the problem and the date such changes became effective.
8. If Internal Audit or the CPA previously cited the same exception within the current reporting period, a reference should be made to the date of the audit in which the exception was originally noted and whether Internal audit or the CPA discovered it. The reasons for the repeated noncompliance should also be noted (i.e., management implemented change but employees subsequently reverted to incorrect procedures, etc.).
9. **If Internal Audit or the CPA notes the same exception as the licensee's accounting/audit personnel through the normal course of their work, this exception is still documented and noted in the report. The internal audit or CPA workpapers and the report submitted to the Board indicate the corrective actions taken by the licensee when first notified by the licensee's accounting/audit personnel.**
10. The exceptions noted (or lack of exceptions) may be in table form as long as the table contains all necessary information in the format indicated above.
11. **Instances of noncompliance determined to be immaterial may be disclosed as a separate section of the report. A table may be prepared indicating the type of audit (i.e., slots, keno, credit, etc.), MICS #, noted exception and reason noted exception is determined to**

be immaterial. A broad management response is acceptable for acknowledging the instances of all immaterial noncompliance.

EXAMPLE FINDINGS REPORT

Fun Time Casino

Instances of Noncompliance Reported to Management by Independent Accountants for the Year Ended December 31, 200X

Slots

Slot MICS #48 states: Drop boxes, when empty, are shown to another member of the count team, to another person who is observing the count, or to recorded or live surveillance, provided the count is monitored in its entirety by someone independent of the count.

During the observation of the currency acceptor count process at Fun Time Casino on September X, 200X, we noted that on two occasions, one count team member showed the box to another count team member but did not receive acknowledgement that the box was empty. Additionally, inside of the box was not clearly visible to the surveillance cameras.

Management Response: All count personnel have been reminded via a memorandum dated January X, 200X that it is required to have another team member visually verify the currency acceptor drop box is empty. Additionally, the soft count team members have been instructed to be very deliberate when showing the empty box and to clearly acknowledge that the box has been completely emptied.

Table Games

Table Games MICS #13 states: The issue slip includes the same marker number as the original, the table number, date and time of issuance, and amount of credit issued. The issue slip also includes the signature of the individual issuing the credit, and the signature or initials of the dealer at the applicable table, unless this information is included on another document.

During our detail testing, an examination of an issue slip (number XXXX) prepared on December 5, 200X, revealed that there was no time of issuance indicated on the slip.

This exception appears to be isolated. Thirty slips were reviewed for five test dates (10/16/0X, 10/23/0X, 11/07/0X, 11/29/0X and 12/5/0X) and only 1 out of the 30 slips prepared on December 5, 200X did not indicate the time of issuance.

Management Response: All table games personnel have been reminded via memorandum dated January X, 200X that the marker issue slip must include the date and time of issuance.

Keno

No exceptions were noted.

Cage and Credit

Cage and Credit MICS #67 states: An individual independent of the cage, credit, and collection functions performs the following review procedures at least three time per year:

- a. Select a sample of credit accounts and ascertain compliance with credit limits and other established credit issuance procedures pursuant to Cage and Credit MICS #1 and Regulation 6.120(2).

A discussion with the accounting supervisor on September X, 200X disclosed that the aforementioned procedure has not been performed during the year 200X. This is a recurring violation noted in the internal audit report for the period ended June 30, 200X.

Management Response: The accounting supervisor has completed this procedure for the year ended December 31, 200X as of January X, 200X. The controller has reviewed the procedures performed to ensure the procedures were properly performed.

Checklists