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February 18, 2009

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**TO: ALL GROUP I NONRESTRICTED LICENSEES, GROUP I LICENSEES'
CPA FIRMS AND INTERESTED PERSONS**

**RE: REVISIONS TO THE INTERNAL AUDIT GUIDELINES AND
CHECKLISTS**

On December 11, 2008 the Gaming Control Board adopted revisions to the CPA MICS Compliance Checklists and Guidelines. Subsequent to the adoption of these requirements, the Board drafted updated versions of the Internal Audit Guidelines and Checklists. These revised checklists will be used by the internal auditors of Group I nonrestricted licensees in performing procedures pursuant to Regulation 6.090(15).

The proposed revisions to the Internal Audit Guidelines and Checklists can be obtained from the Board's website at <http://gaming.nv.gov/>. The proposed changes to the existing Guidelines and Checklists are denoted with lines through the deletions and the underlining/bolding of the additions. The significant changes made to the Internal Audit Guidelines and Checklists are summarized as follows:

Internal Audit Guidelines

1. Due to the repeal of Regulation 6A on 7/1/07, any reference or procedure relating to this regulation has been deleted.
2. Page 2 - A CPA licensed by this state or another state or territory of the United States, who is qualified to practice public accounting in Nevada, may perform internal audit work.
3. Page 4 – When the work of a qualified internal audit department is to be utilized by a CPA in performing the compliance work required by Regulation 6.090(9), the internal auditor will complete the “CPA MICS Compliance Checklist – Limited Procedures” for one six-month period, and the “CPA MICS Compliance Checklist – All Procedures” for the other six-month period of the licensee’s business year. New checklists entitled “CPA MICS Compliance Checklist – Limited Procedures” for slots and for table games have been previously adopted effective 1/1/09.

4. Page 4 – The “CPA MICS Compliance Checklist - All Procedures” for slots and for table games is to be performed by both the CPA and internal auditor once during the licensee’s business year, but not during the same six-month period. This is applicable when the CPA does not utilize internal audit to substitute for CPA work.
5. Pages 4 and 5 – Internal audit may elect to perform less frequent reviews of certain areas subject to entertainment tax. For areas with annual live entertainment revenue of less than \$5,000, an internal auditor is not required to complete a CPA MICS Compliance Checklist for entertainment. A CPA MICS Compliance Checklist for entertainment is allowed to be completed once every two years (instead of annually) for entertainment areas generating annual live entertainment revenue of less than 3% of total annual reported entertainment revenue.

Internal audit testing procedures for reported entertainment revenue, regardless of the dollar amount reported, have not been changed.

6. Page 5 - An unannounced observation of the slot coin drop and slot coin count may be performed a minimum of once a year when slot coin drop is less than 5% of the annual total combined slot coin and slot currency drop.

Checklists

1. The “Checklist Completion Notes” section in each checklist has been revised to require referencing and/or comments indicating the reason for when the procedure is not applicable.
2. The checklists include appropriate procedures to be performed for new and/or amended regulations adopted through November 20, 2008.
3. The “Testing Procedures” checklists include testing procedures for new documentation requirements addressed in the Version 6 Minimum Internal Control Standards.
4. The “scope” section of the “Branch Office” checklists (walk-through and testing) includes a similar definition for “branch office” and “independent agent” as used in the Cage and Credit Minimum Internal Control Standards.

To expedite the final release of these Internal Audit Guidelines and Checklists so that internal auditors can incorporate these updated requirements in their 2009 audit programs, the Board is requesting written comments from the industry on the proposed changes rather than holding public meetings to take comments. The Board should receive written comments no later than March 4, 2009.

Should you wish to submit written comments regarding these revisions by e-mail, the address is sspringer@gcb.nv.gov. Alternatively, comments may be mailed to the following address:

State Gaming Control Board
Audit Division
555 East Washington Avenue, Suite 2600
Las Vegas, Nevada 89101

It is anticipated the final version of the Internal Audit Guidelines and Checklists will be adopted in mid-March 2009. Please be advised the *CPA MICS Compliance Checklist - Internal Audit* will also be released at that time.

Due to the ongoing nature of the revision process, it is recommended that you periodically check the Board's website for new developments and information. Please call Audit Manager Shirley Springer at (702) 486-2060 if you have any questions.

Sincerely,

Mark A. Lipparelli
Board Member

MAL/SS

cc: Dennis K. Neilander, Chairman
Randall E. Sayre, Board Member
Audit Division – Las Vegas
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Records and Research Services