

Auditor's Name and Date

**INTERNAL AUDIT**

Licensee \_\_\_\_\_ Review Period \_\_\_\_\_

NGC Regulation 6.090(9) requires the CPA to use “criteria established by the Chair” in determining whether a Group I licensee or an operator of interactive gaming is in compliance with the Minimum Internal Control Standards (MICS). This checklist is to be used by the CPA in determining whether the licensee’s internal audit process satisfies the Guidelines of the Internal Audit Compliance Reporting Requirements in determining compliance with the MICS.

Date of Inquiry	Person Interviewed	Position

Indicate the person(s) performing the Internal Audit function for the period under review: \_\_\_\_\_

Checklist Completion Notes:

- 1) Unless otherwise instructed, examine a completed document for compliance for those questions referring to records/documentation as indicated and recalculate where appropriate. Indicate (by tickmark) whether the procedures were confirmed via examination/review of documentation, through inquiry of licensee personnel or via observation of procedures. Tickmarks used are to be defined at the bottom of each page.
- 2) All "no" answers require referencing and/or comment, and should be cited as regulation violations, unless the Board’s Audit Division has granted written approval to waive the performance of internal audit procedures pursuant to the Internal Audit Guidelines, or the question requires a “no” answer for acceptability.
- 3) "(#)" refers to the page number of the Internal Audit Guidelines addressing the requirement.
- 4) Prior to completing this checklist, determine whether any requirements have been waived in accordance with the Internal Audit Guidelines pursuant to Regulation 6.090(15).

Miscellaneous Items from the Guidelines for the Internal Audit Checklists

- 1) For new licensees, or for licensees that have surrendered their gaming license, that were in operation for three months or less by the end of their business year, performance of these internal audit procedures is not required for the partial period.
- 2) The checklists used by the internal auditors must be identical to those originally issued by the Board. Photocopies may be used. If their checklists are generated from the Board’s electronic files, the format must not be altered (a change from portrait to landscape is not considered a change in format). When modifying checklists due to regulatory changes or the additions of explanatory notes, the acceptable method is to note the change following the question/procedure. Although copies of the checklists are expected to be provided, the Board may grant approval for other formats.

Verified per representation.  
 Verified per observation/examination.

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Questions	Yes	No	N/A	Comments, W/P Reference
<b>Internal Audit Procedures</b>				
<p>1. Does the licensee maintain an independent internal audit department whose primary function is performing internal audit work and who is independent with respect to the departments under audit? <b>(2 of 15)</b></p> <p><b>Note 1:</b> An independent accountant is considered acceptable in lieu of an independent department provided all required standards are met.</p> <p><b>Note 2:</b> The answer to question 1 should be yes if a single licensee had gross gaming revenue in excess of \$10 million for the 12 months ended June 30<sup>th</sup>; <u>or</u> two or more Group I licensees with essentially common ownership and/or management that had combined gross gaming revenue in excess of \$10 million for the 12 months ended June 30<sup>th</sup> (in such cases, a single internal audit department for the combined properties is adequate). <b>(2 of 15)</b></p>				
<p>2. For licensees who are not required to maintain a separate internal audit department, are personnel who perform internal audit work independent with respect to the departments/procedures being examined and satisfy the education or experience criteria to perform internal audit work? <b>(2 of 15) Indicate the job positions of the individuals performing the work.</b></p>				
<p>3. Are the following Internal Audit Compliance Checklists, and all associated CPA MICS Compliance Checklists, completed as applicable to the operation: <b>(3 – 4 of 15)</b></p> <p><b>Note:</b> The CPA MICS Compliance Checklists are completed in conjunction with the applicable Internal Audit walk-through procedures as denoted in the internal audit compliance checklist.</p>				
<p><b>A review of each checklist is required to determine that all procedures have been completed for the indicated period. For each checklist, indicate the review period of the checklist reviewed and the results of the review.</b></p>				
<p>a) Slots – General Walk-through Procedures, Drop and Count Walk-through Procedures and Testing Procedures once in each six-month period, not in consecutive months?</p>				
<p>b) Table Games – General Walk-through Procedures, Soft Drop and Count Procedures and Testing Procedures once in each six-month period, not in consecutive months?</p>				

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c) Card Games – Walk-through Procedures and Testing Procedures once per year?				
d) Keno – Walk-through Procedures and Testing Procedures once per year?				
e) Bingo – Walk-through Procedures and Testing Procedures once per year?				
f) Race & Sports – Walk-through Procedures and Testing Procedures once per year?				
g) Pari-Mutuel – Walk-through Procedures and Testing Procedures once per year?				
h) Entertainment – Walk-through Procedures and Testing Procedures once per year?  <b>Note:</b> A CPA MICS Compliance Checklist – Entertainment may not be completed for areas subject to entertainment with annual live entertainment revenue of less than \$5,000; and may be completed once every two years for areas generating annual live entertainment revenue of less than 3% of total annual reported entertainment revenue. <b>(5 of 15)</b>				
i) Cage & Credit – Walk-through Procedures and Testing Procedures once per year?				
j) Interactive Gaming – Walk-through Procedures and Testing Procedures once per year?				
k) Information Technology for Interactive Gaming – Walk-Through Procedures and Testing Procedures once per year?				
l) Information Technology – Walk-through Procedures and Testing Procedures once per year?				
m) Miscellaneous Regulations – Walk-through Procedures and Testing Procedures once per year?				
n) Branch Offices – Walk-through Procedures and Testing Procedures once every other year?				
1) Does internal audit maintain a report indicating a list of the branch offices along with the total dollar amount of deposits and payments on credit instruments handled during the previous fiscal year for each branch office?				

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Questions	Yes	No	N/A	Comments, W/P Reference
<p>2) For two of the branch offices, did internal audit reconcile the dollar amount of deposits and payments on credit instruments indicated in the branch office records to the amounts listed on the internal audit report for branch offices?</p> <p><b>Note: The CPA should reperform this procedure to verify that internal audit performed this reconciliation correctly.</b></p>				
<p>3) Did internal audit perform the required branch office visits for the branch offices meeting the defined parameter(s)? <b>Indicate the internal audit branch office visits and dates performed.</b></p>				
<p>4. Has internal audit completed the proper CPA MICS Compliance Checklists for slots and for table games as follows:</p>				
<p>a) Has a CPA MICS compliance checklist – All Procedures for slots and for table games been completed once during the fiscal year? <b>(4 of 15)</b></p>				
<p>b) Did the internal auditor not complete the CPA MICS compliance checklist – All Procedures for slots and for table games in the same six-month period as the CPA? <b>(4 of 15)</b></p> <p><b>Note:</b> This is applicable when the CPA does not utilize internal audit to substitute for CPA work. <b>(4 of 15)</b></p>				
<p>c) Has a CPA MICS compliance checklist – Limited Procedures for slots and for table games been completed for one six-month period during the fiscal year only when the CPA utilizes internal audit to substitute for CPA work? <b>(4 of 15)</b></p>				
<p>5. If internal audit has performed less frequent reviews of certain areas subject to entertainment tax by using the <i>CPA MICS Compliance Checklist - Entertainment</i>, is documentation maintained supporting the frequency of reviews performed in accordance with the Internal Audit Guidelines? <b>(5 of 15)</b></p>				
<p>6. Has an unannounced observation been performed twice during each fiscal year (once during each six-month period, and not within thirty days of each other) 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? <b>(5 of 15)</b></p>				

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Questions	Yes	No	N/A	Comments, W/P Reference
7. If an unannounced observation of the slot coin drop and slot coin count is performed only once a year, does internal audit maintain documentation supporting slot coin drop was less than 5% of the annual total combined slot coin and slot currency drop during the previous business year? <b>(6 of 15)</b>				
8. Are the required internal audit procedures performed for any gaming revenue center, interactive gaming operation or for areas subject to entertainment tax being operated for more than three months during the licensee's business year? <b>(6 - 7 of 15)</b>				
9. Are inquiries and observations performed during the period under review, is document compliance testing performed for dates within the period under review and do testing procedures include the selection of at least one test date during each review period? <b>(3 &amp; 6 of 15)</b>				
10. When internal audit performs accounting/audit procedures required by the MICS that are similar to required internal audit procedures, is the individual that performs the MICS procedure precluded from performing the similar internal audit procedure? <b>(6 of 15)</b>				
11. Are all questions on each applicable checklist completed and are detailed explanations provided for all "no" and "N/A" answers and exceptions noted during document testing? <b>(7 of 15)</b>				
12. Answer the following questions relating to the required drop and/or count observations:				
a) Are the observations performed on an unannounced basis such that no advance information (including days, weeks, months, or quarters) of upcoming observations is provided, in any manner, to any officer, director or any other employee and, whenever possible, are they performed without the employees being aware that their activities are being observed? <b>(7 – 8 of 15)</b>  <b>Note:</b> If practical, observations may be performed from the surveillance room. <b>(8 of 15)</b>				

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<p>b) Is a count observation performed on the same day as the corresponding drop observation only when the drop team is unaware of the drop observation and the count observation would be unexpected? <b>(8 of 15)</b></p> <p><b>Note:</b> Hard and soft count observations can be performed on the same day if the count observations are unexpected as described above and the count rooms are entered simultaneously. <b>(8 of 15)</b></p>				
<p>c) If advance arrangements (e.g., names of personnel who will be given access, identification rules, introduction letter requirements, or other such procedural details) are necessary to allow prompt access to the count room for an observation by the individuals performing the internal audit function, are such arrangements made no later than 90 days after the start of the licensee's business year? <b>(8 of 15)</b></p> <p><b>Note:</b> Updates to the arrangements (e.g., personnel updates) should be made on a regular basis (e.g., quarterly). <b>(8 of 15)</b></p>				
<p>d) If applicable, are the arrangements made to allow internal auditors access to the count room documented to include the date the arrangement was made, the time period the arrangement is in effect, the procedures to allow internal auditors prompt access to the count room, and the method to ensure proper identification of the internal auditor? <b>(8 of 15)</b></p>				
<p>e) If count observations are performed using live surveillance equipment and the auditor changes viewing locations (i.e., from the count room to the surveillance room), does the auditor view the tapes for the time period during which the auditor was in transit? <b>(8 of 15)</b></p>				
<p>f) If the same CPA performs both the internal audit procedures and the Regulation 6.090(9) CPA procedures, are the following guidelines adhered to:</p>				
<p>1) Are the required observations of the hard, soft and currency acceptor drop/count procedures separately performed to satisfy both the Internal Audit MICS and the CPA procedures? <b>(2 – 3 of 15)</b></p>				
<p>2) Are the individuals that perform the internal audit procedures precluded from performing the Regulation 6.090(9) CPA drop and count procedures? <b>(3 of 15)</b></p>				

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<p>13. Is documentation (e.g., checklists, audit programs, reports, etc.) prepared to evidence all internal audit work performed as it relates to these requirements? <b>(7 – 9 of 15) Verify by examination.</b></p> <p><b>Note: During the examination of internal audit workpapers, the CPA should determine that audit evidence exists to demonstrate the performance of document testing requirements by internal audit.</b></p>				
<p>14. For the compliance testing procedures of various documents required by the CPA MICS Compliance Checklists and the Internal Audit Compliance Testing Procedures Checklists, do the checklists and/or back-up workpapers include documentation of the original document examined by either explicitly identifying the form(s) (e.g., document # of the slot jackpot form) examined or including a copy of the document(s) examined? <b>(8 - 9 of 15)</b></p> <p><b>Note:</b> 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. <b>(9 of 15)</b></p>				
<p>15. Are the results of internal audit work reported to the audit committee, if applicable, senior management (i.e., to a level higher than the controller), or to ownership personnel who are independent of the departments under audit? <b>(9 of 15) Examine the licensee's reports or other evidence that the results were communicated. Indicate the manner in which results are communicated and to whom the results are presented.</b></p>				
<p>16. Are all exceptions resulting from internal audit work investigated and resolved, with the results of such being documented and retained for five years? <b>(9 of 15) Review a sample of the noted exceptions resulting from internal audit work and determine whether the noted exceptions have been investigated and resolved.</b></p>				
<p>17. Does the documentation for the investigation and resolution of exceptions include the names of individuals and job titles with whom inquiries were made and how the investigation was conducted? <b>(9 of 15)</b></p>				

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<p>18. Is a supervisory review performed of the internal audit work by someone other than the individual performing the procedures being reviewed, and does the individual performing the review initial or sign on the workpaper? <b>(9 of 15)</b></p> <p><b>Note 1:</b> For electronic internal audit workpapers, an electronic signature and date along with an audit certification page may be maintained evidencing a review of the electronic workpapers. <b>(9 of 15)</b></p> <p><b>Note 2:</b> A supervisory review is only required when two or more persons perform the internal audit function. <b>(9 of 15)</b></p>				
<p>19. In addition to the observations and examinations described in question 3 above:</p>				
<p>a) Are follow-up inquiries, observations and examinations performed to verify that corrective action has been taken regarding all instances of noncompliance cited by internal audit, the Gaming Control Board and/or the independent accountant with the results of such being documented? <b>(9 of 15) Verify by examination.</b></p>				
<p>b) Is such verification performed within six months following the date of such compliance being transmitted to management? <b>(9 of 15) Verify by examination.</b></p>				
<p>c) For branch office noncompliance, is verification performed within one year following the date transmitted to management? <b>(9 of 15)</b></p>				

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Verified per observation/examination.