Nevada Gaming Control Board

Internal Audit Compliance Checklist

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KENO
TESTING PROCEDURES

Licensee: _____   Review Period: _____

NGC Regulation 6.090(15) requires the internal auditor to use guidelines, checklists and other "criteria established by the Chair" in determining whether a Group I licensee is in compliance with applicable statutes, regulations, and Minimum Internal Control Standards (MICS). The use of this checklist satisfies these requirements.

Objectives:
To determine if controls for keno are adequate to ensure keno revenues are accurately stated in financial records and comply with the MICS.

Checklist Completion Notes:
1) Each step contains a parenthetical notation at the end of the step to designate the purpose of the step. Steps to ascertain compliance with a regulation or minimum standard will be followed by the appropriate regulation or standard. Steps to test the clerical accuracy of revenue will be followed by "Revenue." Steps to determine whether assets were protected will be followed by "Asset Protection."

2) The minimum standards quoted on this checklist are from Version 9 of the standards.

3) Document the completion of the procedures listed below. All exceptions noted should be carried to the Audit Report/Summary of Findings for timely follow-up. Indicate the workpaper reference in which the exception has been carried forward to, as applicable, in the "Exception/Comment" column.

4) Procedures for wagering accounts are addressed in both the Keno and Cage and Credit Internal Audit Compliance Checklists and are to be modified and performed, as applicable.

5) For licensees utilizing wagering accounts, procedures to be performed for reserve requirements are addressed in the Cage and Credit Internal Audit Compliance Walkthrough Checklist. Modify procedures as necessary.

Scope:
Unless otherwise indicated, select 1 day for each keno game operated by the licensee within the last seven days. Select a shift from that day. If a shift is designated as other than an eight-hour time period, select one writer for that day. This checklist can be completed for multiple keno games, if applicable, as long as the responses clearly indicate the keno games it applies to.

Indicate the Keno
Game(s) and Test Date: _____   Indicate Shift/Writer: _____

MICS Variations and Regulation Waivers:
Review the MICS variations and regulation waivers scheduled during the keno walkthrough procedures. Modify and/or perform additional procedures as applicable. Note below the number of the procedures modified or added. Only the last two columns need to be completed if the remaining information is scheduled in the "Walkthrough Procedures Checklist".

Date Approval Granted	MICS Number or Regulation	Description of Variation/Waiver Granted or Associated Equipment Approval	Number(s) of Procedure Modified or Added	W/P Ref. (if appl.)

✔ - Step completed without exception

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Test Date Selected:	Step completed without exception	Exception/Comment
1. Review prior internal audit reports. Schedule any relevant exceptions cited, including those cited by the NGCB or the CPA, or include a copy of the prior audit reports in the workpapers and follow-up on any problems noted. Duplication of exceptions when the CPA is referring to exceptions reported in internal audit reports is not necessary.		
2. Foot the write on the restricted keno transaction report for one writer station. Trace the total write amount for all writers to the write total for the shift on the keno daily recap. **(Revenue)**		
3. Foot payouts as recorded on each payout ticket, which is attached to the outside ticket. Trace the total payout amount to the payout total for the shift on the keno daily recap. **(Revenue)**		
4. Ensure that each shift's gross revenue is properly computed on the keno daily recap by subtracting payouts from write (overages/shortages should not be included in the computation of gross revenue, unless a subsequent adjustment is made to remove these from the calculation). **(Revenue)** Note: Gross Revenue must not include over/shorts.		
5. Foot the cash turn-in on the count sheets. Trace gross revenue or cash turn-in (if applicable) on the keno daily recap to cage accountability or the cash summary sheets. **(Asset Protection)**		
6. Foot the gross revenue from each shift and trace the footed total to the daily total on the keno daily recap. **(Revenue)**		
7. Trace the daily keno gross revenue amount from the keno daily recap to the keno revenue summary. **(Revenue)**		
8. Foot the daily gross revenue amount on the keno revenue summary and trace the footed total to the month-to-date amount on the keno revenue summary. **(Revenue)**		
9. Examine the keno revenue summary and any other applicable documents for:		
a) Proper handling of free play and promotional items, including drawings and giveaway programs. **(Revenue)**		
b) Adjustments for unpaid winning tickets (sleepers). **(Revenue)**		

✓ - Step completed without exception

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Test Date Selected:	Step completed without exception	Exception/Comment
10. For the month in the previous procedure, trace the month-to-date gross revenue amount per the keno revenue summary to the general ledger and monthly NGC tax return. Examine general ledger accounts for the propriety of any activity that affects reported revenue. **(Revenue)**		
11. For the monthly NGC tax return reviewed in the previous step, use the appropriate supporting documentation, including those documents used for wagering accounts, to verify other components of keno on the NGC tax return (excluding no. of units).		
12. For the month in which cross-gaming area transactions occurred verify that revenue was properly reported for both gaming areas. **(Revenue)** **Note:** Cross-gaming area transaction may occur through mobile wallet/wagering instruments/vouchers.		
13. For the month in which cross-property transactions occurred, verify that revenue was properly reported for applicable gaming areas. **(Revenue)**		
14. For the month in which wagers attributable to multiple gaming areas (blended game with live dealer) occurred, verify that revenue was properly reported for applicable gaming areas. **(Revenue)** **Example:** Slot play and live keno play.		
15. For the month in which a test day was selected, ensure the correct dollar amount of expired wagering instruments was included in the computation of revenue on the NGC tax returns. **(Revenue)**		
16. For the month in which a test day was selected, review supporting documentation for the month and determine that appeasement payouts do not have an effect on reported revenue. **Regulation 6.110(12)** **(Revenue)** **Note:** If no appeasement payouts were completed in the month selected, then choose another month in which appeasement payouts were made.		

✔ - Step completed without exception

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Test Date Selected:	Step completed without exception	Exception/Comment
17. For the month in which a test day was selected, for one test day in which a contest/tournament was conducted, review the appropriate documentation including the monthly contest/tournament log summarizing total entry fees/rebuys and total payouts (cash and non-cash prizes) for the day. Determine that all entry fees/rebuys and payouts are included on the monthly contest/tournament log. **(Revenue)** **Note:** If no contests/tournaments were offered in the month selected, then choose another month in which a contest/tournament was conducted. When after reviewing other months and no such activity is noted, it is acceptable to indicate that there were no contest/tournament activity noted in the time periods reviewed and then also indicate the results of an inquiry of such activity.		
18. For the test day in the previous procedure, verify that revenue from contests/tournaments was properly calculated for each event. Foot the revenue for each event in the month to determine that contest/tournament revenue was properly reported on the NGC tax return. **NRS 463.0161 and Regulation 6.110(12) (Revenue)** **Note:** The payouts paid out to participants must not be deducted from gross revenue in an amount that exceeds the entry fees. Additionally, a licensee shall calculate and report gross revenue on an independent, contest-by-contest or tournament-by tournament, basis and only upon the conclusion of the contest or tournament. **Regulation 6.110(12)**		
19. For computerized keno systems, examine the system exception report for propriety of transactions and unusual occurrences. The review should include, but is not limited to, system malfunctions. **(Asset Protection)** **Note:** A system exception report documents when event data or system parameters are changed. This report may be titled with various names. This report documents data or parameters altered; data or parameter value prior to alteration; data or parameter value after alteration; date and time of alteration; and identification of user that performed alteration.		

✓ - Step completed without exception

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Test Date Selected:	Step completed without exception	Exception/Comment
20. For a computerized keno system, at the application level, obtain the user accessing listing:		
a) For computerized systems that have group membership, (group profile), select five group profiles and determine whether the job functions (rights) assigned to the group profile are appropriate for the group. In addition, select one employee from each of the groups and determine whether the group profile is appropriate for the employee.		
b) For computerized systems that have individual profiles (profiles are customized for each employee), select ten employees, encompassing as many positions as possible, and determine whether the job functions (rights) assigned to each employee are appropriate for the employee.		
c) Verify that 5 terminated employees, which occurred during the review period, have been changed in the system from active to inactive status within the appropriate time frame based on the user's access (remote access, system administrator/IT personnel, etc.).		
d) Verify that 5 active employees have changed their passwords within the last 90 days.		
Procedures Modified or Added:		

✔ - Step completed without exception