

Auditor's Name and Date

Internal Audit Compliance Checklist

**SLOTS
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 slots are adequate to ensure slot 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 Slots and Cage and Credit Internal Audit Compliance Checklists and should 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 during the fiscal six-month period. Select an additional day, if necessary, to include both hard count and currency acceptor count documentation. **Indicate Test Date(s):** _____

MICS Variations and Regulation Waivers:

Review the MICS variations and regulation waivers scheduled during the slot 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 weighed/metered count sheets or tapes for one denomination. Trace the totals for each denomination to the coin count document or summary report and slot analysis report. (Revenue) Note 1: If the slot analysis report does not have a daily total, foot the daily totals on the appropriate daily slot summaries and trace to the current period total on the slot analysis report. Note 2: If the count sheet is manually prepared, all denominations must be footed.		
3. Review the wrapped count sheet (coin count document or summary report) and trace the count team members to the quarterly count personnel list required by Regulation 6.130 . Note: If the test date falls in the current quarter and an employee was hired during the current quarter, indicate the date the employee started in the count and complete the step for this employee during the next slot department contact.		
4. Review the currency acceptor slot count document and trace the count team members to the quarterly count personnel list required by Regulation 6.130 . Note: If the test date falls in the current quarter and an employee was hired during the current quarter, indicate the date the employee started in the count and complete the step for this employee during the next slot department contact.		
5. If the count sheet is manually prepared, foot and cross-foot all denominations on the currency acceptor count document. (Revenue)		

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<p>6. Trace the currency acceptor count totals on the currency acceptor count document to the slot analysis report. (Revenue)</p> <p>Note: If the slot analysis report does not have a daily total, foot the currency acceptor count totals on the appropriate currency acceptor count documents and trace to the current period total on the slot analysis report.</p>		
<p>7. Trace the wagering instruments count totals on the currency acceptor count document, if applicable, to the slot analysis report. (Revenue)</p> <p>Note: If the slot analysis report does not have a daily total, foot the currency acceptor count totals on the appropriate currency acceptor count documents and trace to the current period total on the slot analysis report.</p>		
<p>8. Foot the jackpot tickets (including promotional payout, short pays, and canceled credits slips, if applicable) and slot fill slips and trace the total to the slot payouts report and slot analysis report. (Revenue)</p> <p>Note: If the slot analysis report does not have a daily total, foot the daily totals on the appropriate daily slot payout reports and trace to the current period total on the slot analysis report.</p>		
<p>9. Examine jackpot payout tickets for progressive payouts, and for a minimum of 10 progressive payouts, obtain the progressive meter reading sheets or payoff schedules and determine whether the payouts were valid. Regulation 5.110, (Asset Protection)</p>		
<p>10. If multi-part forms are used, look for evidence that all copies of the manually-prepared jackpot payout tickets, short pay tickets, canceled credits tickets and fill slips match. (Asset Protection)</p>		
<p>11. If any free play or promotional payouts, drawings and giveaway programs were in effect on the test date, determine that the accounting treatment was proper and that gross revenue was properly computed.</p>		

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<p>12. Examine the documentation necessary to ascertain whether:</p>		
<p>a. The correct amount of total wagering instruments counted in the count room per the cashless wagering system was included in drop on the currency acceptor count document and slot analysis report. (Revenue)</p> <p>Indicate the cashless wagering system report examined:</p> <p>_____</p> <p>Note: Wagering instruments contained in drop boxes are required to be included in drop pursuant to Regulations 1.095(2) and 6.110(2).</p>		
<p>b. The correct amount of total wagering instruments recorded as “redeemed at the slot machine” per the cashless wagering system report is reconciled to the total wagering instruments counted in the count room which is recorded and included in drop on the currency acceptor count document. (Revenue)</p> <p>Indicate the cashless wagering system report examined:</p> <p>_____</p>		
<p>c. The correct amount of wagering instruments or payout receipts issued from the machines are recorded as a deduction from revenue on the slot analysis report at the time they are issued by the machines. (Revenue)</p> <p>Indicate the cashless wagering system report examined:</p> <p>_____</p> <p>Note: Wagering instruments and payout receipts are required to be deducted from revenue at the time they are issued by the machine pursuant to Regulation 6.110(2) & (11).</p>		
<p>d. Expired wagering instruments and payout receipt reports are accurate for inclusion in gross revenue pursuant to Regulation 6.110(11) and reporting on the NGC-18 pursuant to Regulation 6.110(11).</p>		

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<p>e. The correct amount of any electronic money transfers (includes wagering and/or promotional account transfers) made to the machines through the use of a cashless wagering system are included in drop on the slot analysis report. (Revenue)</p> <p>Indicate the cashless wagering system report examined:</p> <p>_____</p> <p>Note: Electronic money transfers to slot machines are required to be included in drop pursuant to Regulations 1.095(2) and 6.110(2).</p>		
<p>f. The correct amount of any electronic money transfers (includes transfers back to wagering and/or promotional accounts) made from the slot machines through the use of a cashless wagering system are deducted from revenue on the slot analysis report. (Revenue)</p> <p>Indicate the cashless wagering system report examined:</p> <p>_____</p> <p>Note: Electronic money transfers from a slot machine are required to be deducted from slot revenue pursuant to Regulations 1.140 and 6.110(2).</p>		

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<p>13. Foot one denomination and cross-foot the totals for all denominations on the slot analysis report and ensure that gross revenue is properly computed. (Revenue)</p> <p>Note 1: This procedure need only be done for one of the two test dates selected for the fiscal year.</p> <p>Note 2: Pursuant to Regulations 1.095(2), 1.140, and 6.110(2) & (11), gross revenue is calculated as follows: drop (money, tokens and wagering instruments contained in drop boxes and electronic money transfers made to the slot machine through the use of a cashless wagering system) less fills and jackpot payouts, which include payout receipts and wagering instruments when they are issued by the machine and electronic money transfers made from a slot machine through the use of a cashless wagering system, plus expired payout receipts or wagering instruments. Wagering instruments and payouts receipts issued after 6/30/11 are considered expired if not redeemed within the earlier of 180 days or the expiration date printed on the ticket. For these, 25% of the redemption value is to be included in revenue. If an expired instrument/receipt is subsequently paid, 25% of the value can be deducted from revenue if it had been included in revenue. Note that an adjustment of gross revenue for the unredeemed payout receipts or wagering instruments may be made at the end of the month rather than on a daily basis.</p>		
<p>14. Trace the wrapped count and currency final count, less any transfers, if applicable, to the cage accountability or cash summary sheets. (Asset Protection)</p>		
<p>15. For the month in which a test day was selected, foot the daily gross revenue amount (or current period gross revenue total) in the slot analysis report and trace the footed total to the month-to-date total in the slot analysis report. (Revenue)</p> <p>Note: If the slot analysis report is a computerized document, footing need only be done for one of the two test dates selected for the fiscal year.</p>		
<p>16. For the month in the previous procedure, trace the gross revenue per the slot analysis report to the monthly slot summary report. (Revenue)</p>		
<p>17. For the month in the previous procedure, review all adjustments on the monthly slot summary report made to the month-to-date gross revenue per the slot analysis report for propriety and proper supporting documentation. (Revenue)</p>		

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18. Foot and cross foot the monthly slot summary report. (Revenue)		
19. For the month in the previous procedure, trace the month-to-date gross revenue on the monthly slot summary report to the general ledger and monthly NGC tax return. (Revenue) Examine general ledger accounts for the propriety of any activity that affects reported revenue.		
20. 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 slots on the NGC tax return (excluding number of units).		
21. 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.		
22. For the month in which cross-property transactions occurred, verify that revenue was properly reported for applicable gaming areas. (Revenue)		
23. 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: Slots connected to table games with live dealer		
24. For the month in which a test day was selected, ensure the correct dollar amount of expired payout receipts or wagering instruments was included in the computation of revenue on the NGC tax returns. (Revenue)		
25. 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(2) (Revenue) Note: If no appeasement payouts were completed in the month selected, then choose another month in which appeasement payouts were made.		

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<p>26. For the month in which a test day was selected, if revenue is reported on the NGC tax returns on a modified accrual basis (e.g., coin/ currency/wagering instrument drop is computed using coin drop/ bill-in/voucher-in meters for those machines not dropped at the end of the month) perform the following:</p>		
<p>a. Verify the correct accrual amounts, as supported by documentation, have been included in the computation of revenue on the NGC tax returns. MICS #176(b); (Revenue)</p>		
<p>b. Perform the reconciliation required by MICS #176(f) to determine whether the accrual drop reported on the NGC tax return is accurate. (Revenue)</p>		
<p>27. For any leased machines, verify that 100% of win is included in the slot analysis report. (Revenue)</p>		
<p>28. Determine that leased slot revenue has been properly reported to include both the lessor's and operator's shares in reported revenue. (Revenue)</p>		
<p>29. 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)</p> <p>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 was no contest/tournament activity noted in the time periods reviewed and then also indicate the results of an inquiry of such activity.</p>		
<p>30. For the test day in the previous procedure, verify that revenue from contests/tournaments were 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)</p> <p>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.</p>		

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<p>31. If a computer is used to generate slot documentation, examine the system exception report for all computerized slot systems (includes, but is not limited to, cashless wagering system, jackpot/fill system, system supported gaming and system based gaming) for propriety of transactions and unusual occurrences. (Asset Protection)</p> <p>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.</p>		
<p>32. Perform an inventory of all slot machine coin drop and reserve base cabinet keys, reset keys, 2341 keys, attendant keys, and any similar slot key or device, currency acceptor drop box release, storage rack and contents keys; and currency acceptor count room keys. Compare to records of keys made, issued and destroyed. Make sure all keys are accounted for and there are no extra keys.</p>		
<p>33. For each computerized slots system, at the application level, obtain the user accessing listing:</p>		
<p>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.</p>		
<p>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.</p>		
<p>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.).</p>		
<p>d. Verify that 5 active employees have changed their passwords within the last 90 days.</p>		
<p>34. For manually-read coin-in meters, select a sample of 15 machines from the meter reading sheets, calculate the coin-in and trace to the slot analysis reports.</p>		

✓ - Step completed without exception

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<p>a. Where meter readings are taken daily and the slot analysis reports reflect week-to-date coin-in, foot in-meter readings for seven days and compare totals to week-to-date information for two nonconsecutive weeks.</p>		
<p>b. Where meter readings are taken weekly and the slot analysis reports reflect month-to-date coin-in, foot the weekly sheets and compare totals to month-to-date information for one month.</p>		
<p>35. For computerized slot analysis systems with automated (on-line) slot meter readings, foot the reports and roll forward the weekly or monthly coin-in totals in the reports for one machine and trace to month-to-date, quarter-to-date, year-to-date and (if applicable) inception-to-date totals to verify the computer's accuracy.</p> <p>Note: Footing only needs to be done for one of the two test dates selected for the fiscal year.</p>		
<p>36. Using a listing of slot machines by type, select five machines. The sample selected should represent five of the most common types currently on the floor.</p> <p>For each machine selected:</p>		
<p>a. Obtain the theoretical hold worksheet (par sheet), test the actual reel strip settings and trace the payout schedule from the machine to the worksheet. Review the worksheets for propriety of theoretical hold.</p>		
<p>b. For slot machines connected to a progressive payout meter, confirm that the progressive increment rate set for the meter is the same as that on worksheet.</p>		
<p>c. Trace theoretical hold percentages from the worksheets to the slot analysis reports.</p> <p>Note: For multi-game/multi-denomination slot machines, trace the calculated weighted theoretical hold percentage from the Regulation 14, Technical Standard 3 on-line slot metering system report to the weighted theoretical hold percentage in the slot analysis report. If a simple average theoretical hold percentage is used, trace the calculated simple average theoretical hold percentage from the Slots MICS #104 report to the slot analysis report.</p>		
<p>d. Verify that the theoretical hold percentages recorded in the slot analysis report are the same within each type.</p>		
<p>e. Examine the chip and determine if labeled with the NGCB lab approval number.</p>		

✓ - Step completed without exception

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<u>Procedures Modified or Added:</u>		

✓ - Step completed without exception