

Internal Audit Compliance Checklist

RACE AND SPORTS
WALKTHROUGH 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.

Date of Inquiry	Person Interviewed	Position

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 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 Chair has granted a MICS variation or the question requires a "no" answer for acceptability. All "N/A" answers require referencing and/or comment, as to the reason the procedure is not applicable. All exceptions noted should be carried to the internal auditor's report/summary of findings for timely follow-up.
- 3) "(#)" refers to the Minimum Internal Control Standards for Race and Sports, Version 9 or to the applicable regulation/statute.
- 4) Procedures for wagering accounts are addressed in both the Race and Sports 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:

This checklist must be completed once in each fiscal year.

MICS Variations and Regulation Waivers:

Obtain copies of MICS variation and regulation waiver requests and NGCB correspondence regarding such requests from appropriate licensee personnel. Review to determine status of evidence of any waivers or alternative requirements imposed by granted variations. Modify and/or perform additional procedures as applicable.

Associated Equipment:

Determine if approval has been received for all associated equipment used in the race and sports department. For all unreported associated equipment, cite violations of **Regulation 14.260**. For associated equipment, perform a walkthrough of any additional controls on the use of the associated equipment which may be included in the written system of internal control.

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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.)

Note: Variations/waivers and associated equipment need only be scheduled once. Refer to the workpaper where the details are scheduled and complete the last two columns of the above grid if walk-through procedures are affected.

Questions	Yes	No	N/A	Comments, W/P Reference
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. Complete the CPA MICS Compliance Checklist for Race and Sports Books in accordance with the CPA MICS Compliance Reporting Requirements "Guidelines" and Internal Audit Reporting Requirements "Guidelines".				
Betting Tickets and Acceptance of Wagers				
3. Do all betting tickets bear the name and address of the book? Regulation 22.050				
4. Does the licensee prohibit the acceptance of wagers from a person who the book, agent or employee knows, or reasonably should know, is a messenger bettor or is placing the wager in violation of state or federal law? Regulation 22.060(5)				

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Questions	Yes	No	N/A	Comments, W/P Reference
5. Are all wagering propositions on races or sporting events posted in compliance with Regulation 22.060(7)?				
Nonpari-mutuel Wagers And Payouts				
6. Prior to accepting a nonpari-mutuel wager or making a payout on a nonpari-mutuel winning wager in excess of \$10,000 does the book:				
a. Obtain the patron's name? Regulation 22.061(1)(a)				
b. Obtain the patron's permanent address? Regulation 22.061(1)(b)				
c. Obtain the patron's social security number or passport number? Regulation 22.061(1)(c)				
d. Obtain one of the following identification credentials from the patron: 1) Driver's license; 2) Passport; 3) Non-resident alien identification card; 4) Other reliable government issue identification credentials or 5) Other picture identification credential normally acceptable as a means of identification when cashing checks? Regulation 22.061(1)(d)				
e. Examine the identification credential obtained to verify the patron's name and to verify the accuracy of the address and social security number? Regulation 22.061(1)(e)				

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7. Prior to accepting a nonpari-mutuel wager or making a payout on a nonpari-mutuel winning wager in excess of \$10,000, if the book knows a person is placing a wager or receiving a payout on behalf of another person, does the licensee:				
a. Obtain and record the information in question 6 with respect to all persons placing the wager or receiving the payout? Regulation 22.061(2)				
b. Reasonably attempt to obtain the information in question 6 with respect to all persons for whom the wager was placed or the payout received and record such information to the extent it was obtained? Regulation 22.061(2)				
8. Subsequent to accepting a nonpari-mutuel wager or making a payout on a nonpari-mutuel wager in excess of \$10,000, including those from listed patrons, does the book record or maintain records that include:				
a. The patron's name and, if applicable, the agent's name? Regulation 22.061(3)(a)				
b. The patron's address and, if applicable, the agent's address? Regulation 22.061(3)(b)				
c. The patron's social security number and, if applicable, the agent's social security number? Regulation 22.061(3)(c)				
d. A description including any document number of the identification credential examined and, if applicable, for the agent? Regulation 22.061(3)(d)				

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Questions	Yes	No	N/A	Comments, W/P Reference
e. The amounts of the wager and payout on the wager? Regulation 22.061(3)(e)				
f. Window numbers or other identification of the locations where the wager and payout on the wager occurred? Regulation 22.061(3)(f)				
g. The times and dates of the wager and payout on the wager? Regulation 22.061(3)(g)				
h. The names and signatures of the book employees accepting or approving the wager and payout on the wager? Regulation 22.061(3)(h)				
i. Any other information as required by the Chair? Regulation 22.061(3)(i)				
j. If an alternative procedure was implemented to comply with Regulation 22.061(3), was written approval from the Chair obtained? Verify compliance with the written approval and document the results.				
9. Does the book report the wagers or payouts required to be recorded pursuant to the Regulation 22.061 section on a "Book Wagering Report"? Regulation 22.061(4)				
10. Per examination of the most recent report, does the report include all of the information required by Regulation 22.061(4) , including information required by the Chair?				

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11. Are such reports submitted to the Nevada Gaming Control Board no later than fifteen days after the end of the month in which the transaction(s) occurred? Regulation 22.061(4)				
12. Does the licensee file an amended Book Wagering Report if it obtains information to correct or complete a previously submitted report, referencing to the previously submitted report? Regulation 22.061(4)				
Multiple Nonpari-Mutuel Wagers				
13. Is each nonpari-mutuel wager made between the book and a patron (or an agent or confederate of the patron) within a monitoring area, in an amount exceeding \$5,000, recorded on a wagering multiple transaction log? Regulation 22.062(2)				
14. Does a book employee monitor and record on a wagering multiple transaction log nonpari-mutuel wagers in amounts less than \$5,000 if he has knowledge that the \$5,000 threshold has been exceeded through a series of non-parimutuel wagers between the book and a patron (or an agent or confederate of the patron)? Regulation 22.062(2)				
15. Is each entry in the wagering multiple transaction log made by the employee accepting or approving the wager, immediately after accepting the wager? Regulation 22.062(3)				

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Note: The requirement to record information for both the patron and agent applies when a book employee knows, or has reason to know, that the individual placing the wager is a confederate or agent of the patron. 16. Examine multiple transaction logs currently in the book with entries, or a recent log with entries, and determine if the following are included: a. Description of the patron (or agent), which may include such identifiers as age, sex, race, eye color, hair, weight, height and attire, if the person is present when the wager is accepted? Regulation 22.062(3)(a)				
b. Patron's name and agent's name, if known? Regulation 22.062(3)(b)				
c. Window number or other identification of the location where the wager occurred? Regulation 22.062(3)(c)				
d. Time and date of the wager? Regulation 22.062(3)(d)				
e. Dollar amount of the wager? Regulation 22.062(3)(e)				
f. Signature or electronic signature of the person accepting or approving the wager? Regulation 22.062(3)(f)				
17. Is one log maintained for each monitoring area? Regulation 22.062(3) Note: If a separate telephone room exists apart from the regular write area (such as a central site book) and this room is not operated by individuals who accept wagers, the room may be considered a separate monitoring area.				

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18. Is a log completed for each designated 24-hour period regardless of whether any nonpari-mutuel wagers occurred? Regulation 22.062(3) Note: The book's designated 24-hour period ends at midnight each day unless otherwise approved by the Chair. Regulation 22.062(7)(a)				
19. At the end of each designated period, is an entry made in the log to indicate that the end of the 24-hour period has occurred? Regulation 22.062(3) Note: This should be a comment such as "end of day." The purpose is to be able to distinguish any transactions that were added after the fact from those which were recorded immediately after the transactions occurred.				
20. To determine if the \$10,000 threshold has been exceeded, does the book aggregate all wagers that are nonpari-mutuel wagers between the book and the patron (or a person who book employees know is an agent or confederate of the patron) in excess of \$5,000 and those wagers in amounts of \$5,000 and less, when a book employee has knowledge of the wagers, during a designated 24-hour period within a monitoring area? Regulation 22.062(4)				

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21. Prior to completing a wager that, when aggregated with other wagers pursuant to Regulation 22.062(4) , will aggregate to an amount that will exceed \$10,000, does the book complete the identification and recordkeeping requirements described in Regulation 22.061(1)? Regulation 22.062(5)				
22. When aggregated wagers exceed \$10,000, does the book complete the recording and reporting requirements of Regulation 22.061? Regulation 22.062(5)				
23. If a patron whose wagers were required to be recorded pursuant to Regulation 22.061 or Regulation 22.062(4) makes an additional wager during the designated 24-hour period, does the book complete the identification, recordation and reporting procedures described in Regulation 22.061 for any such additional wagers, regardless of amount? Regulation 22.062(6)				
24. If the Chair has imposed upon this book the identification, recordkeeping and reporting requirements of Regulation 22.061 and 22.062 for pari-mutuel wagers, is the licensee complying with the requirements as described in the notification letter? Regulation 22.065				
Parlay Card Wagers				
25. Do parlay card wagering forms disclose all the information required by Regulation 22.090?				

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Other Events 26. For any event other than a horse race, greyhound race, or an athletic sports event, has the Chair approved the other event in writing, has the other event been sanctioned by an organization included on the list of sanctioning organizations maintained by the Board, or has the other event been listed on the list of pre-approved other events maintained by the Board? Regulation 22.1201(1) Note: All such events that are approved are to be posted on the Board's website. Regulation 22.1201				
Prohibited Wagers 27. Does the licensee prohibit wagers or payouts pursuant to those described in Regulation 22.1205? Regulation 22.1205				
Communications Technology 28. Has written approval been received from the Board for any communications technology on the premises of the book? Regulation 22.130				
29. Has written approval of the Chair been obtained to accept wagering communications? Regulation 22.130(2)				
30. Is communications technology only used as approved for that purpose? Regulation 22.130(2)				
31. Annually, has the Chair's been notified of approved communications technology that is currently being used by the book? Regulation 22.130(2)				

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32. Are all wagering communications electronically recorded and retained for a period of 60 days? Regulation 22.140(8)				
33. Before a book accepts a wagering communication, or a call center accepts a wagering instruction, on any sporting event wager, nonpari-mutuel race wager, or any other event wager, the following must occur:				
a) Does the book register patrons and create wagering accounts in accordance with Regulation 5.225, except as follows: Regulation 22.140(6)(a)				
b) Does the patron either personally appear before employees of the licensee at which the book is located as provided in subsection 7 of Regulation 5.225 or before an employee of the book at the premises of the book or, for central site books, at an outstation, satellite or affiliated book for purposes of presenting a government issued picture identification credential to confirm the patron's identity? Regulation 22.140(6)(a)(1)				

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c) Has the book received approval from the Chair to have its employees register and create wagering accounts for patrons, including inspecting a patron's government issued picture identification credential to confirm their identity as required by subsection 7 of Regulation 5.225, outside the premises of the book? Regulation 22.140(6)(a)(2) Indicate date of Chair approval. Note: Refer to Regulation 22.140(6)(a)(2) for details of what must be included in the request. Additionally, wagering accounts may not be created pursuant to such marketing plan outside the State of Nevada.				
d) Before registering a patron for a wagering account, does the book have the patron affirm that the patron has been informed and acknowledges that:				
i) Patrons are prohibited by law from placing sports wagers, nonpari-mutuel race wagers, and other event wager wagers from outside Nevada and that the book is prohibited from accepting such wagers? Regulation 22.140(6)(b)(1)				

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ii) With regard to pari-mutuel horse race wagers, a race book may only accept off-track pari-mutuel horse race account wagers pursuant to the provisions of regulation 26C? Regulation 22.140(6)(b)(2)				
34. For event wagers accepted from another book, does the authorized employee of the other book personally appear at the premises of the book or, for central site books, at an outstation, satellite or affiliated book, to open a wagering account? Regulation 22.140(7)(a)				
Cross Gaming Area/Cross Property Transactions 35. Review the licensee's procedures to determine if wagering account transactions and/or wagering instruments are utilized between gaming area(s) and/or affiliated properties. Have procedures been implemented to account for these transactions/instruments to ensure the proper reporting of revenue? (Revenue) Indicate the gaming areas when cross gaming area transactions are utilized. Indicate which properties when cross property transactions are utilized.				

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Blended Games (e.g. Slot play with live R&S play) 36. Determine if the licensee offers blended games. Have procedures been implemented to account for those transactions to ensure the proper reporting of revenue? (Revenue)				
Surveillance 37. Is adequate video surveillance provided over the race and sports book area? Regulation 5.160(6) and Surveillance Standard #5				
Free Play and Promotional Items 38. If free play or promotional items, including drawings and giveaways programs, are <u>currently</u> being offered, is the accounting treatment proper? NRS 463.0161, NRS 463.3715 and Regulation 6.110(12)				
Contest and Tournament Items 39. If contests and/or tournaments are <u>currently</u> being offered, is revenue properly reported? NRS 463.0161, NRS 463.3715, and Regulation 6.110				
Expired Wagering Instruments 40. Review the licensee's procedures to determine if wagering instruments are utilized between gaming area(s) and/or affiliated properties. Have procedures been implemented to account for these wagering instruments to ensure the proper reporting of revenue? Regulation 6.110				

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Employee Segregation 41. Are race and sports book employees prohibited from wagering on race/sports events, except off-track pari-mutuel wagering, with the book at which they are employed or at a book of an affiliate or an affiliated company whether on their behalf, on behalf of the race book or sports pool, or on behalf of another person? Regulation 5.013(3) Note: For example, a sports writer cannot wager on race or sports events.				
House Rules 42. Are house rules conspicuously displayed? Regulation 22.150.				
In-house Progressive Payoff Schedules 43. Scan progressive meter readings, including those offered in conjunction with a race and/or sports tournament, contest or promotion, for the most recent two weeks and determine that:				
a. The base amount of each progressive payoff is recorded pursuant to Regulation 5.110(2) (the base amount should be recorded when first exposed for play).				
b. The amount of each progressive payoff schedule is recorded at least one time daily. Regulation 5.110(2)				

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c. The payoff amount has increased since the prior recording [unless related to reasons allowed pursuant to Regulation 5.110(4), Regulation 5.110(5) and (6)].				
d. The payoff amount on the progressive payoff schedule decreased except as allowed by Regulation 5.110(5) . (Any reduction should be supported by appropriate documentation pursuant to Regulation 5.110(2) and 5.110(5), such as a notation of a payoff form number, a meter repair slip, etc.).				
e. Changes in the rate of progression are documented pursuant to Regulation 5.110(3) . If no changes are detected, inquire with licensee personnel to determine if they would document such changes.				
Appeasement Payouts				
44. Does the licensee offer appeasement payouts? If yes, determine how they are processed - manually or through the system. NRS 463.3715(1) and Regulation 6.110(12) Indicate the method.				
45. Does the licensee maintain documentation to support appeasement payouts? NRS 463.3715(1) and Regulation 6.110(12) Verify by examination.				

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Questions	Yes	No	N/A	Comments, W/P Reference
46. Regarding the previous question is the documentation forwarded to accounting to ensure proper reporting of revenue? NRS 463.3715(1) and Regulation 6.110(12)				
Suspicious Wagers				
47. Are sports pool employees or its directors, officers and agents familiar with what is considered a suspicious wager? Regulation 22.121				
48. Do sports pool employees or its directors, officers and agents make a diligent effort to identify and report suspicious wagers? Regulation 22.121				
49. Do these aforementioned individuals know that Regulation 22.121 requirements are separate from any federal suspicious activity reporting requirements? Regulation 22.121				
50. Is a "Suspicious Wager Report" form, developed by the board, filed with the board:				
a. When a suspicious wager involving or aggregating to more than \$5,000 in funds or other assets occurs? Regulation 22.121(2)				
b. When the sports pool licensee believes the wager is relevant to the possible violation of any law or regulation, regardless of the wager amount? Regulation 22.121(2)				

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51. Are such reports submitted to the board within the time constraints of Regulation 22.121(3)? Regulation 22.121(3)				
52. Does the licensee maintain a copy of any report filed along with the original or business record equivalent of any supporting documentation for a period of five years from the date of filing the report? Regulation 22.121(4)				
53. Is the aforementioned documentation available to the board and any appropriate law enforcement agencies upon request? Regulation 22.121(4)				
54. Is it prohibited to inform the patron or other persons involved in the transaction that a "Suspicious Wager Report" was completed? Regulation 22.121(5)				
<u>Procedures Modified or Added:</u>				

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