

Auditor's Name and Date

**Internal Audit Compliance Checklist**

**PARI-MUTUEL  
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 Pari-mutuel, Version 9 or to the applicable regulation/statute.
- 4) Procedures for wagering accounts are addressed in both the Pari-Mutuel 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 property 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 pari-mutuel race book. For all unreported associated equipment, cite violations of **Regulation 14.260**. For associated equipment, perform a walk-through of any additional controls on the use of the associated equipment which may be included in the written system of internal control.

Verified per representation

Verified per observation/examination

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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 1:** 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.

**Note 2:** It is also necessary to complete the walk-through procedures checklist for the Race & Sports Department for all pari-mutuel books.

**Note 3:** This checklist addresses pari-mutuel race wagering. For those auditing pari-mutuel sports wagering, design walk-through questions to determine compliance with **Regulation 26B**.

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 Pari-Mutuel in accordance with the CPA MICS Compliance Reporting Requirements "Guidelines" and Internal Audit Reporting Requirements "Guidelines".				

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Questions	Yes	No	N/A	Comments, W/P Reference
3. Are house rules governing off-track pari-mutuel wagering transactions conspicuously displayed? <b>Regulation 26A.040(11)</b>				
<b>Betting Ticket and Equipment Standards</b>				
4. Does the book accept intrastate pari-mutuel wagers? <b>Regulation 26A.020(8)</b>				
5. If yes:				
a) Does the book prohibit the acceptance of intrastate pari-mutuel wagers from any book, affiliate of the pari-mutuel book, or a systems operator providing the intrastate common pari-mutuel system? <b>Regulation 26A.040(13)</b>				
b) Does the book prohibit the placing of layoff wagers into an intrastate common pari-mutuel pool? <b>Regulation 26A.040(13)</b>				
c) For intrastate common pari-mutuel pools, does the total percentage of off-track pari-mutuel wagers that is deducted as a commission on wagers not exceed 25 percent? <b>Regulation 26A.150(2)</b>				
6. Does the book <b>NOT</b> :				
a) Accept from a patron, directly or indirectly, less than the full face value of an off-track pari-mutuel wager? <b>Regulation 22.125(1)(a)</b>				

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Questions	Yes	No	N/A	Comments, W/P Reference
b) Agree to refund or rebate to a patron any portion or percentage of the full face value of an off-track pari-mutuel wager? <b>Regulation 22.125(1)(b)</b>				
c) Increase the payoff of, or pay a bonus on, a winning off-track pari-mutuel wager? <b>Regulation 22.125(1)(c)</b>				
d) Attempt to provide a benefit to the patron by offering a wagering proposition, or set or move its wagering odds, lines or limits? <b>Regulation 22.125(4)</b>				
e) Set lines or odds, or offer wagering propositions, designed for the purpose of ensuring that a patron will win a wager or series of wagers? <b>Regulation 22.125(6)</b>				
7. Does the book grant any of the items as described in Regulation 22.125(2)(c) and if so, does the book comply with the provisions of Regulation 22.125(2)(c)? <b>Regulation 22.125</b>				
8. Does the book award player loyalty program points based on pari-mutuel wagers placed by a patron? <b>Regulation 22.125(3)</b>				
9. If yes to the previous question, are such points only redeemed in accordance with the rules of the program? <b>Regulation 22.125(3)</b>				

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Questions	Yes	No	N/A	Comments, W/P Reference
10. Are points earned based on pari-mutuel wagers not redeemed for cash, items or services that the book intends to or does redeem for cash, free play on gaming device or gambling game or for any items or services that do not fall under one of the exceptions listed in Regulation 22.125(2)? <b>Regulation 22.125(3)</b>				
<b>Communications Technology</b>				
11. Has written approval been received from the Board for any communications technology on the premises of the book or a call center? <b>Regulation 26C.140(1)</b>				
12. Has written approval of the Chair been obtained to accept wagering communications? <b>Regulation 26C.140(2)</b>				
13. Is communications technology only used as approved for that purpose? <b>Regulation 26C.140(2)</b>				
14. Annually, has the Chair's approval been obtained to continue using the communications technology? <b>Regulation 26C.140(2)</b>				
15. Are all wagering communications electronically recorded and retained for a period of 60 days? <b>Regulation 26C.150(3) and (4); Regulation 26C.160(4)</b>				
16. Before a book accepts a wagering communication, or a call center accepts a wagering instruction, on an off-track pari-mutuel horse race, does the following occur: <b>Regulation 26C.160(3)</b>				

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Questions	Yes	No	N/A	Comments, W/P Reference
a) Does the book register and create a wagering account for a patron in accordance with Regulation 5.225? <b>Regulation 26C.160(3)(a)</b>				
b) Does the book confirm the patron's identity remotely only if the wagering account is used solely to place off-track pari-mutuel horse race wagers? <b>Regulation 26C.160(3)(a)</b>				
c) Does the race book confirm that the state or foreign jurisdiction in which the patron resides is a jurisdiction in which off-track pari-mutuel horse race wagering is legal, and that the state or foreign jurisdiction does not otherwise restrict wagering on accounts located outside the borders, prior to the book accepting wagers on such accounts? <b>Regulation 26C.160(3)(b)</b>				
d) Does the race book have the patron affirm that the patron has been informed and acknowledges that, with regard to off-track pari-mutuel horse race wagers, the book may accept such wagers only when the patron is located within Nevada or other states or foreign jurisdictions in which pari-mutuel horse race wagering is legal and such wagering on accounts located outside of its borders is not otherwise restricted? <b>Regulation 26C.160(3)(c)</b>				

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Questions	Yes	No	N/A	Comments, W/P Reference
e) Does the book not allow the use of a wagering account for other than off-track pari-mutuel horse race wagering, unless:				
i) The establishment and use of the wagering account otherwise meets all of the requirements of Regulation 5.225? <b>Regulation 26C.160(6)(a)</b>				
ii) Administrative approval has been granted by the Chair? <b>Regulation 26C.160(6)(b)</b>  <b>Indicate date of Chair approval.</b>				
<b>Surveillance</b>  17. Is adequate video surveillance provided over the pari-mutuel area? <b>Regulation 5.160(6) and Surveillance Standard #5</b>				
<b>Cross Gaming Area/Cross Property Transactions</b>  18. Review the licensee's procedures to determine if any transactions, including those in wagering accounts/wallets, are utilized between gaming area(s) and/or affiliated properties. Have procedures been implemented to account for these transactions to ensure the proper reporting of revenue? ( <b>Revenue</b> )  <b>Indicate the gaming areas when cross gaming area transactions are utilized.</b>  <b>Indicate which properties when cross property transactions are utilized.</b>				

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Questions	Yes	No	N/A	Comments, W/P Reference
<b>Unpays</b> 19. Review the licensee's procedures for unpays. Have procedures been implemented to account for the unpays to ensure the proper reporting of revenue. <b>(Revenue)</b>				
<b>Appeasement Payouts</b> 20. Does the licensee offer appeasement payouts? If yes, determine how they are processed - manually or through the system. <b>(Revenue)</b>  <b>Indicate the method.</b>				
21. Does the licensee maintain documentation to support appeasement payouts? <b>(Revenue)</b>  <b>Verify by examination.</b>				
22. Regarding the previous question is the documentation forwarded to accounting to ensure proper reporting of revenue? <b>(Revenue)</b>				
<b><u>Procedures Modified or Added:</u></b>				

Verified per representation  
 Verified per observation/examination