

STATE OF NEVADA
GAMING CONTROL BOARD
INTERNAL CONTROL PROCEDURES

ENTERTAINMENT

Note 1: Pursuant to Regulation 13, Section 21 (1), the person or entity who is the licensee of the licensed gaming establishment where music and dancing privileges or any other entertainment is provided is responsible for the payment of the live entertainment tax even if some other person or entity is affording entertainment subject to the tax on the premises of the establishment.

Note 2: Pursuant to Regulation 13, Section 21 (2) if a person or entity other than the licensee offers entertainment subject to the live entertainment tax on the licensee's premises, the licensee must keep all records required by NRS 368A, NRS 463 and Regulations 6 and 13. Alternatively, the licensee may require the person or entity that offers the entertainment to keep such records, as long as the records are provided to the Board upon request in a timely manner.

Entertainment Sales Controls

1. All entertainment sales are recorded in such a manner as to be readily identifiable by individual sale, in total, and by area for applicable periods of entertainment status. For sales recorded in a computerized point-of-sale system, the date/time and transaction number is also recorded for each individual sale.

Note: For computerized point-of-sale systems that classify sales by only the date/time checks are opened and closed, documentation is maintained identifying individual sales made during entertainment status. If a point-of-sale system does not provide the required information, it may be necessary to close all open checks at the start and end of entertainment status.

2. Each sale is identifiable by type (i.e., taxable, nontaxable and complimentary).
3. The internal cash register tape or point-of-sale information is inaccessible to bartenders/cashiers (e.g., keys/passwords are maintained by an individual independent of these functions).
4. All food, beverage and admission complimentary that are offset against gross sales subject to live entertainment tax and all refunds on such sales require the authorization of appropriate personnel designated by management.
5. The authorization of all refunds are documented and maintained to support the amount of refunds on sales subject to live entertainment tax.
6. All cash register or point-of-sale system over-rings or admission ticket voids required the authorization of appropriate personnel designated by management.
7. The net cash proceeds from the shift are documented and verified, as evidenced by signatures, by at least two employees.
8. The bartenders'/cashiers' banks are reconciled to the entertainment sales documentation with an investigation being performed, and findings documented, into large cash overages or shortages.

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9. Show admission tickets are safeguarded, and appropriate procedures are employed in the distribution, use and control of same.

Package Programs / Discount Show Tickets

10. If package programs and/or discount show tickets are used, the following documentation is maintained:
- a. Copies of package program books, discount show tickets, fliers and price breakdowns.
 - b. Effective dates of the above items.
 - c. Number of packages/tickets sold by type.
 - d. Retail price of each item in the packages (a reasonable monthly estimate/average will be acceptable).

Accounting Standards

11. The dates and time periods during which taxable entertainment is provided are documented and reconciled to the periods during which entertainment sales were reported.

Note: The above information may be documented by a department other than accounting.

12. A breakdown of gross sales into taxable and nontaxable components for each date and time period is prepared that summarizes the total of sales by type (using documents as required by ICP #1 and #2).

13. Entertainment contracts, if used, are reviewed and reconciled to the periods during which entertainment sales are made.

Note: A reconciliation is not necessary for locations with a consistent and routine showroom/lounge entertainment schedule that is documented and retained.

14. Records are maintained to support deductions from entertainment revenue associated with credit/debit card fees paid to credit card companies and associated with fees paid to wholesalers.

15. Only credit/debit card fees that are specifically identifiable with entertainment taxable sales for entertainment at the licensee's establishment and which are actually paid to, or retained by, the credit/debit card company may be deducted.

16. For licensees that offer advance sales of admission tickets (i.e., tickets are sold prior to the day of the show), records are maintained that reconcile show admission ticket sales to redeemed tickets, by type of ticket. The documentation includes:

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- a. A daily admission ticket sales report that includes the date the admission ticket was sold, the name of the show/event for which the admission ticket was sold, an identifying number for each ticket sale transaction and the dollar amount of the sale.
 - b. A report by show/event indicating the individual admission tickets sold for that show/event. This report indicates the name of the show/event, date the admission ticket was sold, the identifying number of the admission ticket sale and the dollar amount of the sale.
17. Complimentaries can only be deducted from entertainment revenue if an adequate audit trail exists. Estimates may not be used.
 18. Food and beverage summaries are reviewed to verify the propriety of complimentary charges.
 19. All cash register or point-of-sale system over-rings or admission ticket voids are reviewed for propriety, with findings documented.
 20. For locations with non-computerized entertainment sales systems, all cash register tapes or other equivalent records are reviewed to ensure that sales subject to the LET were totaled/subtotaled properly.
 21. At least annually for each entertainment area, including leased venues, an employee will select one day and foot individual sales subject to live entertainment tax on the cash register tape or the computerized system transaction report, and then trace the total to the total on the tape/system. Documentation (e.g., spreadsheet, calculator tape) evidencing performance of this procedure, and any variances noted, is maintained.

Note 1: Board approved software may be used to comply with this standard.

Note 2: This procedure does not apply to ticket sales generated through a wholesale ticket distributor.

22. Recording procedures for entertainment sales (see ICP #1 and #2) are monitored for correctness at least monthly by management personnel.

Note: For areas of entertainment that are not always in entertainment status, cash register / point-of-sale system procedures and controls are tested to ensure that all sales during entertainment status are properly classified as entertainment sales.

23. All entertainment period sales, including complimentaries, are summarized and posted to the accounting records.

Note: Live entertainment taxable revenue should be posted to a different general ledger account than non-live entertainment taxable revenue, or in some other way is distinguishable or specifically identifiable.