

Internal Audit Compliance Checklist**RACE AND SPORTS
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 race and sports are adequate to ensure race and sports 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 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:

Unless otherwise indicated, select one day per year. **Indicate Test Date:** _____

MICS Variations and Regulation Waivers:

Review the MICS variations and regulation waivers scheduled during the race and sports 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.)

If the race and sports book is an outstation of a central site book, steps #7 g-i, 10, 11 and 37 do not need to be performed.

Indicate the Central Site Book: _____

✓ - Step completed without exception

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Test Date Selected:		
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 transaction report for one writer station or kiosk per test day. (Revenue)		
3. Foot the subtotals of all writer stations and kiosks, if applicable, from the transaction report and trace the total to the daily amount on the accrual basis recap report. (Revenue)		
4. Foot the payouts on the transaction report for one cashier station per test day. (Revenue)		
5. Foot the subtotals of all cashier stations from the transaction report and trace the total to the daily amount on the accrual basis recap report. (Revenue)		
6. Foot payout tickets (customer copy) and trace the total to the payout amount on the transaction report for one cashier station per test day. (Revenue)		
7. For the test day, select 10 tickets for winning sports wagers and 10 tickets for winning race wagers and perform the following:		
a. Match the customer copy of the payout to the write on the transaction report. (Asset Protection)		
b. Recalculate and verify proper payout with respect to wager and odds. (Asset Protection)		
c. Trace the winning ticket to the payout on the transaction report. (Asset Protection)		
d. If the payout is equal to or greater than an amount that requires listing on the exception report, trace the ticket to the exception information report. (Asset Protection)		
e. For tickets/vouchers paid through the computer, determine that a paid designation was written or stamped on the ticket/voucher and that the date and amount paid are noted on the ticket/voucher. MICS #27		

✓ - Step completed without exception

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f. For manually paid tickets/vouchers ensure that the date and time was stamped on the ticket/voucher, that it was signed by a supervisor and that it was subsequently entered into the computer system. MICS #29 & #30		
g. Trace the winner of the event to the race prices report or sports book results report, as applicable. (Asset Protection)		
h. Trace winner to an independent source to verify the winner and the reasonableness of odds and point spreads. (Asset Protection) Sources used: _____		
i. Trace the computer-generated date and time on the ticket to an independent source to determine if past-posting has occurred. (Asset Protection) Sources used: _____		
8. If any free play or promotional items, including 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.		
9. For all not-in-computer voids and 10 computer-void tickets (5 race and 5 sports) perform the following:		
a. Trace the tickets and the information on the tickets to the exception information report. (Asset Protection)		
b. Trace the time that the ticket was voided per the exception information report to the cut-off time of the event per the race prices report or sports book results report, as applicable. (Asset Protection) Note: Certain systems may allow past-post voids provided that all voids of this type require supervisory password approval and are reported on the exception information report separately.		
c. Determine that a void designation was branded on the ticket by the computer or that the word "void" was written or stamped on the ticket. MICS #12a		
d. For not-in-computer voids, determine that the date and time the ticket was voided is stamped on the original ticket. MICS #12b		

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e. Determine that all voids are signed by the writer/cashier and a supervisor (who did not write the ticket). MICS #12c Note: For satellite books the second signature can be a supervisor of the host property. MICS #12c, Note		
10. Examine the exception information report for the following:		
a. Past-post write: For tickets written more than 15 minutes after the start of a sporting event and more than 1 minute after a racing event, determine the nature and validity of the exception. (Asset Protection)		
b. Voids: For tickets which are voided after the start of the event, determine the nature and validity of the exception. (Asset Protection)		
c. Changes in results: Trace to an independent source to determine the nature and validity of the exception. (Asset Protection)		
d. Changes in event times: Trace to an independent source to determine the nature and validity of the exception. (Asset Protection)		
e. Any other unusual exception activity (e.g., changes in odds and point spreads, wagers and payouts in excess of the licensee's limits), determine the nature and validity of the exception. (Asset Protection)		
f. Determine that the exceptions have been properly authorized by a supervisor. (Asset Protection)		
11. Review event results on the computer-generated race prices report and sports book results report for unusual activity. (Asset Protection)		
12. If the licensee reports future wagers on the day the wager is accepted (cash basis), review the future ticket detail report and trace the report totals to the accrual basis recap report. (Revenue) Note: The "Taxable Revenue" amount on the daily summary is usually calculated on the accrual basis for write (payouts must, pursuant to Regulation 6.110, be reported on the cash basis).		
13. If the licensee reports future wagers on the day of the event (accrual basis), select 5 future tickets written and perform the following:		

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a. Trace the tickets to the future ticket detail report and verify that the write was not included in revenue on the day that the ticket was written. (Revenue)		
b. Obtain the futures back-in detail report for the day(s) of the event(s) and verify that the write was properly included in revenue on the day of the event. (Revenue)		
14. Foot and cross-foot the accrual basis recap report to verify the accuracy of the daily taxable revenue amount. (Revenue)		
15. Foot the daily taxable revenue amount from the race and sports accrual basis recap report and trace the footed total to the month-to-date amount on the race and sports accrual basis recap report. (Revenue)		
16. For the month in the previous procedure, trace the month-to-date taxable revenue per the race and sports accrual basis recap report to the general ledger and monthly NGC tax return. Examine general ledger accounts for the propriety of any activity that affects reported revenue. (Revenue)		
17. 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 race and sports on the NGC tax return (excluding no. of units).		
18. 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.		
19. For the month in which cross-property transactions occurred, verify that revenue was properly reported for applicable gaming areas. (Revenue)		
20. 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		

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Test Date Selected:		
21. 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)		
22. 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.		
23. 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 was no contest/tournament activity noted in the time periods reviewed and then also indicate the results of an inquiry of such activity.		
24. For computerized Race and Sports 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.		

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Wagering Communications/Credit Wagering		
25. Examine 3 wagering accounts with other books to ensure the following information required by Regulation 22.140(7) is properly recorded:		
a. The authorized employee of the other book's name, permanent business address (other than a post office box), and business telephone number. Regulation 22.140(7)(b)(1)		
b. The documents used to verify the other book is a book, the authorized employee is an employee of the other book and is authorized to open this wagering account. Regulation 22.140(7)(b)(2)		
c. The amount of the authorized employee of the other book's initial wagering account or front money deposit. Regulation 22.140(7)(b)(3)		
d. The authorized employee of the other book's account number with the book. Regulation 22.140(7)(b)(4)		
e. The date the authorized employee of the other book's account was opened. Regulation 22.140(7)(b)(5)		
f. Statements signed by the authorized employee of the other book:		
1) Confirming the accuracy of the information recorded. Regulation 22.140(7)(c)(1)		
2) Acknowledging receipt of a copy or has had a copy made available to them, of the book's rules and procedures for wagering communications. Regulation 22.140(7)(c)(2)		
3) Acknowledging having been informed and understanding that it is prohibited by law to place wagering communications from outside Nevada and that the book is prohibited by law from accepting them. Regulation 22.140(7)(c)(3)		
4) Acknowledging having been informed and understanding that a race book may only accept off-track pari-mutuel horse race account wagers pursuant to the provisions of Regulation 26C. Regulation 22.140(7)(c)(4)		

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5) Consenting to the monitoring and recording by the Board and the book of any wagering communications. Regulation 22.140(7)(c)(5)		
g. Statements signed by the employee who verified the authorized employee of the other book's information and who obtained and recorded the information, as well as a supervising employee stating that they witnessed the authorized employee's signature and confirmed the authorized employee of the other book's identity and residence. Regulation 22.140(7)(d)		
26. For all accounts selected in the previous steps, determine that the daily wagering limit was not exceeded (if the Regulation 22.125 Board approval letter was conditioned for a daily wagering limit).		
27. Examine 5 credit accounts established by a book permitting a patron to wager on credit, does the book: Indicate the credit accounts examined.		
a. Record and verify such information as is necessary for the efficient collection of debts, including the name and address of the patron for whom the book establishes the account in accordance with the Cage and Credit MICS?		
b. Perform identification and recordkeeping requirements equivalent to the Cage and Credit MICS?		
c. Permit a patron to wager on credit only if the initial credit line was established in person and any increase to that credit line has been requested, approved and documented pursuant to the book's system of internal control?		
d. Comply with the requirements for establishing credit accounts pursuant to the Cage and Credit MICS?		
Other Events		
28. Has the licensee accepted any wagers on events requiring approval pursuant to Regulation 22.1201 and if they have, have they only done so for events that have been properly approved?		
29. Was the Board notified that the licensee will be accepting wagers on such events?		

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30. Examine a sample of the events and determine that the licensee only took wagers on the specific outcomes that were approved and that the licensee maintained the independent source used to verify the results.		
Book Wagering Report		
31. Review race and sports book wagers for loggable or reportable nonpari-mutuel transactions. Trace such transactions to the MTL or Book Wagering Reports. Note: If no such transactions are noted for the test date but loggable/reportable transactions are known to occur regularly, select an additional test date for the performance of this step.		
32. Review MTL's for the following:		
a. The information is complete in accordance with Regulation 22.062(3) :		
1) Description of patron (or agent), which may include age, sex, race, eye color, hair, weight, height and attire.		
2) Patron's name and agent's name, if known.		
3) Window number or other identification of the location where the wager occurred.		
4) Time and date of the wager.		
5) Dollar amount of the wager.		
6) Signature or electronic signature of person accepting or approving the wager.		
b. Reportable transactions, including those transactions which when aggregated exceed \$10,000, and trace such transactions to the Book Wagering Reports.		
33. Review any Book Wagering Reports noted during the performance of the above step and ten additional Book Wagering Reports from throughout the year to ensure that the information recorded is complete in accordance with Regulation 22.061(4) : Note: Include copies of the Book Wagering Reports reviewed in the workpapers.		
a. The patron's and agent's (if applicable) name.		

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Test Date Selected:		
b. The patron's and agent's (if applicable) government issued identification credential information.		
c. The patron's and agent's (if applicable) social security number.		
d. Wager and payout amounts.		
e. Date of transactions.		
34. Verify that the reports examined for the performance of the previous step were filed in a timely manner with the Board. Regulation 22.061(4)		
Suspicious Wagers		
35. Review any Suspicious Wager Reports noted for the test date and five from throughout the year to ensure that the information recorded is complete in accordance with Regulation 22.121: Note: Include copies of the Suspicious Wager Reports reviewed in the workpapers.		
a. Date of incident.		
b. Casino reporting information.		
c. Suspect information including:		
1) Individual's last name, first name and middle initial.		
2) Description of identification credential.		
3) Social security number.		
4) Date of birth.		
d. Preparer information.		
e. Suspicious wagering information.		
36. Verify that the reports examined for the performance of the previous step were filed in a timely manner with the Board in accordance of Regulation 22.121(3).		
37. Verify that the licensee maintained supporting documentation for all suspicious wager reports examined for the performance of the previous steps and that the documentation is readily available for review by the Board. Regulation 22.121(4)		

✓ - Step completed without exception

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Test Date Selected:		
Personnel Access Listing		
38. For a computerized race and sports 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 five active employees have changed their passwords within the last 90 days.		
<u>Procedures Modified or Added:</u>		

✓ - Step completed without exception