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NGC REGULATION 6.090 WRITTEN SYSTEM OF INTERNAL CONTROL POLICIES

NGC Regulation 6.090 "Internal control for Group I licensees" requires each licensee to establish administrative and accounting procedures for the purpose of determining the licensee's liability for gaming taxes and fees under chapters 463 and 464 of the Nevada Revised Statutes and for the purpose of exercising effective control over the licensee's internal fiscal affairs. Additionally, NAC 368A.510 establishes similar internal control requirements related to the licensee's liability for live entertainment taxes under chapter 368A of the Nevada Revised Statutes.

The State of Nevada Gaming Control Board (Board) has adopted Minimum Internal Control Standards (MICS) pursuant to NGC Regulation 6.090 as the minimum requirements for internal controls over gaming operations. It is the licensee's responsibility to read and review the MICS in order to prepare a written system of internal control delineating detailed operating procedures that comply with the MICS. All Group I licensees are required to submit a written system of internal control to the Board's Audit Division. An entire written system of internal control must be submitted with an application for a Group I license. Additionally, the licensee is to ensure that their employees are trained to comply with the MICS in conducting their daily gaming operations. The MICS are available at the Board's website at <http://gaming.nv.gov>.

Preparation of a Written System of Internal Control

The written system of internal control, pursuant to NGC Regulation 6.090(2), must include the following:

1. An organizational chart depicting segregation of functions and responsibilities.
2. A description of the duties and responsibilities of each position shown on the organizational chart.
3. A detailed, narrative description of the administrative and accounting procedures in effect that demonstrates compliance with the MICS. As applicable, the detailed, narrative description of procedures include the job titles of personnel involved, the procedure(s) performed by the individual(s), when the procedure is performed, how the procedure is performed, and where the procedure is performed. A written system of internal control that simply reiterates the MICS is not adequate.
4. MICS variations granted and being used must be specifically addressed in the body of the written system of internal control including the date the variation was granted by the Board. If the variation was granted conditioned upon the alternative and/or additional procedures, the written system of internal control must specifically address the procedures.

5. Within the body of the written system of internal control, include a reference to the applicable MICS numbers. This reference will provide a method to clarify which MICS the internal control procedures are addressing.
6. A table that cross references each MICS to the page number(s), and, if applicable paragraph number(s), within the system where the MICS is addressed. This reference provides a method to ensure that internal control procedures have been included for all applicable MICS. Any MICS that is not applicable to the licensee's gaming operation must be so indicated, along with the reason the MICS is not applicable.
7. Each revenue section (e.g., slots, table games, etc.) must address the applicable Information Technology MICS.
8. In addition to procedures demonstrating compliance with the MICS, also include other internal control procedures in effect that may be unique for the gaming operation. The written system of internal control should provide an accurate reflection of internal procedures in effect for the gaming operation.

The written system of internal control includes the following:

1. Table of Contents
2. Cover page for each section that reflects:
 - a. Most recent date the section of the written system of internal control was filed with the Board's Audit Division; and
 - b. Effective date of the section of written system of internal control.
3. Each page of the written system of internal control should include a header and/or footer that indicates:
 - a. The licensee's name (in header),
 - b. Section name (in header),
 - c. Page number (in footer),
 - d. Effective date of the section of written system of internal control (in footer – right side), and
 - e. Date the section of written system of internal control was filed with the Board's Audit Division (in footer – left side).

Many of the MICS specifically require that an employee "independent of the ... department" perform a procedure and certain information be "delineated within the ... section of the written system of internal control..." or "procedures are developed and implemented to..." In such cases the written system of internal control should state who (position title) is the "independent" employee and the required information.

Please note that the written system of internal control does not need to address the licensee's NGC Regulation 5.170 program for problem gambling or the licensee's federal Bank Secrecy Act regulation program for currency transaction reporting.

Examples of Addressing MICS within the Written System of Internal Control

The Board has developed an example of a section for illustration purposes ("*Written System of Internal Control Example*") available at the Board's website at <http://gaming.nv.gov>). Additionally, the following section provides a few examples on how to properly address MICS requirements:

Example 1

Table Games MICS #1 states:

- "1. Prior to the issuance of gaming credit in the pit to a patron, the employee issuing the credit:
- a. Determines whether the credit limit has been established.
 - b. Determines the amount of available credit and whether the available credit is sufficient to cover the issuance.
 - c. Verifies the patron's identity by examining the patron's identification credential or other reasonable method to ensure the patron's identity (e.g., review of scan of driver's license on file).

Note 1: A patron's driver's license is the preferred method for verifying the patron's identity. A passport, non-resident alien identification card, other government issued identification credential or other picture identification credential normally acceptable as a means of identification when cashing checks, may also be used.

Note 2: It is recommended, but not mandatory, that in order to mitigate identity theft, the identification credential presented when issuing credit and the patron's signature on the marker be compared to a copy (or computer scan) of the patron's picture identification (if copy or scan was retained) and signature that were obtained when the patron's credit account was established."

To fully address this MICS, and to identify the employees involved and procedures used, the written system of internal control may state:

"The following procedures are required when a patron requests to be issued credit at a table game (MICS #1):

- a) The dealer or box person notifies a pit supervisor when a patron requests to be issued credit.
- b) The pit supervisor verifies the identity of the patron by examining the patron's identification credential. The identification credentials accepted are the patron's driver's license, passport, nonresident alien identification card, other government issued identification credential or other picture identification credential normally acceptable as a means of identification when cashing checks.
- c) Upon verifying the patron's identification, the pit supervisor either swipes the patron's club card through a card reader or enters the patron's name or patron's account number into the computerized casino management system to determine if the patron has an authorized credit limit, and what amount of credit is still available.

Note: If this information is not available in the computerized pit credit system, the cage is called and informed that the patron is requesting to be issued credit. The cage verifies the patron's approved, available credit and enters the patron's credit information into the computerized pit system."

Example 2

Table Games MICS #112 and #113 state:

"112. The physical custody of the keys, including duplicates, needed to access the contents of the stored, full table game drop boxes requires the physical involvement of employees from three separate departments."

"113. The physical custody of the keys, including duplicates, needed to access stored, empty table game drop boxes requires the physical involvement of at least two employees independent of the cage department."

To fully address these MICS, to explain in detail where the keys are kept, and to identify the employees involved from the different departments, the written system of internal control may state:

"The contents key, and its duplicate, to the table game drop boxes is kept in a dual-lock box in the casino cage. Security maintains a key for one of the locks and a table games supervisor maintains a key for the other lock; they both are required to go to the casino cage with their keys. The other count keys and duplicates (release, rack and count room) are kept in a second dual-lock box in the cage with security maintaining one key to the dual-lock box and the count team maintaining the other key dual-lock box. Once three count team members are present (prior to the start of the table games count), the keys to the dual-lock boxes are given to the cage cashier for access to the dual-lock boxes. The drop keys (release and count room) are kept in a third dual-lock box in the casino cage with the keys to the lock-box maintained by the table games supervisor and security. (MICS #112 and #113)"

Example 3

Slot MICS #59 states:

"59. Payouts over a predetermined amount not to exceed \$50,000 require the signature and verification of a supervisory or management employee independent of the slot department. This predetermined amount is authorized by management and is delineated within the slot department section of the written system of internal control pursuant to Regulation 6.090."

To fully address this MICS, and to identify the dollar threshold used and employees involved, the written system of internal control may state:

"Payouts over \$25,000 also require the signature and verification of a pit manager or cage manager. (MICS #59)"

Example 4

Slot MICS #66 states:

"66. Manual and computerized payouts, including jackpots, fills, cancelled credits, short pays exceeding \$10 and promotional payouts exceeding \$100 that are deducted from gross gaming revenue, are controlled and completed in a manner that precludes any one individual

from initiating and producing a fraudulent payout form, obtaining the funds, forging signatures on the payout form, routing all parts of the form, and misappropriating the funds.”

To address this MICS, explain in detail the payout process implemented to prevent fraudulent manual/computerized payout forms/procedures, addressing all aspects of the MICS. For example, addressing the procedures for jackpots of \$1,200 or more, the written system of internal control may state:

“For jackpots of \$1,200 or more, the slot floorperson (FP) verifies the jackpot and pages a slot supervisor (SS) to the slot machine, who also verifies the jackpot; then they both go the nearest terminal. After the FP enters his slot card into the card reader and his PIN number, the SS does the same; the SS’s slot card and PIN number is required to be entered before the two-part jackpot form will print. The FP and SS then go to the casino cage to obtain the funds, then the FP and cage cashier sign the top original of the form; the cage cashier keeps the top original of the form. The FP and SS go to the slot machine to pay the patron; and the FP and SS will sign the duplicate form after witnessing the payout. The FP then drops the duplicate of the jackpot form into a locked box on the casino floor. If a SS originates the jackpot procedures, the slot system will require a second, different SS to enter their slot card and PIN number into the card reader before the jackpot form will be printed. (MICS #66)”

Amendments to the Written System of Internal Control

Amendments to the written system of internal control are submitted either pursuant to NGC Regulation 6.090(10) or as annual amendments submitted pursuant to NGC Regulation 6.090(11).

Amendments to the written system of internal control should be immediately submitted, pursuant to NGC Regulation 6.090(10), prior to adding or eliminating a counter game, eliminating all table games, adding a table game at an establishment not offering table games, or adding any associated equipment. Immediate submissions should also be made for changes to critical control areas (e.g., change in key control procedures, change to begin offering pit markers, etc.).

NGC Regulation 6.090(11) requires licensees to annually submit amendments to their internal control system that do not affect compliance with the MICS or were not previously submitted to the Board pursuant to Regulation 6.090(10). In other words, if a control procedure was changed to a non-critical control area but the changed procedure still complied with the MICS, the related amendment would be made to the written system of internal control. However, this amendment is filed with the annual submission to the Board. If no changes have been made to a system, a written representation that no changes have been made is unnecessary. The Board considers the written system of internal control unchanged if no notification is received. For this requirement, the date of annual submission is determined at the discretion of the licensee (starting with a date selected during the calendar year 2009). Once the annual date is determined, any amendments, if any, are submitted on the annual date every 12 months thereafter.

MICS Variations

The licensee may only implement internal control procedures that do not satisfy the MICS if a variation is granted by the Board Chairman, in writing, as allowed by NGC Regulation 6.090(8). Upon receiving written approval for a MICS variation from the Board, an amendment is made to the written system of internal control and is immediately submitted to the Board. As stated previously, a variation granted and being used by a licensee must be specifically

addressed in the body of the written system of internal control including the date the variation was granted by the Board and, if any, the required alternative and/or additional procedures.

When new MICS are adopted, licensees who have received variations from previous versions of the MICS should compare those variations to the current MICS to determine if the standard number changed, or in some instances, the standard was eliminated or revised. If the MICS have been revised to include the conditions of the variation previously granted, the variation is considered moot and compliance with the current MICS is required. Further, if the standard for which a variation had previously been granted has been revised to include additional procedures, the variation does not extend to the new requirements. Otherwise, all variations previously granted are still in effect, unless specifically notified by the Board. Additionally, all associated equipment approvals granted by the Board in the past that refer to procedures in specific versions of the MICS should now be applied to the current version.

Submission of a Written System of Internal Control

A licensee submitting an entirely new written system of internal control, an amendment, annual amendments, or an applicant for a Group I gaming license submitting a written system of internal control, must submit to the Board a signed *Internal Control System Submission Summary* (form available at the Board's website at <http://gaming.nv.gov>). The *Internal Control System Submission Summary* is signed by the licensee's chief financial officer and either the licensee's chief executive officer or a licensed owner, attesting that the system satisfies the requirements of the NGC Regulation 6.090 and the MICS. Annual amendment submissions, pursuant to NGC Regulation 6.090(11), only require the signature of the licensee's chief financial officer.

A licensee or an applicant for a Group I gaming license submitting a signed *Internal Control System Submission Summary* meets the submission requirements of NGC Regulation 6.090(2)(d) for a written statement attesting that the system satisfies the requirements of NGC Regulation 6.090. An applicant is also required to submit, pursuant to NGC Regulation 6.090(2)(e), an attest letter from independent accountant stating that the applicant's written system of internal control has been reviewed by the accountant and complies with the requirements of NGC Regulation 6.090.

Submission by E-Mail

The written system of internal control should be submitted by e-mail to the Board's Audit Division at lvaudit.filings@gcb.nv.gov for southern licensees or rnaudit.filings@gcb.nv.gov for northern licensees. To facilitate such e-mail filings, the following is to be included in the e-mail:

1. Include a signed *Internal Control System Submission Summary* as a pdf attachment. Alternatively, a fax of the signed *Internal Control System Submission Summary* is also acceptable (FAX #: northern licensees (775) 823-7272; southern licensees (702) 486-3543)
2. For amendments to a section of the written system of internal control, submit an **entirely new section (not the entire written system of internal control)**. Also, if possible, please submit a version (prefer only pages with changes) that shows the changes made from the previous version of the written system of internal control (e.g., a version with deletions crossed out in red and insertions in blue).
3. Review dates in the documents' footers for accuracy.

4. Each section of the written system of internal control should be sent as a separate "Word" (2002 or earlier version) or "pdf" attachment (only if unable to use "Word"). In some cases, more than one e-mail may be required due to the size of the documents.
5. Include in the "subject line" of the e-mail the licensee's name, licensee's Board location ID number and date of the filing of the written system of internal control.
6. The Audit Division will e-mail an acknowledgement of receiving submitted documents, and the Audit Division's e-mail is to be maintained for a record that the submission was received by the Board.

Submission by Mail or Hand Delivery

A hard copy of the written system of internal control may be submitted by mail loose-leaf format, and not permanently bound or included in a binder, which will facilitate future copying and insertion of subsequent amendments. A signed *Internal Control System Submission Summary* is to accompany the submission. Hard copies should be submitted to:

For northern licensees:

State Gaming Control Board
Audit Division
6980 Sierra Center Parkway, Suite 120
Reno, NV 89511

For southern licensees:

State Gaming Control Board
Audit Division
555 East Washington Avenue, Suite 2600
Las Vegas, Nevada 89101