

REGULATION 6

ACCOUNTING REGULATIONS

6.090 Internal control for Group I licensees. As used in this section, "licensee" means a Group I licensee and "chairman" means the chairman or other member of the state gaming control board.

1. Each licensee shall establish administrative and accounting procedures for the purpose of determining the licensee's liability for taxes and fees under chapters 463 and 464 of NRS and for the purpose of exercising effective control over the licensee's internal fiscal affairs. The procedures must be designed to reasonably ensure that:

- (a) Assets are safeguarded;
- (b) Financial records are accurate and reliable;
- (c) Transactions are performed only in accordance with management's general or specific authorization;
- (d) Transactions are recorded adequately to permit proper reporting of gaming revenue and of fees and taxes, and to maintain accountability for assets;
- (e) Access to assets is permitted only in accordance with management's specific authorization;
- (f) Recorded accountability for assets is compared with actual assets at reasonable intervals and appropriate action is taken with respect to any discrepancies; and
- (g) Functions, duties, and responsibilities are appropriately segregated and performed in accordance with sound practices by competent, qualified personnel.

2. Each licensee and each applicant for a nonrestricted license shall describe, in such manner as the chairman may approve or require, its administrative and accounting procedures in detail in a written system of internal control. Each licensee and applicant for a license shall submit a copy of its written system to the board. Each written system must include:

- (a) An organizational chart depicting segregation of functions and responsibilities;
- (b) A description of the duties and responsibilities of each position shown on the organizational chart;
- (c) A detailed, narrative description of the administrative and accounting procedures designed to satisfy the requirements of subsection 1;
- (d) A written statement 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 this section;
- (e) If the written system is submitted by an applicant, a letter from an independent accountant stating that the applicant's written system has been reviewed by the accountant and complies with the requirements of this section; and
- (f) Such other items as the chairman may require.

3. The chairman shall adopt and publish minimum standards for internal control procedures that in the chairman's opinion satisfy subsection 1. At least 45 days prior to adopting or revising minimum standards, the chairman shall:

- (a) Publish notice of the proposed action in such newspapers as the commission shall prescribe;
- (b) Mail a copy of the proposed minimum standards or revision and a copy of this section of Regulation 6 to every Group I licensee and every person who has filed a request therefor with the commission; and
- (c) Provide a copy of the proposed minimum standards or revision to the commission.

4. Prior to adopting or revising the minimum standards, the chairman shall consider all written statements, arguments, or contentions submitted by interested parties within 30 days of service of the notice provided for in subsection 3.

5. The chairman shall send written notice that he has adopted standards pursuant to subsection 3 to all Group I licensees and to every person who has filed a request therefor with the commission.

6. Not later than 30 days after service of written notice that the chairman has adopted or revised the minimum standards, any Group I licensee may object to the minimum standards or revisions by filing a written objection with the commission. If a licensee files an objection, the effective date of the standards or revisions is stayed. The commission may, on its own initiative, review the minimum standards or revisions adopted by the chairman and may stay the effective date of the standards or revisions. If no objections are filed within 30 days, or the commission does not stay the effective date in order to review the minimum standards or revisions, the

minimum standards or revisions shall become effective. If objections to particular portions of the minimum standards or revisions are filed, the portions of the minimum standards or revisions not objected to shall become effective upon expiration of the 30 days. If the commission fails to sustain an objection within 60 days of its filing, the objection will be deemed denied and the minimum standards shall become effective upon expiration of the 60 days. If the commission sustains the objection, the chairman shall revise the minimum standards to reflect the order of the commission. The chairman shall send written notice of the effective date of the standards to all Group I licensees and every person who has filed a request therefor with the commission.

7. Not later than 30 days after service of written notice that the minimum standards adopted or revised pursuant to this section are effective, each licensee whose procedures are affected by the minimum standards or revisions shall amend its written system, submit a copy of the written system as amended to the board, and comply with the standards and system as amended. The chairman, in his sole and absolute discretion, may extend the time for complying with this subsection.

8. The licensee may not implement a system of internal control procedures that does not satisfy the minimum standards unless the chairman, in his sole discretion, determines that the licensee's proposed system satisfies subsection 1, and approves the system in writing. Within 30 days after a licensee receives notice of the chairman's approval of procedures that satisfy the requirements of subsection 1, but that do not satisfy the minimum standards, the licensee shall comply with the approved procedures, amend its written system accordingly, and submit to the board a copy of the written system as amended and a written description of the variations signed by the licensee's chief financial officer and either the licensee's chief executive officer or a licensed owner.

9. Each licensee shall require the independent accountant engaged by the licensee to examine the financial statements or to review the licensee's financial statements to submit to the licensee 2 copies of a written report of the compliance of the procedures and written system with the minimum internal control standards. Using the criteria established by the chairman, the independent accountant shall report each event and procedure discovered by or brought to the accountant's attention that the accountant believes does not satisfy the minimum standards or variations from the standards that have been approved by the chairman pursuant to subsection 8. Not later than 150 days after the end of the licensee's business year, the licensee shall submit a copy of the accountant's report or any other correspondence directly relating to the licensee's systems of internal control to the board accompanied by the licensee's statement addressing each item of noncompliance noted by the accountant and describing the corrective measures taken. Unless the chairman approves otherwise in writing, in the event of a license termination, change in business entity, or a change in the percentage of ownership of more than 20 percent, the licensee or former licensee shall, not later than 150 days after the event, submit a copy of the accountant's report or any other correspondence directly relating to the licensee's systems of internal control to the board accompanied by the licensee's statement addressing each item of noncompliance noted by the accountant and describing the corrective measures taken covering the period since the period covered by the previous report. If a license termination, change in business entity, or a change in the percentage of ownership of more than 20 percent occurs within 150 days after the end of a business year for which a report has not been submitted, the licensee may submit a report covering both the business year and the final period of business.

10. Before adding or eliminating a counter game; eliminating all table games; adding a table game at a gaming establishment not offering table games; adding any computerized system that affects the proper reporting of gross revenue; adding any computerized system of betting at a race book or sports pool; or adding any computerized system for monitoring slot machines or other games, or any other computerized associated equipment, the licensee must:

(a) Amend its accounting and administrative procedures and its written system of internal control to comply with the minimum standards;

(b) Submit to the board a copy of the written system as amended, and a written description of the amendments signed by the licensee's chief financial officer and either the licensee's chief executive officer or a licensed owner;

(c) Comply with any written requirements imposed by the chairman regarding administrative approval of computerized associated equipment; and

(d) After paragraphs (a) through (c) have been complied with, implement the procedures and written system as amended.

11. Each licensee shall annually report any amendments to the licensee's procedures and written system, not reported pursuant to Regulation 6.090(10), that have been made since the previous annual report. The report must include either a copy of the written system as amended or a copy of each amended page of the written system, and a written description of the amendments signed by the licensee's chief financial officer.

12. If the chairman determines that a licensee's administrative or accounting procedures or its written system does not comply with the requirements of this section, the chairman shall so notify the licensee in writing. Within 30 days after receiving the notification, the licensee shall amend its procedures and written system accordingly, and shall submit a copy of the written system as amended and a description of any other remedial measures taken.

13. Each licensee shall comply with its written system of internal control submitted pursuant to subsection 2 as it relates to compliance with the minimum standards, variations from the minimum standards approved pursuant to subsection 8, and Regulation 14 associated equipment approvals.

14. Failure to comply with subsection 13 is an unsuitable method of operation.

15. Using guidelines, checklists, and other criteria established by the chairman, the licensee's internal auditor shall perform observations, document examinations, and inquiries of employees to determine compliance with applicable statutes, regulations, and minimum internal control standards. Two copies of the internal auditor's report summarizing all instances of noncompliance and management responses must be submitted to the board within 120 days after the end of the first six months of the licensee's business year and must include all work required to be performed during that six-month period along with any additional procedures that were performed. Noncompliance noted in the second half of the business year must be submitted to the board within 120 days after the end of the business year unless the noncompliance is to be disclosed in the independent accountant's report submitted pursuant to Regulation 6.090(9).

(Adopted: 10/87. Formerly Reg. 6.090A. Amended: 2/00; 5/03; 6/30/07.)