

CARD GAMES

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| Auditor's Name and Date |
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Internal Audit Compliance Checklist

**CARD GAMES
WALK-THROUGH PROCEDURES**

Licensee: _____ Review Period: _____

NGC Regulation 6.090(15) requires the internal auditor to use guidelines, checklists and other “criteria established by the chairman” 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 |
|-----------------|--------------------|----------|
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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 Chairman 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 Card Games, Version 8 or to the applicable regulation/statute.

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 GCB 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 card games department. For all unreported associated equipment, cite violations of **Regulation 14.290**. 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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Licensee: _____ Review Period: _____

| 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.) |
|-----------------------|---------------------------|--|--|---------------------|
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Note: 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.

| 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 GCB 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 Card Games 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 |
|---|-----|----|-----|-------------------------|
| Card Games Rake-Off/Time Buy Ins | | | | |
| 3. Does each card table have one card game drop box with a drop slot located at least four inches in front of the table tray, and to the right thereof, or drop slot located at least two inches to the right of and even with the top right-hand corner of the table tray with a cover over the drop slot, which when activated will cause the rake to drop directly into the drop box? Regulation 23.025 | | | | |
| 4. Are cash or chips received for the sale of stakes not commingled with any rake-offs or other compensation received by the licensee from the players for the right to play? Regulation 23.030 | | | | |
| 5. Are rake-offs limited to 10% of all sums wagered in the hand? Regulation 23.050 | | | | |
| 6. Are rake-offs only pulled from the pot by the dealer in an obvious manner after each wager and call or at the completion of the hand? Regulation 23.050 | | | | |
| 7. Is the rake-off placed in a designated rake circle? Regulation 23.050 | | | | |
| 8. Does the rake then remain in the designated rake circle until a winner is declared and paid, and then dropped into the card game drop box? Regulation 23.050 | | | | |
| 9. Is the rake circle clearly visible to all players and located as required in Regulation 23.025 ? | | | | |

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| Questions | Yes | No | N/A | Comments, W/P Reference |
|--|-----|----|-----|-------------------------|
| 10. Are all time buy-ins or other fees charged, immediately placed into the card game drop box? Regulation 23.050 | | | | |
| Walk-Through of Drop and Count Procedures | | | | |
| 11. Per discussions and/or examination of the drop box release key control log (if applicable), is the drop performed only at the submitted times, even when game activity concludes prior to that time? Regulation 6.130 | | | | |
| 12. Are all card game tables and corresponding drop boxes permanently numbered and visible at a distance of twenty feet? Regulation 23.025 | | | | |
| 13. Are the marker buttons removed only by the dealer after the transaction has been completed? Regulation 23.040 | | | | |
| 14. If there is no card room bank, has written approval been obtained from the Board to use a cashier's cage in lieu of a card room bank? Regulation 23.045 | | | | |
| 15. Are card room banks used exclusively for the purpose of the issuance and receipt of shill funds, the maintenance of card table banks used in card games, and the purchase and redemption of chips by players? Regulation 23.045 | | | | |
| 16. Are all card table banks used only for the purpose of making change or handling player buy-ins? Regulation 23.045 | | | | |

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| Questions | Yes | No | N/A | Comments, W/P Reference |
|--|-----|----|-----|-------------------------|
| Shills/Proposition Players | | | | |
| 17. Are shills restricted from checking and raising or playing in any manner between themselves or in collusion with others to the disadvantage of other players within the game? Regulation 23.065 | | | | |
| 18. Is a sign displayed that is legible from each table which states: "Nevada Gaming Regulations allow the use of shills and proposition players. Shills and proposition players shall be identified by management upon request"? Regulation 23.065 | | | | |
| 19. Are employment records maintained on each individual engaged as a shill or proposition player? Regulation 23.065 | | | | |
| 20. Is a list of all shills and proposition players maintained at the card room bank and readily available for inspection? Regulation 23.065 | | | | |
| 21. Are procedures maintained which ensure that all advances to a shill and winnings of a shill shall be utilized only for wagering in card games and are turned into the card room bank at the conclusion of play? Regulation 23.065 | | | | |
| 22. Are persons who participate in the management or supervision of games subject to Regulation 23 permitted to act as a shill or proposition player in the establishment where employed only when supervision is otherwise provided? Regulation 23.065 | | | | |

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| Questions | Yes | No | N/A | Comments, W/P Reference |
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| 23. Does the licensee provide that: a) No more than two proposition players may play in a card game and no more than a combination of four skills and proposition players may play in a card game? Regulation 23.065 | | | | |
| b) Skills may only wager chips or coins? Regulation 23.065 | | | | |
| c) No dealer may wager in any game in which he is dealing? Regulation 23.070 | | | | |
| d) No stakes players are utilized? Regulation 23.070 | | | | |
| Card Games Rules | | | | |
| 24. Are the rules of each game posted and clearly legible from each table? Regulation 23.080 | | | | |
| 25. Do the posted rules designate the following: The maximum rake-off percentage, time buy-in, or other fees charged, the number of raises allowed, the monetary limit of each raise, the amount of ante, and other rules as may be necessary? Regulation 23.080 | | | | |
| 26. If credit is issued to card game players, is credit play not deducted from gross revenue? Regulation 6.120(1) | | | | |
| Surveillance | | | | |
| 27. Is adequate video surveillance provided over the card games area? Regulation 5.160(6) and Surveillance Standard #3 | | | | |

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| Questions | Yes | No | N/A | Comments, W/P Reference |
|--|-----|----|-----|-------------------------|
| <p>Free Play and Promotional Items</p> <p>28. If free play or promotional items are <u>currently</u> being offered, is the accounting treatment proper? NRS 463.0161, NRS 463.3715 and Regulation 6.110</p> | | | | |
| <p>In-house Progressive Payoff Schedules</p> <p>29. Scan progressive meter readings, including those offered in conjunction with a card games tournament, contest or promotion, for the most recent two weeks and determine that:</p> <p>a) The base amount of each progressive payoff is recorded pursuant to Regulation 5.110(2) (the base amount should be recorded when first exposed for play and subsequent to each payoff).</p> | | | | |
| <p>b) The amount of each progressive payoff schedule is recorded at least one time daily. Regulation 5.110(2)</p> | | | | |
| <p>c) The payoff amount has increased since the prior recording [unless related to reasons allowed pursuant to Regulation 5.110(4), Regulation 5.110(5) and (6)].</p> | | | | |

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| Questions | Yes | No | N/A | Comments, W/P Reference |
|--|-----|----|-----|-------------------------|
| d) The payoff amount on the progressive payoff schedule has not been decreased except as allowed by Regulation 5.110(5) . (Any reduction should be supported by appropriate documentation pursuant to Regulation 5.110(2) and 5.110(5), such as a notation of a payoff, a meter repair slip, etc.). | | | | |
| e) Changes in the rate of progression are documented pursuant to Regulation 5.110(3) . If no changes are detected, inquire with licensee personnel to determine if they would document such changes. | | | | |
| <u>Procedures Modified or Added:</u> | | | | |
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Internal Audit Compliance Checklist

**CARD GAMES
TESTING PROCEDURES**

Licensee: _____ Review Period: _____

NGC Regulation 6.090(15) requires the internal auditor to use guidelines, checklists and other “criteria established by the chairman” 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 card games are adequate to ensure card games 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 8 of the standards. Licensees must be in compliance with these standards by 3/1/18.
- 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.

Scope:

Unless otherwise indicated, select 1 day per year. **Indicate Test Date:** _____

MICS Variations and Regulation Waivers:

Review the MICS variations and regulation waivers scheduled during the card games 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.) |
|-----------------------|---------------------------|--|--|---------------------|
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✓ - Step completed without exception

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Licensee: _____ Review Period: _____

| Test Date Selected: | Step completed without exception | Exception/Comment |
|---|----------------------------------|-------------------|
| 1. Review prior internal audit reports. Schedule any relevant exceptions cited, including those cited by the GCB 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 and cross-foot the card games drop on the master games summary. (Revenue) | | |
| 3. Examine the master games summary for: | | |
| a) Trace the count team members to the licensee's Regulation 6.130 filings. Note: If the test date falls in the current quarter and an employee was hired during the current quarter, indicate the date the employee started in the count and complete the step for this employee during the next card games department contact. | | |
| b) Proper treatment of skill play and free play and promotional items. (Revenue) | | |
| 4. Determine if win has been properly computed on the master games summary. (Revenue) | | |
| 5. Trace cash drop on the master games summary to cage accountability or cash summary sheets. (Asset Protection) | | |
| 6. Trace card games win on the master games summary to the daily amount for card games win indicated on the monthly card games recap report. (Revenue) | | |
| 7. For the month in which a test day was selected, foot the daily amount of card games win in the monthly card games recap report and trace the footed total to the month-to-date amount on the card games recap report. (Revenue) | | |

✓ - Step completed without exception

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| <p>Test Date Selected:</p> | <p>Step completed without exception</p> | <p>Exception/Comment</p> |
|---|---|--------------------------|
| <p>8. For the month in the previous procedure, trace the month-to-date win per the card games 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)</p> | | |
| <p>9. If promotional pots and pools have been offered, for one test day, review a cash reconciliation form to determine that at least once a day, increases/decreases to the progressive sign/meter were reconciled to the cash previously counted or received by the cage. MICS #25</p> <p>Note: Indicate test day if different from above.</p> | | |
| <p>10. 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 to determine that entry fees and prize payouts do not have an effect on reported revenue. NRS 463.0161(2)(e) and NRS 463.0161(1)</p> <p>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.</p> | | |
| <p>11. Review the appropriate documentation to determine that: Regulation 6.110</p> <p>a) Compensation received from conducting card games is included in gross revenue.</p> | | |
| <p>b) Card room bank and card table bank overages/shortages are excluded from the computation of gross revenue.</p> | | |

✓ - Step completed without exception

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| Test Date Selected: | Step completed without exception | Exception/Comment |
|---|----------------------------------|-------------------|
| c) Skill wins and losses are excluded from the computation of gross revenue. | | |
| <p>12. For computerized card game 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)</p> <p>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.</p> | | |
| 13. For a computerized card game system, at the application level, obtain the user access 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. | | |
| d) Verify that 5 active employees have changed their passwords within the last 90 days. | | |

✓ - Step completed without exception

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| | Step completed without exception | Exception/Comment |
|---|----------------------------------|-------------------|
| Test Date Selected: | | |
| <u>Procedures Modified or Added:</u> | | |
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✓ - Step completed without exception