

BRANCH OFFICES

Auditor's Name and Date

Internal Audit Compliance Checklist

**BRANCH OFFICES
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

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 Cage and Credit, Version 8 or to the applicable regulation/statute.

Scope:

As used in this checklist, the term “branch office” includes physical offices that can take possession of currency and/or monetary equivalents from a patron for account deposits and/or payment on credit instruments. The branch office is responsible for the funds received and is required to record the transactions on a branch office accountability form. A branch office can be within another business, a residence, or any other physical space. A branch office can be operated by a licensee’s employee, marketing representative or an independent agent. This term does not include branch offices operated by an independent agent who the licensee has not authorized to accept, on the licensee’s behalf, account deposits or payments on credit instruments. A single branch office may be used by multiple licensees.

As used in this checklist, the term “independent agent” means an individual meeting such definition at NRS 463.0164 and having been authorized to accept, on the licensee’s behalf, account deposits or payments on credit instruments.

Branch offices and/or independent agents that either took possession of more than \$500,000 (cash or non-cash) in deposits or collected, in total, more than \$500,000 (cash or non-cash) on credit instruments during the previous fiscal year, or more than \$500,000 in the fiscal year to date are visited and compliance reviewed at **least every other year**.

Branch offices not meeting the aforementioned \$500,000 criteria are visited and compliance reviewed at **least once every five years**.

Verified per representation
Verified per observation/examination

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This walk-through checklist is intended for such visits and should not be completed as part of "in-house" walk-through procedures. **Review the list of branch offices (Cage and Credit MICS #94) and independent agents (Cage and Credit MICS #95) submitted to the Board's Audit Division (Cage and Credit MICS #96) in determining which branch offices are to be visited. A copy of this list should be included in the internal audit workpapers.**

Indicate Branch Office Visited and Date of Visit: _____

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.

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. Has the written system of internal control for branch office procedures been read prior to the completion of this checklist to obtain an understanding of branch office procedures?				
3. If outstanding credit instruments are transferred to the branch office, is a copy of the credit instrument retained and a receipt sent to the licensee ("home office")? (MICS #18)				
4. Does the branch office maintain a detailed listing of outstanding credit instruments in its custody? (MICS #20)				

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Questions	Yes	No	N/A	Comments, W/P Reference
5. Is the above listing prepared or reviewed and signed by a "home office" individual independent of credit transactions and collections thereon? (MICS #21)				
6. Are all payments on outstanding credit instruments received at the branch office permanently recorded at the "home office" and on the records of the office? (MICS #22)				
7. When partial payments are made on credit instruments in the custody of the branch office (includes personal checks, payroll checks and cashier's checks), and the original instruments are not replaced with a marker for the remaining balance, are they evidenced by a multi-part, sequentially-numbered receipt (or other equivalent document) which contains:				
a. The same receipt number on all copies? (MICS #23)				
b. Patron's name? (MICS #23)				
c. Date of payment? (MICS #23)				
d. Dollar amount of payment and nature of settlement (cash, checks, etc.)? (MICS #23)				
e. Signature of individual receiving payment? (MICS #23)				

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<p>f. Marker number or other identifying characteristic of the credit instrument on which payment is being made? (MICS #23)</p> <p>Note: The marker number may be recorded at the "home office" rather than at the branch office.</p>				
<p>8. Are records of all correspondence, transfers to and from the "home office", and other documents related to issued credit instruments maintained? (MICS #30)</p>				
<p>9. Are written-off or settled/discounted credit instruments approved by at least two management officials, at least one of whom is independent of the initial credit limit approval process, and the issuance and collection of credit relative to the patron's credit account, and is it authorized in writing? (MICS #32)</p> <p>Note: The job titles of management personnel required to review and grant such approval are delineated within the cage and credit section of the written system of internal control. (MICS #32, Note)</p>				
<p>10. Are such authorizations not made by branch office personnel? (MICS #32)</p>				

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Questions	Yes	No	N/A	Comments, W/P Reference
11. Is the receipt or withdrawal of a customer deposit evidenced by at least a two-part document with one copy going to the customer and one copy remaining in the branch office files? (MICS #50)				
12. Does each part of the sequentially-numbered receipt contain the following information:				
a. Same receipt number on all copies? (MICS #51)				
b. Customer's name and signature? (MICS #51)				
c. Date of deposit/withdrawal? (MICS #51)				
d. Dollar amount of deposit/withdrawal? (MICS #51) Note: For foreign currency transactions in a branch office, the name of the foreign country, the amount of the foreign currency by denomination and its U.S. dollar equivalent is also documented. (MICS #51d)				
e. Nature of deposit/withdrawal (e.g., cash, check, chips)? (MICS #51)				
f. Branch office location where the deposit/withdrawal was transacted? (MICS #51)				

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Questions	Yes	No	N/A	Comments, W/P Reference
g. Employee's name and signature who conducted the transaction? (MICS #51) Note: Provided ALL of the above information (a through g) is available, the only required information for all copies of the receipt is the receipt number.				
13. Have procedures been established to: a. Maintain a detailed record by patron name and date of all funds on deposit held in the branch office? (MICS #52)				
b. Maintain a current balance of all customer deposits which are in the branch office inventory or accountability? (MICS #52)				
c. Reconcile this current balance with the deposits and withdrawals at least daily? (MICS #52)				
14. Is access to outstanding credit instruments restricted to persons authorized by management? (MICS #27)				
15. Is a reasonable effort, as defined by Regulation 6.120(3) , made to collect outstanding casino accounts receivable?				
16. Are settlements made for the purposes set forth in Regulation 6.120(5) ?				
17. Are settlements documented pursuant to Regulation 6.120(6) ?				

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Questions	Yes	No	N/A	Comments, W/P Reference
18. Are completed, written-off or settled/discounted credit instrument documents mailed to the accounting department within 72 hours of when the patron's credit account records are updated? (MICS #33)				
19. Does a "home office" employee independent of branch office operations and the cage department, for one day each year, reconcile the credit instrument collections as recorded by the branch office to the patrons' credit accounts? Additionally, are the branch office bank deposits, consisting of patron credit collections, traced to the appropriate bank statement and then to the patrons' credit accounts looking for any unrecorded payment? (MICS #83)				
20. At least monthly, does a "home office" employee independent of branch office operations and the cage department reconcile the listing prepared pursuant to MICS #20 to the credit issuances and payments recorded by the cage? (MICS #93)				
21. Does the branch office maintain the following documents:				

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Questions	Yes	No	N/A	Comments, W/P Reference
<p>a. A separate monthly log, by day, of payments received on credit instruments that includes the patron's name on account to which the payment is being applied, the name of individual making the payment (if different than the patron), date of payment, dollar amount of payment, nature of payment (e.g., cash, check) and the name of licensee(s) for which the payment is accepted if the office is utilized by more than one licensee? If applicable, does the log, or a summary log, include monthly subtotals for each licensee utilizing the branch office, and a monthly grand total? (MICS #97) Verify by examination.</p>				
<p>b. A separate monthly log, by day, of all funds deposited and withdrawn that includes the patron's name, date of deposit/withdrawal, dollar amount of deposit/withdrawal, nature of deposit (e.g., cash, check), nature of withdrawal (e.g., cash, marker payment), the new ending account balance, and the name of the licensee(s) for which the payment is accepted if the office is utilized by more than one licensee? If applicable, does the log, or a summary log, include for deposits and for withdrawals monthly subtotals for each licensee utilizing the branch office, and monthly grand totals? (MICS #97) Verify by examination.</p>				

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<p>c. A monthly record of currency exchange rate gains and losses and money changer fees in conjunction with a patron's payment on credit instruments that includes the patron's name, date of receipt, dollar amount of payment, and the name of the licensee(s) for which the payment is accepted if the office is utilized by more than one licensee. If applicable, does the log, or a summary log, include monthly subtotals for each licensee utilizing the branch office, and a monthly grand total? (MICS #97) Verify by examination.</p> <p>Note 1: The accounting/finance department of the "home office" rather than the branch office may maintain this information. (MICS #97)</p> <p>Note 2: The money changer fees paid by the patron is included in the dollar amount of collections reported on the NGC tax returns. Additionally, the dollar amount of collections reported on the NGC tax returns should not be adjusted for the currency exchange rate gain or loss in conjunction with a patron's payment. (MICS #97, Note)</p>				
<p>22. Has the name of the branch office visited, the total previous fiscal year collections and deposit amounts for that office, and date of visit been added to the master list of branch office visits performed by internal audit? This list is maintained for branch office scheduling purposes and for review by GCB and CPA.</p>				

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Questions	Yes	No	N/A	Comments, W/P Reference
<u>Procedures Modified or Added:</u>				

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**BRANCH OFFICES
TESTING PROCEDURES**

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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, regulation, and Minimum Internal Control Standards (MICS). The use of this checklist satisfies these requirements.

Objectives:

To determine if the controls for branch offices are adequate to ensure credit and collection procedures comply with the Regulations and the MICS.

Scope:

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Branch offices not meeting the aforementioned \$500,000 criteria are visited and compliance reviewed at **least once every five years**.

This walk-through checklist is intended for such visits and should not be completed as part of “in-house” walk-through procedures. **Review the list of branch offices (Cage and Credit MICS #94) and independent agents (Cage and Credit MICS #95) submitted to the Board’s Audit Division (Cage and Credit MICS #96) in determining which branch offices are to be visited. A copy of this list should be included in the internal audit workpapers.**

Indicate Branch Office Visited and Date of Visit:

Preparation:

Review the MICS variations and regulation waivers scheduled during the cage and credit walk-through procedures. Review the written system of internal control, including collection practices when applicable, for any additional controls concerning branch offices. Modify and/or perform additional procedures as applicable. Note below the number of the procedure modified or added. Only the last two columns need to be completed if the remaining information is scheduled elsewhere. Refer to the workpaper where the details are scheduled.

✓ - Step completed without exception

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Date Approval Granted	MICS Number or Regulation	Description of Variation/Waiver Granted	Number(s) of Procedure Modified or Added	W/P Ref. (if appl.)

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 standards 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) 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.

				Step completed without exception	Exception/Comment
Branch Office:		Test Date:			
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. Prior to the branch office visit, obtain a current listing of the accounts held by the branch office. Reconcile this listing to the credit instruments contained in the branch office. (MICS #20) Note: This should be done by individual account, not by population.					
3. For the current listing selected in the previous step, trace a sample of 5 patron account balances to the casino accounts receivable listings. (MICS #68)					

✓ - Step completed without exception

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				Step completed without exception	Exception/Comment
Branch Office:		Test Date:			
4. Inquire as to the whereabouts of deposits that are being held by the branch office (e.g., safe or desk in the branch office, bank safe deposit box), count the funds and have the branch office representative account for said funds. All amounts counted are traced to the amount recorded on the appropriate accountability form to ensure the proper amount is recorded. Documentation is maintained evidencing the count amounts for each area and the subsequent comparison to the appropriate accountability form. (Asset Protection)					
5. Review the collection effort for all active accounts to ensure that a reasonable effort was documented. Regulation 6.120(3)					
6. For any written-off accounts in the branch office inventory, review the collection effort to ensure that a reasonable effort was documented prior to write-off. Regulation 6.120(3)					
7. For any settled accounts in the branch office inventory, examine the settlement forms for the following requirements imposed by Regulation 6.120(6) :					
a. Debt is settled with the patron or his representative [as further explained in Regulation 6.120(6) .					
b. The settlement is authorized by persons designated to do so in the licensee's system of internal control and is reflected in a single document including the items listed below: Regulation 6.120(6)(b)					
1) Patron's name.					
2) The original amount of the credit instrument.					
3) The amount of the settlement stated in words.					
4) The date of the agreement.					
5) The reason for the settlement.					

✓ - Step completed without exception

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				Step completed without exception	Exception/Comment
Branch Office:		Test Date:			
6) The patron's signature.					
8. Determine whether any of the settlement forms examined in the previous step have been in the branch office over 72 hours of when the patron's credit account records are updated. (MICS #33)					
9. Reconcile the current day's front money balance on the branch office accountability to underlying documentation. (Asset Protection)					
Obtain the most recent month's bank records for the branch office for the performance of step #10.					
10. Reconcile the portion of bank deposits which include payments on markers to the total collections amount recorded on the branch office log and appropriate cage records to ensure that all collections are being properly recorded. (Revenue)					
11. Upon returning to the home office, trace the most recent month's collections recorded in the branch office to the home office records. (Revenue)					
12. Obtain a copy of the most recent annual "Branch Office Report" submitted to the Board's Audit Division; verify the accuracy of the collections, deposits and withdrawals recorded for the branch office visited on this report. Note: The branch office's monthly logs indicating the payments received and the deposit/withdrawal transactions are to be used for this procedure.					
<u>Procedures Modified or Added:</u>					

✓ - Step completed without exception