

STATE OF NEVADA
GAMING CONTROL BOARD
MINIMUM INTERNAL CONTROL STANDARDS

ENTERTAINMENT

Note 1: Pursuant to the “taxpayer” definition included at NRS 368A.110, the person or entity who is licensed to conduct gaming at the licensed gaming establishment where live entertainment (see NRS 368A.090) is provided is responsible for the payment of the entertainment tax even if some other person or entity is providing entertainment. Additionally, pursuant to NRS 368A.110(3), when the entertainment is provided at a publicly owned facility or on public land, the gaming licensee that receives payment for live entertainment is responsible for remitting the tax and compliance with these MICS.

Note 2: Pursuant to NRS 368A.160 if a person or entity other than the licensee offers entertainment subject to the entertainment tax on the licensee’s premises, the licensee must keep all records required by NRS 463, NAC 368A and Regulation 6. Alternatively, the licensee may require the person or entity that offers the entertainment to keep such records, as long as the records are provided to the Board upon request in a timely manner.

Note 3: When a person or entity other than the licensee offers entertainment subject to the entertainment tax on the licensee’s premises, the licensee must comply with all of the Entertainment MICS (and any related IT MICS). Alternatively, the licensee may require the person or entity offering entertainment to perform the required procedures; however, the responsibility for compliance remains with the licensee.

Note 4: For any Board-authorized computer applications, alternate documentation and/or procedures which provide at least the level of control described by these MICS as determined by the Audit Division will be acceptable, and a MICS variation pursuant to Regulation 6.090 will be unnecessary.

Note 5: The term “entertainment sales” as used in these MICS includes amounts collected for admissions and sales of food, beverage, and merchandise.

Entertainment Sales Controls

Note: MICS #1 through #9 apply to all sales in areas subject to entertainment tax.

1. All sales are recorded in such a manner as to be readily identifiable by individual sale, in total, and by area for applicable periods of entertainment status. For sales recorded in a computerized point-of-sale system, the date/time and transaction number is also recorded for each individual sale.

Note 1: If a point-of-sale system does not record the time each item on the check was ordered or identify each item as being taxable or nontaxable at the time ordered, and instead classifies all sales posted to a check as being taxable or nontaxable based upon when the check was opened or closed, it may be necessary to implement other mitigating procedures to identify when specific transactions were initiated during taxable portions of an open check period (e.g., close all open checks at the start and end of entertainment status, use special system reports to identify transactions, etc.).

Note 2: The above MICS is applicable to admission fees and admission ticket sales, including those made through the Internet.

2. Each individual sale is identified by type (i.e., taxable, nontaxable and complimentary).
3. The internal cash register tape or point-of-sale information is inaccessible to bartenders/cashiers (e.g., keys/passwords are maintained by an individual independent of these functions).
4. All cash register or point-of-sale system overrings or admission ticket voids require the authorization and verification of the shift supervisor or another individual independent of the transaction.

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Note: The authorization and verification is at least a weekly review of daily computer reports detailing the overrings and void transactions which is to be evidenced by the name and signature of the reviewer and the date of the review.

5. All food, beverage, merchandise, and admission complimentaries that are offset against gross sales subject to entertainment tax require the authorization of appropriate personnel designated by management. The specific dollar amounts of complimentaries are documented and maintained, and an estimate is not utilized.
6. All food, beverage, merchandise, and admission refunds of sales subject to entertainment tax require the authorization of appropriate personnel designated by management. Refund authorizations are documented and maintained to support the amount of refunds.
7. The computation of cash proceeds for each bartender/cashier is documented, verified, and signed by at least two employees.
8. The bartenders'/cashiers' banks are reconciled to the entertainment sales documentation, with an investigation being performed into large cash overages or shortages.
9. Appropriate procedures are employed in the distribution, use and control of admission tickets.

Note: The above MICS is applicable to any tickets that are sold by the licensee through the Internet including those that are printed by the patron at remote locations.

Package Programs and Discount Admission Tickets

Note: Any package program or discount admission ticket that includes an item subject to the entertainment tax is subject to MICS #10.

10. If package programs and/or discount admission tickets are used, the following documentation is maintained:
 - a. Copies of the description of package programs offered (if not documented in a flier), discount admission tickets, and the related fliers or other materials which were available to the public.
 - b. A price breakdown is prepared for all package programs as follows:
 - 1) The actual price paid for the package.
 - 2) A list of the components offered in the package.
 - 3) Either a prorated price breakdown as specified in NAC 368A.450(5) which allocates the package price to the various components of the package (a reasonable monthly estimate/average of the retail value of all components will be acceptable), or a statement that for all entertainment components of a package, the entertainment sales are equal to the full retail value of such components.
 - 4) The actual amount (per entertainment component and for the entire package) included in entertainment sales.
 - 5) Effective dates of the package program.
 - c. A price breakdown is prepared for all discount admission tickets. The breakdown includes the amounts received and retained by the licensee, the actual amount (per ticket) included in entertainment sales and the effective dates of the discount admission tickets.

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d. Number of packages and discount admission tickets sold by type.

Accounting/Audit Standards

11. Daily, the dates and time periods during which taxable entertainment was provided are documented, by facility, and reconciled to the periods during which entertainment sales were recorded pursuant to MICS #1 and #2.

Note: The above information may be documented by a department other than accounting.

12. Daily, an admission, merchandise, food and beverage summary is created that is a breakdown of gross sales into taxable and nontaxable components for each date, time period and facility, and summarizes the total of sales by type (using documents as required by MICS #1 and #2).

13. Monthly, entertainment contracts, if used, and entertainment schedules are reviewed and reconciled to the periods during which entertainment sales are made.

Note: A reconciliation is not necessary for locations with a consistent and routine showroom/lounge entertainment schedule which is documented and retained.

14. Monthly, documentation is prepared identifying entertainment events for which an exemption for nonprofit organizations applied.

15. Quarterly, accounting/audit personnel observe all public areas of the licensed gaming establishment (including any facility operated by another person or entity) at times when entertainment is likely to occur, determine what areas are subject to entertainment tax, and confirm that such areas are reporting entertainment sales as entertainment revenue. Document the date, time and areas of the gaming establishment observed along with the determination as to whether or not the area is subject to entertainment tax along with the reasoning for the determination.

Note 1: The observation should include areas such as convention facilities, meeting rooms, restaurants, outdoor and temporary facilities that have food, beverage, merchandise, and/or admission sales. The observation of these areas can be performed through recorded or live surveillance.

Note 2: The above MICS does not apply to areas in which all entertainment sales are reported as entertainment revenue.

Note 3: The use of the "Entertainment Area Evaluation Form" available on the Board's website "<http://gaming.nv.gov>" is required for compliance with the above MICS.

16. If a live entertainment facility has a maximum occupancy of at least 7,500 and, thus, tax is paid at the 5% rate, records are maintained that reflect the maximum occupancy.

17. Records are maintained to support the entertainment sales that have associated credit/debit card fees paid to credit card companies and/or fees paid to wholesalers. The specific dollar amount and, if applicable, the percentage rate of credit/debit card fees actually paid to or retained by each applicable credit/debit card company for entertainment sales is documented and maintained to support a reduction of entertainment revenue.

Note 1: Pursuant to NAC 368A.450(3), estimates are not to be used for credit/debit card fees.

Note 2: The above MICS is also applicable to any entertainment sales transacted by another licensee and where the sale and associated credit/debit card fees are reported by the licensee that offers the entertainment.

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18. A monthly entertainment recap report is prepared which includes the daily and month-to-date entertainment revenue, daily and/or monthly supporting deductions and adjustments, and taxable entertainment revenue including, but not limited to:
- a. Complimentaries and complimentary associated with hotel folios;
 - b. Credit/debit card fees and wholesaler fees; and
 - c. Package programs and discount admission tickets.

19. Accounting/audit personnel verify that, for new package programs and discount admission tickets and for changes affecting package programs and discount admission tickets, the package program and discount admission ticket breakdowns are in compliance with MICS #10 and NAC 368A.450(5), and that breakdowns are prepared correctly, including when elements and retail values change.

Note: The above MICS applies only to licensees that elect to pay entertainment tax on prorated, rather than retail, amounts.

20. Accounting/audit personnel verify that the package program and discount admission ticket entertainment revenue is properly computed and included in reported entertainment sales on the monthly summary.

Note: The amount of entertainment sales from a prorated package program is equal to the number of packages sold times the prorated amount of the entertainment components of the package.

21. Admission, merchandise, food and beverage summaries are reviewed daily to verify the propriety of complimentary charges.

22. Recording procedures for entertainment sales (see MICS #1 and #2) are monitored for correctness at least monthly by someone independent of those procedures.

Note: For areas of entertainment that are not always in entertainment status, point-of-sale procedures and controls are tested to ensure that all sales during entertainment status are properly classified as entertainment sales (e.g., verifying the parameters established within the point-of-sale system used to identify entertainment hours; inappropriate changes to the parameters).

23. All entertainment period sales, including complimentaries summarized on the monthly summary, are posted to the accounting records.

24. For locations with non-computerized entertainment sales systems, all cash register tapes are reviewed to ensure the register was totaled/subtotalled properly.

25. For each entertainment area, including leased venues, at least annually accounting/audit personnel select one day and foot individual sales subject to entertainment tax on the cash register tape or the computerized system transaction report and trace the total to the total on the tape/system. Documentation (e.g., spreadsheet/calculator tape) evidencing performance of this procedure, and any variances noted, is maintained.

Note: The above MICS does not apply to ticket sales generated through a wholesale ticket distributor.

26. At least quarterly, accounting/audit personnel review admission tickets for each entertainment area for compliance with the provisions of NAC 368A.460. A sample of each type of ticket is maintained.

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27. Monthly, accounting/audit personnel reconcile entertainment revenue from the general ledger and the monthly entertainment recap report to the monthly NGC tax returns. This reconciliation is documented and maintained. All variances are reviewed, documented, and maintained.
28. If entertainment admission ticket sales are reported on an accrual basis (i.e., an advanced admission sale is reported in the month of the show/event rather than the month the sale occurred), the following documentation is maintained and audit procedures are performed:
- a. A daily admission ticket sales report that includes the date the admission ticket was sold, the name and date of the show/event for which the admission ticket was sold, an identifying number for each ticket sale transaction and the dollar amount of the sale.
 - b. A report by show/event indicating the individual admission tickets sold for that show/event. This report indicates the name of the show/event, date the admission ticket was sold, the identifying number of the admission ticket sale and the dollar amount of the sale.
 - c. Monthly, for one day, accounting/audit personnel will perform procedures to ensure that admission tickets sold for a future show/event were properly included in reported entertainment revenue on the day of the show/event, using the documents in (a) and (b).
29. System exception reports are reviewed on a daily basis for propriety of transactions and unusual occurrences. The review should include, but is not limited to, void authorizations. All noted improper transactions or unusual occurrences are investigated with the results documented.
- Note: An exception report is defined as a report produced by the computerized system identifying unusual occurrences, changes to system configuration parameters, alteration to initially recorded data, voids, etc.
30. Documentation (e.g., log, checklist, notation on reports, and tapes attached to original documents) is maintained evidencing the performance of entertainment audit procedures, the exceptions noted and follow-up of all entertainment audit exceptions.