

State of Nevada  
Gaming Control Board

Auditor's Name and Date

CPA MICS Compliance Checklist

**ENTERTAINMENT**

Licensee \_\_\_\_\_ Review Period \_\_\_\_\_

NGC Regulation 6.090(9) requires the CPA to use "criteria established by the chairman" in determining whether a Group I licensee is in compliance with the Minimum Internal Control Standards (MICS). This checklist is to be used by the CPA in determining whether the licensee's entertainment operation is in compliance with the Entertainment MICS.

Name of Entertainment Area: \_\_\_\_\_

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 licensee 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 adequate alternative procedures exist (i.e., approval of alternative procedure granted by the Board Chairman, including computerized applications) or the question requires a "no" answer for acceptability. All "N/A" answers require referencing and/or comment, as to the reason the MICS is not applicable.
- 3) "(#)" refers to the Minimum Internal Control Standards for Entertainment, Version 6.
- 4) If multiple areas exist, additional checklists may need to be completed to adequately document procedures. This checklist may be completed for multiple entertainment areas, if applicable, as long as the responses clearly indicate to which entertainment area the responses apply.
- 5) Walk-throughs should be performed during entertainment status.

Minimum Internal Control Standard Notes (paraphrased from the standards)

- 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 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.

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

Questions	Yes	No	N/A	Comments, W/P Reference
1. Has the licensee's written system of internal control for entertainment been read prior to the completion of this checklist to obtain an understanding of the licensee's entertainment operation?				
<b><u>Entertainment Sales Controls</u></b> <b>Note:</b> MICS #1 through #9, which are addressed by the questions in this heading, apply to all sales in areas subject to entertainment tax.				
2. Are all sales recorded in such a manner as to be readily identifiable by individual sale, in total, and by area for applicable periods of entertainment status? <b>(1) Describe how.</b>				
3. For sales recorded in a computerized point-of-sale (P.O.S.) system, is the date/time and transaction number also recorded for each individual sale? <b>(1) Verify by examination.</b>  <b>Note 1:</b> If a P.O.S. 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.) <b>(1, Note 1)</b>  <b>Note 2:</b> MICS #1 is applicable to admission fees and ticket sales, including those made through the internet. <b>(1, Note 2)</b>				
4. Is each individual sale identified by type (i.e., taxable, nontaxable and complimentary)? <b>(2) Verify by examination.</b>				
5. Is the internal cash register tape or point-of-sale information inaccessible to bartenders/cashiers (e.g., keys/passwords are maintained by an individual independent of these functions)? <b>(3)</b>				

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Questions	Yes	No	N/A	Comments, W/P Reference
6. Do 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? <b>(4)</b>  <b>Note:</b> 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. <b>(4)</b>				
7. Do all food, beverage, merchandise and admission complimentarys that are offset against gross sales subject to entertainment tax require the authorization of appropriate personnel designated by management? <b>(5) Indicate who performs this function.</b>				
8. Is the specific dollar amount (not an estimate) of complimentarys documented and maintained? <b>(5)</b>				
9. Do all refunds of food, beverage, merchandise and admission sales subject to entertainment tax require the authorization of appropriate personnel designated by management and are those authorizations documented and maintained? <b>(6) Indicate who performs this function. Verify by examination.</b>				
10. Is the computation of cash proceeds for each bartender/cashier documented, verified, and signed for by at least two employees? <b>(7) Verify by examination.</b>				
11. Are the bartenders'/cashiers' banks reconciled to the entertainment sales documentation with an investigation being performed into large cash overages or shortages? <b>(8)</b>				
12. Are appropriate procedures employed in the distribution, use and control of admission tickets? <b>(9) State procedures.</b>  <b>Note:</b> MICS #9 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. <b>(9)</b>				

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Questions	Yes	No	N/A	Comments, W/P Reference
<b>Package Programs and Discount Admission Tickets</b>				
<b>Note:</b> Any package program or discount admission ticket that includes an item subject to entertainment tax is subject to MICS #10. <b>(Note before 10)</b>				
13. If package programs and/or discount admission tickets are used, is the following documentation maintained: <b>Verify by examination.</b>				
a) Copies of the description of the package programs offered (if not documented in a flier), discount admission tickets and related fliers or other materials which were available to the public? <b>(10a)</b>				
b) A price breakdown for all package programs as follows:				
i) The actual price paid for the package? <b>(10b1)</b>				
ii) A list of the components offered in the package? <b>(10b2)</b>				
iii) 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? <b>(10b3)</b>				
iv) The actual amount (per entertainment component and for the entire package) included in entertainment sales? <b>(10b4)</b>				
v) The effective dates of the package program? <b>(10b5)</b>				
c) A price breakdown is prepared for all discount admission tickets, including the amount received and retained by the licensee, the actual amount (per ticket) included in entertainment sales and the effective dates of the discount admission tickets? <b>(10c)</b>				
d) The number of packages and discount admission tickets sold by type? <b>(10d)</b>				

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Questions	Yes	No	N/A	Comments, W/P Reference
<b><u>Accounting/Audit Standards</u></b>				
<b>Review of documentation evidencing the performance of entertainment accounting/audit standards is required. Select the appropriate documentation to determine that all required procedures are being performed.</b>				
14. Daily, are the date and time periods during which taxable entertainment was provided documented, by facility, and reconciled to the periods during which entertainment sales were reported as indicated pursuant to MICS #1 and #2? <b>(11)</b>  <b>Note:</b> The above information may be documented by a department other than accounting. <b>(11)</b>				
15. Daily, is an admission, merchandise, food and beverage summary created that is a breakdown of gross sales into taxable and nontaxable components for each date, time period and facility and that summarizes sales by type (using documents as required by MICS #1 and #2?) <b>(12)</b>				
16. Monthly, are entertainment contracts, if used, and entertainment schedules reviewed and reconciled to the periods during which entertainment sales are made? <b>(13)</b>  <b>Note:</b> A reconciliation is not necessary for locations with a consistent and routine showroom/lounge entertainment schedule which is documented and retained. <b>(13)</b>				
17. Monthly, is documentation prepared identifying entertainment events for which an exemption for nonprofit organizations applied? <b>(14)</b>				
18. Quarterly, do 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? <b>(15)</b>  <b>Note 1:</b> The observations should include areas such as convention facilities, meeting rooms, restaurants, outdoor and temporary facilities that have food, beverage, merchandise and/or admission sales. The observations of these areas can be performed through recorded or live surveillance. <b>(15, Note 1)</b>  <b>Note 2:</b> This standard does not apply to areas in which all sales are reported as entertainment revenue. <b>(15, Note 2)</b>				

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Questions	Yes	No	N/A	Comments, W/P Reference
<p>19. Are the observations in the preceding question documented to include 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? <b>(15) Select one month's document to confirm the date, time and areas of the gaming establishment observed. Indicate the month selected, the date, time and areas of the gaming establishment observed and the results of the review.</b></p> <p><b>Note:</b> The use of the "Entertainment Area Evaluation Form," which is available on the Board's website, is required for compliance with the MICS mentioned in the preceding two questions. <b>(15, Note 3)</b></p>				
<p>20. If a live entertainment facility has a maximum occupancy of at least 7,500 (5% tax rate), are records maintained that reflect the maximum occupancy? <b>(16)</b></p>				
<p>21. Relating to credit/debit card fees paid to credit card companies and/or fees paid to wholesalers: <b>Verify by examination.</b></p>				
<p>a) Are records maintained to support the entertainment sales that have associated credit/debit card fees paid to credit card companies and/or fees paid to wholesalers? <b>(17)</b></p>				
<p>b) Is 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 documented and retained to support the reduction of entertainment revenue? <b>(17)</b></p> <p><b>Note:</b> Pursuant to NAC 368A.450(3), estimates are not to be used for credit/debit card fees. <b>(17, Note 1)</b></p>				
<p>22. Is MICS #17 complied with for entertainment taxable sales transacted by another licensee and where the sale and associated credit/debit card fees are deducted by the licensee that offers entertainment? <b>(17, Note 2)</b></p>				
<p>23. Is a monthly entertainment recap report prepared which includes the daily and month-to-date entertainment revenue, daily and/or monthly supporting deductions and adjustments and taxable entertainment revenue? <b>(18)</b></p>				
<p>24. Does the report mentioned in the previous question include, at a minimum, the following: <b>Verify by examination.</b></p>				

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Questions	Yes	No	N/A	Comments, W/P Reference
a) Complimentaries and complimentaries associated with hotel folios? <b>(18a)</b>				
b) Credit/debit card fees and wholesaler fees? <b>(18b)</b>				
c) Package programs and discount admission tickets? <b>(18c)</b>				
25. Do accounting/audit personnel verify that, for new package programs and discount admission tickets and for changes affecting these items, the breakdowns are in compliance with MICS #10 and NAC 368A.450(5) and that the breakdowns are prepared correctly, including when elements and retail values change? <b>(19)</b>  <b>Note:</b> MICS #19 applies only to licensee that elect to pay entertainment tax on prorated, rather than retail, amounts. <b>(19)</b>				
26. Do 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? <b>(20)</b>  <b>Note:</b> 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. <b>(20)</b>				
27. Are admission, merchandise, food and beverage summaries reviewed daily to verify the propriety of complimentary charges? <b>(21)</b>				
28. Are the recording procedures for entertainment sales (see MICS #1 and #2) monitored for correctness at least monthly by someone independent of those procedures? <b>(22)</b>				
29. For areas of entertainment that are not always in entertainment status, are point-of-sale procedures and controls 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)? <b>(22, Note)</b>				
30. Are all entertainment period sales, including complimentaries summarized on the monthly summary, posted to the accounting records? <b>(23) Verify by examination.</b>				

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31. For locations with non-computerized entertainment sales systems, are all cash register tapes reviewed to ensure the register was totaled/subtotaled properly? <b>(24)</b>				
32. For each entertainment area, including leased venues, at least annually do 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, trace the total to the total on the tape/system and maintain documentation (e.g., spreadsheet/calculator tape) evidencing the performance of these procedures and any variances noted? <b>(25)</b>  <b>Note:</b> This standard does not apply to ticket sales generated through a wholesale ticket distributor. <b>(25, Note)</b>				
33. At least quarterly, do accounting/audit personnel review admission tickets for each entertainment area for compliance with the provisions of NAC 368A.460 and is a sample of each type of ticket maintained? <b>(26)</b>  <b>Note:</b> NAC 368A.460 requires that the language on the ticket be substantially in one of the following forms: Includes Entertainment Tax; Inc. Ent. Tax; Includes Live Ent. Tax; or L.E.T. included.				
34. Monthly, do accounting/audit personnel reconcile entertainment taxable revenue from the general ledger and the monthly entertainment recap report to the monthly NGC tax returns, is this reconciliation documented and maintained and are all variances reviewed, documented and maintained? <b>(27) For one month review the reconciliation to verify the proper completion of the reconciliation and to determine that the variance amount is accurate. Indicate the month/year reviewed and the results of the review.</b>				
35. 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), is the following documentation maintained and are the following audit procedures performed: <b>Verify by examination.</b>				
a) Is a daily admission ticket sales report maintained 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>(28a)</b>				

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b) Is a report by show/event maintained indicating the individual admission tickets sold for that show/event that includes the name of the show/event, the date the admission ticket was sold, the identifying number of the admission ticket sale and the dollar amount of the sale? <b>(28b)</b>				
c) Monthly, for one day, do accounting/audit personnel 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) above? <b>(28c)</b>				
36. Are system exception reports reviewed on a daily basis for the propriety of transactions and unusual occurrences including, but not limited to void authorizations, and are all noted improper transactions or unusual occurrences investigated with the results documented? <b>(29)</b>  <b>Note:</b> 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. <b>(29)</b>				
37. Is documentation (e.g., log, checklist, notation on reports, and tapes attached to original documents) maintained evidencing the performance of entertainment audit procedures, the exceptions noted and follow-up of all entertainment audit exceptions? <b>(30)</b> <b>Verify by examination.</b>				
38. <b>Complete the CPA MICS Compliance Checklist for Information Technology – MICS #1 - #28.</b>				
<b><u>Written System of Internal Control</u></b>				
39. Has the licensee's written system of internal control for entertainment been re-read prior to responding to the following question?				
40. Does the written system of internal control for entertainment reflect the actual control procedures in effect for compliance with the MICS, variations from the minimum internal control standards approved pursuant to Regulation 6.090(8), and Regulation 14 associated equipment approvals? [ <b>Regulation 6.090(13)</b> ]				

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