

# **ENTERTAINMENT**

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

**ENTERTAINMENT  
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) regarding the Live Entertainment Tax. The use of this checklist satisfies these requirements.

This checklist can be completed for multiple entertainment areas, if applicable, as long as the responses clearly indicate to which entertainment area the responses apply.

**Indicate the entertainment area(s) being reviewed:** \_\_\_\_\_

| 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 Entertainment, Version 8 or to the applicable regulation/statute.

Scope:

This checklist must be completed once in each fiscal year. However, as addressed in the Internal Audit Guidelines, a *CPA MICS Compliance Checklist – Entertainment* may not be completed for areas subject to entertainment with annual live entertainment revenue of less than \$5,000; and may be completed once every two years for areas generating annual live entertainment revenue of less than 3% of total annual reported entertainment revenue. Taxable entertainment areas include licensee operated and leased venues located on the legal premises. If multiple entertainment areas exist, additional checklists should be completed to adequately document procedures. Walk-throughs should be performed during entertainment status for frequent, routinely scheduled entertainment. Walk-throughs and testing are not necessary for special events and when no live entertainment revenue is reported during the business year. However, step #19 of the “Miscellaneous Regulations – Testing Procedures” needs to be completed to determine whether any areas of the gaming establishment are subject to Live Entertainment Tax.

If the Entertainment Internal Audit Checklists have been completed for the fiscal year, it is not necessary to perform entertainment internal audit procedures for any new entertainment area added after checklist completion. Entertainment Internal Audit procedures will be performed for these new areas during the next fiscal year.

Verified per representation

Verified per observation/examination

|                         |
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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 live entertainment 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.

| 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.) |
|-----------------------|---------------------------|--|--|---------------------|
|                       |                           |  |  |                     |
|                       |                           |  |  |                     |
|                       |                           |  |  |                     |
|                       |                           |  |  |                     |
|                       |                           |  |  |                     |

**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 Entertainment 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 |
|--|-----|----|-----|-------------------------|
| 3. Complete the "Entertainment Area Evaluation Form" and inquire with accounting/audit personnel to determine that all areas subject to live entertainment tax have been properly reported. Are taxes being collected and paid on admission charges for all areas determined to be subject to live entertainment tax?  |     |    |     |                         |
| <b>Nonrecurring Entertainment and Special Event Areas</b>  |     |    |     |                         |
| 4. For areas with nonrecurring entertainment (e.g., bar with free nightly entertainment, where an admission charge is imposed for a New Year's Eve party), determine that admission charges subject to entertainment tax have been properly reported.  |     |    |     |                         |
| 5. Does the licensee or operator conduct or have they conducted any special events with entertainment in areas where entertainment is not typically offered (i.e., parking lots, atriums, bowling alleys, etc.) that require an admission charge? <b>Inquire with various licensee personnel.</b> If so, determine that admission charges subject to entertainment tax have been properly reported. <b>[NRS 368A.200(1)] Document any such events.</b> |     |    |     |                         |

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|                         |
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| Questions   | Yes | No | N/A | Comments, W/P Reference |
|---|-----|----|-----|-------------------------|
| <p><b>Luxury Suites, Boxes or Similar Products</b></p> <p>6. For facilities with a maximum occupancy of at least 7,500 persons, is the taxable amount equal to the lowest priced admission charge available to the general public multiplied by the number of admissions included in the license or rental fee, regardless of the number of admissions utilized for the live entertainment event? [NAC 368A. Sec. 6 1(a) and 3]</p> |     |    |     |                         |
| <p>7. For facilities with a maximum occupancy of less than 7,500 persons, is the taxable amount equal to the entire amount of the proceeds from the license or rental fee? [NAC 368A. Sec. 6 1(b)]</p>  |     |    |     |                         |
| <p>8. If an <i>alternative method</i> was approved by the Chairman and is used for calculating the taxable amount, determine that the correct amount has been reported. [NAC 368A. Sec. 6 2]</p>  |     |    |     |                         |

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| Questions   | Yes | No | N/A | Comments, W/P Reference |
|---|-----|----|-----|-------------------------|
| <p><b>Admission Charges - Controls and Records</b></p> <p>9. Does each ticket for admission to a facility show on its face the admission charge or is a notice prominently displayed disclosing the admission charge at the box office or other place where the charge is made? <b>[NRS 368A.200(3) and NAC 368A.460(1)]</b></p> <p><b>Note:</b> If a ticket for admission is not issued to a patron, a receipt documenting the purchase of an admission substitutes for a ticket. <b>[NAC 368A.460(3)]</b></p> |     |    |     |                         |
| <p>10. Are any required minimum purchases of food, beverages or merchandise paid in exchange for admission to a facility where taxable live entertainment is provided? If so, determine that these amounts were accounted for solely as part of the total amount reported as taxable admission charges. <b>[NAC 368A.450(2)]</b></p>  |     |    |     |                         |
| <p>11. Relating to the previous two questions, is the tax collected and remitted based on the admission charge shown or displayed? <b>[NRS 368A.200(3) and NAC 368A.460(2)]</b></p>   |     |    |     |                         |
| <p>12. If entertainment subject to tax is offered in any facility located at a licensed gaming establishment, even if another person is affording that entertainment ("operator"):</p>  |     |    |     |                         |

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|                         |

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| Questions  | Yes | No | N/A | Comments, W/P Reference |
|--|-----|----|-----|-------------------------|
| a. Is the licensee collecting the tax from the operator and remitting the tax based upon the operator's records? [NRS 368A.200(1) and NAC 368A.490(1)]   |     |    |     |                         |
| b. Is the licensee keeping all pertinent required records; and either obtaining and keeping, or requiring the operator to obtain and keep all other pertinent required records? [NRS 368A.160 and NAC 368A.490(2)]   |     |    |     |                         |
| c. Is the licensee obtaining and keeping, or requiring the operator to obtain and keep, any executed contracts relating to the sale or distribution of admissions to the facility that have been entered into by the operator and a ticket service provider? [NAC 368A.490(2)]                                       |     |    |     |                         |
| 13. Does the licensee obtain and keep detailed transaction reports of an operator or ticket service provider selling or distributing taxable admissions to a facility where live entertainment is provided which is located on the premises of the taxpayer's licensed gaming establishment? [NAC 368A.500(1)(a)(2)] |     |    |     |                         |

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| Questions   | Yes | No | N/A | Comments, W/P Reference |
|---|-----|----|-----|-------------------------|
| 14. Does the licensee, operator or ticket service provider keep records evidencing any exclusions or exemptions from the tax (pursuant to chapter 368A of the NRS) of live entertainment provided at the licensed gaming establishment? <b>[NAC 368A.500(1)(b)]</b> |     |    |     |                         |
| 15. Does the licensee obtain and keep each contract entered into with an operator or a ticket service provider selling or distributing taxable admissions to a facility where live entertainment is provided? <b>[NAC 368A.500(2)]</b>                              |     |    |     |                         |
| <b>Package Programs</b>   |     |    |     |                         |
| 16. Are package program breakdowns computed in accordance with the provisions of NRS 368A.200(1) and NAC 368A.450(5)?   |     |    |     |                         |
| <b><u>Procedures Modified or Added</u></b>  |     |    |     |                         |
|   |     |    |     |                         |
|   |     |    |     |                         |
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| Auditor's Name and Date |
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**Internal Audit Compliance Checklist**

**ENTERTAINMENT 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 entertainment are adequate to ensure entertainment 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.
- 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. If no activity took place in an entertainment area, select an additional test date for that area. Only entertainment areas with frequent, routinely scheduled entertainment need be examined (including showrooms, lounges and leased facilities). Complete an Entertainment Testing Procedures Internal Audit Compliance Checklist for each entertainment area determined to be subject to entertainment tax during the completion of the “Entertainment Area Evaluation Form”. This checklist can be completed for multiple entertainment areas, if applicable, as long as the responses clearly indicate to which entertainment area the responses apply.

| Entertainment Area(s): | Test Date(s): |
|------------------------|---------------|
|                        |               |
|                        |               |

MICS Variations and Regulation Waivers:

Review the MICS variations and regulation waivers scheduled during the entertainment 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.) |
|-----------------------|---------------------------|--|--|---------------------|
|                       |                           |  |  |                     |
|                       |                           |  |  |                     |
|                       |                           |  |  |                     |
|                       |                           |  |  |                     |

✓ - Step completed without exception

|                         |
|-------------------------|
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|                         |

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**ENTERTAINMENT  
TESTING PROCEDURES**

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

| Entertainment Area: _____ Test Date: _____   | 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. Examine detail cash register tapes/point-of-sale (POS) system transaction reports documenting the admission charges, verifying that the charges are readily identifiable by individual charge, in total, and by area and correctly identified by type (i.e. taxable, nontaxable and complimentary). <b>(Revenue)</b>  |                                  |                   |
| 3. Through examination/comparison of entertainment schedules, determine that all admission charges subject to entertainment tax have been properly included in the system generated totals. <b>(Revenue)</b>   |                                  |                   |
| 4. Foot the individual admission charges from detail cash register tapes/POS system transaction reports and trace the totals to the daily admissions summary for the following:<br><br><b>Note 1:</b> Not applicable to ticket broker sales.<br><br><b>Note 2:</b> If multiple entertainment areas use the same computerized system, only one area needs to be footed. |                                  |                   |
| a. Taxable admission charges. <b>(Revenue)</b>   |                                  |                   |
| b. Nontaxable admission charges. <b>(Revenue)</b>  |                                  |                   |
| c. Complimentary admission charges. <b>(Revenue)</b>   |                                  |                   |
| d. Required minimum purchase of food, beverages or merchandise. <b>(Revenue)</b>   |                                  |                   |
| 5. For facilities with a maximum occupancy of at least 7,500 persons, verify that the amount of admission charges related to luxury suites, boxes or similar products at a facility have been properly calculated. <b>(Revenue)</b>  |                                  |                   |

✓ - Step completed without exception

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|-------------------------|
| Auditor's Name and Date |
|                         |

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TESTING PROCEDURES**

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

| Entertainment Area: _____ Test Date: _____  | Step completed without exception | Exception/Comment |
|---|----------------------------------|-------------------|
| 6. For facilities with a maximum occupancy of less than 7,500 persons, verify that the amount of admission charges related to luxury suites, boxes or similar products at a facility have been properly calculated. <b>(Revenue)</b>                        |                                  |                   |
| 7. Trace the amount(s) verified in the previous two questions to the daily admissions summary. <b>(Revenue)</b>   |                                  |                   |
| 8. Food and cross-foot the daily admissions summary. <b>(Revenue)</b>   |                                  |                   |
| 9. Trace/reconcile all the amounts on the daily admissions summary to the daily amounts in the monthly entertainment recap report for the following:  |                                  |                   |
| a. Taxable admission charges. <b>(Revenue)</b>  |                                  |                   |
| b. Nontaxable admission charges. <b>(Revenue)</b>   |                                  |                   |
| c. Complimentary admission charges. <b>(Revenue)</b>  |                                  |                   |
| d. Required minimum purchase of food, beverages or merchandise. <b>(Revenue)</b>  |                                  |                   |
| 10. Verify that package program breakdowns have been performed. Select one package program and verify that the breakdown complies with NAC 368A.450(5). Verify that entertainment revenue from package program items is properly computed. <b>(Revenue)</b> |                                  |                   |
| 11. Trace the amount verified in the previous question to the monthly entertainment recap report. <b>(Revenue)</b>  |                                  |                   |
| 12. Verify that the entertainment revenue subject to tax has been determined for discount show tickets. Select one type of discounted show ticket and verify that the entertainment revenue is properly computed. <b>(Revenue)</b>                          |                                  |                   |
| 13. Trace the amount verified in the previous question to the monthly entertainment recap report. <b>(Revenue)</b>  |                                  |                   |

✓ - Step completed without exception

|                         |
|-------------------------|
| Auditor's Name and Date |
|                         |

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

| Entertainment Area: _____ Test Date: _____  | Step completed without exception | Exception/Comment |
|---|----------------------------------|-------------------|
| 14. Examine documentation and verify that the amount of any fees imposed, collected and retained by an independent financial institution in connection with the use of credit cards or debit cards are properly excluded from taxation pursuant to NRS 368A.200(2)(c) and determine that actual amounts were used and not estimates. <b>(Revenue)</b> |                                  |                   |
| 15. Trace the amount(s) verified in the previous question to the monthly entertainment recap report. <b>(Revenue)</b>   |                                  |                   |
| 16. Examine documentation for admission sales to ticket brokers. Verify and trace the amount of the admission charges and determine that revenue was properly calculated and reported on the monthly entertainment recap report. <b>(Revenue)</b>   |                                  |                   |
| 17. Select one event by a nonprofit organization which was exempt from taxation and obtain the associated documentation. Examine the documentation and determine that:  |                                  |                   |
| a. The nonprofit organization has qualified as a tax-exempt or religious organization pursuant to 26 U.S.C. § 501(c). <b>(Revenue)</b>  |                                  |                   |
| b. The licensee has adequate documentation to support the number of tickets offered for sale or other distribution to patrons, either directly or indirectly through a partner, subsidiary, client affiliate or other collaborator is less than 7,500. <b>(Revenue)</b>   |                                  |                   |
| c. The proceeds of the admission charges became the property of the nonprofit organization. <b>(Revenue)</b>  |                                  |                   |
| d. For admission charges which do not become the property of the nonprofit organization, verify that these amounts represent proceeds necessary to cover the direct, supportable costs of hosting, promoting or sponsoring the event. <b>(Revenue)</b>  |                                  |                   |
| 18. Foot and cross-foot the monthly entertainment recap report. <b>(Revenue)</b>  |                                  |                   |

✓ - Step completed without exception

|                         |
|-------------------------|
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|                         |

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

| Entertainment Area: _____ Test Date: _____  | Step completed without exception | Exception/Comment |
|---|----------------------------------|-------------------|
| 19. Reconcile cashier's bank to documentation used for admission charges. <b>(Asset Protection)</b>   |                                  |                   |
| 20. Examine each cashiers' cash turn-in sheet to ensure that they are signed by at least two people. <b>(Asset Protection)</b><br><br><b>Note:</b> Using a counter and depository unit as the second verification and signature for each cashier cash proceeds is acceptable in meeting the intent of this standard if the counter and depository unit counts and stores the cashier cash proceeds, prints a receipt, and all proceeds are counted and verified in total by the count team.   |                                  |                   |
| 21. Using the monthly entertainment recap report, determine that all admission charges are properly calculated (e.g., tax was collected on the amount shown/displayed pursuant to NAC 368A.460, exclusive of complimentary and actual debit/credit card fees). <b>(Revenue)</b><br><br><b>Note 1:</b> If the gaming establishment "comps" show tickets to shows at affiliated properties, the licensee should treat these "comps" in the same manner as in-house complimentary as long as supporting documentation is maintained pursuant to Entertainment MICS #5.<br><br><b>Note 2:</b> If the gaming establishment has third party lessees that provide entertainment complimentary to patrons where the licensee reimburses the lessee for the entire amount of the complimentary, or any portion thereof, the amount of the reimbursement must be included in taxable revenue. |                                  |                   |
| 22. Using the monthly entertainment recap report, examine documentation and determine if adequate records were maintained to properly support the deductions from entertainment revenue associated with complimentary, refunds and credit/debit card fees and any other charge or fee that was deducted or excluded from taxable admission charges. <b>(Revenue)</b>  |                                  |                   |

✓ - Step completed without exception

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|-------------------------|
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|                         |

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| Entertainment Area: _____ Test Date: _____  | Step completed without exception | Exception/Comment |
|---|----------------------------------|-------------------|
| 23. For the month in which a test day was selected, trace the month-to-date admission charges per the monthly entertainment recap report to the general ledger and to the monthly NGC tax return. <b>(Revenue)</b>  |                                  |                   |
| 24. Examine the general ledger for any activity that was not included in reported revenue but should have been. <b>(Revenue)</b>  |                                  |                   |
| 25. If admission ticket sales are reported on the accrual basis, as allowed pursuant to MICS #32, perform the following:  |                                  |                   |
| a. Select a sample of 5 admission tickets. Trace these tickets from the daily admission sales report to the report by show/event which indicates the individual admission tickets sold for that event. <b>(Revenue)</b>   |                                  |                   |
| b. From the sample, select one report by show/event and trace the total to the corresponding daily admissions summary. <b>(Revenue)</b>   |                                  |                   |
| 26. For the month in which a test date was selected, determine if there were any non-recurring or special events subject to entertainment tax. If so, select one event and obtain the associated documentation. Determine the amount of taxable admission charges and trace to the daily admissions summary. <b>(Revenue)</b><br><b>Document the name and date of the event examined.</b> |                                  |                   |
| <b><u>Procedures Modified or Added</u></b>  |                                  |                   |
|   |                                  |                   |
|   |                                  |                   |
|   |                                  |                   |

✓ - Step completed without exception