

Auditor's Name and Date

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 7.1.
- 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

- Note 1: Pursuant to NAC 368A.490(1), the person or entity who is licensed to conduct gaming at the licensed gaming establishment where live entertainment is provided (“Taxpayer”) is responsible for the payment of the entertainment tax even if some other person or entity is providing entertainment.
- Note 2: Refer to NAC 368A.490(2) for record keeping responsibilities for taxpayer and operators.
- 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: If a person or entity other than the licensee performs accounting/audit standards, the licensee’s written system of internal control pursuant to Regulation 6.090 is to identify the person or entity and is to delineate the accounting/audit functions performed by the person or entity other than the licensee. Regardless of who is performing the accounting/audit procedures, the responsibility for compliance of the MICS remains with the licensee.
- Note 5: 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 6: A “signature” on a document provides evidence of the person’s involvement and or authorization of the intentions reflected in this document. It is typically in the form of a stylized script associated with a person. The stylized script “signature” may include the first letter of the person’s first name along with the person’s full last name. The “initials” of the person would not meet the requirement of a “signature”.

Note 7: Definitions and Terminology. For definitions and interpretations of certain statutory terms, refer as follows:

- “Admission charge” – NRS 368A.020
- “Operator” – NRS 368A.200(5)(c)
- “Admission” – NAC 368A.400(1)
- “Service charge or any other fee or charge” – NAC 368A.400(8)
- “Ticket broker” – NAC 368A.Sec. 3
- “Ticket service provider” – NAC 368A.Sec. 4

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?				
<u>Admission Charges Controls</u> Note: MICS #1 through #9, which are addressed by the questions in this heading, apply to all admission charges in areas subject to entertainment tax.				
2. Are all admission charges recorded in such a manner as to be readily identifiable by individual charge, in total, and by area for applicable periods of entertainment status? (1) Describe how.				
3. For charges recorded in a computerized point-of-sale (P.O.S.) system, is the date/time and transaction number also recorded for each individual charge? (1) Verify by examination. Note: MICS #1 is applicable to all admission charges, including those made through the internet. (1, Note)				
4. Is each individual admission identified by type (i.e., taxable, nontaxable and complimentary)? (2) Verify by examination.				
5. If an admission charge is for any required minimum purchase of food, beverage or merchandise, is the method of distinguishing minimum food, beverage or merchandise sales from other sales not subject to LET delineated in the written system of internal control pursuant to Regulation 6.090? (2, Note) State the method. Verify by examination.				

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Questions	Yes	No	N/A	Comments, W/P Reference
6. Is the internal cash register tape or point-of-sale information inaccessible to cashiers (e.g., keys/passwords are maintained by an individual independent of these functions)? (3)				
7. 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? (4) 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. (4, Note)				
8. Do all admission complimentaries that are offset against gross sales subject to entertainment tax require the authorization of appropriate personnel designated by management? (5) Indicate who performs this function.				
9. Is the specific dollar amount (not an estimate) of complimentaries documented and maintained? (5)				
10. Do all refunds of admissions subject to entertainment tax require the authorization of appropriate personnel designated by management and are those authorizations documented and maintained? (6) Indicate who performs this function. Verify by examination.				
11. Is the computation of cash proceeds for each cashier documented, verified, and signed for by at least two employees? (7) Verify by examination. Note: Using a counter and depository unit as the second verification and signature for each cashier cash proceeds is acceptable in meeting the intent of the 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. (7, Note)				
12. Are the cashiers' banks reconciled to the documentation used for admission charges, with an investigation being performed into large cash overages or shortages? (8)				

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<p>13. Are appropriate procedures employed in the distribution, use and control of admission tickets? (9) State procedures.</p> <p>Note: 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. (9, Note)</p>				
<p><u>Package Programs and Discount Admission Tickets</u></p> <p>Note: Any package program or discount admission ticket that includes an item subject to entertainment tax is subject to MICS #10. (Note before 10)</p>				
<p>14. If package programs and/or discount admission tickets are used, is the following documentation maintained: Verify by examination.</p>				
<p>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? (10a)</p>				
<p>b) A price breakdown for all package programs as follows:</p>				
<p>i) The actual price paid for the package? (10b1)</p>				
<p>ii) A list of the components offered in the package? (10b2)</p>				
<p>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 admission charges are equal to the full retail value of such components? (10b3) Indicate which method is used.</p>				
<p>iv) The actual amount (per entertainment component and for the entire package) included in admission charges? (10b4)</p>				
<p>v) The effective dates of the package program? (10b5)</p>				
<p>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 admission charges and the effective dates of the discount admission tickets? (10c)</p>				

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d) The number of packages and discount admission tickets sold by type? (10d)				
<u>Accounting/Audit Standards</u>				
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.				
15. Daily, are the date and time periods during which taxable entertainment was provided documented, by facility and reconciled to the periods during which admission charges were recorded as indicated pursuant to MICS #1 and #2? (11) Note: The above information may be documented by a department other than accounting. (11, Note)				
16. Relating to luxury suites, boxes or similar products at a facility:				
a) Daily, do accounting/audit personnel verify that the amount of admission charges have been properly reported as revenue pursuant to the applicable provisions of NAC 368A.Sec. 6 1(a)? (12)				
b) Are the records supporting the amount of the admission charge used in the computation of reported revenue maintained as evidence of this verification? (12) Verify by examination.				
17. For facilities with a maximum occupancy of less than 7,500 persons which use an <i>alternative method</i> for calculating the amount of the proceeds from a license or rental fee paid for a luxury suite, box or similar product at a facility that is subject to tax:				
a) Has the Chairman approved the alternative method? (13) Verify by examination.				
b) Is the alternative method delineated in the written system of internal control pursuant to Regulation 6.090? (13) State the method. Verify by examination.				
18. Daily, is an admissions summary created that has a breakdown of gross sales into taxable and nontaxable components for each date, time period and facility and that summarizes the total admissions by type (using documents as required by MICS #1 and #2)? (14)				

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19. Pursuant to NAC 368A.450(6), the actual dollar amount of admission charges excluded from reported entertainment revenue must be determined. Is the amount documented and maintained, and is an estimated amount not utilized? (14, Note) Verify by examination.				
20. For one day each month, do accounting/audit personnel verify that the amount of admission charges not reported as entertainment revenue meet the provisions of the allowed exclusions pursuant to NRS 368A.020(3)? (15) Examine documentation.				
21. For one day each month, do accounting/audit personnel review the following:				
a) The service charge or any other fee or charge to verify the correct amount has been included in the amount of the admission charge being reported as revenue? (16a)				
b) The executed contracts, if applicable, to determine if there are any discrepancies between the contract and the amount included in the admission charge being reported as revenue? (16b) Note: Pursuant to NAC 368A.500(2), the taxpayer is responsible for obtaining and keeping 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. (16, Note)				
c) Relating to the previous question, are any discrepancies investigated and documented? (16b)				
22. Monthly, are entertainment contracts, if used, and entertainment schedules reviewed and reconciled to the periods during which admission charges are made? (17) Note: A reconciliation is not necessary for locations with a consistent and routine showroom/lounge entertainment schedule which is documented and retained. (17, Note)				
23. Monthly, is documentation prepared identifying entertainment events for which an exemption for nonprofit organizations applied? (18)				

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24. For admission charges related to each exempted nonprofit organization event, do accounting/audit personnel verify the proper reporting of revenue pursuant to the provisions of NAC 368A.470? (19)				
25. Relating to the previous question, are the records supporting the number of admission tickets for sale or other distribution maintained as evidence of this verification? (19) Verify by examination.				
26. 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 taxable admission charges as entertainment revenue? (20) Note 1: The observations should include areas such as convention facilities, meeting rooms, restaurants, outdoor and temporary facilities that have admission charges. The observations of these areas can be performed through recorded or live surveillance. (20, Note 1) Note 2: This standard does not apply to areas in which all admission charges are reported as entertainment revenue. (20, Note 2)				
27. 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? (20) 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. Note: 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. (20, Note 3)				
28. Relating to credit/debit card fees paid to independent financial institutions: Verify by examination.				

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a) Are records maintained to support admission charges that have associated credit/debit card fees paid to the independent financial institution? (21)				
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 for admission charges documented and maintained to support the reduction of entertainment revenue? (21) Note: Pursuant to NAC 368A.450(3), estimates are not to be used for credit/debit card fees. (21, Note 1)				
29. Is MICS #21 complied with for admission charges transacted by another licensee and where the charge and associated credit/debit card fees are deducted by the licensee that offers entertainment? (21, Note 2)				
30. Is a monthly entertainment recap report prepared which includes the daily and month-to-date entertainment revenue, daily and/or monthly supporting deductions, exclusions and adjustments, and taxable entertainment revenue? (22)				
31. Does the report mentioned in the previous question include, at a minimum, the following: Verify by examination.				
a) Complimentaries and complimentaries associated with hotel folios? (22a)				
b) Credit/debit card fees and wholesaler fees? (22b)				
c) Package programs and discount admission tickets? (22c)				
32. 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? (23) Note: MICS #23 applies only to licensee that elect to pay entertainment tax on prorated, rather than retail, amounts. (23, Note)				

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<p>33. Do accounting/audit personnel verify that the package program and discount admission ticket entertainment revenue is properly computed and included in reported admission charges on the monthly summary? (24)</p> <p>Note: The amount of admission charges from a prorated package program is equal to the number of packages sold times the prorated amount of the entertainment components of the package. (24, Note)</p>				
<p>34. Are admission charge summaries reviewed daily to verify the propriety of complimentary charges? (25)</p>				
<p>35. Are the recording procedures for admission charges (see MICS #1 and #2) monitored for correctness at least monthly by someone independent of those procedures? (26)</p>				
<p>36. For areas of entertainment that are not always in entertainment status, are point-of-sale procedures and controls tested to ensure that all charges or fees during entertainment status are properly classified as admission charges (e.g., verifying the parameters established within the point-of-sale system used to identify entertainment hours; inappropriate changes to the parameters)? (26, Note)</p>				
<p>37. Are all entertainment admissions posted to the accounting records, including complimentary summarized on the monthly summary? (27) Verify by examination.</p>				
<p>38. For locations recording admission charges using non-computerized systems, are all cash register tapes reviewed to ensure the register was totaled/subtotaled properly? (28)</p>				
<p>39. For each entertainment area, including leased venues, at least annually do accounting/audit personnel select one day and foot individual admission charges 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? (29)</p> <p>Note: This standard does not apply to ticket sales generated through a ticket broker. (29, Note)</p>				

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<p>40. At least quarterly, do accounting/audit personnel review the admission ticket or display for each entertainment area for compliance with the provisions of NAC 368A.460 and is a sample of each type of ticket or display maintained? (30)</p> <p>Note 1: Using a Board-authorized computer application is acceptable in meeting the intent of this standard if the system is capable of producing a ticket text report which documents the text displayed on the face of each ticket and the report reviewed is maintained. (30, Note 1)</p> <p>Note 2: Pursuant to NAC 368A.460, if a ticket for admission is not issued to a patron, a receipt documenting the purchase of an admission ticket substitutes for a ticket. (30, Note 2)</p> <p>Note 3: This standard does not apply to ticket sales generated through a ticket broker. (30, Note 3)</p>				
<p>41. 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? (31) 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.</p>				
<p>42. 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: Verify by examination.</p>				
<p>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? (32a)</p>				
<p>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? (32b)</p>				

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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? (32c)				
43. 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? (33) 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. (33)				
44. 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? (34) Verify by examination.				
<u>Written System of Internal Control</u>				
45. Has the licensee's written system of internal control for entertainment been re-read prior to responding to the following question?				
46. 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? [Regulation 6.090(13)]				

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