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January 16, 2004

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TO: ALL GROUP I NONRESTRICTED LICENSEES, GROUP I LICENSEES' CPA FIRMS AND INTERESTED PERSONS

RE: REVISIONS TO THE CPA MICS COMPLIANCE CHECKLISTS AND GUIDELINES

On October 10, 2003 the Gaming Control Board notified all Group I Nonrestricted Licensees that the proposed Minimum Internal Control Standards (MICS) became effective on October 1, 2003 and that all licensees are to be in compliance with these MICS by January 21, 2004. Due to the adoption of these new MICS, the "CPA MICS Compliance Checklists" have been revised to reflect these MICS. These revised checklists will be used by the CPAs and the Group I nonrestricted licensees internal auditors in performing procedures pursuant to Regulations 6.090(9) and 6.090(15). The CPA Guidelines have also been modified to define the engagement and reporting requirements based on the Statements on Standards for Attestation Engagements (SSAEs) in effect as of December 31, 2003.

The proposed revisions to the CPA MICS Compliance Checklists and Guidelines can be obtained from the Board's website at <http://gaming.state.nv.us/>, or may be obtained on floppy disk or hard copy at either the Reno or Las Vegas Audit Division offices. The proposed changes to the existing Guidelines are denoted with lines through the deletions and the underlining/bolding of the additions. The compliance checklists have been completely revised, and the example letters and reports are a new addition. As requested by the industry, significant changes have been made to provide more detail as to the procedures to be performed by the licensee and CPA, and example reports have been provided to assist in preparing the required reports to be submitted to the Board. The significant changes made to the CPA Guidelines are summarized as follows:

1. In the "Objectives" section, an indication has been made that the CPA's engagement procedures and reporting requirements are based on Statements on

Standards for Attestation Engagements (SSAEs) in effect as of December 31, 2003, which at this time is SSAE #10. Additionally, if future revisions are made to the SSAEs or new SSAEs are adopted that are applicable to this type of engagement, the CPA is to comply with any new or revised professional standards.

2. Should a licensee elect to utilize personnel other than the CPA to cross-reference the internal control system to the MICS, the licensee must provide the CPA a written assertion regarding compliance with this requirement. The CPA must then perform a minimum sample size of at least 10% of the MICS and retest the work for proper completion of this requirement.
3. The licensee's written system of internal control must be compared by the CPA to the procedures being used in the licensee's casino operations. After completing the "CPA MICS Compliance Checklists", the CPA must compare the written system of internal control to the actual control procedures in effect.
4. The "CPA Internal Audit MICS Compliance Checklist" is completed twice during the licensee's business year (once during each 6-month period).
5. Upon approval of the Board, the licensee may elect to substitute a portion of the work required by the CPA for the work performed by an internal auditor. The following sections have been added to the Guidelines for procedures to perform when the licensee makes such an election:
 - a. Licensee's Election to Utilize Internal Audit to Substitute for CPA Work – Internal Audit Department Criteria
 - b. Licensee's Election to Utilize Internal Audit to Substitute for CPA Work – Internal Audit Department Criteria Satisfied
 - c. Licensee's Election to Utilize Internal Audit to Substitute for CPA Work – Internal Audit Department Criteria Not Satisfied
 - d. Licensee's Election to Utilize Internal Audit to Substitute for CPA Work – Another CPA Performs Internal Audit Function
 - e. Same CPA Performing Both Regulation 6.090(15) (Internal Audit Procedures) and Regulation 6.090(9) (CPA Procedures)

To summarize the new requirements, it is the licensee's responsibility to determine compliance with the internal audit department criteria and provide the CPA a written assertion regarding compliance with the internal audit department criteria. The CPA will perform agreed-upon procedures to the licensee's written assertion, which includes, on a sample basis, the reperformance of procedures included in CPA MICS Compliance Checklists prepared by Internal Audit. The CPA sample should comprise a minimum of 10% of the procedures required in each Checklist prepared by Internal Audit. The CPA will also complete the "Utilization of Internal Audit Checklist" as a part of the agreed-upon procedures to be performed. The licensee's copy of the Internal Audit Utilization Letter and the CPA's agreed-upon procedures report is to be submitted to the Board. Example

letter and report formats such as the Internal Audit Utilization Letter and the CPA's agreed-upon procedures report, as requested by practitioners, are being provided that contain all of the information discussed in the Guidelines.

6. The Internal Audit Department is required to submit their findings to the Board semi-annually. These reports do not need to be included in the CPA's Regulation 6.090(9) report submission. However, the CPA's report should acknowledge the date of the report(s) submitted by the Internal Audit Department indicating their findings.

To expedite the final release of these CPA MICS Compliance Checklists and Guidelines, the Board is requesting written comments from the industry on the proposed changes rather than holding public meetings to take comments. The Board should receive written comments no later than January 30, 2004.

Should you wish to submit written comments regarding these revisions by e-mail, the address is AuditIC@gcb.state.nv.us. Alternatively, comments may be mailed to the following address:

State Gaming Control Board
Audit Division
555 East Washington Avenue, Suite 2600
Las Vegas, Nevada 89101

Please be advised that the Board's Internal Audit Compliance Checklists and Guidelines are also being updated, and will be provided for comments at a later date. However, note that the revised CPA MICS Compliance Checklists, once adopted, should be used when performing the required internal audit compliance procedures. Until the final release of the CPA MICS Compliance Checklists, which is anticipated to be in mid-February 2004, the draft version can be used when performing MICS compliance procedures after January 21, 2004. Since these checklists are in draft form, be aware that further revisions may be made to these checklists, which could require additional procedures to be performed.

Due to the ongoing nature of the revision process, it is recommended that you periodically check the Board's website for new developments and information. Please call the Audit Division's Las Vegas office at (702) 486-2060 if you have any questions.

Sincerely,

Scott Scherer
Board Member

SS/SS

cc: Dennis K. Neilander, Board Chairman
Bobby L. Siller, Board Member
Records and Research Services