



KENNY C. GUINN  
*Governor*

STATE OF NEVADA  
**GAMING CONTROL BOARD**

1919 E. College Parkway, P.O. Box 8003, Carson City, Nevada 89702  
555 E. Washington Ave., Suite 2600, Las Vegas, Nevada 89101  
3650 South Pointe Cir., P.O. Box 31109, Laughlin, Nevada 89028  
557 W. Silver St., Suite 207, Elko, Nevada 89801  
6980 Sierra Center Parkway, Suite 120, Reno, Nevada 89511

DENNIS K. NEILANDER, *Chairman*  
BOBBY L. SILLER, *Member*  
SCOTT SCHERER, *Member*

March 5, 2004

Carson City  
(775) 684-7740  
Fax: (775) 687-8221

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

**RE: ADOPTION OF THE REVISED CPA MICS COMPLIANCE CHECKLISTS AND GUIDELINES**

On January 16, 2004 the Gaming Control Board distributed proposed revisions to the CPA MICS Compliance Checklists and Guidelines and requested written comments to be submitted. Based on the written comments received, the Board has made several changes to the initial draft of CPA MICS Compliance Checklists and Guidelines (Draft: 1/14/04). All changes to the existing 1997 Guidelines are denoted with a line through the deletions and the underlining/bolding of the additions on the final draft dated February 27, 2004. As you review the final changes to these Guidelines, please consider the following significant revisions that were made as a result of the written comments received:

**Guidelines Changes**

1. Page 1 of 13 (2<sup>nd</sup> paragraph) - A revision was made indicating that the CPA report does not need to include noncompliant procedures detected during the performance of internal audit work required by Regulation 6.090(15) and previously included in a report submitted to the Board.
2. Page 4 of 13 (item "e.") and Page 12 of 13 (1<sup>st</sup> paragraph) - The phrase "as they relate to compliance with the MICS, MICS variations, and associated equipment approvals" was added. This phrase provides clarification that the review of the written system of internal control need only address these areas.
3. Page 6 of 13, #1 – This was rewritten to indicate that the internal audit findings are properly communicated to the appropriate employees of the gaming operation. Accordingly, it does not require that only the licensee's senior management/ownership may communicate the internal audit findings. This wording will allow internal audit to directly advise the applicable departments of their findings.
4. Page 6 of 13, #3 - The criteria for the educational level of the internal staff was broadened to include other degrees and professional certifications. Additionally, the

“50% of staff” requirement applies only to staff assigned to performing the procedures required pursuant to Regulation 6.090(15).

5. Page 6 of 13 (last paragraph) - Added a provision allowing, upon Board approval, a new licensee with an internal audit department that has not performed Regulation 6.090(15) procedures for the previous year to substitute a portion of the work required by the CPA for the work performed by the internal audit department when the licensee demonstrates that the internal audit department meets adequate qualification criteria and has experience in performing Regulation 6.090(15) procedures.
6. Page 7 of 13 (1<sup>st</sup> paragraph) - Clarified that the CPA is performing agreed-upon procedures to determine that the internal audit procedures performed for a past twelve-month period (two six-month periods) encompassing a portion or all of the most recent business year have been properly completed. The two six-month periods should be consecutive and the workpapers for these periods should not be used again in subsequent annual CPA agreed-upon procedures.
7. Page 7 of 13, #2 - Clarified that the CPA should receive concurrence of the licensee prior to increasing their scope to a level greater than the required 5%.
8. Page 7 of 13, #2 - The reperformance of procedures was defined for inquiry, observation and document testing. Additionally, the sample size was reduced from 10% to 5% for the reperformance of procedures except for the slot and table games departments. For those two departments, 6% reperformance will be required, 3% for each set of semi-annual internal audit procedures.
9. Page 8 of 13, #5 - This procedure was added to require the CPA to select a different sample each year when performing procedure #2.
10. Page 8 of 13 (2<sup>nd</sup> paragraph) and Page 9 of 13 (2<sup>nd</sup> paragraph) – The licensee will have 120 days rather than 90 days to submit the Internal Audit Utilization Letter and the CPA’s agreed-upon procedures report to the Board in order to allow sufficient time for the reperformance procedures to be accomplished.
11. Page 10 of 13 - Section title changed from “Licensee’s Election to Utilize Internal Audit to Substitute for CPA Work – Another CPA Performs Internal Audit Function” to “Licensee’s Election to Utilize Internal Audit to Substitute for CPA Work – Nevada CPA (licensed or issued temporary permit) Performs Internal Audit Function”. This section addresses the requirements when Nevada CPAs perform the internal audit function. Additionally, a CPA whose certificate as a certified public accountant was issued by another state or jurisdiction of the United States, who obtains a temporary permit to practice in the State of Nevada, would be included under the requirements of this section of the Guidelines.
12. Page 10 of 13 (2<sup>nd</sup> paragraph) - Clarified that the CPA engaged under Regulation 6.080 is to perform the agreed-upon procedures described in the section “Licensee’s Election to Utilize Internal Audit to Substitute for CPA Work – Internal Audit Department Criteria Satisfied” with respect to the CPA engaged to perform the internal audit function. The agreed-upon procedures are to be completed by the CPA within 120 days following the end of the licensee’s business year.

13. Page 10 of 13 - Added a new section "Licensee's Election to Utilize Internal Audit To Substitute for CPA Work – Another Individual (non-employee) Performs Internal Audit Function". This section addresses criteria to be satisfied when the licensee is considering the use of other professional services, a CPA not licensed to practice in the State of Nevada, or any other individual who is not an employee to perform internal audit procedures.

### **Checklists Changes**

1. Each question in the checklists now indicates whether compliance needs to be determined by observation and/or document testing.
2. Cage and Credit CPA MICS Compliance Checklist "Note 2" indicates that #1, #79 and #80 are required to be completed.
3. Internal Audit CPA MICS Compliance Checklist #4(l) for "Branch Office Visits" requires the CPA to perform specific procedures to determine that internal audit is performing the required branch office visits.

### **Transition to Using New Checklists and Guidelines**

In accordance with the provisions of Regulations 6.090(9), the Board is adopting the revisions to the CPA MICS Compliance Checklists and Guidelines. These checklists and associated guidelines constitute the "Criteria established by the Chairman" to be used by a CPA in reporting on a licensee's compliance with the MICS. The following represents the transition process for using the new checklists and guidelines:

- As of the date of this letter, CPAs and internal auditors should begin using the CPA MICS Compliance Checklists (dated January 21, 2004) in accordance with the "Agreed – Upon Procedures" section of the Guidelines.
- As of the date of this letter, the CPA should comply with the "Report Format" and "Report Submission Requirements" of the new Guidelines.
- The sections of the Guidelines regarding the licensee utilizing the work of the internal audit department to substitute for the work of the CPA will become effective on July 1, 2004. Accordingly, the previous Guidelines (dated 11/1/97) regarding these issues will remain in effect until June 30, 2004.

Accordingly, licensees with a business year of July 1, 2004 through June 30, 2005 will need to comply with all of the new Guidelines as of July 1, 2004. However, licensees with an earlier business year such as January 1, 2004 through December 31, 2004 will only need to comply with the new Guidelines pertaining to the Agreed-Upon Procedures, Report Format and Report Submission Requirements.

As a reminder, licensees with a business year end of December 31, 2004 must submit a letter requesting to utilize the work of the internal audit department to substitute for the work of the CPA by March 31, 2004 pursuant to the previous Guidelines.

This letter and the final, adopted version of the CPA MICS Compliance Checklists and Guidelines and the final revisions to the Guidelines can be obtained from the Board's

website at <http://gaming.nv.gov>, or may be obtained on floppy disk or hard copy at either the Reno or Las Vegas Audit Division offices.

The CPA 6A MICS Compliance Checklists and Guidelines have not been revised and are still in effect until further notice. Additionally, any future industry questions and responses regarding the CPA MICS Compliance Checklists and Guidelines will be included as a section of the "MICS Frequently Asked Questions" document on the Board's website.

Please contact Internal Control Coordinator Shirley Springer at (702) 486-2060 if you have any questions.

Sincerely,

Scott Scherer  
Board Member

DKN/SS

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