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October 25, 2004

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TO: ALL GROUP I NONRESTRICTED LICENSEES

**RE: INFORMATION TECHNOLOGY MICS #7b VARIATION; REGULATION 6.040
RECORD RETENTION WAIVER FOR PERSONNEL ACCESS LISTINGS
REQUIRED BY INFORMATION TECHNOLOGY MICS #9**

As of January 21, 2004, all Group I licensees were to be in compliance with the Minimum Internal Control Standards (MICS) that became effective on October 1, 2003. Various licensees have expressed their concerns in complying with two Information Technology MICS. In response to these concerns, the Board is providing the following guidance:

Information Technology MICS #7b Variation

Information Technology MICS #7b requires that "at least quarterly, personnel independent of the system functions under review perform verification procedures, by using the personnel access listing, to ensure that each employee's assigned system functions are being used as authorized, the assigned functions provide an adequate segregation of duties, and to determine whether terminated employees do not have access to system functions." Various licensees have expressed their concerns regarding the difficult and time-consuming procedures that must be performed to effectively comply with this standard. Accordingly, to address this issue a variation of Information Technology MICS #7b will be granted to all Group I nonrestricted licensees conditioned on the following:

1. IT MICS #7b and conditions #2 – 5 below do not apply to the review of the personnel access listing for pari-mutuel systems and for any computerized systems used for live entertainment taxable revenues.
2. IT MICS #7b will apply to the review of personnel access listings for computerized gaming systems with the following capabilities:
 - a. Generates reports identifying gaming revenues;
 - b. Generates detailed records of all markers, IOU's, returned checks, hold checks, or other similar credit instruments;
 - c. Generates statistical gaming records required by the Minimum Internal Control Standards; or

- d. Generates any other records required either by the Minimum Internal Control Standards or by the licensee's system of internal control.
3. For each personnel access listing of gaming systems that require review, personnel independent of the authorization and assigning of system access rights perform verification procedures at least quarterly, by using each personnel access listing, for at least 10% of the employees on the listing. For each of the randomly selected employees, determine whether the assigned system functions are being used as authorized (i.e., system functions are appropriate for employee's job position), the assigned functions provide an adequate segregation of duties, and whether terminated employees do not have access to system functions.

Please be advised that the Board will evaluate the adequacy of the 10% sample on an on-going basis and may require an adjustment to the sample size when necessary.

4. Relating to condition #3 when an internal auditor performs the personnel access listing review, the review is to be performed in compliance with the Internal Audit Guidelines. As a reminder, the following is quoted from pages 4 and 5 of the "Internal Audit Compliance Reporting Requirements" effective July 1, 2004:

"The internal audit procedures required by Regulation 6.090(15) are separate from the accounting/audit procedures required by the Regulation 6.090 Minimum Internal Control Standards (MICS). At times an accounting/audit procedure required by the MICS is also a similar audit procedure required by Regulation 6.090(15). When internal audit performs similar audit procedures required by both Regulation 6.090(15) and the MICS, the individual(s) performing the MICS procedure cannot also perform the similar Regulation 6.090(15) procedure."

5. Each personnel access listing examined is maintained evidencing the performance of the procedure specified in condition #3, the exceptions noted and follow-up of all exceptions.

Regulation 6.040 Record Retention Waiver for Personnel Access Listings Required by Information Technology MICS #9

Information Technology MICS #9 requires the retention of personnel access listings on a daily basis. Various licensees have expressed their concerns regarding the retention of these listings on a daily basis for five years due to resource and storage issues. Accordingly, to address this issue a waiver of Regulation 6.040 will be granted to all Group I nonrestricted licensees conditioned on the following:

The daily personnel access listings for all computerized gaming systems must be retained for at least one day of each month for the most recent five years. Additionally, the listings may be archived on electronic storage media or another form of storage media in lieu of printing. The daily personnel access listing for pari-mutuel systems and for any computerized systems used for live entertainment taxable revenues is not required to be maintained.

Board Notification

Written notification is required of each Group I licensee within thirty (30) days of the date of this letter indicating which of the following options applies to your operation:

1. Licensee is in compliance with both Information Technology MICS #7b and #9 and no MICS variations are required;
2. Licensee accepts both MICS variations and will comply with the aforementioned conditions for Information Technology MICS #7b and #9; or
3. Licensee will comply with one of the MICS and accepts the MICS variation and the aforementioned conditions for the other MICS (specify which MICS variation is accepted).

Please be advised that for licensees choosing either option #2 or #3, the effective compliance date of the conditions indicated in this letter is October 1, 2004. Prior to this date (January 21, 2004 until September 30, 2004) the requirements of IT MICS #7b and #9 are waived, if not already performed.

The written notification, and any questions you may have regarding this matter, can be directed to the attention of Internal Control Coordinator Kathleen Gannon at (702) 486-2060.

Sincerely,

Scott Scherer
Board Member

SS/SS

cc: Dennis K. Neilander, Board Chairman
Bobby L. Siller, Board Member
Audit Division - Las Vegas
Audit Division - Reno
Records and Research Services