

NEVADA GAMING CONTROL BOARD
MINIMUM INTERNAL CONTROL STANDARDS

ENTERTAINMENT

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 taxpayers 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 must 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: A “signature” on a document provides evidence of the person’s involvement and/or authorization of the intentions reflected in the document. A signature is either handwritten or electronic.

- A “handwritten signature” 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.”
- An “electronic signature” is defined in NRS 719. The “electronic signature” is to be linked with an electronic document which uniquely identifies the individual (e.g., employee or patron) entering the “signature.” Additionally, the use of an “electronic signature” must comply with the applicable IT MICS.

The type of signatures used (i.e., handwritten or electronic) must be delineated within the entertainment section of the written system of internal control pursuant to Regulation 6.090.

Note 6: For an “electronic signature,” procedures must be implemented to provide at least the same level of control as described by these MICS.

Admission Charges – Controls

Note 1: MICS #1 through #9 apply to all admission charges in areas subject to entertainment tax.

Note 2: A computerized point of sale system or a cash register with an internal tape must be used to comply with these MICS. A manually prepared log does not meet the intent of these MICS.

1. All admission charges are recorded at the time of sale in such a manner as to be readily identifiable by individual charge including date and time, in total, and by area for applicable periods of entertainment status. For charges recorded in a computerized point-of-sale system, the transaction number is also recorded for each individual charge.

Note: The above MICS is applicable to all admission charges, including those made through the Internet.

2. Each individual admission is identified by type (i.e., taxable, nontaxable, and complimentary).

Note 1: If an admission charge is for any required minimum purchase of food, beverage, or merchandise, the method of distinguishing minimum food, beverage, or merchandise sales from other sales not subject to entertainment tax must be delineated within the entertainment section of the written system of internal control pursuant to Regulation 6.090.

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Note 2: For cash registers, it is acceptable for a log (in addition to internal cash register tapes) to be maintained documenting the authorization and verification of the individual authorizing the complimentary transaction, which is to be evidenced by the name and signature of the authorizer and the date.

3. The internal cash register tape or point-of-sale information is inaccessible to cashiers (e.g., keys/passwords are maintained by an individual independent of these functions).
4. 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.

Note: The authorization and verification is at least a weekly review of daily computer reports/internal cash register tapes 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.

5. All admission complimentaries that are offset against gross sales subject to entertainment tax require the authorization of appropriate personnel designated by management. The specific dollar amounts of complimentaries are documented and maintained, and an estimate is not utilized.
6. All admission refunds subject to entertainment tax require the authorization of appropriate personnel designated by management. Refund authorizations are documented and maintained to support the amount of refunds.
7. The computation of cash proceeds for each cashier is documented, verified, and signed by at least two employees.

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 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.

8. The cashiers' banks are reconciled to the documentation used for admission charges, with an investigation being performed into large cash overages or shortages.
9. Appropriate procedures are employed in the distribution, use, and control of admission tickets.

Note: The above MICS 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.

Package Programs and Discount Admission Tickets

Note: Any package program or discount admission ticket that includes an item subject to the entertainment tax is subject to MICS #10.

10. If package programs and/or discount admission tickets are used, the following documentation is maintained:
 - a. Copies of the description of package programs offered (if not documented in a flyer), discount admission tickets, and the related flyers or other materials which were available to the public.
 - b. A price breakdown is prepared for all package programs as follows:
 - 1) The actual price paid for the package.
 - 2) A list of the components offered in the package.
 - 3) 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

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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.

- 4) The actual amount (per entertainment component and for the entire package) included in admission charges.
 - 5) Effective dates of the package program.
- c. A price breakdown is prepared for all discount admission tickets. The breakdown includes the amounts received and retained by the licensee, the actual amount (per ticket) included in admission charges and the effective dates of the discount admission tickets.
 - d. Number of packages and discount admission tickets sold by type.

Accounting/Audit Standards

11. The entertainment audit is conducted by someone independent of the entertainment operation.
12. Daily, the dates and time periods during which taxable entertainment was provided are documented, by facility, and reconciled to the periods during which admission charges were recorded pursuant to MICS #1 and #2.

Note: The above information may be documented by a department other than accounting.

13. Daily, accounting/audit personnel verify the amount of admission charges related to luxury suites, boxes, or similar products at a facility have been properly reported as revenue pursuant to the applicable provisions of NAC 368A.143. The records supporting the amount of the admission charge used in the computation of reported revenue are maintained as evidence of this verification.
14. For facilities with a maximum occupancy of less than 7,500 persons, if an alternative method 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 the tax is approved by the Chair, the alternative method must be delineated within the entertainment section of the written system of internal control pursuant to Regulation 6.090.
15. Daily, an admissions summary is created that has a breakdown of gross sales into taxable and nontaxable components for each date, time period, and facility, and summarizes the total admissions by type (using documents as required by MICS #1 and #2).

Note: Pursuant to NAC 368A.450(6), the actual dollar amount of admission charges excluded from reported entertainment revenue is documented and maintained, and an estimated amount is not utilized.

16. For one day each month, accounting/audit personnel verify the amount of admission charges not reported as entertainment revenue meet the provisions of the allowed exclusions pursuant to NRS 368A.020(3).
17. For one day each month, 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.
 - 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. Investigate and document any discrepancies.

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.

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18. Schedules must be documented and maintained for each venue. Monthly, entertainment contracts, if used, and entertainment schedules are reviewed and reconciled to the periods during which admission charges are made.

Note: A reconciliation is not necessary for locations with a consistent and routine showroom/lounge entertainment schedule which is documented and retained.

19. Monthly, documentation is prepared identifying entertainment events for which an exemption for nonprofit organizations applied.

20. For admission charges related to each exempted nonprofit organization event, accounting/audit personnel verify the proper reporting of revenue pursuant to the provisions of NAC 368A.470. The records supporting the number of admission tickets for sale or other distribution are maintained as evidence of this verification.

21. Quarterly, 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. Document 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.

Note 1: The observation should include areas such as convention facilities, meeting rooms, restaurants, outdoor, and temporary facilities that have admission charges. The observation of these areas can be performed through recorded or live surveillance.

Note 2: Observations are not required to be performed for entertainment venues where all admission charges are reported as entertainment revenue. However, the "Entertainment Area Evaluation Form" must still be completed for these venues.

Note 3: The use of the "Entertainment Area Evaluation Form," available on the Board's website "<http://gaming.nv.gov>," is required for compliance with the above MICS.

22. Records are maintained to support admission charges that have associated credit/debit card fees paid to the independent financial institution. 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 is documented and maintained to support a reduction of entertainment revenue.

Note 1: Pursuant to NAC 368A.450(3), estimates are not to be used for credit/debit card fees.

Note 2: The above MICS is also applicable to any admission charges transacted by another licensee and where the charge and associated credit/debit card fees are reported by the licensee that offers the entertainment.

23. A monthly entertainment recap report is prepared which includes the daily and month-to-date entertainment revenue, daily and/or monthly supporting deductions, exclusions, and adjustments, and taxable entertainment revenue including, but not limited to:

- a. Complimentaries and complimentaries associated with hotel folios;
- b. Credit/debit card fees and ticket service provider fees; and
- c. Package programs and discount admission tickets.

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24. Accounting/audit personnel verify that, for new package programs and discount admission tickets and for changes affecting package programs and discount admission tickets, the package program and discount admission ticket breakdowns are in compliance with MICS #10 and NAC 368A.450(5), and that breakdowns are prepared correctly, including when elements and retail values change.

Note: The above MICS applies only to licensees that elect to pay entertainment tax on prorated, rather than retail, amounts.

25. 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.

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.

26. Admission charge summaries are reviewed daily to verify the propriety of complimentary charges.

27. Recording procedures for admission charges (see MICS #1 and #2) are monitored for correctness at least monthly by someone independent of those procedures.

Note: For areas of entertainment that are not always in entertainment status, point-of-sale procedures and controls are 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; or inappropriate changes to the parameters).

28. All entertainment admissions are posted to the accounting records, including complimentary summarized on the monthly summary.

29. For locations recording admission charges using a cash register, all internal tapes are reviewed to ensure the register was totaled/subtotaled properly.

30. For each entertainment area, including leased venues, at least annually 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 and trace the total to the total on the tape/system. Documentation (e.g., spreadsheet or calculator tape) evidencing performance of this procedure, and any variances noted, is maintained.

Note: The above MICS does not apply to ticket sales generated through a ticket broker.

31. Monthly, accounting/audit personnel reconcile entertainment revenue from the general ledger and the monthly entertainment recap report to the monthly NGC tax returns. This reconciliation is documented and maintained. All variances are reviewed, documented, and maintained.

32. Prior to submission of the NGC tax returns for the month, the reconciliation required by MICS #31 is completed, and any follow-up performed is documented and maintained. Any variances noted are resolved prior to submission of the tax returns.

33. 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), the following documentation is maintained and audit procedures are performed:

- a. A daily admission ticket sales report 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.

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- b. A report by show/event indicating the individual admission tickets sold for that show/event. This report indicates the name of the show/event, date the admission ticket was sold, the identifying number of the admission ticket sale, and the dollar amount of the sale.
- c. Monthly, for one day, accounting/audit personnel will 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).

34. System exception reports are reviewed on a daily basis for propriety of transactions and unusual occurrences. The review should include, but is not limited to, void authorizations. All noted improper transactions or unusual occurrences are investigated with the results documented.

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.

35. Documentation (e.g., log, checklist, notation on reports, and tapes attached to original documents) is maintained evidencing the performance of entertainment audit procedures, including any reviews, the exceptions noted, and follow-up of all entertainment audit exceptions.