

NEVADA GAMING CONTROL BOARD INTERNAL CONTROL PROCEDURES

ENTERTAINMENT

- Note 1: For any Nevada Gaming Control Board (“Board”) authorized computer applications, alternate documentation and/or procedures which provide at least the level of control described by these Internal Control Procedures (“ICP” or “ICPs”) as determined by the Tax and License Division will be acceptable, and an ICP variation pursuant to Regulation 6.100 will be unnecessary.
- Note 2: 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 the licensee is responsible for the payment of the entertainment tax, even if some other person or entity is providing entertainment.
- Note 3: Refer to NAC 368A.490(2) for record keeping responsibilities for licensees and operators.
- Note 4: 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 each of these Entertainment ICPs. Alternatively, the licensee may require the person or entity offering entertainment to perform the required procedures; however, the responsibility 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 requirements of a “signature,” or;

An “electronic signature” is defined in NRS 719.100. The “electronic signature” is to be linked with an electronic document which uniquely identifies the individual (e.g., employee, patron) entering the “signature.”

- Note 6: Definition and Terminology. For definitions and interpretations of certain statutory terms, refer to the following:

“Admission” – NAC 368A.400(1)

“Admission charge” – NRS 368A.020

“Operator” – NRS 368A.200(5)(c)

“Service charge or any other fee or charge” – NAC 368A.400(8)

“Ticket broker” – NAC 368A.093

“Ticket service provider” – NAC 368A.095

Admission Charges – Controls

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

1. All admission charges are recorded in such a manner as to be readily identifiable by individual charge, in total and by area for applicable periods of entertainment status. For charges recorded in

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a computerized point-of-sale system, date, time, and transaction number are also recorded for each individual admission charge.

Note: ICP #1 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: 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 LET is to be distinguished.

3. The internal cash register tape or point-of-sale information is inaccessible to bartenders/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 a supervisor or another individual independent of the transaction.
5. All admission complimentarys that are offset against gross sales subject to entertainment tax require the authorization of appropriate personnel designated by management. The specific dollar amount of complimentarys 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 bartender/cashier is documented, verified, and signed by at least two employees.
8. The bartender's/cashier's 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: ICP #9 is also 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

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 flier), discount admission tickets, and related fliers or other related 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;

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- 2) A list of 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 values 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;
 - 4) The actual amount (per entertainment component and for the entire package) included in admission charges; and
 - 5) Effective dates of the package programs.
- 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; and
 - d. Number of package and discount admission tickets sold by type.

Accounting/Audit Procedures

11. 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 ICPs #1 - #2.

Note: The information in ICP #11 may be documented by a department other than accounting/audit.
12. Daily, an admission charge summary is created that has a breakdown of gross sales into taxable and nontaxable components for each date, time period, and facility which summarizes the total admission charges by type (using documents as required by ICPs #1 - #2).

Note: Pursuant to NAC 368A.450(6), the actual dollar amount of admission charges and fees excluded from reported entertainment revenue is documented and maintained, and an estimated amount is not utilized.
13. 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).
14. 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; and
 - 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.

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Note: Pursuant to NAC 368A.500(2), the licensee 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.

15. Entertainment contracts, if used, and entertainment schedules are reviewed and reconciled to the periods during which entertainment sales are made.

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

16. Documentation is prepared identifying entertainment events for which an exemption for nonprofit organizations applied.
17. 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 distribution are maintained as evidence of this verification.
18. 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 in entertainment revenue.

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

Note 2: ICP #18 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.

19. Admission charge summaries are reviewed to verify the propriety of complimentary charges.
20. All cash register or point-of-sale system over-rings or admission ticket voids are reviewed for proper authorization and verification, with findings documented.

Note: The authorization and verification is at least a weekly review of reports by event detailing the overrings and void transactions, which is to be evidenced by name and signature of the reviewer and date of the review.

21. A monthly 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;
 - b. Credit/debit card fees and wholesaler fees; and
 - c. Package programs and discount show tickets.

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

Note: ICP #22 applies only to licensees that elect to pay entertainment tax on prorated, rather than retail, amounts.

23. 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.

24. For locations recording admission charges using a non-computerized system, all cash register tapes or other equivalent records are reviewed to ensure that admission charges were totaled/subtotaled properly.

25. At least annually for each entertainment area, including leased venues, 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: ICP #25 does not apply to ticket sales generated through a ticket broker.

26. Recording procedures for admission charges (see ICPs #1 - #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, cash register/point-of-sale system 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).

27. All entertainment admissions are posted to accounting records.

Note: Entertainment admissions must be posted to a different general ledger account than non taxable revenue, or in some other way is distinguishable or specifically identifiable.

28. If admission ticket sales are reported on an accrual basis (i.e., advanced admission ticket sales are 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: date the admission ticket was sold, name, and date of the show/event for which the admission ticket was sold, and identifying number for each ticket sale transaction, and 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: name of the show/event, date the admission ticket was sold, identifying number of the admission ticket sales, and dollar amount of the sale; and
 - 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 revenue on the day of the show/event, using documents in #28(a) and #28(b).
29. Monthly, accounting/audit personnel reconcile entertainment revenue from the monthly recap report and the general ledger to the monthly Nevada Gaming Commission (“NGC”) tax returns. The reconciliation is documented and maintained. All variances are supported by documentation, reviewed and maintained. Any variances noted are resolved prior to submission of the tax returns.
- Note: For restricted licensees filing the NGC-12, on a quarterly basis, the monthly general ledger and recap for the three-month period will be reconciled to the NGC-12.
30. 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, and refund authorizations. All noted improper transactions are investigated with the results documented.
- Note: An exception report is defined as a report produced by the computerized entertainment system identifying unusual occurrences, changes to system configuration parameters, alteration to initially recoded data, voids, etc.
31. Documentation (e.g., log, checklist, notation on reports, and tapes attached to original documents, etc.) is maintained evidencing the performance of entertainment audit procedures, the exceptions are distinguishable (e.g., made in red ink) from those made during the preparation of the document.