

# NEVADA GAMING CONTROL BOARD INTERNAL CONTROL PROCEDURES

## PARI-MUTUEL

- 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 the applicable 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: A pari-mutuel book must also comply with the Race and Sports Book ICPs when not in conflict with, and if applicable to, the pari-mutuel operation.
- Note 3: As used in these ICPs, the term “operator of a call center” has the same meaning as in Regulation 26C.
- Note 4: As used in these ICPs, the term “hub” refers to the Nevada pari-mutuel systems operator used by pari-mutuel race books for commingling wagers with race tracks.
- Note 5: These ICPs apply to satellite and outstation books, as defined in Regulation 22, unless otherwise stated within these ICPs.
- Note 6: 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 does 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 7: Licensees utilizing wagering communications, as defined in Regulation 26C.010(17), will be required to follow Pari-Mutuel MICS as they relate to wagering communications.
- Note 8: For all licensees utilizing wagering accounts [Regulation 5.225], the Cage and Credit and/or Information Technology Minimum Internal Control Standards (MICS) are required to be followed, pursuant to Regulation 6.090, as they relate to wagering accounts.

### **Wagering Procedures**

1. All pari-mutuel wagers must be transacted through the pari-mutuel computer system. In case of computer failure between the pari-mutuel book and the hub, no tickets may be manually written.
2. Whenever a betting station is opened or closed for wagering or turned over to a new writer/cashier:

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- a. The writer/cashier signs on or off;
  - b. The pari-mutuel computer system creates a record indicating the station number;
  - c. The fact that the station was opened or closed;
  - d. The writer/cashier's identity; and
  - e. The date and time.
3. Nonpari-mutuel wagers are prohibited at pari-mutuel only books.
4. A pari-mutuel race wager is not accepted after the occurrence of post time, as defined in Regulation 22.010(21).
5. Upon accepting a wager, a record of the wager is created in the pari-mutuel computer system which contains: ticket number, date and time, and terms of the wager. The terms of the wager (listed as the "ticket description" in the pari-mutuel computer system reports) include: event/racing meet (or race track), event/race number, event/race date, wager selection (e.g., horse number), type of wager (e.g., win, place and show, etc.), and dollar amount wagered. The record of the wager is documented as follows:
- a. An original betting ticket that includes the book's name and address is printed and given to the patron; and
- Note: If a wager is placed using communications technology, an original betting ticket does not need to be created. Regulation 26C.160 requires that all wagering communications are electronically recorded (separate from the race and sports computer system) and retained for a period of 60 days.
- b. A restricted pari-mutuel computer system record is created concurrently with the generation of the original betting ticket. The restricted record is not accessible to book personnel except for inquiry only functions.
6. If a book voids a betting ticket:
- a. A "void" designation is immediately branded by the pari-mutuel computer system on the ticket with the pari-mutuel computer system updated to reflect the void transaction. Alternatively, a ticket can be voided manually in the pari-mutuel computer system by entering or scanning the ticket number to update the pari-mutuel computer system to reflect the void transaction and immediately writing or stamping a "void" designation on the original ticket;
  - b. All voids are signed by the writer/cashier and a supervisor (who did not write the ticket) at the time of the void. The supervisor may be from another gaming department. For satellite books, the second signature can be a supervisor of the host property; and

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- c. If not-in-computer voids are permitted, the date and time when the ticket was voided is stamped on the original and no adjustment to gross revenue may be made.

Note: If the original ticket is unavailable (e.g., printer malfunction), a document is created to reflect the void transaction with the information required by ICP #6(b).

### Payout Procedures

7. Prior to patrons receiving payouts on winning tickets, event/race results are entered into the pari-mutuel computer system for computerized grading of all wagers. Unpaid winning ticket reports are restricted to authorized personnel independent of the race and sports book.
8. After scanning by the writer/cashier, the pari-mutuel computer system brands the ticket with a "paid" designation, amount of payment, and date. Alternatively, if a writer/cashier manually enters or scans the ticket number into the pari-mutuel computer system, the writer/cashier either immediately writes or stamps the date, amount of payment, and a "paid" designation on the patron's ticket or attaches to the patron's copy a pari-mutuel computer system "paid" ticket which indicates a paid designation, ticket number, amount of payment, and date.
9. The pari-mutuel computer system is incapable of authorizing payment on a ticket, which has been previously paid, a voided ticket, a losing ticket, or an unissued ticket.
10. In instances where a pari-mutuel system failure has occurred and tickets are manually paid, a log will be maintained which includes:
  - a. Date and time of pari-mutuel computer system failure;
  - b. Reason for failure; and
  - c. Date and time the pari-mutuel computer system is restored.
11. For all payouts which are made without a pari-mutuel computer system authorization, after manual grading of the ticket, the date and time must be stamped on the patron's copy, amount of the payment, and a "paid" designation is written or stamped on the patron's copy of the ticket.
12. For payouts made without pari-mutuel computer system authorization (i.e., system inoperative) the following are performed:
  - a. Prior to completing the payout, the book manager or other authorized supervisory personnel, reviews the documentation supporting and explaining the payout and signs the ticket as evidence of review; and
  - b. Once the pari-mutuel computer system is operational, personnel immediately enters all manually paid tickets into the pari-mutuel computer system to verify the accuracy of the amount paid for the tickets and the manual grading of the tickets. If the pari-mutuel computer system remains inoperative at the end of the day, the procedures required by ICP #27(c) are required.

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Note: Any manually paid tickets that were previously purged from the pari-mutuel computer system do not need to be entered into the pari-mutuel computer system.

### Checkout Procedures

13. The pari-mutuel computer system indicates the amount of net cash that is in each writer/cashier station. A supervisor is required to access this information.
14. For each writer/cashier station, a summary report (e.g., count sheet) is completed at the conclusion of each shift including:
  - a. Computation of cash turned in for the shift, and any variances between the cash turn-in and the amount that the pari-mutuel computer system indicates is in each station; and
  - b. Signatures of two employees who have verified the net cash proceeds recorded in ICP #14(a) computation.

Note 1: ICP #14 is also to be performed whenever there is a change of a writer/cashier at a station during a shift. In such a case when the cash is transferred from one writer/cashier to the next writer/cashier, the cash summary report for the shift is to reflect for each writer/cashier and each station, the amount of cash turn-in and any variances between the cash turn-in and the amount of net cash that the pari-mutuel computer system indicates is in each writer/cashier station.

Note 2: ICP #14 does not apply to areas outside the race and sports book area (e.g., casino cage) that cash tickets.

Note 3: Alternatively, ICPs #13 - #14 are performed for each writer/cashier rather than each writer/cashier station.

### Computerized Reports

Note: Documentation equivalent to ICPs #15 - #18, must be prepared for satellite books on a "per book" basis.

15. Adequate documentation of all pertinent pari-mutuel information is generated by the pari-mutuel computer system and restricted to authorized personnel.
16. The generation of end-of-day pari-mutuel computer system reports must be performed by, or observed by, an employee from a department independent of the race and sports book department. Each report indicates:
  - a. The date;
  - b. The book's name (or other identifier); and

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c. The title of report.

Note: As used in ICP #17, pari-mutuel computer system report descriptions, the term “ticket description” refers to the terms of the wager as described in ICP #5.

17. Pari-mutuel computer system documentation is created daily and includes, at a minimum, the following reports:

a. Transaction report which lists, by writer/cashier station, for each ticket sold, voided (ticket canceled), and payout (including refunds): ticket number, transaction date and time, writer/cashier station number, writer/cashier number, ticket description, and amount of transaction. The report lists, by writer/cashier, and in total, the amount of sales (write), voids, and payouts;

Note: The transaction report may be a combination of more than one report (e.g., one for write and one for payouts).

b. Session sales summary which lists, for each meet, each race, and in total by meet and for all meets: session gross sales, cancels, cancels from previous session sales, total sales, total sales from previous session, total sales for the session, and the previous session combined, refunds, and net sales;

Note: A “session” is a 24-hour day.

c. Race prices report which lists for each meet’s race: race date and time, race number, winners (e.g., horse identifications), and payout amounts for the different types of wagers;

d. Cashed tickets report which lists, by meet, the tickets cashed including: ticket number, writer/cashier (or station number), ticket description, and amount of net dividend (amount of payout). The report lists the total amount of net dividends by meet and the grand total for all meets;

Note: The cashed tickets report may be combined with the transaction report.

e. Refund ticket report which lists for the day (session), for each ticket refunded: ticket number, ticket description, session, refund amount, and total of all refunds;

Note: The race and race number are not required to be identified on the refund tickets report if the transaction is reflected in the cashed tickets report or transaction report.

f. Teller detail report which lists, by writer/cashier and in total: amount of tickets sold, tickets cashed, tickets canceled, returns, draws, sold, cashed, and amount of over/short;

g. Teller balance report which lists for the day (session), by writer/cashier and in total: amount of tickets sold, tickets cashed, tickets canceled, draws (funds added to stations’ accountability),

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returns (funds removed from stations' accountability), amount computed as cash turn-in, actual amount reported as cash turn-in, and amount of over/short;

- h. Futures reconciliation report which lists the amount of, by date of event/race for today and future event dates: wagers written on previous days (previous write), wagers written today on future events (write today or future write), wagers written on previous days refunded today (previous canceled today), wagers written on previous days for today's event/race (futures back-in), and total remaining wagers written for events/races in the future (net write);
- i. Futures reports:
  - 1) Futures back-in ticket detail report, which lists the tickets written on previous days for events/races occurring today by event/race meet, including: ticket number, ticket description, and date of event/race. The report lists the total amount of wagers written on previous days for today's event/race; and
  - 2) Future ticket detail report, which lists the tickets written on previous days and today for events/races in the future, by date of event/race and by event/race including: ticket number, ticket description and date of event/race. The future tickets detail report lists totals of the amount of wagers by date of event/race, by event/race, and for all tickets.
- j. Unpaid winners detail ticket report (i.e., outsbok tickets) which lists the unexpired winning tickets that have not been paid including: event/race date, ticket number, ticket description, amount of payout, and payout amounts in total;

Note: Tickets expire when the period of time the book will honor winning wagers has lapsed.

- k. Purge detail ticket report which lists the expired winning tickets that have not been paid by meet, and by ticket number including: event/race date, ticket number, ticket description, and amount to be paid (net dividend). The report lists the total amount of net dividend by meet and the grand total for all meets. The report lists the total amount of payouts to be added back into revenue;

Note: Tickets expire when the period of time the book will honor winning wagers has lapsed.

- l. Reconciliation report which lists for each meet, each race, and in total for all meets: net sales, negative breakage, commission, positive breakage, paid, and unpaid winning wagers (runner pay), parlay breakage, and deposit;
- m. Daily recap report which lists for each meet and in total for all meets: total write, refunds, net write, payouts paid today for events on previous days (outs paid today), payouts from wagers written today, and paid today (today's total paid or current payouts), unpaid winners from event/race that occurred today (today's outs or current unpaids), total amount paid today,

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unpaid winners expired today (outs purged today or unpaids to revenue), and beginning and ending unpaid winners balances (previous outs and total outs);

- n. Exception history report which lists for the day (session), exception time, employee involved, and dollar amount, if applicable, for pari-mutuel computer system function exceptions including, but not limited to, sign-on/offers and supervisor cancels; and
  - o. Void exception report (i.e., Cancelled Tickets Report) which lists for the day: ticket number, date and time of the void, station number, writer/cashier voiding the ticket, supervisor authorizing the void, and ticket description.
18. A month-end reconciliation report is created and used when computing pari-mutuel gross revenue which lists for each meet, by day, the amount of: net sales, negative breakage, commission, positive breakage, paid, and unpaid winning wagers (runner pay), parlay breakage, and deposit. The report lists the month-end totals for each meet and in total.

### Accounting/Audit Procedures

19. Pari-mutuel accounting/audit procedures are performed by personnel independent of the race and sports and pari-mutuel operations.

Note: Such personnel may also perform the accounting/audit functions for the outstation book of affiliated properties, and vice versa.

20. Accounting/audit personnel examine the daily reconciliation report, compare the sales and paid amounts on the report to the amounts on the daily recap report produced by the pari-mutuel computer system, and recalculate the net amount due to or from the hub. An accounting/audit employee reconciles the net amount due to or from the hub with the bank account information regarding transfers to and from the hub at least on a monthly basis.

21. Accounting/audit personnel verify daily cash turn-in by comparing the total actual cash turned in to the total cash turn-in amount on the daily teller balance report.

Note: Cash turn-in is computed as follows: beginning cash balance (+) net write (-) payouts (net of IRS withholding) (-) payouts for tickets cancelled (+) funds added to station (draw) (-) funds removed from station (return) (=) cash turn-in (computed on hand).

22. For one race/event per day, accounting/audit personnel verify commissions per the daily reconciliation report by recalculating race/event commissions.

23. For the track associated with the race/event tested in ICP #22, accounting/audit personnel verify daily transfers due to and from the hub by recalculating the deposits.

Note: The deposit amount is computed as follows: Net sales, (+) negative breakage, (-) commissions, (-) positive breakage, (-) paid and unpaid winning wagers (accrual pays), (=) deposit.

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24. Accounting/audit personnel produce a pari-mutuel track fee report that lists, for each week and for the month, for each track and for all tracks in total, the track fees, and adjustments.

Note: The book receives from the hub, on a weekly basis, a track fee report that lists for the book, based upon the wagers accepted by the book, the track fees due by track.

25. Accounting/audit personnel trace the track/event fees and track/event fee adjustments to the monthly invoices received from the hub.

26. Accounting/audit personnel produce a pari-mutuel gross revenue recap report to calculate gross revenue on a daily and month-to-date basis, including the following totals: commission, positive breakage, negative breakage, track/event fees, track/event fee adjustments, purged tickets, and gross revenue.

Note: The track fees and fee adjustments are included in the recap report in aggregate on a weekly basis.

27. Daily, accounting/audit personnel, for payouts made without pari-mutuel computer system authorization at the time of payment performs the following:

- a. Trace all payouts to the pari-mutuel computer system transaction report or the purged tickets report to verify authenticity of the initial wager;
- b. For payouts subsequently entered into the pari-mutuel computer system by race and sports book personnel, compare the manual payout amount to the pari-mutuel computer system amount; and
- c. For payouts not entered into the pari-mutuel computer system by race and sports book personnel, enter the payout into the pari-mutuel computer system and compare the manual payout amount to the pari-mutuel computer system amount. If the system is inoperative, manually regrade the ticket to ensure the proper payout amount was made.

Note: Appeasement payments (e.g., nonwinning ticket payouts resulting from a customer complaint or employee error) are not deductible from gross revenue.

28. Accounting/audit personnel perform the following procedures for each day, unless indicated otherwise:

- a. System exception reports are reviewed for propriety of transactions and unusual occurrences. The review must include, but is not limited to, void authorizations and manually paid tickets. 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 pari-mutuel computer system identifying unusual occurrences, changes to system configuration parameters, alteration to initially recorded data, voids, etc.



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- b. For all voided tickets:
  - 1) The pari-mutuel computer system reports which display voided ticket information are examined to verify that tickets were properly voided in the pari-mutuel computer system;
  - 2) The voided tickets are examined for a “void” designation and proper signatures, and for not-in-computer voids, the date and time stamp on the ticket for the time of the void; and
  - 3) For a pari-mutuel computer system that prints void tickets, a “void ticket” is attached to the original ticket.
- c. For one day per week, for one meet, verify all race results as produced by the pari-mutuel computer system to the results provided by the wire service;
  - Note: Verifying the results is only required to be performed for one book (an outstation or satellite) when the same pari-mutuel computer system that maintains results information is shared by multiple affiliated books.
- d. For one day per week, regrade 10% or four tickets (whichever is greater) of paid (cashed) tickets to ensure accuracy and propriety;
- e. Daily, select a random sample of 5% or two tickets (whichever is greater) of paid transactions from the pari-mutuel computer system cashed tickets report and trace the transaction to the customer’s copy of the paid ticket; and
  - Note: The same transactions selected for ICP #28(e) examination may be used as part of the sample selected for ICP #28(d).
- f. For pari-mutuel only books, for one day per week, review all wagers to determine whether any nonpari-mutuel wagers were accepted.

29. Monthly, accounting/audit personnel reconcile gross revenue from the month-end pari-mutuel gross revenue recap report to 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.

30. Quarterly, an inventory of all sensitive pari-mutuel keys is performed and reconciled to records of keys made, issued, and destroyed. Investigations are performed for all keys not accounted for, with the investigations being documented.

- Note: Sensitive keys include, but are not limited to, keys used to access restricted pari-mutuel computer storage media and/or restricted equipment used to conduct the pari-mutuel book and to the date and time stamping machines.

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31. Annually, for one day, accounting/audit personnel perform the following for one writer/cashier station:
  - a. Foot the wagers on the restricted pari-mutuel computer system record and trace to the total produced by the pari-mutuel computer system; and
  - b. Foot the customer copy of paid tickets and trace to the total produced by the pari-mutuel computer system.
32. At least one day per quarter, accounting/audit personnel:
  - a. Recalculate and verify the change in the unpaid winners balance to the total purged tickets; and
  - b. If future wagers are accepted, review the pari-mutuel computer system reports to ascertain that future wagers are properly included in write on the day of the event.
33. Documentation (e.g., log, checklist, notation on reports, tapes attached to original documents, etc.) is maintained evidencing the performance of pari-mutuel accounting/audit procedures, the exceptions noted and follow-up of all pari-mutuel audit exceptions. All changes made to pari-mutuel documents by accounting/audit personnel are distinguishable (e.g., made in red ink) from those made during the preparation of the document.