

# NEVADA GAMING CONTROL BOARD INTERNAL CONTROL PROCEDURES

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- 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: The term “kiosk,” as used in these ICPs, refers to a self-activated machine that patrons use to place wagers, cash tickets/vouchers, open accounts, make account deposits, and/or withdrawals and is considered a writer/cashier station. ICPs applicable to writers/cashiers (or writer/cashier stations) are also applicable to a kiosk unless otherwise stated within these ICPs.
- Note 3: A book licensed to accept pari-mutuel wagers must also comply with the Pari-Mutuel ICPs. A pari-mutuel book, including pari-mutuel only books, must comply with the Race and Sports ICPs, as applicable.
- Note 4: These ICPs apply to satellite and outstation books (as defined in Regulation 22) unless otherwise stated within the ICPs.
- 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 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 6: As used in these ICPs, the term Wagering Voucher (“voucher”) is defined in NRS 463.369.
- Note 7: Licensees utilizing wagering communications, as defined in Regulation 22.010(28), will be required to follow Race and Sports 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.

### **Equipment Procedures**

1. The date and time generated by the race and sports computer system during ticket writing is tested each day by a supervisor independent of the ticket writing and cashiering function (this person may

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also be independent of the book). For outstation and satellite books, this test is performed at the location where the system/user administrator function is performed.

2. Race and sports books must review the Naval Observatory Master Clock to verify the correct time each day events are held and wagers are accepted. The race and sports computer system must then be adjusted as required.

Note 1: The website for the Naval Observatory Master Clock is <https://www.time.gov>.

Note 2: ICP #2 does not apply to outstation and satellite books, if the time cannot be changed by personnel of such books.

Note 3: ICP #2 does not apply when the time within the race and sports computer system is kept accurate through the use of an independent automated update process.

3. The test performed pursuant to ICP #1, and any adjustments necessary due to discrepancies, is documented in a log (or in another equivalent manner) which includes: station number, date, time of test, time per race and sports computer system, name or signature of the employee performing the test, and any other relevant information. For outstation and satellite books, the logs must be made available at each licensed location upon request.
4. All date and time stamping machines used for voided tickets and manual payouts are directly and permanently wired to the electrical supply system or have a back-up power source to ensure an accurate time in the event of power outage to the machines.
5. Only personnel independent of the book have access to fuses or other similar power control mechanisms used in connection with the stamping machines.
6. At least once each day, someone independent of the ticket writing function examines and tests the stamping machines to ensure the date and time accuracy to the nearest minute. For satellite books, this test can be performed by the ticket writer.

Note: If the stamping machine is interfaced with a time clock, such that the time on the stamping machine is kept accurate through the use of an independent automated update process, then the procedure is not required.

7. In addition to performing the test pursuant to ICP #6, the same test is performed at least weekly by someone independent of the book.

Note: ICP #7 does not apply to satellite books.

8. Keys (originals and duplicates) to the date and time stamping machines are maintained and used by a department or personnel who are independent of the ticket writing and cashiering functions.

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### Wagering Procedures

9. Whenever a betting station is opened or closed for wagering or turned over to a new writer/cashier:
  - a. The writer/cashier signs on or off;
  - b. The race and sports 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.
10. Upon accepting a wager, a record of the wager is created in the race and sports 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 race and sports computer system reports) includes: event/racing meet (or race track), event/race number, event/race date, wager selection (e.g., horse number, team name, and number), type of wager (e.g., money line bet, point spreads, over or under amounts, 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
  - b. A restricted race and sports 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.
11. If a book voids a betting ticket:
  - a. A "void" designation is immediately branded by the race and sports computer system on the ticket with the race and sports computer system updated to reflect the void transaction; Alternatively, a ticket can be voided manually in the race and sports computer system by entering or scanning the ticket number to update the race and sports computer system to reflect the void transaction and immediately writing or stamping a "void" designation on the original ticket;
  - b. For not-in-computer voids, the date and time when the ticket was voided is stamped on the original ticket; and
  - c. 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.

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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 #11(c).

12. A sporting event wager is not accepted after the start of the event unless "in progress" or a similar notation is indicated on the original and each copy of the betting ticket, and the race and sports computer system creates and maintains a record that documents supervisory approval.

Note: The second half of a football game, for example, is considered a separate event when set up in the race and sports computer system as an independent event for accepting wagers; accordingly, supervisor approval does not need to be recorded as long as the wager is accepted before the start of the second half.

13. A race wager is not accepted after the occurrence of post time, as defined in Regulation 22.
14. Race event documentation (i.e., track sheet) is created daily and includes, at a minimum: race date, name of track, race number, and field of horses scheduled to run by horse number and name for each race. The race event document is updated to indicate any horses subsequently scratched. The document is forwarded to the accounting/audit department at the end of day.
15. The wagering cutoff times are established and entered into the race and sports computer system.
16. The race and sports computer system is either incapable of transacting or accepting a wager subsequent to the cutoff time in ICP #15 or produces a report which specifically identifies such wagers.
17. The race and sports computer system is either incapable of voiding a ticket subsequent to the cutoff time or produces a report which specifically identifies such voided tickets.
18. The race and sports computer system is incapable of allowing a cutoff/starting time to be entered into the race and sports computer system (including changes to cutoff/starting times) that is a time earlier than the current time of day.
19. Tickets will not be written or voided after the outcome of an event is known.
20. A gaming establishment that is only licensed for a sports pool (and not a race book) cannot accept a wager on horse or other animal races.

### **Book Wagering Reports**

21. Within 24 hours after the end of a designated 24-hour period, wagering multiple transaction logs, created pursuant to Regulation 22.062, are submitted to the accounting/audit department.
22. If book wagering reports are prepared by the race and sports book personnel, pursuant to Regulation 22.061, the completed book wagering reports are submitted to the accounting/audit department by no later than 24 hours after month end.

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### Payout Procedures

23. Vouchers issued by the race and sports computer system (including through kiosks) must include: the voucher number, the book's name and address, the date/time, and dollar amount.
24. Prior to patrons receiving payouts on winning tickets, event/race results are entered into the race and sports computer system for computerized grading of all wagers. Unpaid winning tickets and reports are restricted to authorized personnel independent of the race and sports book.
25. Prior to making payment on a ticket/voucher, the writer/cashier enters or scans the ticket number into the race and sports computer system to authorize the payment.
26. After scanning by the writer/cashier, the race and sports 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 race and sports 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 race and sports computer system "paid" ticket/voucher which indicates a paid designation, ticket number, amount of payment, and date.  
  
Note: When a kiosk is used for the payment of a winning ticket, it is acceptable for an electronic image of the branded winning ticket to be retained in the system, rather than maintaining the physical copy of the patron's ticket. The retention period of the electronic image of the paid winning ticket must comply with Regulation 6.060.
27. In instances where a race and sports computer system failure has occurred and tickets are manually paid, a log will be maintained which includes:
  - a. Date and time of race and sports computer system failure;
  - b. Reason for failure; and
  - c. Date and time race and sports computer system is restored.
28. For all payouts which are made without a race and sports 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 written or stamped on the patron's copy of the ticket/voucher.
29. For payouts, without a race and sports computer system authorization (i.e., system inoperative), including payouts for contest/tournament winners, the following are performed:
  - a. Before completing the payout, the book manager or other authorized supervisory personnel, reviews the documentation supporting and explaining the payout and signs the ticket/voucher, as evidence of review; and
  - b. Once the race and sports computer system is operational, personnel immediately enters all manually paid tickets/vouchers into the race and sports computer system to verify the accuracy

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of the amount paid for the tickets/vouchers and the manual grading of the tickets/vouchers. If the race and sports computer system remains inoperative at the end of the day, the procedures required by ICP #61(c) are required.

Note: Any manually paid tickets that were previously purged from the race and sports computer system do not need to be entered into the race and sports computer system.

30. The race and sports computer system is not capable of authorizing payment on a ticket/voucher which has been previously paid, a voided ticket/voucher, a losing ticket, or an unissued ticket/voucher.

### **Promotional Payouts, Drawings, and Giveaway Programs**

31. If a progressive pool is used for wagers, adequate documentation is retained regarding the rules.
32. The conditions for participating in promotional payouts, including drawings and giveaway programs, are prominently displayed or available for patron review at the licensed location.
33. Promotional payouts, including those as a result of drawings and giveaway programs, that are either deducted from gross gaming revenue, or are \$500 or more and not deducted from gross gaming revenue, are documented at the time of payout on a multi-part form (minimum two-part form) to include the following:
  - a. Date and time;
  - b. Dollar amount of payout (both alpha and numeric) or description of personal property (e.g., jacket, toaster, car, etc.);
  - c. Reason for payout (i.e., promotion name);
  - d. Signature(s) of the following number of personnel verifying, authorizing, and completing the promotional payout with the patron:
    - 1) Two employee signatures for all payouts of \$20 or more that are deducted from gross gaming revenue; or  

Note: For approved computerized systems that validate and print the dollar amount of the payout on a computer-generated form, only one employee signature is required on the payout form.
    - 2) One employee signature for payouts of less than \$20 that are deducted from gross gaming revenue; or
    - 3) One employee signature for payouts of \$500 or more that are not deducted from gross gaming revenue.

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e. Patron's name (for drawings only).

34. If the promotional cash (or cash equivalent) payout, including those as a result of drawings and giveaway programs, is less than \$500 and is not deducted from gross gaming revenue, documentation is created to support bank accountability.

Note: Required documentation may consist of a line item on a cage or race and sports accountability document (e.g., forty-three \$10 race and sports cash giveaway coupons = \$430).

### Contests/Tournaments

Note: ICPs #35 - #40 apply to contests/tournaments conducted at a single book, and also to those conducted at multiple affiliated books.

35. All contest/tournament entry fees, prize payouts, patron's wagering selections, and contest/tournament results are recorded in the race and sports computer system.

Note 1: ICP #35 does not apply to contests/tournaments that are free to enter (i.e., no entry fees or other prerequisites such as a minimum amount of wagers to qualify).

Note 2: Noncash prize payouts from contests/tournaments are to be completed in accordance with ICPs #32 - #34. Such payouts are not required to be recorded in the race and sports computer system.

36. When contest/tournament entry fees and payouts are transacted, they are recorded on a document which contains:

- a. Patron's name;
- b. Date of entry/payout;
- c. Dollar amount of entry fee and payout, both alpha and numeric or unalterable numeric, and/or nature and dollar value of any noncash payout;
- d. Signature of individual completing the transaction attesting to the receipt or disbursement of the entry fee/payout with the patron; and
- e. Name of contest/tournament.

37. Contest/tournament entry fees and payouts are summarized and posted to the accounting records on at least a monthly basis.

38. Contest/tournament rules are included on all entry forms/brochures and are prominently displayed or available for patron review at the licensed location. The rules must include at a minimum:

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- a. All conditions patrons must meet to qualify for entry into, and advancement through, the contest/tournament;
  - b. Specific information pertaining to any single contest/tournament, including the dollar amount of money placed in the prize pool;
  - c. The distribution of funds based on specific outcomes; and
  - d. The name of the organization(s), or persons(s), registered pursuant to NRS 463.169 that conducted the contest/tournament on behalf of, or in conjunction with, the licensee, if applicable.
39. Results of each contest/tournament are recorded and available for participants to review. The recording includes: name of event, date(s) of event, total number of entries, dollar amount of entry fees, total prize pool, and dollar amount paid for each winning category. The name of each winner is recorded and maintained, but not made available to the participants unless authorized by management personnel.
- Note: For free tournaments (i.e., patron does not pay an entry), the information required by ICP #39 must be recorded, except for the total number of entries, dollar amount of the entry fees, and total prize pool.
40. The aforementioned contest/tournament records are maintained for each event.

### **Checkout Procedures**

41. The race and sports computer system indicates the amount of net cash that is in each writer/cashier station. A supervisor is required to access this information.
42. 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 of net cash that the race and sports computer system indicates is in each station; and
  - b. Signatures of two employees who have verified the net cash proceeds recorded in ICP #42(a) computation.

Note 1: ICP #42 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 race and sports computer system indicates is in each writer/cashier station.



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Note 2: ICP #42 does not apply to areas outside the race and sports book area (e.g., casino cage) that cash tickets.

Note 3: Alternatively, ICPs #41 - #42 are performed for each writer/cashier rather than each writer/cashier station.

### **Employee Segregation of Duties**

Note: Administrative functions include setting up events, changing event data, and entering results at any time.

43. Personnel who perform the supervisory functions of approving voided tickets do not write tickets unless:
- a. The only supervisory function allowed is approval of voided tickets prior to post time;
  - b. Any tickets written by a supervisor, must be voided by a separate supervisor;
  - c. All tickets written by a supervisor, which are subsequently voided and all not-in-computer voids, must be recorded on a log, used specifically for that purpose, which indicates the writer's name and the name of the person authorizing the void;
  - d. The log must be forwarded to a department independent of the book (i.e., accounting/audit) on a daily basis for an audit of all voids (using the log and the tickets) for the proper signatures on the ticket, a "void" designation on the ticket, date and time of the void on the ticket (for not-in-computer voids), any indications of past-post voiding. Any discrepancies noted and investigations performed must be documented and maintained; and
  - e. A department independent of the book (i.e., accounting/audit) must perform a 100% audit of the exception report for any inappropriate use of the supervisory password. Any discrepancies noted and investigations performed must be documented and maintained.
44. Personnel, including supervisors, who write or cash tickets are prohibited from accessing the administrative terminal or performing administrative functions.

Note: An employee assigned writer/cashier functions is not allowed to switch for certain shifts or days to having administrative functions. Conversely, an employee assigned administrative functions is not allowed to switch for certain shifts or days to having writer/cashier functions.

### **Generic Passwords for Casino Cage Cashiers**

Note: ICP #45 does not apply when a supervisor signs into a common terminal with a unique individual password and the supervisor takes responsibility for the race and sports payouts.

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45. Generic passwords for the race and sports computer system are prohibited in the casino cage unless:
- a. Each cashier redeems tickets from the cashier's assigned window bank;
  - b. After verifying the winning ticket in the race and sports computer system, the cashier signs the patron's copy of the ticket, immediately date and time stamps the ticket at the cashier's assigned window, and maintains the ticket in the cashier's cash drawer;
  - c. Each cashier is assigned a unique date and time stamp used solely at the cashier's assigned window;
  - d. Payouts of \$2,000 or more require the supervisor to enter the supervisor's password and to sign the ticket;
  - e. Payouts of \$10,000 or more require supervisory personnel independent of the cage department to enter the supervisor's password and to sign the ticket;
  - f. A summary sheet is prepared, which lists all cashier's working during the shift, cashier's assigned windows, date and time stamp identification, and total tickets cashed per cashier. The total of the report is then balanced to the total cashed per the race and sports book end-of-shift report; and
  - g. Any discrepancies noted and investigations performed are documented and maintained.

### **Computerized Player Tracking System**

Note 1: Compliance with ICPs #46 - #51 is required for all computerized race and sports player tracking systems.

Note 2: As used in ICPs #46 - #51, the term "point" or "points" is a generic term and refers to a representative of value awarded to a patron based upon specific criteria established by the licensee. Commonly, points are earned by patrons by placing wagers or purchasing room nights, food, beverage, or entertainment admissions. Patron accounts in a race and sports player tracking system are used to track points earned and awarded to patrons.

46. The addition and deletion of points to player tracking accounts, other than through an automated process related to actual play, must be sufficiently documented (including substantiation of reasons for increases) and authorized/performed by supervisory personnel of the player tracking, promotions, or race and sports department. The addition and deletion of points to player tracking accounts, authorized by supervisory personnel, are documented and randomly verified by accounting/audit personnel on a quarterly basis.

Note: ICP #46 does not apply to the deletion of points related to inactive or closed accounts through an automated process.

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47. Personnel who redeem points for patrons cannot have access to inactive or closed accounts without supervisory personnel authorization. Documentation of such access and approval is created and maintained.
48. Patron identification is required when redeeming points without a player tracking card.
49. Changes to the player tracking system parameters, such as point structures and employee access, must be performed by supervisory personnel independent of the race and sports department. Alternatively, changes to player tracking system parameters may be performed by race and sports supervisory personnel, if sufficient documentation is generated and the propriety of the changes are randomly verified by supervisory personnel independent of the race and sports book department, on a quarterly basis.
50. All other changes to the race and sports player tracking system must be appropriately documented.
51. Rules and policies for player tracking accounts, including awarding, redeeming, and expiration of points, are prominently displayed or available for patron review at the licensed location.

### Computerized Reports

Note: Documentation equivalent to ICPs #52 - #54 must be prepared for satellite books on a "per book" basis.

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

Note: As used in ICPs #54 - #55, race and sports computer system report descriptions, the term "ticket description" refers to the terms of the wager as described in ICP #10.

54. Race and sports computer system documentation is created daily and includes, at a minimum, the following reports:
  - a. Transactions report which lists, by writer/cashier, for each ticket sold, voided (ticket canceled), and payout (including refunds): ticket number transaction date and time, writer/cashier station number, writer/cashier number, transaction type, ticket description, and amount of transaction. The report lists, by writer/cashier, and in total, the amount of sales (write), voids, and payouts;

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

- b. Race prices report which lists, for each meet's race: race date and time (stop betting time), race number, winners (e.g., horse identifications), and payout amounts for the different types of wagers;
- c. Sports book results report which lists for each event: event date and cutoff time (as previously entered into the race and sports computer system), event (e.g., team names and team identifications), and event results/winners;
- d. 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 events/races (futures back-in), and total remaining wagers written for events/races in the future (net write);
- e. Futures reports:
  - 1) Futures back-in detail report which lists the tickets written on previous days for events/races occurring today, by event/race and 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 events/races.
  - 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.
- f. Unpaid winners detail report 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.

- g. Purge detail report which lists the expired winning tickets that have not been paid by ticket number including: event/race date, ticket number, ticket description, and amount of payout;

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

- h. Unpays summary report which lists the amount of: beginning balance of unpaid tickets, previously unpaid tickets paid today, new unpaid tickets (i.e., unpaid ticket from event/race that occurred today), and ending balance of unpaid tickets;

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Note: The beginning balance is not required to be listed on the report as long as the previous day's ending balance of unpaid and unredeemed is available.

- i. Accrual basis recap report which lists the amount of tickets written today for today's events/races (current write), wagers written today on future events (future write), wagers written on previous days for today's events/races (futures back-in), accrual write, payouts from wagers written today and paid today (current payouts), payouts paid today for events on previous days (previous payouts), unpaid winners from events/races which occurred today (current unpaid), accrual payout, unpaid winners expired today (unpays to revenue), taxable revenue, and book revenue. The accrual basis recap report is a daily and month-to-date report. Daily and month-to-date amounts may be reflected in separate reports rather than one report;

Note 1: As used in ICP #54(i) accrual basis recap report:

- 1) Accrual write is equal to: current write (+) futures back-in.
- 2) Accrual payout is equal to: current payouts (+) current unpays.
- 3) Book (accounting) revenue is equal to: accrual write (-) accrual payouts (+) unpays to revenue.
- 4) For cash basis, taxable revenue on Nevada Gaming Commission ("NGC") tax returns is equal to: current write (+) future write (-) current payouts (-) previous payouts.
- 5) For modified accrual basis, taxable revenue on NGC tax returns is equal to: accrual write (-) current payouts (-) previous payouts.

Note 2: Alternatively, the accrual basis recap report may include "today's write" and "today's payouts" rather than "current write" and "current payouts" as follows:

- 1) Today's write is equal to: current write (+) future write.
- 2) Today's payouts is equal to: current payouts (+) previous payouts.

- j. Exception information (sorted by exception type) including:

- 1) Voids, past-post voids, in-progress voids, past-post write, in-progress write;
- 2) Changes in odds, cutoff times, results, event data; and
- 3) All supervisory approvals.

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### Accounting/Audit Procedures

55. Race and sports book 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.

56. At least annually, accounting/audit personnel foot the write on the restricted computer system record of written tickets for a minimum of three writers/cashiers for each race book and three writers/cashiers for each sports pool for one day and trace the total to the total produced by the race and sports computer system.
57. Accounting/audit personnel foot the customer copy of paid tickets for a minimum of one writer/cashier station for one day per month and trace the totals to those produced by the race and sports computer system.
58. Daily, for each writer/cashier station, the write and payouts are compared to the cash proceeds and disbursements with a documented investigation being performed on all large variances (i.e., overages or shortages greater than \$100 per writer/cashier).
59. Daily, select a random sample of five paid transactions from the race and sports computer system transaction report and trace the transaction to the customer's copy of the paid ticket.
60. Daily, for all sports book winning tickets and winning parlay card tickets in excess of \$10,000, all race and sports book winning tickets in excess of \$1,000 and for a random sample of ten other winning race and sports book tickets:
- a. The tickets are recalculated and regraded using the race and sports computer system record of event results;
  - b. The date and starting time of the event/race per the results report are compared to the date and time on the ticket and in the race and sports computer system transaction report; and
  - c. The terms of the wagers (e.g., point spreads, moneylines, etc.) per the race and sports computer system transaction report, or other report which indicates all point spreads and money lines at which wagers were written, are reviewed and compared to an independent source for questionable activity.

Note 1: For sports book winning tickets and parlay card tickets, the terms of the wagers may be compared to an independent source, such as a newspaper (or its website), sports league website, a licensed sports information service, or other reputable source.

Note 2: The same transactions selected for ICP #61 examination may be used as part of the sample selected for ICP #60.

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61. Daily, accounting/audit personnel, for payouts made without race and sports computer system authorization at the time of payment including such payouts for contest/tournament winners, will:
- Trace all payouts to the race and sports computer system transaction report or the purged tickets report to verify authenticity of the initial wager;
  - For payouts subsequently entered into the race and sports computer system by race and sports personnel, compare the manual payout amount to the race and sports computer system amount; and
  - For payouts not entered into the race and sports computer system by race and sports personnel, enter the payout in the race and sports computer system and compare the manual payout amount to the race and sports 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.

62. Daily, the race and sports computer system's summary of events/results report is traced to an independent source for 5% of all sporting events and 5% of all races to verify the accuracy of starting times (if available from an independent source) and final result.

Note: The starting times for sporting events and races that are wagered on in conjunction with a tournament or contest is included in population from which the 5% sample is chosen.

63. Daily, for all voided tickets:

- The race and sports computer system reports, which display voided ticket information, are examined to verify that tickets were properly voided in the race and sports computer system;
- 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
- For a race and sports computer system that prints voided tickets, the voided ticket is attached to the original ticket.

64. System exception reports are reviewed on a daily basis for propriety of transactions and unusual occurrences. The review must include, but is not limited to, changes in odds, cutoff times, results, event data (both information input by book personnel and information provided directly by a disseminator), in-progress events, and 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 race and sports computer system identifying unusual occurrences, changes to system configuration parameters, alteration to initially recorded data, voids, etc.

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65. At least one day per calendar quarter, the race and sports computer system reports (and applicable to the pari-mutuel computer system reports) are reviewed, for Regulation 22.040 compliance purposes, for the proper calculation of the following:
  - a. Amounts accepted by the book as wagers on events whose outcomes have not been determined (futures); and
  - b. Amounts owed, but unpaid by the book, on winning wagers through the period established by the book for honoring winning wagers (unpaid winners).
66. For one day per calendar quarter, accounting/audit personnel:
  - a. Recalculate and verify the change in the unpaid winners balance to the total purged tickets;
  - b. If future wagers are accepted, review the race and sports computer system reports to ascertain whether future wagers are properly included in write, on the day of the event; and
  - c. Select two nonpari-mutuel race quinella winning tickets (if such tickets exist for the test day), two other nonpari-mutuel race winning tickets, and two sports winning tickets to verify that the wager was accepted and payouts were made in accordance with the posted house rules.
67. Accounting/audit personnel reviews all wagering multiple transaction logs, and either ensures that book wagering reports have been completed for all reportable transactions or prepares book wagering reports for all reportable transactions, pursuant to Regulation 22.061(4).
68. The book wagering report is signed by personnel who prepared the report.
69. Accounting remits all book wagering reports to the Board, in accordance with Regulation 22.061(4).
70. Monthly, accounting/audit personnel review all contests, tournaments, promotional payouts, drawings, and giveaway programs to determine proper accounting treatment and proper race and sports book win/loss computation.
71. For all contests, tournaments, promotional payouts (including payouts from computerized player tracking activity), drawings, and giveaway programs, the following documentation is maintained:
  - a. Copies of the information provided to patrons describing the contests, tournaments, promotional payouts, drawings, and giveaway programs (e.g., brochures, flyers, etc.);
  - b. Effective dates;
  - c. Accounting treatment, including general ledger accounts, if applicable;
  - d. For tournaments and contests, the dollar amount of the prize pool. Additionally, if applicable, include the amount of contributions to the prize pool by patrons and the amount supplemented by the licensee; and



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72. Monthly, accounting/audit personnel perform procedures to ensure that promotional payouts, drawings, and giveaway programs are conducted in accordance with conditions provided to the patrons. The procedures must include a review of documents along with employee interviews and/or observations.
73. Daily, accounting/audit personnel reconcile all contest/tournament entry and payout forms to the dollar amounts recorded in the appropriate accountability document and race and sports computer system report.
74. When payment is made to the winners of a contest/tournament, accounting/audit personnel reconcile the contest/tournament entry fees collected to the actual contest/tournament payouts made. This reconciliation is to determine whether, based on the entry fees collected, the payouts made and the amounts withheld by the gaming establishment, if applicable, were distributed in accordance with the contest/tournament rules.
75. Monthly, accounting/audit personnel reconcile gross revenue from the month-end accrual basis recap report to the general ledger to the monthly 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.
76. Monthly, accounting/audit personnel review the accounting records (including the reconciliation documentation from ICP #75) and the NGC tax returns to ensure that the write and win have been properly reported according to the appropriate revenue area (i.e., nonpari-mutuel race write and win listed under race, pari-mutuel race write, and win included under pari-mutuel race, etc.).
77. Monthly, accounting/audit personnel review the NGC-32 form to determine that all nonpari-mutuel race wagers have been reported, broken out by disseminator and by track. If a single wager is accepted involving more than one track (e.g., a parlay wager off the board), determine the wager is apportioned on a pro rata basis to each track.

Note: This procedure must be calculated manually when the race and sports computer system does not properly apportion a single wager involving more than one track on a pro rata basis to each track.

78. Monthly, accounting/audit personnel reconciles the information on the NGC-32 form to pari-mutuel and nonpari-mutuel write and win information reported on the corresponding NGC-31 report, with the reconciliation documented and any variances investigated.
79. For race books (including pari-mutuel only books), monthly, a copy of the original NGC-32 form that was submitted to the Board is forwarded to the respective disseminators in accordance with Regulation 20.030.

Note: The NGC-32 form must be submitted to the Board and a copy forwarded to a disseminator even if there were no race wagers accepted or payouts made.

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80. Annually, an inventory of all sensitive race and sports keys is performed and reconciled to records of keys made, issued, and destroyed. Investigations are performed for all keys unaccounted for, with the investigations being documented.

Note: Sensitive keys include, but are not limited to, keys used to access restricted computer storage media and/or restricted equipment used to conduct the race and sports book (e.g., administrative computer terminal), and to date and time stamping machines.

81. If a progressive pool is used for wagers, accounting/audit personnel recalculate the progressive increment based on the wagering activity, at least once a week. Any variance is reviewed with the investigation results documented and maintained.
82. For race and sports computerized player tracking systems, accounting/audit personnel must perform the following procedures at least one day per quarter:
- a. Review all point addition and deletion authorization documentation, other than for point additions and deletions made through an automated process, for propriety;
  - b. Review exception reports, including transfers between accounts; and
  - c. Review documentation related to access to inactive and closed accounts.
83. At least annually, the race and sports computerized player tracking system is reviewed by personnel independent of the individuals that set up or make changes to the system parameters. The review is performed to determine that the configuration parameters are accurate and have not been altered without appropriate management authorization (e.g., verify the accuracy of the awarding of points based on the dollar amount wagered). The system must also be tested, if possible, to further verify the accuracy of the configuration parameters (e.g., simulate activity to verify the accuracy of the amount of points awarded). The test results are documented and maintained.
84. Documentation (e.g., log, checklist, notation on reports, tapes attached to original documents, etc.) is maintained evidencing the performance of race and sports accounting/audit procedures, the exceptions noted and follow-up of all race and sports audit exceptions. All changes made to race and sports documents by accounting/audit personnel are distinguishable (e.g., made in red ink) from those made during the preparation of the document.

### **Statistics**

85. Reports are maintained for each month and year-to-date, which indicate the total amount of wagers accepted, total amount of payouts on winning wagers, net win (i.e., taxable win), and win-to-write percentage for:
- a. Each sport (e.g., baseball, basketball, football, hockey, golf, boxing, etc.);

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- b. Sports parlay cards; and
  - c. Nonpari-mutuel racing.
86. Reports are maintained for each month and year-to-date, which indicates for pari-mutuel horse racing, total amount of wagers accepted, net amount won by the book (i.e., pari-mutuel gross revenue), and win-to-write percentage.
87. The month-end race and sports statistical reports required by ICPs #85 - #86 (prepared prior to the submission of the NGC tax returns for the month in which the activity occurred) are presented to and reviewed by management independent of the race and sports book on at least a monthly basis and such management investigates any large or unusual statistical fluctuations. The investigation completed no later than 30 days following the generation of the month-end race and sports statistical report.
88. The review referenced in ICP #87 is performed by comparing the current period statistics for each type of event with those of applicable prior periods with investigations performed for statistical fluctuations for a month in excess of +/-10%.

Note: Common comparison include either:

- 1) The current month to the same month from the previous year; or
  - 2) A rolling year-to-date to the same year-to-date period from the prior year.
89. The results of such investigations are documented and maintained.
- Note: The calculation of the statistics based upon "accounting records (or book) win" is not required and not a substitute for calculating statistics based upon NGC tax returns write and win. However, such a calculation may be used as part of an analysis of any statistical fluctuations.

### **Credit Accounts**

90. Race and sports book credit is not allowed.

### **Payout Procedures for Mail-In Winning Race and Sports Tickets**

91. Accounting/audit personnel, or personnel independent of the race and sports book, receive the original winning race and sports tickets.
92. Accounting/audit personnel or personnel independent of the race and sports book record the winning race and sports tickets on a log as a mail pay. The log includes the date received, patron's name, and race/sports ticket numbers.

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93. The winning race and sports tickets are entered into the race and sports computer system by race and sports personnel or accounting/audit personnel for validation and cancellation.
94. Accounting/audit personnel compare the "paid" winning race/sports tickets to the mail pay log and the race and sports computer system report for paid winning race and sports tickets. Any discrepancies are documented and reviewed with race and sports and accounting/audit management personnel.
95. Accounting/audit personnel, independent of the individual(s) who processed the mail pay winning tickets, reviews the patron's correspondence submitted, the winning race/sports tickets, the mail pay log, and the race and sports computer system report for "paid" winning race and sports tickets for any discrepancies. Any discrepancies are documented and resolved prior to remitting the payment amount to the patron.