

Nevada Gaming Control Board

Audit Division



Kelly Colvin, Chief

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Audit Division Staff

- Two offices - Las Vegas and Reno
- College degrees (Masters preferred)
- Staffing (84 professionals)
 - Chief (1)
 - Deputy Chiefs (3)
 - Supervisors (4)
 - Special Agents (5)
 - Senior Agents (9)
 - Agents (62)
- 50% CPAs or pending CPAs



Audit Division Licensees

- Group 1 licensees - GGR \$6.5 million or more
 - Las Vegas office - 101 licensees
 - Reno office - 38 licensees
- Group 2 licensees - monitored by Tax and License
- 1 Tribal casino
- 121 other licensees



Audit Process

- We perform audits
- Follow Generally Accepted Auditing Standards
- Minimum Internal Control Standards (MICS)
- Audits
 - 2.5 year audit cycle
 - Includes yearly interim procedures
 - Two to six auditors per audit
 - Up to 9 months to complete
 - Standardized programs, checklists and guidelines



Audit Process (cont'd)



- Audits (cont'd)
 - Risk assessments, internal control consideration, and materiality
 - Analytical review
 - Inquiries and observations
 - Testing procedures
 - Sample sizes (increased risk - increased sample sizes)
 - 100% of monthly tax returns are reviewed
 - Cash counts and bankroll verifications
 - Ownership structure reviewed
 - Search for hidden ownership and unreported activity

Primary Audit Objectives

- Determine proper reporting of revenue (Gaming and LET)
- Determine compliance with gaming regulations and statutes

OBJECTIVES



Audit End Products

- Audit Report/Opinion (Board Members only)
- Audit Adjustments
- Regulation Violation Letter



Outside Monitoring



- CPA requirement
 - Audited/reviewed financial statements
 - Required Agreed Upon Procedures
 - Annual Internal Control System MICS attestation
 - Annual MICS walk-throughs and document testing (gaming and LET)
 - Use GCB published guidelines, programs and checklists
 - Report submitted to Audit Division annually

Outside Monitoring (cont'd)



- Internal Audit Requirement
 - GGR of >\$10 million - separate internal audit department
 - GGR \$10 million or less - can use independent employees
 - Semi-annual MICS walk-throughs and document testing (slots and table games)
 - Annual MICS walk-throughs and document testing (other areas)

Audit Division Internal Groups

- Risk Group
- Internal Control Group
- IT Group



Risk Group



- Las Vegas and Reno offices each have risk group coordinator
- Monitors
 - Overall financial health of each licensee
 - Compliance issues for each licensee
 - Analytical review concerns (win/drop statistics)

Risk Group (cont'd)

- Risk based model takes into account
 - Results of Audit Division procedures
 - Information from other divisions
 - Financial Statements
 - Internal audit and CPA submitted reports
 - Analytical review results (win/drop)
 - Published media
 - Findings in other jurisdictions
 - Other information

IMPACT	High	Medium	High	High
	Medium	Low	Medium	High
	Low	Low	Low	Medium
		Low	Medium	High

LIKELIHOOD



Risk Group (cont'd)



- Primary responsibilities
 - Receives and reviews CPA MICS compliance reports and internal audit reports
 - Receives and reviews audited/reviewed financial statements
 - Coordinates schedule of interim and audit contacts
 - Maintains three-year theoretical audit schedule
 - Monitors minimum bankroll requirements
 - Reviews overall statistical performance
 - Coordinates information given to other divisions

Internal Control Group

- Responds to industry and staff MICS questions
- Reviews submitted internal control systems
- Evaluates and responds to MICS variation requests
- Reviews and evaluates whitepaper submissions



IT Group



- Certified Information Systems Auditor (CISA)
- Division's IT experts
- Provides staff support and training
- Liaison between Audit Division and Technology Division
- Works with industry and the Technology Division to resolve issues with gaming systems
- Reviews and evaluates whitepapers related to new concepts
- Evaluates and responds to industry IT MICS variation requests

Recommendations for Consideration

- Determine engagement scope
- Determine engagement cycle
- Develop minimum internal control standards
- Internal control system submission requirement
- Financial Statement requirement
- CPA and internal audit requirement
- Guidelines for CPAs and internal auditors
- Standardized programs, checklists and guidelines
- Accounting records requirement in regulation
- Record retention requirement



