

§543. 50 What are the minimum internal control standards for Revenue Audit?

(a) *Bingo*. (1) Accounting/audit standards. (i) Accounting/auditing procedures must be performed by agents who are independent of the persons who performed the transactions being reviewed.

(ii) All accounting/audit procedures and actions must be documented (e.g., log, checklist, investigations and notation on reports), maintained for inspection and provided to the tribal gaming regulatory authority upon request.

(iii) Accounting/audit procedures must be performed reviewing transactions for relevant accounting periods, including a 24-hour accounting period and reconciled in total for those time periods.

(iv) Accounting/audit procedures must be performed within seven days of the transaction's occurrence date being reviewed.

(v) Accounting/audit procedures must be in place to review variances related to bingo accounting data, which must include at a minimum any variance noted by the Class II gaming system for cashless transactions in and out, electronic funds transfer in and out, external bonus payouts, vouchers out and coupon promotion out.

(vi) At least monthly, an accounting/audit agent must confirm that the appropriate investigation has been completed for the review of variances.

(2) Audit tasks to be performed for each day's business.

(i) Records of bingo card sales must be reviewed for proper authorization, completion and accurate calculations.

- (ii) Manual payout summary report, if applicable, must be reviewed for proper authorizations, completion, accurate calculations, and authorization confirming manual payout summary report totals.
- (iii) A random sampling of records of manual payouts must be reviewed for proper authorizations and completion for manual payouts less than \$1,200.
- (iv) Records of all manual prize payouts of \$1,200 or more must be reviewed for proper authorizations and completion.
- (v) Where manual payout information is available per player interface, records of manual payouts must be reviewed against the recorded manual payout amounts per player interface.
- (vi) Manual payout forms must be reconciled to each cashier's accountability documents and in total for each relevant period (e.g., session, shift, day, etc.).
- (vii) Records of voided manual payouts must be reviewed for proper authorization and completion.
- (viii) Records of voided bingo cards must be reviewed for proper authorization and completion.
- (ix) Use of controlled forms must be reviewed to ensure each form is accounted for.
- (x) Where bingo sales are available per player interface, bingo sales must be reviewed for reasonableness.
- (xi) Amount of financial instruments accepted per financial instrument type and per financial instrument acceptor must be reviewed for reasonableness, to include but not limited to zero amounts.

(xii) Where total prize payouts are available per player interface, total prize payouts must be reviewed for reasonableness.

(xiii) Amount of financial instruments dispensed per financial instrument type and per financial instrument dispenser must be reviewed for reasonableness, to include but not limited to zero amounts.

(xiv) For a random sampling, foot the vouchers redeemed and trace the totals to the totals recorded in the voucher system and to the amount recorded in the applicable cashier's accountability document.

(xv) Daily exception information provided by systems used in the operation of bingo must be reviewed for propriety of transactions and unusual occurrences.

(xvi) Ensure promotional coupons which are not financial instruments are properly cancelled to prevent improper recirculation.

(xvii) Reconcile all parts of the form used to document transfers that increase/decrease the inventory of an accountability (includes booths and any other accountability areas).

(xviii) Reconcile voucher liability (e.g., issued-voided-redeemed-expired = unpaid) to the voucher system records.

(xix) The total of all patron deposit accounts must be reconciled, as follows:

(A) A report must be generated that details each day's beginning and ending balance of patron deposit accounts, adjustments to patron deposit accounts, and all patron deposit account transactions.

(B) Reconcile the beginning and ending balances to the summary of manual deposit/withdrawal and account adjustment documentation to the patron deposit account report.

(xx) Reconcile each day's patron deposit account liability (e.g., deposits ± adjustments–withdrawals = total account balance) to the system records.

(xxi) Reconcile electronic funds transfers to the cashless system records, the records of the outside entity which processed the transactions and the operations dedicated cashless account bank records.

(xxii) Accounting data used in performance analysis may only be altered to correct amounts that were determined to be in error. When correcting accounting data, the correct amount must be indicated in any Class II gaming system exception reports generated.

(xxiii) Accounting/auditing agents must reconcile the audited bingo totals report to the audited bingo accounting data for each day.

(xxiv) Accounting/auditing agents must ensure each day's bingo accounting data used in performance reports has been audited and reconciled.

(xxv) If the Class II gaming system produces exception reports they must be reviewed on a daily basis for propriety of transactions and unusual occurrences.

(3) Audit tasks to be performed at relevant periods:

(i) Financial instrument acceptor data must be recorded immediately prior to or subsequent to a financial instrument acceptor drop. The financial instrument acceptor amount-in data must be recorded at least weekly. The time between recordings may extend beyond one week in order for a recording to coincide with the end of an accounting period only if such extension is for no longer than six additional days.

(ii) When a player interface is removed from the floor, the financial instrument acceptor contents must be protected to prevent the misappropriation of stored funds.

- (iii) When a player interface is permanently removed from the floor, the financial instrument acceptor contents must be counted and recorded.
- (iv) For currency interface systems, accounting/auditing agents must make appropriate comparisons of system generated count as recorded in the statistical report at least one drop period per month. Discrepancies must be resolved prior to generation/distribution of reports.
- (v) For each drop period, accounting/auditing agents must compare the amount-in per financial instrument accepted by the financial instrument acceptors to the drop amount counted for the period. Discrepancies must be resolved before the generation/distribution of statistical reports.
- (vi) Investigation must be performed for any one player interface having an unresolved drop variance in excess of an amount that is both more than \$25 and at least three percent (3%) of the actual drop. The investigation performed and results of the investigation must be documented, maintained for inspection, and provided to the tribal gaming regulatory authority upon request.
- (vii) The results of a variance investigation, including the date and personnel involved in any investigation, will be documented in the appropriate report and retained. The results will also include any corrective action taken (e.g., accounting data storage component replaced, interface component repaired, software debugged, etc.). The investigation will be completed and the results documented within seven days of the day the variance was noted, unless otherwise justified.
- (viii) Procedures must be established and implemented to perform the following on a regular basis, at a minimum of monthly, and using predetermined thresholds:

(A) Where the Class II gaming system is capable of providing information per player interface, identify and investigate player interfaces with total prize payouts exceeding bingo sales;

(B) Where bingo sales is available per player interface, investigate any percentage of increase/decrease exceeding a predetermined threshold, not to exceed 20%, in total bingo sales as compared to a similar period of time that represents consistency in prior performance.

(C) Investigate any exception noted in paragraphs (i) (3) (viii) (A) and (B) of this section and document the findings. The investigation may include procedures to review one or more of the following:

- (1) Verify days on floor are comparable.
- (2) Non-prize payouts for authenticity and propriety.
- (3) Player interface out of service periods.
- (4) Unusual fluctuations in manual payouts.

(D) If the investigation does not identify an explanation for exceptions then a physical check procedure must be performed, as required by paragraph (i)(3)(viii)(E) of this section.

(E) Document any investigation of unresolved exceptions using a predefined player interface physical check procedure and checklist, to include a minimum of the following as applicable:

- (1) Verify game software;
- (2) Verify player interface configurations;

- (3) Test amount in accounting data for accuracy upon insertion of financial instruments into the financial instrument acceptor;
- (4) Test amount out accounting data for accuracy upon dispensing of financial instruments from the financial instrument dispenser;
- (5) Record findings and repairs or modifications made to resolve malfunctions, including date and time, player interface identifier and signature of the agent performing the player interface physical check, and additional signatures as required; and
- (6) Maintain player interface physical check records, either in physical or electronic form, for the period prescribed by the procedure.
- (ix) For Class II gaming systems, procedures must be performed at least monthly to verify that the system accounting data is accurate.
- (x) For Tier C, at least weekly:
 - (A) Financial instruments accepted at a kiosk must be removed and counted by at least two agents; and
 - (B) Kiosk transactions must be reconciled to the beginning and ending balances for each kiosk.
- (xi) At the conclusion of a promotion, accounting/audit agents must perform procedures (e.g., interviews, review of payout documentation, etc.) to ensure that promotional prize payouts, drawings, and giveaway programs are conducted in accordance with the rules provided to the patrons.
- (4) Inter-tribal prize pools. Procedures must be established and implemented to govern the participation in inter-tribal prize pools, which at a minimum must include the review, verification and maintenance of the following records, which must be made available,

within a reasonable time of the request, to the tribal gaming regulatory authority upon request:

- (i) Summary of contributions in total made to an inter-tribal prize pool;
 - (ii) Summary of disbursements in total from an inter-tribal prize pool; and
 - (iii) Summary of inter-tribal prize pool funds availability.
- (5) Performance Analysis. (i) Bingo performance data must be recorded at the end of the gaming operations specified 24-hour accounting period. Such data must include:
- (A) Amount-in and amount-out for each Class II gaming system.
 - (B) The total value of all financial instruments accepted by the Class II gaming system by each financial instrument acceptor and by each financial instrument type.
 - (C) The total value of all financial instruments dispensed by the Class II gaming system and by each financial instrument type.
 - (D) The total value of all manual payouts by each Class II gaming system.
 - (E) The total value of bingo purchases for each Class II gaming system.
 - (F) The total value of prizes paid for each Class II gaming system.
- (ii) Procedures must be established and implemented that ensure the reliability of the performance data.
- (iii) Upon receipt of the summary of the data, the accounting department must review it for reasonableness using pre-established parameters defined by the gaming operation.
- (iv) An agent must record and maintain all required data before and after any maintenance or modifications that involves the clearing of the data (e.g., system software upgrades, data storage media replacement, etc.). The information recorded must be used

when reviewing performance reports to ensure that the maintenance or modifications did not improperly affect the data in the reports.

(6) Statistical reporting. (i) The bingo sales, prize payouts, bingo win, and actual bingo win percentages must be recorded for:

(A) Each shift or session;

(B) Each day;

(C) Month-to-date; and

(D) Year-to-date or fiscal year-to-date.

(ii) A monthly comparison for reasonableness must be made of the amount of bingo paper sold from the bingo paper control log to the amount of bingo paper sales revenue recognized.

(iii) Management employees independent of the bingo department must review bingo statistical information on at least a monthly basis.

(iv) Agents independent of the bingo department must investigate any large or unusual statistical fluctuations, as defined by the gaming operation.

(v) Such investigations must be documented, maintained for inspection, and provided to the tribal gaming regulatory authority upon request.

(vi) The actual bingo win percentages used in the statistical reports should not include operating expenses (e.g., a percentage payment to administrators of inter-tribal prize pools), promotional prize payouts or bonus payouts not included in the prize schedule.

(7) Progressive prize pools. (i) A display that shows the amount of the progressive prize must be conspicuously displayed at or near the player interface(s) to which the prize applies.

- (ii) At least once each day, each gaming operation must record the total amount of each progressive prize pool offered at the gaming operation on the progressive log.
- (iii) When a manual payment for a progressive prize is made from a progressive prize pool, the amount must be recorded on the progressive log.
- (iv) Each gaming operation must record, on the progressive log, the base reset amount of each progressive prize the gaming operation offers.
- (v) Procedures must be established and implemented specific to the transfer of progressive amounts in excess of the base reset amount to other awards or prizes. Such procedures may also include other methods of distribution that accrue to the benefit of the gaming public.

(b) Pull tabs. (1) At the end of each month, a person or persons independent of pull tab sales and inventory control shall verify the accuracy of the ending balance in the pull tab control by reconciling the pull tabs on hand.

(2) At least monthly, a comparison for reasonableness shall be made of the amount of pull tabs sold from the pull tab control log to the amount of revenue recognized.

(3) Personnel independent of pull tab operations shall verify the amount of winning pull tabs redeemed each day.

(4) If the gaming operation utilizes electronic equipment in connection with the play of pull tabs, then the following standards shall also apply.

(i) If the electronic equipment contains a financial instrument acceptor, then §543.21(e) and (f), §543.31(e) and (f), or §543.41(e) and (f) (as applicable) shall apply.

(ii) If the electronic equipment uses a bar code or microchip reader, the reader shall be tested periodically to determine that it is correctly reading the bar code or microchip.

(iii) If the electronic equipment returns a voucher to the player, then §543.7(f) (as applicable) shall apply.

(iv) If the electronic equipment utilizes patron account access cards for activation of play, then §543.7(g) (as applicable) shall apply.

(c) Card Games (1) The card games audit shall be conducted by personnel independent of the card games department.

(2) On a daily basis, audit/accounting personnel shall reconcile the amount indicated on the progressive sign/meter to the cash counted or received by the cage and the payouts made for each promotional progressive pot and pool. This reconciliation must be sufficiently documented (including substantiation of differences, adjustments, etc.).

(3) The following procedures shall be performed by accounting/audit personnel using the appropriate document prepared by the count team members for each day:

(i) Reconcile the dollar amount of drop proceeds to the dollar amount recorded in the applicable accountability document using, if applicable, the transfer forms indicating all transfers in/out of the count room, both during and at the end of the count. Investigate and document any variance noted.

(ii) Recalculate card game proceeds (all funds received by the gaming operation as compensation for conducting the game) in total and by shift. For computerized

master games sheets that total the count proceeds from each box, accounting personnel are to recalculate rake in total and by shift for one day each month.

(iii) Verify that the correct total of card game proceeds is recorded in the accounting records.

(4) At least monthly, accounting/audit personnel shall review all payouts for the promotional progressive pots, pools, or other promotions to determine proper accounting treatment.

(5) At least monthly, accounting/audit personnel shall perform procedures to ensure that payouts for the promotional progressive pots, pools, or other promotions are conducted in accordance with conditions provided to the patrons.

(6) Daily, accounting/audit personnel shall reconcile all contest/tournament entry and payout forms to the dollar amounts recorded in the appropriate accountability document.

(7) Documentation (e.g., log, checklist, notation on reports, and tapes attached to original documents) evidencing the performance of card games audit procedures, the exceptions noted, and the follow-up of all card games audit exceptions shall be maintained.

(d) Cage. (1) The cage accountability shall be reconciled to the general ledger at least monthly.

(2) For at least one day each month, accounting/audit personnel shall trace the amount of cage deposits to the amounts indicated in the bank statements.

(3) For at least two days each year, a count shall be performed of all funds in all gaming areas (i.e. cages, vaults and booths (including reserve areas), kiosks, cash-out ticket redemption machines, and change machines. Do not include player interface hopper funds. Count all chips and tokens by denomination and type. Count individual straps, bags, and imprest banks on a sample basis. Trace all amounts counted to the amounts recorded on the corresponding accountability forms to ensure the proper amounts are recorded. Maintain documentation evidencing the amount counted for each area and the subsequent comparison to the corresponding accountability form. The count shall be completed within the same gaming day for all areas.

(i) Counts shall be observed by an individual independent of the department being counted. It is permissible for the individual responsible for the funds to perform the actual count while being observed.

(ii) Internal audit may perform and/or observe the two counts.

(4) At least annually, select a sample of invoices for chips and tokens purchased and trace the dollar amount from the purchase invoice to the accountability document that indicates the increase to the chip or token inventory to ensure the proper dollar amount has been recorded.

(5) For each business year end, create and maintain documentation evidencing the amount of the chip/token liability, the change in the liability from the previous year, and explanations for adjustments to the liability account including any adjustments for chip/token float.

(6) For at least one day each month, accounting/audit personnel shall review a sample of returned checks to determine that the required information was recorded by cage personnel when the check was cashed.

(7) Accounting/audit personnel shall review exception reports for all computerized cage systems (e.g., fill/credit systems) at least monthly for propriety of transactions and unusual occurrences. The review shall include, but is not limited to, voided authorizations. All noted improper transactions or unusual occurrences identified shall be investigated with the results documented.

(8) At least monthly, accounting/audit personnel shall review all promotional payments, drawings, and giveaway programs to verify proper accounting treatment and proper win/loss computation.

(9) For all promotional payments, drawings, and giveaway programs the following documentation shall be maintained:

(i) Copies of the information provided to the patrons describing the promotional payments, drawings, and giveaway programs (e.g., brochures, flyers);

(ii) Effective dates; and

(iii) Accounting treatment, including general ledger accounts, if applicable.

(10) At least monthly, accounting/audit personnel shall perform procedures to ensure that promotional payments, drawings, and giveaway programs are conducted in accordance with information provided to the patrons.

(11) Daily, accounting/audit personnel shall reconcile all parts of forms used to document increases/decreases to the total cage inventory, investigate any variances noted, and document the results of such investigations.

(12) All cage auditing procedures and any follow-up performed shall be documented, maintained for inspection, and provided to the Tribal gaming regulatory authority upon request.

(e) Credit. (1) A person independent of the cage, credit, and collection functions shall perform all of the following at least three (3) times per year:

(i) Select a sample of credit accounts;

(ii) Ascertain compliance with credit limits and other established credit issuance procedures;

(iii) Reconcile outstanding balances of both active and inactive (includes write-offs and settlements) accounts on the accounts receivable listing to individual credit records and physical instruments. This procedure need only be performed once per year for inactive accounts; and

(iv) Examine credit records to determine that appropriate collection efforts are being made and payments are being properly recorded.

(2) For a minimum of five (5) days per month, a person independent of the cage, credit, and collection functions shall subsequently reconcile partial payment receipts to the total payments recorded by the cage for the day and account for the receipts sequentially.

(3) A trial balance of gaming operation accounts receivable, including the name of the patron and current balance, shall be prepared at least monthly for active, inactive, settled or written-off accounts.

(4) The trial balance of gaming operation accounts receivable shall be reconciled to

the general ledger each month. The reconciliation and any follow-up performed shall be documented, maintained for inspection, and provided to the Tribal gaming regulatory authority upon request.

(5) On a monthly basis an evaluation of the collection percentage of credit issued to identify unusual trends shall be performed.

(f) Complimentary services or items. The internal audit or accounting departments shall review the reports required in paragraph §543.17 (c) at least monthly. These reports shall be made available to the Tribe, Tribal gaming regulatory authority, audit committee, other entity designated by the Tribe, and the Commission upon request.

(g) Drop and Count. (Tiers A, B and C) (1) Unannounced currency counter and currency counter interface (if applicable) tests shall be performed by personnel independent of the cage, vault, count team, player interface, and card games departments on at least a quarterly basis with the test results documented and maintained. All denominations of currency and vouchers counted by the currency counter must be tested. This test may be performed by internal audit or the Tribal gaming regulatory authority. The result of these tests shall be documented and signed by the person or persons performing the test.

(2) Unannounced weigh scale and weigh scale interface (if applicable) tests shall be performed by a person or persons independent of the cage, vault, and player interface departments and count team at least quarterly with the test results being documented and maintained. This test may be performed by internal audit or the

Tribal gaming regulatory authority. The result of these tests shall be documented and signed by the person or persons performing the test.

(3) For computerized key security systems controlling access to card games drop and count keys, accounting/audit personnel, independent of the system administrator, shall perform the following procedures:

(i) Daily, review the report generated by the computerized key security system indicating the transactions performed by the individual(s) that adds, deletes, and changes user's access within the system (i.e., system administrator). Determine whether the transactions completed by the system administrator provide an adequate control over the access to the card games drop and count keys. Also, determine whether any card games drop and count key(s) removed or returned to the key cabinet by the system administrator was properly authorized.

(ii) For at least one day each month, review the report generated by the computerized key security system indicating all transactions performed to determine whether any unusual card games drop and count key removals or key returns occurred.

(iii) At least quarterly, review a sample of users that are assigned access to the card games drop and count keys to determine that their access to the assigned keys is adequate relative to their job position.

(iv) All noted improper transactions or unusual occurrences are investigated with the results documented.

(4) At least quarterly, an inventory of all count room, card game drop box release, storage rack, contents, override and panel keys shall be performed, and reconciled

to records of keys made, issued, and destroyed. Investigations shall be performed for all keys unaccounted for, with the investigations being documented.

(5) For computerized key security systems controlling access to player interface drop and count keys, accounting/audit personnel, independent of the system administrator, shall perform the following procedures:

(i) Daily, review the report generated by the computerized key security system indicating the transactions performed by the individual(s) that adds, deletes, and changes user's access within the system (i.e., system administrator). Determine whether the transactions completed by the system administrator provide an adequate control over the access to the player interface drop and count keys. Also, determine whether any player interface drop and count key(s) removed or returned to the key cabinet by the system administrator was properly authorized.

Written Comment (March): Where did the concept of a daily review come from? Not even in a manual system is there a requirement for the daily sign out log be reviewed each day. It would appear that having a daily review of the administrator's activity would defeat the purpose of having a computerized key security system. Therefore, we recommend removing "daily" and replacing it with the following: "For at least one day each month"

Response: The Committee reviewed the proposed standard and had no comment. Disagree that daily review of the reporting containing the transactions performed by the system administrator defeats the purpose of having a computerized key security system as vigilance over the system administrator's activities is an essential control, particularly as it relates to drop and count keys. This comment has no bearing on the transition from 542 to 543.

Note (May): Following discussion during the conference call it was concluded that the importance of oversight of the system administrator's transactions outweighed the small amount of time that daily review of the report would require.

(ii) For at least one day each month, review the report generated by the computerized key security system indicating all transactions performed to determine whether any unusual player interface drop and count key removals or key returns occurred.

(iii) At least quarterly, review a sample of users that are assigned access to the player interface drop and count keys to determine that their access to the assigned keys is adequate relative to their job position.

(iv) All noted improper transactions or unusual occurrences are investigated with the results documented.

(6) At least quarterly, an inventory of all count room, player interface door, player interface fill cabinet, storage rack, contents, override and panel keys shall be performed, and reconciled to records of keys made, issued, and destroyed. Investigations shall be performed for all keys unaccounted for, with the investigation being documented.