

NATIONAL INDIAN GAMING COMMISSION



Internal Audit

Phases of an Audit Program

Key Points:

During this course we will introduce the phases of an audit program.

My Notes:

Objective



□ Identify and Discuss the Phases of an Audit Program

- Planning
- Fieldwork
- Reporting
- Follow-Up

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Key Points:

The objective of the course is to identify and discuss the phases of an Audit Program. There are 4 phases of an audit program: planning; fieldwork; reporting; and follow-up. The NIGC MICS part 543.23 (C) identifies the minimum requirements for internal audit.

My Notes:

What is an Audit Program?



Audit Program

- Outlines audit plan
- Maps audit steps/procedures
- Approval/Supervision

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Key Points:

The audit program is the action plan that contains procedures to follow for validating an organizations conformance with compliance regulations.

The NIGC MICS Part 543.23 states (C) Controls must be established and procedures implemented to ensure that:

- (1) Internal auditor(s) perform audits of each department of a gaming operation, at least annually, to review compliance with TICS, SICS, and these MICS.
- (2) Internal auditor(s) are independent of gaming operations with respect to the departments subject to audit (auditors internal to the operation, officers of the TGRA, or outside CPA firm may perform this function).
- (3) Internal auditor(s) report directly to the Tribe, TGRA, audit committee, or other entity designated by the Tribe.
 - a. It is required that the Internal Audit has SICS in place, even if they report directly to Tribal Government, as the regulation states; "Controls must be established and procedures implemented". These controls and procedures are your Internal Audit SICS.

My Notes:



Key Points:

ZOOM Poll Question -Should auditors internal to the operation report directly to the TGRA?

- A. YES
- B. NO
- C. Undecided

My Notes:

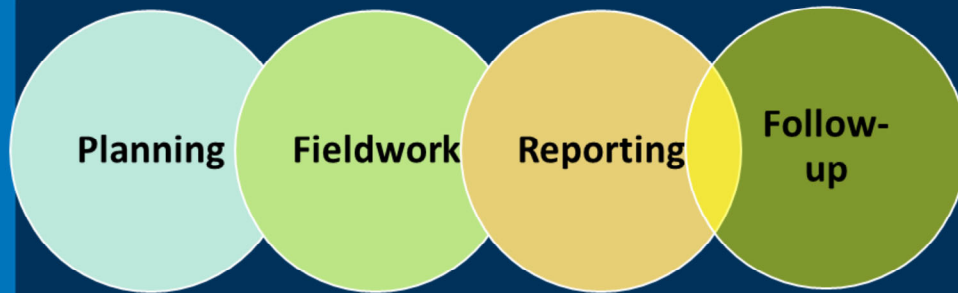


Key Points:

Auditors internal to the operation, must report MICS required audit results, directly to the Tribe, TGRA, audit committee, or other entity designated by the Tribe. They may be under the supervision of operations management for general personnel functions such as leave requests, payroll, etc. But should report audit results directly to the tribe as stated in the MICS.

My Notes:

Phases of an Audit



Key Points:

The audit program consist of 4 phases:

Planning - planning is a critical process for the success of an audit.

Fieldwork – fieldwork is conducting the steps identified in the planning process.

Reporting – during this phase the audit findings, conclusions, and recommendations are communicated to the operation through a draft report.

Follow-Up – this phase is to validate that the corrective action or plan of action provided by management has been completed and all findings have been resolved.

My Notes:

Planning Phase Audit Schedule



Audit No.	Audit Area	Start Date	End Date	Total Hours	# of Weeks	# Employees
22KCA-12	Cage	5/17/2022	5/28/2022	160	2	2
22KCA-13	Bingo	6/7/2022	6/18/2022	240	2	3
22KCA-14	Auditing Revenue	6/21/2022	6/25/2022	80	1	2
22KCA-15	Complimentaries	6/28/2022	7/9/2022	240	2	3
22KCA-16	Player Tracking	7/12/2022	7/16/2022	40	1	1
22KCA-17	Card Games	7/19/2022	8/13/2022	480	4	3
22KCA-18	Drop and Count	7/19/2022	7/30/2022	460	2	2
22KCA-19	Info Tech	8/16/2022	8/20/2022	40	1	1
22KCA-20	Accounting	8/23/2022	9/23/2022	360	3	3
Year End FY2022	Pull Tabs	9/24/2022	10/1/2022	360	3	1
	Year End Observations	9/30/2022	10/1/2022	144	2	2
	Budgeted Audit Hours			9824		

Key Points:

This is a simple example of an audit schedule. Every audit agency is different and may require additional information to be included within the schedule.

My Notes:

Planning Phase



- Audit Objective
- Audit Scope
- Risk Management
- Criteria
- Methodology
- Assignment



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Key Points:

The Planning phase typically consists of 6 categories:

- *Audit Objective*
- *Audit Scope*
- *Risk Management*
- *Criteria*
- *Methodology*
- *Assignment*

My Notes:

Audit Objective

Detailed Example:

The purpose of this audit program is to conduct an internal control review of the Bingo Department, focusing on bingo card sales, statistical reports, bingo card inventory, cash controls, system software verification, logs, authorizations and signatures.

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Key Points:

The audit objective identifies the objective of the audit which can be based on the authority, responsibility, and criteria.

Objectives most likely align with regulations, mission statements, procedures, etc.

My Notes:

Audit Objective

Broad Example:

Our objective was to perform such observations and testing to measure compliance with the Tribal Internal Control Standards (TICS) and the National Indian Gaming Commission (NIGC) Regulation 25 CFR Part 543 MICS for class II gaming.

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Key Points:

Utilize the example to help create audit objectives. In this example, the objective is for the auditor to test to a set of published regulations such as the MICS and TICS.

My Notes:

Planning Phase - Scope



- When an audit shall be conducted (start and end date)
- What/who are we going to audit
- Where the audit shall be done
- Audit period



Key Points:

The planning phase of an audit program should contain a scope or define the scope of the audit. There are two types of scopes, limited and full. Limited scope means it still covers a full year period however it may not require much audit fieldwork. A full scope audit covers the full year period and includes all testing procedures to verify compliance.

My Notes:

Scope

Detailed Example:

The Internal Audit department will audit the Bingo Department of the gaming operation. Internal Audit will begin the audit on March 6th, 2021 and end March 24th, 2021. Internal Audit will review process for all three shifts, perform inquiries, observations, review and test relevant documents associated with the conduct of bingo for the period of February 1, 2021 – February 28, 2021.

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Key Points:

Detailed example: scope of an audit.

My Notes:

Planning Phase

Broad Example:

The audit was conducted as a full scope review for processes in place from February 2020 through February 2021. Audit procedures included interviews with management and staff, observations of implementation of controls and examination of current source documentation utilized to comply with the aforementioned requirements.

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Key Points:

Broad example: scope of an audit.

My Notes:

Planning Phase



Risk Assessment:

- Identify Risk
- Analyze Risk
- Evaluate Risk
- Treat Risk (Provide a solution)
- Monitor Risk



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Key Points:

The planning phase of an audit program may include risk assessments. Risk assessments are a process of evaluating potential risks that may exist within the operation.

There are 5 basic steps to the risk management process:

- Identify Risk
- Analyze Risk
- Evaluate Risk
- Treat Risk (Provide a solution)
- Monitor Risk

My Notes:

Sample Risk Assessment Worksheet

Risk Assessment									
Name	Reggie Layshun	Date	5-Mar-22	Department	IS-CYK	Ref #	22BCE-CYK	Risk Assessment Score	Critical 130 -
Organization	TGRA	Facility	Best Casino Ever (BCE)	Description	Annual evaluation of the functions and controls within the are of casino cage, vault, kiosk, cash and cash equivalent		10	High 76 - 100	
Position	Auditor	Contact	Joe Brooker, Cash Ops Mgr					Medium 51 - 75	
								Low 9 - 50	
1									
Criteria	Risk / Condition	Consequences	Level of Risk - Evaluate	Treatment	Follow-up				
MCS 543.18(c)(3) TCS-CVA Section 7.3 BCE Policy - CIA(3)	The vault inventory was not counted independently by at least two agents at the end of the shift in which the activity took place.	Failure to perform two independent counts the vault inventory, at the end of each shift, allows opportunity for fraud, misappropriation of funds, or errors to occur and go undetected.	Critical High Medium Low	5 1 - Medium	Employee coaching and/or re-training to insure all controls are followed in an effort to protect Tribal assets.	2 weeks			
2									
Criteria	Risk / Condition	Consequences	Level of Risk - Evaluate	Treatment	Follow-up				
MCS 543.18(b)(2) TCS-CVA Section 8.2 BCE Policy - CIA(3)	Vouchers paid during a period while the host validation system was out of operation were not marked "Paid" by the hostler.	Failure to mark vouchers "Paid" while the validation system is not operational allows opportunity for fraud, misappropriation of funds, or errors to occur and go undetected.	Critical High Medium Low	5 1 - Medium	Employee coaching and/or re-training to insure all controls are followed in an effort to protect Tribal assets.	1 month			
3									
Criteria	Risk / Condition	Consequences	Level of Risk - Evaluate	Treatment	Follow-up				
			Critical High Medium Low						
4									
Criteria	Risk / Condition	Consequences	Level of Risk - Evaluate	Treatment	Follow-up				
			Critical High Medium Low						
5									
Criteria	Risk / Condition	Consequences	Level of Risk - Evaluate	Treatment	Follow-up				
			Critical High Medium Low						
6									
Criteria	Risk / Condition	Consequences	Level of Risk - Evaluate	Treatment	Follow-up				
			Critical High Medium Low						

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Key Points:

Sample of risk assessment worksheet.

My Notes:

Criteria Examples



Key Points:

It is important to know the audit criteria. The audit criteria is the regulations, TICS, SICS, or any other laws or regulations developed by the Tribe.

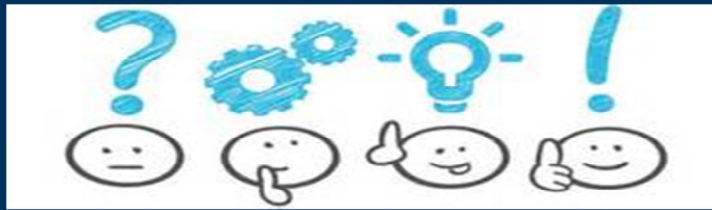
My Notes:

Planning Phase



Establish Criteria:

Take the standard and turn it into a question and figure out the best way to test compliance with the standard.



Key Points:

During the planning phase of an audit, ensure the criteria is established and documented to find the best way to test compliance with the standard. The criteria may be included in a checklist, within a procedure, or within a questionnaire type form.

My Notes:

25 CFR 543.24(d)(9)(vii)



At least monthly, review exception reports for all computerized cage systems for propriety of transactions and unusual occurrences. The review must include, but is not limited to, voided authorizations. All noted improper transactions or unusual occurrences identified must be investigated and the results documented.

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Key Points:

During the planning phase of an audit, ensure the criteria is established and documented to find the best way to test compliance with the standard. The criteria may be included in a checklist, within a procedure or within a questionnaire type form.

My Notes:



Key Points:

ZOOM Poll Question -How many questions can you identify with the standard we just went over?

- A. 1
- B. 3
- C. 2
- D. 4
- E. All of the above

My Notes:

Planning Phase



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Key Points:

It is important to understand and include audit steps within your audit program. Audit steps can be updated and created during the planning phase. Audit steps provide the auditor with the proper guidance to complete the audit.

My Notes:

Determine what procedures you will use to evaluate compliance:

- Inquiry
- Observation
- Review of Supporting Documentation
- Examination of Records
- Review Gaming Operation P & Ps
- Review Gaming Operation Org chart
- Review Gaming Operation job descriptions

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Key Points:

During the planning phase it is important to prepare for the types of procedures and testing that will be conducted. These are the different types of procedures included in an audit program. Identifying the types of procedures and testing is part of the methodology of the audit program.

My Notes:

Procedures Defined

- Inquiry – Talk to people
 - Department leads and supervision.
 - You may also want to talk to the folks carrying out the MICS requirements in the day to day
- Observation - Watch how they're doing things.
 - This could be a live observation on the floor.
 - Live from Surveillance or a viewing room.
 - It can also be a Surveillance clip from a previous day
- Review of Supporting Documentation –
 - Look at current paperwork and reports
- Examination of Records
 - Look at historical information such as the permanent file

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Key Points:

During the planning phase it is important to prepare for the types of procedures and testing that will be conducted. These are the different types of procedures included in an audit program. Identifying the types of procedures and testing is part of the methodology of the audit program.

My Notes:

Review Permanent File

Review working papers, including policies/procedures, organizational charts, agreements, etc.

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Key Points:

A part of the planning phase should also include a review of the permanent file. A permanent file can provide valuable information to help the auditor prepare for the audit.

My Notes:

Fieldwork



Fieldwork



Key Points:

Fieldwork is the second phase of the audit. Fieldwork includes inquiries, observations of activities, review of source documents, examination of records, and re-performance. In this phase we will identify errors, irregularities, and noncompliance exceptions as a result of the procedures we perform.

My Notes:

Closing and Reporting



An audit program should contain closing procedures and reporting requirements.



Key Points:

The processes for closing and reporting phase should be included in the audit program.

The following regulation would apply to the reporting phase of an audit program.

NIGC MICS part 543.23(c) Internal Audit:

(5) Audit reports must include the following information:

- (i) Audit objectives;
- (ii) Audit procedures and scope;
- (iii) Findings and conclusions;
- (iv) Recommendations, if applicable; and
- (v) Management's response.

(6) All material exceptions identified by internal audit work are investigated and resolved and the results are documented.

(7) Internal audit findings are reported to management, responded to by management stating corrective measures to be taken, and included in the report delivered to management, the Tribe, TGRA, audit committee, or other entity designated by the Tribe for corrective action.

My Notes:



Key Points:

The last phase of an audit program is the follow-up. Follow-up inquiries, reviews of source documents, observations and examination of records are performed to verify that corrective action has been taken regarding all instances of non-compliance.

My Notes:

Audit Program



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Key Points:

A checklist is just one element of the audit program as a whole. Audit programs generally consist of the audit plan (how often are audits being completed), audit methods, responsibilities, authorizations, procedures for conducting the audit, audit reporting.

My Notes:



Key Points:

ZOOM Poll Question -Based on what you have learned today, how many phases are there to an audit program?

- A. 2
- B. 3
- C. 1
- D. 4

My Notes:

Summary



To have a successful audit we need the tools to help us achieve the objective. Such as an audit program which includes details for the 4 phases of an audit.



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Key Points:

To have a successful audit we need the tools to help us achieve the objective. Just a reminder, that the NIGC MICS part 543.23 requires controls be established and procedures implemented for Internal auditor(s) to perform audits of each department of a gaming operation, at least annually.

My Notes:

Questions



Key Points:

Thank you for joining us today.

If you have any questions or comments please send them to TRAININGINFO@nigc.gov

My Notes:

Risk Assessment

Name	Reggie Layshun	Date	5-Mar-22	Department	18-CVK	Ref #	22BCE-CVK	Risk Assessment Score	Critical 150 → High 76 → 149 Medium 51 → 75 Low 0 → 50
Organization	TGRA	Facility	Best Casino Ever (BCE)	Description	Annual evaluation of the functions and controls within the are of casino cage, vault, kiosk, cash and cash equivalence				10
Position	Auditor	Contact	Joe Broker, Cash Ops Mgr						

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