

NATIONAL INDIAN GAMING COMMISSION



Internal Audit Gathering Data & Sampling

Key Points:

Internal Audit – Gathering Data & Sampling

My Notes:

Objectives



- Learn to identify data and when to gather data
- Understand Sampling



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Key Points:

- Identify data and when in the Audit process to gather data
- Understand the need to Sample and examples of sampling

Course Objectives

- Identify data and when to gather data.
- Sampling
 - Understand
 - Determine
 - Identify
 - Employ

My Notes:

Data Gathering



When do we start gathering data?

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Key Points:

My Notes:

Examples of Data Gathering

- Audit Planning
 - What areas require audit
 - Gaming
 - Non-Gaming
 - Back-of-house



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Key Points:

- Audit Planning
 - Collecting data on what areas are to be audited
 - Gaming and Non-Gaming
 - Back-of-house, e.g. payroll, human resources, purchasing
 - Casino and TGRA contacts
 - TICS and SICS

My Notes:

Examples of Data Gathering

- Audit Prep
 - Document Request and other correspondence

- Audit Field Work
 - Document collection/Data collection

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Key Points:

- Audit Prep
 - Document request and correspondence
 - May need separate correspondences to both Casino and TGRA
- Audit Field Work
 - Collection of requested documents usually comes from the revenue audit or accounting department.
 - The remaining documents are obtained during inquires and observations throughout the fieldwork stage.

My Notes:



Key Points:

ZOOM Poll - Why do Internal Auditors need to sample?

- A. Because we're lazy
- B. To speed up the Audit
- C. To test compliance without getting lost in the weeds

My Notes:

Sampling



Why do Internal Auditors need samples?



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Key Points:

Sampling is important to efficiently but still effectively perform audits without getting overwhelmed with lots of data.

My Notes:

Sampling

Auditors cannot review all paperwork

Samples are needed as representation of entire population.

Proper Sampling

- Provides evidence
- Increases efficiency of audit

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Key Points:

- Auditors cannot review all the paperwork of an operation. It's just not feasible.
- Samples help provide a representation of an entire population.

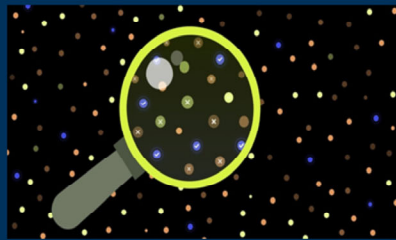
My Notes:

Sampling



How do you determine samples?

- Review the questions
- What needs to be sampled
- Sample size
- Dates of samples



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Key Points:

Sample size should be large enough to determine compliance.

- NIGC checklists can be found at:
<https://www.nigc.gov/compliance/checklists-and-worksheets>
- Review the questions
 - What needs to be sampled?
- Institutional knowledge about your operation
 - Does drop and count occur daily or only on certain days?
 - Does the bingo hall only operate on certain days?
- Determine sample size
- Dates to sample
 - Quarterly
 - Monthly
 - Daily/Frequently Occurring

My Notes:

Random-Based Methods

Simple Random



Sampling with probability proportional to size

Systematic sampling with one or more random starts

Stratified Random sampling

Haphazard

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Key Points:

Random-based sampling and haphazard sampling methods are commonly used by internal auditors.

Random-Based methods:

1. Simple random

- Every member of the population has an equal chance of being selected.
- Your sampling frame should include the whole population.

2. Systematic sampling

- Systematic sampling is similar to simple random sampling, but it is usually slightly easier to conduct.
- Every member of the population is listed with a number, individuals are chosen at regular intervals.
 - Random Start
 - Every nth (e.g. start at 3rd and every 10th is chosen)

3. Stratified sampling

- Stratified sampling involves dividing the population into subpopulations that may differ in important ways.
- Ensures every subgroup is represented in the sample.
- To use this sampling method, you divide the population into subgroups (called strata) based on the relevant characteristic (e.g. machines by class, vendor, theme).

4. Sampling with Probability Proportional to Size

- Probability proportional to size takes varying sample sizes into account.
- This helps to avoid underrepresenting one subgroup and yields more accurate results.

5. Haphazard

- Haphazard sampling is when the auditor does not use a systematic approach to selecting a sample like the four previously discussed.
- Haphazard sampling is where you try to create a random sample by haphazardly choosing items in order to try and recreate true randomness

543.8 Bingo Example

(e) Prize Payout

(5) *Authorization and signatures.*

(i) At least two agents must authorize, sign, and witness all manual prize payouts above \$1,200, or a lower threshold as authorized by management and approved by the TGRA.



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Key Points:

543.8(e)(5)(i) Manual Prize Payout Forms

- How frequent are manual prize payouts?

My Notes:

543.8 Bingo Example



(g) *Technologic aids to the play of bingo*

(3) *Recordkeeping and audit processes.*

(i) The gaming operation must maintain the following records, as applicable, related to installed game servers and player interfaces:

Key Points:

543.8(g)(3)(i) Player Interfaces (Class II Gaming Machines)

- How many player interfaces?
- How many vendors?
- Has there been a history of excellent/poor record keeping?

My Notes:

Sampling



- Example:
 - Class II Player Interfaces and Class III Gaming Machines



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Key Points:

- The Microsoft Excel function RANDBETWEEN is a common way to choose a random sample. We show how it can be used to choose a sample of Class II Player Interfaces and Class III Gaming Machines.
- The 542.13 Gaming Machines worksheet is located at <https://www.nigc.gov/compliance/checklists-and-worksheets>

My Notes:

Summary



Gathering Data

- Begins during audit prep
- Continues in performing audit procedures

Sampling

- Sufficient evidence



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Key Points:

- Gathering Data
 - Remember data gathering does not start at field work.
 - Starts in planning and preparation and continues through fieldwork, reporting, and then follow-up.
- Sampling
 - Impossible to review everything in a timely manner.
 - Choose a sample size with enough data to determine compliance with controls.
 - Utilize operational knowledge and data gathered to help determine sample size.

My Notes:

Questions



Key Points:

My Notes: