NATIONAL INDIAN GAMING COMMISION

Internal Audit
Fieldwork and Testing

Key Points:

This section will discuss how to perform the audit steps, including types of audit evidence.   The course will delve into gathering work papers, how to test for the process, performing observations, and interviews. It will also cover resources for testing and fieldwork processes.

My Notes:

Objectives

- Performing Fieldwork
  - Responsibility
  - Authority
  - Types of procedures
- Testing Standards
  - Types of testing
  - Resources
  - Tools

10/2022

Key Points:

This session will present the audit procedures included in fieldwork and the testing standards. The objective is to identify responsibility, authority, and type of procedures for fieldwork. The course will also discuss types of testing, resources, and tools available to assist with fieldwork.

My Notes:

Key Points:

It is important for auditors to understand our authority and responsibilities to complete the audit.

What does it mean by Authority? What gives you authority to conduct an audit?

      Ordinance

      Audit charter

      Tribal Regulations

What is your responsibility as an auditor?

      It may be defined in the audit charter or tribal regulations.

My Notes:

Key Points:

Fieldwork is a critical phase of your audit. During this time, the auditor or audit team will physically be on site at the audit location performing the audit. The fieldwork phase is the evaluation of compliance.

My Notes:

Key Points:

ZOOM Poll Question -When you think of an auditor, what is the one thing that person does?

A) Ask hundreds of questions

B) Spy on people

C) Look through stacks of documents

D) Bean counter

E) Plays "Gotcha" telling people what they are doing

wrong

Performing Fieldwork

5 main testing procedures:
- Inquiry
- Observation
- Examination of Records
- Review of Supporting Documentation
- Re-performance of Controls (i.e., minimum bankroll)

10/2022

Key Points:

It is important for auditors to understand the responsibilities to complete the audit.

Five Main testing procedures

1. Inquiry – asking questions, conducting interviews, walkthrough of process

2. Observation – watching casino personnel perform their duties

3. Examination of Records – analyzing documents requested for test dates

4. Review of Supporting Documentation – testing of the most recent documents available

5. Re-performance of Controls – carry out the control.

My Notes:

Key Points:

The testing procedure for inquiry is used to help auditors determine whether casino personnel are performing the actual controls in the SICS.

Don't just read the questions

        Go through all the questions and make notes.

        The questions can be long.

        May break up the question into a few smaller questions

        Be prepared to rephrase the question in simpler terms.

You want more than yes/no

        Least reliable audit procedure

Start at a high level

        Open ended questions

Clarify responses specific to intent of questions

        Make sure response answers your question

Having an understanding of processes will help identify any issues

        Know the TICS and SICS.

        Observation through surveillance before inquiry.

Trust but verify

        Inquire with other personnel in the same position or department supervisory personnel

        Inquire with another department who may be involved in that transaction

My Notes:

Key Points:

Adequately documenting inquiries is vital in recording audit evidence.

Inquiries are not physical like documentation.

At minimum, document:

> Position or Title
>
> What the person said
>
> Date of inquiry

Make sure you are interviewing the right person!

> Someone who is new to the position may provide inaccurate information.
>
> Personnel from another department could actually be performing the control.

My Notes:

Auditing paperwork

It is essential to understand <u>HOW</u> the paperwork is completed

- ➤ Review of policies is critical to ensure paperwork is completed properly.
- ➤ Explanation from someone responsible for completing paperwork is helpful in understanding the process.
- ➤ Two ways to audit paperwork: Examine or review.

Key Points:

Understanding how the paperwork is completed is critical to ensure accuracy.

Review of policies (SICS) is critical to ensure the paperwork is properly completed.

Walk-through of process related to the creation of the document enhances understanding of the process.

Auditing paperwork may include examination of records and review of supporting documentation.

Auditing documents should be defined within your audit program. When it is acceptable for a review of the paperwork or when an examination is needed.

A review may be as simple as ensuring that the document is completed.

Examination of records typically entails analyzing paperwork and documenting the analysis with tick marks, initials, date, or whatever may be required by your audit department.

Examination of records is testing documents for the requested test dates.

Review of supporting documentation is testing the most recent documents.

My Notes:

Collecting Work Papers

Determine the necessary samples to retain
- Everything
- Specific doc and all exceptions
- Only exceptions

Key Points:

Data gathering and sampling is critical to the audit. It is important to understand the population to determine the necessary samples.

Everything

> Understand the population for the audit in order to determine the necessary samples.

Gathering the proper data such as machine counts, number of vendors, types of games, can all help with determining the proper sample size and what needs to be collected.

When do you collect everything?

> When it is feasible to.

When do you select specific documents?

> In document request prior to fieldwork for audit test dates.

> Documents reviewed or obtained during inquiry.

> Paperwork from observations

When do we take copies of original documents?

> For all exceptions.

> Retaining supporting documentation of exceptions is critical to the audit.

My Notes:

Key Points:

Retaining work papers in an organized manner is vital for evidence that the audit procedures have been performed and to support the audit report and any exceptions.

Working papers are records kept by the auditor that is evidence of the audit.

This includes the procedures applied (completed checklists), the tests performed, the information obtained, and the conclusions reached.

Examples are audit programs, analyses, e-mails between you and the casino, surveillance video, etc.

A system to identify work papers aids in organizing work papers.

A referencing system helps the person reviewing the work papers to quickly find the item

Internal Audit supervisory or management personnel

External review of the audit

CPA during agreed-upon-procedures

Peer-to-peer review

Referencing example:

ARV 6 (Auditing Revenue question 6)

#6 Are controls established and procedures implemented for the audit of bingo that include:

At least monthly, a review of variances related to bingo accounting data in accordance with an established threshold, and investigation and documentation of any variance noted?

The retained documentation for this could be kept as "ARV6-1"

"ARV" for referencing it to the Drop and Count checklist

"6" is the question number in the checklist

And "-1" to indicate it is the first document.

Key Points:

Performing the appropriate observation strengthens the results of your audit.

Evidence obtained directly by the auditor is more reliable than evidence obtained indirectly.

Observation is limited to the point in time at which the observation takes place and also is limited by the fact that the act of being observed may affect how the process or procedure is performed.

Announced Observation

Lower risk areas, such as credit issuance

Infrequent

    Destruction

    Playing cards, chips, sensitive keys

    Player interface (Class II machine) delivery

    Machine Installation

Unannounced/Covert Observations

    Medium-High risk

    as jackpot payout process or voucher redemption cage

    Surprise Cage inventory count

Covert

    High Risk Areas

        Drop and count

        Live observation versus recorded observation.

            Surveillance cannot see everything.

My Notes:

Key Points:

Adequately documenting observations is vital in recording audit evidence.

Example of items to document for the start of player interface drop:

What – player interface bill validator drop

Who – drop team members

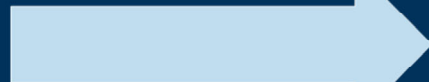*How – how many drop team members, e.g. 3*

When – drop started at 3:01 AM

Where - drop section A

Why – if drop starts late, note reason why, for example, waiting for security.

My Notes:

Key Points:

The testing procedure review is used to review documents that do not warrant an examination.

Review of the TICS and SICS to determine they are sufficient.

Controls and processes should be completely detailed in TICS and SICS.

Controls and procedures should identify the personnel involved in performing the process.

For controls that require thresholds or time frames, policies and procedures should have that information documented.

Procedures must be tested to ensure they have been implemented.

My Notes:

Document Performance

What was examined?

What was discovered?

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Key Points:

The testing procedure for examination is used to help auditor's determine whether controls are being performed and documented properly.

Some questions to ask yourself during examination of records and review of supporting documentation are:

What docs needs to be completed for the process?

Was it completed?

Are all the fields on the form completed?

How many samples were reviewed?

How many exceptions are present?

Are there any required elements missing?

Does the form or paperwork follow the documented policy process?

What is the sample size compared to the number of exceptions noted?

Does the supporting paperwork sufficiently document the records?

My Notes:

Key Points:

Re-performance is used when inquiry, observation, and examination of documentation may not provide sufficient assurance that a control is operating effectively or this method can be used to prove by itself to demonstrate that controls are operating effectively.

Re-performance can also be referred to as recalculation.

543.18 Cage Checklist Question #22

> "Based on the result of the minimum bankroll calculation, does the gaming operation maintain a sufficient bankroll? (Complete the Minimum Bankroll worksheet, compare results to the gaming operation for reasonableness)"
>
> > https://www.nigc.gov/compliance/checklists-and-worksheets
> >
> > Gather the information needed such as the number of machines.
> >
> > Enter the information into the minimum bankroll calculation spreadsheet
> >
> > > Compare your results to the operation's calculation.

Testing the Standards

What does the standard/question want to know?
- 543.17(c)(4): Are controls established and procedures implemented to ensure security of the count and the count room to prevent unauthorized access, misappropriation of funds, forgery, theft, or fraud, to include the following:
- <u>Are functions performed by count team agents rotated on a routine basis?</u>
- Inquiry, observation, and review TICS/SICS & supporting docs

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Key Points:

It's important to understand what the standard or question wants to know.

My Notes:

Testing the Standards

NATIONAL INDIAN GAMING COMMISSION
MICS CLASS II - AUDIT CHECKLIST
AUDITING REVENUE (ARV)

#	MICS QUESTION	YES	NO	W/P REF	MICS	COMMENT
19.	Are controls established and procedures implemented for the audit of gaming promotions and player tracking that include:					
	At least monthly, for computerized player tracking systems:	—	—	—	543.24(d)(4)(ii)(C)	
	A review of documentation related to access to inactive and closed accounts? (Review SICS and examination of records)					

Key Points:

It is important to review enough information and perform appropriate audit procedures to support the results of your audit.

Review gathered data- Is there enough data?

Review documented discoveries- Does what you found make sense? Is there conflicting information?

Compare information to checklist question -Does the information relate to the checklist question? To the MICS standard?

Formulate conclusion - Were there exceptions? Were exceptions, especially found through inquiry or observation, vetted with casino supervisor/management personnel. Did the procedure/SICS change? Was there compliance?

Based on the information gathered, are the conclusions reasonable?

Example: NIGC Auditing Revenue checklist question #19 (above).

 NIGC MICS 543.24(d)(4)(ii)(C) states:

543.24(d)(4)(ii)(C)

(d) Controls must be established and procedures implemented to audit of each of the following operational areas:

…(4) Gaming promotions and player tracking.

*   …   (ii) At least monthly, for computerized player tracking systems, perform the following procedures:*

*   …   (C) Review documentation related to access to inactive and closed accounts.*

My Notes:

Key Points:

ZOOM Poll Question: How many primary testing procedures are in the NIGC MICS Checklists?
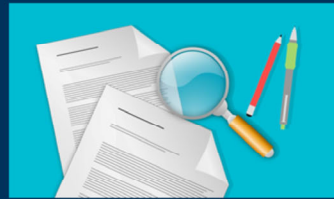
A. 3

B. 4

C. 5

D. 6

My Notes:

Summary

- Responsibility and Authority
- Create and ask effective questions.
- Be alert and aware of things that don't seem right.
- We talked about the 5 main testing procedures
  - Inquiry
  - Observation
  - Review of Supporting Documentation
  - Examination of Records
  - Re-performance of Controls

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Key Points:

It's important to know what you are looking at.

Create and ask effective questions.

Ensure the audit program is followed.

    Five primary testing procedures:

        Inquiry

        Observation

        Review of Supporting Documentation

        Examination of Records

        Re-performance of Controls

Be alert and aware of things that don't seem right.

My Notes:

Key Points:

Thank you for joining us today.

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

My Notes:

CHASE ⬛

CHECKS PAID

CHECK NUMBER	DESCRIPTION	DATE PAID	AMOUNT
XXXX ^		07/14	$1,471.99
XXXX ^		07/08	1,697.05
Total Checks Paid			**$3,169.04**

If you see a description in the Checks Paid section, it means that we received only electronic information about the check, not the original or an image of the check. As a result, we're not able to return the check to you or show you an image.

^ An image of this check may be available for you to view on Chase.com.

OTHER WITHDRAWALS, FEES & CHARGES

DATE	DESCRIPTION	AMOUNT
07/11	Online Payment XXXXX To Vendor	$8,928.00
07/11	Online Payment XXXXX To Vendor	2,960.00
07/25	Online Payment XXXXX To Vendor	250.00
07/30	ADP TX/Fincl Svc ADP	2,887.68
Total Other Withdrawals, Fees & Charges		**$15,025.68**

DAILY ENDING BALANCE

DATE	AMOUNT	DATE	AMOUNT
07/02	$98,727.40	07/21	129,173.36
07/08	97,030.35	07/23	162,311.36
07/09	121,640.35	07/25	162,061.36
07/11	109,752.35	07/28	180,175.36
07/14	108,280.36	07/30	189,296.31
07/16	121,053.36		

SERVICE CHARGE SUMMARY

TRANSACTIONS FOR SERVICE FEE CALCULATION	NUMBER OF TRANSACTIONS
Checks Paid / Debits	3
Deposits / Credits	10
Deposited Items	21
Transaction Total	**34**

SERVICE FEE CALCULATION	AMOUNT
Service Fee	$0.00
Service Fee Credit	$0.00
Net Service Fee	**$0.00**
Excessive Transaction Fees (Above 200)	$0.00
Total Service Fees	**$0.00**