

NATIONAL INDIAN GAMING COMMISSION



# Internal Audit

## Elements of a Finding

**Key Points:**

Welcome to part 5 of the Internal Audit Boot Camp - Elements of a Finding.

**My Notes:**

# Objectives



- What is a finding?
- What are the Elements of a Finding?

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## Key Points:

During this course we will define an audit finding, and provide a better understanding of the elements of a finding.

As a reference for this course use NIGC MICS part 543

**543.23 (c) Internal audit.** Controls must be established and procedures implemented to ensure that:

(4) Documentation such as checklists, programs, reports, etc. is prepared to evidence all internal audit work and follow-up performed as it relates to compliance with TICS, SICS, and these MICS, including all instances of noncompliance.

(5) Audit reports are maintained and made available to the Commission upon request and 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:**

**ZOOM Poll Question** – Are you familiar with the 5 elements of a finding?

A – Yes

B – No

**My Notes:**

# Resources



## **Key Points:**

There are many different resources available for internal auditors. Whether it's the Government Auditing Standards or International Professional Practices Framework – IPPF. These are examples of resources that are available to internal auditors.

## **My Notes:**

# What is a finding?



## **Key Points:**

An audit finding is simply documented instance of non-compliance. It is how an issue is communicated to management.

## **My Notes:**

# Elements of a Finding



Criteria

Condition

Cause

Effect

Recommendation

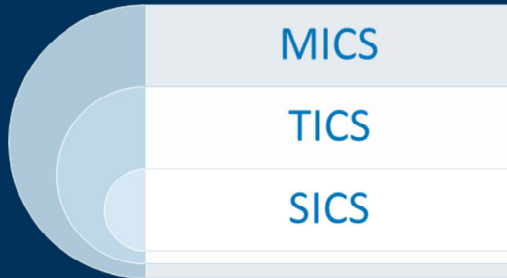
## Key Points:

Writing an excellent report is through understanding the elements of a finding. There are five elements of a finding.

- Criteria – is the regulation or requirement.
- Condition – what was discovered to determine there was a finding.
- Cause – is the reason for the issue or simply stated the cause for the finding.
- Effect – is the potential risk if not corrected.
- Recommendation – is simply a suggestion for change or correction to the issue.

## My Notes:

# What is Criteria?



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## Key Points:

The criteria is typically the standards for compliance.

## My Notes:

## Criteria Example

543.17(g)(6)

(g) Player interface count standards.

(6) Count equipment and systems must be tested, and the results documented, before the first count begins, to ensure the accuracy of the equipment.

**Key Points:**

The criteria is the requirement to be tested. Gaming operations usually test to MICS, TICS, SICS, Compacts, or other regulations developed or adopted by the tribe.

**My Notes:**



# Condition



**A statement that describes the results of the audit.**

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## **Key Points:**

The condition is what was discovered during testing. It is a statement that describes the results of the audit.

## **My Notes:**

## Condition Example

Based on inquiry and examination of records, the results of the test of count equipment and systems prior to beginning the first count are not documented.

**Key Points:**

This is an example of a statement that describes the results of the audit.

**My Notes:**

# Cause & Effect

**Cause** = The reason for something happening.

**Effect** = What happened.

**Cause + Effect** = Explains why things happen.

Signal words that help identify Cause & Effect

## **Key Points:**

- The Cause simply is what is making it happen.
- The Effect simply answers the question what is the impact if not corrected.

## **My Notes:**

## Cause Example

The procedures identify for a test to be completed of the count equipment and system, however there is no written process for documenting the test results.

**Key Points:**

The cause will provide the reason for an issue.

**My Notes:**

## Effect Example

Documenting the test results of the count equipment and system helps to ensure the integrity of the count and allows the operation to keep record of issues discovered and how they were corrected.

**Key Points:**

The effect identifies the risk and impact of the issue.

**My Notes:**

# Recommendation

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## **Key Points:**

Recommendation - it is a suggestion to assist in resolving the condition and cause. It highlights actions that can improve the operations performance.

## **My Notes:**

## Recommendation Example

It is the recommendation of the NIGC that the count equipment and systems be tested and the results documented, prior to beginning the first count to ensure the functionality and accuracy of the equipment. Furthermore, the process for documenting the test results shall be included within the operations SICS.

### **Key Points:**

The recommendation example suggests ways to correct the issue.

### **My Notes:**



**Key Points:**

**ZOOM POLL - Which element is documented?**

If two agents are not authorizing and witnessing payouts over \$1200, it could result in fraudulent payouts.

- A – Condition
- B – Effect
- C – Criteria
- D – Cause
- E - Recommendation

**My Notes:**



# Criteria



## Auditing Revenue

### 543.24(d)(4)(i)

At least monthly, review promotional payments, drawings, and giveaway programs to verify payout accuracy and proper accounting treatment in accordance with the rules provided to patrons.

#### Key Points:

Criteria is the initial step in identifying a finding. Ask yourself, does the work performed identify any issues with the criteria?

#### Full Criteria

### 543.24(d)(4)(i)

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

(4) Gaming promotions and player tracking.

(i) At least monthly, review promotional payments, drawings, and giveaway programs to verify payout accuracy and proper accounting treatment in accordance with the rules provided to patrons.

#### My Notes:

## Condition



Based on inquiry, review of TICS and SICS, and examination of records, it was determined that a monthly review of promotional payouts in accordance with the rules provided to the patrons is not completed.

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### **Key Points:**

#### Auditors Work Performed:

- Interviewed: Revenue Audit Manager, Jane C. on 7/2/2020 and Revenue Auditor, Shane G. on 7/2/2020. The audit manager communicated that they have not implemented a checklist for completing a review of promotional payouts on a monthly basis. The Revenue Auditor explained that he does not complete a comparison of payouts.
- Reviewed: TICS Section 2.5 Promotions and SICS Section 1.2 Revenue Audit Promotions Reviews. TICS identified that a monthly review is to be completed by revenue audit on a monthly basis. However the SICS did not identify the process for completing the monthly review.
- Examined: Revenue Audit paperwork of 3 months (January 2020, March 2020, and May 2020) to determine if a monthly review of promotional payouts were being compared to the approved rules to ensure accuracy. There was no documentation for the months for a review of promotional payouts to rules.

### **My Notes:**

## Cause



Procedures have not been implemented for a review of promotional payouts, at least monthly, in accordance with the approved rules.

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### **Key Points:**

Example of the cause. This example identifies that the cause is due to procedures not being implemented.

### **My Notes:**

## Effect



A regular review of promotional payouts reduces the risk of fraudulent payouts or errors occurring and going undetected.

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### **Key Points:**

Effect example. This effect has identified that if a regular review is completed then it reduces the risk of potential fraudulent activity or errors.

### **My Notes:**

## Recommendation



It is the recommendation of the NIGC that procedures be implemented for, at least monthly, a review of promotional payments, drawings, and giveaway programs be conducted to verify payout accuracy and proper accounting treatment in accordance with the rules provided to patrons.

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### **Key Points:**

In this recommendation example, it identifies that the procedures need to be implemented to correct this finding.

### **My Notes:**

# Summary



- ✓ Criteria
- ✓ Condition
- ✓ Cause
- ✓ Effect
- ✓ Recommendation

*Let's  
Recap*

## **Key Points:**

Criteria = authority

Condition= current state

Cause =what is making it happen

Effect = Impact if not fixed

Recommendation = call for action

## **My Notes:**

# Questions



**Key Points:**

**My Notes:**