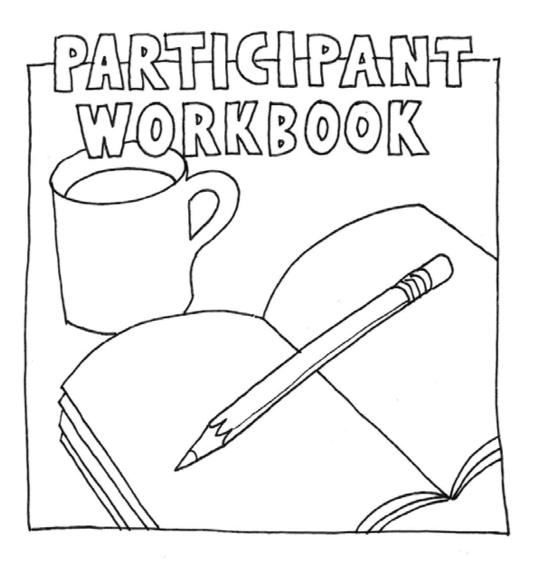
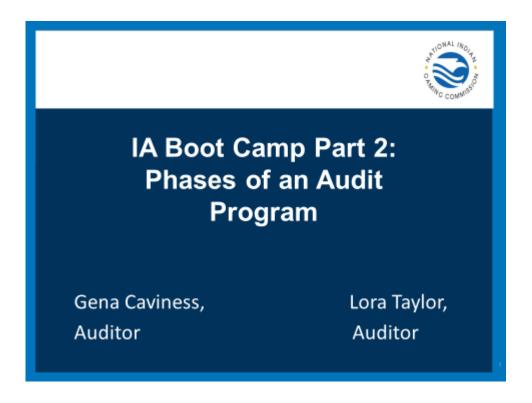
Phases of an Audit Program







Welcome to part 2 of the Internal Audit Boot Camp! During this course, we will introduce the phases of an audit program.

| NOTES | | | |
|-------|--|--|--|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Session Topics



Phases of an Audit Program

- Planning
- Fieldwork
- Reporting
- Follow-Up

COURSE OBJECTIVES

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.

| NOTES | | | |
|-------|--|--|--|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |



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.

| NOTES | | | |
|-------|--|--|--|
| | | | |
| | | | |
| | | | |
| | | | |

THE AUDIT PROGRAM CONSISTS 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.

| NOTES | | | |
|-------|--|--|--|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

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.

Audit Schedule



| | | | | Total | # of | |
|------------|-----------------|------------|-----------|-------|-------|-------------|
| Audit No. | Audit Area | Start Date | End Date | Hours | Weeks | # Employees |
| 21KCA-12 | Cage | 5/17/2021 | 5/31/2021 | 160 | 2 | 2 |
| 21KCA-13 | Bingo | 6/7/2021 | 6/21/2021 | 240 | 2 | 3 |
| | Auditing | | | | | |
| 21KCA-14 | Revenue | 6/21/2021 | 6/25/2021 | 80 | 1 | 2 |
| 21KCA-15 | Comps | 6/28/2021 | 7/12/2021 | 240 | 2 | 3 |
| 21KCA-16 | Player Tracking | 7/12/2021 | 7/16/2021 | 40 | 1 | 1 |
| 21KCA-17 | Card Games | 7/19/2021 | 8/13/2021 | 480 | 4 | 3 |
| 21KCA-18 | Drop and Count | 7/19/2021 | 8/2/2021 | 160 | 2 | 2 |
| 21KCA-19 | Info Tech | 8/16/2021 | 8/20/2021 | 40 | 1 | 1 |
| 21KCA-20 | Accounting | 8/23/2021 | 9/13/2021 | 360 | 3 | 3 |
| 21Title | Pull Tabs | 9/24/2021 | 10/1/2021 | 40 | 1 | 1 |
| 20KCA-13 F | Bingo | 9/6/2021 | 9/13/2021 | 40 | 1 | 1 |
| 20KCA-22 F | Card Games | 9/20/2021 | 9/24/2021 | 40 | 1 | 1 |
| Year End | Year End | | | | | |
| FY2021 | Observations | 9/27/2021 | 10/1/2021 | 40 | 1 | 2 |
| | Budgeted Audit | | | 1050 | | |
| | Hours | | | 1960 | | |

NOTES

| · | · | · | · | · | · | |
|---|---|---|---|---|---|--|



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

The Planning Phase typically consists of six categories.

| NOTES | | | |
|-------|---|--|--|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | _ | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |



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.

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.

| NC | DTES | | | | |
|----|------|------|------|------|--|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |



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.

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.

| NOTES | | | |
|-------|--|--|--|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |



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

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.

| NOTES | | | |
|-------|--|--|--|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Detailed example: scope of an audit

Planning Phase



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 inquires, observations, review and test relevant documents associated with the conduct of bingo for the period of February 1, 2021 – February 28, 2021.

| 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.

Broad example: Scope of an audit



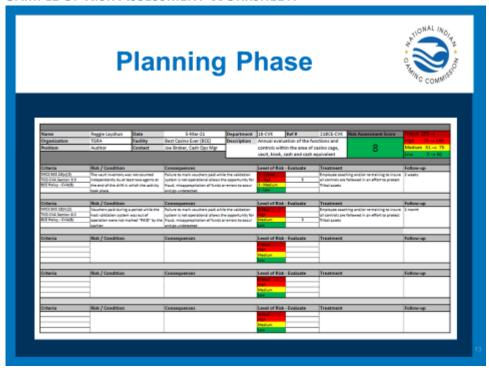
The planning phase of an audit program may include risk assessments. Risk assessments are a process of evaluating potential risks that may exists within the operation.

There are five basic steps to the risk management process:

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

| NOTES | | |
|-------|--|--|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

SAMPLE OF RISK ASSESSMENT WORKSHEET.



| NOTES | | | |
|-------|------|--|--|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| - | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

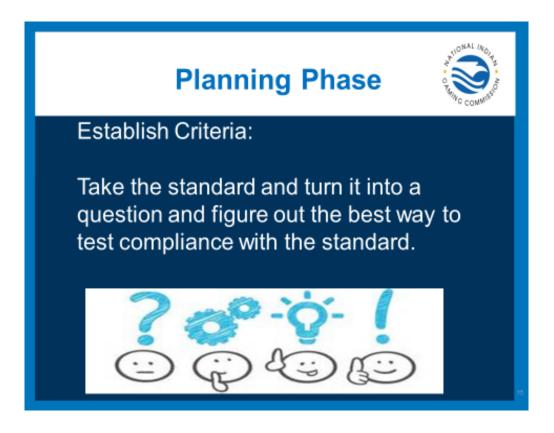


Criteria Examples:

- Federal Agency/NIGC MICS
- State Compact
- TGRATICS
- Gaming Operations SICS

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.

| NOTES | | | |
|-------|--|--|--|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |



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.

| NOTES | | | |
|-------|--|------|--|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |



How would we establish a test question?

- (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.

Poll Question:

| Q. | How many | y questions | can you | u identify | with t | this | standard1 | ? |
|----|----------|-------------|---------|------------|--------|------|-----------|---|
| | | | | | | | | |

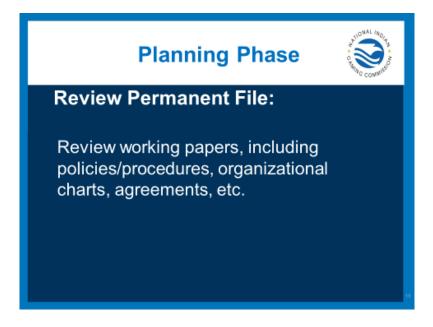
- A. 1
- B. 3
- C. 2
- D. 4
- E. All of the above

| NOTES | | |
|-------|-------|--|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | _ | |



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.

| NOTES | | |
|-------|--|--|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |



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.

| NOTES | | |
|-------|--|--|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

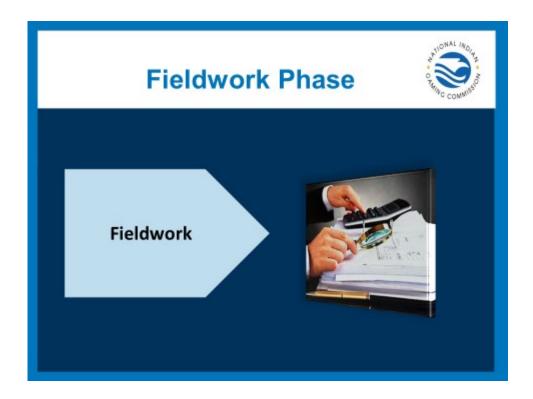


Determine what testing you will use to evaluate compliance:

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

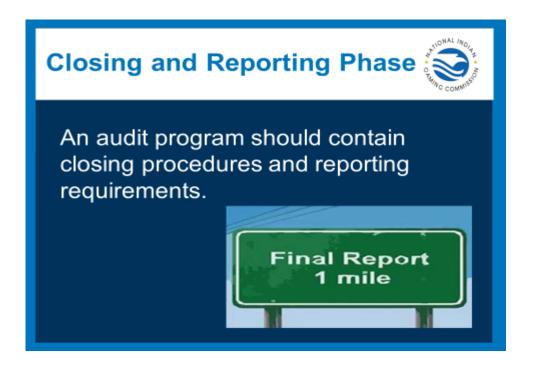
During the planning phase, it is important to prepare for the types of procedures and testing that will be conducted. These are the different types of procedures included in an audit program. Identifying the types of procedures and testing is part of the methodology of the audit program.

| Notes | | | |
|-------|--|--|--|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |



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.

| Notes | | | |
|-------|--|--|--|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |



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.

| Internal Audit Boot Camp Session 2: Phases of an Audit Program |
|----------------------------------------------------------------|
| |
| |
| NOTES |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |
| |



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.

NIGC MICS part 543.23 (c) (8)

Follow-up observations and examinations is performed to verify that corrective action has been taken regarding all instances of non-compliance.

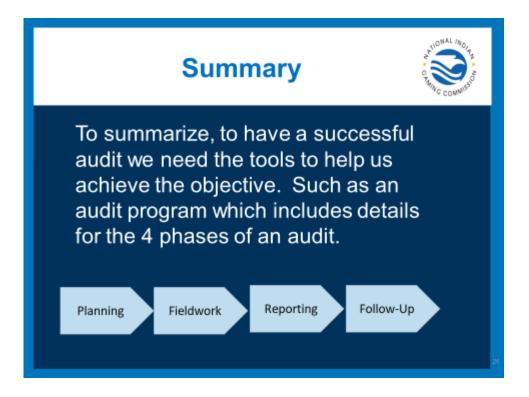
The verification is performed within six (6) months following the date of notification of non-compliance.

| NOTES | | |
|-------|--|--|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |



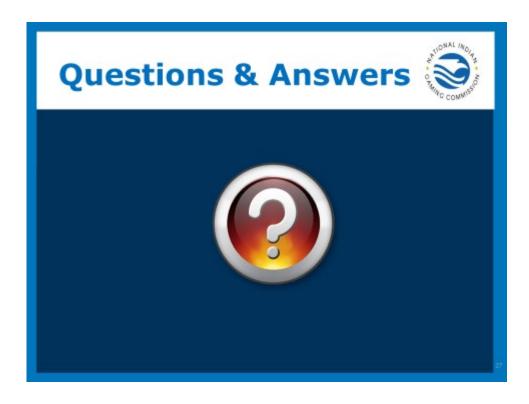
A checklist is just one element of the audit program as a whole. Audit programs generally consist of the audit plan (how often are audits being completed), audit methods, responsibilities, authorizations, procedures for conducting the audit, audit reporting.

| NOTES | | | |
|-------|--|--|--|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |



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.

| NOTES | | | |
|-------|--|--|--|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |



Thank you for your participation and attending this session of the Internal Audit Boot Camp!

After you log out you will receive a Survey. We ask that you complete the survey as the feedback helps us to get better at what we do!

We hope that you will join us for the next session data gathering and sampling!

NIGC Training can be reached at traininginfo@nigc.gov