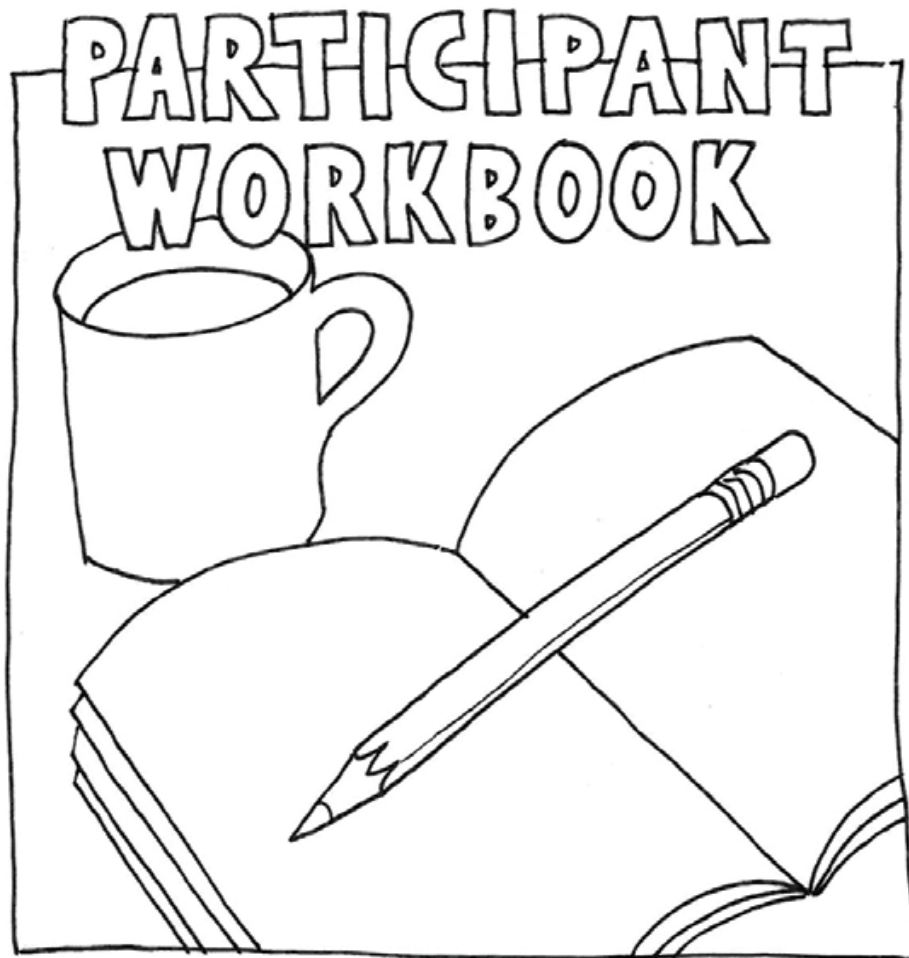




IA Boot Camp



Elements Of a Finding

Internal Audit Boot Camp – Elements of a Finding



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

NOTES



Poll question:

Q. Do you utilize the five elements of a finding?

- A.** Yes
- B.** No
- C.** What are the five elements?

NOTES

COURSE OBJECTIVES

During this course, we will define an audit finding. The objective is to provide a better understanding of the elements of a finding.

REFERENCE

As a reference for this course use NIGC MICS part 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.

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There are many different resources available for internal auditors. These are examples of resources that are available.

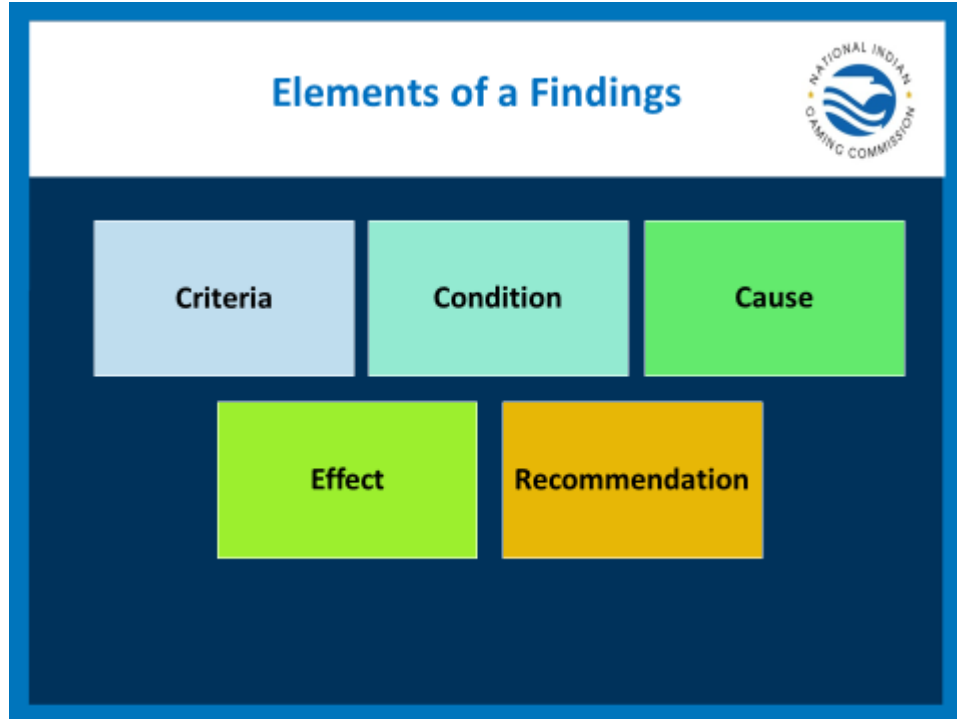
- Government Auditing Standards
 - <https://www.gao.gov/yellowbook>
- International Professional Practices Framework (IPPF)
 - <https://na.theiia.org/Pages/IIAHome.aspx>

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AN AUDIT FINDING IS SIMPLY THE RESULTS OF AN AUDIT. IT IS HOW AN ISSUE IS COMMUNICATED TO MANAGEMENT.



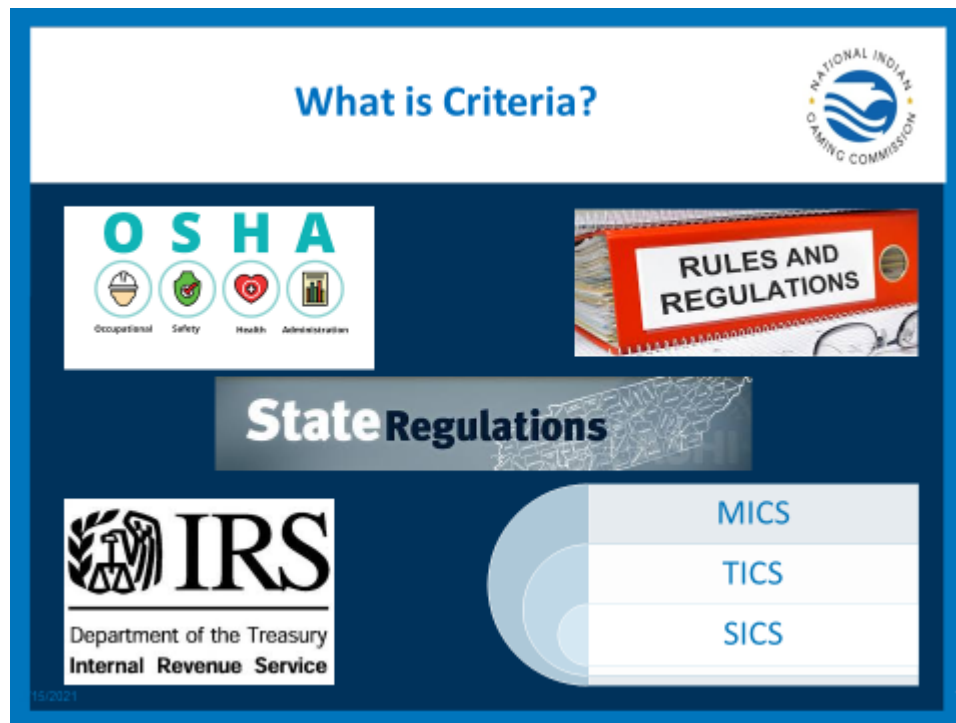
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Writing an excellent report is through understanding the elements of a finding. There are five elements of a finding.

- ☐ 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.

NOTES




The criteria is typically the standards for compliance.

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The criteria is the requirement to be tested. Gaming operations usually test to these criteria.

- ✓ MICS
- ✓ TICS
- ✓ SICS
- ✓ Compacts
- ✓ Other regulations developed or adopted by the tribe.

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.


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The condition is what was discovered during testing. A statement describes the results of the audit.

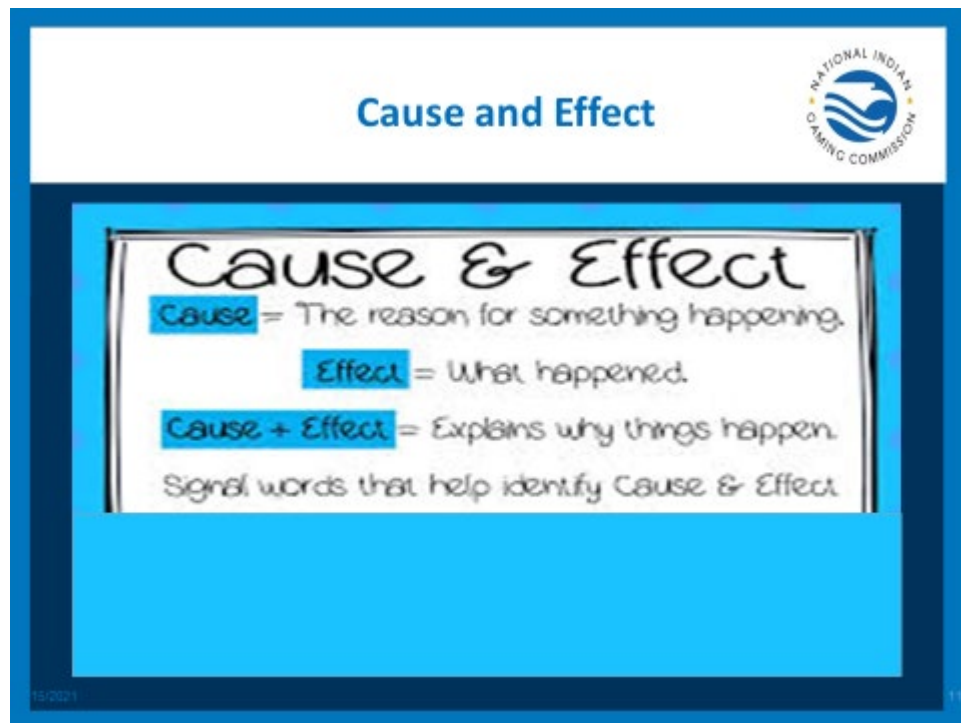
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THIS IS AN EXAMPLE OF A STATEMENT THAT DESCRIBES THE RESULTS OF THE AUDIT.

Condition Example

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

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

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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.

The cause will provide the reason for an issue.

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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.

The effect identifies the risk and impact of the issue.


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



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THE RECOMMENDATION EXAMPLE SUGGESTS WAYS TO CORRECT THE ISSUE.

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.

NOTES



Poll Question:

Read the sentence below and answer the multiple question.

Failure to have two agents authorizing and witnessing payouts over \$1200 could result in fraudulent payouts.

Which element is documented?

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

HANDOUT

Casino A

Date: 3/1/2020

Audit Exception Reference Number:

WHAT IS THE ELEMENT? _____

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.

WHAT IS THE ELEMENT? _____

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.

WHAT IS THE ELEMENT? _____

Procedures have not been implemented for reviewing promotional payouts in accordance with the approved rules at least monthly.

WHAT IS THE ELEMENT? _____


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

WHAT IS THE ELEMENT? _____

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

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

Criteria



543.24(d)(4)(i)

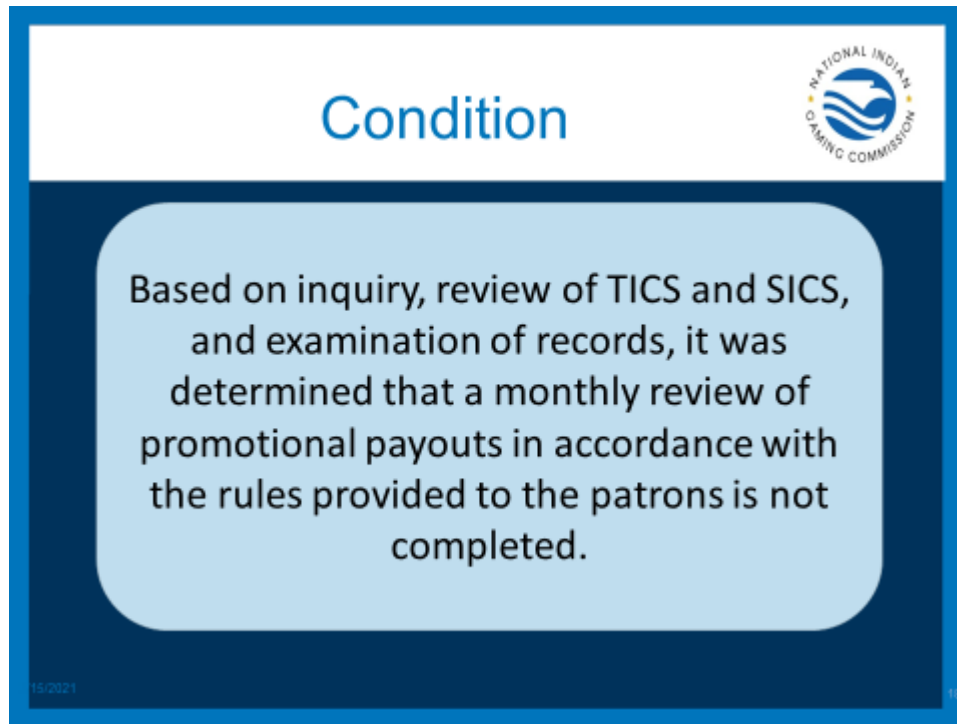
(d) Controls must be established and procedures implemented to audit of each of the following operational areas: (4) Gaming promotions and player tracking.

(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.

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NOTES



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 4 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.

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

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

Effect



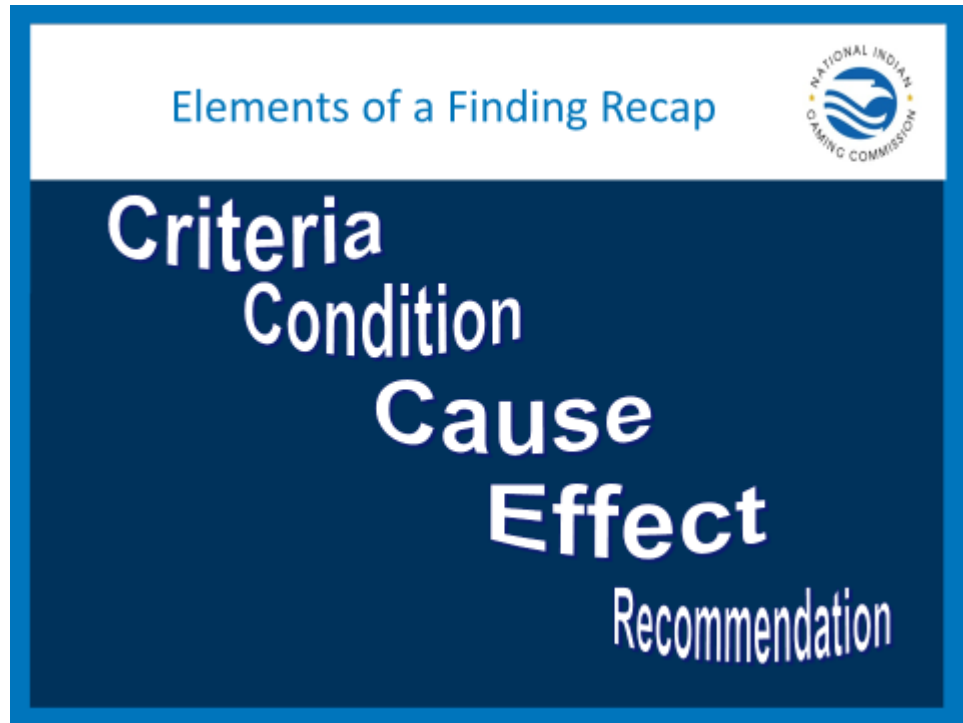
A regular review of promotional payouts reduces the risk of fraudulent payouts or errors occurring and going undetected.

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

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Elements of a Finding Recap

Criteria = authority

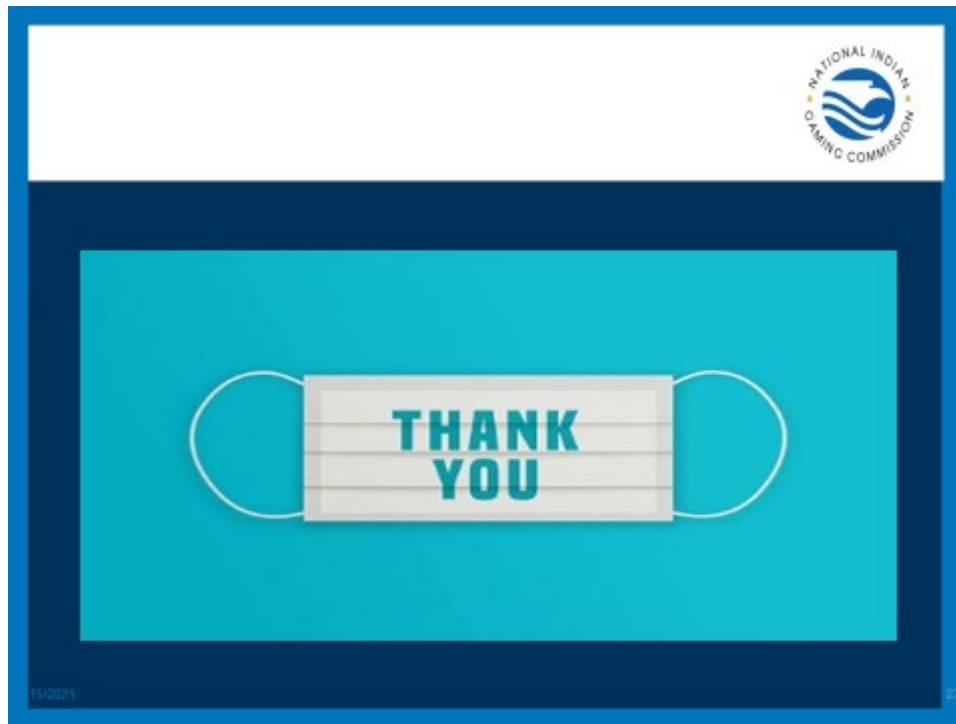
Condition= current state

Cause =what is making it happen

Effect = Impact if not fixed

Recommendation = call for action

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Thank You for Joining us Today!

NIGC Training can be reached at traininginfo@nigc.gov

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