

INTERNAL AUDIT REPORT

CARD GAMES DEPARTMENT

ANNUAL REPORT FOR FISCAL YEAR ENDING
SEPTEMBER 30, 2012

TO:

FROM:

DATE: February 7, 2012

CC:

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AUDIT OBJECTIVES

The Casino Resort card games department in accordance with the audit procedures and scope defined below. The objective of the audit was to ensure that the applicable departments were in compliance with the Minimum Internal Control Standards (MICS), the System of Internal Control, generally accepted industry best practices and departmental and company Standard Operating Procedures (SOPs).

AUDIT PROCEDURES AND SCOPE

The audit procedures and the scope of the audit included the following:

1. Completion of the NIGC MICS Audit Checklists for Card Games and Drop and Count.
2. Unannounced observations of the card games department drop procedures on January 20, 2012.
3. Unannounced observations of soft count procedures on January 20, 2012, and subsequent transfer of drop proceeds into the cage accountability.
4. A review of the Poker Bad Beat Logs from December 2011, and the procedures for recording the promotional jackpot amounts in the general ledger for December 2011, and the procedures for posting the promotional jackpot amounts in the Card Room.
5. A review of the procedures for the control of cards.
6. A review of the Security's Poker Card Inventory Log dated June 2, 2011, through November 28, 2011.
7. A review of the Security's Poker Used Card Inventory Log dated June 2, 2011, through August 25, 2011.
8. A review of the Card Room's card inventory log book dated July 24, 2011, through February 6, 2012.
9. A tracing of the card games department revenues from source documents to the Financial Statement dated December 2011.
10. A review of the Card Room Main Bank reconciliation procedures on January 30, 2012.
11. A count of the Card Room Main Bank on January 30, 2012.
12. A review of the licenses of approximately fifteen (15) employees to ensure they had valid licenses in their possession.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

Based on the audit procedures performed and the scope of the audit, it was determined that the appropriate departments were operating in conformity with required and stated procedures except for the item noted in the following finding. This finding details an instance of non-compliance with the required MICS and the System of Internal Control, which was noted during this audit. This finding is followed by recommendation made by _____ to prevent future instances of non-compliance followed by management response to that recommendation.

Compliance with regulatory requirements is the responsibility of _____ Management. _____ responsibility is to ascertain proper compliance by testing and evaluating the appropriate departments as to whether adequate procedures and controls have been established and complied with, and then to report any findings, with recommendations, to Management in order that corrective action can be taken.

STANDARDS FOR DROP AND COUNT

No exceptions to the regulatory requirements were noted during this audit.

STANDARDS FOR SUPERVISION

No exceptions to the regulatory requirements were noted during this audit.

STANDARDS FOR PLAYING CARDS

No exceptions to the regulatory requirements were noted during this audit.

PLASTIC CARDS

No exceptions to the regulatory requirements were noted during this audit.

STANDARDS FOR SHILLS

This section was not applicable.

STANDARDS FOR RECONCILIATION FOR CARD ROOM BANK

1. MINIMUM INTERNAL CONTROL STANDARD (g) (1): The amount of the main card room bank shall be counted, recorded, and reconciled on at least a per shift basis.

SYSTEM OF INTERNAL CONTROL PAGE #7: The Card Room Main Bank is counted and reconciled to the imprest balance by the incoming and outgoing Card Room Supervisors at the completion of each shift. The Card Room Main Bank is also counted each time a Table Games Supervisor or above, relieves the Poker Room Supervisor for his/her break and each time he/she returns from break.

FINDING: During observation and count of the Card Room Main Bank on January 30, 2012, it was noted that the day shift Card Room Supervisor had left for the day before the swing shift Card Room Supervisor had counted the Card Room Main Bank and was able to reconcile it against what the day shift Card Room Supervisor had documented as the ending shift count.

RECOMMENDATION: It was recommended that the VP of Table Games reiterates the requirement that both the incoming and outgoing Card Room Supervisors must count the Card Room Main Bank at the completion of each shift and reconcile their counts before the count sheet is signed by both Card Room Supervisors.

MANAGEMENT RESPONSE: [redacted] stated that he will, by February 13, 2012, reiterate the requirements for counting the Card Room Main Bank to all Card Room Supervisors.

STANDARDS FOR PROMOTIONAL POTS AND POOLS

No exceptions to the regulatory requirements were noted during this audit.

PROMOTIONAL PROGRESSIVE POTS AND POOLS

No exceptions to the regulatory requirements were noted during this audit.