

§543.42 What are the minimum internal control standards for internal audit for Tier C gaming operations?

(a) *Internal audit personnel.* (1) For Tier C gaming operations, a separate internal audit department shall be maintained whose primary function is performing internal audit work and that is independent with respect to the departments subject to audit.

(2) The internal audit personnel shall report directly to the Tribe, Tribal gaming regulatory authority, audit committee, or other entity designated by the Tribe in accordance with the definition of internal audit in §543.2.

(b) *Audits.* Internal audit personnel shall perform audits of the gaming operation.

(1) The following areas shall be reviewed at least annually:

Revised proposal as a result of written comment to (b) (3) below.

(1) The following areas shall be ~~reviewed~~ **audited** at least annually:

(i) Pull tabs, including but not limited to, computer applications, pull tab inventory, access, transfers, winning pull tabs, accountability form, statistical reports, and electronic equipment;

Written Comment (March): What about bingo/counter games?

Response: Bingo is included in (b) (3)

(ii) Card games, including but not limited to, computer applications, supervision, playing cards, shills, reconciliation of card room bank, promotional progressive pots and pools, card room contests and tournaments, computerized player tracking systems and accounting/audit standards;

(iii) Cage procedures, including but not limited to, computer applications, personal checks, cashier's checks, traveler's checks, payroll checks, and counter checks, patron

deposited funds, safe deposit boxes, cage/vault accountability, chip and token standards, promotional payments, drawings, and giveaway programs, accounting/auditing standards and extraneous items;

(iv) Credit procedures, including but not limited to, computer applications, credit standards, payment standards, access to credit documentation, maintenance of credit documentation, write off and settlement, collection agencies, and accounting/auditing standards;

(v) Information technology, including but not limited to, Physical access and maintenance controls, system parameters, user accounts, generic user accounts, service and default accounts, administrative access, backups, recordkeeping, electronic storage of documentation, network security, changes to production environment, remote access, information technology department, in-house developed systems, and purchased software programs.

(vi) Complimentary services or items, including but not limited to, procedures whereby complimentary service items are issued, authorized, redeemed and reported;

(vii) Accounting standards, including but not limited to, accounting records, GAAP requirements, administrative and accounting procedures, gross gaming revenue computations, currency controls, periodic payment plans, voucher deductibility, unpaid credit instrument deductibility, allowable and non-allowable deductions from gross revenue, and maintenance and preservation of books, records and documents;

(viii) Drop and count standards, including but not limited to, computer applications, card game drop, soft count room personnel, card game soft count, player interface financial instrument storage component drop, player interface financial instrument storage

component count, player interface coin drop, hard count room personnel, player interface coin count and wrap, count room inventory security, transfers of currency and coin during the count, key controls-general, player interface drop key controls, card game drop box key controls, card game drop box release keys, player interface financial instrument storage component release keys, card game drop box storage rack keys, player interface financial instrument storage component storage rack keys, card game drop box contents keys, player interface financial instrument storage component contents keys, player interface computerized key security systems, card game computerized key security systems, emergency drop procedures and player interface count equipment; and

(ix) Any other internal audits as required by the Tribe, Tribal gaming regulatory authority, audit committee, or other entity designated by the Tribe.

(2) In addition to the observation and examinations performed under paragraph (b)(1) of this section, follow-up observations and examinations shall be performed to verify that corrective action has been taken regarding all instances of noncompliance cited by internal audit, the independent accountant, and/or the Commission. The verification shall be performed within six (6) months following the date of notification.

(3) The following area shall be reviewed at least semi-annually:

Written Comment (March): If the intent of this section is the same as (b), then we ask then the NIGC ensure that the term “reviewed” is consistent with the term “audit”. If that is not the intent, then we ask the NIGC to clarify the purpose, scope and intent of the term “reviewed” in this section

Response: Although NIGC believes that the introductory sentence in (b) makes it clear that “audits” of the specified areas are required, in the interest of clarity, we agree to replace “reviewed” with “audited” in (b) (1) and (b) (3).

Revised proposal as a result of written comment:

(3) The following area shall be ~~reviewed~~ **audited** at least semi-annually:

(i) Bingo, including but not limited to, bingo cards, bingo draw, manual payouts and short pays, operational controls, gaming equipment, voucher systems, patron accounts and cashless systems, promotions, and accounting/auditing standards.

(ii) [Reserved]

(4) Whenever possible, internal audit observations shall be performed on an unannounced basis (i.e., without personnel being forewarned that their activities will be observed).

Additionally, if the independent accountant also performs the internal audit function, the accountant shall perform separate observations of the player interface drops and counts to satisfy the internal audit observation requirements and independent accountant tests of controls as required by the American Institute of Certified Public Accountants guide.

(c) *Documentation.* (1) Documentation (e.g., checklists, programs, reports, etc.) shall be prepared to evidence all internal audit work performed as it relates to the requirements in this section, including all instances of noncompliance.

(2) The internal audit department shall operate with audit programs, which, at a minimum, address the MICS. Additionally, the department shall properly document the work performed, the conclusions reached, and the resolution of all exceptions. Institute of Internal Auditors standards are recommended but not required.

(d) *Reports.* (1) Reports documenting audits performed shall be maintained and made available to the Commission upon request.

(2) Such audit reports shall 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.

(e) *Material exceptions.* All material exceptions resulting from internal audit work shall be investigated and resolved with the results of such being documented and retained for five years.

(f) *Role of management.* (1) Internal audit findings shall be reported to management.

(2) Management shall be required to respond to internal audit findings stating corrective measures to be taken to avoid recurrence of the audit exception.

(3) Such management responses shall be included in the internal audit report that will be delivered to management, the Tribe, Tribal gaming regulatory authority, audit committee, or other entity designated by the Tribe.

(g) *Internal Audit Guidelines.* In connection with the internal audit testing pursuant to paragraph (b) (1) and (b) (3) of this section, the Commission shall develop recommended Internal Audit Guidelines, which shall be available upon request.