

MISSOURI GAMING COMMISSION
MINIMUM INTERNAL CONTROL STANDARDS
CHAPTER L - INTERNAL AUDIT

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§ 1 General

- 1.01 The internal audit department shall report directly to the Audit Committee of the Board of Directors or its equivalent.
- 1.02 Internal Auditors shall be given access to all sensitive areas while performing audit work, but may not override existing internal control procedures. Internal Auditors may enter or leave count rooms during the course of a count, but may not participate in the count process. The auditors shall observe all entrance/exit procedures, except for the wearing of jumpsuits. Internal Audit may access the Surveillance room to perform audit work up to 30 hours per calendar quarter.
- 1.03 Whenever possible, the observations shall be unannounced and shall not be performed at a consistent time of day, or day of the month.

§ 2 Required Internal Audits

- 2.01 The following internal audit procedures shall be conducted on at least a semi-annual basis, except for the annual cash count. If a procedure does not apply to the operations of the Class B licensee, this shall be noted in the audit report.
- (A) **Table Games:**
- (1) Observe five table openings and five table closings for compliance with MICS, Chapter D, and review the related documentation for accuracy and required information.
 - (2) Observe a total of ten table fills and three table credits. The observations shall occur over at least three different gaming days. If unable to observe three credits, verify procedures through interview.
 - (3) Observe and review table game drop and collection procedures as defined in MICS, Chapter G, for two gaming days (at least one of which shall be a 24 hour gaming day or a weekend day).
 - (4) Observe and review soft count procedures for table games and poker drops as defined in MICS, Chapter G, including the subsequent transfer of funds to the main bank or vault.
 - (5) Observe and review dice inspection procedures as outlined in MICS, Chapter D.
 - (6) Observe and review card inspection procedures as defined in MICS, Chapter D.
 - (7) Review and verify card and dice inventory control procedures.
 - (8) Review statistical reports for table game drop, win, and win-to-drop percentages to determine if fluctuations in excess of 3% from the base level are investigated.

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- (9) Observe that adequate supervision is present in the pits as required by MICS, Chapter D.
 - (10) Observe dealer tip collection, count verification, and recording procedures.
 - (11) Observe table game operations to ensure compliance with the MICS Chapter C and Section P, pertaining to table games, including poker. This observation shall include a representative sample of all table games over a two-day observation period.
 - (12) Observe and review procedures for the issuance of counter checks as outlined in MICS, Chapter D.
- (B) **Electronic Gaming Devices:**
- (1) Observe and review a minimum of five hand-paid jackpot transactions as defined in MICS, Chapter E. Observations should be sampled from three separate gaming days.
 - (2) Observe and review electronic gaming device soft drop procedures, as defined in MICS, Chapter G, for at least two gaming days, at least one of which shall be a 24 hour gaming day or a weekend day.
 - (3) Observe and review electronic gaming device soft count procedures and subsequent transfer of funds to the main bank or vault.
 - (4) Inspect the soft count room for storage of non-related supplies and equipment and conduct a surprise test of the currency count equipment.
 - (5) For a minimum of two gaming days when a bill validator soft drop occurred, compare and test the soft count to the meter dropped amount, per EGD, and determine if variances of greater than 1% and \$5 or any variance of more than \$20 are properly investigated.
 - (6) Verify that EGDs with qualifying BV variances for three consecutive gaming week drop periods have meter reading comparison reports performed and that any EGD with qualifying variances for six consecutive weeks are removed from service until repaired.
 - (7) Test to ensure that all EGD main doors and active drop compartments are alarmed and that the alarms create an audible signal in surveillance.
 - (8) Verify that the bill validator activation cards are identifiable to the supervisor who has the card. Verify that for two sample weeks the activity of each card is audited to ensure that no buy-ins have been executed.
 - (9) Test the incrementation of the EGD computer monitoring system by preparing meter reading comparison reports of 10 EGDs.. To prepare the meter reading comparison report obtain two meter readings of the EGD internal soft meter readings for the amount-in (credits played), coin-out (credits paid), amount-to-drop and jackpot paid meters at the beginning and the end of a period of at least a day and no more than a month. The difference between these EGD internal soft meter readings shall be compared to the difference in the EGD computer monitoring system meter

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- readings for the same period to verify that both sets of meters are incrementing by the same amount.
- (10) Review the reconciliations of the local/in-house progressives performed by accounting for three gaming days.
 - (11) Review the accounting meter reading comparison reports for two months for compliance with MICS, Chapter E.
 - (12) Review the installation, movement, and conversion of EGDs occurring within the scope of the audit.
 - (13) If the casino duplicated critical program storage media during the audit period, test the duplication procedures and security to ensure compliance with MICS, Chapter E.
 - (14) If the licensee has electronic gaming devices which accept tokens, the following additional testing shall be performed:
 - (a) if EGDs have active hoppers, observe and review a minimum of five hopper fill transactions as defined in MICS, Chapter E. If unable to observe verify proper procedures through interview,
 - (b) observe and review electronic gaming device hard drop procedures, as defined in MICS, Chapter G, for at least two gaming days, at least one of which shall be a 24 hour gaming day,
 - (c) observe and review hard count procedures and subsequent transfer of funds to the main bank or vault,
 - (d) inspect the hard count room for storage of non-related supplies and equipment and conduct a surprise test of token counters and weigh scales,
 - (e) for a minimum of two gaming days when a hard drop occurred, compare the dollar value of tokens counted per EGD to the meter dropped amount recorded in the EGD computer monitoring system and determine if variances of greater than 2% and more than \$5 (\$10 for denominations of \$.25 or greater) are properly investigated,
 - (f) verify that EGDs with qualifying token variances for three consecutive gaming week drop periods have meter reading comparison reports performed and that any EGD with qualifying variances for six consecutive weeks are removed from service until repaired, and
 - (g) for a minimum of two gaming days when a hard drop occurred, compare the weighed drop amount to the wrapped drop amount to determine if any variance between the actual physical count and totals obtained from the weigh scale greater than \$1,000 or 2% of the denomination total is explained by management,
 - (h) review slot bank countdown procedures and conduct a surprise count of at least two slot banks per facility.

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- (C) **Casino Cashiering and Credit:**
- (1) For a minimum of two days, reconcile the change in main bank/vault accountability.
 - (2) Observe and review the countdown procedures for each type of cashiering location as described in Chapter H of the internal controls, with the exception of redemption kiosks, to verify that strict control and accountability are maintained and that variances are documented.
 - (3) Observe and review redemption procedures for tickets, including promotional tickets, for compliance with the MICS and ICS.
 - (4) Reconcile safekeeping deposits on hand and review safekeeping deposit/withdrawal procedures and documentation.
 - (5) Review check cashing and deposit procedures to ensure compliance with MICS, Chapter H.
 - (6) Review returned check procedures including the use of outside guarantee service agencies to ensure compliance with MICS, Chapter H. Verify patrons with an outstanding returned check(s) cannot cash an additional check.
 - (7) Verify that any changes to the chip and token inventory ledgers during the semi-annual audit period are documented and the required signatures are present on the ledger or the supporting documentation.
 - (8) Observe the impressment of redemption kiosk currency cassettes for compliance with the MICS.
 - (9) Verify that the redemption kiosks are maintained on an imprest basis and are listed on the Main Bank/Vault Accountability form.
 - (10) Observe the refill and reconciliation process of two redemption kiosks for compliance with the MICS; ensure that the kiosk main door(s) are dual locked, require separate keys, and monitored by door access sensors which shall detect and report all external door openings, both to the device by way of an error code and tower light and to an on-line system.
 - (11) Observe and review procedures for the issuance of counter checks for compliance.
 - (12) Ascertain compliance with credit limits and other established credit issuance procedures.
 - (13) Randomly reconcile outstanding balances of at least ten percent of all credit accounts on the listing to individual credit records and source documents.
 - (14) Reconcile partial payment receipts on credit instruments to the total payments recorded by the cage for each day for a minimum of five days per month.
 - (15) Examine at least ten credit records to determine payments are being properly recorded.

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- (16) Reconcile the total amount of the listing of credit payments received via mail with the total mail receipts recorded on the appropriate accountability for at least three days per month.
- (D) **Currency Transaction Reporting:**
- (1) Review reporting of certain cash transactions to determine if the required CTRs have been properly filed and to ensure adherence to the requirements of Title 31 U.S. Code and regulations promulgated thereunder;
- (a) perform tests to determine if the reportable jackpots from the slot system have been recorded on W-2G forms,
- (b) perform comparisons of the W-2G forms to the CTRs to determine if the required information was reported,
- (c) complete a review of the MTLs for proper completion,
- (d) compare data from pit player tracking records to MTLs.
- (E) **Adjusted Gross Receipts and Admissions:**
- (1) Review the calculation of adjusted gross receipts and tax remittance forms.
- (2) Observe and review procedures for the reading and recording of the passenger count included in the admission tax calculation.
- (3) Perform a general ledger account reconciliation of AGR – table games, AGR – EGD, cage accountability, chip and token liability, and progressive jackpot liability. Include a copy of the reconciliation in the Internal Audit report.
- (4) Trace all gaming source documents (i.e. table fill slips, table credit slips, opener/closer slips, table games jackpot slips, counter check issue slips, EGD jackpot slips and hopper fill slips) for at least two gaming days to summarized documentation and reconcile to copies.
- (a) Review these documents for accuracy and completion, as defined in the MICS, Chapter D and E (i.e. proper number of signatures, level of authorization, date and time, accurate calculations, opener verified to previous day's closer).
- (b) Verify and account for the numerical sequence of the table fill slips, table credit slips, table games jackpot slips, counter checks, EGD hand-paid jackpot slips, and hopper fill slips.
- (c) Review all voided source document slips for appropriate handling and authorized signatures. Assure that all copies are attached.
- (5) Test and review the table games on-line soft count systems to verify transactions are accurately recorded in the central computer system.
- (6) Test and review EGD on-line ticket and soft count system to verify transactions are accurately recorded in the central computer system by manually counting the tickets from two BVAs and comparing these totals to the totals obtained by the soft count system.

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(F) Annual Cash Count:

- (1) On an annual basis, Internal Audit shall conduct an observation of a complete physical count of all cash, chips and tokens in accordance with guidelines issued by the MGC. The count shall be conducted at least three months prior and subsequent to the fiscal year end. For example, if the fiscal year end is December 31, the count should be conducted between April and September.
 - (a) MGC Audit Manager must be notified thirty (30) days in advance of the count. At its discretion, the MGC may be present.
 - (b) Management staff may be notified no more than 24 hours in advance of the count to ensure adequate staff is on duty to facilitate access to all areas being counted.
 - (c) All count sheets shall be signed by those performing the inventory.
 - (d) A summary of the inventory total for each count sheet along with all shortages and overages and the signed count sheets shall be included in the Internal Audit report.
 - (e) The count of cage windows and the main bank shall be conducted when the location is closing during the cash count, unless otherwise approved by the MGC.

(G) Sensitive Keys:

- (1) Observe and review location and control over all sensitive keys to ensure compliance with MICS, Chapter B.
- (2) If the Class B Licensee uses an electronic key control system, review access and controls for the system to ensure compliance with MICS, Chapter B.
- (3) Review sensitive key logs for proper documentation of issuance and return of sensitive keys for five gaming days.
- (4) Verify the inventory of the duplicate keys, review the duplicate key inventory log for accuracy and proper completion, and resolve any discrepancies.
- (5) Verify that each critical sensitive/sensitive key has a duplicate key in inventory.

(H) Purchasing and Contract Administration:

- (1) Test normal purchasing and contracting procedures.
- (2) Review procedures for approval of capital expenditures.
- (3) Review procedures for related party transactions and contracts.
- (4) Determine that contracts entered into are at fair market value.

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(I) System Access:

- (1) Test and review access to the EGD computer monitoring system.
- (2) Test and review access to the on-line fill, credit, hard count, and soft count systems.
- (3) Test and review access to the EGD on-line ticket validation system.
- (4) Test and review access to the promotional coupon ticketing system.

§ 3 Reporting Guidelines

3.01 Class A Licensees are responsible for ensuring that all internal audit procedures are conducted within each semi-annual period. The report shall include the following information:

- (A) A title page containing the Class B Licensee's legal name, the name of the report, the dates of the semi-annual period audited and the report number,
- (B) a table of contents listing the subject headings and their respective pages,
- (C) the contents of the report. Each audit shall be subdivided into the following sections:
 - (1) audit objectives,
 - (2) audit procedures and scope, which shall include,
 - (a) whether the test was performed by inquiry, observation or examination, and
 - (b) the scope of each observation, review, and test, including the sample sizes and dates tested,
 - (3) findings, exceptions and conclusions. For each exception, the reference of the internal control, MGC minimum internal control standard, or Code of State Regulation, which corresponds to the exception, shall be included along with the specific number of instances noted. If no corresponding rule applies to the exception, this shall be noted. If there are no exceptions, the report shall indicate that no exceptions were noted,
 - (4) recommendations, and
 - (5) management's response. This shall include the specific corrective action to be taken, implementation date and the employee(s) responsible for implementation and subsequent follow-up. If the exception has already been addressed, the report shall include the corrective action taken and the date the corrective action occurred.

3.02 The internal audit reports shall be submitted to the MGC Audit Manager within 90 days following the last day of the semi-annual period. Four copies of the report shall be submitted to the MGC Jefferson City office.

3.03 If the internal audit report fails to address any of the required audits, the MGC shall assume the audit was not performed.

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- 3.04 Any additional audits of gaming operations performed shall be submitted upon completion. In addition to the regular audit procedures, special audits may be performed at the request of the Audit Committee, Management or the MGC. Internal auditors shall immediately notify the MGC Audit Manager in writing of any material weaknesses noted.

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