

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

CONTENTS

<u>Section</u>	<u>Page</u>
§ 1. General	L-2
§ 2. Required Internal Audits	L-2
§ 3. Reporting Guidelines	L-10

Note: Sections 313.800 through 313.850, RSMo., et seq., and Title 11, Division 45 of the Code of State Regulations establish standards to which Class B Licensees must comply. Class B Licensees should review these statutes and rules to ensure their ICS includes compliance with the requirements set forth. Revised, effective Oct. 30, 2007 (Revised/readopted). Revised, effective February 28, 2015 (revised 2.01, 3.01). Revised, effective June 30, 2023 (Revised/Readopted).

MINIMUM INTERNAL CONTROL STANDARDS
CHAPTER L - INTERNAL AUDIT
(11 CSR 45-8)

§ 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 with prior approval from the MGC.
- 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. The audit observations and testing shall be conducted during the semi-annual audit period, and any documentation reviewed shall be from that audit period. 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 five 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 one cashless buy-in and one cashless chip redemption, and trace those transactions to the cashless system report(s) used for the adjusted gross receipts (AGR) calculation.
- (4) Observe and review table game drop and collection procedures as defined in MICS, Chapter G, for one gaming day (either through physical observation or review of recorded surveillance).
- (5) 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.
- (6) Test and review the table games on-line count system to verify transactions are accurately recorded in the system.
- (7) Observe and review dice inspection procedures as outlined in MICS, Chapter D.
- (8) Observe and review card inspection procedures as defined in MICS, Chapter D.

MINIMUM INTERNAL CONTROL STANDARDS
CHAPTER L - INTERNAL AUDIT
(11 CSR 45-8)

- (9) Review and verify card and dice inventory control procedures including receipt of cards and dice from the supplier, movement of cards and dice, reconciliation of the replacement deck log, and the quarterly inventory.
- (10) Verify the casino maintains records reflecting statistical drop, statistical win, and statistical win-to-drop percentages for each gaming table and type of game by day, cumulative month-to-date, and cumulative year-to-date.
- (11) Observe that adequate supervision is present in the pits as required by MICS, Chapter D.
- (12) Observe the table game dealer and poker dealer tip collection, count verification, and recording procedures to verify compliance with 11 CSR 45-8.130 and MICS, Chapter T.
- (13) Observe table game operations to verify compliance with the internal controls for MICS, Chapter C pertaining to table games and poker. This observation shall include each type of table game to verify compliance with the rules of the game and proper signage.
- (14) Observe and review procedures for the issuance of counter checks as outlined in MICS, Chapter D.
- (15) Observe and review procedures for the creation of player reward accounts and the printing of player cards in the pit, as outlined in MICS, Chapters I, P, and Q.

(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. Verify compliance with MICS, Chapters E, P, and Q.
- (2) Observe and review electronic gaming device (EGD) drop procedures, as defined in MICS, Chapter G, for at least one gaming day (either through physical observation or review of recorded surveillance). If the Class B Licensee drops on a 24-hour gaming day, the gaming day observed shall be a 24-hour gaming day.
- (3) Observe and review BV count procedures for one day and the subsequent transfer of funds to the main bank.
- (4) Inspect the count room for storage of non-related supplies and equipment and conduct a surprise test of the currency count equipment.
- (5) Test and review EGD on-line ticket and count system to verify transactions are accurately recorded in the system by manually counting the tickets from two BVs and comparing these totals to the totals obtained by the count system.
- (6) For a minimum of two gaming days when an EGD 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.

MINIMUM INTERNAL CONTROL STANDARDS
CHAPTER L - INTERNAL AUDIT
(11 CSR 45-8)

- (7) Verify that qualifying BV variances are investigated and the EGDs are taken out of service in compliance with the procedures in Chapter E.
- (8) Test a sample of at least 5% of the EGDs on the gaming floor on the day of testing or 50 EGDs, whichever is less, to verify that EGD main doors, bill validator access doors, and belly glass doors are alarmed and that the alarms create an audible signal in surveillance.
- (9) Test to verify that all compartments housing an EGD progressive controller are alarmed and that the alarms create an audible signal in surveillance.
- (10) Select a sample of 50 non-progressive EGDs and test to verify they are set to lock up at \$1,200.00 or less.
- (11) Verify all linked progressive and externally controlled stand-alone progressive EGDs with a top incrementing award less than \$1,200.00 are set to lock up at the reset amount pursuant to 11 CSR 45-5.200.
- (12) Perform a reconciliation of at least ten local progressives (linked progressives and stand-alone progressives that are externally controlled) following the procedures in 11 CSR 45-5.200. Non 24-hour properties may perform a daily reconciliation; however, 24-hour properties shall perform a weekly reconciliation.
- (13) Review the progressive reconciliations performed by accounting for one gaming day. Verify all linked progressives and stand-alone progressives that are externally controlled are reconciled.
- (14) Verify progressive funds removed from the progressive display were either paid to a patron or redistributed to another progressive jackpot within 30 days after the progressive jackpot was removed from play, and the redistribution was approved by the MGC.
- (15) Review the cashless meter comparison reports and all related documentation for one week to verify compliance with MICS, Chapter U.

(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 to verify compliance with MICS, Chapter H.
- (5) Review check cashing and deposit procedures to verify compliance with MICS, Chapter H.
- (6) Review returned check procedures including the use of outside guarantee service agencies to verify compliance with MICS, Chapter H. Verify

MINIMUM INTERNAL CONTROL STANDARDS
CHAPTER L - INTERNAL AUDIT
(11 CSR 45-8)

- patrons with an outstanding returned check(s) cannot cash an additional check.
- (7) Observe and review procedures for credit card and debit card transactions to verify compliance with MICS, Chapter H.
 - (8) 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.
 - (9) Observe the impressment of redemption kiosk currency cassettes for compliance with MICS, Chapter H.
 - (10) Verify that the redemption kiosks are maintained on an imprest basis and are listed on the Main Bank/Vault Accountability form.
 - (11) Observe the drop, refill, and reconciliation process of two redemption kiosks for compliance with MICS, Chapter H.
 - (12) Verify that all kiosk main door(s) are dual locked, require separate keys, and are 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 monitored by surveillance. Verify an audible alarm is created in the casino surveillance room.
 - (13) Verify the unclaimed property, including unredeemed tickets and unclaimed jackpots, were properly delivered to the Missouri State Treasurer's Office in accordance with the "Missouri Uniform Disposition of Unclaimed Property Act," section 447.500 et seq., RSMo. Verify appropriate taxes were withheld from jackpots prior to delivery to the state.
 - (14) Observe and review procedures for the issuance of counter checks issued at the cage for compliance. If live observation is not available, perform a walkthrough of the procedures.
 - (15) Verify compliance with credit limit authorization per the internal controls for MICS, Chapter H.
 - (16) Verify patrons have not been extended credit above the approved credit limit nor above their creditworthiness amount documented in their credit file.
 - (17) Randomly reconcile the outstanding balances of at least ten percent (10%) of all current credit accounts to the individual credit files and source documents.
 - (18) Reconcile counter check payment slips to the total payments recorded by the cage on the Counter Check Accountability form for each day for a minimum of three days per month.
 - (19) Examine at least ten credit files to determine payments are being properly recorded.
 - (20) Reconcile the credit payments received via mail, as documented on the log identified in the internal controls for MICS, Chapter H, with the total mail receipts recorded on the Counter Check Accountability form for the audit period.

MINIMUM INTERNAL CONTROL STANDARDS
CHAPTER L - INTERNAL AUDIT
(11 CSR 45-8)

- (21) Observe one cashless deposit and one cashless withdrawal at the cage to verify compliance with the MICS, and trace those transactions to a cashless system report. If unable to observe, perform a walkthrough.

(D) Adjusted Gross Receipts and Admissions:

- (1) Review the calculation of AGR 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, AGR – hybrid table game system, 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 (e.g. table fill slips, table credit slips, opener/closer slips, table games jackpot slips, counter check issue slips, EGD jackpot slips, wagering account transactions, and digital wallet transactions) for at least two gaming days to summarized documentation and reconcile to copies.
 - (a) Review these documents for accuracy and completion (e.g. 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, and EGD hand-paid jackpot slips.
 - (c) Review all voided source document slips for appropriate handling and authorized signatures. Verify that all copies are attached.

(E) Promotions and Player Rewards:

- (1) For a period of one gaming week, review the daily system reports listing all additions of promotional giveaway credits to an individual patron's account, at any time other than when a previously approved promotion that is in compliance with 11 CSR 45-5.181 is being initially loaded into the system to verify compliance with the internal controls for MICS, Chapter U, specifically the following:
 - (a) Issued by an authorized employee;
 - (b) Does not exceed the monetary threshold; and
 - (c) If more than six additions occurred to an individual patron's account within a gaming week, an investigation has been conducted by the end of the following gaming week to ascertain the legitimacy of the transactions. Verify the results of the investigation were documented.
- (2) For a period of one gaming week, review the daily system reports listing all manual adjustments of player reward credits to an individual patron's account to verify compliance with the internal controls for MICS, Chapter U, specifically the following:
 - (a) Issued by an authorized employee;

MINIMUM INTERNAL CONTROL STANDARDS
CHAPTER L - INTERNAL AUDIT
(11 CSR 45-8)

- (b) Does not exceed the monetary threshold; and
 - (c) If more than six adjustments occurred to an individual patron's account within a gaming week, an investigation has been conducted by the end of the following gaming week to ascertain the legitimacy of the transactions. Verify the results of the investigation were documented.
- (3) Select a sample of five different types of promotions to verify each promotion was held in accordance with 11 CSR 45-5.181 and the established promotional rules.
 - (4) Verify the MGC List of Disassociated Persons (DAP List) has been downloaded at least once every seven days and the player tracking system(s) was updated within five calendar days of the download in accordance with MICS, Chapter Q §2.01 and §6.01.
- (F) Sensitive Keys:**
- (1) Conduct an unannounced inventory of each sensitive key box.
 - (2) Observe and review location and control over all sensitive keys to verify compliance with MICS, Chapter B.
 - (3) If the Class B Licensee uses an electronic key control system, review access and controls for the system to verify compliance with MICS, Chapter B.
 - (4) Review sensitive key logs for proper documentation of issuance and return of sensitive keys for five gaming days.
 - (5) Verify the inventory of the duplicate keys, review the duplicate key inventory log for accuracy and proper completion, and resolve any discrepancies.
 - (6) Verify that each sensitive key has a duplicate key in inventory.
- (G) System Access:**
- (1) Review user access listings for Critical IT Systems. The review shall consist of examining a sample of at least 25 users or ten percent (10%), whichever is less, from at least five different departments. The sample shall not include users sampled from the last review. For each of the randomly selected users, verify the following:
 - (a) The assigned system functions are appropriate for the user's job position and provide an adequate segregation of duties; and
 - (b) Passwords have been changed within the last 90 days.The Internal Audit documentation of the review shall include the accounts reviewed, the results of the review, the internal auditor's signature, and the date indicating when the user access listing was reviewed.
 - (2) Test and review access to the on-line fill, credit, and soft count systems.
 - (3) Test and review access to the EGD on-line ticket validation system.
 - (4) Test and review access to the cashless system.
 - (5) Verify that Wi-Fi used in conjunction with Critical IT Systems and equipment or player tracking systems employs a secure gateway (e.g.,

MINIMUM INTERNAL CONTROL STANDARDS
CHAPTER L - INTERNAL AUDIT
(11 CSR 45-8)

firewall) to isolate the wireless environment from any other environment (e.g., the internal network).

- (6) Verify that Bluetooth used in conjunction with Critical IT Systems and equipment or player tracking systems complies with MICS, Chapter S.
- (7) For all transferred employees (including those promoted or demoted), verify system access to critical IT systems and player tracking systems is disabled within 72 hours of any change in position.
- (8) For 25 terminated or suspended employees with system access verify system access was disabled within 72 hours of termination or suspension subject to termination, or by the end of the next gaming day if the employee's account has remote access to a critical IT system.
- (9) Verify MIS management and the System Administrator reviewed the list of all enabled generic and system accounts at least once every six months and documented their review.
- (10) If on-line access is provided for patrons to view their account balances or transaction histories from the Cashless and/or Promotional system, verify physical or logical restrictions exist to provide independent operation from the Cashless system.
- (11) Review system access for Critical IT Systems and player reward systems to verify only those authorized job positions specified in the internal controls have access to adjust player reward credits (points, including pit ratings) and promotional giveaway credits.
- (12) Review system access for Critical IT Systems and player reward systems to verify employees with access to adjust points do not also have access to reset PINs, pursuant to MICS, Chapter I.

(H) Hybrid Table Games:

- (1) Observe and review the player terminal drop and collection procedures as defined in MICS, Chapter W, for one gaming day (either through physical observation or surveillance review).
- (2) Observe and review soft count procedures for the player terminal drop as defined in MICS, Chapter W, including the subsequent transfer of funds to the main bank or vault.
- (3) Test and review EGD on-line ticket and count system to verify transactions are accurately recorded in the system by manually counting the tickets from two BVs and comparing these totals to the totals obtained by the count system.
- (4) Verify the casino maintains records reflecting statistical drop, statistical win, and statistical win-to-drop percentages for each hybrid table game offered for play by day, cumulative month-to-date, and cumulative year-to-date.
- (5) Observe that adequate supervision is present in the pits as required by MICS, Chapter W.
- (6) Review hybrid table game system reports to ensure dealer tips are not included in the amount reported as AGR.

MINIMUM INTERNAL CONTROL STANDARDS
CHAPTER L - INTERNAL AUDIT
(11 CSR 45-8)

- (7) Verify that if a payout of \$600 or more and at least 300 times the wager is offered the player terminal is set to lock up.
- (8) Observe table game operations to verify compliance with the internal controls for MICS, Chapter C pertaining to hybrid table games. This observation shall include each type of hybrid table game to verify compliance with the rules of the game.
- (9) Test a sample of at least 5% of the player terminals on the gaming floor on the day of testing or 5 player terminals, whichever is less, to verify that player terminal main doors, bill validator access doors, and belly glass doors, are alarmed and that the alarms create an audible signal in surveillance.

2.02 The following internal audit procedures shall be conducted on at least an annual basis. The audit observations and testing shall be conducted during the annual audit period and any documentation reviewed shall be from that audit period. If a procedure does not apply to the operations of the Class B licensee, this shall be noted in the audit report.

(A) 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 after the fiscal year end and at least three months before the next fiscal year end. For example, if the fiscal year end is December 31st, the count should be conducted between April 1st and September 30th.
 - (a) MGC Audit Manager must be notified 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 verify 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.

(B) Purchasing and Contract Administration:

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

MINIMUM INTERNAL CONTROL STANDARDS
CHAPTER L - INTERNAL AUDIT
(11 CSR 45-8)

(C) Currency Transaction Reporting:

- (1) Review reporting of certain cash transactions to determine if the required Currency Transaction Reports (CTRs) have been properly filed and to verify adherence to the requirements of Title 31 U.S. Code and regulations promulgated thereunder;
 - (a) Perform tests to determine if the reportable table game jackpots have been recorded on W-2G forms;
 - (b) Perform comparisons of the W-2G forms for table game jackpots to the CTRs to determine if the required information was reported;
 - (c) Complete a review of the Multiple Transaction Logs (MTL) for a minimum of three gaming days and at least 25 entries for proper completion; and
 - (d) Compare data from pit player tracking records to MTLs for a minimum of three gaming days.

(D) Missouri Gaming Commission Variances:

- (1) Verify the Class B Licensee is complying with the Conditions/Restrictions listed on the MGC Variance Reply for each MGC variance adopted by the Class B Licensee.

§ 3 Reporting Guidelines

3.01 Class A Licensees are responsible for ensuring that all internal audit procedures are conducted within each audit 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 period audited and the report number; and
- (B) A section for each of the following:
 - (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 state or federal 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

MINIMUM INTERNAL CONTROL STANDARDS
CHAPTER L - INTERNAL AUDIT
(11 CSR 45-8)

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 electronically to the MGC Audit Manager within 90 days following the last day of the semi-annual or annual period.
- 3.03 If the internal audit report fails to address any of the required audits, the MGC shall assume the audit was not performed.
- 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.