



Minimum Internal Control Standards (MICS)

Five of the Most Commonly Noted Class II Exceptions

by George Metkovich

Although the Class II National Indian Gaming Commission (NIGC) Minimum Internal Control Standards (MICS) have been in place for over four years, there are still certain findings that tend to appear more often than others during the performance of internal audit procedures. Discussed below are five of the most commonly identified exceptions:

1) Property Integration

It is important to consider the Class II MICS from the perspective of the whole casino and not just from the individual Class II areas offered at the casino. For example, if the casino offers card games, consideration should be given to how card games and card games patrons interact with the rest of the casino. If card games players redeem their chips at the main cage, the main cage then needs to follow the requirements as outlined in §543.18. If the casino is offering a promotion catered to gaming machine and table games players but patrons

can also gain entry through card games play, then the promotion must follow the requirements of §543.12. Consideration should also be given to determine whether any of the requirements noted in surveillance, audit and accounting, and auditing revenue are applicable as well.

2) Lack of Documented Procedures

A requirement throughout all sections of the Class II MICS is that each property must establish controls and implement procedures to ensure compliance with each given section. The NIGC MICS checklists are a tool auditors can utilize to review the casino's System of Internal Control Standards (SICS) to verify the control has been included in the SICS, whether those SICS have been approved by the Gaming Commission, and whether the casino is complying with the approved SICS. In the performance of internal audit procedures, it is often found that the control required by an applicable regulation is being performed by casino personnel; however, it has not been included in the SICS, or the SICS have not been approved by the Gaming Commission. An easy solution to this problem is to ensure the casino's SICS have been updated to include all the regulations in the Class II MICS. A simple desk review comparing Class II MICS to the SICS can identify any areas left unaddressed.

3) Installation Testing of New Bingo Machines

§543.8(g)(5) has very specific regulations regarding the various components required to be tested prior to a Class II machine being placed on the gaming floor for play by the gaming public. During the installation process, which in most cases involves individuals from the gaming machine department as well as the Gaming Commission, each individual possesses a checklist of the various items that need to be tested to ensure the gaming machine is functioning properly. In the performance of examining the testing documentation, multiple instances were noted in which a particular test was performed but was not included on the installation form or was included on a different form that was not retained. Unfortunately, in the world of compliance, if it is not documented then it is not considered completed. The biggest test found to be omitted during installation is ensuring the gaming machine is properly communicating with the player tracking system. This test should be performed to ensure the proper amount of points is being credited to a player's card based on play. To solve the problem, ensure the standardized installation form includes all requirements as set forth in the regulations as well as any additional ones required by the

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gaming operation. Additionally, requiring the sign-off of all tests and a final supervisory level review of the completed form can help to ensure resolve to this common finding.

4) *Testing of Currency Counters in the Count Room*

§543.17(g)(6) requires, “Count equipment and systems must be tested, and the results documented, before the first count begins, to ensure the accuracy of the equipment.” During the performance of internal audit procedures, count teams are often observed opening and manually counting the first box, running it through the currency counter, and comparing the hand counted total to the currency acceptor total as verification of the accuracy of the equipment. Unfortunately, the problem with this practice is that once the first box is opened, the count has officially “begun,” which makes the test obsolete since it is required to be performed before the first count. One solution to this problem would be to have the count team check-out test money from the cage, which should include at least one bill from each denomination, to test the accuracy of the equipment. The test money would be kept separate from drop proceeds and returned to the cage upon completion of the count.

5) *Count Team Function Rotation*

§543.17(c)(4) requires, “Functions performed by count team agents must be rotated on a routine basis.” Frequently, however, it is noted that count team members have certain tasks that they are particularly efficient in; whether it is opening boxes, emptying boxes, loading the currency counter, or strapping currency; and as such, the teams tend to stick to what they are most efficient at. However, the Class II MICS requires that count teams rotate duties on a routine basis. To solve the problem, the casino should define, in the SICS, whether rotation of duties means count team agents will perform different functions weekly or daily. It is critical to establish SICS to document the rotation of functions in the count room to reduce the risk of human error.

By implementing some of the suggested recommendations mentioned above, properties can resolve these frequently found deficiencies and move closer to full compliance with the applicable regulations. ♣

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