

Chapter 7 Audit

0701 Audit Department

The Gaming Agency's Audit Department is responsible for auditing the procedures and systems of the Gaming Operation. The Gaming Regulatory Act delegates to the Agency's auditing and compliance department the following regulatory functions:

1. Conduct audits to verify each Gaming Establishment's compliance with all audit and financial oversight requirements regarding operational and gaming revenues;
2. Serve as the internal audit personnel for purposes of compliance with 25 C.F.R. Section 542.42 by performing audits of all major gaming areas of each Gaming Establishment not less than annually as required by NIGC regulations;
3. Monitoring through audit activities each Gaming Establishment's compliance with the GRA, these regulations, TICS, IGRA, the compact and other applicable laws;
4. Recommending the initiation of compliance or enforcement actions;
5. Such other audits as the Executive Director may assign;

The five audit and compliance categories detailed in this section establish the framework for the regulations below.

0702 Audit & Financial Oversight Regarding Operational and Gaming Revenues

The Gaming Operation shall prepare and maintain accurate, complete, legible, and permanent accounting records in accordance with generally accepted accounting principles (GAAP), established Regulations, and TICS. A double-entry accounting system shall be maintained with supporting journal entries and detailed subsidiary records for assets, liabilities, equity, revenues and expenses.

The Gaming Operation shall also maintain accounting records which meet the requirements prescribed in Subsection 4(H) of the Compact, pursuant to GRA Section §8.5-87(E). The Agency shall require independent financial audits of all Gaming Operations are conducted pursuant to GRA Section §8.5-88. The Gaming Operation must provide notice of the use of an independent accountant to the Agency, and the Agency reserves the right to approve the independent accountant under the requirements on GRA §8.5-88. The independent accountant will not require vendor licensure, as it is considered an exempt vendor. The independent accountant will need to follow generally accepted accounting principles.

Pursuant to GRA Section §8.5-87(F), The Gaming Operation shall provide the independent accountant reports to the Agency including agreed upon procedure audits and financial statement audits annually. The reports must include an opinion on the financial statements, and whether the accounts, records and control procedures maintained by the Gaming Operation conform with this chapter, the regulations and the Compact. These reports are also required to be sent to the NIGC.

0703 Internal Audit and Compliance with 25 C.F.R. Section 542.42

In accordance to GRA Section §8.5-42.C(1), the Agency shall conducts audits to verify each Gaming Operation's compliance with all audit and financial oversight requirements regarding operational and gaming revenues; including all major gaming areas as defined by the TICS. The Agency may conduct audits in all

areas of the Gaming Operation, gaming and non-gaming. The Agency shall act independently of the Gaming Operation. Audit schedules will be submitted to and acknowledged by the Commission and may or may not be announced to the Gaming Operations prior to the opening of each audit.

A. Opening Announcement

Prior to the initiation of an internal audit, the Agency shall provide an opening notice to the Gaming Operation. The Agency may schedule a meeting to discuss the opening notice and its contents, which shall include:

1. A clear statement of the audit objective, including references to applicable laws, regulations, policies, and procedures;
2. A detailed description of the procedures and scope of the audit, including assessments of:
 - a. Compliance with relevant laws and regulations.
 - b. The safeguards applied to assets.
 - c. The integrity and reliability of operating information.
 - d. The notice that failure to comply with the audit request may result in findings.
 - e. A document request list, which shall specify the documents, policies, procedures, spreadsheets, and other files that may be required, along with the associated time frames for delivery;
 - f. A statement that additional documents may be requested during the course of the audit;
 - g. Contact Information for the Agency staff conducting the internal audit.

The opening notice shall serve as the starting point for the internal audit and shall be used to ensure the cooperation and coordination of the Gaming Operation with the Agency.

B. Document Requests, Interviewing, and Observations

The Gaming Operation must adhere to timeframes established by the Agency for requests of records, and documents, as well as responses to questions or inquiries.

When feasible, document requests will be requested in person. such as during the Audit Opening meeting or in conversation with the Gaming Operation staff, or via phone call. Furthermore, the initial request for documents, in addition to in-person or phone communication, will be sent via email to an address designated by the Gaming Operation for receiving notices. The email will include the expected Date, Time, and Pick Up Location for any physical documents, or Destination for any electronic documents (email or shared folders). The Date and Time will be set no sooner than the time frames established below, with the start being when the email is sent. Established time frames will start and be due only during normal Agency business hours, Monday through Friday, and not including Holidays, unless otherwise requested by the Gaming Operation. Any subsequent supplemental requests for documents will also follow this communication method.

Established Time Frames

Initial documentation (7) seven calendar days

Supplemental requests (24) hours

Observations – Unannounced

Audit inquiry – Within 48 hours - During the audit, the Agency may request meetings to discuss the progress of the audits and for follow-up questions of documentation and observations.

The Gaming Operation may request an extension of the established timeframes. This request must be made in writing by email at audit@nhbpgc.org. Requests for extensions of the established timeframes must include an explanation of the delays as well as a new proposed deadline. Requests for an extension to the deadline will be reviewed during normal Agency business hours, Monday through Friday, and not including Holidays. If there is a delay in the response to the extension request during normal hours, greater than 1 hour, the deadline will be tolled at least for the duration of the extension period.

For initial documentation, the written request must be received by the Agency no later than 24 hours prior to the expiration of the time frame. For extensions on supplemental requests, the written request must be sent on the same business day.

The Agency shall review the Gaming Operation's request and make a determination if the extension will be granted or denied. If the request is denied the Gaming Operation must comply with the original initial documentation request. All approvals and denials will be responded to in writing from the Gaming Agency.

C. Closing Report

At the conclusion of an internal audit, the Agency shall provide a notice to the Gaming Operation. The Agency may schedule a meeting to discuss the closing audit. This notice shall include at a minimum the following information:

1. A summary of the original information provided in the Opening Notice, along with any changes that may have occurred with respect to the scope, document requests, and other relevant areas.
2. The audit conclusions, items or findings, which shall include:
 - a. The observations made during the course of the audit;
 - b. References to relevant policies, procedures, TICS and regulations.
 - c. Recommendations for improvement.

The closing notice shall serve as an official notification to the Gaming Operations that reflects the results of the internal audit.

D. Management Response Requirement

If there are any audit items or findings, the Gaming Operation will have 30 days from receipt of the closing notice to provide a management response for each audit finding.

When the Gaming Operation responds to an audit report with "management disagrees" or fails to provide a suitable response to an audit finding or item, a directorial review will begin. The Executive Director shall conduct a review of the management response. The purpose of the review will be to address the disputed audit findings or items and seek a resolution between the Gaming Operation and the Agency. If the director determines that further resolution is required, a hearing will be initiated in accordance with the Gaming Regulatory Authority (GRA) Section §8.5-99-110 and Hearing Regulations.

0704 Gaming Operation Compliance with the Law

Pursuant to GRA Section §8.5-85, the Commission shall develop and adopt TICS that address administrative, financial, operation security and gaming area controls. Following the Rule-Making Process described in GRA Section §8.5-27 D, the Commission shall post required notices and accept comments for a period that is not

less than thirty (30) days. The Commission shall consider comments and take action on the proposed TICS at a regular or special meeting. The Executive Director shall provide written notice to the gaming operation of the action taken by the Commission or Executive Director. The Gaming Operation shall begin to comply with any adopted TICS not later than the effective date unless the Commission's approval affords the Gaming Operation additional time to implement changes needed to comply with any new or revised TICS. The Gaming Operation may create controls that are more stringent than the TICS however, the controls cannot conflict with the TICS.

A. Variances to TICS/Request for Alternative Standards

Proposed TICS for adoption shall be submitted on forms approved by the Commission and shall include:

1. The existing TICS;
2. The proposed TICS;
3. The impact of the proposed TICS on the internal control of the gaming operation; and
4. A statement on consistency with provisions of the NIGC and State compact standards.

Proposed TICS can be submitted by the Gaming Operations or from the Agency.

Variances to the TICS are granted by the Executive Director. The Executive Director will review and respond to the request within 14 calendar days. If the variance is not approved, the Gaming Operation may appeal the request to the Commissioners through a hearing request in accordance with the GRA and Hearing Regulations.

B. System of Internal Control Standards

Pursuant to GRA Section §8.5-86 each Gaming Operation shall develop a system of internal control standards (SICS) that assure Gaming Operation compliance with the TICS. The gaming operation shall adopt and implement systems of internal control which includes policies and procedures as well as standard operating procedures governing gaming activities for promotional give-a-ways involving chance; or any other non-gaming activities identified in writing that the Executive Director determines to affect the integrity, security, honesty, health and safety and fairness of the gaming operation.

Prior to implementation, SICS shall be submitted to and approved by the Agency. All modifications to SICS shall be submitted to and approved by the Agency prior to implementation. Each SICS submission, including policies and procedures, shall have its own 14 calendar day approval time frame. Time frames for subsequent submissions will start after the completion of previously submitted submissions. If requests for clarity or revisions are made during the approval process, the time frame will be paused until the requested information is provided or revisions are addressed.

A Gaming Operation may seek an emergency use exemption from prior Agency approval of a SIC if the Gaming Operation submits a written request to the Agency and obtains written approval of the emergency use exemption. Submissions of a written request for an emergency use exemption shall be presented to the Executive Director. The Agency may grant an emergency use exemption for good cause shown.

C. Accounting Classifications and Recordkeeping Requirements

Pursuant to GRA Section §8.5-87(D), the Gaming Operation shall develop written procedures to formulate a uniform code of accounts and accounting classifications to assure the consistency, comparability and

effective disclosure of financial information. The Gaming Operation shall provide records be retained that reflect statistical drop, statistical win, and the percentage of statistical win to statistical drop, or provide similar information for each type of game in each Gaming Operation. These records should be made available to the Agency for review upon request.

D. Gaming Operation Record Retention

Pursuant to GRA Section §8.5-87(H), the Agency will require all financial statements and documentation referred to in this section be maintained for a minimum of five (5) years, or for a term as required by any Tribal, federal or state requirements. The Gaming Operation shall establish a records policy and procedure to be approved by the Gaming Commission. The policy shall define the required records, formats and location of records. The Agency, upon request, shall be provided with such records. This section does not limit the Executive Director's authority to require that additional records be created and retained.

E. Complimentary Items

Pursuant to GRA Section §8.5-89, the distribution of complimentary items must be carried out in accordance with the regulations prescribed by the Commission. The Gaming Operation shall develop written procedures which designate key employees and primary management officials to issue complimentary items, which must be approved by the Agency. The Agency will review the procedures to ensure that they meet the requirements of the TICS Complimentary Items section. Complimentary items should be issued in compliance with GRA Section 8.5-89, the TICS, and Gaming Operation policies and procedures that have been approved by the Agency. To ensure compliance with TICS requirements, the Agency will conduct audits on Complimentary Items.

0705 Compliance Actions

Any violations discovered during monitoring, review, inspections or other audit functions are subject to enforcement action, at the sole discretion of the Agency, as described in the Enforcement section of these regulations. Additionally, the Agency may choose to suspend or revoke an Employee Gaming License, per the Employee License section of these regulations.

0706 Monitoring, Reviews, Inspections and other Audit Functions Assigned

Pursuant to GRA Section §8.5-89, the Executive Director may assign additional monitoring of Gaming Operation activities to the Agency. The Agency may conduct reviews outside of the Internal Audits to review compliance to TICS, SICS or other applicable laws, as directed by the Agency or Commission.

A. Compliance Review

Gaming Operations shall undergo compliance reviews to verify and validate their adherence to relevant laws, regulations, and industry standards. The objective of such reviews shall be to assess the effectiveness of internal controls and risk management systems, as well as to identify any instances of non-compliance with established policies, procedures, and regulations.

The scope of a compliance review can include assessments of the following areas:

1. Compliance with Anti-money laundering (AML) procedures by the Gaming Operation
2. Customer identification and due diligence processes

3. Gaming operations and controls, including game rules, payouts, and procedures for handling player disputes
4. Marketing promotions
5. Responsible gambling policies
6. Financial reporting and accounting procedures
7. Internal controls, including segregation of duties and access controls

B. Risk assessment

The Agency shall have the authority to conduct Risk Assessments on all areas of the Gaming Operation, both gaming and non-gaming, as part of its regulatory oversight functions. The purpose of these assessments shall be to identify and assess the likelihood and potential impact of various risks to the organization, and to evaluate the effectiveness of internal controls in mitigating such risks. The results of these Risk Assessments shall be used to inform internal audits and Compliance Reviews, and to support the development of appropriate risk management strategies and mitigation plans.

C. Post-Incident Reviews

In the event of an unforeseen crisis or major situation, the Agency will conduct post-incident reviews. This type of review is to examine what went wrong during the incident and to determine the root cause of the problem. Examples of situations that may result in a post-incident review may include:

1. Security Breach
2. Theft or Embezzlement
3. Natural Disasters
4. Critical technology failures
5. Non-Gaming Tribal Code Violations

The review should assess whether the policies and procedures in place were followed or not and whether those policies and procedures were effective in preventing the incident. The objective of a post-incident review is to identify any shortcomings in the existing policies and procedures and to make recommendations for improvements. The findings of the review should be used to update and enhance the policies and procedures to prevent similar incidents from happening in the future. The review should include a thorough examination of the facts and circumstances surrounding the incident, including any relevant documentation, witness statements, and other evidence.

D. Notice and Reports

When feasible, the Agency will provide notice to the Gaming Operation when conducting additional monitoring. The Gaming Operation will be provided with notice when it is necessary for it to gather any necessary information and documentation and arrange for staff to be available to answer questions or provide additional information. The Gaming Operation shall cooperate fully with all compliance reviews, risk assessments, and post incident reviews, and provide necessary information and documentation in a timely manner. At the conclusion of reviews, a report will be provided to the Gaming Operation, including recommendations.