§ 542.22 What are the minimum internal control standards for internal audit for Tier A gaming operations?

(a) Internal audit personnel. (1) For Tier A gaming operations, a separate internal audit department must be maintained. Alternatively, designating personnel (who are independent with respect to the departments/procedures being examined) to perform internal audit work satisfies the requirements of this paragraph.

(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 §542.2.

(b) Audits. (1) Internal audit personnel shall perform audits of all major gaming areas of the gaming operation. The following shall be reviewed at least annually:

(i) Bingo, including but not limited to, bingo card control, payout procedures, and cash reconciliation process;

(ii) Pull tabs, including but not limited to, statistical records, winner verification, perpetual inventory, and accountability of sales versus inventory;

(iii) Card games, including but not limited to, card games operation, cash exchange procedures, shill transactions, and count procedures;

(iv) Keno, including but not limited to, game write and payout procedures, sensitive key location and control, and a review of keno auditing procedures;

(v) Pari-mutual wagering, including write and payout procedures, and pari-mutual auditing procedures;

(vi) Table games, including but not limited to, fill and credit procedures, pit credit play procedures, rim credit procedures, soft drop/count procedures and the subsequent transfer of funds, unannounced testing of count room currency counters and/or currency interface, location and control over sensitive keys, the tracing of source documents to summarized documentation and accounting records, and reconciliation to restricted copies;

(vii) Gaming machines, including but not limited to, jackpot payout and gaming machine fill procedures, gaming machine drop/cabinet and bill acceptor drop/count and subsequent transfer of funds, unannounced testing of weigh scale and weigh scale interface, unannounced testing of count room currency counters and/or currency interface, compliance with EPROM duplication procedures, and compliance with MICS procedures for gaming machines that accept currency or coin(s) and issue cash-out tickets or gaming machines that do not accept currency or coin(s) and do not return currency or coin(s);

(viii) Cage and credit procedures including all cage, credit, and collection procedures, and the reconciliation of trial balances to physical instruments on a sample basis. Cage accountability shall be reconciled to the general ledger;

(ix) Information technology functions, including review for compliance with information technology standards;

(x) Complimentary service or item, including but not limited to, procedures whereby complimentary service
items are issued, authorized, and re-
deemed; and

(xi) Any other internal audits as re-
quired by the Tribe, Tribal gaming reg-
ulatory authority, audit committee, or
other entity designated by the Tribe.

(2) In addition to the observation and
examinations performed under para-
graph (b)(1) of this section, follow-up
observations and examinations shall be
performed to verify that corrective ac-
tion has been taken regarding all in-
stances of noncompliance cited by in-
ternal audit, the independent account-
ant, and/or the Commission. The
verification shall be performed within
six (6) months following the date of no-
tification.

(3) Whenever possible, internal audit
observations shall be performed on an
unannounced basis (i.e., without the
employees being forewarned that their
activities will be observed). Addition-
ally, if the independent accountant
also performs the internal audit func-
tion, the accountant shall perform sep-
ate observations of the table games/
gaming machine drops and counts to
satisfy the internal audit observation
requirements and independent account-
ant 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 re-
lates to the requirements in this sec-
tion, including all instances of non-
compliance.

(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 per-
formed, the conclusions reached, and
the resolution of all exceptions. Insti-
tute 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:
(1) 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 stat-
ing corrective measures to be taken to
avoid recurrence of the audit excep-
tion.

(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 con-
nection with the internal audit testing
pursuant to paragraph (b)(1) of this sec-
tion, the Commission shall develop rec-
ommended Internal Audit Guidelines,
which shall be available upon request.

[67 FR 43400, June 27, 2002, as amended at 70
FR 47107, Aug. 12, 2005]

§ 542.23 What are the minimum inter-
nal control standards for surveil-
lance for Tier A gaming operations?

(a) Tier A gaming operations must,
at a minimum, maintain and operate
an unstaffed surveillance system in a
secured location whereby the areas
under surveillance are continually re-
corded.

(b) The entrance to the secured loca-
tion shall be located so that it is not
readily accessible by either gaming op-
eration employees who work primarily
on the casino floor, or the general pub-
l.

(c) Access to the secured location
shall be limited to surveillance per-
sonnel, designated employees, and
other persons authorized in accordance
with the surveillance department pol-
icy. Such policy shall be approved by
the Tribal gaming regulatory author-
ity.

(d) The surveillance system shall in-
clude date and time generators that
possess the capability to display the
date and time of recorded events on
video and/or digital recordings. The