# ILLINOIS GAMING BOARD
# MINIMUM INTERNAL CONTROL STANDARDS
# SECTION K - INTERNAL AUDIT

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## General

The internal audit department must report directly to the Audit Committee of the Board of Directors or equivalent unless otherwise approved by the IGB Administrator.

## Required Internal Audits

Whenever possible, the observations are unannounced and are not performed at a consistent time of day or day of the month.

The ICS must ensure that the following internal audit procedures are conducted on a semiannual basis and must include:

1. Live Games

    a. Observe and review opening, closing and shift change procedures;
    b. Observe and review fill and credit procedures;
    c. Observe and review credit play procedures;
    d. Observe and review drop box removal procedures;
    e. Observe and review count procedures and the subsequent transfer of funds;
    f. Observe and review location and control over sensitive keys;
    g. Trace source documents to summarized documentation and reconcile to restricted copies;
    h. Observe and review on-line fill, credit and count system for compliance; and
    i. Observe and review card and dice control procedures.

2. Electronic Gaming Devices

    a. Observe and review hand-paid payout procedures;
    b. Observe and review EGD drop procedures;
    c. Observe and review count procedures and the subsequent transfer of funds;
    d. Trace source documents to summarized documentation and reconcile to restricted copies;
    e. Observe and review location and control over sensitive keys;
    f. Test EGD case/cabinet access;
    g. Test on-line EGD meter reading system; and
    h. Compare and test the bill validator drop to the computer monitoring system and investigate significant differences.

3. Casino Cashiering and Credit

    a. Reconcile the change in cash accountability;
    b. Observe and review the countdown procedures and verify documented count;
    c. Reconcile summary sheets, i.e. markers, returned checks and customer deposits/withdrawals, to physical instruments on a sample basis;
    d. Observe and review casino cage accountability to the general ledger;

e. Observe and review casino cage accountability to main bank/vault and change banks;
f. Observe and review location and control over sensitive keys;
g. Review check cashing procedures;
h. Review processing of payments on returned checks/markers;
i. Ascertain compliance with credit limits and other pre-established credit issuance procedures;
j. Examine credit records to ensure appropriate collection efforts are being made; and
k. Review processing and reporting of receipts and remittances associated with the Past-Due Support Program.

4. Currency Transaction Reporting

a. Review reporting of certain cash transactions in the live games, EGD and casino cage departments.

5. Adjusted Gross Receipts and Admissions

a. Review the calculation of adjusted gross receipts and tax remittance forms; and
b. Observe and review procedures for the reading and recording of the passenger count included in the admission tax calculation.

6. Purchasing and Contract Administration

a. Test normal purchasing and contracting procedures;
b. Review procedures for approval of capital expenditures;
c. Review procedures for related party transactions and contracts; and
d. Determine that contracts entered into are at fair market value.

7. Remote Access

a. Review remote access requests and approvals;
b. Trace request forms to security tables to ensure that access was timely removed;
c. Review remote access security features;
d. Review system audit logs; and
e. Determine that the MIS Department is reviewing audit logs and extended access requests.

8. Management Information Systems (MIS)

a. Review access to gaming systems;
b. Review change control procedures;
c. Review backup and recovery procedures;
d. Review network security;
e. Review physical security;

f. Review the IGB's approval for all changes made to gaming systems; and
g. Review audit/system logs.

9. Cashless Wagering

a. Observe the opening of a patron's cashless wagering account;
b. Review the monthly comparison of the IGB's Board Exclusion List, the IGB's statewide voluntary self-exclusion list, and the Owner Licensee's property based self-exclusion list to the active patron list within the cashless wagering system;
c. Review the dispute logs; and
d. Review the procedures for disabling an inactive account.

10. Marketing for Cashless Wagering

a. Review recent promotions;
b. Determine whether promotions were approved by the IGB Administrator prior to implementation;
c. Review the process used to ensure that promotions do not include any person on the IGB's Board exclusion list, the IGB's statewide voluntary self-exclusion list, and the Owner Licensee's property based self-exclusion list;
d. Review accounting procedures for promotions, expired promotions and redeemed promotions; and
e. Review patron account activity.

11. Coupons (Gaming Only)

a. Review recently issued coupons;
b. Determine whether the IGB Administrator has approved the Coupon Distribution Program;
c. Review accounting procedures for coupons;
d. Review coupon inventories;
e Review the process for canceling or voiding coupons; and
f. Review patron account activity.

12. Such other audits which may be required by the audit committee, management or the IGB Administrator.

**Reporting Guidelines**

Quarterly reports are required for all of the aforementioned internal audits and any other internal audits relating to gaming operations performed during the quarter. Owner Licensees are responsible to see that all internal audit procedures are conducted within each semiannual period.

The report must include the following information:

1. A title page containing the Owner Licensee's legal name, the name of the report, the reporting period and the report number. For example, the third quarter 2013 report will be numbered "_IA0313". This numbering system will be continued for each subsequent year;

2. A table of contents listing the subject headings and their respective pages; and

3. The contents of the report. Each audit must be subdivided into the following sections:

    a. Audit objectives;
    b. Audit procedures and scope, which include:

        i. Whether the test was performed by inquiry, observation or examination;
        ii. The scope of each observation, review and test including the sample sizes and dates tested; and
        iii. The population from which the sample is selected for testing purposes, including all transactions occurring subsequent to the prior period's test dates through the current period's test date. For example, if the test date for the first quarter was February 5, the population for the second quarter's audit must include all transactions from February 6 through June 30;

    c. Findings and conclusions. The page number references to ICS procedures which correspond to findings must be included along with the specific number of exceptions noted. If there are no findings, the report must indicate that no audit findings were noted. All findings relating to the required internal audits and any other internal audits relating to gaming operations must be reported. Non gaming related findings should not be included;
    d. Recommendations, if applicable. All recommendations must be discussed with management prior to the report being submitted to the IGB;
    e. Observations. Exceptions noted that are not ICS violations but relate to gaming operations must be included; and
    f. Management's response. This must include the specific corrective actions to be taken, implementation dates and the employees responsible for implementation and subsequent follow-up. Responses are required for findings. Responses are only required for observations if required by casino policy.

The internal audit reports are due no later than three months after the last day of the reporting period. One copy of the report must be delivered to the IGB Audit Coordinator at the Springfield IGB office. In addition, an electronic version (PDF) of the same report must be forwarded by email to the IGB as instructed under separate cover.

If the internal audit report fails to address any of the required audits, the IGB will assume the audit was not performed.

Any additional audits of gaming operations performed must be included in that quarter's respective internal audit report. In addition to the regular audit procedures, special audits may be performed at the request of the audit committee, management or the IGB Administrator.

Internal auditors must immediately notify the IGB Administrator in writing of any material weaknesses noted.

**Review of Changes to the ICS**

Internal auditors must review changes to the ICS for ongoing compliance with the MICS prior to their submission for approval to the IGB.