

ILLINOIS GAMING BOARD



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POLICY INTERPRETATION And ACTION TRANSMITTAL*	86 Illinois Administrative Code Part 3000	
	Index No. 02.01	Issuance Date: May 23, 2002
	Origin of Request: Requests for Licensure and Staff Review	
	Key Words: Internal Audit Licensure	
	Adopted Rule Citation(s): 3000.200, 3000.200(c)(1)(A), 3000.222(c)(3), 3000.320(c)	

INTERPRETATION

Applicable To: Occupational Licensees and Key Persons involved in the performance and review of the Internal Audit function on Owner Licensees

Policy Citations: Section 3000.200 Classification of Licenses
The board may classify an activity to be licensed in addition to, different from, or at a different level than the classifications set forth in this Subpart.

Section 3000.200(c)(1)(A) Classification of Licenses
See full text of Rule at 86 Ill. Admin. Code 3000.200(c)(1)(A)

Section 3000.222(c)(3)
See full text of Rule at 86 Ill. Admin. Code 3000. 222(c)(3)

Section 3000.320(c) Minimum Standards for Internal Control Systems
The Internal Control System shall address the following topics:

- (12) *Internal Audit*
- A) *Independent Internal Audit Department*
 - B) *Required Internal Audits*
 - C) *Reporting Guidelines*
 - D) *Review of Changes to the ICS*

Question/Issue: What levels of licensure or determination of suitability is required for individuals performing the internal audit function for an Owner Licensee?

Discussion:

The Internal Audit function performed for Owner Licensees requires Internal Auditors to access sensitive and controlled areas of the Riverboat Gaming Operation. It is critical for the Internal Audit Department to function independently from day to day operational management, as a segregation of duties control, and for it to report to the Audit Committee of the Board of Directors or its equivalent, as a supervisory control. IGB staff has identified an inconsistency regarding the level of licensure required for Internal Auditors serving various Illinois casinos. In addition, due to recent corporate ownership changes at several Owner Licensees, the supervisory and management level direction of the Internal Auditors has created confusion as to which positions at the Owner Licensee and corporate parent entity level are subject to licensure and what the appropriate level of licensure is for those positions.

Currently, Owner licensees use on-site internal audit staff, corporate parent entity employees who review and direct the on-site full time internal audit staff, and individuals who work as internal audit staff for the corporate parent entity of an Owner Licensee and who travel to and assist the on-site internal audit staff in performing the internal audit function for an Owner licensee. Some Owner licensees use a more traditional model of internal auditing, employing Internal Auditors solely at licensee level and not having any external reporting, supervisory or management relationships. With the increase of corporate ownership and the continued need to ensure appropriate controls, the relationship of the Internal Auditors to the policy and decision-making body at each Owner licensee must be clear, accountable, and unrestrained.

In addition, because of the crucial role that Internal Auditors have in the regulatory process, it is essential that all of their staff report outside of the day-to-day operational management structure. This reporting role must include support personnel as well as Internal Auditors, regardless of the organizational, supervisory, or functional position or title.

Board Rule 3000.200 grants authority to the Board to clarify and/or reclassify any activity so that the level of licensure is consistent with the required level of regulatory control for the activity. Clarification of the Board's Adopted Rules are required in order to assist Owner Licensees in ensuring that revisions to their organizational structure and functions remain consistent with the Board's Adopted Rules while allowing for flexibility in their management of a Riverboat Gaming Operation.

Response:

The following list clarifies the licensure requirements for Internal Auditors, regardless of their functional or organizational title and position. This list is not all-inclusive and questions about specific situations should be made as directed below.

Internal Audit Staff Position

Licensure Required

Corporate parent entity (certified and approved as a Key Person of the Owner Licensee) Internal Auditors who travel to and assist the on-site Internal Auditor	Occupational Level 3
Any on-site Internal Auditor, regardless of position level (IA Manager, IA Supervisor, Senior IA, Staff IA, etc.)	Occupational Level I
Any corporate parent entity (certified and approved as a Key Person of the Owner Licensee) Internal Audit manager position (IA Manager, Director of Internal Audit, etc.)	Key Person
On-Site Internal Audit Support Personnel	Occupational Level 3

It should be noted that only Internal Audit management personnel at the corporate parent entity level who direct, supervise, review, or have signatory authority for any internal audit reports prepared for or submitted by the Owner Licensee are required to apply for Key Person licensure.

* Policy Interpretations will be posted on the Board's website at www.igb.state.il.us. All licensees are directed to take the appropriate measures to ensure compliance with all Policy Interpretations. Questions or inquiries about the Policy Interpretation should be directed to:

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