

Audit Highlights



Highlights of Legislative Auditor report on the Gaming Control Board issued on March 8, 2011. Report # LA12-01.

Background

Nevada's gaming industry is regulated through a two tiered system comprised of the Gaming Control Board (Board) and the Nevada Gaming Commission (Commission). The Board is a three-member body appointed by the Governor serving in a full-time capacity. Recommendations of the Board in licensing matters are considered and acted upon by the five-member Commission who are appointed by the Governor. An eleven-member Gaming Policy Committee also serves as an advisory group to the Board and Commission. The mission of the Board is to govern Nevada's gaming industry through strict regulation of all persons, locations, practices, associations, and related activities. The Board protects the integrity and stability of the industry and ensures the collection of gaming taxes and fees. In fiscal year 2010, the Board collected over \$829 million in gaming taxes and fees.

The Board is comprised of seven divisions: Administration, Audit, Corporate Securities, Enforcement, Investigations, Tax and License, and Technology. In fiscal year 2010, the Board had \$42 million in expenditures and 434 filled positions as of June 2010.

Purpose of Audit

The purpose of this audit was to determine if the control and related practices prescribed by NRS 463.157 to 463.1592 have been efficiently, effectively, and equitably administered, and if collection and administrative controls over certain assets were adequate. This audit included a review of the Board's audit and certain administrative activities during fiscal year 2010, and the preceding fiscal year for some areas.

Audit Recommendations

This audit report contains five recommendations to improve administrative controls. These recommendations take necessary steps to properly secure assets and administer outside bank accounts. Furthermore, the Board should develop accounts receivable procedures to ensure accurate and consistent reporting.

The Board accepted the five recommendations.

Recommendation Status

The Board's 60-day plan for corrective action is due on June 1, 2011. In addition, the six-month report on the status of audit recommendations is due on December 1, 2011.

Gaming Control Board

Summary

The Gaming Control Board's activities and processes were effective in ensuring licensee audits were performed and gaming taxes collected, but some improvements to certain administrative controls can be made. The Board's Audit Division sufficiently regulated licensees compliance with gaming laws and regulations by effective report monitoring and efficient audits. In addition, the Board's Tax and License Division demonstrated an effective process for collecting gaming taxes and fees, which resulted in 99% of gaming taxes being collected during fiscal year 2010. Strong regulatory oversight is necessary to protect the integrity and the stability of Nevada's gaming industry and to ensure the accurate collection of gaming taxes and fees, which are an essential source of state revenue.

Enhancements to certain administrative controls will help ensure assets are safeguarded and transactions and reports are proper. Investigation payments received in the Board's Carson City office should be stored more securely prior to deposit. Further, improvements are needed over outside bank accounts to ensure deposits are made timely, accounts are properly administered, and inactive accounts are closed. Finally, accounts receivable reporting can be more consistent.

Key Findings

The Audit Division has efficiently, effectively, and equitably administered state laws concerning the financial practices of licensees. The Board has adopted regulations and monitored compliance with regulations to strengthen licensees internal control systems. We tested 20 Group I licensees and found the Division has ensured required reports were submitted timely and appropriate action for late filers was taken.

Our review of performance information found the Division maintains valid and reliable information to manage its activities. Furthermore, the Audit Division has maintained its effectiveness in conducting licensee audits, demonstrated by a high percentage of audits with no significant regulatory violations.

The Board has an effective process for the collection of gaming taxes and fees. Our testing of 80 payments, totaling \$44.1 million, found the Board's controls provide reasonable assurance that gaming taxes and fees are collected and processed accordingly. The Board has maintained a collection rate of more than 99% due to effective processes and the ability to revoke or suspend licensees who are more than 30 days delinquent.

Improvements can be made to the safeguarding of investigation payments received at the Board's Carson City office. Payments received during our audit were stored in an unlocked filing drawer in the office's reception area. Although the office is secure from the general public, all employees can access the drawer where checks are stored. The office receives checks worth thousands of dollars regularly, so adequate safeguarding of these items is important.

The Board's Administration Division did not always deposit reimbursements timely into its investigative travel account. NRS 353.250 requires agencies to make deposits by Thursday of each week for all money received during the previous week. We reviewed ten deposits totaling \$177,000 made into the Board's various bank accounts and found six deposits containing \$33,000 in checks that were deposited between 1 and 6 days late.

The Board has established an outside bank account to help carry out its activities. The processes used for this account were not the same as those provided for in statute. Even though the Board's current process provides adequate control over the account, actual processes and those specified in statute should be the same.

The Board has an outside bank account that is no longer necessary and has not been used for several years. The Board operated this account for certain investigative activities that are now performed by the federal government. The account has a \$40,000 balance, even though no activity has occurred since April 2007.

The Board's Tax and License Division did not consistently report accounts receivable. As of June 30, 2010, the Division reported \$97,000 in receivables to the State Controller and \$1,892,000 to the Legislative Counsel Bureau. Submitting consistent receivable reports will provide users of this information an accurate accounting of debts owed to the State.