No. 05-3

Date: July 18, 2005

Subject: Minimum Internal Control Standards Revisions to 25 C.F.R. Part 542

The purpose of this Bulletin is to address the final rule published on May 4, 2005, 70 Fed. Reg. 23011, that includes revisions to the National Indian Gaming Commission (Commission or NIGC) Minimum Internal Control Standards (MICS) at 25 C.F.R. Part 542. The NIGC has worked cooperatively for over a year with a standing committee consisting of Tribal and NIGC representatives to develop this first set of revisions. Additional revisions are anticipated as the NIGC seeks to refine its regulations to keep pace with changes in the gaming industry, particularly those concerning technological advances.

In response to the inherent risks of gaming enterprises and the resulting need for effective internal controls in Tribal gaming operations, the NIGC first developed MICS for Indian gaming in 1999, and then later revised them in 2002. The Commission recognized from the outset that periodic technical adjustments and revisions would be necessary in order to keep the MICS effective in protecting Tribal gaming assets and the interests of Tribal stakeholders and the gaming public. To that end, the NIGC has issued a final rule containing revisions to the Commission's existing MICS. These revisions are necessary to correct erroneous citations or references in the MICS and to clarify, improve, and update other existing MICS provisions. The purpose of these final MICS revisions is to address apparent shortcomings in the MICS and various changes in Tribal gaming technology and methods. Public comment to these final MICS revisions was received by the Commission for a period of 48 days after the date of their publication in the Federal Register as a proposed rule on December 1, 2004. Thereafter, the comment period was extended for an additional 31 days until February 18, 2005. After consideration of all received comments, the Commission has made whatever changes to the proposed revisions that it deemed appropriate and has now published its first set of final revisions to the Commission's MICS Rule, 25 C.F.R. Part 542.

The first set of revisions include changes to the following sections which you will want to review to determine if your Tribe's internal control standards need to be amended:

Section 542.2 Revisions to the definitions for "Gaming Machines" and "Promotional Progressive Pots and/or pools" and new definitions for "Drop Period" and "Series Number"

Section 542.7 Correction of referencing and citation errors

Section 542.8 Correction of referencing and citation errors

Section 542.12 Correction of referencing and citation errors

Section 542.13 Correction of referencing and citation errors

Section 542.13 Revisions concerning the standards for evaluation of theoretical and actual hold percentages and the accounting/auditing standards for comparison of bill-in meter reading to the total bill acceptor drop amount

Section 542.18 Revisions concerning the NIGC's process for reviewing Tribal requests for variances from the MICS likely will not have corresponding provisions in Tribal internal control standards.

Sections 542.21(t)-(w), 542.31(t)-(w), and 542.41(t)-(w) New sections to establish minimum standards for computerized key security systems.

NOTE: Section 542.16(a)(1) Although initially it was proposed to delete the requirement of this section that vendors adhere to Tribal internal controls, this standard has been retained.

Compliance

In accordance with the published rule, as of July 5, 2005, the Tribal gaming regulatory authority should have: (1) In accordance with the Tribal gaming ordinance, established and implemented Tribal internal control standards that shall provide a level of control that equals or exceeds the revised standards set forth herein; and (2) established a deadline no later than September 1, 2005, by which a gaming operation must come into compliance with the Tribal internal control standards. However, the Tribal gaming regulatory authority may extend the deadline by an additional 60 days if written notice is provided to the Commission no later than September 1, 2005. Such notification must cite the specific revisions to which the extension pertains.

These revisions will appear in the Code of Federal Regulations (CFR) when Title 25 is published by the Government Printing Office in April 2006. However, the CFR website, http://www.gpoaccess.gov/ecfr/, incorporates the new revisions and is updated frequently.

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Should you have any question, please call the Division of Audits at (503) 326-7050 or submit inquiries to our website at *www.nigc.gov*.