No. 05-4

Date: August 24, 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 August 12, 2005, 70 Fed. Reg. 47097 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 the final 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 performed a comprehensive revision of 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, on May 4, 2005, initial technical revisions to the MICS were enacted. The NIGC has now issued a final rule containing further 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 March 10, 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 final revisions to the Commission's MICS Rule, 25 C.F.R. Part 542.

The current 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 542.3(f)	Revisions to clarify the type of report being requested and more accurately define the scope and function of the process deemed necessary to ensure consistency and reliability of the reports produced.
Section 542.7(d)	Revisions to clarify that unverified transfers of bingo cash or cash equivalents accountability are prohibited.

Section 542.8(f)	Revisions to clarify that unverified transfers of pull-tab cash or cash equivalents accountability are prohibited.
Section 542.10(f)	Revisions to clarify that unverified transfers of keno cash or cash equivalents accountability are prohibited.
Section 542.11(e)	Revisions to clarify that unverified transfers of pari-mutuel cash or cash equivalents accountability are prohibited.
Section 542.13(f)	Revisions to clarify that unverified transfers of gaming machine cash or cash equivalents accountability are prohibited.
Section 542.14(d)	Revisions to clarify that unverified transfers of cage and vault cash or cash equivalents accountability are prohibited.
Section 542.14(d)(4)	Revision to delete the standard because it is misplaced within the MICS; it applies to the general ledger not the cage/vault accountability.
Section 542.17	Revisions to require that individual comp transactions equal to or exceeding $100 be included in the comp report.
Section 542.21(f)(4)(ii)	Revision to delete the standard requiring a second count of the gaming machine bill acceptor drop because the meter data provides an acceptable independent verification.
Section 542.21(f)(12)	Revision to delete the standard because it represents a duplicate control to an identical requirement at Section 542.21(e)(4).
Section 542.22(g)	Revision to add a standard that represents notification to internal auditors and internal audit departments that the Commission will provide recommended guidelines to aid in satisfaction of the testing requirements contained within the internal audit section.
Section 542.23(n)(3)	Revision to lower the threshold in which a heightened level of surveillance coverage is required over wide area progressive gaming machines. Accordingly, the coverage is now applicable to wide area progressive machines possessing a base amount of $1 million or more.
Section 542.31(f)(4)(ii)	Revision to delete the standard requiring a second count of the gaming machine bill acceptor drop because the meter data provides an acceptable independent verification.
Section 542.31(f)(12)	Revision to delete the standard because it represents a duplicate control to an identical requirement at Section 542.31(e)(5).
Section 542.32(g)	Revision to add a standard that represents notification to internal auditors and internal audit departments that the Commission will provide recommended guidelines to aid in satisfaction of the testing requirements contained within the internal audit section.
Section 542.33(q)(3)	Revision to lower the threshold in which a heightened level of surveillance coverage is required over wide area progressive gaming

	machines. Accordingly, the coverage is now applicable to wide area progressive machines possessing a base amount of $1 million or more.
Section 542.41(f)(4)(ii)	Revision to delete the standard requiring a second count of the gaming machine bill acceptor drop because the meter data provides an acceptable independent verification.
Section 542.41(f)(12)	Revision to delete the standard because it represents a duplicate control to an identical requirement at Section 542.41(e)(5).
Section 542.42(g)	Revision to add a standard that represents notification to internal auditors and internal audit departments that the Commission will provide recommended guidelines to aid in satisfaction of the testing requirements contained within the internal audit section.
Section 542.43(r)(3)	Revision to lower the threshold in which a heightened level of surveillance coverage is required over wide area progressive gaming machines. Accordingly, the coverage is now applicable to wide area progressive machines possessing a base amount of $1 million or more.

Compliance

In accordance with the published rule, except for the final revisions to subsection 542.3(f), on or before October 11, 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 December 12, 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 December 12, 2005. Such notification must cite the specific revisions to which the extension pertains.

With regard to the final revisions to subsection 542.3(f), on or before October 11, 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 in subsection 542.3(f); and (2) established a deadline no later than August 14, 2006, by which a gaming operation must come into compliance with the Tribal internal control standards. To further clarify the referenced deadline, the final revisions to subsection 542.3(f) are applicable to fiscal years of the gaming operation ending after August 14, 2006. No extension of the compliance period is allowed for the final revisions to subsection 542.3(f).

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*.