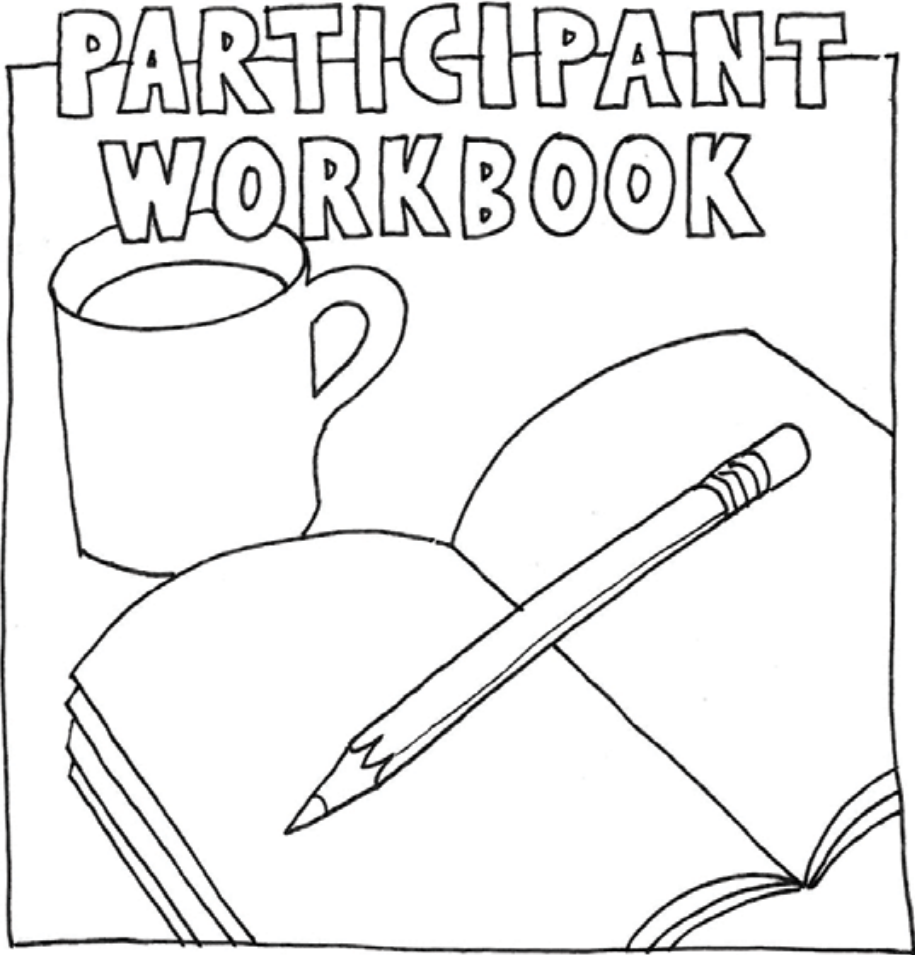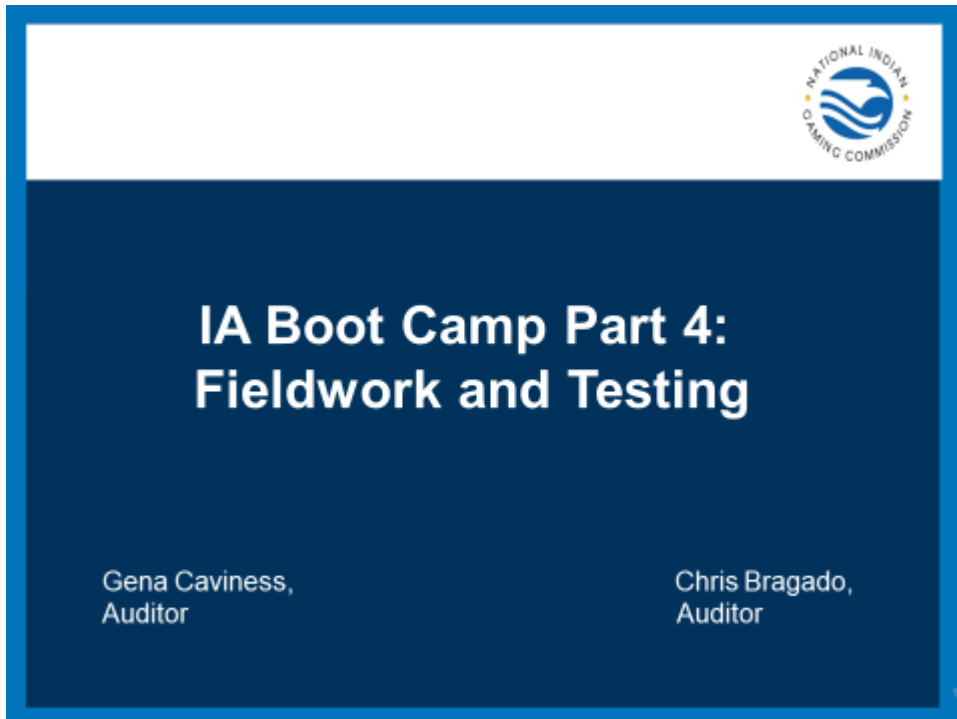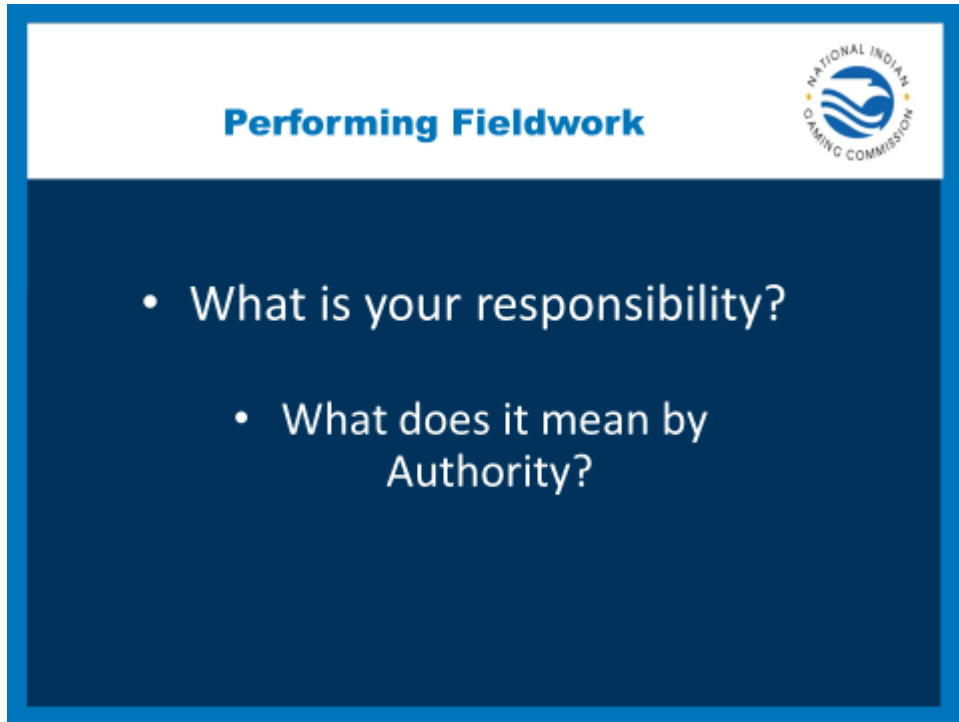**IA Boot Camp**

Fieldwork and Testing

Internal Audit Boot Camp – Fieldwork and Testing

➢ **Review** fieldwork and audit testing procedures

➢ **Discuss** the types of testing procedures and examples of applying those procedures.

➢ **Ensure** the audit evidence you gathered agrees with your conclusions.

This section will discuss how to perform the audit steps, including types of audit evidence.   The course will delve into gathering work papers, how to test for the process, performing observations, and interviews. It will also cover resources for testing and fieldwork processes.

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This session will present the audit procedures included in fieldwork and the testing standards.

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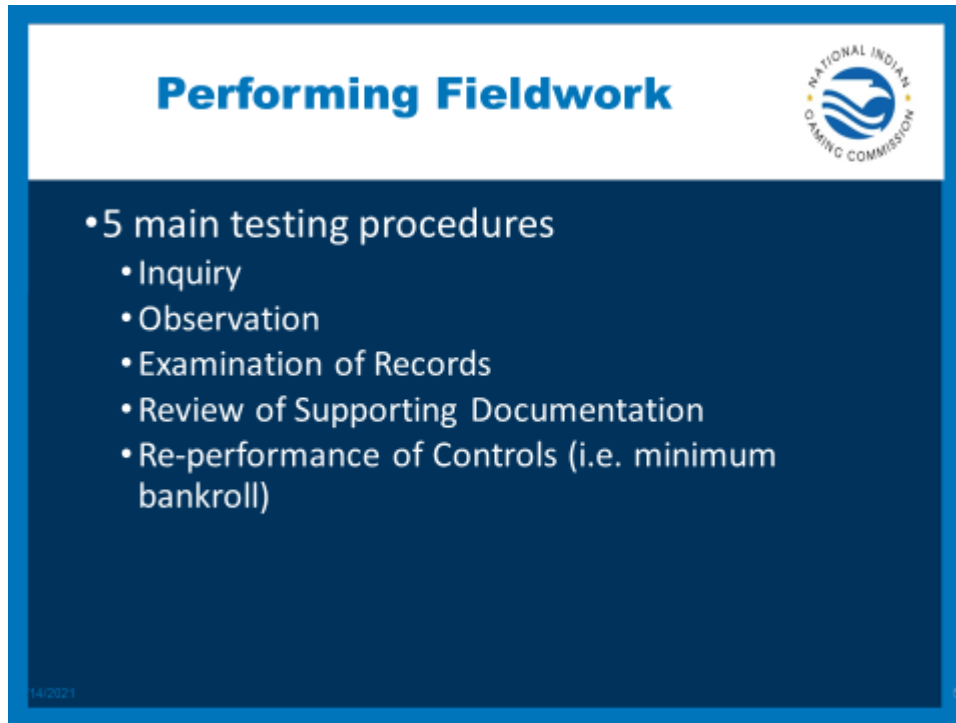| |
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It is important for auditors to understand the responsibilities and authority to complete the audit.

- What is your responsibility as an auditor?
  - It may be defined in the audit charter or tribal regulations.
  - Who is the auditor in charge?
  - What is your process for scheduling fieldwork?
  - What do you need to complete the audit?
    - Gathering data
    - Performing observations
    - Conducting inquiries
    - Analyzing documentation

- What does it mean by Authority?
  - What gives you authority to conduct an audit?
    - Ordinance
    - Audit charter
    - Tribal Regulations

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The second phase of the audit is called fieldwork.
- The auditor or audit team will physically be on site (in the field) at the audit location performing the audit.
- The fieldwork phase is the evaluation of compliance.

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It is important for auditors to understand the responsibilities to complete the audit.
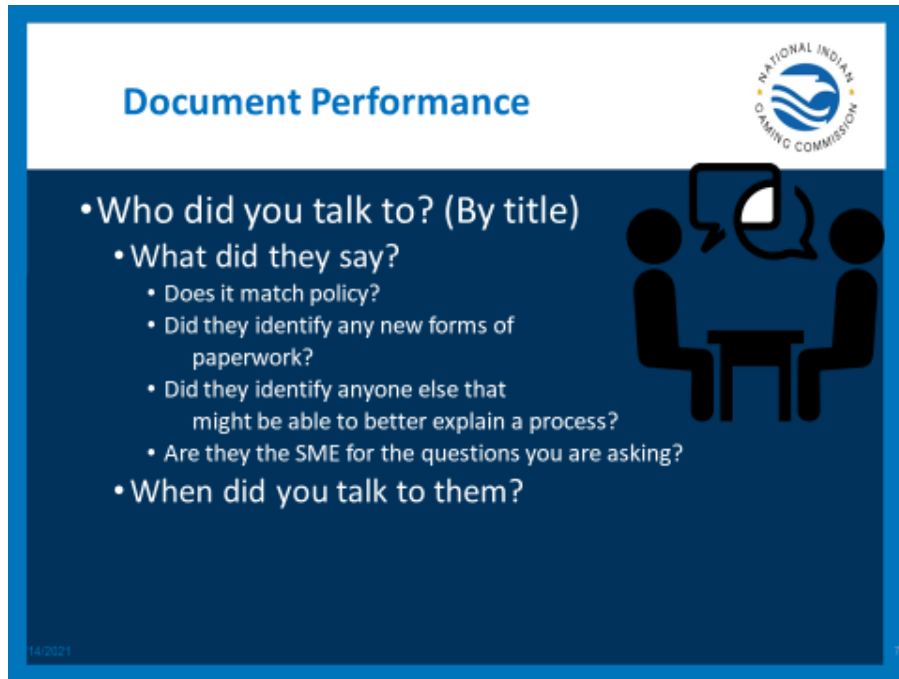
Five main testing procedures
1. Inquiry – asking questions, conducting interviews, walkthrough of process
2. Observation – watching casino personnel perform their duties
3. Examination of Records – analyzing documents requested for test dates
4. Review of Supporting Documentation – testing of the most recent documents available
5. Re-performance of Controls – carry out the control.

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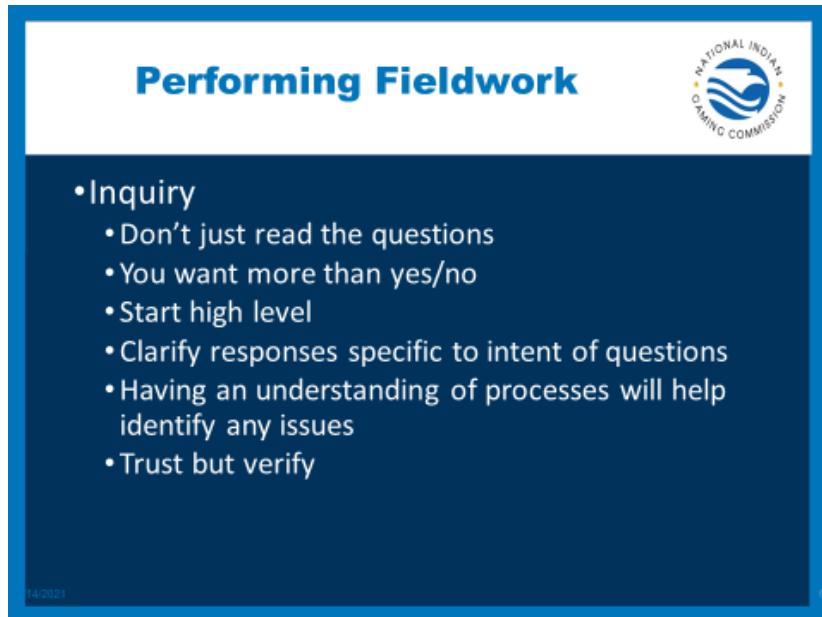
The testing procedure for inquiry is used to help auditors determine whether casino personnel are performing the actual controls in the SICS.

- Don't just read the questions
  - Go through all the questions and make notes.
  - The questions can be long.
    - May break up the question into a few smaller questions
    - Be prepared to rephrase the question in simpler terms.
- You want more than yes/no
  - Least reliable audit procedure
- Start at a high level
  - Open ended questions
- Clarify responses specific to intent of questions
  - Make sure response answers your question
- Having an understanding of processes will help identify any issues
  - Know the TICS and SICS.
    - Observation through surveillance before inquiry.
- Trust but verify
  - Inquire with other personnel in the same position or department supervisory personnel
  - Inquire with another department who may be involved in that transaction

Adequately documenting inquiries is vital in recording audit evidence.

- Inquiries are not physical like documentation.
- At minimum, document:
    - Position or Title
    - What the person said
    - Date of inquiry
- Make sure you are interviewing the right person!
    - Someone who is new to the position may provide inaccurate information.
    - Personnel from another department could actually be performing the control.

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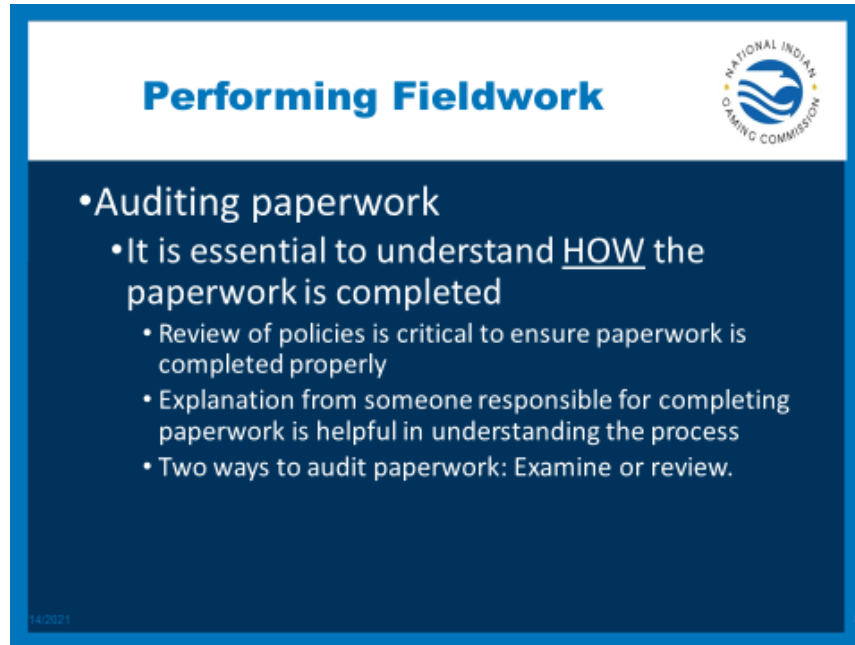
Understanding how the paperwork is completed is critical to ensure accuracy.

- Review of policies (SICS) is critical to ensure the paperwork is properly completed.
- Walk-through of process related to the creation of the document enhances understanding of the process.
- Auditing paperwork may include examination of records and review of supporting documentation.
    - Auditing documents should be defined within your audit program. When it is acceptable for a review or the paperwork or when an examination is needed.
    - A review may be as simple as ensuring that the document is completed.
    - Examination of records typically entails analyzing paperwork and documenting the analysis with tick marks, initials, and date. Your audit department may have additional or different requirements.
        - Examination of records is testing documents for the requested test dates.
        - Review of supporting documentation is testing the most recent documents.
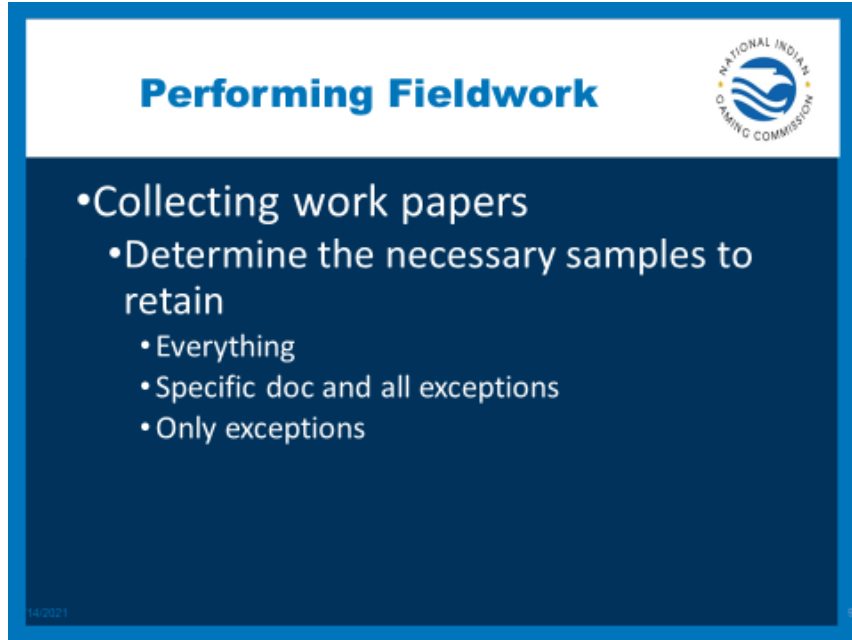
Data gathering and sampling is critical to the audit. It is important to understand the population to determine the necessary samples.

- Everything
    - Understand the population for the audit in order to determine the necessary samples.
- Gathering the proper data such as machine counts, number of vendors, types of games, can all help with determining the proper sample size.
- When do you collect everything?
    - When it is feasible to.
- When do you select specific documents?
    - In document request prior to fieldwork for audit test dates.
    - Documents reviewed or obtained during inquiry.
    - Paperwork from observations
- When do we take copies of original documents?
    - For all exceptions.
    - Retaining supporting documentation of exceptions is critical to the audit.

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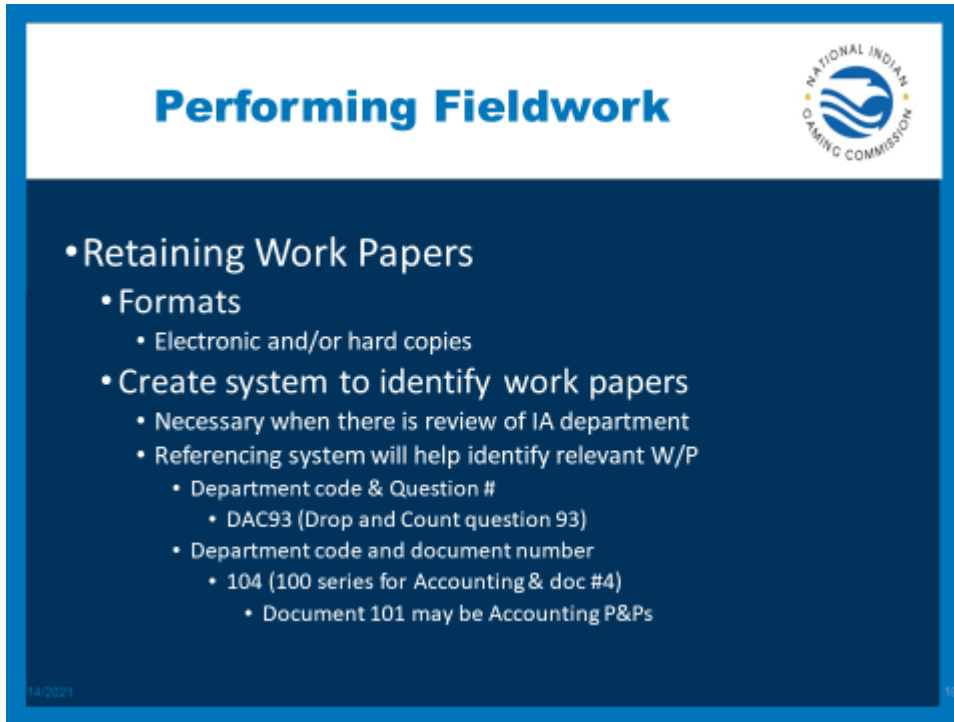
Retaining work papers in an organized manner is vital for evidence that the audit procedures have been performed and to support the audit report and any exceptions.

- Working papers are records kept by the auditor that is evidence of the audit.
    - This includes the procedures applied (completed checklists), the tests performed, the information obtained, and the conclusions reached.
        - Examples are are audit programs, analyses, e-mails between you and the casino, surveillance video, etc.

NOTES

- A system to identify workpapers aids in organizing workpapers.
  - A referencing system helps the person reviewing the workpapers to quickly find the item
    - Internal Audit supervisory or mangement personnel
    - External review of the audit
      - CPA during agreed-upon-procedures
      - Peer-to-peer review
- Referencing example:
  - DAC 93 (Drop and Count question 93)
  - #93 Do the two agents who perform the final verification sign the report attesting to the accuracy of the total drop proceeds verified? (Observation and examination of records)
  - The retained documentation for this could be kept as "DAC93-1"
    - "DAC" for referencing it to the Drop and Count checklist
    - "93" is the question number in the checklist
    - And "-1" to indicate it is the first document.

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The testing procedure review is used to review documents that do not warrant an examination.

- Review of the TICS and SICS to determine they are sufficient.
- Controls and processes should be completely detailed in TICS and SICS.
- Controls and procedures should identify the personnel involved in performing the process.
- For controls that require thresholds or time frames, policies and procedures should have that information documented.
- Procedures must be tested to ensure they have been implemented.

NOTES

The testing procedure for examination is used to help auditor's determine whether controls are being performed and documented properly.

Some questions to ask yourself during examination of records and review of supporting documentation are:
- Was it completed?
- Are all the fields on the form completed?
- Are there any elements missing?
- Does the form or paperwork follow the documented policy process?
- What is the sample size compared to the number of exceptions noted?

Notes

Examined by GC3.4.21 AC23-1

CHASE ○

July 1, 2008 through July 31, 2008
Primary Account: ███████

CHECKS PAID

CHECK NUMBER	DESCRIPTION	DATE PAID	AMOUNT
XXXX ^		07/14	$1,471.99
XXXX ^		07/08	1,697.05
Total Checks Paid			**$3,169.04**

If you see a description in the Checks Paid section, it means that we received only electronic information about the check, not the original or an image of the check. As a result, we're not able to return the check to you or show you an image.

^ An image of this check may be available for you to view on Chase.com.

OTHER WITHDRAWALS, FEES & CHARGES

DATE	DESCRIPTION	AMOUNT
07/11	Online Payment XXXXX To Vendor	$8,928.00
07/11	Online Payment XXXXX To Vendor	2,960.00
07/25	Online Payment XXXXX To Vendor	250.00
07/30	ADP TX/Finol Svc ADP	2,887.68
Total Other Withdrawals, Fees & Charges		**$15,025.68**

DAILY ENDING BALANCE

DATE	AMOUNT	DATE	AMOUNT
07/02	$98,727.40	07/21	129,173.36
07/08	97,030.35	07/23	162,311.36
07/09	121,640.35	07/25	162,061.36
07/11	109,752.35	07/28	180,175.36
07/14	108,280.36	07/30	189,296.31
07/16	121,053.36		

SERVICE CHARGE SUMMARY

TRANSACTIONS FOR SERVICE FEE CALCULATION	NUMBER OF TRANSACTIONS
Checks Paid / Debits	3
Deposits / Credits	10
Deposited Items	21
Transaction Total	**34**

SERVICE FEE CALCULATION	AMOUNT
Service Fee	$0.00
Service Fee Credit	$0.00
Net Service Fee	**$0.00**
Excessive Transaction Fees (Above 200)	$0.00
Total Service Fees	**$0.00**

Performing the appropriate observation strengthens the results of your audit.

Evidence obtained directly by the auditor is more reliable than evidence obtained indirectly.

NOTES

Observation is limited to the point in time at which the observation takes place and is limited by the fact that the act of being observed may affect how the process or procedure is performed.

Announced Observation
Lower risk areas, such as credit issuance
- Infrequent
    - Destruction
        - Playing cards, chips, sensitive keys
    - Player interface (Class II machine) delivery
    - Machine Installation
Unannounced/Covert Observations
- Medium-High risk
- as jackpot payout process or voucher redemption cage
- Surprise Cage inventory count
- Covert
    - High Risk Areas
        - Drop and count
        - Live observation versus recorded observation.
            - Surveillance cannot see everything.

NOTES

Adequately documenting observations is vital in recording audit evidence.

Example of items to document for the start of player interface drop:
- What – player interface bill validator drop
- Who – drop team members
- How – how many drop team members, e.g. 3
- When – drop started at 3:01 AM
- Where - drop section A
- Why – if drop starts late, note reason why, for example, waiting for security.

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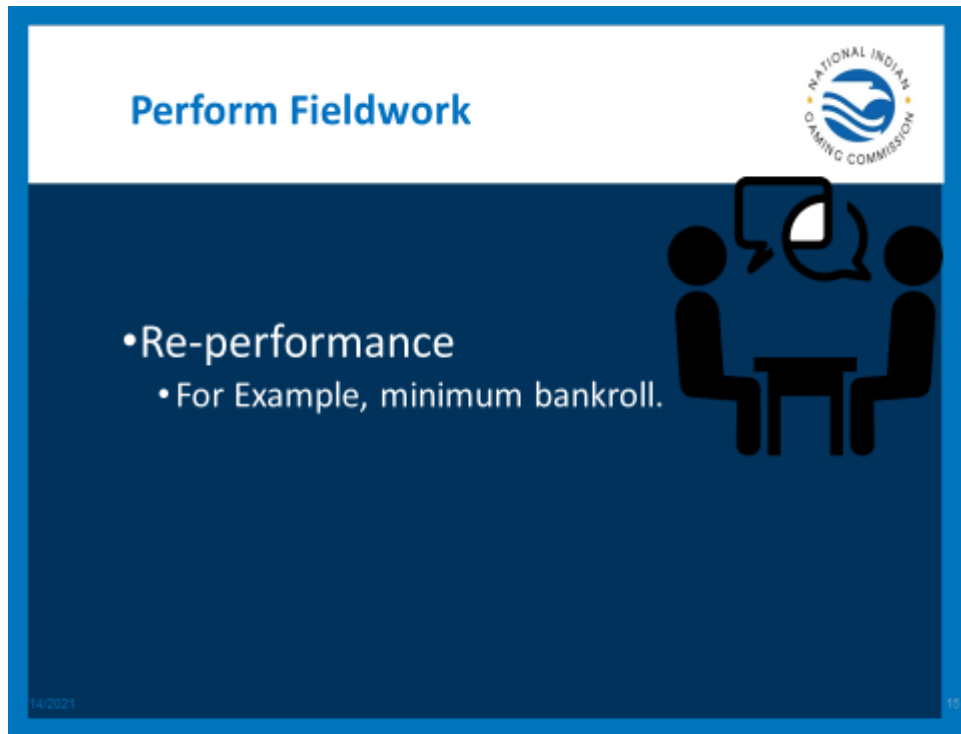
Re-performance is used when inquiry, observation, and examination of documentation may not provide sufficient assurance that a control is operating effectively or this method can be used to prove by itself to demonstrate that controls are operating effectively.

- Re-performance can also be referred to as recalculation.
- 543.18 Cage Checklist Question #22
    - "Based on the result of the minimum bankroll calculation, does the gaming operation maintain a sufficient bankroll? (Complete the Minimum Bankroll worksheet, compare results to the gaming operation for reasonableness)"
        - https://www.nigc.gov/compliance/checklists-and-worksheets
        - Gather the information needed such as the number of machines.
        - Enter the information into the the minimum bankroll calculation spreadsheet
            - Compare your results to the operation's calculation.

NOTES

It is important to understand what the standard or question wants to know.

NOTES

It is important to review enough information and perform appropriate audit procedures to support the results of your audit.

- Review gathered data
    - Is there enough data?
- Review documented discoveries
    - Does what you found make sense?
    - Is there conflicting information?
- Compare information to checklist question
    - Does the information relate to the checklist question?
    - To the MICS standard?
- Formulate conclusion
    - Were there exceptions?
        - Were exceptions, especially found through inquiry or observation vetted with casino supervisor/management personnel.
        - Did the procedure/SICS change?
    - Was there compliance?
- Based on the information gathered, are the conclusions reasonable?

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Testing the Standards

NATIONAL INDIAN GAMING COMMISSION
MICS CLASS II - AUDIT CHECKLIST
AUDITING REVENUE (ARV)

#	MICS QUESTION	YES	NO	W/P REF	MICS	COMMENT
19.	Are controls established and procedures implemented for the audit of gaming promotions and player tracking that include:					
	At least monthly, for computerized player tracking systems:	—	—	—	543.24(d) (4)(ii)(C)	
	A review of documentation related to access to inactive and closed accounts? (Review SICS and examination of records)					

Example: NIGC Audting Revenue checklist question #19.

NIGC MICS 543.24(d)(4)(ii)(C) states:

543.24(d)(4)(ii)(C)

(d) Controls must be established and procedures implemented to audit of each of the following operational areas:

…

   (4) Gaming promotions and player tracking.

   …

   (ii) At least monthly, for computerized player tracking systems, perform the following procedures:

   …

   (C) Review documentation related to access to inactive and closed accounts.
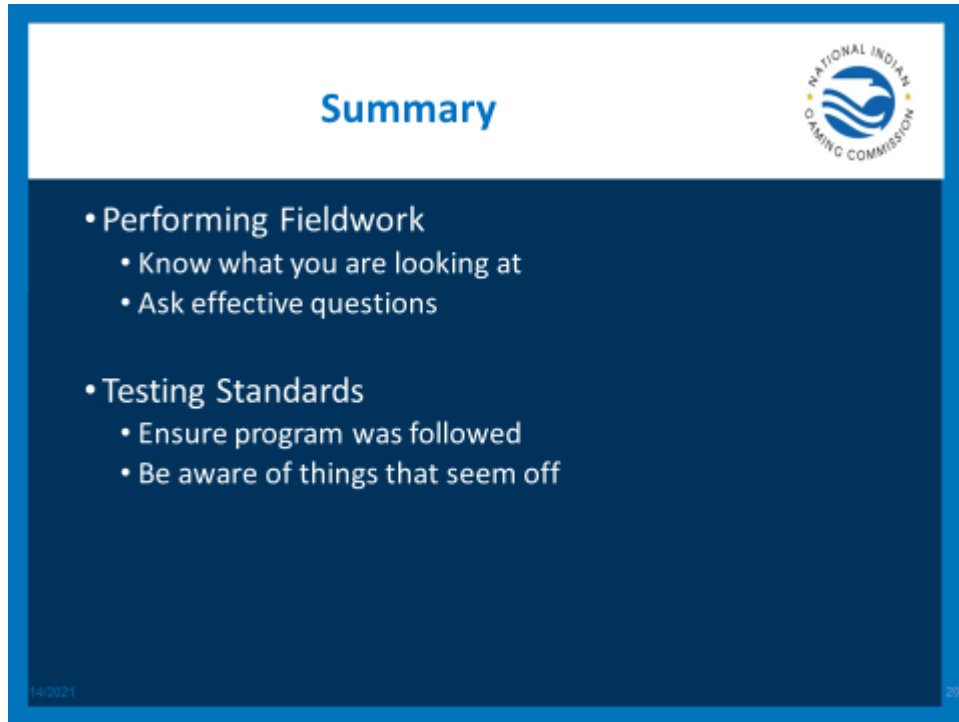
NOTES

Answer the Poll Question below.

Q. As a result of the pandemic, have you conducted remote audits?

A. Yes
B. No

NOTES

✓ It's important to know what you are looking at.

✓ Create and ask effective questions.

✓ Ensure the audit program is followed.
✓ Five primary testing procedures:
  - Inquiry
  - Observation
  - Review of Supporting Documentation
  - Examination of Records
  - Re-performance of Controls

✓ Be alert and aware of things that don't seem right.

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