



Mille Lacs Band of Ojibwe Indians
Gaming Regulatory Authority
Detailed Gaming Regulations

Internal Audit

Document No. DGR - 20

Effective: September 11, 2007

I. INTERNAL AUDIT.

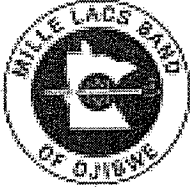
Section 1. Internal Audit Personnel. The Band shall maintain a separate internal audit department within the Gaming Regulatory Authority whose primary function shall be to perform internal audit work and that is independent with respect to the departments subject to audit.

- A. Internal audit personnel shall report directly to the GRA Internal Auditor and the GRA Board, and upon request, to the Band Assembly and Chief Executive, or another entity officially designated by the Band in accordance with the definition of internal audit found in 25 C.F.R. § 542.2.
- B. The GRA Board's internal audit department shall conduct the requisite Federal and Tribal MICS gaming audits and facilitate the yearly external audits. Nothing in this section shall be construed to prohibit Gaming Enterprise management from conducting internal audits for management (not regulatory) purposes.
- C. Internal audit activities shall be conducted in a manner that permits objective evaluation of areas examined. Internal audit personnel may provide audit coverage to more than one operation within the Band's Gaming Enterprise holdings.

Section 2. Audits. Internal audit personnel shall perform audits of all major gaming areas of the gaming operation. The following shall be reviewed at least annually:

- A. Bingo, including but not limited to, bingo card control, payout procedures, and cash reconciliation process;
- B. Pull tabs, including but not limited to, statistical records, winner verification, perpetual inventory, and accountability of sales versus inventory;
- C. Card games, including but not limited to, card games operation, cash exchange

- procedures, skill transactions, and count procedures;
- D. Keno, including but not limited to, game write and payout procedures, sensitive key location and control, and a review of keno auditing procedures;
- E. Pari-mutual wagering, including write and payout procedures, and pari-mutual auditing procedures;
- F. Table games, including but not limited to, fill and credit procedures, pit credit play procedures, rim credit procedures, soft drop/count procedures and the subsequent transfer of funds, unannounced testing of count room currency counters and/or currency interface, location and control over sensitive keys, the tracing of source documents to summarized documentation and accounting records, and reconciliation to restricted copies;
- G. Gaming machines, including but not limited to, jackpot payout and gaming machine fill procedures, gaming machine drop/count and bill acceptor drop/count and subsequent transfer of funds, unannounced testing of weigh scale and weigh scale interface, unannounced testing of count room currency counters and/or currency interface, gaming machine drop cabinet access, tracing of source documents to summarized documentation and accounting records, reconciliation to restricted copies, location and control over sensitive keys, compliance with EPROM duplication procedures, and compliance with MICS procedures for gaming machines that accept currency or coin(s) and issue cash-out tickets or gaming machines that do not accept currency or coin(s) and do not return currency or coin(s);
- H. Cage and credit procedures including all cage, credit, and collection procedures, and the reconciliation of trial balances to



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physical instruments on a sample basis. Cage accountability shall be reconciled to the general ledger;

- I. Information technology functions, including review for compliance with information technology standards;
- J. Complimentary service or item, including but not limited to, procedures whereby complimentary service items are issued, authorized, and redeemed; and
- K. Marketing, including but not limited to, coupon control, promotional cash or cash equivalent controls, and promotional systems security requirements.
- L. Title 31-Bank Secrecy Act, including but not limited to, currency transaction reports and multiple transaction logs, cash transactions, multiple transaction control log, suspicious activity reporting, and training.
- M. Any other internal audits as required by the GRA Board, or the Band Assembly and Chief Executive.

Section 3. Follow-up Observations. In addition to the observation and examinations performed under Section 3, follow-up observations and examinations shall be performed to verify that corrective action has been taken regarding all instances of noncompliance cited by internal audit, the independent accountant, and/or the Director or the GRA Board. The verification shall be performed within six (6) months following the date of notification.

Section 4. Other Audit Issues. Whenever possible, internal audit observations shall be performed on an unannounced basis (i.e., without the employees being forewarned that their activities will be observed). Additionally, if the independent accountant also performs the internal audit function, the accountant shall

perform separate observations of the table games/gaming machine drops and counts to satisfy the internal audit observation requirements and independent accountant tests of controls as required by the American Institute of Certified Public Accountants guide.

Section 5. Documentation. Documentation (e.g., checklists, programs, reports, etc.) shall be prepared to evidence all internal audit work performed as it relates to the requirements in this section, including all instances of noncompliance. The internal audit department shall operate with audit programs, which, at a minimum, address the Detailed Gaming Regulations, the MICS and the Tribal/State Compact (if applicable). Additionally, the department shall properly document the work performed, the conclusions reached, and the resolution of all exceptions. Internal audit staff shall comply with Institute of Internal Auditors standards for all work performed.

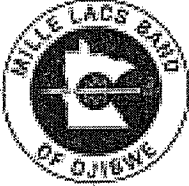
Section 6. Reports. Reports documenting audits performed shall be maintained and made available to the Director upon completion and to the GRA Board. Such audit reports shall include the following information:

- A. Audit objectives;
- B. Audit procedures and scope;
- C. Findings and conclusions;
- D. Recommendations, if applicable; and
- E. Management's response.

Section 7. Material Exceptions. All material exceptions resulting from internal audit work shall be investigated and resolved with the results of such being documented and retained for a minimum of five (5) years.

Section 8. Role of management.

- A. Internal audit findings shall be reported to management.



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- B. Management shall respond to internal audit findings, fully explaining corrective measures to be taken to avoid recurrence of the audit exception.
- C. Such management responses shall be included in the internal audit report that will be delivered to management, the Director and GRA Board, or upon request to the Band Assembly and Chief Executive.

History. Approved by Gaming Regulatory Authority Board on September 11, 2007.