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Tribal Corner

If You Can't Get It All Done, What Can You Do?

Networking, getting educated, and staying connected can bring success to any small audit shop.

By Lisa A. Beach
Freelance Writer

Small audit shops in tribal gaming face some unique challenges. Most notably, many of them are located away from the invaluable resources found in big cities. With limited resources — and often limited knowledge of internal auditing — tribal gaming audit shops must still meet government requirements. How can the one- or two-person audit shop meet these requirements and stay sane in the process?

"Tribal gaming auditors need to clearly understand that they can't get it all done with only one or two people," explains Bob Rudloff, vice president of internal audit at MGM Mirage. While not in Native American gaming himself, Rudloff worked with many Native American gaming operations while at PricewaterhouseCoopers.

If you work in a one- or two-person audit shop, forget the notion of getting it all done and focus on what you *can* do with the limited resources available.

Pinpoint Your Unique Challenges

Because many Native American casinos exist in remote locations, they operate in a more isolated environment than the typical small audit shop. Small audit shops in bigger cities can tap into readily available resources, such as external auditors, ample networking opportunities, and assistance from seasoned auditors. But, lacking nearby "auditing neighbors," tribal gaming auditors often go it alone. The good news is that tribal auditors really don't need to fly solo; they just need to boost their networking efforts.

The lure of big city firms often draws auditors away from the Native American casinos. What can an organization do to find, train, and retain capable auditors? Phil Popehn, director of internal audit for the Mille Lacs Band of Ojibwe in Minnesota, offers this advice, "We have to grow our own auditors. We get our auditors from various areas in the casino and train them." Popehn suggests selecting candidates very carefully and conducting a team interview that includes the audit director, human resource manager, and another financial manager.

To bring new auditors up to speed, pair up a junior auditor with a senior auditor. Let the newbie shadow, question, and learn from the seasoned pro. "Cross-training is the key to growing good auditors," adds Popehn. "Find out which audits your new auditor has never participated in, and then get him or her involved. A good internal auditor should know all aspects of the audit environment."

Once you've trained new auditors, what can you do to keep them? "Convince management that you need to pay a little better than average to attract and keep good people," advises Popehn. "It can make a huge impact on your schedule and knowledge base if even one auditor leaves."

Plan for Success

A critical element for success in the small tribal gaming audit shop lies in the ability to plan and schedule the audit year effectively. Start by performing a risk analysis. Using a simplified risk assessment, Popehn estimates that in

most tribal gaming organizations, slot machines generate 70 percent of casino revenues and table games generate another 15 percent to 20 percent. "This shows you that approximately 90 percent of the risk is wherever you have cash," says Popehn.

Once you do a risk analysis, develop an audit plan that focuses on the biggest risks. Track the hours you put in each audit area because this will help when you prepare next year's audit plan. For some helpful tips on developing an audit plan, seek advice from your colleagues at other tribal gaming operations.

Don't forget to ask management what concerns them and what they want accomplished. This simple strategy helps get management on your side and draws them into the education process. More importantly, it positions internal auditing in a more positive way — as a resource that can help management achieve its goals.

Need a final tip for success? Popehn stresses the importance of refining your document request, knowing — and explaining to management — exactly what you need, and making sure it's available when you need it.

Get Educated and Get Connected

Whether you need to train your staff or yourself, Popehn and Rudloff both agree that training for the small audit shop usually begins with on-the-job training.

Popehn recommends observing the casino floor operations to learn and understand how the accounting department works. He also suggests that if you don't understand any accounting department processes, sit down with the appropriate people to watch, learn, and ask questions about what they do.

Rudloff advises a mentor approach. "Look to other companies for guidance — and not just other gaming companies. Good audit skills transcend industries, and if a small audit shop can identify a mentor organization, it may help make that learning curve a bit shorter."

For formal training, auditors should also tap into the educational resources available through national, state, and regional Indian gaming organizations. The National Indian Gaming Association offers training sessions, an annual trade show, and online roundtables. If you can't travel to national conferences, attend training at the local or regional level. The Minnesota Gaming Association meets twice a year, holds an annual expo, and offers training sessions specific to tribal gaming. You can also benefit from the educational resources available through The IIA, which offers online and classroom audit training, books on auditing gaming operations, and an annual gaming conference with a learning track for tribal auditors.

Popehn suggests that getting involved with such groups also provides great networking opportunities. For example, through The IIA you can get a world perspective of auditing issues, yet still rub elbows with dozens of other tribal auditors through The IIA's specialized Gaming Audit Group. And the next time you attend an expo, training event, industry meeting, don't overlook the networking opportunities at lunch, roundtable sessions, and evening social events. Get involved in learning and get connected.

Educate Management

Often, the various groups — casino management, tribal leaders, and the tribal gaming commission — don't understand clearly the role of the internal auditor in tribal gaming operations. Because of such misunderstandings, auditors may not initially get access to all the right information. Or, auditors may be perceived as an extension of one of these groups, and cooperation from the area being audited may be less than enthusiastic. How can you make sure everyone is on the same page?

"Internal auditors need to first get a clear grasp on their own processes and what will work most effectively in their organization," advises Rudloff. "Then they have to communicate with management on a regular basis. They also need to set and manage management's expectations, but be open and flexible as needs change."

Echoing these sentiments, Popehn says, "To help your own management understand the process and buy into it, you must clearly explain the scope of your responsibilities."

Discuss your audit plan with management, including timelines, available and needed resources, and estimates of work hours. Get management involved so they understand what you realistically can and can't do. You know you can't get it all done, but your constituents may not understand that. A complete needs assessment may help you expand your department if management sees how much more you could accomplish with more resources.

Achieve More Than Compliance

Regardless of the size or experience of your audit shop, you must clearly understand the regulatory requirements — Minimum Internal Control Standards (MICS) — imposed by the National Indian Gaming Commission (NIGC), as well as those required by the state and your organization's Tribal Gaming Commission. Then establish baseline expectations for internal audit resources needed to get these regulatory audits done.

"MICS really does only require the minimum," says Popehn. "So, once you tackle the basics, you can grow into normal business audits, such as audits for payroll, accounts payable, food and beverage, or hotel and gift shops."

Small audit shops should manage growth in connection with both the needs and the expectations of the organization, says Rudloff. "Internal auditing can drive its own growth by clearly articulating the risk profile of the organization, with emphasis on the risks not being addressed because of the size of the internal audit staff," explains Rudloff.

Popehn advocates the slow, steady path. "Don't explode," advises Popehn. "Get people in and train them properly. Take a new auditor and join him at the hip for six months with a knowledgeable auditor to teach him what to do and how to do it right. The next year, the new auditor can then focus more on why he's doing what he's doing."

Of course, when growth does happen, you must meet the challenges of recruiting, hiring, training, motivating, and retaining more people. But, for the small tribal gaming audit shop, growth would be a welcome problem.

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