

Section 7

Update on the implementation of
recommendations from:

**Keeping the Decks Clean:
Managing Gaming Integrity Risks in Casinos**

July 2005

April 2009

Response from the Ministry of Housing and Social Development



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February 18, 2009

Log # 147308

Russell Jones, MBA, CA
Assistant Auditor General
Office of the Auditor General of British Columbia
8 Bastion Square
Victoria, BC V8V 1X4

Dear Mr. Jones:

Re: Follow-up review of OAG Report on "Keeping the Decks Clean: Managing Gaming Integrity Risks in Casinos"

I am responding to your January 28, 2009 letter (sent to me via e-mail on January 30, 2009) concerning the status of the recommendations made to Gaming Policy and Enforcement by the Office of the Auditor General in its July 2005 report "Keeping the Decks Clean: Managing Gaming Integrity Risks in Casinos".

As requested, attached please find completed copies of:

- Recommendation Status Summary - Keeping the Decks Clean: Managing Gaming Integrity Risks in Casinos (as at January 30, 2009); and
- Progress in Implementing Recommendations from Keeping the Decks Clean: Managing Gaming Integrity Risks in Casinos (as at January 30, 2009).

I am pleased with the thoroughness of the response of Gaming Policy and Enforcement to the Auditor General's report, especially in light of subsequent reports on different aspects of British Columbia's gaming industry prepared by BC's Ombudsman and Deloitte and Touche and the impact those reports had on the work of Gaming Policy and Enforcement.

Eight of the nine recommendations made by the Auditor General are fully implemented and the one outstanding recommendation is substantially complete. We anticipate that recommendation will be fully completed during the 2009/10 fiscal year.

Please contact me if you have any questions regarding the contents of the attached documents.

Sincerely,

Derek Sturko
Assistant Deputy Minister

Attachments

Cc: Honourable Rich Coleman
Cairine MacDonald
Craig James, Clerk Assistant and Clerk of Committees

**Ministry of
Housing and Social
Development**

Gaming Policy and
Enforcement
Assistant Deputy Minister's
Office

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RECOMMENDATION STATUS SUMMARY
Keeping the Decks Clean: Managing Gaming Integrity Risks in Casinos
As at January 30, 2009

(Please tick implementation status for each recommendation)

Auditor General's Recommendations	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	No Action
1. GPEB should ensure that key employees of GPEB and BCLC have their backgrounds rechecked every three to five years as is currently the case for gaming workers and service providers.	✓				
2. GPEB should ensure that all BCLC employees who help to ensure gaming integrity in casinos are registered by GPEB.	✓				
3. GPEB should ensure that technical standards specific to British Columbia are developed and adopted to govern the functioning of gaming equipment in provincial casinos.	✓				
4. GPEB should obtain additional evidence to support its reliance on independent test facilities that evaluate BCLC gaming equipment.	✓				
5. GPEB should ensure that it periodically reviews the work of the BCLC Casino Quality Assurance group to support the branch's reliance on gaming equipment tests carried out by the group.	✓				
6. GPEB should ensure that its Audit and Compliance group produces timelier audit reports.		✓			
7. GPEB should ensure that its Audit and Compliance group obtains direct evidence to support its reliance on BCLC's automated casino reporting systems.	✓				
8. The ministry should confirm that ensuring the integrity of gaming is the primary responsibility of GPEB's General Manager.	✓				
9. GPEB should report annually to the Legislative Assembly on the state of gaming integrity in provincial casinos.	✓				

PROGRESS IN IMPLEMENTING RECOMMENDATIONS FROM

Keeping the Decks Clean: Managing Gaming Integrity Risks in Casinos

As at January 30, 2009

General comments

Please provide an introductory statement summarizing progress since the Public Accounts Committee last discussed the report.

Progress by recommendation

For each recommendation, provide your assessment of implementation status as per the legend at the bottom of the page, and information on actions taken and results to support the status reported. Also include a work plan schedule for any recommendations not yet implemented.

Self-Assessed Status	Actions Taken Since Report Issued	Results of Actions and/or Actions Planned (with information on implementation)
<p>Recommendation 1:</p> <p>GPEB should ensure that key employees of GPEB and BCLC have their backgrounds rechecked every three to five years as is currently the case for gaming workers and service providers.</p> <p>F</p>	<p>Original response: GPEB will adjust its current clearance procedures and implement a five-year renewal process with conditions for senior staff in GPEB and BCLC.</p> <p>Follow-up actions: Between May and June 2006, amendments to the Gaming Control Act and the Gaming Control Regulation were approved which require employees of GPEB and BCLC to undergo background investigations at least once every five years to ascertain suitability for employment or appointment.</p> <p>Pursuant to Section 55 of the Gaming Control Act, it is a condition of employment that an employee or prospective employee of GPEB or BCLC submit to a background investigation to ascertain the suitability of the person for employment. An employee is also required to submit to a background investigation at least once every five years to ascertain the suitability of the person to remain in employment.</p>	<p>Outcomes: GPEB is 100% in compliance. BCLC is 100% in compliance. All appointed Directors and the Chair of the Board are issued a clearance and all other employees are registered as “gaming workers”. GPEB maintains direct contact with the Human Resources Department of BCLC to facilitate registration requirements with prospective and existing employees. GPEB also monitors registration expiry dates and sends reminders for renewals.</p>

Status

- F or S – Recommendation has been fully or substantially implemented
- P – Recommendation has been partially implemented
- AA – Alternative action has been undertaken, general intent of alternative action will address OAG finding
- NA – No substantial action has been taken to address this recommendation

<p>Recommendation 2: GPEB should ensure that all BCLC employees who help to ensure gaming integrity in casinos are registered by GPEB.</p>	
<p>F</p>	<p>Original response: GPEB agrees that all BCLC employees that help to ensure integrity in all forms of gaming in which BCLC is involved (including, but not limited to, casinos) should be registered by GPEB. GPEB will work with BCLC to identify which positions affect integrity and will implement a full registration process for all such BCLC employees.</p> <p>Follow-up actions: In June 2006, amendments to the Gaming Control Regulation were approved which prescribed BCLC employees involved in the conduct, management or operation of gaming, or requiring access to gaming facilities to perform their duties, to be registered as “gaming workers”. This regulation was further amended in 2008 to require all employees of BCLC to be registered.</p>
<p>Recommendation 3: GPEB should ensure that technical standards specific to British Columbia are developed and adopted to govern the functioning of gaming equipment in provincial casinos.</p>	
<p>F</p>	<p>Original response: This issue is currently being addressed as GPEB drafts a Technical Standards Document (TSD) for gaming equipment, gaming control systems, and lottery schemes offered via the Internet, which will be specific to British Columbia. These standards will be in place later this year.</p> <p>Follow-up actions: Technical Standards were developed with the assistance from Technical Systems Testing (TST), a recognized and accredited testing facility and published in January 2006 for gaming equipment in use in BC’s Casino’s.</p>

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Outcomes: Technical standards have been developed for the following types of gaming equipment:

- Electronic gaming devices;
- Progressive gaming devices;
- On-line monitoring and control systems & validation systems; and
- Electronic bingo systems.

All standards are available publicly at: www.hsd.bc.ca/gaming
Additional standards will be developed if and as necessary.

<p>Recommendation 4: GPEB should obtain additional evidence to support its reliance on independent test facilities that evaluate BCLC gaming equipment.</p>	<p>Original response: GPEB strongly believes the current level of standards and cross jurisdictional testing required of a facility is substantial. However, GPEB will investigate if any higher level of certification is achievable for testing facilities and if so will pursue that level of certification.</p> <p>Follow up actions: GPEB committed to ensuring that it only uses testing labs that have received International Standards Organization/International Electrotechnical Commission (ISO/IEC) 17025:2005 accreditation.</p> <p>Two organizations: Technical Systems Testing (TST) and Gaming Laboratories International (GLI), were required to submit evidence of their ISO/IEC 17025:2005 accreditation to GPEB.</p> <p>Outcomes: TST received ISO/IEC 17025:2005 accreditation in May 30, 2008. The accreditation was approved by a separate entity, the Laboratory Accreditation Bureau. TST was approved for the following Testing of Information Technology for both Terrestrial and Interactive Gaming Systems:</p> <ul style="list-style-type: none"> • Game Evaluations • Hardware Evaluations • Base Software Evaluations • Random Number Generator Evaluations • Base Website Evaluations <p>GLI successfully renewed their ISO/IEC 17025:2005 accreditation in July 2008. The accreditation was approved by a separate entity, American Association for Laboratory Accreditation. GLI was approved for the following testing of Information Technology for terrestrial gaming systems:</p> <ul style="list-style-type: none"> • Gaming Equipment hardware • Gaming Software including Main programs, Personality Programs, and Associated Software • Gaming and Lottery Systems (including Bingo and Server Based Gaming) <p>GLI holds this accreditation at three of its North American Offices (New Jersey, Nevada, and Colorado).</p> <p>Additionally the New Jersey office also received accreditation under ISO/IEC 17020:1998, Type A (Third Party) Software and Hardware inspections of on Electronic Gaming Equipment. This accreditation certifies the field inspections of gaming equipment in the same categories as ISO/IEC 17025:2005.</p>
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<p>Recommendation 5: GPEB should ensure that it periodically reviews the work of the BCLC Casino Quality Assurance group to support the branch's reliance on gaming equipment tests carried out by the group.</p>	<p>Original response: GPEB agrees and will implement a review process in the near future. This process will include utilizing some independent testing laboratories that are able to provide the technical expertise necessary to assess BCLC's testing processes.</p> <p>Follow-up actions: GPEB contracted TST to conduct a quality assurance audit of BCLC and in particular their Casino Technical Services quality assurance processes as they relate to gaming equipment testing for the following areas:</p> <ul style="list-style-type: none"> • Casino/Bingo/CIM Systems • Interactive eLottery Games • Casino Technical Services <p>Note: games and systems were randomly chosen for process evaluation.</p>
<p>Outcomes: TST began their audit on March 11, 2008 and issued a final report on April 2, 2008. The TST report noted 18 deficiencies and made related recommendations for change. GPEB determined that two of the deficiencies identified by TST did not require the recommended changes because appropriate processes and/or policies were already in place. BCLC has reported regularly to GPEB on its progress implementing these recommendations. The 16 recommendations that required action were resolved by October 2008.</p>	

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<p>Recommendation 6 (originally recommendation 10): GPEB should ensure that its Audit and Compliance group produces timelier audit reports.</p>	<p>Original response: GPEB agrees with the recommendation. During the Auditor General's field work, GPEB staff raised this issue as one which needed attention and has already implemented some changes to address it. For instance, draft audit reports are now issued within 30 days of completion. In addition, GPEB aims to reduce the amount of time necessary for responses to draft reports by implementing changes such as; on-site post-audit de-briefing sessions with BCLC and casino management staff to ensure all parties understand the audit findings and issues needing to be addressed.</p> <p>The GPEB audit procedures, which establish reliance on BCLC's conduct and management of casino gaming, include some replication of auditing procedures performed by BCLC. This agreed replication is necessary to provide independent validation that the control procedures said to be in place are functioning as intended.</p> <p>Follow-up actions: GPEB's Audit and Compliance Division implemented several processes to enhance the timeliness of reporting immediately after the Auditor General's report was released in July 2005. By the beginning of 2007, the average number of days between completion of field work to issuing of a draft report had fallen to 30 days.</p> <p>Outcomes: In May 2007, the B.C. Ombudsman publicly reported her investigation of B.C.'s lottery retail network, including GPEB's regulatory oversight of BCLC. In June 2007, following the release of the Ombudsman's report, the Province contracted an independent auditor, Deloitte & Touche, to review B.C.'s lottery retailer system.</p> <p>Deloitte's final report was released in November 2007 and recommended, among other things, that the Audit and Compliance Division significantly enhance its audit program of BCLC and its lottery business. This recommendation was accepted and required reassigning resources within the division until new staff could be hired.</p> <p>The impact of the Deloitte report and subsequent staffing issues initially significantly negatively impacted the average time between completion of field work and issuing of a draft report. By the beginning of 2008, the average number of days had increased to 57.</p> <p>However, GPEB has now fully operationalized the recommendations made by the Ombudsman and Deloitte concerning audits and has fully staffed its expanded audit team. As a result, by January 2009, the average number of days had decreased to 48.</p> <p>Since the beginning of 2008/09 fiscal year, the Audit and Compliance Division has enhanced operating procedures and worked with BCLC and casino management staff to improve the timeliness of the issuance of final casino audit reports. In addition, the Audit and Compliance Division has developed a performance measure to track the average number of days from completion of fieldwork to issuing a draft report for its business plan and will report annually on results.</p>
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Recommendation 7 (originally recommendation 11):	
GPEB should ensure that its Audit and Compliance group obtains direct evidence to support its reliance on BCLC's automated casino reporting systems.	
F	<p>Original response: Ministry's action: GPEB agrees with this recommendation. The Audit and Compliance field work plan for 2005/06 includes a full review of the systems BCLC has in place in casinos to capture and manage processes and information. These systems include the Casinolink (slot machine management) system, the Integrated Voucher System (slot machine ticketing), the Casino Management System (table management) and the Casino Reporting System.</p> <p>Follow-up actions: GPEB's Audit and Compliance Division has enhanced its comprehensive risk-based audit strategy for commercial gaming to include audits of BCLC's automated reporting systems including those within the casino environment.</p>
Recommendation 8 (originally recommendation 12):	
The ministry should confirm that ensuring the integrity of gaming is the primary responsibility of GPEB's General Manager.	
F	<p>Original response: No action is necessary, although GPEB would like to comment on this recommendation. The primary purpose of the General Manager and GPEB, established in the Gaming Control Act, is to ensure the integrity of gaming and horse racing. This purpose is paramount to all other functions. The Act requires the General Manager to fulfill this role, at the expense of all other purposes. This role is, and remains, the position's primary purpose.</p> <p>The responsibilities of the General Manager are broad, and include both controlling gaming in the province (through regulatory and enforcement activities) and advising the government on broad policy, standards and regulatory issues (of which some issues may affect government's economic and fiscal policies for gaming). Under law, these responsibilities cannot conflict.</p> <p>Follow-up actions: The Minister confirmed this commitment in a 2005 letter to the Auditor General (see attached).</p>

Outcomes: Since 2006/07 the Audit and Compliance Division has conducted reviews and/or audits of BCLC's automated reporting systems within the casino, lottery and corporate environments. The Audit and Compliance Division will continue to conduct system reviews/audits on an annual basis as detailed in the five year audit plan. Details of GPEB's five year audit plan can be viewed at: www.hsd.gov.bc.ca/gaming/reports/docs/plan-audit-bcle-five-yr-2007-2012.pdf

On September 7, 2005, the Minister of Public Safety and Solicitor General confirmed in a letter to the Auditor General, that ensuring the integrity of gaming is the primary responsibility of GPEB's General Manager.

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<p>Recommendation 9 (originally recommendation 13): GPEB should report annually to the Legislative Assembly on the state of gaming integrity in provincial casinos.</p>	
<p>F</p>	<p>Original response: GPEB agrees with this recommendation and will implement an annual reporting process through the Solicitor General. Follow-up actions: GPEB annual reports now produced on an annual cycle and delivered to the Legislative Assembly.</p> <p>Outcomes: GPEB Annual Reports can be viewed at the following link: www.hsd.gov.bc.ca/gaming/reports/index</p>

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RECOMMENDATION STATUS SUMMARY
Keeping the Decks Clean: Managing Gaming Integrity Risks in Casinos
As at January 30, 2009

(Please tick implementation status for each recommendation)

Auditor General's Recommendations	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	No Action
1. BCLC should update the public information it provides on its website pertaining to the odds of winning at slot machines.	X			X	
2. BCLC should report regularly to its Board of Directors on the results of the Operational Gaming Audit Program and each casino's state of compliance with prescribed policies and procedures.	X				
3. BCLC should implement the Surveillance Certification Program at the earliest possible date.	X				
4. BCLC should ensure that all casinos have approved Surveillance System Component Plans in place.	X				

PROGRESS IN IMPLEMENTING RECOMMENDATIONS FROM

Keeping the Decks Clean: Managing Gaming Integrity Risks in Casinos

As at January 30, 2009

General comments

The recommendations from the Auditor General, presented to the Public Accounts Committee in February of 2006 are considered by BCLC to be complete.

Progress by recommendation

For each recommendation, provide your assessment of implementation status as per the legend at the bottom of the page, and information on actions taken and results to support the status reported. Also include a work plan schedule for any recommendations not yet implemented.

Self-Assessed Status	Actions Taken Since Report Issued	Results of Actions and/or Actions Planned (with information on implementation)
<p>Recommendation 1:</p> <p>BCLC should update the public information it provides on its website pertaining to the odds of winning at slot machines.</p>	<p>The BCLC website is updated periodically with new information on Casino gaming. Due to the complex variety of slot machines, the continuous changing of slot machine types, with multiple denominations, providing odds for each and every slot machine in British Columbia is not feasible. Players are provided under headings of “slot machines” and “odds of winning” on the website the theoretical hold and win of slot machine gaming. Players are also provided a printable pamphlet entitled “<i>Game Sense Guide to Slot Machines</i>”, which provides Problem Gambling Help Line number, tips for people to make responsible gambling decisions, information regarding slot machine randomness and examples of odds for certain slot machine types.</p>	<p>BCLC will be updating slot machine information provided at both casino sites and on www.bclc.com in April 2009.</p> <p>Information is also passed on to players who inquire with BCLC through the BCLC Call Centre and Responsible Gaming Officers who are deployed on-site at the larger gaming facilities.</p> <p>All Responsible Gambling Self-Service Terminals (ReGle) located within Responsible Play Information Centres (RPICs) have been re-designed with implementation scheduled for April 2009 at all casinos, 13 CGC and 2 racetrack locations.</p>

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- NA – No substantial action has been taken to address this recommendation

Recommendation 2:	
BCLC should report regularly to its Board of Directors on the results of the Operational Gaming Audit Program and each casino's state of compliance with prescribed policies and procedures.	
F	BCLC reports quarterly to the Board of Directors Audit Committee on the state of compliance of the various casinos, community gaming centres and bingo halls. Compliance issues are followed up by BCLC Operational Gaming Auditors on any issues of non-compliance and Exception Reports prepared by GPE audit staff.
Recommendation 3:	
BCLC should implement the Surveillance Certification Program at the earliest possible date.	
F	Curriculum has been developed and established through the Justice Institute of British Columbia since April 2006. Casino surveillance staff are required to complete on-line training and certification which is hosted by the Justice Institute. Surveillance Training Modules are updated periodically through the Justice Institute.
Recommendation 4:	
BCLC should ensure that all casinos have approved Surveillance System Component Plans in place.	
F	Surveillance Component Plans are a requirement under BCLC policy and are reviewed and held by the Operational Gaming Audit Manager. Surveillance Component Plans are modified periodically with either changes to the casino floor layouts, new casino additions and opening of new casino facilities.

Status

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