

The Solicitor General asked Gaming Policy and Enforcement Branch (GPEB) to investigate and report on the integrity of B.C. Lottery Corporation's (BCLC) lottery ticket retail network, including:

- The technical integrity of the systems;
- The current methods BCLC uses, and requires of its retailers, to inform customers of winning tickets and to mitigate the possibility of retailers misrepresenting ticket circumstances to customers (e.g., by substituting tickets); and
- The current policies and procedures BCLC uses to confirm the integrity of a lottery retailers claims regarding ownership of a winning ticket.

Key Observations (Current Circumstances):

Equipment Certification

- All lottery systems have been subjected to rigorous and extensive testing and Certificates of Technical Integrity have been issued by GPEB. No significant technical integrity issues have surfaced.
- Non-electronic lottery products, such as scratch and win tickets, offered by BCLC are not subject to a provincial technical standard or approval.

Retailer Integrity and Procedures

- All lottery retailers undergo training in the operation of the system, and ticket validation and prize payout procedures.
- B.C.'s lottery retailers and their employees are not required to submit to background checks.
- Given the present processes and equipment, an unscrupulous retailer/employee could misrepresent ticket wins/losses and/or exchange tickets.
- BCLC provides a personal display unit at each retail site pointed toward the customer indicating the amount of any win and an audible signal to alert the customer.
- BCLC's prize claim procedures consist of a personal interview by prize/sales staff (but not corporate security) prior to any payment.
- All retailer claims and any claims with apparent irregularities are escalated to BCLC corporate security and senior management for review.

Retailers' Prize Claims

- GPEB reviewed 74 complaints concerning prize claims received by BCLC between January 2005 and October 2006. GPEB is satisfied with BCLC's management of those complaints.
- BCLC investigates all complaints of retailer fraud/error regardless of the amount.

Actions in Response to the Review:

As a result of the review:

- The Assistant Deputy Minister (GPEB) has reconfirmed the requirement that BCLC must report, to GPEB, all issues of real or suspected wrongdoing involving lottery retailers and their employees, in accordance with Section 86 of the Gaming Control Act.

Actions Resulting from Review of BCLC Lottery Retailer Procedures

As a result of the review and GPEB's recommendations:

- GPEB will register all lottery retailers (location managers), including a background investigation and criminal record check. Retailers will be formally responsible for the actions of their employees;
- GPEB will review lottery product and issue certificates of the integrity of those products before they are introduced by BCLC. Reviews will address the printing, construction, randomization, and product security of those products, relative to provincial standards;
- BCLC will ensure its Player Display Units (PDU) in all lottery retailer locations are located in fixed positions facing the customer. This will include fixing the positions all new installation and the retrofitting of all existing units;
- BCLC will install customer operated ticket validation kiosks in most lottery retailer locations to provide the customer with a confirmation of a win (or not), for all lottery products other than Scratch & Win tickets;
- For all prize claims in excess of \$3,000 made by lottery retailers, retailers' employees or close relatives of either, BCLC will ensure the prize claimants are submitted to interviews by BCLC's corporate security personnel;
- BCLC will require all winners of prizes in excess of \$10,000 to sign a waiver that they are not a lottery retailer, a retailers' employee or a close relative of either (if they claim to be none of the above).
- BCLC will review its training regime for prize/sales staff's consideration of prize winners and report to the Solicitor General (through GPEB) on the results and any changes it considers necessary; and
- BCLC will undertake regular reporting of retailer/employee prize claims and payouts to BCLC's executive team and board of directors.

Further, as a result of the review and GPEB's recommendations:

- GPEB and BCLC are discussing whether all large prize claims (those of a certain amount or higher) must be submitted to interviews by BCLC's corporate security personnel.

Derek Sturko, Assistant Deputy Minister
December 14, 2006

Chronology

October 2006	Allegations of lottery retailer fraud emerged in Ontario.
October 2006	Solicitor General, John Les, directed GPEB to investigate and report on the integrity of BCLC's lottery ticket retail network.
December 14, 2006	GPEB completed its report and submitted to the Solicitor General.
December 18, 2006	B.C. Ombudsmen, Kim Carter, announced an investigation into how BCLC ensures that the lottery process in B.C. is fair.
December 28, 2006	GPEB forwards the summary of its investigation to the Ombudsman's Office, for their information.