

Summary of Actions in Response to Reviews of B.C.'s Lottery Retailer Network

Introduction

In December 2006, the Gaming Policy and Enforcement Branch (GPEB) released a report providing 10 recommendations to improve BC's lottery system. In May 2007, B.C.'s Ombudsman released a report making 27 recommendations to improve B.C.'s lottery system. In November, 2007, Deloitte & Touche's report, containing 44 recommendations pertaining to B.C.'s lottery system, was released.

This document summarizes GPEB's actions in response to these reports.

Completed Actions

- In order to clarify and re-affirm GPEB's regulatory oversight, GPEB formally articulated and published its responsibilities and authority concerning the integrity of gaming and the implications those have for the BC Lottery Corporation (BCLC) on GPEB's public website. These responsibilities include:
 - Registering people and companies;
 - Certifying lottery schemes, equipment, supplies and tickets;
 - Auditing for compliance with provincial requirements; and
 - Investigating allegations of wrongdoing.

For each of these responsibilities, GPEB has clarified BCLC's specific, related obligations.

- In response to a recommendation made by Deloitte & Touche and in order to reflect GPEB's expanded mandate, GPEB has restructured its organization. This has allowed GPEB to enhance its focus on enforcement and compliance issues (especially, but not only, as they relate to B.C.'s lottery systems), better balance the policy and enforcement components of GPEB, increase the emphasis on responsible gambling, and enhanced GPEB's public accountability.
- In order to increase communication, co-operation and co-ordination between GPEB and BCLC, while respecting GPEB's independent oversight of BCLC, GPEB and BCLC have scheduled regular joint executive meetings.
- In order to ensure the integrity of BCLC's lottery retailers, GPEB has:
 - Implemented a comprehensive and independent program to register the managers of all lottery retail sites. This includes background checks, criminal record checks and so forth. Compliance with the conditions of registration is a condition of being able to have a lottery retail site contract with BCLC;
 - Been routinely registering all new lottery retailers;
 - Initiated a ten month program in November 2007 to register all pre-existing retailers. To date, approximately 2,600 of 4,000 retail sites have been completed; and
 - Acquired full access to BCLC's inventory of retailers and retailer employees, to ensure that GPEB has current information.

Summary of Actions in Response to Reviews of B.C.'s Lottery Retailer Network

- In order to ensure the integrity of BCLC's lottery schemes and systems prior to their use, GPEB has:
 - Certified all existing and new lottery equipment. This includes ensuring the integrity, fairness, security and safety of all equipment. Specifically, the equipment certification program has been expanded to include equipment designed to ensure the integrity of self-checking machines, speakers and other security devices;
 - Implemented a comprehensive and independent lottery ticket certification program, that certifies the integrity and fairness of all lottery tickets; and
 - Developed and implemented certification standards to ensure the technical integrity of pull tab lottery products.

- In order to ensure the effectiveness of BCLC's conduct and management of all forms of gaming in the province, GPEB has begun implementing a comprehensive five-year audit plan that examines BCLC's conduct and management of all forms of gaming, including casinos, community gaming centres, bingo halls, lotteries and BCLC's PlayNow site. In particular, GPEB has finalized and completed portions of its audit work related to BCLC's lottery network. Of the 21 audit modules, 4 modules were implemented by March 31, 2008;

- In order to ensure all allegations of wrongdoing are given their proper consideration, GPEB has extended and enhanced GPEB's independent investigation program. This includes:
 - Clarifying BCLC's obligations to GPEB concerning investigations;
 - Re-affirming GPEB's independence in conducting investigations;
 - Extending GPEB's investigation activities and strengthening the focus on BCLC's lottery business; and
 - Clarifying the obligations of lottery retailers in reporting incidents to GPEB.

- In response to a specific recommendation from B.C.'s Ombudsman, GPEB has completed a review of all retailer win files from January 1, 2005 until December 31, 2006. GPEB determined that 139 of the 191 files required no further consideration but identified 52 files that required further, independent investigation because GPEB investigators determined further scrutiny was warranted to ensure the investigative process was as thorough as possible. These files will be further investigated and reported on once the investigations are complete.

- In order to ensure ongoing diligence concerning B.C.'s lottery systems, GPEB has implemented a comprehensive approach to track and report on GPEB's and BCLC's implementation of new lottery procedures.

- Further, GPEB has developed and implemented processes to identify any recurring and/or systemic problems with BCLC's lottery retailer system.

- GPEB has completed the reassignment and hiring of additional staff required to ensure the successful implementation of the B.C. Ombudsman's recommendations.

Actions in Progress

- In order to ensure that important new accountability features recommended by Deloitte & Touche are implemented, GPEB has created the position of Director of Internal Compliance and Risk Management. Work is currently underway to staff this new position. This is a senior level position responsible for, among other things, the following recommendations made by Deloitte & Touche:
 - Developing and implementing an internal audit program for GPEB;
 - Developing and implementing formal risk management processes and a risk mitigation strategy for B.C.'s gaming industry;
 - Developing and implementing formal risk management processes and a risk mitigation strategy for GPEB; and
 - Developing and implementing a whistle blower program for GPEB.
- In response to a recommendation by Deloitte & Touche, GPEB is working with BCLC to articulate the roles and responsibilities of others involved in B.C.'s lottery business (gaming service providers, players).
- GPEB will complete the registration of the lottery retail managers at the 1,400 remaining, pre-existing lottery retail outlets by August 30, 2008.
- As a further element to ensure the integrity of BCLC's lottery schemes and systems prior to their use, GPEB is developing certification standards which, when implemented, will ensure the technical integrity of scratch and win lottery products.
- In order to determine if GPEB can rely on gaming equipment tests conducted by BCLC, GPEB is reviewing BCLC's quality assurance work. Once completed, the results of this review will be reported.
- GPEB will complete the implementation of its audit plan related to BCLC's conduct and management of gaming. GPEB anticipates the remaining 17 audit modules will have been implemented by March 31, 2009. At that time, all 21 modules will be in full and regular use.
- GPEB will complete its investigations of the 52 retailer win files (from January 1, 2005, until December 31, 2006) that required further scrutiny by May 15, 2008, and will report the results.
- In response to a specific recommendation from Deloitte & Touche, GPEB is working with its employees to ensure they all formally acknowledge and accept GPEB's new and expanded standards of conduct and conflict-of-interest guidelines.
- As part of its regulatory and public reporting obligations, GPEB will continue to monitor and report on BCLC's compliance with recommendations made by GPEB (BCLC has complied with all of the recommendations) and the B.C. Ombudsman (currently 11 of 23 recommendations have been completed).
- GPEB has initiated the hiring of staff essential to ensure the successful implementation of Deloitte & Touche's recommendations. That staffing action is partially completed.