

## **Final Status Report on Responsibilities Regarding GPE and Ombudsman Lottery Retailer Recommendations**

### **Introduction**

In May 2007, the B.C. Ombudsman's issued a report, "Winning Fair and Square: A Report on the British Columbia Lottery Corporation's Prize Payout Process." The report made 27 recommendations to improve the BC Lottery Corporation's (BCLC) retailer lottery winnings and prize validation procedures, as well as the oversight provided by Gaming Policy and Enforcement (GPE). Of these, four pertained to GPE and the remaining 23 to BCLC.

The Government of British Columbia accepted all of the recommendations made. Most of the recommendations made to BCLC had implications for GPE. GPE has completed its work on all of the recommendations that were made directly to GPE or had implications for GPE. These include considerable enhancements to GPE's registration, audit, investigation, and equipment certification operations.

This report summarizes the work completed by GPE over the past 20 months. For nearly all of the recommendations GPE has an ongoing responsibility to monitor programs implemented by either GPE or BCLC.

## **1. Recommendations Pertaining to BCLC with implications for GPE**

### **1.1 Collection of Information and Data**

**Ombudsman Recommendation #1:** BCLC create and maintain a list of current identifying information on all BCLC retailers and BCLC retailer employees.

***GPE Response:** GPE monitors BCLC's retailer database on an ongoing basis to ensure accuracy and completeness of the database by verifying that appropriate personnel are registered and employees working at retail locations are certified (i.e.: have completed BCLC training).*

*To facilitate the retailer registration process, GPE has created its own, separate registration database. This database records the names and relevant information for the lottery retailer contract manager and the on-site manager of each lottery retail location.*

*GPE's work related to this recommendation is complete and monitoring is ongoing.*

**Ombudsman Recommendation #2:** BCLC require all BCLC retailer employees (insiders) to use a swipe card or enter a code before all purchases of lottery products in order to collect a prize.

***GPE Response:** GPE agrees with the intent of this recommendation, namely to improve the ability to track and analyze retailer play and win rates. However, in its October 2007 report on B.C.'s lottery retailer network, Deloitte & Touche cautioned against the implementation of the Ombudsman's recommendation due to what it perceived were marginal benefits relative to the high costs of implementation.*

*BCLC is developing and implementing a number of mitigating controls to address this issue. GPE, in its role as regulator, has enhanced its audit program to ensure it can effectively monitor BCLC's work related to this recommendation.*

*GPE is monitoring BCLC's response and is ready to implement any necessary audit programs once a decision is made regarding this recommendation.*

**Ombudsman Recommendation #3:** BCLC report publicly and annually on the rate of insider play and wins at all prize levels.

***GPE Response:** GPE receives a monthly report of insider wins from BCLC. GPE reviews these reports, and where appropriate, conducts further independent investigations.*

*GPE annually audits BCLC's tracking and reporting of insider wins.*

*GPE's work related to this recommendation is complete and monitoring is ongoing.*

## **1.2 Validation Procedures**

**Ombudsman Recommendation #4:** BCLC pursue the development of technological security enhancements to monitor self checking machines, speakers and any other devices designed to alert purchasers/customers of a win and if these devices are disabled for any reason to suspend sales at that location until they are inspected and repaired.

***GPE Response:** GPE has certified all new and modified equipment to ensure they operate in the manner intended. GPE has also clearly articulated its expectation of BCLC to have all future enhancements to its lottery systems inspected and certified prior to marketplace introduction.*

*In addition to technological certification, GPE conducts random lottery retail inspections that monitor whether retailers are following procedures and that appropriate equipment is in place at the retail location. In addition, GPE conducts annual audits of gaming equipment suppliers to verify registration and gaming equipment is certified.*

*GPE's work related to this recommendation is complete and monitoring is ongoing.*

**Ombudsman Recommendation #5:** BCLC require tickets or "non-valid duplicates" to be returned to all ticket holders with appropriate markings to identify whether the ticket is not a winner; has been validated but not paid out; or is a winner and has been paid out.

***GPE Response:** GPE conducts regular random lottery retailer inspections to ensure consistency and compliance with procedures. These inspections include a review of retailer prize payout and validation processes.*

*GPE conducts an annual audit of BCLC's prize payout and validation processes.*

*GPE's work related to this recommendation is complete and auditing is ongoing.*

**Ombudsman Recommendation #6:** BCLC include on-screen information about winning tickets in more than one language if the demographics of an area indicate this is useful.

***GPE Response:** GPE has implemented processes to ensure all new and modified technologies are certified to ensure they operate in the manner intended. GPE has also clearly articulated its expectation of BCLC to have all future enhancements to its lottery systems, including changes to displays, certified prior to marketplace introduction.*

*GPE has implemented processes to monitor BCLC's ongoing efforts to reduce barrier to information for lottery players, including ensuring on-screen displays are easy to comprehend and that information is available in variety of formats and languages.*

*GPE's work related to this recommendation is complete and monitoring is ongoing.*

## Final Status Report on Responsibilities Regarding GPE and Ombudsman Lottery Retailer Recommendations

---

**Ombudsman Recommendation #7:** BCLC impose an audit process on all wins over \$3,000 that includes the requirement for a winner to make a statutory declaration that they are not a close relative of a BCLC retailer or a BCLC retailer employee.

***GPE Response:** GPE annually audits BCLC's security and prize payout procedures to ensure consistency and compliance with the new procedures. In addition, GPE has formally instructed BCLC to notify GPE of all known wins by lottery retailers to ensure these wins are independently reviewed and verified.*

*GPE's work related to this recommendation is complete and auditing is ongoing.*

**Ombudsman Recommendation #8:** BCLC require BCLC retailers to collect identification from winners for wins of \$1,000 and greater and forward this information to BCLC. BCLC will then input this data into a database and perform random and regular audits to ensure the rightful owner of the winning ticket was paid the correct prize.

***GPE Response:** GPE annually audits BCLC's security and prize payout procedures to ensure consistency and compliance with the new and existing procedures. This includes BCLC's requirement to perform random and regular audits to ensure the rightful owner of the winning ticket was paid the correct prize. In addition, GPE will be regularly reviewing files for wins of \$1000 and greater to verify compliance with standards.*

*GPE's work related to this recommendation is complete and auditing is ongoing.*

**Ombudsman Recommendation #9:** BCLC commit to moving toward implementing 100 percent coverage of Check-A-Ticket machines and Keno Self-Serve Terminals as soon as possible.

***GPE Response:** GPE has certified both, Check-A-Ticket machines and Keno Self-Serve Terminals, to ensure they operate in the manner intended. In addition, GPE has clearly articulated BCLC responsibility to have any future replacements or modifications of its equipment inspected and certified prior to marketplace introduction.*

*GPE conducts regular random lottery retail inspections that monitor the presence and operability of lottery related equipment. GPE also is monitoring BCLC's work in ensuring 100 per cent coverage of Check-A-Ticket machines and Keno Self-Serve Terminals.*

*GPE's work related to this recommendation is complete and monitoring is ongoing*

**Ombudsman Recommendation #10:** BCLC implement a system where scratch and win tickets are recorded when sold to a player. BCLC is to use this information as a security check during prize payout process.

***GPE Response:** GPE agrees with the intent of this recommendation, namely to reduce the potential for retailer fraud by tracking scratch and win ticket sales. However, in its October 2007 report on B.C.'s lottery retailer network, Deloitte & Touche cautioned*

*against the implementation of the Ombudsman's recommendation due to what it perceived were marginal benefits relative to the high costs of implementation.*

*BCLC is developing and implementing a number of mitigating controls to address this issue.*

*GPE is monitoring BCLC's response and is ready to implement any necessary ticket certification processes and audit programs once a decision is made regarding this recommendation.*

### **1.3 Compliance and Enforcement**

**Ombudsman Recommendation #11:** BCLC modify its internal watchdog system to ensure that multiple checks of the same ticket, multiple attempts to validate a scratch and win or similar product, and any other suspicious activity be identified, investigated, reported upon, acted upon and tracked for trends.

***GPE Response:*** *GPE annually audits BCLC's security and validation procedures to ensure consistency and compliance with all procedures. This includes BCLC's monitoring of their internal watchdog system.*

*GPE has formally instructed BCLC to notify GPE, without delay, of any incident involving multiple checks of the same ticket, multiple attempts to validate a scratch and win or similar product or any other suspicious activity.*

*GPE's work related to this recommendation is complete and auditing is ongoing.*

**Ombudsman Recommendation #12:** BCLC develop an incentive program for BCLC retailers and BCLC retailer employees to identify gaps in post-point of sale security procedures and report them to BCLC.

***GPE Response:*** *GPE has implemented audit programs to monitor BCLC's incentive program for BCLC retailers. GPE notes that BCLC has developed processes and policies for this incentive program but is currently working to enhance them.*

*GPE will monitor any changes to BCLC's existing policies and procedures and will implement additional ongoing audit programs to monitor BCLC's compliance with new and existing policies and procedures.*

**Ombudsman Recommendation #13:** Where BCLC reasonably suspects that a BCLC retailer or BCLC retailer employee or any other person has committed a criminal offence, BCLC promptly pass on this information to the appropriate police force.

***GPE Response:*** *BCLC is required to immediately notify GPE of any real or suspected incidents of wrongdoing. GPE has established reporting protocols for ensuring incidents are reported to GPE in a timely manner.*

## Final Status Report on Responsibilities Regarding GPE and Ombudsman Lottery Retailer Recommendations

---

*GPE annually audits BCLC's complaint handling and security procedures to ensure BCLC promptly passes on information of real or suspected wrongdoing to GPE. In addition, GPE regularly reviews complaints received by BCLC to determine if appropriate files have been forwarded to GPE. GPE has established an Investigative team that reviews these files, and where necessary, conducts further independent investigation.*

*GPE's work related to this recommendation is complete and auditing is ongoing*

**Ombudsman Recommendation #14:** BCLC have a clear, consistently enforced, process of progressive discipline for BCLC retailers and BCLC retailer employees for breaches of post-point of sale security including where appropriate termination of the BCLC contract.

***GPE Response:*** *GPE annually audits BCLC's retailer contract framework to ensure BCLC maintains a consistently enforced, process of progressive discipline for retailers and retailer employees for breaches of post-point of sale security.*

*GPE's work related to this recommendation is complete and auditing is ongoing*

**Ombudsman Recommendation #15:** BCLC certify all persons operating its machinery have been properly trained to do so.

***GPE Response:*** *GPE annually audits BCLC's retailer support and maintenance work to ensure BCLC certifies all persons operating its machinery have been properly trained to do so. GPE also conducts random retail inspections to verify that the Retailer Code of Conduct is available at each retail location and training requirements have been met.*

*GPE's work related to this recommendation is complete and auditing and monitoring are ongoing*

**Ombudsman Recommendation #16:** BCLC conduct regular, random and comprehensive audits of BCLC retail outlets to ensure compliance with its post-point of sale policies and take progressive disciplinary action for any breaches.

***GPE Response:*** *GPE has developed audit and inspection processes to monitor BCLC's actions related to BCLC's Mystery Shopper program. In addition, GPE has implemented its own, independent retail inspections program to monitor lottery retailer and retailer employee compliance with policies and procedures.*

*GPE's work related to this recommendation is complete and auditing and monitoring are ongoing*

**Ombudsman Recommendation #17:** BCLC develop an incentive program for purchasers/customers to promptly report deficiencies at its retail outlets.

***GPE Response:** GPE has implemented audit programs to monitor BCLC's incentive program for purchasers/customers. GPE notes that BCLC has developed processes and policies for this incentive program but is currently working to enhance them.*

*GPE will monitor any changes to BCLC's existing policies and procedures and will implement additional ongoing audit programs to monitor BCLC's compliance with new and existing policies and procedures.*

**Ombudsman Recommendation #18:** BCLC create a written policy for dealing with all customer complaints about post-point of sale security issues, including clear categories for identifying and tracking those customer complaints; a requirement that all those customer complaints be referred to and investigated by Security; a process for analysing those complaints and tracking trends; and a requirement that the results of the process be reported on annually to the Chief Executive Officer, the Board of BCLC and the public.

***GPE Response:** GPE regularly monitors BCLC's management of complaints about post-point of sale security issues and verifies that appropriate files have been forwarded to GPE Investigations.*

*GPE's work related to this recommendation is complete and monitoring is ongoing*

## **1.4 General**

**Ombudsman Recommendation #19:** BCLC establish a position at the senior management level with responsibility for all aspects of post-point of sale purchaser/customer prize payout security of lottery products.

***GPE Response:** GPE has confirmed that BCLC has established and filled this position.*

*GPE's work related to this recommendation is complete.*

**Ombudsman Recommendation #20:** BCLC implement all GPEB December 2006 recommendations promptly.

***GPE Response:** BCLC has completed implementation of all the recommendations made in GPE's December 2006 report. Some of the recommendations have ongoing elements. As part of GPE's five-year audit plan, it will continue to audit BCLC's lottery network to ensure the effectiveness and thoroughness of BCLC's responses to these recommendations.*

*GPE's work related to this recommendation is complete and auditing is ongoing.*

## **1.5 Addressing Past Deficiencies**

**Ombudsman Recommendation #21:** BCLC be open to receiving complaints from players who feel that they were the victim of retailer impropriety. BCLC to investigate the complaints fully to determine if substantiated; if so, BCLC should be willing to reimburse the player.

***GPE Response:** BCLC is required to immediately notify GPE of any real or suspected incidents of wrongdoing. GPE has established reporting protocols for ensuring incidents are reported to GPE in a timely manner. GPE investigators review all reports of wrongdoing and, where appropriate, conduct investigations.*

*GPE annually audits BCLC's complaint handling and security procedures to ensure consistency and compliance with all procedures. In addition, GPE regularly monitors BCLC's management of complaints about post-point of sale security issues and verifies that appropriate files have been forwarded to GPE Investigations.*

*GPE's work related to this recommendation is complete and auditing and monitoring are ongoing.*

**Ombudsman Recommendation #22:** BCLC review its records including phone logs and security records to determine if there are any complaints where BCLC can improve its response or investigation.

***GPE Response:** GPE annually audits BCLC's complaint handling and security procedures to ensure consistency and compliance with the new and existing procedures.*

*GPE's work related to this recommendation is complete and auditing is ongoing.*

**Ombudsman Recommendation #23:** BCLC Security review of all multiple retailer winners to confirm that the prize pay outs are valid; if suspicious circumstance are found, BCLC to report to the appropriate authorities.

***GPE Response:** GPE receives a monthly report of insider wins from BCLC. GPE reviews these reports, and where appropriate, conducts further independent investigations.*

*GPE conducts an annual audit of BCLC's prize payout processes which includes verifying that BCLC identifies and reviews all known multiple retailer files and forwards these files on to GPE. GPE has established a Lottery Investigations team that reviews these files, and where necessary, conducts further independent investigation.*

*GPE's work related to this recommendation is complete and auditing is ongoing.*

## **2. Recommendations Pertaining to GPE**

**Ombudsman Recommendation #24:** GPE enhance its regulation of BCLC's lottery prize payout procedures and complaints handling processes. This should include but not be limited to GPE conducting regular audits of BCLC's lottery prize payout procedures and BCLC's investigation of customer complaints, ensuring BCLC's compliance with its section 86 reporting requirement and independently conducting its own investigations into public complaints involving BCLC's prize payout procedures. All of these activities should be reported on publicly in its annual report.

***GPE Response:*** *In order to increase the effectiveness of its regulation of BCLC, GPE has enhanced several elements of its business. These enhancements include:*

- *Implementing a comprehensive and independent lottery retailer registration program;*
- *Registering all new lottery retailers and registering all pre-existing retailers (approximately 4,000 retail sites around the province);*
- *Implementing a comprehensive and independent lottery equipment and lottery ticket certification program for all existing and new lottery equipment and tickets;*
- *Expanding and enhancing GPE's comprehensive five year audit plan for commercial gaming including BCLC's lottery network;*
- *Implementing a comprehensive retailer inspection program;*
- *Enhancing GPE's independent investigation program for BCLC's lottery business;*
- *Completing reviews, and where necessary, further investigating all known multiple win retailer files from 2000 until 2006 (public report available of the findings of this review are available on the Ministry web site);*
- *Developing and implementing processes to identify any recurring and/or systemic problems with BCLC's lottery retailer system; and*
- *Implementing a comprehensive approach to track and report on GPE's and BCLC's implementation of new lottery policies and procedures.*

*GPE's work related to this recommendation is complete with the work described above ongoing.*

**Ombudsman Recommendation #25:** GPEB conduct independent systemic investigations into any recurring problems.

***GPE Response:*** *GPE's Investigation Division has enhanced and implemented processes and procedures to identify systemic and/or recurring problems in British Columbia gaming industry, including the lottery retail industry.*

*GPE's work related to this recommendation is complete and implemented processes and procedures are ongoing.*

## Final Status Report on Responsibilities Regarding GPE and Ombudsman Lottery Retailer Recommendations

---

**Ombudsman Recommendation #26:** GPE report publicly on BCLC compliance with its recommendations for change every six months until completed and clearly identify whether it is satisfied with the progress.

**GPE Response:** *GPE has implemented a comprehensive monitoring and reporting processes to track BCLC's response to recommendations by GPE and the B.C. Ombudsman. BCLC has made considerable progress*

*GPE will continue to monitor and report on BCLC's outstanding obligations until all recommendations have been satisfied. GPE's work related to this recommendation is complete and reporting functions are ongoing.*

**Ombudsman Recommendation #27:** GPE conduct a thorough investigation of BCLC's investigation into all complaints of potential retailer impropriety since January 1, 2005 and report publicly on its findings.

**GPE Response:** *GPE has reviewed, and where appropriate, conducted further investigation into all known multiple retailer win files between January 1, 2005 and December 31, 2006. A summary of the findings can be accessed at:*

*<http://www.hsd.gov.bc.ca/gaming/news/docs/2008-08-01-lottery-retail-known-wins-rpt.pdf>*

*GPE's work related to this recommendation is complete.*