



74 West Seymour Street
Kamloops, BC V2C 1E2

T 250 828 5500
F 250 828 5631

2940 Virtual Way
Vancouver, BC V5M 0A6

T 604 270 0649
www.bclc.com

April 28, 2022

Rod Toula
Interprovincial Lottery Corporation
40 Holly Street – 6th Floor
Toronto, ON M4S 3C3

Dear Mr. Toula:

Re: BCLC's Report on Compliance with ILC Control Standards

We have completed the audit of BCLC's compliance with the Interprovincial Lottery Corporation's ("ILC") Control Standards as required in the Regional Responsibilities (Section 1.2) of the ILC Policies and Procedures Manual. Please find attached the completed Annual ILC Control Standards Audit Report (referred to as Appendix 12 B).

We note, that in addition to BCLC Prize Payout Offices (Payout Offices), BCLC has 17 Prize Payout Centres (Centres) that are authorized to pay prizes up to \$24,999.99. All Centres utilize the same controls as Payout Offices; however, unlike Payout Offices, Centres sell retail lottery products. During the audit, this information was shared with ILC and Regional Marketing Offices, who collectively agree this is considered an observation and not a finding.

Audit Services will bring this observation forward to the ILC Common Standards Sub-committee for discussion during the next review cycle of the Control Standards.

The enclosed Appendix 12 B is intended for the exclusive use of BCLC and ILC in assessing BCLC's compliance with the Control Standards as at March 31, 2021 and is not to be relied upon for any other purpose.

Yours truly,
s 22

Darryl Tateishi, CPA, CA
Senior Manager, Audit Services

cc: Lynda Cavanaugh, Interim President and CEO, BCLC
Dan Beebe, Interim Chief Operating Officer, BCLC
Pat Davis, Chief Information Officer and VP, Business Technology, BCLC
Peter ter Weeme, Chief Social Purpose Officer and VP, Player Experience
Marie-Noelle Savoie, Chief Compliance Officer and VP, Legal, Compliance, Security
Alan Kerr, Chief Financial Officer and VP, Corporate Services, BCLC
Jennifer Barbosa, Interim Director, Audit Services, BCLC

Return to Player Settings Audit – Q4 Lake City Vernon Casino

Audit Services

December 3, 2021

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Transmittal Letter

May 5, 2022

Dan Beebe
Interim Chief Operating Officer
2940 Virtual Way
Vancouver, BC V5M 0A6

Dear Mr. Beebe:

Re: Return to Player (RTP) Audit – Lake City Vernon Casino

Attached is Audit Services' report on the RTP testing that took place at Lake City Vernon Casino (Vernon Casino) on December 3, 2021. The scope of our audit focused on testing the RTP settings on 175 of the 396 slot machines located on the gaming floor at the Vernon Casino.

The results of our audit discovered one of the 175 slot machines tested had an incorrect RTP setting. Upon notifying the BCLC onsite technician of this issue, the setting was promptly corrected, and we confirm the error has been remediated.

We thank the management and staff of the Vernon Casino for their cooperation and assistance during this audit.

Sincerely,

s 22

Darryl Tateishi, CPA
Senior Manager, Audit Services

cc: Kevin Sweeney, Director Enterprise Security and Compliance
Tom Maryschak, Interim Director, Casino Operations
Brett Lawrence, Regional Manager, Operations
Richard Frater, Manager, Business Operations
Jennifer Barbosa, Interim Director, Audit Services

Introduction

Audit Services allocated resources in its FY2021-22 Annual Audit Plan (AAP) for engagements related to RTP Audit, which focused on providing assurance that the RTP settings in slot machines located in Casino and Community Gaming Centres (collectively, Casinos) across the province are accurate. RTP is the percentage of all the wagered money a slot machine will pay back to players over a given period.

Statement of Objectives

The objective of this engagement was to test the RTP settings on 175 randomly selected slot machines located at Lake City Vernon Casino on December 3, 2021.

Statement of Scope

This audit is one of the four RTP engagements scheduled to occur during the fiscal quarter. The scope of these engagements is limited to reviewing slot machine RTP settings at select Casinos across the province.

Statement of Methodology

Our methodology and approach included:

- testing the RTP settings of randomly selected slot machines by verifying their accuracy against the information contained in the casino database, which is considered the master data,
- performing additional testing in the event that there are discrepancies found in the information contained in the master data and RTP setting. This would encompass comparing the master data to the probability accounting reports (PAR) or RTP change communication, which would confirm the proper RTP setting, and
- identifying process weaknesses, risks and controls.

Statement of Audit Standards

We conducted our audit in accordance with professional standards issued by the Institute of Internal Auditors. These standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws, rules and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Personnel Changes in Key Control Areas

BCLC's Audit Committee has requested that Audit Services include information about personnel changes and vacancies to key control areas during audit engagements. Personnel changes and vacancies can impact the control environment, control effectiveness, and institutional knowledge. At the Vernon Casino, BCLC staffing is comprised of one Manager Business Operations, one Senior Technician and two Technicians. We note there has been no personnel change of BCLC staff at the Vernon Casino since September 2017.

Conclusion

Audit Services found one slot machine contained an incorrect RTP setting of the 175 slot machines tested during the audit period. Upon notifying the BCLC onsite technician of this issue, the setting was promptly corrected, and we confirm the error has been remediated.

Acknowledgements

We wish to thank management and staff for their participation, assistance, and cooperation during this audit. Audit Services was given full access to all resources and information required to complete this audit.

Return to Player Settings Audit – Q4 River Rock Casino Resort

Audit Services

February 15, 2022

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Transmittal Letter

May 5, 2022

Dan Beebe
Interim Chief Operating Officer
2940 Virtual Way
Vancouver, BC V5M 0A6

Dear Mr. Beebe:

Re: Return to Player (RTP) Audit – River Rock Casino Resort

Attached is the Audit Services' report on the RTP testing that took place at the River Rock Casino Resort (River Rock) on February 15, 2022. The scope of our audit focused on testing the RTP settings on 315 of the 1,253 slot machines located on the gaming floor at River Rock.

The results of our audit discovered one of the 315 slot machines tested had an incorrect RTP setting. Upon notifying the BCLC onsite technician of this issue, the setting was promptly corrected, and we confirm the error has been remediated.

We thank the management and staff of River Rock for their cooperation and assistance during this audit.

Sincerely,

s 22

Darryl Tateishi, CPA
Senior Manager, Audit Services

cc: Kevin Sweeney, Director Security, Privacy and Compliance
Tom Maryschak, Interim Director, Casino Operations
Bal Bains, Regional Manager, Operations
Don Chow, Manager, Business Operations
Jennifer Barbosa, Interim Director, Audit Services

Introduction

Audit Services allocated resources in its FY2021-22 Annual Audit Plan (AAP) for engagements related to RTP Audit, which focused on providing assurance that the RTP settings in slot machines located in Casino and Community Gaming Centres (collectively, Casinos) across the province are accurate. RTP is the percentage of all the wagered money a slot machine will pay back to players over a given period.

Statement of Objectives

The objective of this engagement was to test the RTP settings on 315 randomly selected slot machines located at River Rock February 15, 2022.

Statement of Scope

This audit is one of the four RTP engagements scheduled to occur during the fiscal quarter. The scope of these engagements is limited to reviewing slot machine RTP settings at select Casinos across the province.

Statement of Methodology

Our methodology and approach included:

- testing the RTP settings of randomly selected slot machines by verifying their accuracy against the information contained in the casino database, which is considered the master data,
- performing additional testing in the event that there are discrepancies found in the information contained in the master data and RTP setting. This testing would encompass comparing the master data to the probability accounting reports (PAR) or RTP change communication, which would confirm the proper RTP setting, and
- identifying process weaknesses, risks and controls.

Statement of Audit Standards

We conducted our audit in accordance with professional standards issued by the Institute of Internal Auditors. These standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity, or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws, rules, and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Personnel Changes in Key Control Areas

BCLC's Audit Committee has requested that Audit Services include information about personnel changes and vacancies to key control areas during audit engagements. Personnel changes and vacancies can impact the control environment, control effectiveness, and institutional knowledge. At River Rock, BCLC staffing is comprised of one Manager Business Operations, two Senior Technicians and nine Technicians. We note that there has been minimal turnover of BCLC staff at River Rock since 2014.

Conclusion

Audit Services found one slot machine contained an incorrect RTP setting of the 315 slot machines tested during the audit period. Upon notifying the BCLC onsite technician of this issue, the setting was promptly corrected, and we confirm the error has been remediated.

Acknowledgements

We wish to thank management and staff for their participation, assistance, and cooperation during this audit. Audit Services was given full access to all resources and information required to complete this audit.

Return to Player Settings Audit – Q4 Chances Casino Kelowna

Audit Services

March 4, 2022

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Transmittal Letter

May 5, 2022

Dan Beebe
Interim Chief Operating Officer
2940 Virtual Way
Vancouver, BC V5M 0A6

Dear Mr. Beebe:

Re: Return to Player (RTP) Audit – Chances Casino Kelowna

Attached is the Audit Services' report on the RTP testing that took place at Chances Casino Kelowna on March 4, 2022. The scope of our audit focused on testing the RTP settings on 157 of the 326 slot machines located on the gaming floor at Chances Casino Kelowna.

The results of our audit confirm that all 157 slot machines tested had correct RTP settings.

We thank the management and staff of the Chances Casino Kelowna for their cooperation and assistance during this audit.

Sincerely,

s 22

Darryl Tateishi CPA,
Senior Manager, Internal Audit

cc: Kevin Sweeney, Director Security, Privacy and Compliance
Tom Maryschak, Interim Director, Casino Operations
Brett Lawrence, Regional Manager, Operations
Richard Frater, Manager, Business Operations
Jennifer Barbosa, Interim Director, Audit Services

Introduction

Audit Services allocated resources in its FY2021-22 Annual Audit Plan (AAP) for engagements related to RTP Audit, which focused on providing assurance that the RTP settings in slot machines located in Casino and Community Gaming Centres (collectively, Casinos) across the province are accurate. RTP is the percentage of all the wagered money a slot machine will pay back to players over a given period.

Statement of Objectives

The objective of this engagement was to test the RTP settings on 157 randomly selected slot machines located at Chances Casino Kelowna on March 4, 2022.

Statement of Scope

This audit is one of the four RTP engagements scheduled to occur during the fiscal quarter. The scope of these engagements is limited to reviewing slot machine RTP settings at select Casinos across the province.

Statement of Methodology

Our methodology and approach included:

- testing the RTP settings of randomly selected slot machines by verifying their accuracy against the information contained in the casino database, which is considered the master data,
- performing additional testing in the event that there are discrepancies found in the information contained in the master data and RTP setting. This would encompass comparing the master data to the probability accounting reports (PAR) or RTP change communication, which would confirm the proper RTP setting, and
- identifying process weaknesses, risks, and controls.

Statement of Audit Standards

We conducted our audit in accordance with professional standards issued by the Institute of Internal Auditors. These standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity, or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws, rules, and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Personnel Changes in Key Control Areas

BCLC's Audit Committee has requested that Audit Services include information about personnel changes and vacancies to key control areas during audit engagements. Personnel changes and vacancies can impact the control environment, control effectiveness, and loss of knowledge. At Chances Casino Kelowna, BCLC staffing is comprised of one Manager Business Operations, one Senior Technician, and two Technicians. We note there has been minimal turnover of BCLC staff at Chances Casino Kelowna over fiscal year 2022.

Conclusion

Audit Services found no RTP setting exceptions of the 157 slot machines tested.

Acknowledgements

We wish to thank management and staff for their participation, assistance, and cooperation during this audit. Audit Services was given full access to all resources and information required to complete this audit.

SAP Wage Types

Audit Services

April 20, 2022

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Transmittal Letter

May 17, 2022

Alan Kerr, Chief Financial Officer
74 West Seymour Street
Kamloops, BC V2C 1E2

Dear Mr. Kerr:

Re: SAP Wage Types Audit

Attached is the Audit Services' report on the SAP Wage Types Audit.

Our audit focused on the manually entered values spread across the multiple SAP wage types during the period of April 1, 2021 to December 31, 2021. From the total population of wage types reviewed, Audit Services tested compliance to BCLC's Terms and Conditions of Employment Policy. Our review found no exceptions and the control environment pertaining to the scope of this audit to be adequate.

We thank the management and staff for their cooperation during this audit.

Sincerely,

s 22

Darryl Tateishi, CPA
Senior Manager, Audit Services

cc: Farouk Zaba, Director, Corporate Finance
Wendy Epp, Senior Manager Financial Operations
Jennifer Barbosa, Interim Director, Audit Services

Introduction

There are approximately 1,100 employees that are compensated through the SAP Payroll system, which integrates with the Human Management Capital module in SuccessFactors. The SAP Payroll system contains over 300 SAP wage type transaction codes (referred to as wage types), which is a coding system used to define a type of payment or deduction on a pay statement.

Wage types can be calculated fields (CPP, EI) or manually entered fields that are populated by an employee for payment or deduction of non-regular payroll items such as moving costs, technology purchase loan issuance and professional memberships. To initiate payment, an employee enters pertinent information into SAP that will trigger a workflow that is reviewed and released for payment by BCLC's Payroll department.

Historically, Audit Services performed a comprehensive review of the annual payroll package using random sampling methodology; however, these reviews have not resulted in any significant findings since 2015 due to the strong control environment in this area. As such, the scope of the audit has narrowed to focus on areas of inherent risk such as improper entry due to human error and where there is potential for fraud to occur.

Statement of Scope and Objectives

The overall audit objective was to provide reasonable independent assurance that the existing internal controls and business processes relating to the usage of SAP wage types are adequate and effective. The work encompassed:

- reviewing the payroll data set to determine the transactions that required review. The population was targeted on those transactions where there was a manual entry made by an employee between the period of April 1, 2021 to December 31, 2021,
- reconciling the information manually entered into SAP by an employee was accurate and properly supported with the appropriate documentation,
- reviewing the payroll control environment to ensure that department employees had the appropriate level of access to authorize the transactions, and
- identifying potential areas for process and control improvements to further strengthen the control environment.

Statement of Methodology

Our methodology and approach included:

- performing interviews and consulting stakeholders as required,
- extracting data from SAP needed to conduct this audit, and
- reviewing business processes, procedures, and alignment with BCLC's Terms and Conditions of Employment Policy.

Statement of Audit Standards

We conducted our audit in accordance with professional standards issued by the Institute of Internal Auditors. These standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws, rules, and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Personnel Changes in Key Control Areas

BCLC's Audit Committee has requested that Audit Services include information about personnel changes to key control areas during all engagements related to BCLC's core functions. Personnel changes can impact the control environment, effectiveness of key controls, and critical institutional knowledge. During this engagement, we discussed personnel changes, retirements, and revisions to roles with management. The Payroll department is comprised of one Manager, one Senior Specialist and three Payroll Administrators. We note that the department has had a low turnover rate over the testing period April 1, 2021 to December 31, 2021.

Conclusion

Audit Services concludes that the control environment related to manually entered payroll wage types is adequate. Our review confirms that all wage types tested were processed correctly and supported by the required documentation.

Acknowledgements

We wish to thank management and staff for their cooperation during this audit. Audit Services received full access to all resources and information required to meet the objective of the assignment. The delay in completing this audit were a result of resource constraints within Audit Services.

Customer Support Operations Hotline & Salesforce Process Review

Audit Services

Issued May 17, 2022

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Transmittal Letter

May 17, 2022

Peter ter Weeme
Chief Social Purpose Officer and VP, Player Experience
74 Seymour Street West
Kamloops, BC V2C 1E2

Dear Mr. ter Weeme:

Re: Customer Support Operations Hotline & Salesforce Process Review

The attached report communicates the results of the audit we conducted relating to the Customer Support Operations Hotline and Salesforce Processes, which entailed reviewing relevant processes to ensure the control environment is adequate and effective.

The results of our review, completed March 10, 2022, indicate that the control environment is adequate and effective. There were no improvement opportunities identified during the audit engagement.

We thank the management and staff for their cooperation and assistance during this engagement.

Sincerely,

s 22

Darryl Tateishi
Senior Manager, Audit Services

cc: Martin Lampman, Director, Customer Support Operations
Kristin Galan, Senior Manager, Customer Support Centre Accounts
Jennifer Barbosa, Interim Director, Audit Services

Introduction

As an oversight function and in support of our Annual Audit Plan for FY2021-2022, we conducted a review of the processes related to the Customer Support and Hotline. BCLC's Customer Support Operations (CS) and Hotline are responsible for providing frontline support to BCLC players and Lottery retailers via telephone, email and online. All player, retailer, and partner interactions with CS are documented, and referred to as cases.

Statement of Scope and Objectives

The scope of our engagement focused on assessing the Salesforce and Hotline processes under the purview of CS Operations to determine the adequacy and effectiveness of the controls during the period of October 1, 2021 and December 31, 2021.

Statement of Methodology

The engagement is based on the premise that management is responsible for identifying its business risks and managing them by designing and maintaining a system of internal controls that mitigates these risks. The role of the auditor is to assess these management controls and determine whether they are adequate and effective.

The approach for this engagement involved:

- conducting interviews with key stakeholder and making inquiries as required,
- reviewing the related procedures,
- developing process flowcharts to identify potential areas of risk for mitigation,
- identifying areas for potential improvement, and
- performing targeted testing of Salesforce and Hotline cases to validate that the procedures were properly followed.

Statement of Audit Standards

We conduct our engagements in accordance with professional standards issued by the Institute of Internal Auditors. These standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws, rules and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Conclusions

Our review indicates that there are adequate internal controls in place and the processes are operating as intended. No improvement opportunities have been noted.

Acknowledgements

We wish to thank management and staff for their participation, assistance and cooperation during this review. Audit Services received full access to all resources and information required to complete this engagement.

PlayNow Account Adjustment Process Review

Audit Services

Issued May 17, 2022

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Transmittal Letter

May 17, 2022

Peter ter Weeme
Chief Social Purpose Officer and VP, Player Experience
74 Seymour Street West
Kamloops, BC V2C 1E2

Dear Mr. ter Weeme:

Re: PlayNow Account Adjustment Process Review

Attached is Audit Services' report on the PlayNow Account Adjustment Process Review, which entailed reviewing the relevant processes to ensure the control environment is adequate and effective.

The results of our review, completed March 10, 2022, indicate that the control environment is adequate and effective. There were no improvement opportunities identified during the audit engagement.

We thank the management and staff for their cooperation and assistance during this engagement.

Sincerely,

s 22

Darryl Tateishi
Senior Manager, Audit Services

cc: Martin Lampman, Director, Customer Support Operations
Kristin Galan, Manager, Customer Support Centre Accounts
Jennifer Barbosa, Interim Director, Audit Services

Introduction

As an oversight function and in support of our Annual Audit Plan for FY2021-2022, we performed an audit on the adequacy of the control environment pertaining to player account adjustments on BCLC's online gaming platform, PlayNow.com.

Play account adjustments on PlayNow can be delivered in the form a dollar value or token amount, which are typically credited to a player account manually by a BCLC employee. Dollar value adjustments are credits made to a player account for money taken out from the player account or potential wins not received for a variety of reasons such as: a game error or technical issue; errors committed by live dealer; rejected bets; player max bet errors; and cancelled games. Dollar value adjustment may be an issued credit for a promo prize won by a player.

Token adjustments are free plays credited to a player account as a gesture of goodwill for the inconvenience caused by errors on PlayNow that may have impacted the player experience.

Statement of Scope and Objectives

The scope of this engagement included the assessment of the PlayNow account adjustment process and the review of sample adjustments made to player accounts during the period of October 1 to December 31, 2021.

The objectives of this engagement were to determine whether the:

- controls around PlayNow account adjustment process are adequate, and
- adjustments made to player accounts are reasonable, valid, authorized and documented.

Statement of Methodology

The engagement is based on the premise that management is responsible for identifying its business risks and managing them by designing and maintaining a system of internal controls that mitigates these risks. The role of the auditor is to assess these management controls and determine whether they are adequate and effective.

This review involved:

- performing interviews with key stakeholders and making inquiries as required,
- reviewing documents such as processes and procedures,
- developing a process flow to identify potential areas of risk for mitigation,
- identifying areas for potential improvement, and
- performing selected testing on transactions/activities.

Statement of Audit Standards

We conduct our engagements in accordance with professional standards issued by the Institute of Internal Auditors. These standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity, or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws, rules, and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.



Conclusions

The results of our review indicate that the control environment is adequate and effective. There were no improvement opportunities identified during the review.

Acknowledgements

We wish to thank management and staff for their participation, assistance, and cooperation during this review. Audit Services received full access to all resources and information required to complete this engagement.

Vendor Electronic Funds Transfer Process Review

Audit Services

Issued June 13, 2022

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Transmittal Letter

June 13, 2022

Alan Kerr
Chief Financial Officer
74 West Seymour Street
Kamloops, BC V2C 1E2

Dear Mr. Kerr:

Re: Vendor Electronic Funds Transfer Process Review

Attached is the Audit Services' report on the Vendor Electronic Funds Transfer (EFT) Process Review conducted during the period of January 2022 to March 2022.

Our review, completed March 24, 2022, revealed that the Corporate Finance Department has an effectively designed EFT process and adequate internal controls over EFT operations. We noted one opportunity to improve the control environment and have discussed it with management for consideration; details of this improvement area are specified in the report below.

We thank the management and staff of the Corporate Finance Department for their cooperation and assistance during this audit.

Sincerely,

s 22

Darryl Tateishi, CPA
Senior Manager, Audit Services

cc: Farouk Zaba, Director Corporate Finance
Wendy Epp, Senior Manager, Financial Operations
Jennifer Barbosa, Interim Director, Audit Services

Introduction

As an oversight function and in support of our Annual Audit Plan for FY2021-2022, we conducted a review of the internal controls over EFTs at BCLC. Electronic banking, known as EFT, uses computer and electronic technology as a substitute for a paper cheque and other paper transactions. Recently, BCLC transitioned payments for third party vendors from SAP (BCLC's financial system) to EFT as part of its Finance Evolution Initiative. Internal EFT processes, procedures and other important documents have been updated as a result of this change.

During FY2021-2022, BCLC processed an average of 42 EFT transactions every week with a total value over \$4 million.

Statement of Scope and Objectives

The scope of this engagement included BCLC's processes and procedures around vendor payments through EFT. The scope was limited to Canadian bank accounts transfer as BCLC's EFT Program is only compatible with domestic bank accounts.

The objectives of this engagement were to:

- determine whether existing internal controls over EFTs are adequate and designed to detect and prevent potential fraud and abuse,
- assess whether there is proper authorization of outgoing EFTs,
- prepare flowcharts to map the end-to-end EFT process and related control activities, and
- identify potential areas for process and control improvements to further strengthen the control environment.

Statement of Methodology

The methodology used for this engagement were as follows:

- performing interviews with key stakeholder and making inquiries as required, and
- reviewing relevant documentation such as policies, procedures, and processes.

Statement of Audit Standards

We conducted our audit in accordance with professional standards issued by the Institute of Internal Auditors. These standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity, or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws, rules, and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Personnel Changes in Key Control Areas

BCLC's Audit Committee has requested that Audit Services include information about personnel changes to key control areas during all engagements related to BCLC's core functions. Personnel changes can impact the control environment, effectiveness of key controls, and institutional knowledge. During this engagement, we discussed personnel changes and revisions to roles with management. Audit Services noted no significant changes with the staff responsible for EFT were experienced during the period of FY2021-2022.

Audit Conclusions

Based on our review, we conclude that the EFT process is effectively designed with adequate internal controls. We noted the following opportunity to improve the current control design:

s 13(1), s 15(1)

We have discussed this improvement area with management in the Corporate Finance Department.

Please also refer to **Appendix 1** for details on the process mapping, risk control analysis and user access listing review.

Acknowledgements

We wish to thank management and staff for their participation, assistance, and cooperation during this review. Audit Services received full access to all resources and information as requested.

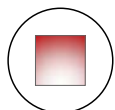
Appendix 1 Process Mapping, Risk Control Analysis and Access Review

Vendor EFT Process

Legends



Process starts



Process ends



Process steps



Process with key control(s)



Risks areas that could go wrong

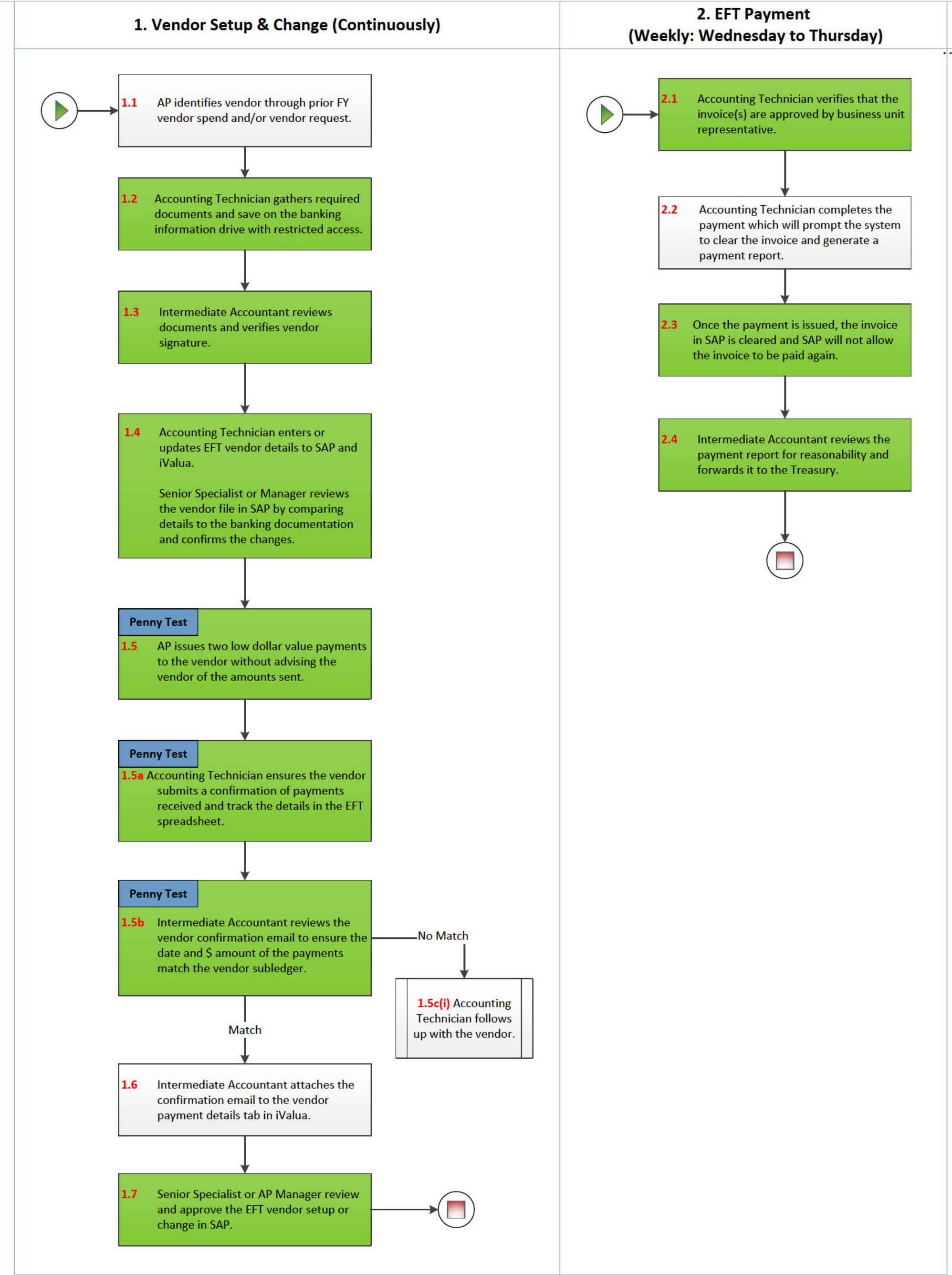


Penny test



Opportunity for further control enhancement

Vendor EFT Process



What could go wrong?

Key controls to mitigate the risk

Sensitive vendor banking information may be prone to unauthorized edits if information is not properly protected and maintained in a safe place with access restricted.

Mitigated by

Sensitive vendor banking information is saved on a separate banking information folder with access (especially edit access) restricted to five AP employees (see Appendix-1 for the access list). Access is reviewed on a regular basis and at times of staffing changes.

Process 1.2

Invalid banking information and vendor authorization may be entered into BCLC systems which can lead to EFT failure.

Mitigated by

Intermediate Accountant ensures the EFT authorization form is signed and matches the supporting documentation and includes the signature of an authorized individual from the vendor.

Senior Specialist or Manager reviews the vendor file in SAP to verify correct information or changes are entered into BCLC systems, and confirms the update in the system.

Process 1.2 & 1.4

There could be external fraudster posing as legitimate suppliers to inform a change of bank details, which can cause funds transferred to the “new” account before the scam has been noticed.

Mitigated by

When vendor request any change(s) in vendor banking details, they are required to complete a new EFT authorization form and provide a void cheque. Intermediate Account will review the change documentation. When banking details are changed, either AP Manager or Senior Specialist reviews and approves the changes in SAP. Penny tests are also re-issued.

Process 1.2, 1.3 & 1.4

s 13(1), s 15(1)

The banking information may not be valid which would lead to EFT payment error or failure.

Mitigated by

AP performs penny tests to ensure that the banking information is valid and can be paid successfully through the EFT process.

Process 1.5

The vendor contact person may not have authorized access to the bank account. Access is not validated before the actual EFT process.

Mitigated by

Intermediate accountant reviews the result of the penny tests to ensure that:

- correct amounts are transferred,
- vendor can verify the payment details, and
- the date of receipt is reasonable given the BCLC date of payment

Process 1.5

Banking information or changes may be invalid, incorrect, or unauthorized, or penny test procedures are not properly completed.

Fictitious vendors, or unauthorized changes of banking details to a legitimate vendor may be added and paid through the EFT process.

Mitigated by

Either AP Manager or Senior Specialist approves any new vendor setup or existing vendor changes in SAP.

Process 1.7

Payment may be transferred prior to proper authorization and approval.

Mitigated by

Accounting Technician verifies that the invoice(s) are adequately approved by the business unit representative.

Process 2.1

Errors in payments, such as duplicate payments, could happen and can be costly.

Mitigated by

Once the payment is issued, the invoice in SAP is cleared and the system will not allow the invoice to be paid again.

Intermediate Accountant reviews the payment report for reasonability and forwards it to the Treasury.

Process 2.3

EFT vendor information is not timely updated and adequately maintained, which could lead to payment errors or failures.

Mitigated by

EFT vendor conversions are tracked by the EFT tracking spreadsheet.

On a monthly basis, Intermediate Accountant, AP Manager and Senior Manager, Finance Operations reviews the EFT tracking spreadsheet for:

- status of EFT vendor conversions, and
- the number of vendors which have been converted in the month, and the vendors who currently have penny tests that are outstanding and unconfirmed

Mitigated by

Accounts Payable maintains detailed procedure documentation for EFT setup, payment and tracking, and reviews the documentation on a regular basis.

s 13(1), s 15(1)

Access to the Banking Information Drive:

Per Senior Manager, Finance Operations, the following personnel has edit access:

- Jody Hays (AP Manager)
- Celeste Schneider (AP Senior Specialist)
- Cooper Harcott (AP Intermediate)
- Nikki Baumgartner (AP Technician on the EFT Project)
- Matt J Brown (AP Technician on the EFT Project).

Verified by: [access listing to the banking drive.](#)

Access to the EFT Tracking Sheet:

Per Senior Manager, Finance Operations, the following personnel has edit access:

- Jody Hays (AP Manager)
- Celeste Schneider (AP Senior Specialist)
- Cooper Harcott (AP Intermediate)
- Nikki Baumgartner (AP Technician on the EFT Project)
- Matt J Brown (AP Technician on the EFT Project).

Verified by: [access listing to the banking drive.](#)

ITGC GMS and GMS Domain

Audit Services

Issued June 15, 2022

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Transmittal Letter

June 15, 2022

Pat Davis, Chief Information Officer and VP, Business Technology
74 West Seymour Street
Kamloops, BC V2C 1E2

Dear Mr. Davis:

Re: IT General Controls (ITGC) GMS and GMS Domain

Attached is the Audit Services' report on the ITGC GMS and GMS domain audit.

The audit completed November 24, 2021, resulted in two findings and proposed recommendations for Management consideration, including that further audit and assurance work be performed by Audit Services in this area. Management agreed with the findings and proposed recommendations and have provided their responses as set out in the report.

We thank the Management and staff for their cooperation and assistance during this audit.

Sincerely,

s 22

Darryl Tateishi CPA, CA
Senior Manager, Internal Audit

cc: Dan Beebe, Interim Chief Operating Officer
Lauren Goebel, Director, Product Delivery Services
Garth Pieper, Director eGaming Operations
Tom Maryschak, Interim Director, Casino Operations
Farouk Zaba, Director, Corporate Finance
Ash Kosmadia, Director, Technology Platform Enablement
Michele Bedard, Senior Manager Agile Practice
Andrew Williamson, Manager, GMS Operations
Jennifer Barbosa, Interim Director, Audit Services

Introduction

During the COVID-19 pandemic, the Provincial Health Office temporarily closed all B.C. casinos and community gaming centres (collectively, Casinos). Given the Casino closures, no activity was generated in the GMS and GMS domain systems. GMS is the acronym for BCLC's Gaming Management System.

Once Casinos reopened on July 1, 2021, BCLC needed to confirm that appropriate access to the GMS and GMS domain systems were granted, all program changes documented and transitioned correctly, and adequate IT general controls were in place. These IT general controls ensure the GMS and GMS domain systems meet the financial statement audit requirements.

Statement of Objectives

The objectives of this engagement were to determine that adequate controls exist related to:

- access to programs and data have been established and implemented to reduce the risk of unauthorized and/or inappropriate access to the organization's relevant financial reporting applications or data,
- program changes have been established to obtain reasonable assurance that changes to existing systems and applications are authorized, tested, properly implemented, and documented, and
- computer operations¹ have been established and implemented to obtain reasonable assurance that system and/or applications processing is appropriately authorized and scheduled, and deviations from scheduled processing are identified and resolved.

Collectively, these objectives are referred to as Information Technology General Control testing.

Statement of Scope

The scope of this engagement was limited to performing an audit on:

- access to programs and data,
- program changes, and
- computer operations.

Statement of Methodology

Our methodology and approach included:

- interviews and inquiries with key personnel,
- review of procedures and practices, and
- evidence gathering.

Audit Services has leveraged KPMG (BCLC's Financial Statement Auditor) to perform the management review testing, which is a component of this overall engagement. Upon conclusion, KPMG will communicate the results of their work in their Financial Statement Assurance Letter.

¹ Computer operations is a term used to describe the function of the 24/7 Data Center and the BCLC departments that handle data backups and storage, job processing, incident management and disaster recovery planning among other areas.

Statement of Audit Standards

We conducted our audit in accordance with professional standards issued by the Institute of Internal Auditors. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity, or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws, rules, and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Personnel Changes in Key Control Areas

BCLC's Audit Committee has requested that Audit Services include information about personnel changes to key control areas during all engagements related to BCLC's core functions. Personnel changes can impact the control environment, effectiveness of key controls, and loss of risk and control knowledge. During this engagement, we discussed personnel changes, retirements, and revisions to roles with Management. Audit Services notes that the long-term Director of Technology Platform Enablement recently retired however, to ensure continuity of services, the new incumbent director was transitioned into the role over a period time to minimize loss of institutional knowledge.

Acknowledgements

We wish to thank Management and staff for their participation, assistance, and cooperation during this review. Audit Services received full access to all resources and information required to complete this review.

Audit Findings

Following are the most significant issues that we identified during our work along with associated recommendations to address these issues. To assist Management in prioritizing action plans in response to our recommendations, we have categorized each issue by level of risk, using the following scale:

- High – Issue should be addressed and resolved immediately.
- Moderate – Issue requires Management attention and should be addressed and resolved within a reasonable time period.
- Low – Issue is of lesser significance that is administrative in nature. Any low-risk findings have been discussed with Management and therefore excluded from the report.

These rating levels are measured in the context of this audit and its objectives, rather than as related to overall corporate risk. Audit Services commits to conducting follow-up audits on all significant findings by the end of Q2 FY2022-2023.

1. DISASTER RECOVERY PLAN (HIGH)

Finding

Audit Services notes that a Disaster Recovery Plan (DRP) for the GMS and GMS domain systems does not exist. This finding aligns with the risk recorded in the Business Technology divisional risk register (risk id: BT.E32), which is rated as a moderate risk and described as follows:

Description of Risk:

Given the high reliance on technology to deliver most BCLC services, BCLC may not be able to conduct business in the event of a significant disaster if it does not implement and maintain Disaster Recovery technologies, services, and processes.

Management Action Plan as at Q3, FY2022-2023:

"Continue working with service owners to identify gaps and remediate where possible, add tasks to team backlogs to address (Casino, eGaming, Lotteries). Leverage cloud platform to increase resiliency and scalability."

Recommendation

Management should create a DRP for GMS as it is considered a critical system for BCLC. The probability of a geophysical (e.g., forest fires and earthquakes) and/or hydro-physical event (floods) occurring in certain areas in B.C. and has increased in recent years. This trend is predicated to continue and organizations need to have strong DRPs in place to minimize the potential impact of these events. Once the DRP has been developed, it should be tested annually to ensure it is performing as intended. Additionally, new or changing factors should be incorporated into the DRP on a regular basis to ensure that the plan is fit for purpose.

s 15(1)

2. SERVICENOW TICKETS (MODERATE)

Finding

Currently there is no prescribed resolution metrics to resolve GMS tickets raised in ServiceNow. Having clearly defined and communicated resolution metrics is important to ensure issues are addressed in a timely manner and BCLC meets a satisfactory level of service for internal and/or external customers.

Recommendation

We recommend Management develop and implement metrics to measure and monitor resolution time for tickets raised in the ServiceNow system. By creating these measures, resolution times can be tracked and reported, and improvements made where needed. Once the metrics have been developed, they should be documented, communicated and accessible to the relevant stakeholders.

Management Response

Management agrees with this finding. Following GMS Defect Governance Process Audit completed by Audit Services in Q1 FY2022-2023, two findings related to GMS defect management and process documentation were raised, and Management has developed action plans to address both findings.

Return to Player Settings Audit – Q4 Chances Casino Salmon Arm

Audit Services

Issued June 16, 2022

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Transmittal Letter

June 16, 2022

Dan Beebe
Interim Chief Operating Officer
2940 Virtual Way
Vancouver, BC V5M 0A6

Dear Mr. Beebe:

Re: Return to Player (RTP) Settings Audit – Chances Casino Salmon Arm

Attached is the Audit Services' report on the RTP setting testing that took place at Chances Casino Salmon Arm on February 15, 2022. The scope of our audit focused specifically on the RTP settings of 32 of the 105 slot machines located on the gaming floor at Chances Casino Salmon Arm.

The results of our audit conclude that all slot machines tested had correct RTP settings with no exceptions noted.

We thank the management and staff of the Chances Casino Salmon Arm for their cooperation and assistance during this audit.

Sincerely,

s 22

Darryl Tateishi CPA,
Senior Manager, Audit Services

cc: Tom Maryschak, Interim Director, Casino Operations
Kevin Sweeney, Director, Enterprise Security and Compliance
Ken Bach, Regional Manager, Operations
Trevor Sharkey, Manager, Business Operations
Jennifer Barbosa, Interim Director, Audit Services

Introduction

Audit Services allocated resources in its FY2022-2023 Annual Audit Plan (AAP) for engagements related to RTP audits, which focusses on providing assurance that the RTP settings in slot machines located in Casino and Community Gaming Centres (collectively, Casinos) across the province are accurate. RTP means the percentage of all the wagered money a slot machine will pay back to players over a given period.

Statement of Objectives

The objective of this engagement was to test the RTP settings of 32 randomly selected slot machines located at Chances Casino Salmon Arm on February 15, 2022.

Statement of Scope

The scope of these engagements is limited to reviewing slot machine RTP settings at select Casinos across the province.

Statement of Methodology

Our methodology and approach included:

- testing the RTP settings of randomly selected slot machines by verifying their accuracy against the information contained in the casino database, which is considered the master data,
- performing additional testing in the event that there are discrepancies found in the information contained in the master data and RTP setting. This would encompass comparing the master data to the probability accounting reports (PAR) or RTP change communication, which would confirm the proper RTP setting, and
- identifying process weaknesses, risks and controls.

Statement of Audit Standards

We conducted our audit in accordance with professional standards issued by the Institute of Internal Auditors. These standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws, rules and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Personnel Changes in Key Control Areas

BCLC's Audit Committee has requested that Audit Services include information about personnel changes and vacancies to key control areas during audit engagements. Personnel changes and vacancies can impact the control environment, control effectiveness, and institutional knowledge. The BCLC staffing at Chances Casino Salmon Arm is comprised of one Manager Business Operations and one Senior Technician. We note that there has been no BCLC staff changes during the last fiscal quarter.

Conclusion

Audit Services found no RTP exceptions in the 32 machines tested on February 15, 2022.

Acknowledgements

We wish to thank management and staff for their participation, assistance and cooperation during this audit. Audit Services was given full access to all resources and information required to complete this audit.

Return to Player Settings Audit – Q1 Chances Casino Squamish

Audit Services

Issued June 16, 2022

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Transmittal Letter

June 16, 2022

Dan Beebe
Interim Chief Operating Officer
2940 Virtual Way
Vancouver, BC V5M 0A6

Dear Mr. Beebe:

Re: Return to Player (RTP) Settings Audit – Chances Casino Squamish

Attached is the Audit Services' report on the RTP setting testing that took place at Chances Casino Squamish on May 24, 2022. The scope of our audit focused specifically on the RTP settings of 51 of the 98 slot machines located on the gaming floor at Chances Casino Squamish.

The results of our audit conclude that all slot machines tested had correct RTP settings with no exceptions noted.

We thank the management and staff of the Chances Casino Squamish for their cooperation and assistance during this audit.

Sincerely,

s 22

Darryl Tateishi CPA,
Senior Manager, Audit Services

cc: Tom Maryschak, Interim Director, Casino Operations
Kevin Sweeney, Director, Enterprise Security and Compliance
Ken Bach, Regional Manager, Operations
Ray Palumbo, Manager, Business Operations
Jennifer Barbosa, Interim Director, Audit Services

Introduction

Audit Services has allocated resources in its FY2022-2023 Annual Audit Plan (AAP) for engagements related to RTP audits, which focusses on providing assurance that the RTP settings in slot machines located in Casino and Community Gaming Centres (collectively, Casinos) across the province are accurate. RTP means the percentage of all the wagered money a slot machine will pay back to players over a given period.

Statement of Objectives

The objective of this engagement was to test the RTP settings of 51 randomly selected slot machines located at Chances Casino Squamish on May 24, 2022.

Statement of Scope

This audit is one of the four RTP engagements scheduled to occur during the fiscal quarter. The scope of these engagements is limited to reviewing slot machine RTP settings at select Casinos across the province.

Statement of Methodology

Our methodology and approach included:

- testing the RTP settings of randomly selected slot machines by verifying their accuracy against the information contained in the casino database, which is considered the master data,
- performing additional testing in the event that there are discrepancies found in the information contained in the master data and RTP setting. This would encompass comparing the master data to the probability accounting reports (PAR) or RTP change communication, which would confirm the proper RTP setting, and
- identifying process weaknesses, risks, and controls.

Statement of Audit Standards

We conducted our audit in accordance with professional standards issued by the Institute of Internal Auditors. These standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity, or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws, rules, and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Personnel Changes in Key Control Areas

BCLC's Audit Committee has requested that Audit Services include information about personnel changes and vacancies to key control areas during audit engagements. Personnel changes and vacancies can impact the control environment, control effectiveness, and institutional knowledge. The BCLC staffing at Chances Casino Squamish is comprised of one Manager Business Operations and one Senior Technician. We note that there has been no BCLC staff changes during the last fiscal quarter; aside from the recent hire of the Senior Technician.

Conclusion

Audit Services found no RTP exceptions in the 51 machines tested on May 24, 2022.

Acknowledgements

We wish to thank management and staff for their participation, assistance and cooperation during this audit. Audit Services was given full access to all resources and information required to complete this audit.

June 16, 2022

Peter ter Weeme
Chief Social Purpose Officer and VP, Player Experience
2940 Virtual Way
Vancouver, BC V5M 0A6

Dear Mr. ter Weeme:

Re: GameSense Performance Assessment – Chances Casino Squamish

Attached are the results of the GameSense Performance Assessment conducted by Audit Services that occurred on May 24, 2022, at Chances Casino Squamish.

The focus of the audit was to test certain elements of both locational and GameSense Advisor (GSA) criteria, as set out on this report, which were developed in conjunction with the Player Health Gambling Products Standards. The testing elements are determined by whether the GSA is onsite or not. For this audit, the GSA was not onsite, therefore only locational criteria were assessed. The audit found no issues and all testing criteria were met.

During FY2021-2022, Audit Services introduced a new and streamlined process (Report Card) to communicate potential or actual issues identified during the audit to all interested stakeholders. Audit Services plans to conduct additional GSA Performance Assessments throughout FY2022-2023.

We thank the management and staff of the Player Health department for their cooperation and assistance during this audit.

Sincerely,

s 22

Darryl Tateishi, CPA
Senior Manager, Audit Services

cc: Tamara Morgan, Interim Director, Player Health
Jennifer Barbosa, Interim Director, Audit Services

Report Card

GSA Location Assessment






SUMMARY FOR CHANCES CASINO SQUAMISH:

Report Parameters:

Performed on: May 24, 2022

Performed by: Matt Froh, Senior Internal Auditor

Testing Summary:

GameSense kiosk at the casino meets the furnishing requirements	
GameSense kiosk is stocked with appropriate materials	
GameSense kiosk is easy to locate within casino property	
All available QR (quick response) codes are functioning as expected	
GSA availability schedule easy to locate for patrons	
<i>If GSA on shift during the audit period:</i>	
GSA is within close proximity of the GameSense Information Center (GSIC) and/or is easy to locate	N/A
GSA is easy to identify and is fitted with clothing that distinguishes them from other casino gaming staff	N/A
GSA appeared available and approachable	N/A

Testing Notes:

GSA only available on weekends per GSIC availability schedule.

Follow-up:

Not required	Required
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Return to Player Settings Audit – Q1 River Rock Casino Resort

Audit Services

Issued June 16, 2022

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Transmittal Letter

June 16, 2022

Dan Beebe
Interim Chief Operating Officer
2940 Virtual Way
Vancouver, BC V5M 0A6

Dear Mr. Beebe:

Re: Return to Player (RTP) Settings Audit – River Rock Casino Resort

Attached is the Audit Services' report on the RTP setting testing that took place at River Rock Casino Resort on June 15, 2022. The scope of our audit focused specifically on the RTP settings of 254 of the 1,258 slot machines located on the gaming floor at River Rock Casino Resort.

The results of our audit conclude that all slot machines tested had correct RTP settings with no exceptions noted.

We thank the management and staff of the River Rock Casino Resort for their cooperation and assistance during this audit.

Sincerely,

s 22

Darryl Tateishi CPA,
Senior Manager, Audit Services

cc: Tom Maryschak, Interim Director, Casino Operations
Kevin Sweeney, Director, Enterprise Security and Compliance
Bal Bains, Regional Manager, Operations
Don Chow, Manager, Business Operations
Jennifer Barbosa, Interim Director, Audit Services

Introduction

Audit Services has allocated resources in its FY2022-2023 Annual Audit Plan (AAP) for engagements related to RTP audits, which focusses on providing assurance that the RTP settings in slot machines located in Casino and Community Gaming Centres (collectively, Casinos) across the province are accurate. RTP means the percentage of all the wagered money a slot machine will pay back to players over a given period.

Statement of Objectives

The objective of this engagement was to test the RTP settings of 254 randomly selected slot machines located at River Rock Casino Resort on June 15, 2022.

Statement of Scope

This audit is one of the four RTP engagements scheduled to occur during the fiscal quarter. The scope of these engagements is limited to reviewing slot machine RTP settings at select Casinos across the province.

Statement of Methodology

Our methodology and approach included:

- testing the RTP settings of randomly selected slot machines by verifying their accuracy against the information contained in the casino database, which is considered the master data,
- performing additional testing in the event that there are discrepancies found in the information contained in the master data and RTP setting. This would encompass comparing the master data to the probability accounting reports (PAR) or RTP change communication, which would confirm the proper RTP setting, and
- identifying process weaknesses, risks and controls.

Statement of Audit Standards

We conducted our audit in accordance with professional standards issued by the Institute of Internal Auditors. These standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws, rules and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Personnel Changes in Key Control Areas

BCLC's Audit Committee has requested that Audit Services include information about personnel changes and vacancies to key control areas during audit engagements. Personnel changes and vacancies can impact the control environment, control effectiveness, and institutional knowledge. The BCLC staffing at River Rock Casino Resort is comprised of one Manager Business Operations, two Senior Technicians, and nine Site Technicians. We note that there has been no BCLC staff changes during the last fiscal quarter.

Conclusion

Audit Services found no RTP exceptions in the 254 machines tested on June 15, 2022.

Acknowledgements

We wish to thank management and staff for their participation, assistance and cooperation during this audit. Audit Services was given full access to all resources and information required to complete this audit.

June 16, 2022

Peter ter Weeme
Chief Social Purpose Officer and VP, Player Experience
2940 Virtual Way
Vancouver, BC V5M 0A6

Dear Mr. ter Weeme:

Re: GameSense Performance Assessment – River Rock Casino Resort

Attached are the results of the GameSense Performance Assessment conducted by Audit Services that occurred on June 15, 2022, at River Rock Casino Resort.

The focus of the audit was to test certain elements of both locational and GameSense Advisor (GSA) criteria, as set out on this report. The testing elements are determined by whether the GSA is onsite or not. The audit found that not all testing criteria were met, and follow-up is required.

During FY2021-2022, Audit Services introduced a new and streamlined process (Report Card) to communicate potential or actual issues identified during the audit to all interested stakeholders. Audit Services plans to conduct additional GSA Performance Assessments throughout FY2022-2023.

We thank the management and staff of the Player Health department for their cooperation and assistance during this audit.

Sincerely, .

s 22

Darryl Tateishi, CPA
Senior Manager, Audit Services

cc: Tamara Morgan, Interim Director, Player Health
Jennifer Barbosa, Interim Director, Audit Services

Report Card

GSA Location Assessment









SUMMARY FOR RIVER ROCK CASINO RESORT:

Report Parameters:

Performed on: June 15, 2022

Performed by: Rolly Dioquino, Senior Internal Auditor

Testing Summary:

GameSense kiosk at the casino meets the furnishing requirements	
GameSense kiosk is stocked with appropriate materials	
GameSense kiosk is easy to locate within casino property	
All available QR (quick response) codes are functioning as expected	
GSA availability schedule easy to locate for patrons	
<i>If GSA on shift during the audit period:</i>	
GSA is within close proximity of the GameSense Information Center (GSIC) and/or is easy to locate	
GSA is easy to identify and is fitted with clothing that distinguishes them from other casino gaming staff	
GSA appeared available and approachable	

Testing Notes:

The GameSense kiosk has not yet been updated for the current re-branding initiative. The GSIC is hard to locate on the gaming floor; the GSA on site has suggested a potential relocation to opposite the Customer Service area.

Follow-up:

Not required	Required
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GMS Defect Governance Process Audit

Audit Services

Issued June 21, 2022

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Transmittal Letter

June 21, 2022

Dan Beebe, Interim Chief Operating Officer
Pat Davis, Chief Information Officer and VP, Business Technology
2940 Virtual Way
Vancouver, BC V5M 0A6

Dear Mr. Beebe and Mr. Davis:

Re: GMS Defect Governance Process Audit

Attached is Audit Services' report on the GMS Defect Governance Process Audit conducted during the period of March 2022 to June 2022.

The results of the audit resulted in two findings (one high and one moderate) and proposed recommendations for management consideration. Management agrees with the two findings and is actively taking measures to address them. Details concerning the findings, proposed recommendations and management responses are set out in the report.

We thank the management and staff of both GMS Operations and Business Technology departments for their cooperation and assistance during this audit.

Sincerely,

s 22

Darryl Tateishi, CPA
Senior Manager, Audit Services

cc: Tom Maryschak, Interim Director, Casino Operations
 Andrew Williamson, Manager, GMS operations
 Lauren Goebel, Director, Product Delivery Services
 Mark Gutknecht, Director, Integrity and Operations
 Jennifer Barbosa, Interim Director, Audit Services

Introduction

During the COVID-19 pandemic, the Provincial Health Office (PHO) temporarily closed all B.C. gaming facilities (Casinos, Community Gaming Centers). With facilities closed, BCLC earned no revenue from casinos and no gaming activity occurred in the Gaming Management System (GMS) or the GMS Domain system. During this time, BCLC completed an upgrade to GMS (GMS V16) that contained various defects, which were tracked and prioritized for remediation.

Prior to the reopening of Casinos, the majority of defects stemming from the GMS V16 upgrade were addressed by management to ensure the scheduled July 1, 2021 reopening of Casinos was not delayed or significantly affected. While most defects have been addressed, there are a number of outstanding GMS V16 issues that remain. Management has continued to remediate these defects and are testing all fixes prior to deployment to ensure the fix works as intended and sufficiently addresses the defect before deploying.

Statement of Scope and Objectives

The objectives of this audit were to verify that:

- a set of process and controls have been established to identify, track, prioritize and resolve GMS defects, and
- a change management process is in place through performing walkthrough and testing a sample size of closed defect tickets from July 1, 2021 to March 31, 2022 to determine that:
 - changes to GMS are authorized, tested, approved, properly implemented, and documented, and
 - signoffs and approvals were evident before the patch or service pack was deployed to the production environment.

We used COBIT (Control Objectives for Information and Related Technologies) Framework by ISACA (Information Systems Audit and Control Association) as a best practice guidance to build the audit program and perform audit testing.

Statement of Methodology

The overall approach to perform this audit leveraged the process BCLC uses to implement, manage, and monitor the GMS defect governance process.

Specifically, the methods used were:

- conducting interviews with key personnel from Business Technology and GMS Operations departments,
- reviewing related documentation such as policies, procedures, and processes, and
- performing both walkthrough testing and substantive testing on a random sample of closed defect tickets.

Statement of Audit Standards

We conducted our audit in accordance with professional standards issued by the Institute of Internal Auditors (IIA) and COBIT 5 framework issued by the Information Systems Audit and Control Association (ISACA). These standards and Framework require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes

assessments of applicable internal controls and compliance with requirements of laws, rules and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Personnel Changes in Key Control Areas

BCLC's Audit Committee has requested that Audit Services include information about personnel changes and vacancies to key control areas during audit engagements. Personnel changes and vacancies can impact the control environment, control effectiveness, and institutional knowledge. During this engagement, we discussed personnel changes and revisions to roles with management. During the period of July 1, 2021 to March 31, 2022, there were five employees that transferred outside of the departments. While this is considered a higher-than-expected level of employee turnover, management has managed the staffing changes and operational impacts through succession planning and cross training to transfer knowledge to other departmental employees.

Conclusion

Based on our audit work, we noted the following two findings:

1. There is no formal documentation for GMS defect management process; and
2. Defect meeting minutes were not consistently documented nor maintained.

We have discussed these findings with management. Management has accepted and agrees with our findings and proposed recommendations and have developed mitigation strategies to address the findings.

Audit Findings and Priority Issues

Following are the most significant issues that we identified during our work along with associated recommendations to address these issues. To assist management in prioritizing action plans in response to our recommendations, we have categorized each issue by priority of issue, using the following criteria for rating purposes:

- High – Issue should be addressed and resolved immediately.
- Moderate – Issue requires management attention and should be addressed and resolved within a reasonable time period.
- Low – Issue is of lesser significance that is administrative in nature. Any low-risk findings have been discussed with management and therefore excluded from the report.

These rating levels are measured in the context of this audit and its objectives and does not reflect the BCLC's risk criteria. Audit Services commits to conducting follow-up audits on all significant findings within six months from the date this audit report was issued.

1. LACK OF FORMAL DOCUMENTATION FOR GMS DEFECT MANAGEMENT PROCESS (HIGH)

Finding

Audit Services performed a walkthrough of the GMS defect management process and randomly selected and tested a sample of the closed GMS defect tickets between July 1, 2021 to March 31, 2022. Based on our test results, we conclude that there is a process in place to identify, track, prioritize, and resolve GMS defects. However, this process is not formally documented; there does not exist a written policy and procedures to define action points, workflows and tasks happening in the GMS defect management life cycle.

s 15(1)

Recommendation

We recommend a Standardized Operating Procedures (SOP) be developed, documented, periodically reviewed and updated to define the process and procedures for GMS defect management. This SOP should be applied consistently across the whole defect management lifecycle.

Management Response

We agree that the process is not documented and that it should be. Business Technology team will document and publish a formal document on the existing defect management process.

2. DEFECT MEETING MINUTES NOT CONSISTENTLY DOCUMENTED (MODERATE)

Finding:

Defect meetings were held on a weekly basis to discuss and prioritize the identified defects. However, meeting minutes were not always documented nor stored in a central repository. Audit Services selected a random sample of defects (all prior to September 2021 due to random sampling methodology) but could not locate corresponding defect meeting records.

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Recommendation:

We recommend that defect meeting records be maintained in central repository and be reviewed for status update during each defect meeting.

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Acknowledgements

We wish to thank management and staff for their participation, assistance, and cooperation during this audit. Audit Services was given full access to all resources and information required to complete this audit.