

Ernst and Young Audit October 2015 Findings/Observations

	Recommendation / Finding	Program Area	Status	Response	Updates
1	BCLC's Anti-Money Laundering and Anti-Terrorist Financing Compliance Manual states that the Manager of AML and Operational Analysis will oversee and approve training plans. Based on EY's discussion and evidence of AML related meetings attended by the Compliance Officer, he is a participant of these conversations, but does not provide formal sign-off. The AML policies and procedures state that the BCLC AML training program is created by a few individuals and ultimately approved by a committee. <b>OBSERVATION</b>	<b>TRAINING:</b> Guideline 4 "For consistency and ongoing attention to the compliance regime, your appointed compliance officer may choose to delegate certain duties to other employees. For example, the officer may delegate an individual in a local office or branch to ensure that compliance procedures are properly implemented at that location. However, where such a delegation is made, the compliance officer retains responsibility for the implementation of the compliance regime."	○○○●	Observation accepted. While this is not a FINTRAC specific requirement, BCLC notes that a more official sign off process would provide benefit. BCLC's Anti-Money Laundering and Anti-Terrorist Financing Compliance Manual pre-dates some current role profiles and requires updating. Changes will be implemented and Director of AML and VP of AML have met to define a better process. Board shall pass resolution to identify the compliance officer. To be completed by January 31, 2016	November 13, 2015 - All formal training documents including PowerPoint presentations and on line courses for both the BCLC and SP staff have been updated and signed off on by Project Manager, Director of AML, and VP of Corporate Security & Compliance. All sign off sheets have been scanned and stored on the shared drive, folder called "Training Materials 2015". - <b>COMPLETE</b> November 16, 2015 Updates have been completed to the AML Manual. Sent to Policy Analyst to load all the changes before final copy is approved by Director AML and VP Corporate Security. Expected Completion date January 15, 2016 Update - AML Manual changes will be completed by the Manager of Special Projects ETA January 7, 2016 for review by Director of AML. - <b>COMPLETE</b> November 27, 2015 ██████ to coordinate with ██████ at Board Meeting to pass resolution to identify the compliance officer. March 29, 2016 The resolution is drafted. It will be added to a Board meeting before the end of the year. December 2016 Board Minute Meetings approved Compliance Officer. <b>COMPLETE</b>
2	Compliance Officer reviewed and provided comments for the BCLC AML manual. As part of the review, there is a section on risk assessment and methodology he approved. While this is evident, there is no formal approval process noted for the specific areas covered under BCLC's AML risk register. Several tabs within the AML risk register indicate that updates were made to information noted; however, corresponding sign-offs by the personnel assigned to these areas of the AML risk register was not noted. The Compliance Officer participated in meetings regarding quarterly risk, but the delegation of duties to the individuals noted in the assessment is not formally documented. <b>OBSERVATION</b>	<b>COMPLIANCE, GOVERNANCE &amp; RISK ASSESSMENT</b> Guideline 4 "For consistency and ongoing attention to the compliance regime, your appointed compliance officer may choose to delegate certain duties to other employees. For example, the officer may delegate an individual in a local office or branch to ensure that compliance procedures are properly implemented at that location. However, where such a delegation is made, the compliance officer retains responsibility for the implementation of the compliance regime"	○○○●	Observation accepted. While this is not a FINTRAC specific requirement, BCLC notes that a more official sign off and review process for Risk Register would be a better business practice. Changes will be implemented. To be completed by January 31, 2016	November 16, 2015 - As part of a follow up to previous quarter Risk Register meeting the AML Unit will be reviewing the Risk Register on November 18 and will include an area for appropriate sign off. Expected to be complete December 17, 2015. December 15, 2015 - AML Risk Register Complete; waiting for final approval by VP Corporate Security (Signed Off January 5, 2016) <b>COMPLETE</b>
3	Of the 60 PGF due diligence files tested, 50 (83.33%) were missing evidence that the requisite sanctions and background checks had been conducted at account opening. Background checks in ██████ are initiated when a business relationship is established with BCLC, but may not occur until the patron has already initiated transactions at service provider locations where they maintain accounts. <b>OBSERVATION</b>	<b>DUE DILIGENCE &amp; CUSTOMER IDENTIFICATION FOR PATRON GAMING FUND (PGF) ACCOUNTS:</b> Due diligence measures for account opening, such as the verification that patrons are not on the sanctions and terrorist watch lists maintained by the Office of the Superintendent of Financial Institutions (OSFI), are not typically documented, as required by BCLC's policies and procedures. "An account based business relationship is established when a patron opens a Patron Gaming Fund (PGF) account. BCLC policies and procedures outline all required information that must be collected in order to establish a PGF account."	○○○●	Observation accepted. Currently ██████ is completed by BCLC and not the service provider. There is no regulatory requirement for ██████ to be completed at enrollment into a PGF account and BCLC acknowledge while there is potential risk of accepting transactions from a person on the OSFI watched list this risk is mitigated appropriately. Currently this is a manual process however the new automated AML solution will conduct ██████ and that will be implemented in 2016. BCLC believe there is more risk for a transaction to occur under the reporting threshold, where transactions are anonymous and believe it is highly unlikely a person on the OSFI list would provide their personal details and identification to benefit from opening a Casino account. The OSFI list also contains almost exclusively persons of Arabic or North African background. BCLC's PGF account's belong almost exclusively to person of Asian origin. The AML Specialist currently reviews all new PGF accounts within 48 hrs of opening to look for anomalies	November 16, 2015 - New automated AML solution that will conduct ██████ is scheduled for August 2016. Short term solution has been to implement a process whereby AML Analysts receive alerts for all new PGF account openings. A file is then created to record that the patrons have been scanned, and notify the SP/AML on any negative findings. This is to be completed within 48 hours of PGF account opening. - <b>COMPLETE</b> November 18, 2015 PGF Policy will be amended to include that the SP must also conduct a OSFI check on account opening and to retain record of actual check <b>COMPLETE</b>
4	Of the 60 PGF account files tested, eight (13.33%) did not contain this review sheet. All of the eight files in question belong to the RiverRock Casino, suggesting that this missing compliance check could be isolated to this specific property. <b>OBSERVATION</b>	<b>DUE DILIGENCE &amp; CUSTOMER IDENTIFICATION FOR PATRON GAMING FUND (PGF) ACCOUNTS:</b> Due Diligence and Customer Identification for Patron Gaming Fund (PGF) Accounts. The account process review sheet, which has been incorporated by BCLC as an industry leading practice, is not consistently completed and added to the file by the Casino investigator.	○○○●	Observation accepted. While this is not a FINTRAC specific requirement, BCLC notes that this is a procedure for Casino Investigators which was not necessarily being followed due to Operational Priorities.	November 12, 2015 - The review sheet is not part of our current BCLC policy, but it was created to ensure that there was oversight on the process. Policy will be drafted to include the checklist as a mandatory item to be reviewed when opening PGF accounts and will be scanned into the media tab on ██████ with other appropriate documentation. Will be updated for the next NTI; Form has been posted in YAK under forms for SP. - <b>COMPLETE</b>
5	While there is evidence that BCLC applies ██████ due diligence searches to patrons who maintain a business relationship with the corporation, there are no documented policies and procedures in place that address screening for potentially sanctioned patrons. In addition, there are no policies and procedures in place that speak to specific on-going due diligence processes, such as performing ██████ searches and how these searches are conducted, recorded and applied to patron subject profiles. BCLC's Anti-Money Laundering and Anti-Terrorist Financing Compliance Manual only mentions that OSFI maintains a list of individuals and terrorist groups that BCLC would be prohibited from interacting with. <b>OBSERVATION</b>	<b>SANCTIONS, POLICIES &amp; PROCEDURES:</b> Through interviews and a walkthrough of BCLC's due diligence process, there is evidence that screening for patrons takes place through the use of ██████. While the process takes place, there are no specific policies and procedures to address that sanctions screening occurs and the impact of ██████ searches performed in attempts to identify any parties that may be on OSFI's published list.	○○○●	Observation accepted. This function is presently being performed by AML Analysts as per job function and is not documented.	November 16, 2015 - AML Analyst has completed a process that documents procedures to address screening for potentially sanctioned patrons and performing ██████ searches and how these searches are conducted, recorded, and applied. AML Manual has been updated to include these changes. Document sitting with VP for approval and final sign off. - <b>COMPLETE</b>
6	██████ searches for patrons where a business relationship is established with BCLC are generally performed on a monthly basis. During EY's assessment, as of September 3, 2015, all of the patron's names with established business relationships with BCLC in July 2015 had not yet been entered into ██████. This backlog appears to be specific to this timeframe noted and is not representative of the full scope period. FINTRAC specifies that due diligence be performed under a risk based approach and does not specify a specific timeframe, thus this documentation is observational in nature. <b>OBSERVATION</b>	<b>SANCTIONS SCREENING:</b> BCLC relies solely on ██████ to perform sanctions screening for individual patrons. While this practice generally occurs on a monthly basis, EY observed that during their recent assessment that the searches for patrons as of July 2015 have yet to be conducted.	○○○●	Observation noted. This is not a regulatory requirement. A process is already in place but due to business priorities, this period was not captured in a timely manner over the summer months of 2015. This is currently a manual process.	November 16, 2015 - Process is already in place but due to business priorities, this period was not captured in a timely manner. Implemented process that sanctions for screening for individual patrons will be completed the first of every month. - <b>COMPLETE</b>
7	Hard Rock Casino was assessed to have no PGF account activity under the risk factor "transactions with high risk geographic locations". Hard Rock Casino does in fact have PGF account activity and this should be considered in the location assessment. In addition, several of the geographic risk assessments have not been updated in the last six (6) months as noted in BCLC's AML policies and procedures. <b>OBSERVATION</b>	<b>COMPLIANCE, GOVERNANCE &amp; RISK ASSESSMENT</b> Updates to the Anti-Money Laundering Risk Assessment document under the Geographic Risk tab have not been updated per BCLC's AML policies and procedures.	○○○●	Observation noted. Updates to Risk Factors required.	November 16, 2015 AML Unit will be reviewing the Risk Register on November 18 which will include a review of risk factor updates and will include an area for appropriate sign off. Expected to be complete December 17, 2015 January 5, 2016 Geographic risk tab still needs to be updated - <b>COMPLETE</b>