

BCLC Crown Review Recommendations Status Update

OCTOBER 2016

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Background

On December 17, 2014, the Government of British Columbia's Internal Audit and Advisory Services Review of BCLC report was released.

BCLC's Board Chair and President & CEO accepted all 25 recommendations related to BCLC and the corporation began taking action to address the recommendations. BCLC's response is available on bclc.com.

As of October 13, 2016, BCLC has completed 17 of the recommendations, and substantially completed eight remaining recommendations. BCLC is on track to complete all recommendations by the end of fiscal year 2016/17.

This public status update provides details on BCLC's progress and actions as of October 13, 2016.

The Crown Review report is available on the [B.C. Government website](http://www.bccrgov.ca).

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Gaming Operations

LOTTERY GAMING

Recommendation	Actions to date	Status
1. BCLC should establish critical success factors for its lottery retailers in order to evaluate performance to report on results.	<p>BCLC finalized lottery retailer profitability criteria to clearly identify financial success metrics. These metrics will be leveraged for an engaging and profitable relationship with BCLC and will be included in a process for exiting non-profitable retailers from the network.</p> <p>The field sales team was trained on new metrics and procedures on September 30, 2015. These materials were published and distributed to retailers January 1, 2016.</p>	Completed

CASINO GAMING

Recommendation	Actions	Status
2. BCLC should ensure that agreements with service providers include comprehensive performance standards.	BCLC has undertaken a review of the current operating services agreements (OSA), which included preliminary identification of standards for facility operations. BCLC is developing and will incorporate a Performance Metrics Framework into the new OSAs.	Substantially Completed
3. BCLC and the Ministry of Finance should conduct a review of service provider commissions for gaming facilities to ensure an appropriate and effective structure.	BCLC and the Ministry of Finance have finalized a joint project charter outlining expectations and deliverables. BCLC completed a review of the commission structure and met with service providers to obtain input. A modernized commission structure is in the final stages of development. The new commission structure is being developed in conjunction with the new OSA.	Substantially Completed
4. BCLC should explore potential cost containment opportunities available through the reduction of vendors and platforms.	BCLC conducted a review of casino game hardware and software. Analysis included a current assessment of all vendor platforms as well as any potential negative impact to the player experience. Based on this analysis, the recommendation is to continue focusing on improving management of parts inventory costs, which is being addressed within Crown Recommendation #5, while forecasting platform lifecycles.	Completed

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Recommendation	Actions	Status
5. BCLC should evaluate options to improve inventory management systems.	<p>The slot machine parts tracking system was recently upgraded and a training course released to all users.</p> <p>Key performance indicators have been developed and obsolete inventory has been removed. BCLC launched financial tracking/reporting by site based on cost per machine and also launched initiatives to improve site inventory performance.</p>	Completed
6. BCLC should establish a clear set of criteria for gaming facility procurement.	<p>BCLC examined procurement processes for new facilities, taking into account existing trade agreements, overlapping market areas with existing service providers and facilities, market penetration and industry best practices.</p> <p>BCLC developed criteria and processes to ensure that new facility developments are based on a consistent framework that ensures success for our shareholder, service providers, BCLC, and the public.</p> <p>The Facility Relocation processes have been completed. The New Facility process has been developed and the corresponding Request For Proposals template is complete.</p>	Substantially Completed
7. BCLC should conduct a comprehensive post-implementation review of the GMS project that includes benefits realization.	<p>The Gaming Management System (GMS) project is complete. A post-implementation review of project delivery and a project closure report has been completed.</p> <p>Post-project assessments of benefits realization were completed at the six and 12-month post-project milestones. The six month review focused on results delivered in FY15 and was used to evaluate the framework. The 12-month review focused on results delivered in FY15 and FY16.</p> <p>A report of GMS Benefits Realization was presented to BCLC executive stakeholders in July 2016.</p>	Completed

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Protection of Public and Gaming Industry

RESPONSIBLE GAMBLING

Recommendation	Actions	Status
8. BCLC should ensure a consistent approach to administering the VSE program across gaming facilities and eGaming.	BCLC evaluated solutions that provide players with the option to exclude from facilities when they exclude on PlayNow, and vice versa. When players elect to VSE in a facility, they are automatically excluded on PlayNow. BCLC has also completed a feature on PlayNow that allows players who VSE on PlayNow to also elect to VSE from facilities.	Completed
9. BCLC should develop outcome based performance measures for responsible gambling.	BCLC is developing a Positive Play Index to measure the level of healthy gambling behaviour among players, and a mystery shopping program for gaming venues. BCLC will develop a tracking study to provide responsible gambling outcomes. BCLC will continue to engage external researchers to evaluate the effectiveness of the VSE program.	Substantially Completed

Internal Operations

GOVERNANCE AND PERFORMANCE

Recommendation	Actions	Status
12. BCLC's board and executive should ensure that sufficient, appropriate and timely information is communicated and that strategies are appropriately challenged.	Board and Board Committees' Terms of Reference were updated to promote clear understanding between the Board and Management regarding the information that the Board expects to be provided for oversight purposes. The template used for Board decisions has been updated in consultation with the Governance Committee and provided to BCLC's Executive. BCLC has a short summary of the strategic plan that can be easily referenced by Management when completing the Board decision template. This will encourage decision-making in a strategic context. The strategic plan was approved by the Board on January 19, 2016.	Completed

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Recommendation	Actions	Status
14. BCLC should establish performance measures linked to corporate goals for each business unit.	BCLC has reviewed its performance framework and has developed a performance framework that supports and is aligned to our corporate strategy. A model for the new performance framework has been developed and workshops were conducted to identify performance measures to incorporate into divisional and executive dashboards, aligned to the FY2017/18 divisional planning cycle.	Substantially Completed

INFORMATION TECHNOLOGY

Recommendation	Actions	Status
15. BCLC should establish an IT Steering Committee with representation from key functional areas across the organization.	The IT Governance Structure Analysis is completed. BCLC has leveraged existing infrastructure to create a new IT Steering Committee consisting of Business Technology Directors and other business and compliance stakeholders.	Completed
16. BCLC should develop plans for the decommissioning and replacement of key legacy systems that are expected to be retired.	In February 2015, BCLC completed implementation of the Gaming Management System (GMS) in casinos, a new human resources system, the modernization of the lottery central system infrastructure and the back office application used by the lottery business for Retailer Network Management. A technology roadmap is in place to address expected retirement of legacy systems and will be reviewed annually.	Completed
17. BCLC should ensure BCP and DRP plans are developed, implemented and periodically tested.	BCLC developed a Business Continuity Management Framework with the assistance of a third party. BCLC presented to the Risk Committee of the Board of Directors in October 2016, which supported the recommendation to address Disaster Recovery and Business Continuity Plans. BCLC is also developing a Business Continuity steering committee to support the Business Continuity policy.	Completed

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Recommendation	Actions	Status
18. BCLC should enhance its tracking and reporting of information security incidents, and communicate incident management policies to staff.	<p>BCLC's information security awareness training course includes components related to incident reporting. A new procedure for information privacy and security incident management was completed in November 2014 and communicated to staff in January 2015.</p> <p>In July 2015, BCLC implemented information security incident tracking to better track and report on information security incidents.</p>	Completed
19. BCLC should ensure that security and privacy requirements for the protection of player information is implemented and followed by service providers.	<p>BCLC continues to work with our service providers on strengthening protection of player information.</p> <p>BCLC has a privacy training course for service providers and training is now mandatory. BCLC performs Information Privacy and Security Assessments on all new service provider initiatives involving player information.</p> <p>BCLC has incorporated strong privacy and security provisions into Casino and Community Gaming Standards, Policies and Procedures.</p>	Completed
20. BCLC should ensure that corporate data is classified and data ownership is fully inventoried.	<p>The BCLC Information Classification Policy was updated in August 2014. BCLC has further updated the Information Classification Policy to bring clarity to roles and responsibilities, and developed an Information Classification Standard following completion of the policy.</p> <p>BCLC is conducting an inventory of critical sensitive data in key systems and assigning Information Owners, in accordance with the Information Classification Policy and Standard.</p> <p>For new initiatives, BCLC has incorporated a process to capture, classify and inventory data and systems within the existing Information Privacy and Security Assessment (IPSA) template and processes.</p> <p>BCLC is also developing guidance and awareness materials for employees.</p>	Substantially Completed

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FINANCIAL MANAGEMENT

Recommendation	Actions	Status
21. BCLC and Ministry of Finance should develop a comprehensive cost containment framework.	<p>The cost containment framework has been finalized. A roadmap for Year 1 of the cost containment program for BCLC has been developed.</p> <p>A submission to Treasury Board outlining related options and recommendations was provided by the Ministry of Finance in October 2016.</p>	Substantially Completed
22. BCLC should standardize its project portfolio management framework including key performance indicators.	<p>BCLC will continue its practice of managing strategic projects through the Program Management Office. BCLC has also developed a standard, scaled project management process for use within other areas of the organization, and have included standard key performance indicators.</p> <p>The Divisionally Led Project Management (DLPM) framework has been finalised and published to the organization's intranet. The DLPM framework is mandatory and now in use for all new business case initiatives that aren't led by the Program Management Office and, as best practice, is recommended and available for use on all other projects as well.</p>	Completed
23. BCLC should monitor project budget variance by comparing actual project cost to baseline budget.	<p>In addition to reporting against the current baseline budget, BCLC has added reporting of project forecast against the original business case budget to project status reports and steering committee presentations. BCLC has also developed a standard process for project budget variance approvals in addition to standard project governance approvals.</p>	Completed
24. BCLC should ensure that the business case process is sufficiently rigorous to allow for fully informed decision making and accountability.	<p>BCLC's business case process for 2015/16 included additional financial rigor and a new quarterly assessment process. Planning processes are being reviewed for opportunities for continuous improvement of the quality of information provided for decision-making.</p>	Completed

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25. BCLC should ensure its procurement practices support the achievement of value for money.	<p>BCLC has assessed procurement business process improvements including a review of Supplier Relationship Management as well as management of below Threshold spend. BCLC implemented a three-quote process for service contract awards between \$30,000 and \$100,000. BCLC has also developed enterprise applicable vendor performance management capabilities.</p> <p>In addition, business process improvements have been implemented to include price in proposal review prior to shortlisting for commodity type goods and services. Control points requiring additional management review of key process steps and documentation have been implemented to ensure documentation requirements are met. SAP functionality has been enhanced to improve spend-to-contract reporting.</p>	Completed
26. BCLC should demonstrate the effectiveness of its overall marketing expenditures.	<p>BCLC implemented processes at the start of fiscal 2016 to ensure that post assessments of all measurable marketing campaigns take place for the three major marketing departments (Lottery, Casino, eGaming). In September, 2015, BCLC implemented advertising tracking to measure the effectiveness of all mass media communications initiatives.</p> <p>Currently 100% of consumer-facing marketing budgets (which account for approximately 97% of the total BCLC Marketing budget) are being measured.</p>	Completed

STAFFING AND COMPENSATION

Recommendation	Actions	Status
27. BCLC should develop more challenging and comprehensive holdback measures.	BCLC has reviewed the impact of holdback on total salary compensation for management levels which resulted in our Board increasing the thresholds used to trigger corporate and personal goal achievement for use beginning in 2015/16.	Completed

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Recommendation	Actions	Status
28. BCLC should improve planning and oversight over staffing and compensation initiatives.	<p data-bbox="688 315 1675 435">BCLC completed recruitment for a Vice President of Human Resources and the Human Resources leadership team has made improvements in the area of analytics and reporting. BCLC is committed to continuing to strengthen its relationship with the Public Sector Employers' Sector.</p> <p data-bbox="688 451 1675 571">All compensation practices have been centralized to ensure consistency in application and processes. A review and re-write of the entire HR policy framework has been completed including a comprehensive review of its compensation policy. Approval of the policies is pending.</p> <p data-bbox="688 587 1675 740">Ernst &Young (EY) has completed its review of the BCLC Talent Management program, which includes compensation, in context to the BC Public Sector Compensation Review produced by EY and accepted by government in September, 2014. EY has presented their final recommendation to BCLC in aligning our talent practices.</p> <p data-bbox="688 756 1675 850">BCLC has updated the Human Resource and Compensation (HR&C) Committee of the Board terms of reference to ensure clear governance around roles & responsibilities of the HR&C Committee and the senior HR leadership team.</p>	Substantially Completed