

BCLC Crown Review Recommendations Status Update

JANUARY 2016

BCLC Crown Review Recommendation Status Update

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 January 19, 2016, BCLC has completed nine of the recommendations, partially completed eight and continues to make progress on all remaining recommendations.

This public status update provides details on BCLC's progress and actions as of January 21, 2016.

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

BCLC Crown Review Recommendation Status Update

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 continues to evaluate options for incorporating performance standards into agreements, policies and procedures.	Started
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 has engaged a consultant to review the commission structure. The review is now complete and a final report is in progress.	Partially Completed
4. BCLC should explore potential cost containment opportunities available through the reduction of vendors and platforms.	Planning continues in order to define the approach for an in-depth review of casino game hardware and software. BCLC is also analyzing current revenue performance of all vendor platforms. BCLC is focusing on cost management for parts management, training and maintenance.	Started

BCLC Crown Review Recommendation Status Update

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. Updates to the training manuals and online courses are underway.</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>	Partially Completed
6. BCLC should establish a clear set of criteria for gaming facility procurement.	<p>BCLC continues to examine 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 is developing 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>BCLC is also reviewing corporate level policies with respect to the selection process.</p>	Started
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 substantially complete. A post-implementation review of project delivery is in progress.</p> <p>Post-project assessments of benefits realization are planned.</p>	Started

Protection of Public and Gaming Industry

RESPONSIBLE GAMBLING

Recommendation	Actions	Status
----------------	---------	--------

BCLC Crown Review Recommendation Status Update

Recommendation	Actions	Status
8. BCLC should ensure a consistent approach to administering the VSE program across gaming facilities and eGaming.	<p>BCLC is evaluating solutions that provide players with the option to exclude from facilities when they exclude on PlayNow, and vice versa. BCLC is also evaluating options for the potential enrolment process of PlayNow players and is evaluating technical feasibility of the proposed solution.</p> <p>A key objective will be not to introduce barriers that may deter people from entering the VSE program.</p>	Started
9. BCLC should develop outcome based performance measures for responsible gambling.	<p>BCLC will conduct a VSE Longitudinal Study to monitor and evaluate the VSE program outcomes on an ongoing basis.</p> <p>BCLC will develop a Positive Play Index to measure the level of healthy gambling behaviour among players, and a mystery shopping program for gaming venues.</p> <p>BCLC will develop a tracking study to provide longitudinal measurement of responsible gambling outcomes.</p>	Started

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.	<p>Board and Board Committees' Terms of Reference are being updated to promote clear understanding between the Board and Management regarding the information that the Board expects to be provided for oversight purposes.</p> <p>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.</p> <p>The strategic plan was approved by the Board on January 19, 2016.</p>	Complete

BCLC Crown Review Recommendation Status Update

Recommendation	Actions	Status
14. BCLC should establish performance measures linked to corporate goals for each business unit.	BCLC is developing a new performance framework that supports and is aligned to our corporate and divisional strategies. BCLC is also working closely with the Ministry of Finance to develop performance indicators. Scope is focused on profit related goals. Basic measures were approved by the Board in October 2015, and will be proposed to the Ministry of Finance.	Started

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.	<p>In February 2015, BCLC completed implementation of the Gaming Management System (GMS) in casinos and has also completed modernization of the lottery central system infrastructure and the back office application for Retailer Network Management. Implementation of a new human resources system is partially complete.</p> <p>A technology roadmap is in place to address expected retirement of legacy systems and will be reviewed annually.</p>	Completed
17. BCLC should ensure BCP and DRP plans are developed, implemented and periodically tested.	<p>Since 2012, BCLC has undergone a number of initiatives to strengthen its Business Continuity Management (BCM) program, including the establishment of BCM policies, development of a 5-year roadmap and implementation of emergency safety plans.</p> <p>BCLC has modernized its lottery central system infrastructure, which includes improved disaster recovery capabilities.</p> <p>More detailed continuity plans are being developed for key areas such as Player Services and a formal structure for Crisis Management is in the implementation phase.</p>	Partially Completed

BCLC Crown Review Recommendation Status Update

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 expects to strengthen language relating to privacy requirements and non-compliance as part of the review of operating service agreements with our third-party service providers.</p>	Partially 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. The approach to data strategy is under development. BCLC's Information Classification standard will be updated once the data strategy has been finalized.</p>	Partially Completed

FINANCIAL MANAGEMENT

Recommendation	Actions	Status
21. BCLC and Ministry of Finance should develop a comprehensive cost containment framework.	<p>The Minister of Finance approved BCLC's Comprehensive Cost Ratio (CCR) proposed metrics on January 15, 2015. BCLC will continue to assess performance against CCR ceilings as outlined in the 2015/16 Service Plan.</p> <p>BCLC will also continue to strengthen zero-based budgeting processes and continues to actively explore options for the most effective comprehensive cost containment framework in collaboration with the Ministry of Finance.</p>	Partially Completed

BCLC Crown Review Recommendation Status Update

Recommendation	Actions	Status
22. BCLC should standardize its project portfolio management framework including key performance indicators.	BCLC will continue its practice of managing strategic projects through the Program Management Office. BCLC is also developing a standard, scaled project management process for use within other areas of the organization, and will include standard key performance indicators.	Started
23. BCLC should monitor project budget variance by comparing actual project cost to baseline budget.	In addition to reporting against the current baseline budget, BCLC has added reporting of project forecast against the final 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.	Completed
24. BCLC should ensure that the business case process is sufficiently rigorous to allow for fully informed decision making and accountability.	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.	Completed
25. BCLC should ensure its procurement practices support the achievement of value for money.	<p>BCLC has developed an action plan to assess procurement business process improvements including a review of Supplier Relationship Management as well as management of below Threshold spend. BCLC will develop enterprise applicable vendor performance management capabilities and is implementing a three-quote process for service contract awards between \$30,000-\$100,000</p> <p>In addition, BCLC has implemented process improvements to include price in proposal review prior to shortlisting for commodity type goods and services. Additional control points have been added to ensure documentation requirements are met.</p>	Partially 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>	Complete

BCLC Crown Review Recommendation Status Update

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.	Complete
28. BCLC should improve planning and oversight over staffing and compensation initiatives.	<p>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 PSEC.</p> <p>All compensation practices have been centralized to ensure consistency in application and processes. A review and re-write of the entire HR policy framework is underway including updates to compensation and progressive discipline policies. 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>BCLC has updated the Human Resource and Compensation Committee of the Board (HR&C) terms of reference to ensure clear governance around roles & responsibilities of the HR&C Committee and the senior HR leadership team.</p>	Partially Completed