

# Lottery Draws Controls Framework

## Audit Services

April 28, 2017

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## Transmittal Letter

June 30, 2017

Kevin Sweeney  
Director, Security, Privacy and Compliance  
74 West Seymour Street  
Kamloops, BC, V2C 1E2

Dear Mr. Sweeney,

**Re: Lottery Draws Controls Framework**

Attached is Audit Services' report on the Lottery Draws Controls Framework.

In Q3 of FY2016, Audit Services completed a control design review of BCLC's Lottery Draws. In FY2017, changes were made to the Lottery Draw processes, including the addition of the Daily Grand draw. As a result, Audit Services agreed to assess these changes and any resulting impact on key controls. The Lottery Compliance Specialist updated the process flowcharts developed during the control design phase and we validated these with our external auditor KPMG, who monitors and verifies BCLC's lottery draws. Audit Services then updated the process flowcharts and controls matrices based on KPMG validation.

Based on our review and assessment, we concluded that sufficient controls are in place to mitigate any significant risks.

We thank management and staff of the Corporate Security and Compliance for their cooperation and assistance during this review.

Sincerely,



Gurmit Aujla CPA, CA, CIA, CRISC, CRMA  
Director, Internal Audit

cc: Kevin Gass, VP Lottery Gaming  
Laird Robinson, Manager Operational Gaming Compliance

## Introduction

Audit Services completed a control design review of Lottery Draws in FY2016. In FY2017, changes were made to the Lottery Draws processes, including the addition of the Daily Grand draw. As a result, we agreed to assess these changes and their resulting impact on key controls. The Lottery Compliance Specialist updated the process flowcharts and we validated these with our external auditor KPMG. Subsequently, Audit Services updated the process flowcharts based on KPMG's validation and completed the assessment of the overall lottery draws control framework.

## Statement of Objective

The objectives of this review were to:

- Assess the changes made to the lottery draw processes, specifically for:
  - Lotto 6/49 and Lotto Max
  - BC 49 and Extra
  - Daily Grand
- Assess personnel changes and their impact on the business unit under review

## Statement of Scope

The scope of this engagement includes the updated Lottery Draw processes. The scope excludes the review and assessment of the Lottery Draw Machine Replacement project.

## Statement of Methodology

Our methodology and approach included:

- Review of updated written lottery draw processes
- Obtaining updated process flowcharts from Lottery Compliance Specialists
- Validating process flowcharts with KPMG
- Assessing changes made to the lottery draws and their impact on key controls (if there are any)
- Updating process flowcharts and controls matrices based on KPMG validation

## Statement of Audit Standards

We conducted our engagement 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 audit engagements. Personnel changes can impact the control environment, effectiveness of key controls, and loss of risk and control knowledge.

Audit Services assessed the key roles in Lottery Draws and identified the Lottery Compliance Specialist as the BCLC personnel providing oversight over the draws. We noted an Interim Lottery Compliance Specialist is currently in place to mitigate any impact of the Lottery Compliance Specialist's current leave.

## Conclusion

Based on our assessment of the draw process changes and their impact on key controls, we noted that sufficient controls are in place to mitigate any significant risks.

## Acknowledgement

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 engagement.

# Return to Player Settings Audit – Q1 Chances Kamloops

**Audit Services**

June 22, 2017

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## Transmittal Letter

June 29, 2017

Garth Pieper  
Director, Operations  
2940 Virtual Way  
Vancouver, BC V5M 0A6

Dear Mr. Pieper,

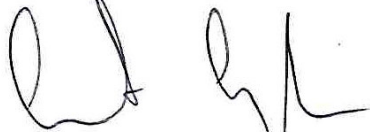
**Re: Return to Player (RTP) Audit – Chances Kamloops**

Attached is Audit Services' audit report on the RTP testing which occurred at Chances Kamloops on June 22, 2017. The scope of our audit focused specifically on the RTP settings at Chances Kamloops for a selected sample of slot machines.

During the course of our work conducted at Chances Kamloops, we noted that all 26 slot machines tested had their RTP settings set correctly. In total, Chances Kamloops has 198 slot machines.

We would like to thank management and staff of Chances Kamloops for their cooperation and assistance during this audit.

Sincerely,



Gurmit Aujla, CPA, CA, CIA, CRISC, CRMA  
Director, Internal Audit

cc: Kevin Sweeney, Director Security, Privacy and Compliance  
Tom Maryschak, Senior Manager Casino Operations  
Trevor Sharkey, Manager, Business Operations



## Introduction

RTP Slot Management audit was included in Audit Services' approved audit plan for fiscal 2017-2018. These audits are to ensure the settings are set correctly based on information provided by the Casino and Community Gaming Product Team. RTP is the term the gaming industry uses to describe the percentage of all the wagered money a slot machine will pay back to players over time.

## Statement of Objectives

Audit Services' objective through this engagement was to test the RTP settings at Chances Kamloops on randomly selected slot machines. The machines' current RTP settings were compared to the master data information looking for any discrepancies.

## Statement of Scope

This audit is one component of several RTP audits scheduled to occur each fiscal quarter. The scope of these engagements includes the review of slot machine settings at various casinos and CGCs in the province for the period April 1, 2017 to March 31, 2018.

## Statement of Methodology

Our methodology and approach included:

- Tested RTPs of randomly selected slot machines
- Confirmed/matched the RTP from slot machines to Master Data; rCasino database and/or Probability Accounting Reports (PAR) sheets (PAR sheets detail how a particular slot machine is programmed)
- Interviews & inquiries
- Identified 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. 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 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 Kamloops, the BCLC staffing component consists of a Manager of Business Operations and one senior technician. We noted during this audit, that the BCLC staff at Chances Kamloops has a minimal staff turnover rate.

## Conclusion

Audit Services found no RTP exceptions in the 26 machines tested on June 22, 2017.

## 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 River Rock

**Audit Services**

June 22, 2017

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## Transmittal Letter

June 29, 2017

Garth Pieper  
Director, Operations  
2940 Virtual Way  
Vancouver, BC V5M 0A6

Dear Mr. Pieper,

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

Attached is Audit Services' audit report on the RTP testing which occurred at River Rock on June 22, 2017. The scope of our audit focused specifically on the RTP settings at River Rock for a selected sample of slot machines.

During the course of our work conducted at River Rock, we noted that one of the 50 slot machines tested had their RTP settings set incorrectly. The slot machine was corrected on June 22, 2017. In total, River Rock has 1,109 slot machines.

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

Sincerely,



Gurmit Aujla, CPA, CA, CIA, CRISC, CRMA  
Director, Internal Audit

cc: Kevin Sweeney, Director Security, Privacy and Compliance  
Laurie Stewart, Regional Manager, Operations  
Don Chow, Manager, Business Operations

## Introduction

RTP Slot Management audit was included in Audit Services' approved audit plan for fiscal 2017-2018. These audits are to ensure the settings are set correctly based on information provided by the Casino and Community Gaming Product Team. RTP is the term the gaming industry uses to describe the percentage of all the wagered money a slot machine will pay back to players over time.

## Statement of Objectives

Audit Services' objective through this engagement was to test the RTP settings at River Rock on randomly selected slot machines. The machines' current RTP settings were compared to the master data information looking for any discrepancies.

## Statement of Scope

This audit is one component of several RTP audits scheduled to occur each fiscal quarter. The scope of these engagements includes the review of slot machine settings at various casinos and CGCs in the province for the period April 1, 2017 to March 31, 2018.

## Statement of Methodology

Our methodology and approach included:

- Tested RTPs of randomly selected slot machines
- Confirmed/matched the RTP from slot machines to Master Data; rCasino database and/or Probability Accounting Reports (PAR) sheets (PAR sheets detail how a particular slot machine is programmed)
- Interviews & inquiries
- Identified 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. 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 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 River Rock, the BCLC staffing component consists of a Manager of Business Operations, nine technicians and two senior technicians. We noted during this audit, that the BCLC staff at River Rock has a minimal staff turnover rate.

## Conclusion

Audit Services found one exception on the 50 machines tested on June 22, 2017. The on-site technician fixed the RTP immediately on June 22, 2017. Audit Services will work with the Casino Division to enhance the control environment for slot machines RTP settings.

## 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.

# memo



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To: Sandra Austin, Director, HR                      Date: May 10, 2017  
From: Audit Services  
Subject: Public Sector Executive Compensation (PSEC)

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## Background

PSEC provides guidelines containing principles and policies to assist public sector employers design and implement pay plans for executive compensation. Employers are required to provide disclosures statements to PSEC annually. PSEC provides guidelines with specific instructions on how to disclose the various components of executive compensation in order to be in compliance with these statutory requirements.<sup>1</sup>

Annually, the Ministry releases updated Public Sector Executive Compensation Disclosure Guidelines for Crown organizations to reference, as noted in the link below:

<http://www2.gov.bc.ca/gov/content/governments/organizational-structure/ministries-organizations/central-government-agencies/public-sector-employers-council-secretariat>

Audit Services has performed a review of BCLC's Public Sector Executive Compensation (PSEC) report for the fiscal year 2016 – 2017 at the request of the Chair of the Board.

## Scope of Work Performed

Audit Services performed a review to verify the process and key controls utilized by HR to compile the PSEC report. The scope was limited to a review the following key controls:

- Current year's PSEC guidelines were reviewed, referenced and incorporated into the planning and compilation stage of the project
- Reconciliation of final PSEC report to the SAP financial reporting variance analysis and comparisons to the prior years
- Overall reviews and approvals completed of all PSEC reporting by Director Human Resources

The work performed addressed the following key PSEC related risks:

- Inherent risk of the manual nature of the reporting process
- Inaccurate or incomplete reporting of compensation paid to CEO and executives
- Total compensation paid to BCLC executive exceeding limits set by PSEC
- Inconsistencies between PSEC report and subsequently released FIA report

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<sup>1</sup>Based on an extract from: [2017 Public Sector Executive Compensation Disclosure Guidelines](#)



# memo



Audit Services performed a review of the PSEC reporting process and all key controls. All SAP data was independently requested and verified against PSEC reporting to ensure accuracy and completeness. A full reconciliation, variance analysis and review of supporting documentation were completed and there were no exceptions noted.

## **Audit Findings**

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion. Audit Services reviewed the key controls in place; no exceptions were noted from our review of the PSEC report. The inherent risks associated with the manual nature of the report preparation are adequately mitigated by the strong control environment in place.

# Voluntary Self Exclusion Direct Marketing Audit

## **Audit Services**

March 22, 2017

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## Transmittal Letter

June 8, 2017

Patrick Cloutier  
Interim Manager, SR Program Development and Evaluation  
2940 Virtual Way  
Vancouver, BC V5M 0A6

Dear Mr. Cloutier

**Re: Voluntary Self Exclusion Direct Marketing Audit**

Attached is Audit Services' audit report on the Voluntary Self Exclusion Direct Marketing Audit.

The scope of our audit focused on Encore related direct marketing emails and direct mail sent by the Customer Relationship Management (CRM) team on behalf of BCLC's Casino Marketing for select weeks during the months of November and December 2016.

During the course of the audit, Audit Services did not note any exceptions.

We would like to thank management and staff for their cooperation and assistance during this audit.

Sincerely,



Gurmit Aujla, CPA, CA, CIA, CRISC, CRMA  
Director, Internal Audit

cc: Susan Dolinski, Vice-President, Social Responsibility and Communication  
Monica Bohm, Vice-President, eGaming  
Tracey Porteous, Senior Manager Enterprise Customer Relationship Management  
Bethany MacGillivray, Sr. Responsible Gambling Specialist

## Introduction

Voluntary Self Exclusion (VSE) is a program available for people who want to voluntarily exclude from all gaming facilities with slot machines, commercial bingo halls, and/or BCLC's on-line gaming site, PlayNow.com, for a pre-determined amount of time. Per the VSE registration signed by the applicant, BCLC agrees to stop sending the applicant present and future direct marketing materials from BCLC and/or its gaming facility service providers.

Since April 2013, Audit Services has been performing an eGaming monitoring engagement on a quarterly basis, which includes a review to determine whether VSE registrants are excluded from receiving any direct marketing material from PlayNow.com. To increase assurance on the VSE program, this engagement focused on a review of the direct marketing materials sent from BCLC Casino Marketing.

## Statement of Objectives

The objective of the engagement is to assess whether registered VSE applicants are receiving direct marketing material from BCLC Casino Marketing.

## Statement of Scope

The scope of this engagement includes Encore related direct marketing emails and direct mail sent by the Customer Relationship Management (CRM) team on behalf of BCLC's Casino Marketing for select weeks during the months of November and December 2016. The scope excludes any direct marketing materials sent by PlayNow.com, as this is included in the quarterly eGaming monitoring review mentioned above.

## Statement of Methodology

We interviewed key personnel in the CRM team to establish an understanding of the direct marketing process to Encore members. We obtained the direct marketing mail and emails sent to customers for the selected period, and matched the recipient lists to the iTrak VSE listing by multiple key identifiers such as last name, first name and date of birth.

## 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 and vacancies to key control areas during audit engagements. Personnel changes and vacancies can impact the control environment, control effectiveness, and loss of knowledge. No issues related to personnel changes were noted through the work performed in this audit.

## Conclusion

Audit Services performed the tests on 1,506 direct mail and 1,705 emails sent to customers during randomly select weeks in November and December 2016. All recipients of the direct marketing materials tested were compared to the active VSE applicants. No exceptions were noted.

## Acknowledgements

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

# Prize Payout Modernization Review

## Audit Services

April 28, 2017

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## Transmittal Letter

June 30, 2017

Sanam Bakhtiar  
Director Lottery Marketing  
2940 Virtual Way  
Vancouver, BC, V5M 0A6

Dear Ms. Bakhtiar,

**Re: Prize Payout Modernization Review**

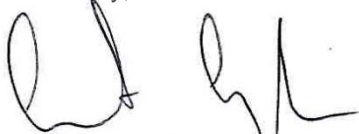
Attached is Audit Services' report on the Prize Payout Modernization Review.

In FY2017, Player Services completed their Prize Payout Modernization program which included Salesforce s 15(1)(l) , Deployment of s 15(1)(l) into Salesforce and the Integration of s 15(1)(l) with Finance. We have now reviewed the updated Prize Payout processes and all the associated key risks and controls in coordination with Player Services Management.

Audit Services performed a control design review that included updating the process flowcharts and controls matrices we prepared previously in this area. Based on our control design review, we noted that sufficient controls are in place to mitigate any significant risks. Audit Services also identified and discussed an improvement area with management regarding a segregation of duty risk in the processing of claims between \$10,000 and \$25,000. While adequate compensating controls are in place management has agreed to make improvements to further strengthen these controls.

We thank management and staff of the Player Services Department for their cooperation and assistance during this review.

Sincerely,



Gurmit Aujla CPA, CA, CIA, CRISC, CRMA  
Director, Internal Audit

cc: Kevin Gass, VP Lottery Gaming  
Aidan Flynn, Manager Player Services

## Introduction

Player Services is a department within the lottery division that is in charge of prize payouts. During FY2017, Player Services completed their modernization program that included Salesforce s 15(1)(l) Deployment of s 15(1)(l) into Salesforce and the Integration of s 15(1)(l) with Finance.

Audit Services completed a control design review of the new Player Services prize payout processes as part of our Audit Plan for FY2017.

## Statement of Objective

The objectives of this review were:

- To assess overall control design, specifically to:
  - Understand and document the new prize payout processes
  - Identify key risks and controls
  - Identify any areas for improvements
- To assess personnel changes and their impact on the business unit under review

## Statement of Scope

The scope of this engagement includes the updated prize payout processes. The scope excludes the testing of controls effectiveness, as that was included in the audit performed by GPEB during our review.

## Statement of Methodology

Our methodology and approach included:

- Review of current prize payout documentations in Salesforce
- Review of prize payout checklists and written procedures
- Flowcharting and documenting the processes under review
- Developing a controls framework/matrix
- Identifying and reporting opportunities for improvements

## Statement of Audit Standards

We conducted our engagement 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 audit engagements. Personnel changes can impact the control environment, effectiveness of key controls, and loss of risk and control knowledge.

Audit Services assessed the current staffing in Player Services and identified the key roles. In consultation with management, we confirmed that there were no recent changes in personnel that would impact the controls over the assessed areas.

## Conclusion

Based on our assessment, we noted that sufficient controls are in place to mitigate any significant risks. We also identified and discussed an improvement area with management regarding a segregation of duty risk in the processing of \$10,000 – \$25,000 claims. While adequate compensating controls are in place management has agreed to make improvements to further strengthen these controls. Audit Services will follow-up on these improvements in the prize payout process and the results of the GPEB audit.

## Acknowledgement

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 engagement.