

Return to Player Settings Audit – Q4 Cascades Casino Kamloops

Audit Services

February 26, 2019

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Transmittal Letter

March 4, 2019

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

Dear Mr. Pieper:

Re: Return to Player (RTP) Audit – Cascades Casino Kamloops

Attached is the Audit Services' report on the RTP testing which occurred at Cascades Casino Kamloops on February 26, 2019. The scope of our audit focused specifically on the RTP settings at Cascades Casino Kamloops for a selected sample of slot machines.

During the course of our work conducted at Cascades Casino Kamloops, we noted that all 100 machines tested had their RTP settings set correctly. In total, Cascades Casino Kamloops has 441 slot machines.

We thank the management and staff of Cascades Casino Kamloops and BCLC's Casino Division for their cooperation and assistance during this audit.

Sincerely,
s 22

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

cc: Kevin Sweeney, Director Security, Privacy and Compliance
Tom Maryschak, Senior Manager Casino Operations
Brett Lawrence, Regional Manager, Operations
Richard Frater, Manager, Business Operations

Introduction

RTP Slot Management audit was included in Audit Services' approved audit plan for fiscal 2018-2019. These audits are to ensure the settings were 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 Cascades Casino 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, 2018 to March 31, 2019.

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 (a PAR sheet details 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 Cascades Casino Kamloops, BCLC staffing component consists of a Manager Business Operations and two Senior Technicians and one Technician. We noted during this audit, that the BCLC staff at Cascades Casino Kamloops has a minimal staff turnover rate.

Conclusion

Audit Services found no RTP exceptions in the 100 machines tested on February 26, 2019.

Acknowledgements

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

Return to Player Settings Audit – Q4 Chances Maple Ridge

Audit Services

February 28, 2019

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Transmittal Letter

March 4, 2019

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

Dear Mr. Pieper:

Re: Return to Player (RTP) Audit – Chances Maple Ridge

Attached is the Audit Services' report on the RTP testing which occurred at Chances Maple Ridge on February 26, 2019. The scope of our audit focused specifically on the RTP settings at Chances Maple Ridge for a selected sample of slot machines.

During the course of our work conducted at Chances Maple Ridge, we noted that all 65 machines tested had their RTP settings set correctly. In total, Chances Maple Ridge has 249 slot machines.

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

Sincerely,
s 22

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

cc: Kevin Sweeney, Director Security, Privacy and Compliance
Tom Maryschak, Senior Manager Casino Operations
Bal Bains, Regional Manager, Operations
Paul Bystrowski, Manager, Business Operations

Introduction

RTP Slot Management audit was included in Audit Services' approved audit plan for fiscal 2018-2019. These audits are to ensure the settings were 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 Maple Ridge 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, 2018 to March 31, 2019.

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 (a PAR sheet details how a particular slot machine is programmed)
- Interviews & inquiries
- Identified process weaknesses, risks and controls

Statement of Audit Standards

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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 Maple Ridge, BCLC staffing component consists of a Manager Business Operations, one Senior Technicians, one part time Technician and a floating technician from Chances Chilliwack or Hard Rock when needed. We noted during this audit, that the BCLC staff at Chances Maple Ridge has a minimal staff turnover rate.

Conclusion

Audit Services found no RTP exceptions in the 65 machines tested on February 28, 2019.

Acknowledgements

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

Return to Player Settings Audit – Q4 Chances Signal Point

Audit Services

February 19, 2019

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Transmittal Letter

March 4, 2019

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

Dear Mr. Pieper:

Re: Return to Player (RTP) Audit – Chances Signal Point

Attached is the Audit Services' report on the RTP testing which occurred at Chances Signal Point on February 19, 2019. The scope of our audit focused specifically on the RTP settings at Chances Signal Point for a selected sample of slot machines.

During the course of our work conducted at Chances Signal Point, we noted that all 51 machines tested had their RTP settings set correctly. In total, Chances Signal Point has 122 slot machines.

We thank the management and staff of Chances Signal Point and BCLC's Casino Division for their cooperation and assistance during this audit.

Sincerely,

s 22

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

cc: Kevin Sweeney, Director Security, Privacy and Compliance
Tom Maryschak, Senior Manager Casino Operations
Ken Bach, Regional Manager, Operations
Lorenzo Paragallo, Manager, Business Operations

Introduction

RTP Slot Management audit was included in Audit Services' approved audit plan for fiscal 2018-2019. These audits are to ensure the settings were 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 Signal Point 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, 2018 to March 31, 2019.

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 (a PAR sheet details 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 Signal Point, BCLC staffing component consists of a Manager Business Operations (whom is located in Prince George), one Senior Technician, and one floating Technician (used between Chances Signal Point and the Billy Barker Casino). We noted during this audit, that the BCLC staff at Chances Signal Point has a minimal staff turnover rate.

Conclusion

Audit Services found no RTP exceptions in the 51 machines tested on February 19, 2019.

Acknowledgements

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

Recognition Program Review

Audit Services

February 1, 2019

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Transmittal Letter

March 14, 2019

Jamie Callahan
VP of Human Resources
74 West Seymour Street
Kamloops, BC V2C 1E2

Dear Jamie:

Re: Recognition Program Review

Attached is the Audit Services' report on the Recognition Program review.

Our findings herein include five recommendations that address one high risk and four low/moderate risk topics. Management has agreed with our recommendations and developed appropriate response plans to address each item identified.

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

Sincerely,
s 22

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

cc: Sandy Austin, Director Talent Acquisition
Rob Annett, Manager Total Rewards and HRMS

Introduction

BCLC is subject to the Public Sector Employers Act, British Columbia that sets out rules and restrictions on compensation paid by public sector employers. Additional standards for wages and working conditions, such as minimum wage, meal breaks and employment leave, are set by the Employment Standards Act, British Columbia.

Over the past couple of years, HR has worked toward creating a new consolidated policy outlining the Terms and Conditions of Employment applicable to all BCLC employees. This policy is aligned with Public Sector Employers' Council's Crown Executive Compensation Policy, July 2012, and the Guide to B.C. Public Sector Compensation and Expense Policies, March 2017.

Employees are required to comply with the specific terms and conditions of their employment agreement and this policy, including any related appendices attached to this policy. In addition to these documents, employees are also required to comply with all other BCLC policies, standards and procedures.

HR is currently undertaking a Request for Proposal (RFP) process with potential vendors for the recognition program.

Statement of Objectives

The scope of this review included the above-mentioned, Terms and Conditions Policy, and related appendices specifically related to the following:

- Recognition Program

Statement of Scope

For this program, the scope of this review was to:

- Review policies and procedures to identify and assess the design of key controls in place;
- Assess the effectiveness of approval levels in place;
- Assess the accuracy of the calculations related to each program, where applicable;
- Review analytics to assess the utilization of the program, where applicable; and
- Identify potential improvement opportunities or risk areas.

Statement of Methodology

Our methodology and approach included:

- Review policy and process documentation;
- Conduct interviews with key stakeholders;
- Review utilization analytics available; and
- Identify and report opportunities for improvements.

Statement of Audit Standards

We conducted our work 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 objectives. We believe that our review 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. It was noted that there no critical personnel changes in the area of Total Rewards as it relates to the recognition program.

Conclusions

Based on the work performed, we conclude that there is a strong process in place for the recognition program. Improvement opportunities were identified and have been acknowledged by management. Management has committed to incorporating these findings with the new vendor once selected through the current and ongoing RFP process.

It was noted that that the existing recognition program and related processes are well utilized by employees and leaders. However, there is a risk that unredeemed awards present a liability to BCLC and that invoices from the vendor may be inaccurate and prone to errors if not reconciled.

Acknowledgements

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

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.

These rating levels are measured in the context of this engagement and its objectives, rather than as related to overall corporate risk. Audit Services commits to conducting follow-up on all significant findings within twelve months from the date this report was issued.

RECONCILIATION OF VENDOR INVOICES (HIGH)

Finding

On a monthly basis, the recognition vendor submits invoices for all awards redeemed and shipped during that period, which includes both the Great Work Program (performance recognition) and Service (years of service) awards. The monthly average invoice for the Great Work program is approximately \$20,000 per month and the Service awards are approximately \$5,800. HR approves these invoices for payment. We noted there is currently no process in place to confirm and reconcile the awards listed on these invoices.

Risk:

There is a risk that awards listed on the invoice are inaccurate or are not physically received by the employee.

Recommendation

Management should consider implementing a reconciliation process which could include:

- Printing and matching independent system generated reports to reconcile vendor invoices.
 - Some timing differences may exist; however, the data generated should provide a good estimate of awards ordered by employees during the period to compare to awards being invoiced by the vendor.
- Validation check with a selection of sample employees from the monthly invoices.
 - Confirmation that the listed award was redeemed and received, which would help validate the accuracy of the invoices received and paid.

Management Response

Management agrees with the finding and accepts the recommendation. The Total Rewards (TR) team will implement a process to compare invoices to reporting, and ensure recipients are receiving the indicated awards.

STANDARD OPERATING PROCEDURES AND APPROVALS FOR PLATINUM LEVEL AWARDS (MODERATE)

Finding

It was noted during the review that the standard operating procedures for the platinum level awards are not formally documented in the standard template utilized by HR for procedural documentation.

Through discussions with the HR Senior Advisor, Benefits and Wellness it was noted that the platinum award process may also take upwards of two months for full approvals to be received prior to providing an award to the employee.

Risk:

In the absence of formalized standard operating procedures, there is a risk of steps being missed or the documentation not being kept current as it may not be catalogued as part of the standardized procedures.

The length of timing for the platinum awards process can lead to a risk of untimely recognition or impact engagement of the employees.

Recommendation

The current platinum award process should be reviewed to ensure it is meeting the business's needs and if it is determined this level of award will remain, then a process efficiency review should be undertaken. This review would be beneficial in identifying areas where the process could be streamlined to ensure adequate controls and approvals are in place resulting in timely recognition to recipients.

The process should be formally documented and reviewed using the standard operating procedures template to provide a source of reference for the program administrators.

Management Response

Management agrees with the finding and accepts the recommendation. The Platinum Award process has been copied into the existing Recognition Standard Operating Procedures. The Platinum Award process will be further reviewed as part of the ongoing RFP and program design review.

TIMELINESS OF GROUP AWARDS (LOW)

Finding

The current process for approving and awarding group awards can result in untimely recognition as the system requires each manager to separately approve their respective group members individually versus a batch approval. A manager who approves his employee immediately cannot present the award to their employee until all approvals have been completed in the system.

Risk:

The risk is there may be untimely recognition for employees with delays if one manager is away or missed the approval email. This may also result perceived inequities if some employees are notified of the award while others in the group are unaware of the pending recognition. The length of timing for the processing the award can also lead to a risk of untimely recognition or impact engagement of the employees.

Recommendation

Management should investigate an automated process whereas group awards, once submitted, may be approved and processed individually, once each of the respective approving managers has provided formal approval in the system.

Management Response

Management agrees with the finding and accepts the recommendation. This process will be further reviewed as part of the ongoing RFP and program design review.

AWARDS IN PENDING STATUS (LOW)

Finding

Awards may remain in “pending” status (when an award is submitted but not yet approved) for an extended period without system notification. During the course of this review, it was noted that an award remained in “pending” status for approximately six weeks.

Risk:

This could result in recognition emails being missed and pending awards not being processed for an extended period. This could lead to untimely recognition for the employee and could lead to a perceived inequity if someone else has their award approved and processed while another is still pending, especially if it’s for the same project completion.

Recommendation

Management should investigate options for an automated process that could send reminder emails or notifications after a certain time, for example two weeks after submission. In the absence of an automated process, HR should consider running regular, periodic reports (monthly) to monitor pending and outstanding awards and manually remind managers through email or phone call.

Management Response

Management agrees with the finding and accepts the recommendation. This process will be further reviewed as part of the ongoing RFP and program design review.

UNREDEEMED AWARDS AND CATALOGUE OFFERINGS (LOW)

Finding

The recognition program has shown positive utilization rates, increasing over 1.5 times from 2017 to 2018. This indicates employees see value in the recognition program and in frequently recognizing their colleagues with the program currently in place. There are no major outliers in the recognition metrics with distribution between divisions being reasonable.

Given the increase in utilization rates, the number of unredeemed awards were also reviewed for the same period. As of January 24, 2019, for performance recognition there were 422 unredeemed awards, with 340 for 2018 and the remaining 82 from 2017. For career milestones, there were 54 unredeemed awards, with 33 from 2018 and the remaining 21 from 2017. There is currently no system-generated reminder to remind employees of available unredeemed awards.

It was noted there also is a shift with fewer bronze level awards and more silver level awards being presented. This shift along with the number of unredeemed awards could be indicative of the value seen by employees in the current catalogue offerings.

Risk:

BCLC currently does not carry any liability for unredeemed awards and this liability could increase if the utilization rates continue to trend upwards.

There is also a risk that employees may start to use the program less frequently if they do not see value in the current catalogue offerings.

Recommendation

Management should investigate whether an automated process exists that could send reminder emails or notifications after a certain time period, for example six months after the award is approved and employee is notified. In the absence of an automated process, HR should consider running regular, periodic reports, bi-annually or annually, to remind employees of awards that are available for redemption.

It may also be beneficial to inquire whether employees see value in the current catalogue offerings and whether an opportunity exists to work with the vendor to monitor the utilization of each of the specific catalogue item in the future and adjust the catalogue offerings accordingly.

Management Response

Management agrees with the finding and accepts the recommendation. This process will be further reviewed as part of the ongoing RFP and program redesign.

Deferred Salary Program Review

Audit Services

February 1, 2019

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Transmittal Letter

March 14, 2019

Jamie Callahan
VP of Human Resources
74 West Seymour Street
Kamloops, BC V2C 1E2

Dear Jamie:

Re: Deferred Salary Program Review

Attached is the Audit Services' report on the Deferred Salary Program review.

Our findings herein include four recommendations that address four low/moderate risk topics. Management has agreed with our recommendations and developed appropriate response plans to address each item identified.

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

Sincerely,
s 22

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

cc: Sandy Austin, Director Talent Acquisition
Rob Annett, Manager Total Rewards and HRMS

Introduction

BCLC is subject to the Public Sector Employers Act, British Columbia that sets out rules and restrictions on compensation paid by public sector employers. Additional standards for wages and working conditions, such as minimum wage, meal breaks and employment leave, are set by the Employment Standards Act, British Columbia.

Over the past couple of years, HR has worked toward creating a new consolidated policy outlining the Terms and Conditions of Employment applicable to all BCLC employees. This policy is aligned with Public Sector Employers' Council's Crown Executive Compensation Policy, July 2012, and the Guide to B.C. Public Sector Compensation and Expense Policies, March 2017.

Employees are required to comply with the specific terms and conditions of their employment agreement and this policy, including any related appendices attached to this policy. In addition to these documents, employees are also required to comply with all other BCLC policies, standards and procedures.

Statement of Objectives

The scope of this review included the above-mentioned, Terms and Conditions Policy, and related appendices specifically related to the following:

- Deferred Salary Program

Statement of Scope

For this program, the scope of this review was to:

- Review policies and procedures to identify and assess the design of key controls in place;
- Assess the effectiveness of approval levels in place;
- Assess the accuracy of the calculations related to each program, where applicable;
- Review analytics to assess the utilization of the program, where applicable; and
- Identify potential improvement opportunities or risk areas.

Statement of Methodology

Our methodology and approach included:

- Review policy and process documentation;
- Conduct interviews with key stakeholders;
- Review calculations and utilization analytics available; and
- Identify and report opportunities for improvements.

Statement of Audit Standards

We conducted our work 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 objectives. We believe that our review 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. It was noted that there no critical personnel changes in the HR or the Finance teams that administer this program; however, given the newness of this program there is an inherent risk until a foundational level of knowledge of this program is retained.

Conclusions

Based on the work performed, we conclude that there is a process in place for the deferred salary program. Improvement opportunities were identified and have been acknowledged by management. Management has committed to incorporating these recommendations into the current process.

Based on our review, we noted that overall controls are in place. However, there is an inherent risk given the manual nature of the administration and calculations involved in this program as well as the lack of detailed procedural documentation for HR and Payroll administrators to reference.

Acknowledgements

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

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.

These rating levels are measured in the context of this review and its objectives, rather than as related to overall corporate risk. Audit Services commits to conducting follow-up on all significant findings within twelve months from the date this report was issued.

STANDARD OPERATING PROCEDURES FOR DEFERRED SALARY PROGRAM (MODERATE)

Finding

We noted a very thorough Deferred Salary Leave Program procedural document exists, along with a frequently asked questions (FAQ) section. All this provides good context for employees and acts a reference for better understanding of the eligibility requirements and key elements of the program. We also observed that HR and Payroll have strong alignment in the administration of this program.

However, there are no formal standard operating procedures documented for the HR and Payroll administrators to reference as they apply the program to each of the employee participants.

Risk:

There is an inherent risk with a new policy or program that if all aspects are not specifically documented then administrative step-by-step processes or key controls could be missed.

Recommendation

A standard operating procedures document be completed for all administrative aspects of this program. As the program progresses, learnings year to year should be incorporated into the standard operating procedures as well as ensuring the program documentation and FAQ remain current and up-to-date.

Management Response

Management agrees with the finding and accepts the recommendation. A Standard Operating Procedures (SOP) will be adapted from the existing Procedure document.

MANUAL NATURE OF PROCESS (MODERATE)

Finding

Currently the administrators manually complete the administration, approvals, calculations and tracking of the program. Funds are manually transferred and held in a separate account which is not a trust account therefore not governed by trust account rules and is not reported as a part of BCLC's general operating accounts. This account consolidates all the funds for each of the participants together into one lump sum amount. Monthly reconciliations of this account are performed to ensure the accuracy of the funds retained and interest records for taxation purposes are issued to the program participants each year.

As this program is manually administered and not centrally tracked in s 15(1)(l) it results in decentralization of employee information.

Risk:

Manual processes inherently have an element of risk given that they can be prone to human error. s 15(1)(l) can be prone to data loss or file corruption resulting in inaccurate data. This could result in incomplete or incorrect tracking of funds for the participants and the risk of insufficient funds in this account to reimburse employee participants.

Recommendation

Management should update the Deferred Salary Program documentation to reflect that funds are not held in a true trust account and remove all references to the word “trust”. Management should investigate opportunities to strengthen controls by ensuring s 15(1)(l) and formulas contained within are locked and access restricted to limit the risk of errors or unapproved access. In addition, management should investigate having the Deferred Salary Program information entered into s 15(1)(l) to work towards ensuring that all relevant employee information is centralized in one system.

Management should consider whether a secondary reconciliation may prove beneficial to ensure that employees are paid accurately from this account once the first disbursements commence in February 2020. Key controls and reconciliations will help mitigate any errors that could impact the funds available to program participants given the current method of having all deferred salary funds pooled together in one account.

Management Response

Management agrees with the finding and accepts the recommendation. The opportunity to centralize all data into s 15(1)(l) is currently being explored. The word “trust” will be removed from the documentation, formulas in the reconciliation s 15(1)(l) will be locked, and a secondary reconciliation will be implemented.

SYSTEM FUNCTIONALITY (MODERATE)

Finding

Currently s 15(1)(l) created for the removal of funds for the deductions from each pay period as contributions to the Deferred Salary Program; however, codes have not yet been created for the recording of payment of funds once the leave has commenced. The first leave is scheduled to commence in February 2020. A service ticket has been logged with s 17(1) in August 2017 to ensure a code is available by this time.

Risk:

There is a risk that the s 17(1) ticket gets deprioritized and is not completed in time for the first leave commencing in February 2020.

Recommendation

Management should ensure periodic follow-up on this ticket with s 17(1) to ensure timely resolution in advance of the February 2020 leave commencing. Adequate testing should also be ensured of this functionality to limit further manual intervention during the leave.

Management Response

Management agrees with the finding and accepts the recommendation. Corporate Finance is actively working with s 17(1) to ensure this ticket is completed as soon as possible. Updated regression and User Acceptance Testing (UAT) testing scripts will be developed to ensure robust testing of these processes.

COMMUNICATIONS WITH EMPLOYEE PARTICIPANTS (LOW)

Finding

As touchpoints with program participants, currently the process includes a formal meeting with program participants at the beginning once registration is initiated and a subsequent meeting closer to the deferred leave date. The program participants also receives an annual interest statement for the interest accumulated on deferred funds being held by BCLC.

There currently are no formal procedures in place to address change requests and ensure they are addressed on a timely basis. Delays in addressing changes could result in retroactive adjustments to the administration of the program participant's Deferred Salary Program file.

Risk:

Program administrators could be unaware of changes to employee's circumstances that could impact the Deferred Salary Program and program participants may feel the information is not relevant and may be unaware of requirement to disclose changes.

Recommendation

Management should consider having annual discussions with the program participants to ensure circumstances have not changed and the employee is still on track to take the leave during the agreed and approved timeframe. This also provides the employee an opportunity to ask any questions regarding the leave, interest calculated, etc. To ensure change requests are correctly interpreted an in person meeting with the employee would be beneficial as well.

Additionally, Management should consider issuing regular, periodic statements summarizing the approved details, including registration date, leave date, funds accumulated and interest reported to ensure full transparency with the program participant. The statements would also provide a secondary source for reconciliation of the Deferred Salary Program account.

A consistent approach in addressing change requests and timeline for completion should be implemented that provides guidance and a reasonable timespan during which changes will be reflected in the calculations and program participant's file.

Management Response

Management agrees with the finding and accepts the recommendation. Management will explore opportunities for more regular check-ins with participants, and will document the process for change requests into the SOP. Periodic statements will be provided to participants.