

Return to Player Settings Audit – Q2 Chances Cowichan

Audit Services

August 6, 2019

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Transmittal Letter

September 6, 2019

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

Dear Mr. Pieper:

Re: Return to Player (RTP) Audit – Chances Cowichan

Attached is the Audit Services' report on the RTP testing which occurred at Chances Cowichan on August 6, 2019. The scope of our audit focused specifically on the RTP settings at Chances Cowichan for a selected sample of slot machines.

Audit Services tested 80 slot machine and noted two machine's RTPs were set up incorrectly. The Senior Technician fixed the RTP settings once the exceptions were noted. Audit Services reviewed and validated that correct setting was implemented on these machines. As a follow-up, Audit Services will include testing of this site again during next quarter. In total, Chances Cowichan has 162 slot machines.

We thank the management and staff of Chances Cowichan 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
Mike Spoor, Manager, Business Operations

Introduction

RTP Slot Management audit was included in Audit Services' approved audit plan for fiscal 2019-2020. 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 Cowichan 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, 2019 to March 31, 2020.

Statement of Methodology

Our methodology and approach included:

- Testing RTPs of randomly selected slot machines
- Confirming 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
- Identifying 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 Cowichan, BCLC staffing component consists of a Manager Business Operations (MBO) and one Senior Technician.

We noted that the previous Senior Technician at this site left BCLC in February 2019 and the new Senior Technician started in May 2019. Between February and May 2019, experienced Technicians from Elements Victoria and Casino Nanaimo provided support to this site. Adequate knowledge transfer was provided to the new Technician, who arrived with similar experience from another gaming jurisdiction, as well as having BCLC learning facilitated by MBO and Senior Technicians from nearby sites. As a result, recent personnel changes did not impact the control environment or control effectiveness.

Conclusion

Audit Services found two RTP exceptions in the 80 machines tested on August 6, 2019. The Senior Technician fixed the RTP settings immediately once the exceptions were noted and Audit Services validated the updated settings to be correct.

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 – Q2 Playtime Chances Campbell River

Audit Services

August 6, 2019

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Transmittal Letter

September 6, 2019

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

Dear Mr. Pieper:

Re: Return to Player (RTP) Audit – Playtime Chances Campbell River

Attached is the Audit Services' report on the RTP testing which occurred at Playtime Chances Campbell River on August 6, 2019. The scope of our audit focused specifically on the RTP settings at Playtime Chances Campbell River for a selected sample of slot machines.

During the course of our work conducted at Playtime Chances Campbell River, we noted that all 83 machines tested had their RTP settings set correctly. In total, Chances Campbell River has 154 slot machines.

We thank the management and staff of the Playtime Chances Campbell River 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
Brett Lawrence, Regional Manager, Operations
Gurpreet Basra, Manager, Business Operations

Introduction

RTP Slot Management audit was included in Audit Services' approved audit plan for fiscal 2019-2020. 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 the Playtime Chances Campbell River 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, 2019 to March 31, 2020. This engagement occurs annually.

Statement of Methodology

Our methodology and approach included:

- Testing RTPs of slot machines
- Confirming 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
- Identifying 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 Playtime Chances Campbell River, BCLC staffing component consists of a Manager Business Operations and one Senior Technician. We noted during this audit, that the BCLC staff at Playtime Chances Campbell River had a minimal staff turnover rate.

Conclusion

Audit Services found no RTP exceptions in the 83 machines tested on August 6, 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 – Q2 Casino Nanaimo

Audit Services

August 7, 2019

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Transmittal Letter

September 6, 2019

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

Dear Mr. Pieper:

Re: Return to Player (RTP) Audit– Casino Nanaimo

Attached is Audit Services' audit report on the RTP follow up test at Casino Nanaimo on August 7, 2019.

Audit Services performed the FY2019 testing at Casino Nanaimo on August 20, 2018, where an exception was identified in 1 of the slots tested. Audit Services returned in December 2018 and tested an additional 100 slot machines, and noted 4 exceptions.

Based on these results, Audit Services' decision for FY2020 was to test 100% of RTP settings for this site with limited advanced notice to site staff (two business days). This test was completed on August 7, 2019. We noted no error in the 432 slot machines tested.

We thank the management and staff of the Casino Nanaimo 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
Mike Spoor, Manager, Business Operations

Introduction

RTP Slot Management audit was included in Audit Services' approved audit plan for fiscal 2019-2020. 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 the Casino Nanaimo on all 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, 2019 to March 31, 2020. This engagement occurs annually.

Statement of Methodology

Our methodology and approach included:

- Testing RTPs of all 432 slot machines
- Confirming 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
- Identifying 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 Casino Nanaimo, BCLC staffing component consists of a Manager Business Operations, one Senior Technician, and two Technicians. We noted during this audit, that the BCLC staff at Casino Nanaimo had a minimal staff turnover rate.

Conclusion

Audit Services found no RTP exceptions in the 432 machines tested on August 7, 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 – Q2 Chances Mission

Audit Services

August 12, 2019

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Transmittal Letter

September 6, 2019

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

Dear Mr. Pieper:

Re: Return to Player (RTP) Audit – Chances Mission

Attached is the Audit Services' report on the RTP testing which occurred at Chances Mission on August 12, 2019. The scope of our audit focused specifically on the RTP settings at Chances Mission for a selected sample of slot machines.

During the course of our work conducted at Chances Mission, we noted that all 74 machines tested had their RTP settings set correctly. In total, Chances Mission has 129 slot machines.

We thank the management and staff of Chances Mission 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
Don Macleod, Manager, Business Operations

Introduction

RTP Slot Management audit was included in Audit Services' approved audit plan for fiscal 2019-2020. 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 Mission 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, 2019 to March 31, 2020.

Statement of Methodology

Our methodology and approach included:

- Testing RTPs of randomly selected slot machines
- Confirming 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
- Identifying 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 Mission, BCLC staffing component consists of a Manager Business Operations and one Senior Technician. There is also one Senior Technician travelling from nearby site to provide support if needed. We noted during this audit, that the BCLC staff at Chances Mission has a minimal staff turnover rate.

Conclusion

Audit Services found no RTP exceptions in the 74 machines tested on August 12, 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 – Q2 River Rock

Audit Services

August 14, 2019

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Transmittal Letter

September 6, 2019

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

Dear Mr. Pieper:

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

Attached is the Audit Services' report on the RTP testing which occurred at River Rock on August 14, 2019. The scope of our audit focused specifically on the RTP settings at River Rock for a selected sample of slot machines.

Audit Services tested 236 slot machine and noted three machine's RTP were set up incorrectly. The Senior Technician fixed the RTP settings immediately. Audit Services reviewed and validated that correct setting were implemented on the identified machines. As a follow-up, Audit Services will include testing of this site again during next quarter. In total, River Rock Casino has 1,312 slot machines.

We thank the management and staff of River Rock 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
Don Chow, Manager, Business Operations

Introduction

RTP Slot Management audit was included in Audit Services' approved audit plan for fiscal 2019-2020. 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 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, 2019 to March 31, 2020.

Statement of Methodology

Our methodology and approach included:

- Testing RTPs of randomly selected slot machines
- Confirming 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
- Identifying 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, BCLC staffing component consists of a Manager Business Operations, two Senior Technicians and nine Technicians. We noted during this audit that the BCLC staff at River Rock has a minimal staff turnover rate.

Conclusion

Audit Services found three RTP exceptions in the 236 machines tested on August 14, 2019. The Senior Technician fixed the RTP settings the same day and Audit Services validated the updated settings to be correct.

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.

Vendor Security Controls Assessment – SuccessFactors Audit Services

June 28, 2019

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Transmittal Letter

July 25, 2019

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

Dear Jamie:

Re: Vendor Security Controls Assessment – SuccessFactors

Attached is the Audit Services' report on Vendor Security Controls Assessment on SuccessFactors.

Our findings herein include three recommendations that address three moderate risk topics. Management has agreed with our recommendations and developed appropriate response plans to address each of the items identified.

We thank the management and staff of Human Resources for their cooperation and assistance during this audit.

Sincerely,
s 22

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

cc: Sarah Turtle, Sr. Manager, HR Strategic Projects

Introduction

As part of this year's Annual Audit Plan, we conducted a Vendor Security Controls Assessment on third-party vendors who provide Software as a Service (SaaS) solutions to BCLC. This is an emerging cybersecurity risk area for all organizations that rely on SaaS solutions. BCLC relies on various SaaS vendors to provide core business functions and services as part of its operations. These solutions remotely store vast amounts of sensitive information that include financial data, asset information, player data and employee data. The purpose of this assessment is to review all external assurance reporting and the security controls that our vendors are applying to ensure the confidentiality, integrity and availability of our sensitive information.

For this engagement – **SuccessFactors** was selected for this review. SuccessFactors is a cloud-based human resources management software used for recruiting, performance management, training and compensation management at BCLC.

Statement of Objectives

As part of our assessment, we evaluated how SuccessFactors manages information security risks by applying technical security controls and reviewing all relevant third-party assurance reporting against industry recognized standards and compliance. We determined whether the SuccessFactors application adopts information security best practices as it relates to the confidentiality, integrity and availability of BCLC's sensitive information.

Statement of Scope

SuccessFactors is an internal HR application used by BCLC employees for recognition, recruitment, performance management and training. Sensitive information such as s 15(1)(l) information is stored in this application at a data centre in s 15(1)(l) . For this engagement, we assessed this past year's data from June 2018 to June 2019.

Statement of Methodology

The following procedures were conducted:

- Interviews with key personnel and questionnaires
- Review of procedures and practices
- Review of contracts, certifications and external assurance reports

Conclusion

Based on the assessment performed, we conclude that SuccessFactors applies appropriate technical controls, information security best practices and external assurance reporting for its solution.

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. Any low risk findings have been discussed with management and therefore excluded from the report.

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

1. PRIVACY BREACH RESPONSE PLANNING AND DOCUMENTATION (MODERATE)

Finding

There are no internal formally documented incident response plans for privacy breaches and/or information security incidents specific to SuccessFactors.

Recommendation

Management should ensure that there are internal incident response procedures in place and tested periodically to handle information security incidents such as a data privacy breach and that impacted stakeholders are properly notified in accordance with BCLC privacy breach protocols.

An incident such as a privacy breach should be coordinated with internal BCLC stakeholders such as Communications, BT, Cybersecurity, Legal, Privacy and Business Continuity Planning. These plans should also consider notifying external stakeholders such as the Office of the Information Privacy Commissioner to comply with any privacy breach notifications and protocols. These response plans should be tested on a regular basis to ensure that these response plans are relevant, effective and up to date.

Management Response

Management accepts this recommendation and will work with internal stakeholders to implement a formal response plan for privacy breaches and/or information security incidents specific to SuccessFactors.

2. EXTERNAL ASSURANCE REPORT REVIEWS (MODERATE)

Finding

SuccessFactors provides external assurances reporting on its application but management does not have a formal process in place to review these assurance reports. These external assurance reports include SOC1 Type1, SOC1 Type2, SOC2 Type1, SOC2 Type2 (Service Organization Controls), Vulnerability Assessment Reports and Penetration Testing Reports on the SuccessFactors application.

Recommendation

As part of the Vendor Performance Management program at BCLC, management should develop a regular process for reviewing external assurance reports and track any significant findings for **SuccessFactors** to ensure that any risks to the confidentiality, integrity and availability of BCLC's sensitive information is mitigated. Any significant findings in these reports should be addressed on a timely basis and reported back to management. Continuous monitoring of a SaaS vendor's risks is vital to ensure that it does not have a significant impact to BCLC's business operations and that it meets BCLC's information security requirements.

Management Response

Management accepts this recommendation. The Human Resources Management System (HRMS) team will implement a process to ensure that external assurance reports related to SuccessFactors are reviewed in a timely manner, findings are escalated to management and solutions related to risks to the confidentiality, integrity and availability of BCLC's sensitive information are implemented.

3. EXTERNAL ASSURANCE REPORT DISTRIBUTION (MODERATE)

Finding

SuccessFactors provides external assurance reporting on its application but these reports are not distributed to internal stakeholders. There is no formal process to share these reports with internal stakeholders to manage and track significant findings, assess risks and business impacts to BCLC.









Recommendation

Management should distribute these reports and communicate any significant findings with BCLC's internal teams - Cybersecurity, Risk Advisory Services, Business Continuity and Audit Services to ensure these risks are catalogued, assessed, evaluated and monitored. Follow-ups and remediation plans should be tracked to ensure confidentiality, integrity and availability of BCLC's sensitive information.

Management Response

Management accepts this recommendation. The Human Resources Management System (HRMS) team will work with internal stakeholders to put a process in place to ensure that external assurance reports related to SuccessFactors are distributed in a timely manner.

Appendix A – External Assurance Reporting

								
External Assurance Report	ISO27001:2013	SOC1 Type 1	SOC1 Type 2	SOC2 Type 1	SOC2 Type 2	BS10012:2017	External Pen. Tests	Vulnerability Assessment
SuccessFactors	✓	✓	✓	✓	✓	✓	✓	✓

Appendix 2 – Technical Controls

Technical Controls	Data Host Location	Data Encryption	Single Sign-On	Vulnerability Patching	Incident Response	Backups	System Availability	Logical Access Controls	Physical Access Controls	Antivirus
SuccessFactors	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Notes	s 15(1)(l)			Yes	Priority Level/Response Times Defined	30 Day Retention Period	99.5%	Unique ID, Password Policy	Smart Card, Video Surveillance,	All Servers and User Devices

Divisionally-Led Projects

Audit Services

June 19, 2019

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Transmittal Letter

August 16, 2019

Shirley Beveridge
Director, Enterprise Services
74 West Seymour Street
Kamloops, BC V2C 1E2

Dear Shirley:

Re: Divisionally Led Projects

Attached is the Audit Services' report on the Divisionally-Led Projects audit.

Our findings herein include one recommendation that addresses one high-rated finding. Management has agreed with our recommendation and developed appropriate response plans to address the item identified.

During the engagement, it was identified that two of the three projects sampled contained areas for continuous monitoring and/or improvement. As a result, separate report cards specific to these projects have been documented and shared with management accordingly (refer to Appendix A).

We thank the management and staff of the Project Management Office, Casino & Community Gaming, and Player Health for their cooperation and assistance during this audit.

Sincerely,
s 22

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

cc: Pat Davis, Chief Information Officer

Introduction

BCLC supports Divisionally Led projects (DLP) through the Divisionally Led Project Management (DLPM) Framework (the Framework) available on the BCLC Intranet. Specifically, the Framework provides guidance on:

- Project Planning and Project Status Reporting (recommended for all projects)
- Design Documents (optional)

The development of the DLP Framework stems from the Crown Review conducted in FY2015 and the recommendation (#22) stating that BCLC should standardize its project portfolio management framework. It is important to note that the Project Management Office (PMO) continues to manage BCLC's strategic project initiatives. However, several projects are internally managed within each Division will have a divisional project lead/owner. The project management process for these DLPs referred to above should adhere to the DLPM Framework. The DLPM Framework is mandatory for business case initiatives that are non-PMO led. The Framework is best practice and is recommended and available for use on all other projects as well.

Statement of Objectives

This engagement was to review alignment to the best practices (the Framework) by reviewing a sample of divisionally led projects.

Specifically, the objective of this engagement was to confirm whether:

- DLPs were managed in alignment with the DLPM Framework, and specifically whether Project Plan and Project Status reporting aligned with recommended best practice.

Statement of Scope

This scope of this engagement included DLP that met the following criteria:

- Projects in excess of \$500,000 (capital and operating combined) for the Fiscal Year (FY2019);
- Projects that have been "started"; and
- Excluded any projects already audited by KPMG (as part of IT General Controls) or Audit Services (project auditing)

The projects chosen based on the above criteria were:

- Stadium Gaming Bacarat River Rock
- Game Sense Advisors
- Casino Facility Growth Opportunity¹

¹ *Casino Facility Growth Opportunity* subsequently removed from scope, as this was a program, which contained many smaller projects that did not meet the criteria.

Statement of Methodology

The audit included the following processes:

- Inspection, review and confirmation of documentation
- Stakeholder interviews and inquiries
- Site visits
- Recommendation of remediation

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 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. During this engagement, we discussed personnel changes, retirements, and revisions to roles with management. Audit Services noted that there were no major changes in leadership that would affect this control environment.

Audit Conclusions

Based on the audit work performed, we conclude that there is one (high) finding, in that DLP documentation used does not satisfy all components of the recommended framework/templates.

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.

Audit 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. Any low risk findings have been discussed with management and therefore excluded from the report.

These rating levels are measured in the context of this audit and its objectives, rather than as related to overall corporate risk. Audit Services commits to conducting follow-up audits on all significant findings within 6 months from the date this audit report was issued.

1. DIVISIONALLY LED PROJECT DOCUMENTATION USED DOES NOT SATISFY ALL COMPONENTS OF THE RECOMMENDED FRAMEWORK/TEMPLATES (HIGH)

Finding

Formal Project Plans, consistent with the recommended DLP framework, do not exist for the sampled projects. Varied and simple documentation exists but does not satisfy the many elements of the recommended template. Information contained is limited to task details, target dates, and stakeholders/resources, but lacks the comprehensive nature of defined elements of: scope, governance, communications, requirements, RACI's, budgets, risk assessments, issues and change logs, and lessons learned.

Project Status Reporting exists in varied forms for the sampled projects, but is not consistent with the recommended DLP Framework template. Specifically, project status reporting did not include Budget vs. Actual information and Project KPI's, although the presence of budget management was observed through the utilization of budget workbooks and corporate forecasting processes.

Risk:

The absence of formalized and consistent Project Planning and Project Status reporting for the purpose of managing DLP's may lead to project mismanagement, lack of governance and oversight, ineffective and/or inefficient processes, and/or cost over-runs, and ultimately, corporate reputation and integrity risk.

Recommendation

Management should investigate and implement more effective methods of raising awareness and communicating the use of the Framework by Product Owners and/or Project Leads.

Management Response

Management accepts the recommendation and will develop and implement a communications plan to raise awareness of the Divisionally Led Project Management framework and its expected use.

APPENDIX A – Project Specific Report Cards

The following project specific report cards were issued:

1. STADIUM GAMING BACCARAT RIVER ROCK²

Report Card

Stadium Gaming Baccarat

Report Summary:

Site assessment performed on:	March 21, 2019
Assessment performed by:	Cory Strumecki, Senior Internal Auditor
Met with:	Julienne Joe, Product Specialist, BCLC Don Chow, Manager Business Operations, BCLC David Zhou, Table Games Manager, River Rock, GCG

Testing Summary:

Stadium Gaming Baccarat exists as described / purchased



Project Team followed a plan



Technicians are suitable training to deal with issues related to Stadium Gaming Baccarat



Testing Notes:

Audit Services received from Leana Scordo, Casino Project Specialist, Planning and Implementation, a “Lessons Learned” document, copy appended to the Report Card. This report speaks to many learnings gained from this product rollout.

Follow-up:

Not required	Required
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² This report card was issued directly to Darren Jang on August 16, 2019.

2. GAME SENSE ADVISORS ³

Game Sense Advisor Location Assessment

SUMMARY FOR CHANCES MAPLE RIDGE:

Report Parameters:

Site assessment performed on: March 20, 2019

Assessment performed by: Cory Strumecki, Senior Internal Auditor

Testing Summary:

Game Sense Location contains required furnishings



Game Sense Location stocked with available materials



Ease in locating Game Sense Advisor location once inside the casino



Testing Notes:

N/A

Follow-up:

Not required	Required
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³ The Game Sense Advisor Location Assessment Report Cards for Chances Maple Ridge, Grand Villa and Parq Vancouver were all issued on August 16, 2019 directly to Jamie Wiebe

Game Sense Advisor Location Assessment

SUMMARY FOR GRAND VILLA CASINO:

Report Parameters:

Site assessment performed on: March 20, 2019

Assessment performed by: Cory Strumecki, Senior Internal Auditor

Testing Summary:

Game Sense Location contains required furnishings



Game Sense Location stocked with available materials



Ease in locating Game Sense Advisor location once inside the casino



Testing Notes:

N/A

Follow-up:

Not required

Required

Game Sense Advisor Location Assessment




SUMMARY FOR PARQ CASINO:

Report Parameters:

Site assessment performed on: March 20, 2019

Assessment performed by: Cory Strumecki, Senior Internal Auditor

Testing Summary:

Game Sense Location contains required furnishings	
Game Sense Location stocked with available materials	
Ease in locating Game Sense Advisor location once inside the casino	

Testing Notes:

This Game Sense Advisor location was not easy to find. Location is in the northeast corner of the second floor beside the Market East Restaurant. Ceiling signage is at an awkward viewing angle.

Follow-up:

Not required	Required
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Root Cause Analysis – Sports Action Incident on March 3, 2019

Audit Services
August 20, 2019

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Transmittal Letter

August 20, 2019

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

Dear Mr. Sweeney:

Re: Audit Services Root Cause Analysis of the Sports Action Incident dated March 3, 2019

Attached is the Audit Services' report on the above engagement.

At the request of management, Audit Services has concluded our root cause analysis of the Sports Action incident dated March 3, 2019. Audit Services has shared our findings with management on April 25, 2019. Management is in agreement with all findings as presented and created action plans to address each finding. Audit Services will follow up on this engagement in November 2019.

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

Sincerely,
s 22

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

cc: Brad Desmarais VP Casino and Community Gaming
Amy Guillemin, Lottery Compliance Specialist

Introduction

On March 4, 2019, BCLC Management was notified via the Customer Support Center, that there was a Sports Action result error for the Nashville versus Minnesota NHL game. Upon notification, BCLC and KPMG completed the following activities:

- Validations were suppressed for all for Sports Action games and KPMG/BCLC began investigation.
- BCLC issued Priority 3 Level Alert (430 recipients).
- A fix was implemented into the Lottery Game System to rectify the error on the subsequent day of play.
- BCLC management requested that Audit Services perform a root cause analysis of the error, review the actions taken by BCLC and KPMG after being made aware of the error, and provide recommendations for improvement to the control environment surrounding Sports Actions results processes.

Background

BCLC offers a variety of sports betting options via the paper based selection slips through the Sports Action brand (est. 1991). The offerings include:

- **Oddset 3-Outcome** – Pick which team you think will win or tie and how much you want to wager. (Options are Home, Visitor, Tie)
- **Oddset 2-Outcome** – Pick which team wins. (Options are Home or Visitor)
- **Point Spread** is used in sports betting to even the odds between two unevenly matched teams. Each team is given a point total that can either be added or subtracted to a team's final score. For example, if the Point Spread for a hockey team is -1.5, that means that 1.5 goals are subtracted from their final score. In other words, the team must win by 2 goals or more in order for them to be considered the winner.
- **Over/Under** - Bet on the projected score and choose whether it will be Over or Under the projected score.
- **Toto** – Predict the outcome of 13 games correctly (set menus, largest payouts).
- **Props** – Allows a person to bet on almost anything in a game based on the menu offered by BCLC Oddsetting department. For example, shots on goal by a team, # of homeruns in a game, # of first downs in a half.

Sports Result Entry

The results for Sports Action games are entered into the Lottery Gaming System (LGS). The process includes the following steps:

1. External Sports Analyst (Cesar Robaina) confirms the scores and enters them into a BCLC-built web interface.
2. BCLC's sports auditor (KPMG) reviews the web interface results testing them against a trusted website.
3. Once the auditor is satisfied with the results, the results are posted to the LGS.
4. Once posted, this creates the validation record that allows each ticket to be paid the appropriate amount. Individual ticket winnings can vary (from ~\$2.00 to >\$50,000) based on the selections, number of selections and value of wager.

Statement of Objectives

The objectives of this engagement were to:

- Perform a root cause analysis on the March 3, 2019 Sports Action result error;
- Review any historical Sports Action errors and any mitigation strategies;
- Review communication and resulting action steps taken by both BCLC and KPMG; and
- Report findings to BCLC management.

Statement of Scope

The scope of this engagement focused on the manual processes and activities that make up part of the Sports Action results verification process as performed by:

- External Sports Vendor (Cesar Robaina Inc.)
- KPMG (Sports Action auditor)

The scope was limited primarily to the processes linked to this incident. Other related processes and historical incidents were reviewed in a limited manner only to assist with understanding this incident.

At Management request, Audit Services was engaged to produce findings and work directly with BCLC Security and KPMG determine their best method of risk mitigation.

Statement of Methodology

The following procedures were conducted:

- Gathered and reviewed available documents and escalation reporting from March 3, 2019 incident;
- Interviews and discussion with key stakeholders;
- Attendance and observation of Sports Action result entry; and
- Reviewed auditee action plan and residual risk assessment.

Audit Findings

The following charts identifies the most significant findings that were identified during our work along with associated ownership groups and include Management's action plan. Audit Services commits to conducting follow-up audits on all significant findings within 6 months from the date this audit report issuance.

Root Cause Analysis / Management Action Plan

#	Root Cause Element Identified	Ownership	Management Action Plan
1	KPMG did not notify BCLC Compliance of the error in a timely manner.	BCLC and KPMG	BCLC Compliance: Review and improve Statement of Work with Draw Auditor.
2	There is lack of on-going monitoring and insufficient communication between BCLC and KPMG	BCLC and KPMG	BCLC: Quarterly Executive meetings to be scheduled going forward to discuss current incidents and any trends.
3	BCLC has no formal process to address possible sports incidents.	BCLC	BCLC: To develop internal processes to address ownership of issues, internal escalation workflow and tracking of errors/executive dash boarding.
4	KPMG Auditor entered the incorrect game result.	KPMG and BCLC	KPMG: Review specified audit procedures related to Sports Action to ensure meeting scope and risks identified by BCLC. Sports audit procedures to be built independent of BCLC. BCLC: Review and improve Statement of Work to ensure the specified audit procedures are designed correctly.
5	KPMG Auditor has insufficient understanding of sports.	KPMG	KPMG: Review and enhance training of Sports Auditors. BCLC Data Center: Review internal processes to ensure complete independence from Sports Auditor.
6	There is no clear accountability for Data Centre – Emergency Alerts.	BCLC	BCLC Data Center: Review and improve the “Priority” alerting system (P-level alerts). BCLC: Develop a formal process for Sports Action results incidents with the reporting/tracking for BCLC Executive.
7	There is no clear minimum standards established in contracts with vendors.	BCLC	BCLC Sports: Review and improve contracts with sports results vendors.
8	The process of entering sports results manually is outdated and unreliable.	BCLC	BCLC: Review BCLC Sports Action processes and workflows.



Follow-up

Audit Services will follow-up in November 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.