

Data Backups – PlayNow

Audit Services

August 19, 2020

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s 15(1), s 17(1)

Transmittal Letter

October 7, 2020

Trevor Penner
Director, Evergreen Programs
74 West Seymour Street
Kamloops, BC V2C 1E2

Dear Mr. Penner:

Re: Data Backups – PlayNow

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

Our findings herein include one finding that address one moderate risk topic. Management has agreed with our recommendation and developed appropriate response plans to address the item identified.

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

Sincerely

s 22

Gurmit Aujla CPA, CA,¹ CIA, CRISC, CRMA
Director, Internal Audit

cc: Pat Davis, Chief Information Officer
Brad Desmarais, Chief Operating Officer

Introduction

Business Interruption Risk have been identified as strategic risks with BCLC. These risks can affect revenue and operations caused by a lack of data backup best practices. The ability to restore from data backups is vital to returning to normal operations upon any major service outages. It is also critical to ensuring our gaming integrity and service availability to our players.

s 15(1), s 17(1)

This engagement assessed and evaluated the data backup practices on the PlayNow production system against the *Centre for Internet Security's Controls Framework #10 – Data Backups*. These controls include best practices for organizations completing backup services for their critical data and systems.

Statement of Objectives

The objectives of this review were to:

- Identify the key systems and technical infrastructure on Playnow.com.
- Review all relevant policies, procedures and documentation related to data backups for Playnow.com.

Statement of Scope

The scope included a review of the procedures and documentation for backing up PlayNow production systems.

Statement of Methodology

Our methodology and approach included:

- Review policy and process documentation.
- Conduct interviews with system owners and key stakeholders.
- Identify and report opportunities for improvements.

Statement of Standards

We conduct our engagements 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 review. 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 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 were no critical personnel changes in the Business Technology teams that administer this program.

Conclusions

Based on the audit work performed, one moderate finding pertaining to performing system restore testing at least annually to simulate a major service outage was identified.

s 15(1), s 17(1)

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.

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 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.

LACK OF FORMAL RESTORE TESTING (MODERATE)

Finding

No formal comprehensive testing exercises conducted to restore services that simulate major outages for PlayNow systems.

Recommendation

Conducting formal system restore testing to recover services from backups should be completed at least annually for the PlayNow solution. The testing and documented recovery procedures can be used to simulate service outages to minimize downtime and service disruptions.

As per **COBIT 2019**,¹ recommended management practices include the following:

DSS04.04 Exercise, Test and Review the Business Continuity Plan

Schedule exercises and test activities as defined in continuity plans, review results, develop recommendations for improving continuity plans.

Management Response

Management is pleased no findings were uncovered specifically related to data backups, data integrity, or data restoration. This is indicative of the hard work and dedication our teams have demonstrated in ensuring BCLC's data safety and integrity, allowing BCLC as a whole, our stakeholders, and our players to have confidence in our data systems.

Management agrees with the broader finding on holistic System Restore Testing and will take the following actions:

- Define and catalog critical components of the PlayNow.com platform
- Develop a plan and procedures to restore and/or redeploy those critical components
- Annually test restoring and/or redeploying these critical components in a non-production environment

s 15(1), s 17(1)

¹ COBIT2019 Governance & Management Objectives for Information Technology

COVID-19 FLEXIBLE LEAVE PROGRAM

Audit Services

September 18, 2020

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Transmittal Letter

October 7, 2020

Christy Innis
Director, People Development and Operations
74 West Seymour
Kamloops, BC V2C 1E2

Dear Christy:

Re: COVID-19 Flexible Leave Program

Attached is the Audit Services' report on the COVID-19 Flexible Leave Program. During our review, no exceptions were noted.

We thank the management and staff of People and Culture and the Payroll team for their cooperation and assistance during this engagement.

Sincerely,
s 22

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

cc: Yabome Gilpin-Jackson, Chief People Officer
Alan Kerr, Chief Financial Officer

Introduction

In March 2020, BCLC announced a new program available to employees who were unable to fulfill full-time work requirements due to the COVID-19 pandemic. This flexible work program was available to qualified employees from March 20 to August 6, 2020 and 12 employees participated in the program. Management requested Audit Services complete a review of the COVID-19 Flexible Leave Program, to confirm compliance with internal processes and policies developed in conjunction with this COVID-19 pandemic operational change.

Statement of Objectives

The objectives of this engagement were to:

- Review policies and procedures to identify and assess the design of key controls in place.
- Identify individuals partaking in this new program and confirm the related assessment process.
- Review and assess the accuracy of the calculations performed related to the operation of this program.
- Identify potential improvements opportunities.

Statement of Scope

The scope of this engagement was to understand and assess both the intent and the current state of the COVID-19 Flexible Leave Program at BCLC. This assessment included a review of internal policy and procedures developed to support the establishment of this new program.

Statement of Methodology

The following procedures were conducted:

- Interviews and inquiry.
- Discussion with key personnel.
- Review of procedures and practices.
- Re-perform calculations.

Statement of 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 our work to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under review. This includes an assessment 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. During this engagement, we discussed personnel changes, retirements, and revisions to roles with management. It was noted that there no critical personnel changes in the teams responsible for the administration of the COVID-19 Flexible Leave Program.

Conclusion

Audit Services noted tight timelines existed with this new program and the program needed to be implemented quickly to provide support to employees. Based on Audit Services review, we noted that the process used to administer the program was informally designed. Although it was an informal process, we have reviewed the documentation in place and confirm the program was accurately calculated and administered for each participant.

In discussions with Management, it was also confirmed the process was manual in nature and was manageable given only twelve employees participated. The inherent risk with a manual process would have increased if a greater number of employees had utilized the program.

Our review identified opportunities to establish formal documentation to strengthen the process and controls, should a similar program be required in the future. These improvements areas included:

- Documented policy and procedures.
- Documented guiding principles and criteria for the program.
- Designated SAP wage type codes to record similar leave hours.
- Documentation of extenuating circumstances for each employee that qualify or do not qualify.

The results have been communicated to Management and work has begun to capture the learnings and address the improvement areas identified.

Acknowledgements

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

Player Health Assessment Audit

Audit Services

November 6, 2020

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Transmittal Letter

December 14, 2020

Jamie Wiebe
Director, Player Health
2940 Virtual Way
Vancouver, BC V5M 0A6

Dear Jamie,

Re: Player Health Assessment Audit

Attached is the Audit Services' report on the Player Health Assessment audit.

Our findings herein include recommendations that address two moderate risk topics. Management has agreed with our findings and recommendations and has already started to take actions to address each item identified. We will follow up in six months on the response plan implementation.

We thank the management and staff from Player Health, Lotto Max, Customer Relationship Management (CRM) and Social Media teams for their cooperation and assistance during this audit.

Sincerely,

s 22

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

cc: Peter Ter Weeme, Chief Social Purpose Officer and VP, Player Experience
Sara Eliesen, Manager, Player Health Programs and Integration
Brad Romano, Senior Specialist Player Health Integration

Introduction

BCLC is committed to promoting healthy play and reducing harm associated with gambling. To reduce risks related to gambling, BCLC addresses the way our products and environments are designed, delivered, promoted, and marketed. This includes Player Health tools and measures which help screen and evaluate products and advertising campaigns before they go to market. A Player Health Assessment (PHA) must be submitted on the Salesforce system for all new products and marketing materials, including these four categories: marketing campaigns, new products, existing products, and player communications. The PHA is then reviewed by the Player Health team and is subsequently approved or identified with risk areas to be mitigated.

In April 2019 Player Health enhanced its Player Health Assessment (PHA) program with updated training sessions and manuals for staff. As well, new content guides were created to provide context around the BCLC Advertising Standard and the Gaming Policy and Enforcement Branch (GPEB) Advertising and Marketing Standards for Gambling in British Columbia. These content guides were intended to help departments better mitigate the potential business risks associated with BCLC products and the marketing of those products.

In FY2020, management from Player Health requested Audit Services to review the enhanced PHA process. Therefore, we included this engagement into our FY2021 Annual Audit Plan.

Statement of Objectives

The objectives of this audit are to assess that:

- PHA have been completed and approved prior to the launch of every marketing campaigns, new products, existing product, and player communications.
- Any PHA with risks identified by the Player Health team have appropriate approvals or were addressed before proceeding to launch.

Statement of Scope

The scope of this engagement covers the period of April 1, 2019 to March 31, 2020 and includes the following aspects:

- Marketing materials launched by Lotto Max,
- Direct Marketing (DM) and electronic Direct Marketing (eDM) materials deployed by CRM, and
- Marketing communications deployed on BCLC's Social Media platforms (Facebook, Twitter, LinkedIn, YouTube, and Instagram).

Statement of Methodology

Our methodology and approach included:

- Interviews and inquiry with key personnel;
- Reviews of procedures and practices; and
- Performing testing on selected samples of marketing campaigns, new products, existing products, player communications.

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.

Audit Conclusions

Based on the audit work performed, we conclude that:

- PHAs are not always completed and approved prior to the launch of every marketing campaigns, new products, existing products, player communications;
 - 24 of the 100 samples tested did not have PHA filed prior to launch;
- All PHAs with risks identified were addressed by following Player Health’s recommendations prior to launch

Risk:

Not completing a PHA may lead to initiatives conflicting with Player Health commitments, and may further result in negative public perception toward BCLC. It may also lead to non-compliance with current BCLC and GPEB advertising and marketing Standards.

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 [time frame] from the date this audit report was issued.

1. PHA NOT ALWAYS COMPLETED AND LACK OF TRANSPARENCY BETWEEN PLAYER HEALTH AND BUSINESS (MODERATE)

Findings

- **Lotto Max (4 exceptions)**
 - One ILC national post on social media did not go through BCLC review before posting; and therefore, not submitted for PHA.
 - One set of radio live reads not submitted for PHA review prior to broadcasting.
 - Two radio advertisements not submitted for PHA review.
- **CRM (7 exceptions)**
 - Not all direct marketing elements under big marketing campaigns submitted for PHA approval.
 - Standard direct marketing campaigns were to be shared with Player Health on a quarterly basis but this was not consistently performed. The last sharing occurred in Sept 2019.
- **Social Media (13 exceptions)**
 - Not all social media communications submitted for PHA approval.
 - It is unclear which social media marketing communications require PHA submission.
- **In general, Player Health team has limited visibility of marketing initiatives launched by the business. Therefore, a new marketing initiative or campaign can launch without Player Health's awareness and without PHA filed or approved.**

Recommendation

- Lottery and Player Health work on a process to ensure ILC/national marketing meets Player Health and GPEB standards and social media content is reviewed before posting.
- Player Health team work with Lottery, CRM and Social Media teams to establish regular meetings to review marketing information and create action items for PHA.
- Player Health conduct a workshop or annual refresher with Lottery, CRM and Social Media teams to enhance their knowledge around PHA and address questions.
- Player Health team review and enhance the BCLC Responsible Gambling Graphic Standards to provide clear instructions on social media posts and address new platforms.

Management Response

Player Health accepts these recommendations.

With the recent reorganization, all marketing, promotions and advertising functions are now within the same division. Player Health will establish quarterly meetings with these teams to improve communications and ensure understanding and adherence to the PHA program. In addition, Player Health will develop an annual meeting for PHA submitters to discuss new opportunities, innovations and best practices. A review of the BCLC Responsible Gambling Graphic Standards is already under way.

2. LACK OF CLARITY IN ROLES, RESPONSIBILITIES AND ACCOUNTABILITIES (MODERATE)

Finding

Roles, responsibilities and accountabilities on PHA submission amongst Lotto Max, CRM and Social Media teams were not transitioned and/or clearly communicated during staff movements. This confusion can lead to PHA not submitted.

Recommendation

Lotto Max, CRM and Social Media team to review roles and responsibilities for PHA; designate personnel accountable for PHA submission; and create documentation and processes that allow for smooth transition between staff where it relates to Player Health responsibilities.

Management Response

Player Health accepts this recommendation.

Turnover and staff changes have had a profound impact in this area. Our response to the first finding (establishing quarterly meetings with these teams to improve communications and ensure understanding and adherence to the PHA program) should assist and improve roles and responsibilities. In addition, Player Health has begun developing a Player Health Assessment Policy to formalize the PHA program criteria and define accountabilities.