

Assessment of AML Controls at Grand Villa Casino: Analysis of Cheque Issued 2014-2016

BCLC commissioned Ernst & Young LLP Canada (“EY”) to conduct an analysis of cheques issued at Grand Villa Casino during a three-year period of January 1, 2014 to December 31, 2016.

BCLC commissioned the independent analysis following allegations that patrons were coming into a Lower Mainland casino with “dirty money,” buying casino chips, playing notionally, then cashing the chips in and receiving a cheque in return, and in follow up to the completion of two related analyses at River Rock Casino.

BCLC is satisfied that there was no systemic pattern of money-laundering activity related to Grand Villa issuing cheques without play during the three-year period from January 1, 2014 to December 31, 2016.

As part of its analysis, EY tested cheques of \$10,000 or more related to table-game play during the three-year period. The analysis included tests on the 658 cheques of \$10,000 or more, and identified three cheques (approximately 0.5 percent) that were not issued in accordance with BCLC policy.

In two instances, Grand Villa issued “Verified Win” cheques for the incorrect amount due to errors in recording patron buy-in amounts. In one instance, Grand Villa issued a “Return of Funds” cheque from the incorrect cash account; in the three year period, there were no “Verified Win” cheques identified without gaming activity.

BCLC requires its Casino Service Providers to clearly mark and track all casino cheque as either “Return of Gaming Funds – Not Gaming Winnings” or as a payout of a “Verified Win” to make clear whether the funds are simply the return of the customer’s buy-in funds or the funds were acquired through gambling win(s). BCLC also has clear policies and controls on the issuance of casino cheques, which includes a prohibition on the issuance of cheques for the return of initial buy-in funds for any amount more than \$10,000.

Since the timeframe of the analysis, BCLC has continued to enhance its anti-money laundering program to safeguard the industry from the ever-evolving risks of criminal activity. This includes a mandatory requirement that Casino Service Providers obtain a declaration and verified proof from the patron identifying the source of funds for all buy-ins of \$10,000 or more, and to record detailed information about where the customer obtained his/her buy-in funds. If the patron is unable to provide this information, the buy-in is refused, the patron is barred for 24 hours and BCLC may submit a suspicious transaction report to law enforcement and federal and provincial regulators.

Scroll down to read in full EY’s “Verified Win, Return of Funds, and Convenience Cheque Analysis”.

Some information has been removed in the interests of
privacy, safety and corporate security

British Columbia Lottery Corporation

Grand Villa Casino Resort:

Verified Win, Return of Funds, and
Convenience Cheque Analysis

April 24, 2020



Ernst & Young LLP
100 Adelaide Street West, P.O. Box 1
Toronto, ON M5H 0B3

Tel: +1 416 864 1234
Fax: +1 416 864 1174
ey.com

British Columbia Lottery Corporation

24 April 2020

74 West Seymour Street

Kamloops, BC, V2C 1E2

Attention:

Greg Moore, Interim President and CEO

Brad Desmarais, Vice President, Casino and Community Gaming

Cheque Analysis

Dear Mr. Greg Moore & Brad Desmarais:

Attached please find our report on the analysis requested by British Columbia Lottery Corporation ("BCLC") in relation to the following specific types of cheques issued by Grand Villa Casino Hotel: Verified Win and Return of Fund Cheques issued for \$10,000 or more, and Convenience Cheques issued for more than \$10,000, from the period of January 1, 2014 to December 31, 2016.

The report is pursuant to our engagement agreement dated July 31, 2019 and the related restrictions upon use and specific scope covered. As such, we do not express any conclusion on the policies, procedures, systems/software and practices at BCLC, Grand Villa Casino Hotel, or any other BC Casino.

Very truly yours,

Ernst & Young LLP, Canada

Private & Confidential

Table of Contents

1. Executive Summary	1
2. Engagement Scope.....	3
2.1 Mandate Questions	3
2.2 Defining the Population	3
2.3 Limitations of Report and Restrictions of Use.....	4
3. Procedures	6
3.1 All Cheques	6
3.2 Verified Win Cheques	6
3.3 Return of Funds Cheques	7
3.4 Convenience Cheques.....	8
4. Observations	9
4.1 All Cheques	10
4.2 Verified Win Cheques	11
4.3 Return of Funds Cheques.....	12
4.4 Convenience Cheques.....	13
5. Summary.....	14
Appendices	15

1. Executive Summary

Ernst & Young LLP ("we") were engaged to provide advisory services to British Columbia Lottery Corporation ("BCLC") in connection with substantive testing of cheques. Our primary point of contact has been BCLC's Director, Audit Services.

The purpose of the analyses was to identify instances of cheques issued to Patrons of Grand Villa Casino Hotel ("Grand Villa") that were not supported by the Patron's gaming activity. The mandate questions that we were asked to address are detailed in Section 2.1 of this report ("Mandate Questions"). We performed procedures on all cheques issued by Grand Villa meeting the criteria described in Section 2.2 of this report. The defined terms included in the Mandate Questions, and throughout this report, are in Appendix A.

There were 658 cheques that met the criteria in Section 2.2 of this report. Of all 658 cheques analyzed, we identified three cheques, or approximately 0.5% of the population, where at least one of the question criteria were met. We noted the errors in these cheques related to manual efforts performed by casino staff. If a cheque met criteria for more than one of the Mandate Questions, it was only included in the following table one time. We noted the following observations:

Summary of Observations				
	Analysis Period			
	2014	2015	2016	Total
Population Summary				
Number of Cheques Analyzed	245	187	226	658
Dollar Value of Cheques Analyzed	22,757,128	6,605,248	14,081,851	43,444,226
Summary of Observations				
Number of Cheques with Observations	0	2	1	3
% of Total Cheques Analyzed	0.00%	1.07%	0.44%	0.46%
Dollar Value of Cheques with Observations	0	198,950	24,980	223,930
% of Total Cheques Analyzed	0.00%	3.01%	0.18%	0.52%

Refer to Section 4 of this report for a detailed breakout of each observation type.

The total number of cheques identified with observations, percentage of the total number of cheques analyzed, and the corresponding unsupported amounts are summarized in the table below:

Summary of Observations by Mandate Question – Unsupported Amount (\$)				
Question	Total # of Cheques with Observations			
	Cheques (#)	% of Population (#)	Value of Cheques (\$)	Unsupported Amount (\$)
All Cheques				
1 From the population of cheques analyzed, were there cases observed where a Patron walked in to Grand Villa with cash and received a cheque without any casino play? (see Section 4.1)	0	0.00%	0	0
Verified Win Cheques				
2 From the population of cheques analyzed, were there cases observed where a Patron received a Verified Win cheque for an amount that is not supported by a Player Table Tracking Form, or does not reconcile to the Player Table Tracking Form provided, documenting their play for that day, regardless if the buy-in was cash or not? (see Section 4.2)	2	0.37%	203,930	1,100
Return of Funds Cheques				
3 From the population of cheques analyzed, were there cases observed where a Patron removed funds from a PGF account and received a Verified Win cheque without any casino play? (see Section 4.3)	0	0.00%	0	0
4 From the population of cheques analyzed, were there cases observed where a PGF Patron deposited funds and subsequently received a Return of Funds cheque with no gaming activity between the deposit and cheque request? (see Section 4.3)	0	0.00%	0	0
Convenience Cheques				
5 From the population of cheques analyzed, were there cases observed where a Patron received a convenience cheque for an amount greater than \$10,000? (see Section 4.4)	1	N/A ¹	20,000	10,000

The observations noted in the above table can be summarized into the following two categories (as detailed in Section 4):

- ▶ **Verified Win Cheques issued in Excess of Verified Win Amount:**
 - ▶ Two occurrences noted where partial or complete buy-ins appeared to be included in a Verified Win Cheque with unsupported amounts totaling \$1,100
- ▶ **Convenience Funds issued for Return of Funds Cheque:**
 - ▶ One occurrence noted in the amount of \$20,000.

¹ BCLC did not identify any Convenience Cheques that were above \$10,000. However, there was one Return of Funds cheque that was written from the convenience account. Therefore, a percentage of population was not calculated.

2. Engagement Scope

2.1 Mandate Questions

The purpose of the analyses was to identify instances of cheques issued to Patrons of Grand Villa Casino Hotel ("Grand Villa") that were not supported by the Patron's gaming activity. The Mandate Questions were specifically developed through consultations with BCLC's management and BCLC's Audit Committee. The Mandate Questions were applied to specific types of cheques issued by Grand Villa, as defined in section 2.2. The Mandate Questions are as follows:

Mandate Question 1: Verified Win, Return of Funds, and Convenience ("All Cheques")

From the population of cheques analyzed, were there cases observed where a Patron walked in to Grand Villa with cash and received a cheque without any casino play?

Mandate Question 2: Verified Win Cheques

From the population of cheques analyzed, were there cases observed where a Patron received a Verified Win cheque for an amount that is not supported by a Player Table Tracking Form, or does not reconcile to the Player Table Tracking Form provided, documenting their play for that day, regardless if the buy-in was cash or not?

Mandate Question 3: Return of Funds Cheques

From the population of cheques analyzed, were there cases observed where a Patron removed funds from a Patron Gaming Fund ("PGF") account and received a Verified Win Cheque without any casino play?

Mandate Question 4: Return of Funds Cheques

From the population of cheques analyzed, were there cases observed where a PGF Patron deposited funds and subsequently received a Return of Funds Cheque with no gaming activity between the deposit and cheque request?

Mandate Question 5: Convenience Cheques

From the population of cheques analyzed, were there cases observed where a Patron received a Convenience Cheque for an amount greater than \$10,000?

2.2 Defining the Population

BCLC provided us with listings of cheques that met all of the following criteria:

- ▶ Issued from Grand Villa
- ▶ Issued as a Verified Win, Return of Funds, or Convenience Cheque
- ▶ Issued during the period of January 1, 2014 to December 31, 2016 ("Analysis Period")

- ▶ Issued for \$10,000 or more²
- ▶ Issued to PGF or non-PGF Patrons
- ▶ Related to play that occurred at a Table Game (applicable to Verified Win Cheques only)

BCLC represented that cheque listings were obtained from the sources in line with the criteria above and following the procedures described below. We did not perform procedures to independently validate the resulting list of cheques provided by BCLC.

Verified Win Cheques

BCLC represented that Verified Win Cheque data is captured within the ^{s 15} system ^{s 15} includes all Verified Win Cheques issued for the Analysis Period. The BCLC AML Team applied a filter to remove all cheques below \$10,000 in value and represent that the information is complete and accurate and that no information was redacted.

BCLC represented that ^{s 15} does not specifically identify if cheques issued relate to Table Games, or slot/machine winnings. Therefore, the BCLC AML Team applied text filters to identify which cheques related to Table Games winnings or which related to slot/machine winnings. The BCLC AML Team communicated to us that there were some cheques that were not picked up by either text filter. In these cases, the BCLC AML Team manually reviewed the cheques to determine if they related to Table Games or slot/machine games.

Return of Funds Cheques

BCLC represented that Return of Funds Cheques were documented on a hardcopy cheque register for the Analysis Period. The BCLC Internal Audit Team manually reviewed the excel cheque register and identified cheques which were issued for \$10,000 or more that were issued to PGF Patrons for Return of Funds that had been held in a PGF account. From the information provided by the Grand Villa Casino, the BCLC Internal Audit Team represents that the information is complete and accurate and that no information was redacted.

Convenience Cheques

The BCLC AML Team identified cheques issued during the Analysis Period for over \$10,000 based on the Convenience Cheque tracking documents manually maintained by the BCLC AML Team. The population used for analysis is from the Convenience Cheque tracking sheet maintained by the BCLC AML Team. The BCLC AML Team and represents that the information is complete and accurate and that no information was redacted.

2.3 Limitations of Report and Restrictions of Use

This report was prepared for BCLC pursuant to the terms of our Agreement dated July 31, 2019 (the "Agreement").

Under the Agreement:

1. Data, documentation and information analyzed and used for the preparation of this report was made available to us by BCLC, upon our request. We have relied on the integrity, completeness,

² Only Convenience Cheques over \$10,000 were analyzed. Convenience Cheques are intended to be issued for \$10,000 or less and therefore these cheques were excluded from the population.

and accuracy of what was provided, including the data that was provided in the Manual Cheque Registers or s 15

2. This report is based on our procedures to the date of this report as described herein. In the event that further documents, data or other information become available that could impact our observations, we reserve the right, but will not be obligated, to analyze such records and reconsider and amend the observations set out in this report.
3. Our procedures were performed on a defined population for Grand Villa. The analyses should not be extrapolated, including to other properties or instruments.

This report was not written with the needs of parties other than BCLC in mind and assumes a detailed understanding of BCLC and Grand Villa and their systems and procedures. Consistent with the terms of our Agreement:

1. This report is intended to be read in its entirety. We caution against drawing conclusions from any part of the report in isolation.
2. Where our written consent is required for you to disclose our report to a third party, we will also require that third party to execute a letter substantially in the form of Appendix A of the Agreement. Without our prior written consent, you may not use or publish our report for any purpose not contemplated in our Agreement.

For clarity, we were not engaged to, and did not:

1. Perform a financial statement audit, review or compilation for the purpose of expressing an opinion on historical financial statements of BCLC in accordance with standards established by CPA Canada. Accordingly, we do not express such an opinion or any form of assurance.
2. Express any conclusions on BCLC or Grand Villa's policies, procedures, systems/software and practices. Additionally, we did not conduct any field work at Grand Villa as part of our procedures, and we did not interview any Grand Villa employees.
3. Perform an assessment of BCLC's compliance with the Federal Proceeds of Crime (Money Laundering) and Terrorist Financing Act ("PCMLTFA") or against applicable reporting requirements outlined by the Financial Transactions and Reports Analysis Centre of Canada ("FINTRAC").
4. Perform procedures to consider or analyze the source of funds relating to the Buy-In Amounts used to calculate the Verified Win cheques, Return of Funds cheques, Convenience cheques, or the source of funds relating to PGF Account deposits. The source of funds detail was not provided in the supporting documents.

3. Procedures

We designed procedures to address the Mandate Questions. The Mandate Questions relate to three different types of cheques – Verified Win Cheques, Return of Funds Cheques, and Convenience Cheques. Each of the three cheque types is issued for a different purpose, and therefore has different supporting documentation. The procedures completed are outlined below.

At our direction, BCLC obtained supporting documentation from Grand Villa and entered prescribed data points into workbooks that we designed for our analyses. We performed quality control test procedures on the inputs entered by BCLC Internal Audit and BCLC AML employees. We analyzed the data captured by BCLC to identify cheques that required further analysis. In these cases, we analyzed the documentation and inputs provided by BCLC.

3.1 All Cheques

BCLC identified 658 cheques that met the population criteria identified above. For these cheques, we obtained copies of the following supporting documentation from BCLC:

- ▶ Cheque Image
- ▶ Printout of the ^{s 15} LCT
- ▶ If applicable, Player Table Tracking Form

Mandate Question 1: From the population of cheques analyzed, were there cases observed where a Patron walked in to Grand Villa with cash and received a cheque without any casino play?

The following procedures were performed:

1. Identified the cheque and the type of cheque that was issued
2. For Verified Win Cheques, obtained a copy of the Player Table Tracking Form prepared by Grand Villa to support if gaming activity had occurred
3. For Return of Funds Cheques, obtained a copy of the PGF Account Summary prepared by Grand Villa to support that the Patron had engaged in gaming activity
4. For Convenience Cheques, obtained a copy of the Player Table Tracking Form prepared by Grand Villa to support that gaming activity had occurred
5. Analyzed the supporting document to identify if gaming activity had occurred

For purposes of Mandate Question 1, we did not recalculate the value of the cheque issued, or the purpose for which the cheque was issued. The focus was to identify if gaming activity had occurred.

3.2 Verified Win Cheques

BCLC identified 538 Verified Win Cheques that met the population description identified above. For these cheques, we obtained the copies of the following supporting documentation from BCLC:

- ▶ Cheque Image
- ▶ Player Table Tracking Form
- ▶ Printout of the ^{s 15} LCT

Mandate Question 2: From the population of cheques analyzed, were there cases observed where a Patron received a Verified Win cheque for an amount that is not supported by a Player Table Tracking Form, or does not reconcile to the Player Table Tracking Form provided, documenting their play for that day, regardless if the buy-in was cash or not?

The following procedures were performed:

1. Identified the cheque based on details located in s 15
2. Compared the cheque date to the Player Table Tracking Form to support that the Player Table Tracking Form relates to the cheque that was issued:
 - a. Where the cheque date was off by one day, we were informed that the form did relate to the cheque but that the date difference was due to timing of gaming play. For example, a Patron who started gaming on May 6 at 11:50 pm and cashed out on May 7 at 2:30 am may have been issued a cheque dated May 6
3. Compared the value of the cheque with the value of the Grand Villa employee's calculated Verified Win Amount on the Player Table Tracking Form
4. The printout of the s 15 LCT was available for reference and reconciliation.

3.3 Return of Funds Cheques

BCLC identified 120 Return of Funds Cheques that met the population description identified above. For these cheques, we obtained the copies of the following supporting documentation from BCLC:

- ▶ Cheque
- ▶ Patron Profile Card
- ▶ Printout of the s 15 LCT
- ▶ Player Table Tracking Form

Mandate Question 3: From the population of cheques analyzed, were there cases observed where a Patron removed funds from a Patron Gaming Fund ("PGF") account and received a Verified Win Cheque without any casino play?

The following procedures were performed:

1. Identified the cheques from the Manual ROF Cheque Register
2. Compared the cheque number, cheque type, date and amount per the copy of the cheque to the Manual ROF Cheque Register
3. Identified the type of cheque as an ROF Cheque, indicated by "Return of Funds – Not Gaming Winnings (PGF)" or Verified Win Cheque

Mandate Question 4: From the population of cheques analyzed, were there cases observed where a PGF Patron deposited funds and subsequently received a Return of Funds Cheque with no gaming activity between the deposit and cheque request?

The following procedures were performed:

1. Identified the cheques from the Manual ROF Cheque Register
2. Compared the cheque number, date and amount per the copy of the cheque to the Manual ROF Cheque Register
3. Identified the transaction by withdrawal date and amount in the PGF Patron Profile Card and analyze the most recent deposit prior to the withdrawal/cheque date
4. Identified if there is gaming activity related to the most recent deposit prior to the withdrawal. If gaming activity exists, obtain a copy of the Player Table Tracking Form

3.4 Convenience Cheques

Convenience Cheques are intended to be issued for \$10,000 or less. BCLC did not identify any Convenience Cheques that were above \$10,000. However, there was one Return of Funds cheque that was written from the convenience account. As such, the procedures described are the procedures used to test the Return of Funds cheque that was issued from the convenience account.

Mandate Question 5: From the population of cheques analyzed, were there cases observed where a Patron received a Convenience Cheque for an amount greater than \$10,000?

The following procedures were performed:

1. Identified the cheque from the Manual ROF Cheque Register
2. Compared the cheque number, date and amount per the copy of the cheque to the Manual ROF Cheque Register
Identified the type of cheque as an ROF Cheque, indicated by "Return of Funds – Not Gaming Winnings (PGF)" or Convenience Cheque, indicated by "Return of Funds – Not Gaming Winnings"

4. Observations

We noted that of the 658 cheques analyzed, there were three cheques, or 0.5% of the population, where the question criteria were met. If a cheque met criteria for more than one Mandate Question, it was only included in the following table one time. We noted the following observations:

Summary of Observations				
	Analysis Period			
	2014	2015	2016	Total
Population Summary				
Number of Cheques Analyzed	245	187	226	658
Dollar Value of Cheques Analyzed	22,757,128	6,605,248	14,081,851	43,444,226
Summary of Observations				
Number of Cheques with Observations	0	2	1	3
% of Total Cheques Analyzed	0.00%	1.07%	0.44%	0.46%
Dollar Value of Cheques with Observations	0	198,950	24,980	223,930
% of Total Cheques Analyzed	0.00%	3.01%	0.18%	0.52%

The table above identifies the total number of unique cheques for which we identified observations. The following tables identify the number of cheques for each question.

Summary of Observations by Mandate Question – Unsupported Amount (\$)				
Question	Total # of Cheques with Observations			
	Cheques (#)	% of Population (#)	Value of Cheques (\$)	Unsupported Amount (\$)
All Cheques (see Section 4.1)				
1 From the population of cheques analyzed, were there cases observed where a Patron walked in to Grand Villa with cash and received a cheque without any casino play? Verified Win Cheques (see Section 4.2)	0	0.00%	0	0
2 From the population of cheques analyzed, were there cases observed where a Patron received a Verified Win cheque for an amount that is not supported by a Cash Tracking Form, or does not reconcile to the Cash Tracking Form provided, documenting their play for that day, regardless if the buy-in was cash or not? Return of Funds Cheques (see Section 4.3)	2	0.37%	203,930	1,100
3 From the population of cheques analyzed, were there cases observed where a Patron removed funds from a PGF account and received a Verified Win cheque without any casino play?	0	0.00%	0	0
4 From the population of cheques analyzed, were there cases observed where a PGF Patron deposited funds and subsequently received a Return of Funds cheque with no gaming activity between the deposit and cheque request? Convenience Cheques (see Section 4.4)	0	0.00%	0	0
5 From the population of cheques analyzed, were there cases observed where a Patron received a convenience cheque for an amount greater than \$10,000?	1	N/A ³	20,000	10,000

4.1 All Cheques

Mandate Question 1

We analyzed 658 cheques in total. We did not identify any cheques issued where there was no gaming play documented and the source of the Buy-In was not noted on the Player Table Tracking Form.

Question 1: Summary of Observations			
	# of Cheques	Total Value of Cheques (\$)	Unsupported Amount (\$)
Player Table Tracking Form indicates no play	0	0	0
Total Cheques Analyzed	658	43,444,226	
Observations as % of Total Cheques Analyzed	0.00%	0.00%	0.00%

³ BCLC did not identify any Convenience Cheques that were above \$10,000. However, there was one Return of Funds cheque that was written from the convenience account. Therefore, a percentage of population was not calculated.

4.2 Verified Win Cheques

Mandate Question 2

We analyzed 538 Verified Win Cheques. Of these cheques, we noted observations for Mandate Question 2 related to two cheques. In both cases, the difference of the unsupported value was less than \$1,000. In both cases, incident files were opened in s 15 . The incident files describe that the cheques were issued for incorrect amounts due to incorrectly inputting the buy in amount. In one case, the buy in was rounded to the nearest \$1,000 and in the other case, a single buy in was overlooked.

The observations are summarized in the table below:

Question 2: Summary of Observations			
	# of Cheques	Total Value of Cheques (\$)	Unsupported Amount (\$)
Difference (difference was less than \$1,000)	2	203,930	1,100
Total Cheques Analyzed	538	23,766,216	
Observations as % of Total Cheques Analyzed	0.37%	0.86%	0.00%



4.3 Return of Funds Cheques

Mandate Question 3

We analyzed 120 Return of Funds Cheques. Of these cheques, we did not note any observations for Mandate Question 3.

Mandate Question 4

We analyzed 120 Return of Funds cheques. Of these cheques, we did not note any observations for Mandate Question 4

4.4 Convenience Cheques

Mandate Question 5

There were no Convenience Cheques identified by BCLC that were written for over \$10,000 at Grand Villa within the Analysis Period.

However, we noted one Return of Funds cheque that was written from the convenience cash account. The cheque included a description of "Return of Funds – Not Gaming Winnings" however did not indicate that the cheque was related to a PGF account. Grand Villa identified the issue; however, the cheque had been cashed so the cheque was not voided. The cheque issued was a convenience cheque and still indicated that the money was not from gaming winnings. The observations for this cheque are summarized below:

Question 5: Summary of Observations			
	# of Cheques	Total Value of Cheques (\$)	Unsupported Amount (\$)
Cheques where Convenience Cheque was written for over \$10,000	1	20,000	10,000
Total Cheques Analyzed	1	20,000	
Observations as % of Total Cheques Analyzed ⁴			

⁴ BCLC did not identify any Convenience Cheques that were above \$10,000. However, there was one Return of Funds cheque that was written from the convenience account. Therefore, a percentage of population was not calculated

5. Summary

Of the 658 cheques analyzed, we identified three cheques, or 0.5% of the population, where one or more of the Mandate Questions' criteria was met. As noted in Section 4 of this report, these three cheques accounted for \$223,930 of the \$43,444,226 in total value of cheques. The observations noted in this report can be summarized into the following three categories:

- ▶ **Verified Win Cheques issued in Excess of Verified Win Amount:**
 - ▶ Two occurrences noted where partial or complete buy-ins appeared to be included in a Verified Win Cheque with unsupported amounts totaling \$1,100
- ▶ **Convenience Funds issued for Return of Funds Cheque:**
 - ▶ One occurrence noted in the amount of \$20,000.



Appendices

Appendix	Appendix description
Appendix A	Defined Terms

A. Defined Terms

In writing our report, we used specific terms. For the purposes of this report, the following terms have been used:

- ▶ **Patron:** An individual who is gambling at the casino. Patrons are assigned a unique subject ID ("SID") once a business relationship is established. A business relationship with the casino is formed once a client has an account or has conducted two or more transactions or activities through the casino, for which the patron's identity needs to be verified.
- ▶ **PGF Patron:** A Patron who has opened a Patron Gaming Fund ("PGF") account at the casino. A PGF account is an account opened at the casino for a patron, where the patron can deposit funds for the purpose of gaming. The account can only be opened with a minimum amount of \$10,000 of sourced funds in the form of a bank draft. The PGF Patron can withdraw funds from their PGF account at any point.
- ▶ **Table Game:** table games are casino games that are not slot machines or lotteries. Players enter a game by sitting (or standing) at the table and by placing their bets on that table, in accordance with the rules of the game. Tables are identified using a table number coded using various acronyms such as MDB and MEZB that were identified by BCLC. Gaming activity for table games, or rated play, is tracked using a Player Table Tracking Form (see term below).
- ▶ **Buy-In Amount ("Buy-In"):** the amount of cash, chips, or cheques that a Patron uses to initiate gaming activity. Note that there can be more than one Buy-In amount related to one occurrence of gaming activity.
- ▶ **Cash-Out Amount:** the total amount of chips or cash that a Patron takes to the cage when they finish gaming in order to cash out.
- ▶ **Verified Win Amount ("Verified Win"):** the net positive gaming activity for a Patron. Equal to the total Table Game Cash-Out Amount less the total Buy-In Amount.

For the purposes of this report, cheques issued to gaming patrons have been categorized into the following categories:

- ▶ **Verified Win Cheque:** issued to any patron as a result of gaming activity where the patron wins money from the casino. The amount of the cheque is not to exceed the amount of gaming winnings for the recorded session(s) prior to cash-out. In other words, the amount of the Verified Win Cheque is not to exceed the total cash out amount less the buy in amount.

- ▶ Convenience Cheque: issued to any patron for redemption of chips valued at \$10,000 or less. The cheque is issued as a convenience to Patrons so they do not have to carry cash or chips out of the casino. PGF patrons do not have a limit on how many convenience cheques can be issued whereas non PGF patrons are only allowed up to \$10,000 a week.
- ▶ Return of Funds ("ROF") Cheque: issued to a PGF Patron for a return of funds that are in the PGF account. The funds could be from a deposit from an external source or a deposit from a result of gaming play. The cheque is issued to return money to the PGF Patron and is a form of withdrawal from their account.

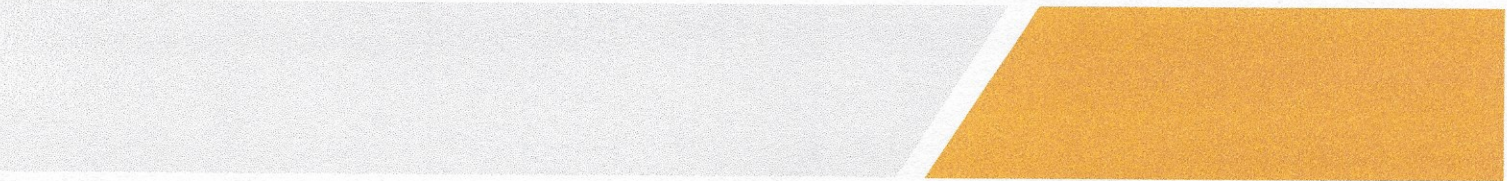
During the completion of our analysis, we talked to members of the following teams at BCLC:

- ▶ BCLC AML Team
 - Manager, AML Intelligence
 - AML Business Intelligence Analyst
- ▶ BCLC Internal Audit Team
 - Director, Internal Audit
 - Manager, Audit Services
 - Senior Internal Auditor
 - Internal Auditor

As part of our analysis, we looked at copies of the following types of documents

- ▶ Cheque – original cheque can be printed by a computer or written by hand
- ▶ Player Table Tracking Form – form that is used by Casino staff to track patrons. The form is used to track details such as what table and seat position the Patron is playing at, date of play, Cash-Out amount, Buy-In amount, and a calculation of the Verified Win amount. These are handwritten records in which play may be recorded as a sum of the activity in dollars or by specific chip values where each chip color has a corresponding denomination.
- ▶ Patron Gaming Fund Large Cash Transaction, Foreign Exchange and Disbursement Record ("PGF Record") – form that is used by Casino staff to track deposits and withdrawals to a PGF Account. For deposits, the form indicates the date, amount, and source of the funds. The source of the deposits can be external (e.g. bank draft) or internal (e.g. re-deposit from gaming activity at the Casino). For withdrawals, the form indicates the date, amount, and type of withdrawal. The type of withdrawal can be a buy-in used to initiate gaming activity through the purchase of chips at the cage, a direct table transaction, or can be a Return of Funds Cheque which is used to take money outside of the Casino.

- ▶ **s 15** system used by BCLC and its service providers to manage the documentation of activities and transactions to adhere to compliance and reporting requirements.
- ▶ **s 15** LCT Printout – A print out of a Large Cash Transaction (“LCT”) Report from **s 15** LCT’s are entered and tracked in **s 15** . LCT Reports are sent to FINTRAC when a casino receives \$10,000 or more within 24 hours from by or on behalf of the same individual or entity. The LCT form contains buy in amounts, PGF account deposits and disbursement details and amounts.
- ▶ PGF Account Detail – Statement of a Patron’s PGF account deposits and withdrawals from account opening to close.
- ▶ **s 15** – An electronic tracking and reporting system that balances transactions to cash at the end of each day. **s 15** includes all cheques issued for the period of January 1, 2014 to December 31, 2016.
- ▶ Manual ROF Cheque Register – Grand Villa Casino tracked ROF cheques issued to Patrons on a manual register maintained in excel. This register was used to determine the population of RPF cheques to be reviewed by EY during the scope period.



EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2020 Ernst & Young LLP.

All Rights Reserved.

A member firm of Ernst & Young Global Limited.

ey.com/ca