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AUDIT REPORT

Review of BCLC Player Gaming Fund Accounts Pilot Project Interim Audit Report 2009/2010 GPEB File # COMM-5224

1.0 EXECUTIVE SUMMARY

An interim audit of BCLC's Patron Gaming Fund (PGF) pilot was conducted to verify compliance with the *Gaming Control Act, Regulation* and all applicable standards, policies and directives.

The purpose of the audit was to review the PGF pilot program to verify that PGF policies and procedures are being followed and to provide an overall evaluation to the Ministry Executive.

Notable exceptions include a failure by Great Canadian Gaming Corporation (GCGC) to correctly set-up the PGF bank account and procedural violations by GCGC cage staff.

2.0 AUDIT OBJECTIVES

The specific objectives of this interim audit were to examine the PGF pilot program to ensure that the receipt and disbursement of player funds is properly managed by GCGC head office and individual accounts are properly administered at site level.

3.0 AUDIT SCOPE

Information and data related to the program was analyzed for the period December 7, 2009 to January 25, 2010. All PGF transactions were reviewed. ""2



Gaming Policy and Enforcement Division
Ministry of Housing & Social Development

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Disursed w/ Janis & Markson Jan Feb 2

Disursed w/ GPEB/BCLC Joint
Ex. Meeting Jan 28/10

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4.0 GENERAL INFORMATION & OBSERVATIONS

- A total of nine accounts have been opened, all opened at Great Canadian Gaming Corporation's River Rock Casino;
- PGF initial deposits range from \$10,000 to \$250,000;
- Total PGF Account balance is \$38,200 (As of January 15, 2009);
- Funds are used by high limit table players;
- Deposited funds are promptly used for gaming;
- Large dollar values are not maintained in accounts for extended periods;
- Patrons complain about the requirement to wire transfer money in to fund their PGF account;
- Overall, PGF accounts are being managed well by the River Rock cage. Accounts are reconciled accurately and required documents (LCTR's, Transfer in/out sheets) are completed;
- There have been no issues identified in the management of verified wins in relation to the PGF accounts;
- Failure by GCGC head office to follow policy.

5.0 AUDIT FINDINGS & EXCEPTIONS

The details of the issues resulting from the audit procedures are discussed below:

1. A PGF account opened December 23, 2009 had the following problems:
 - a. A Large Cash Transaction Record (LCTR) was not created for the initial wire transfer deposit of \$17,000.

Control Failure: Preventative control failure at GCGC. Per section 1.10.1 of BCLC PGF policy LCTR's must be completed for deposits greater than \$10,000.

Severity: High

- b. An Incident report was not created in ITRAK for the account opening.

Control Failure: Preventative control failure at GCGC. Per section 1.10.2 of BCLC PGF policy an incident report in ITRAK must be completed when an account is opened.

Severity: Medium



*o ma BCLC meeting w/ GCGC tomorrow
o will discuss use of chgs w/ endorsement back to them as trs. + verified wins reconciliation*

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- c. There was lack of oversight by BCLC in a timely manner. BCLC did not identify the issues until December 30, 2009. The site created the ITRAK incident file and the LCTR after the GPEB auditor advised them of these errors.

added in extra review at loop see in Kom loop (Kathy Amstos)

Control Failure: Detective control failure at GCGC. Per section 5.7.3 of BCLC PGF policy BCLC Security Investigators shall conduct a review, on a daily basis, of all Patron Gaming Funds Account activity to ensure accordance with reporting requirements for suspicious financial transactions/money laundering.

Severity: Medium

2. GCGC HQ did not open the PGF bank account in compliance with PGF policy. Specific problems include:

- a. The account is interest bearing and \$70.69 of interest was earned in December 2009.

Control Failure: Preventative control failure at the bank. Per section 1.8 of BCLC PGF policy the Service Provider must open a non-interest-accruing bank account specifically for use for patron gaming accounts funds.

Severity: High

- b. The account is not restricted to only allowing deposits via EFT from a registered Canadian bank.

Control Failure: Preventative control failure at the bank. Per section 1.9 of BCLC PGF policy the initial deposit for opening of account must be either by electronic funds transfer or wire transfer from a registered Canadian banking institution.

Severity: High

3. Electronic funds of \$270,696.21CAD were accepted into GCGC's HSBC PGF bank account from a foreign bank (Macau) on December 11, 2009. These funds were returned to the originating bank on December 15, 2009.

Control Failure: Preventative control failure at the bank. Per section 1.9 of BCLC PGF policy the initial deposit for opening of account must be either by electronic funds transfer or wire transfer from a registered Canadian banking institution.

Severity: High

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4. A bank draft for \$30,000CAD from a domestic financial institution was deposited directly by a casino patron to GCGC's HSBC PGF bank account on January 22, 2010. These funds were used for gaming by the patron on the same day. GCGC HQ failed to recognize the deposit as a non-EFT and improperly authorized the River Rock cage to release the funds for gaming.

Control Failure: Preventative control failure at the bank and detective control failure at GCGC head office. Policy violation per section 1.9 of BCLC PGF policy stated above in section 2(b).

Severity: Medium

6.0 CONCLUSION

Significant issues were identified in this interim audit. GPEB requires BCLC to provide in their response by February 15th an action plan indicating how the outstanding issues will be corrected and the date by which the issue will be addressed.

Commercial Gaming Audit
Audit and Compliance Branch
February 1, 2010

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