

Appendix A - BCLC's Response to BC Ombudsman's Recommendations

Collection of Information

1. BCLC create and maintain a list of current identifying information on all BCLC retailers and BCLC retailer employees.

Response: BCLC accepts the recommendation of maintaining a list of current identifying information on all lottery retailers and their employees. This information would add an additional security layer to better conduct thorough investigations into prize claims. BCLC currently has a list of all retailer owners who must legally sign BCLC's Lottery Operations Agreement. BCLC is adding lottery retailer employees to this list through a location-by-location process of data capturing.

BCLC will also develop a central database that will be populated through a web based lottery retailer certification program.

In addition, current identifying information for all lottery retailer location managers will be forwarded to the Gaming Policy and Enforcement Branch (GPEB) for registration. GPEB registration includes criminal background checks.

2. BCLC require all BCLC retailers and BCLC retailer employees (insiders) to use a swipe card or enter a code before all purchases of lottery products in order to collect a prize.

Response: BCLC accepts the recommendation to better track lottery retailer rates of play and win to ensure that the rightful holder of a winning ticket is paid the correct prize.

BCLC will implement a policy prohibiting lottery retailers and their employees from purchasing and validating their personal lottery tickets in their place of employment. BCLC will implement a formal Code of Conduct requiring lottery retailers and their employees to exercise their responsibilities and obligations to the player. BCLC will conduct regular independent research into lottery retailer play activity.

BCLC is committed to developing a system, such as a universal player card within 24 months, in order to track rates of play and support legitimate prize claims. Once operational, lottery retailers and their employees will be obligated to utilize this system.

If a practical and workable system that meets the objective of accurately recording retailer play and win rates cannot be developed, then BCLC will reconsider its policy on retailer play.

3. BCLC report publicly and annually on the rate of insider play and wins at all prize levels.

Response: BCLC accepts the recommendation of publicly reporting, on an annual basis, the rate of lottery retailer play and wins. As an interim measure, BCLC will report all lottery retailer prize wins over \$1,000. BCLC is committed to developing solutions to report lottery retailer wins below \$1,000, including a system to track lottery retailer play and wins at all prize levels (as referenced in our response to

recommendation #2).

BCLC will conduct regular independent research into lottery retailer play activity and report results annually, in conjunction with wins over \$1,000.

Validation Process

- 4. BCLC pursue the development of technological security enhancements to monitor self-checking machines, speakers and any other devices designed to alert purchasers/customers of a win and if these devices are disabled for any reason to suspend sales at that location until they are inspected and repaired.**

Response: BCLC accepts the recommendation to develop security enhancements to suspend sales at a lottery location where equipment has been disabled. Currently, BCLC is fixing in place all Player Display Units (PDUs) with secure hardware to ensure these units are player facing and visible at all times.

BCLC is pursuing the development of a number of security enhancements, including:

- A technology solution which will cause the lottery terminal to shut down and suspend sales when peripheral equipment such as Check-A-Ticket (CATTs) and PDUs are disabled.
- Securing lottery terminals through a lock-down fastener so that the inside of the terminal cannot be accessed to disable the speaker.
- Not reactivating lottery terminals until they are inspected and repaired.

- 5. BCLC require tickets or 'non-valid duplicates' to be returned to all ticket holders with appropriate markings to identify whether the ticket is not a winner; has been validated but not paid out; or is a winner and has been paid out.**

Response: BCLC accepts the recommendation to return all tickets to ticket holders after validation. On an interim basis, lottery retailers will be required to return all winning tickets to ticket holders with an obvious marking to indicate that the ticket has been paid out.

Currently all non-winning tickets are required to be returned with corresponding validation receipts. However, BCLC recognizes that it can be difficult for players to associate their tickets with the corresponding validation receipts. Therefore, BCLC will make efforts to help players more easily associate their tickets with the corresponding validation receipts.

BCLC will remove certain identification features printed on tickets to provide additional layers for security investigation procedures. This will allow BCLC to verify additional details as part of investigations into prize claims.

In the longer term, BCLC commits to pursuing the development of a self serve ticket validation system that would allow the player to initiate and control the validation of their tickets. This new system would imprint the corresponding validation message on the ticket itself, thereby eliminating the need for validation receipts.

6. BCLC include on-screen information about winning tickets in more than one language if the demographics of an area indicate this is useful.

Response: BCLC accepts the recommendation to communicate on screen information about winning tickets so that people of different language groups can comprehend the winning message. Therefore, BCLC will develop a universal symbol to communicate winning ticket information on Player Display Units and a corresponding, multi-lingual education program.

7. BCLC impose an audit process on all wins over \$3,000 that includes the requirement for a winner to make a statutory declaration that they are not a close relative of a BCLC retailer or a BCLC retailer employee.

Response: BCLC accepts the recommendation to ensure that BCLC is identifying winners who are lottery retailers or their employees. BCLC will require all winners over \$3,000 to complete a statutory declaration that they are not a lottery retailer, a lottery retailer employee, a close relative, or residing at the same address. Each BCLC designated regional prize payout centre and BCLC offices will be staffed with personnel certified as Commissioner of Oaths.

8. BCLC require BCLC retailers to collect identification from winners for wins of \$1,000 and greater and forward this information to BCLC. BCLC will then input this data into a database and perform random and regular audits to ensure the rightful owner of the winning ticket was paid the correct prize.

Response: BCLC accepts the recommendation to collect identification from winners of \$1,000 and greater in order to ensure the rightful holder of the winning ticket is paid the correct prize. BCLC will reduce prize payout limits at lottery retail locations from \$3,000 to \$1,000. Therefore, all winners of prizes over \$1,000 will claim prizes at BCLC offices or BCLC designated regional prize payout centres. BCLC will ensure this information is entered into the prize winner database. These procedures will be subject to regular and random audits.

9. BCLC commit to moving toward implementing 100 percent coverage of Check-A-Ticket machines and Keno Self-Service Machines.

Response: BCLC accepts the recommendation to provide expanded access to self service devices and equipment.

BCLC has committed to 100% coverage of Check-A-Ticket terminals in all lottery retail locations.

However, in accordance with our social responsibility obligations, BCLC will only place Keno self service terminals in age controlled lottery retail locations (i.e.: bars and pubs) so that minors cannot access self service lottery terminals. BCLC will develop and install new Self Service terminals in all age controlled lottery retail locations (i.e.: bars and pubs) for Keno sale and validation purposes.

10. BCLC implement a system where scratch and win tickets are recorded when sold to a player. BCLC to use this information as a security check during prize payout process.

Response: BCLC accepts the recommendation to record when Scratch & Win tickets are sold to a player in order to use this information as a security check during the prize payout process. BCLC will implement a system that requires lottery retailers to scan or record the activation code for each book of Scratch & Win tickets prior to offering for sale. This record will be used as a security check during the prize payout process for prizes greater than \$1,000.

BCLC is committed to developing a system to record individual Scratch & Win ticket sales. A number of issues require further analysis, including:

- Impact of recording individual transactions on player service and satisfaction levels.
- Ensuring lottery retailer compliance.
- Legal implications of withholding prizes for non-compliance.

Compliance/Enforcement

11. BCLC modify its internal watchdog system to ensure that multiple checks of the same ticket, multiple attempts to validate a scratch and win or similar product, and any other suspicious activity be identified, investigated, reported upon, acted upon and tracked for trends.

Response: BCLC accepts the recommendation to ensure any suspicious activity is identified, investigated, reported, acted upon and tracked for trends. BCLC will augment its current lottery retailer monitoring process to allow for improved investigation, reporting and response to alerts generated from the central gaming system. BCLC is also committed to implementing new computer systems to generate automatic security and fraud detection analysis.

12. BCLC to develop an incentive program for BCLC retailers and BCLC retailer employees to identify gaps in post point of sale security procedures and report them to BCLC.

Response: BCLC accepts the recommendation to identify gaps in the post point of sale security procedures. BCLC is committed to developing appropriate programs to encourage participation of all lottery retailers and their employees in this effort.

13. Where BCLC reasonably suspects that a BCLC retailer or BCLC retailer employee or any other person has committed a criminal offence, BCLC promptly pass on this information to the appropriate police force.

Response: BCLC accepts the recommendation to promptly pass on all incidents of suspected criminal activity, as determined by BCLC Corporate Security Investigators (all former law enforcement officers), to appropriate police forces.

14. BCLC have a clear, consistently enforced, process of progressive discipline for BCLC retailers and BCLC retailer employees for breaches of post point of sale security including where appropriate termination of the BCLC contract.

Response: BCLC accepts the recommendation of consistently enforcing progressive discipline policies that are clear to lottery retailers and their employees. BCLC will implement a schedule of progressive and escalating disciplinary measures for violations of the Lottery Operations Agreement including breaches of post point of sale security. BCLC will require all lottery retailers and their employees to acknowledge that failure to comply with the Code of Conduct will result in progressive disciplinary actions up to and including termination of the Lottery Operations Agreement.

15. BCLC certify all persons operating its machinery have been properly trained to do so.

Response: BCLC accepts the recommendation to train and certify all persons operating lottery terminals.

BCLC is committed to developing a comprehensive, pro-active, well monitored training system.

BCLC will implement a number of enhancements to our current training program, including:

- Increased personal training at retailer location by BCLC sales representatives.
- Instructional DVDs will be provided to all lottery retailers.
- Additional classroom training at BCLC offices and in major centres in the province will be undertaken.

In addition, BCLC is developing a web-based lottery retailer training and certification program. Through this program, BCLC will certify all persons operating its equipment. BCLC sales representatives will ensure compliance by checking the lottery retailer's employee list to the list of BCLC certified lottery retailers and their employees.

16. BCLC conduct regular, random and comprehensive audits of BCLC retail outlets to ensure compliance with its post point of sale policies and take progressive disciplinary action for any breaches.

Response: BCLC accepts the recommendation to ensure compliance with its post point of sale policies. BCLC has implemented Mystery Shopper audits where lottery retail locations will be visited on a regular and random basis. The program will be a comprehensive audit of compliance to equipment standards and post point of sale procedures, including validation of winning and non-winning tickets. Disciplinary action will take place as a result of any breaches (as per recommendation #14).

17. BCLC develop an incentive program for purchasers/ customers to promptly report deficiencies at its retail outlet.

Response: BCLC accepts the recommendation to identify deficiencies at lottery retail outlets. BCLC is committed to developing appropriate programs to encourage deficiency reporting by purchasers/customers. All customer reported claims of lottery retailer deficiencies will be investigated and documented by BCLC.

Complaints Process

18. BCLC create a written policy for dealing with all customer complaints about post point of sale security issues, including clear categories for identifying and tracking those customer complaints; a requirement that all those customer complaints be referred to and investigated by security; a process for analysing those complaints and tracking trends; and a requirement that the results of the process be reported on annually to the Chief Executive Officer, the Board of BCLC and the public.

Response: BCLC accepts the recommendation to improve the handling of customer complaints. BCLC has implemented a new call tracking system that includes the following features:

- The ability to cross reference with BCLC Security incident management systems, including clearly defined categories.
- Linkage to the lottery retailer database.
- Integration with BCLC's email system.
- Better workflow design to identify backlogs.
- Better trend reporting.

BCLC will create updated written policy and procedures, including:

- Clear identification of the type of customer complaints.
- Defined processes, timetables, privacy and confidentiality requirements
- All appropriate customer complaints to be referred to and investigated by BCLC Security.

BCLC will analyse and track trends for post point of sale customer complaints and report annually the results of the process to the Chief Executive Officer, the Board of BCLC and the public.

General

19. BCLC establish a position at the senior management level with responsibility for all aspects of post point of sale purchaser/customer prize payout security of lottery products.

Response: BCLC accepts the recommendation to have senior management responsibility for all aspects of customer security, including post point of sale prize payout of lottery products. BCLC will develop and assign clear responsibility at the senior management level for this function.

20. BCLC implement all GPEB December 2006 recommendations promptly.

Response: All GPEB recommendations have been accepted and are being implemented.

Addressing Past Deficiencies

21. BCLC be open to receiving complaints from players who feel that they were the victim of retailer impropriety. BCLC to investigate the complaints fully to determine if substantiated; if so, BCLC should be willing to reimburse the player.

Response: BCLC accepts the recommendation to invite complaints from players who feel that they may have been subject to retailer impropriety. BCLC is committed to investigating each complaint fully and, if substantiated, will ensure the player is properly reimbursed.

22. BCLC review its records including phone logs and security records to determine if there are any complaints where BCLC can improve its response or investigation.

Response: BCLC accepts the recommendation to ensure customers' complaints have been handled properly. BCLC will hire an independent third party to review all phone logs and security records for the past two years to determine if there are any complaints where BCLC can improve its response or investigation.

23. BCLC security review all multiple retailer winners to confirm that the prize payouts are valid; if suspicious circumstances are found, BCLC to report to the appropriate authorities.

Response: BCLC accepts the recommendation to ensure that all multiple retailer winners' prize payouts are valid. BCLC Security will review and investigate all multiple lottery retailer winner claims and, if suspicious circumstances are found, will take appropriate action including reporting to appropriate authorities.