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**AUDIT REPORT**

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**BCLC  
Anti Money Laundering Compliance Regime Audit  
GPEB File # COMM-6830  
January 1, 2011, to December 31, 2011**

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**EXECUTIVE SUMMARY**

An audit of BCLC's Anti Money Laundering Compliance Regime was conducted to verify compliance with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA), Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) guidelines, and the *Gaming Control Act* and Regulation.

The scope of the audit included a review of BCLC's anti money laundering compliance regime including organizational structure and responsibilities, risk assessment, training, record keeping and client identification, and reporting. The effectiveness of the regime as demonstrated through gaming facility audits conducted throughout the audit period was also reviewed. Procedures were performed on a test basis.

One notable exception was identified during the course of the audit: BCLC's interpretation and implementation of **FINTRAC Interpretation Notice No. 4 (August 31, 2009) The "24-Hour Rule"**. An example clarifying the divergence of BCLC's procedures from FINTRAC's directive is included below. This is a repeat finding.

**AUDIT OBJECTIVES**

The objectives of the audit were to:

- Verify compliance with FINTRAC guidelines applicable to BCLC within its gaming facilities;
- Verify compliance with FINTRAC guidelines applicable to BCLC regarding reporting of large cash transactions and suspicious transactions;
- Verify compliance with the *Gaming Control Act* (GCA) and Regulation (GCR).

**AUDIT SCOPE**

A risk assessment was performed to identify areas to be reviewed. Specific fieldwork was performed in the following areas:

- FINTRAC compliance regime;
- FINTRAC record keeping systems;
- FINTRAC reporting systems.

## **AUDIT PROCEDURES**

Fieldwork was performed throughout the audit period (January 1, 2011, to December 31, 2011), at BCLC gaming facilities. Audit work was also conducted at BCLC's corporate offices in Vancouver, BC, at the end of the audit period. Audit procedures were conducted on a test basis to provide reasonable assurance of compliance. Auditors performed on-site compliance work through observation, interview and testing. Substantial additional testing was performed off-site through the review of records and training materials provided by service providers and BCLC.

A sample made up of 300 Large Cash Transaction Reports (LCTRs) resulting from buy-ins, disbursements and foreign exchanges occurring during the period January 1, 2011, to December 31, 2011, was reviewed for compliance with FINTRAC requirements. A sample of 132 Suspicious Transaction Reports (STRs) occurring during the same period was also reviewed for compliance with FINTRAC requirements.

## **FINDINGS**

Details of the issues resulting from the audit procedures are discussed below:

- 1) **FINTRAC Guideline 4: Implementation of a Compliance Regime, Section 7 Ongoing Compliance Training** states, in part, "If you have employees, agents or other individuals authorized to act on your behalf, your compliance regime has to include training. This is to make sure that all those who have contact with clients, who see client transaction activity, who handle cash or funds in any way or who are responsible for implementing or overseeing the compliance regime understand the reporting, client identification and record keeping requirements. This includes those at the 'front line' as well as senior management." Section 7 also states, in part, "Standards for the frequency and method of training, such as formal, on-the-job or external, should be addressed. New people should be trained before they begin to deal with clients. All should be periodically informed of any changes in anti-money laundering or anti-terrorism legislation, policies and procedures, as well as current developments and changes in money laundering or terrorist activity financing schemes particular to their jobs. Those who change jobs within your organization should be given training as necessary to be up-to-date with the policies, procedures and risks of exposure to money laundering or terrorist financing that are associated with their new job."

BCLC currently requires all new employees to complete training prior to commencing work on the gaming floor. Employees are also required to be retrained within two years of having last successfully completed training. Training is delivered in two ways - online and classroom instruction. For the purposes of this review the 2011 BCLC Anti Money Laundering Training online course and BCLC Anti Money Laundering Training PowerPoint presentation (revised August 2011) were reviewed. The training is designed to be completed in approximately two hours and includes:

- an introduction to anti money laundering terms,
- a review of regulatory bodies and their functions,
- applicable legal acts and regulations,

- legal requirements within gaming facilities,
- examples of attempted money laundering and suspicious transaction scenarios, and
- duties as a gaming employee including record keeping, identification, and reporting requirements.

The training package also includes questions and answers (no marks) to test and reinforce knowledge as employees make their way through the material. Training ends with a multiple choice test. Twenty questions are randomly selected from a pool of 36 questions. Employees must achieve a mark of 70% in order to successfully complete the course. Employees that do not pass must retake the test until it is passed. A review of the online and classroom training materials determined the current training material is sufficient to prepare employees re: anti money laundering and suspicious transactions.

A review of BCLC training records indicated two active employees of a total 5,422 employees working at 34 gaming facilities had not completed training or retraining within the prescribed time frame.

BCLC indicated one employee at River Rock Casino and Resort was on vacation during the period when the two year retraining period expired; BCLC indicated the employee was scheduled to complete retraining immediately upon return from vacation and prior to commencing work on the gaming floor.

The training report for Chances Squamish, generated January 16, 2012, indicated it had been two years and nine days since one employee had last been trained.

BCLC records indicated 100% training/retraining rates at 32 of 34 gaming facilities reviewed. Overall, the number of employees not trained/retrained is less than 0.1%.

### **BCLC Response:**

In calendar year 2011, BCLC continued with its aggressive FINTRAC training program targeted at all service provider employees, whose job functions required FINTRAC training. Training continues to be delivered in a variety of methods, the two most prevalent were the on line web based training modules and the face to face training delivered to service provider staff at all Casinos and Community Gaming Centers within the Province. BCLC has dedicated a 'Compliance and Trend Analyst' position to oversee all FINTRAC training applications and to monitor all FINTRAC training Province wide. BCLC Investigators also meet with Service Provider compliance personnel on a monthly basis to ensure that AML training requirements are being met as per BCLC Policy. BCLC feels that this has been a very effective and efficient means of oversight as exhibited by the less than 0.1% of employees identified as not having been AML trained/retrained.

Since the training deficiencies were identified by GPEB auditor, BCLC immediately followed up with River Rock Casino and Chances Squamish site compliance personnel.

BCLC investigated and determined that the River Rock employee's training lapsed while he was on vacation. The employee upon returning from training immediately completed the online AML training hosted at [learn@bclc.com](mailto:learn@bclc.com) prior to setting foot on the gaming floor.

BCLC also determined that the Chances Squamish gaming employee attempted to log into the on line AML training hosted at [learn@bclc.com](mailto:learn@bclc.com) on January 25<sup>th</sup> however experienced access issues. This IT issue was brought to the attention of BCLC, the matter was rectified immediately and the employee subsequently completed the online training on January 28<sup>th</sup>.

Both the River Rock and Chances Squamish employees have since completed AML training. AML training in the province now stands at 100%.

2) **FINTRAC Guideline 6F: Record Keeping and Client Identification for Casinos, Sections 3.2, 3.6 and 3.10** specifies record keeping requirements for large cash transactions.

During gaming facility audits, GPEB auditors interview staff to determine their level of understanding regarding identifying and reporting large cash transactions and suspicious transactions. A review of GPEB audit reports for 14 gaming facility audits conducted during the period reviewed determined one instance where a table games dealer at Fraser Downs Casino was unable to correctly recall the threshold for recording large cash transactions (CDN\$10,000).

**BCLC Response:**

As soon as the GPEB auditor supplied the name of the table games dealer at Fraser Downs Casino, BCLC Investigator immediately attended to the gaming facility and determined that at the time the Fraser Downs roulette dealer was being interviewed by GPEB, he was working on the gaming floor and in the process of dealing and could not properly hear or understand the question from the GPEB auditor. The dealer was spoken to by BCLC and is very aware of the LCT reporting requirements. Regardless BCLC Investigator has followed up with Fraser Downs Assistant General Manager and will be providing some Advanced AML Training sessions for Dealers, Cashiers and Slot Attendants which will include Fintrac reporting thresholds as well as suspicious activities indicators.

The review of GPEB audit reports also determined four record keeping errors at Chances Abbotsford and one record keeping error at Hastings Racetrack and Casino. All errors involved data entry re: patron identification.

**BCLC Response:**

BCLC requested and received additional information from the GPEB auditor in relation to the issues identified at the Chances Abbotsford gaming facility which are as follows;

GPEB finding from audit report for **Chances Abbotsford** COMM-6561:

- \* LCT# 11-9772 / SID # & ID Place of issue not entered.
- \* LCT# 11-9537 / DL Place of issue and Expiration date not entered.

- \* LCT# 11-21748 / A copy of his DL was obtained but not scanned into his subject profile
- \* LCT# 11-9772 / Client's type of ID not entered.
- \* LCT # 11-9836 / LCT transaction occurred at 14:14 on 31 March 2011. Related FINTRAC file, and entry of ID, opened 02 April 2011.

Upon receiving specific information from the GPEB Auditor, BCLC Investigator attended the Chances Abbotsford gaming facility and reviewed the issues identified by the GPEB auditor. These issues had been identified by the BCLC Investigator to the gaming facility when completing his daily audit of LCT's. None of these issues impacted on the timeliness of reporting to Fintrac. All issues have been addressed.

GPEB finding from audit report for **Hastings Racetrack and Casino** (Slots) COMM-6316:

The identification on file for a patron was expired. The file indicated that valid ID would need to be presented when patron returned to site. A subsequent LCT was completed in May 2011 however valid ID was not obtained from the patron at that point. As of June 7, 2011, (date of GPEB audit fieldwork) there was still no valid ID on file. This was confirmed with the Surveillance Manager. Subject ID s.22 and LCT #s: 20100032548 and 20110015390 refer.

**BCLC Response:**

Upon receiving specific information from the GPEB Auditor, BCLC Investigator determined that the patron in question SID s.22 returned to Hasting Race Course on June 22, 2011, and presented new current ID (driver License) which is currently on file. This issue has been addressed.

- 3) **FINTRAC Guideline 7A: Submitting Large Cash Transaction Records to FINTRAC Electronically, Section 3.2** requires reports to be sent to FINTRAC within 15 calendars days after transactions occur.

A review of a sample of 300 Large Cash Transaction records determined one series of transactions was reported to FINTRAC more than 15 days after the transactions occurred. In this case, buy-ins and disbursements occurred on s.22, but were not reported to FINTRAC until s.22 16 and 17 days after transactions occurred.

LCT #	Dates of Transactions	Transaction Types	Amounts	Days to Report
20110016768	s.22	Buy-in	s.22	16
		Buy-in		16
		Buy-in		16
		Buy-in		17
		Buy-in		17
		Disbursement		16
		Disbursement		17

The review of the sample of 300 Large Cash Transactions records also determined one series of transactions, totalling \$11,651, was not reported to FINTRAC. In this case, the date for one transaction was entered incorrectly as s.22, instead of s.22. As a result of the error, the series of transactions did not meet reporting requirements; that is, the \$10,000 threshold was not met within 24 hours, and therefore the series of transactions was not reported. Note: BCLC confirmed the error, corrected it, and reported the transaction to FINTRAC once identified by the GPEB auditor as detailed below:

**BCLC Response:**

BCLC determined that the Starlight Casino Executive Table Games Manager had removed the hard copy LCT 20110016768 from the cash cage, prior to it being uploaded into the electronic Fintrac Reporting module to obtain a signature from a staff member who had witnessed a patron make multiple Patron Gaming Fund withdrawals and re-deposits. The patron also received multiple verified win cheques during the course of his play. The Casino employee who witnessed/verified the wins failed to sign the hard copy LCT and departed for annual leave following his shift. While awaiting their return, the LCT hard copy got misplaced on the manager's desk and was not located and processed until after the due date. Once identified the LCT report was completed shortly thereafter and processed to Fintrac. BCLC Investigator has since discussed the importance of timely reporting with Casino management and advised them that this practice of removing a hard copy LCT from the cage for signature thereby compromising timely reporting is totally unacceptable.

LCT #	Actual Dates of Transactions	Transaction Type(s)	Amounts	Days to Report
20110012919	s.22	Disbursement Disbursement Disbursement Disbursement Disbursement Disbursement Disbursement Disbursement	s.22	259

**BCLC Response:**

BCLC and its Service Providers are committed to the timely reporting of all large cash transactions. BCLC Investigators conduct daily reviews of all large cash transactions to ensure appropriateness, timeliness and accuracy of reporting. Upon being notified by the GPEB auditor BCLC determined that the date for one transaction had been entered incorrectly as April 30, 2011, as opposed to the correct transaction date of April 29, 2011. This was missed in the review process. Once this transposition error was identified it was immediately corrected. This large cash disbursement has since been reported to and processed by Fintrac.

- 4) **FINTRAC Interpretation Notice No. 4 (August 2009) The “24-Hour Rule”** states, in part, “You ... have to submit an LCTR if you conduct two or more cash transactions of less than \$10,000 each within 24 consecutive hours of one another ... that add up to \$10,000 or more....” The Interpretation Notice includes a number of examples to explain how LCTRs are to be calculated. The examples illustrate situations where individual amounts may be included in more than one LCTR. A review of BCLC LCTR reports determined that this procedure is not being followed when determining whether an LCTR should be created and reported to FINTRAC. Therefore, BCLC is underreporting LCTRs to FINTRAC, e.g.:

LCT #	Date & Times	Amounts	Reported by BCLC	FINTRAC Minimum Requirement	Description
20110014498	s.22				

Note: This is a repeat finding. GPEB Audit and Compliance Division confirmed with FINTRAC its understanding of **FINTRAC Interpretation Notice No. 4 (August 31, 2009) The “24-Hour Rule”**. BCLC indicated it is currently discussing this issue internally and intends to address the issue with FINTRAC. This issue remains unresolved at this time.

**BCLC Response:**

Given the most recent release of the Department of Finance Consultation Paper entitled “Strengthening Canada’s Anti-Money Laundering and Anti-Terrorist Financing Regime”, dated December 2011, BCLC at this time would like to defer this particular observation by GPEB until clarification can be received of the 24 hour rule in the consultation paper prior to taking any definitive action in this area.

- 5) **FINTRAC Guideline 3A: Submitting Suspicious Transaction Reports to FINTRAC Electronically, Section 3.2** states, in part, “Once you have determined that there are reasonable grounds to suspect that the transaction or attempted transaction is related to a money laundering or terrorist financing offence, your report, including all required and applicable information, must be sent within 30 calendar days. This 30-day reporting time limit begins when you or any one of your employees first detects a fact about a transaction that constitutes reasonable grounds to suspect that it is related to the commission of a money laundering or terrorist financing offence.”

A review of a sample of 132 Suspicious Transaction Reports for the period January 1, 2011, to December 31, 2011, determined all reports were appropriately submitted within the prescribed time frame.



## **CONCLUSION**

BCLC has acknowledged the exceptions in this report and has provided responses indicating issues have been addressed as noted. BCLC has requested to defer its response to issues pertaining to the “24-Hour Rule” until it has received clarification from external parties re: the rule.

Commercial Gaming Audit  
Audit and Compliance Division  
May 1, 2012

## **DISTRIBUTION LIST**

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